



PETRONAS

PETRONAS CHEMICALS GROUP BERHAD
Quarterly Report

For Third Quarter Ended 30 September 2022



QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

The Board of Directors of PETRONAS Chemicals Group Berhad ("PCG" or "the Company") is pleased to announce the following unaudited condensed consolidated financial statements for the quarter ended 30 September 2022 which should be read in conjunction with the accompanying explanatory notes on pages 7 to 20.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In RM Mil	Note	Individual quarter ended		Cumulative quarter ended	
		2022	2021	2022	2021
			30 September		30 September
Revenue	A9.1	7,032	5,766	20,249	16,049
Cost of revenue		(4,942)	(3,637)	(13,570)	(9,962)
Gross profit		2,090	2,129	6,679	6,087
Selling and distribution expenses		(340)	(260)	(897)	(759)
Administration expenses		(219)	(181)	(664)	(597)
Other expenses		-	(7)	(1)	(26)
Other income		509	100	897	335
Operating profit	B4	2,040	1,781	6,014	5,040
Financing costs		(19)	(7)	(34)	(20)
Share of (loss)/profit after tax of equity-accounted joint ventures and associates		(1)	255	192	556
Profit before taxation		2,020	2,029	6,172	5,576
Tax expense	B5	(122)	(66)	(329)	(291)
PROFIT FOR THE PERIOD		1,898	1,963	5,843	5,285
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences		917	98	1,743	455
Share of other comprehensive income of equity-accounted joint ventures and associates		98	17	179	41
Total other comprehensive income for the period		1,015	115	1,922	496
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,913	2,078	7,765	5,781
Profit/(loss) attributable to:					
Shareholders of the Company		1,895	1,964	5,841	5,285
Non-controlling interests		3	(1)	2	-
PROFIT FOR THE PERIOD		1,898	1,963	5,843	5,285
Shareholders of the Company		2,909	2,079	7,763	5,781
Non-controlling interests		4	(1)	2	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2,913	2,078	7,765	5,781
Basic earnings per share attributable to shareholders of the Company:					
Based on ordinary shares issued (sen)	B12	24	25	73	66

The unaudited condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	Note	As at 30 September 2022	As at 31 December 2021 Restated
ASSETS			
Property, plant and equipment		23,633	22,041
Investments in joint ventures and associates		1,767	1,480
Intangible assets		641	684
Deferred tax assets		835	823
TOTAL NON-CURRENT ASSETS		26,876	25,028
Trade and other inventories		2,660	2,214
Trade and other receivables	B7	3,172	2,737
Tax recoverable		48	85
Cash and cash equivalents		19,108	16,390
TOTAL CURRENT ASSETS		24,988	21,426
TOTAL ASSETS		51,864	46,454
EQUITY			
Share capital		8,871	8,871
Reserves		29,977	25,980
Total equity attributable to shareholders of the Company		38,848	34,851
Non-controlling interests		456	535
TOTAL EQUITY		39,304	35,386
LIABILITIES			
Borrowings	B8	2,613	2,156
Lease liabilities		1,734	1,389
Provisions		242	287
Trade payables	A14	756	-
Other long term liabilities		1,255	1,309
Deferred tax liabilities		967	974
TOTAL NON-CURRENT LIABILITIES		7,567	6,115
Borrowings	B8	193	232
Lease liabilities		93	73
Trade and other payables	A14	4,248	4,378
Taxation		459	270
TOTAL CURRENT LIABILITIES		4,993	4,953
TOTAL LIABILITIES		12,560	11,068
TOTAL EQUITY AND LIABILITIES		51,864	46,454
Net assets per share attributable to shareholders of the Company (RM)		4.86	4.36

The unaudited condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Attributable to shareholders of the Company</i>			
	<i>Non-distributable</i>			
	Share Capital	Foreign Currency Translation Reserve	Merger Reserve	Other Reserves
<i>In RM Mil</i>				
Cumulative quarter ended 30 September 2022				
Balance at 1 January 2022, as previously reported	8,871	24	(204)	1,042
- Effect of Amendments to MFRS 116	-	-	-	-
At 1 January 2022, restated	8,871	24	(204)	1,042
Foreign currency translation differences	-	1,743	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	179
Total other comprehensive income for the period	-	1,743	-	179
Profit for the period	-	-	-	-
Total comprehensive income for the period	-	1,743		179
Dividends to shareholders of the Company (note A8)	-	-	-	-
Dividends to a non-controlling interest	-	-	-	-
Others	-	-	-	-
Total transactions with owners of the Group	-	-	-	-
Balance at 30 September 2022	8,871	1,767	(204)	1,221
Cumulative quarter ended 30 September 2021				
Balance at 1 January 2021, as previously reported	8,871	(350)	(204)	1,001
- Effect of Amendments to MFRS 116	-	-	-	-
At 1 January 2021, restated	8,871	(350)	(204)	1,001
Foreign currency translation differences	-	455	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	41
Total other comprehensive income for the period	-	455	-	41
Profit for the period	-	-	-	-
Total comprehensive income for the period	-	455	-	41
Additional shares issued to a non-controlling interest	-	-	-	-
Dividends to shareholders of the Company	-	-	-	-
Total transactions with owners of the Group	-	-	-	-
Balance at 30 September 2021	8,871	105	(204)	1,042

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The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to shareholders of the Company			Total Equity
	Retained Profits	Total	Non- controlling Interests	
<i>In RM Mil</i>				
Cumulative quarter ended 30 September 2022				
Balance at 1 January 2022, as previously reported	25,272	35,005	535	35,540
- Effect of Amendments to MFRS 116	(154)	(154)	-	(154)
At 1 January 2022, restated	25,118	34,851	535	35,386
Foreign currency translation differences	-	1,743	-	1,743
Share of other comprehensive income of equity-accounted joint ventures and associates	-	179	-	179
Total other comprehensive income for the period	-	1,922	-	1,922
Profit for the period	5,841	5,841	2	5,843
Total comprehensive income for the period	5,841	7,763	2	7,765
Dividends to shareholders of the Company (note A8)	(3,840)	(3,840)	-	(3,840)
Dividends to a non-controlling interest	-	-	(4)	(4)
Others	74	74	(77)	(3)
Total transactions with owners of the Group	(3,766)	(3,766)	(81)	(3,847)
Balance at 30 September 2022	27,193	38,848	456	39,304
Cumulative quarter ended 30 September 2021				
Balance at 1 January 2021, as previously reported	21,128	30,446	563	31,009
- Effect of Amendments to MFRS 116	(154)	(154)	-	(154)
At 1 January 2021, restated	20,974	30,292	563	30,855
Foreign currency translation differences	-	455	-	455
Share of other comprehensive income of equity-accounted joint ventures and associates	-	41	-	41
Total other comprehensive income for the period	-	496	-	496
Profit for the period	5,285	5,285	-	5,285
Total comprehensive income for the period	5,285	5,781	-	5,781
Additional shares issued to a non-controlling interest	-	-	4	4
Dividends to shareholders of the Company	(2,400)	(2,400)	-	(2,400)
Total transactions with owners of the Group	(2,400)	(2,400)	4	(2,396)
Balance at 30 September 2021	23,859	33,673	567	34,240

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The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Cumulative quarter ended 30 September	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,172	5,576
Adjustments for:		
- Amortisation of deferred income	(67)	(105)
- Depreciation and amortisation	1,102	1,221
- Financing costs	34	20
- Interest income	(166)	(86)
- Share of profit after tax of equity-accounted joint ventures and associates	(192)	(556)
- Other non-cash items	(872)	(120)
Operating profit before changes in working capital	6,011	5,950
Change in trade and other inventories	(253)	(342)
Change in trade and other receivables	(435)	(702)
Change in trade and other payables	950	632
Cash generated from operations	6,273	5,538
Interest income received	166	86
Taxation paid	(145)	(114)
Net cash generated from operating activities	6,294	5,510
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in joint ventures and associates	(34)	(148)
Dividends received from joint ventures and associates	96	90
Proceeds from disposal of property, plant and equipment	-	1
Partial payment of deferred consideration of acquisition in a subsidiary	(49)	(50)
Purchase of property, plant and equipment	(1,256)	(1,031)
Payment for settlement of forward foreign exchange contract	(49)	(50)
Proceeds from settlement of forward foreign exchange contract	49	50
Net cash used in investing activities	(1,243)	(1,138)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to:		
- PETRONAS	(2,471)	(1,544)
- others (third parties)	(1,369)	(856)
- non-controlling interest	(4)	-
Drawdown of:		
- term loan	315	21
- revolving credit	150	109
Proceeds from shares issued to a non-controlling interest	-	4
Payment of lease liabilities:		
- principal	(46)	(36)
- interest	(40)	(62)
Repayment of term loan:		
- principal	(100)	-
- interest	(47)	(14)
Repayment of revolving credit	(140)	(23)
Net cash used in financing activities	(3,752)	(2,401)

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The unaudited condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In RM Mil</i>	Cumulative quarter ended	
	2022	2021
Net cash flows from operating, investing and financing activities	1,299	1,971
Effect of foreign currency translation differences	8	53
Net increase in cash and cash equivalents	1,307	2,024
Net foreign exchange differences on cash held	1,411	256
Cash and cash equivalents at beginning of the period	16,390	12,707
Cash and cash equivalents at end of the period	19,108	14,987

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The unaudited condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these condensed consolidated financial statements.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

The condensed consolidated financial statements are unaudited and have been prepared in accordance with IAS 34, MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements. They should also be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2021. The explanatory notes attached to the condensed consolidated financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2021.

Within the context of these unaudited condensed consolidated financial statements, the Group comprises the Company, its subsidiaries and a joint operation, as well as the Group's interest in joint ventures and associates as at and for the quarter ended 30 September 2022.

A2. ADOPTION OF REVISED PRONOUNCEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the same accounting policies and methods of computation are followed in the condensed consolidated financial statements as compared with the audited consolidated financial statements for the year ended 31 December 2021.

During the period, the Group has adopted the following Amendments to MFRSs ("pronouncements") that have been issued by the Malaysian Accounting Standards Board ("MASB").

Effective for annual periods beginning on or after 1 January 2022

Amendments to MFRS 9	<i>Financial Instruments (Annual Improvements to MFRS Standards 2018 - 2020)</i>
Amendments to Illustrative Examples accompanying MFRS 16	<i>Leases (Annual Improvements to MFRS Standards 2018 - 2020)</i>
Amendments to MFRS 3	<i>Business Combinations (Reference to the Conceptual Framework)</i>
Amendments to MFRS 116	<i>Property, Plant and Equipment (Property, Plant and Equipment – Proceeds before Intended Use)</i>
Amendments to MFRS 137	<i>Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts – Cost of Fulfilling a Contract)</i>

The initial application of the above pronouncements did not have any material impact to the consolidated financial statements of the Group.

Amendments to MFRS 116 *Property, Plant and Equipment (Property, Plant and Equipment – Proceeds before Intended Use)*. The principle changes on Amendments to MFRS 116 and their effects are set out as below.

The Amendments to MFRS 116 no longer allow companies to deduct any net proceeds from selling items produced while bringing an asset to the location and condition necessary for it to be capable of operating in the manner intended by management, from an item of property, plant and equipment. Instead, the proceeds from selling such items and the costs of producing those items are recognised in the statement of profit or loss.

The Amendments to MFRS 116 is to be applied retrospectively, only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements. The cumulative impact of adoption is to be adjusted at the retained earnings at the beginning of that earliest period.

The restatement impact on comparative information is disclosed in Appendix 1.

A3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of PCG and its subsidiaries for the year ended 31 December 2021 were not subject to any audit qualification.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)

A4. SEASONALITY OR CYCLICALITY OF OPERATIONS

The prices of petrochemical products and their underlying feedstock are subject to significant fluctuations as they are influenced both by global supply and demand as well as movements in the prices of key commodities such as crude oil and natural gas. Consequently, margins have historically been cyclical and are sensitive to supply and demand imbalances both domestically and internationally. Supply is affected by significant capacity expansions by producers, and if such additions are not matched by corresponding growth in demand, which is generally linked to the level of economic activity, average industry operating margins will face downward pressures. As a result, the petrochemical cycle is characterised by years of tight supply, leading to high capacity utilisation rates and margins, followed by years of oversupply, primarily resulting from significant capacity additions, leading to reduced capacity utilisation rates and margins.

A5. EXCEPTIONAL ITEMS

There were no exceptional items during the period under review.

A6. MATERIAL CHANGES IN ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent annual financial statements of PCG and its subsidiaries for the year ended 31 December 2021 that may have a material effect in the results of the period under review.

A7. DEBT AND EQUITY SECURITIES

There were no material issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period under review, other than as disclosed in note B8.

A8. DIVIDEND PAID

During the period under review, the Company paid:

- (i) A second interim single tier dividend of 23 sen per ordinary share, amounting to RM1,840 million in respect of the financial year ended 31 December 2021 to shareholders on 25 March 2022; and
- (ii) A first interim single tier dividend of 25 sen per ordinary share, amounting to RM2,000 million in respect of the financial year ending 31 December 2022 to shareholders on 21 September 2022.

A9. OPERATING SEGMENTS

- Olefins and Derivatives – activities include manufacturing and marketing of a wide range of olefins; intermediate, basic and high-performance chemicals; and polymer products.
- Fertilisers and Methanol – activities include manufacturing and marketing of methanol and a range of nitrogen, phosphate and compound fertilisers.
- Others – other non-reportable segments comprise operations related to port services which provide product distribution infrastructure to the Group as well as activities related to speciality chemicals.

9.1 Revenue

In RM Mil	2022		2021		Cumulative quarter ended 30 September	
	Third Parties	Inter-segment	2022	2021	2022	2021
					Gross Total	
Olefins and Derivatives	9,435	9,062	3	9	9,438	9,071
Fertilisers and Methanol	9,317	6,073	-	-	9,317	6,073
Others	1,497	914	31	37	1,528	951
Total	20,249	16,049	34	46	20,283	16,095

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)

A9. OPERATING SEGMENTS (continued)

9.2 Segment profit for the period ¹

<i>In RM Mil</i>	Cumulative quarter ended 30 September	
	2022	2021
Olefins and Derivatives	2,531	2,779
Fertilisers and Methanol	2,958	2,423
Others ²	354	83
Total	5,843	5,285

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment for the period under review. As at 30 September 2022, all property, plant and equipment other than freehold land and projects-in-progress were stated at cost less accumulated depreciation and impairment losses. Freehold land and projects-in-progress are stated at cost less accumulated impairment losses, if any.

A11. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last audited consolidated financial statements for the year ended 31 December 2021.

A12. CHANGES IN COMPOSITION OF THE GROUP

There were no other material changes in the composition of the Group for the period under review.

A13. CAPITAL COMMITMENTS

Capital expenditures which have not been provided for at the end of each reporting period are as follows:

<i>In RM Mil</i>	As at 30 September 2022	As at 31 December 2021
Property, plant and equipment:		
Approved and contracted for	289	353
Approved but not contracted for	392	1,691
	681	2,044
Acquisition of subsidiaries:		
Approved and contracted for	11,579	-
Total	12,260	2,044

¹ Included within profit for the period for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM417 million (2021: RM551 million), RM640 million (2021: RM614 million) and RM45 million (2021: RM56 million) respectively.

² Includes profit from non-reportable segments and unallocated assets.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)

A14. TRADE AND OTHER PAYABLES

Details of Group trade and other payables

<i>In RM Mil</i>	As at 30 September 2022	As at 31 December 2021
Non-Current Liabilities		
Trade payables	<u>756</u>	<u>-</u>
Current Liabilities		
Trade and other payables	<u>4,248</u>	<u>4,378</u>

At period ended 30 September 2022, the Group via its joint operation entity has entered into arrangements on trade payables amounting to RM1,052 million with counterparties, which resulted in adjustment of timing for payments of the balances. These arrangements have resulted in recognition of gain amounting to RM276 million in the profit or loss. The trade payables are subjected to periodic accretion of interest expense which is expected to approximate this potential gain.

A15. GOODWILL

Below is the movement of goodwill during the period under review:

<i>In RM Mil</i>	As at 1 January 2022	Foreign currency translation	As at 30 September 2022
Goodwill	<u>231</u>	<u>(8)</u>	<u>223</u>

A16. FAIR VALUE INFORMATION

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identifiable assets or liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable input).

The Group recognises transfer between levels of fair value hierarchy as of the date of the event or change in circumstances that caused the transfer.

Forward foreign exchange contracts

The fair value of forward foreign exchange contracts is based on the difference between the contracted forward rates and the mark-to-market rates. If a quoted market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract.

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)

A16. FAIR VALUE INFORMATION (continued)

Forward foreign exchange contracts (continued)

The following table analyses financial instruments carried at fair value shown in the statement of financial position.

As at 30 September 2022

Fair value of financial instruments carried at fair value

<i>In RM Mil</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Nominal value</u>
Financial assets					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>20</u>	<u>-</u>	<u>20</u>	<u>573</u>
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>(3)</u>	<u>(610)</u>

As at 31 December 2021

Fair value of financial instruments carried at fair value

<i>In RM Mil</i>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	<u>Nominal value</u>
Financial assets					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>4</u>	<u>-</u>	<u>4</u>	<u>597</u>
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(4)</u>	<u>(366)</u>

A17. SUBSEQUENT EVENT

PCG via its wholly-owned subsidiary, PETRONAS Chemicals International B.V. ("PCIBV") had on 14 May 2022 entered into a Securities Purchase Agreement ("SPA") with Financière Forêt S.à.r.l, a company under PAI Partners, a European private equity firm ("Seller") to acquire 50,000,000 shares in Perstorp Holding AB ("Perstorp"), representing the entire issued share capital of Perstorp.

On 11 October 2022, PCG has fulfilled all the required conditions precedent and paid purchase price of EUR1,612.8 million (equivalent to approximately RM7,314.8 million³) to the Seller, satisfied wholly in cash, to complete the acquisition.

PCIBV had repaid all outstanding and unpaid amounts owed by Perstorp and its subsidiaries ("Perstorp Group") as of the closing date of the SPA that relates to their existing financing agreements which amounts to EUR895.2 million (equivalent to approximately RM4,060.0 million³) and paid earn-out payment into an escrow account which amounts to EUR45.0 million (equivalent to approximately RM204.1 million³) related to Perstorp's new plant in Sayakha, India. The amount in the escrow account will be disbursed to the Seller subject to meeting certain conditions as agreed in the SPA. Following this completion, Perstorp has become an indirect wholly-owned subsidiary of PCG.

Further details and the effect of the acquisition are as stated in a separate Bursa Announcement issued on 17 May 2022, 14 September 2022 and 12 October 2022 respectively.

³ Translated based on exchange rate of EUR1.0000 : RM4.5353, being the middle rate quoted by Reuters on 11 October 2022.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

PART B – OTHER EXPLANATORY NOTES

B1. REVIEW OF GROUP PERFORMANCE

(a) Performance of the current quarter against the corresponding quarter

<i>In RM Mil</i>	2022	2021	Individual quarter ended 30 September			
			Group	Olefins and Derivatives	Fertilisers and Methanol	
Revenue	7,032	5,766	3,419	3,155	3,187	2,271
Profit after tax	1,898	1,963	843	955	994	983
EBITDA ³	1,960	2,113	697	952	1,263	1,142

PCG Group recorded higher plant utilisation rate of 97% as compared to 94% in the corresponding quarter mainly due to lower plant maintenance and statutory turnaround activities resulting in higher production and sales volumes.

Revenue was higher by RM1.3 billion or 22% at RM7.0 billion largely due to higher product prices in tandem with the improved crude oil price amidst the Russia-Ukraine conflict and weakening of Ringgit Malaysia against US Dollar.

EBITDA was lower by RM153 million or 7% at RM2.0 billion mainly due to compressed margin. Profit after tax decreased by RM65 million or 3% at RM1.9 billion in line with lower EBITDA and share of profit from joint ventures and associates, partially offset by finance income arising from adjustment of timing for payment of the trade payables.

Olefins and Derivatives

The segment's operational performance recorded higher plant utilisation rate of 100% as compared to 98% in the corresponding quarter mainly due to lower plant maintenance activities resulting in higher production and sales volumes.

Revenue was higher by RM264 million or 8% at RM3.4 billion primarily due to higher sales volumes and weakening of Ringgit Malaysia against US Dollar.

EBITDA was lower by RM255 million or 27% at RM697 million following compressed margin. Profit after tax was also lower by RM112 million or 12% at RM843 million in line with lower EBITDA and share of profit from joint ventures and associates.

Fertilisers and Methanol

The segment recorded higher plant utilisation rate of 94% as compared to 92% in the corresponding quarter due to lower plant statutory turnaround activities resulting in higher production and sales volumes.

The segment's revenue increased by RM916 million or 40% at RM3.2 billion primarily attributed to the higher product prices.

EBITDA was higher by RM121 million or 11% at RM1.3 billion mainly due to higher margin. However, profit after tax was comparable at RM994 million mainly due to lower share of profit from joint ventures and associates.

³ EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted joint ventures and associates and other significant non-cash items.

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

(b) Performance of the current period against the corresponding period

<i>In RM Mil</i>			Cumulative quarter ended 30 September			
	2022	2021	2022	2021	2022	2021
	Group		Olefins and Derivatives		Fertilisers and Methanol	
Revenue	20,249	16,049	9,438	9,071	9,317	6,073
Profit after tax	5,843	5,285	2,531	2,779	2,958	2,423
EBITDA ⁴	6,350	5,962	2,494	3,028	3,660	2,936

PCG Group recorded lower plant utilisation rate of 85% as compared to 94% in the corresponding period mainly due to higher plant statutory turnaround and maintenance activities resulting in lower production and sales volumes.

Revenue was higher by RM4.2 billion or 26% at RM20.2 billion largely due to higher product prices in tandem with improved crude oil price amidst the Russia-Ukraine conflict and weakening of Ringgit Malaysia against US Dollar.

EBITDA was higher by RM388 million or 7% at RM6.4 billion mainly due to improved margin. Profit after tax increased by RM558 million or 11% at RM5.8 billion in line with higher EBITDA.

Olefins and Derivatives

The segment's operational performance recorded lower plant utilisation rate of 89% as compared to 99% in the corresponding period mainly due to higher plant statutory turnaround and maintenance activities resulting in lower production and sales volumes.

Revenue was higher by RM367 million or 4% at RM9.4 billion primarily due to higher product prices partially offset by lower sales volumes and weakening of Ringgit Malaysia against US Dollar.

EBITDA was lower by RM534 million or 18% at RM2.5 billion due to lower volume. Profit after tax also decreased by RM248 million or 9% at RM2.5 billion in line with lower EBITDA and share of profit from joint ventures and associates.

Fertilisers and Methanol

The segment's operational performance recorded lower plant utilisation rate of 83% as compared to 91% in the corresponding period mainly due to higher plant statutory turnaround and maintenance activities resulting in lower production and sales volumes.

The segment recorded higher revenue by RM3.2 billion or 53% at RM9.3 billion mainly due to higher product prices and weakening of Ringgit Malaysia against US Dollar.

EBITDA was higher by RM724 million or 25% at RM3.7 billion following improved margin. Profit after tax increased by RM535 million or 22% at RM3.0 billion in line with higher EBITDA.

⁴ EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted joint ventures and associates and other significant non-cash items.

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FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

(c) Variation of results against the preceding quarter

<i>In RM Mil</i>	Individual quarter ended	
	30 September 2022	30 June 2022
Revenue	7,032	6,583
Profit after tax	1,898	1,872
EBITDA ⁵	1,960	1,968

PCG Group recorded higher plant utilisation rate of 97% as compared to 72% in the preceding quarter mainly due to lower plant statutory turnaround and maintenance activities resulting in higher production and sales volumes.

Revenue was higher by RM449 million or 7% at RM7.0 billion mainly due to higher sales volumes, partially offset by lower product prices.

EBITDA and profit after tax for the current quarter was comparable at RM2.0 billion and RM1.9 billion respectively.

(d) Highlight on consolidated statement of financial position

<i>In RM Mil</i>	As at	As at
	30 September 2022	31 December 2021 Restated
Total assets	51,864	46,454
Total equity	39,304	35,386
ROE (%)	20.1	20.8

The Group's total assets were higher by RM5.4 billion or 12% at RM51.9 billion. This was mainly due to higher cash and cash equivalents contributed by profit generated during the period, partially offset by dividend payment to shareholders. Additionally, property, plant and equipment increased in relation to the capital investment in the petrochemicals projects within Pengerang Integrated Complex (PIC) and melamine project in Gurun, Kedah as well as statutory plant turnaround related costs.

⁵ EBITDA refers to earnings before interest, taxation, depreciation and amortisation, share of profit of equity accounted joint ventures and associates and other significant non-cash items.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

(e) Highlight on consolidated statement of cash flows

<i>In RM Mil</i>	Cumulative quarter ended 30 September	
	2022	2021
Net cash generated from operating activities	6,294	5,510
Net cash used in investing activities	(1,243)	(1,138)
Net cash used in financing activities	(3,752)	(2,401)

Net cash generated from operating activities increased by RM784 million or 14% at RM6.3 billion, mainly due to higher profit generated during the period.

Net cash used in investing activities was higher by RM105 million or 9% at RM1.2 billion primarily due to higher property, plant and equipment partially offset by lower investment in joint venture and associates for the period.

Net cash used in financing activities for the period was higher by RM1.4 billion or 56% at RM3.8 billion, due to higher dividend payment to shareholders.

B2. COMMENTARY ON PROSPECTS

The results of the Group's operations are expected to be primarily influenced by global economic conditions, petrochemical products prices which have a high correlation to crude oil price, particularly for the Olefins and Derivatives segment, utilisation rate of our production facilities and foreign exchange rate movements.

The utilisation of our production facilities is dependent on plant maintenance activities and sufficient availability of feedstock as well as utilities supply. The Group will continue with its operational excellence programme and supplier relationship management to sustain plant utilisation level at above industry benchmark.

The COVID-19 pandemic continues to affect the global economy and the market will remain volatile. PCG will navigate market uncertainties by leveraging its operational and commercial excellence.

The Group anticipates product prices for olefins and derivatives to be moderate on weak demand due to lower downstream margin and high inflation. Fertiliser and methanol product prices are expected to be stable supported by limited supply.

B3. PROFIT FORECAST OR PROFIT GUARANTEE

The Group does not publish any profit forecast or profit guarantee.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B4. OPERATING PROFIT

<i>In RM Mil</i>	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2022	2021	2022	2021
Included in operating profit are the following charges:				
Depreciation and amortisation	354	417	1,102	1,221
Inventories written down to net realisable value	-	3	-	-
and credits:				
Interest income	94	29	166	86
Fair value gain	16	-	70	2
Finance income	276	-	276	-
Inventories written back to net realisable value	70	-	37	26
Amortisation of deferred income	22	35	67	105
Net gain on foreign exchange	70	25	263	121

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

Foreign exchange exposure / hedging policy

The Group is exposed to varying levels of foreign exchange risk when they enter into transactions that are not denominated in the respective companies' functional currencies and when foreign currency monetary assets and liabilities are retranslated at the reporting date. The main underlying economic currencies of the Group's cash flows are Ringgit Malaysia and US Dollar.

The Group's foreign exchange management policies aim to minimise transactional exposure arising from currency movements. The Group mainly relies on the natural hedge arising from most of its revenue and expenses being denominated in US Dollar. In addition, the Group, where applicable, hedge using derivative instruments in respect of current and forecasted transactions.

B5. TAX EXPENSE

<i>In RM Mil</i>	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2022	2021	2022	2021
Current tax expenses				
Current period tax	108	102	348	267
Under/(over) provision in respect of prior periods	2	(12)	2	(12)
	110	90	350	255
Deferred tax expenses				
Origination and reversal of temporary differences	(6)	3	(37)	58
Under/(over) provision in respect of prior periods	18	(27)	16	(22)
	12	(24)	(21)	36
	122	66	329	291

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B5. TAX EXPENSE (continued)

The Group's effective tax rates for the individual and cumulative quarter ended 30 September 2022 are 6% and 5% respectively which, are reflective of the various tax legislation within which the Group operates including among others Malaysia Income Tax Act 1967 and Global Incentive for Trading (GIFT) under Labuan Financial Services and Securities Act 2010. Additionally, there was recognition of deferred tax asset on business losses for a subsidiary in preceding quarter following projection of its utilisation within the claimable period.

B6. STATUS OF CORPORATE PROPOSALS

There was no other corporate proposal announced other than disclosed in note A17 since the last audited consolidated financial statements for the year ended 31 December 2021.

B7. TRADE AND OTHER RECEIVABLES

(a) Details of Group trade and other receivables

<i>In RM Mil</i>	As at 30 September 2022	As at 31 December 2021
Trade receivables:		
- Third party	2,589	2,096
- Joint ventures and associates	217	296
- Related companies	148	111
Other receivables	218	234
Total	3,172	2,737

Average credit term for trade receivables granted to related parties and non-related parties is 45 days.

(b) Ageing analysis of trade receivables

<i>In RM Mil</i>	As at 30 September 2022	As at 31 December 2021
Not past due	2,895	2,464
Past due 1 to 30 days	47	38
Past due 31 to 60 days	7	-
Past due 61 to 90 days	2	1
Past due more than 90 days	3	-
Total	2,954	2,503

With respect to the Group's trade receivables, there are no indications as of the reporting date that the debtors will not meet their payment obligations.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B8. BORROWINGS

	Denominated currency	<i>In denominated currency</i>		<i>In presentation currency</i>	
		As at 30 September 2022 Mil	As at 31 December 2021 Mil	As at 30 September 2022 RM Mil	As at 31 December 2021 RM Mil
Non-current					
Term loans - secured	USD	387	394	1,798	1,646
Term loan - unsecured	USD	146	88	679	368
Term loan - unsecured	EUR	30	30	136	142
				2,613	2,156
Current					
Terms loans - secured	USD	20	33	92	139
Revolving credit - unsecured	CAD	-*	-	1*	-
Revolving credit - unsecured	EUR	-	20	-	93
Revolving credit - unsecured	RM	100	-	100	-
				193	232

The EUR unsecured term loan bears interest of 0.71% per annum and is repayable in 2025. The CAD unsecured revolving credit bears interest of 1.5% margin above Prime rate Canada.

The USD unsecured term loan is pursuant to the co-borrowing agreement between the joint operation company and a related party under an integrated borrowing structure. The loan which bears nil interest was fair valued as a Level 3 fair value on initial recognition with an effective interest rate of 2.38% per annum and due for a final repayment twelve months following the final discharge of the project financing, mentioned below.

The RM unsecured revolving credit bears interest margin of 0.70% above KLIBOR for first RM30 million and 0.90% above KLIBOR for the remaining outstanding amount of the facility.

The secured term loans relate to 50% share of project financing facility of a joint operation company amounting to USD914 million, net of transaction costs. The loans bear interest margin above 6-month LIBOR ranging from 0.80% to 1.74% per annum and the remaining amount is repayable on various dates between 2022 and 2034.

The loans are secured in the following manner:

- (i) Completion guarantee from the ultimate holding company, PETRONAS on several and not joint basis which will be uplifted and terminated upon meeting all project completion requirements;
- (ii) Cross-guarantee arrangement under an integrated borrowing structure due to the nature of the project with a related party; and
- (iii) Charge over ordinary shares and the land lease rights of the said joint operation company.

B9. DERIVATIVE FINANCIAL INSTRUMENTS

There were no changes to the Group's derivative financial instruments since the last audited consolidated financial statements for the year ended 31 December 2021, other than as disclosed in note A16.

* Amount of revolving credit – unsecured is CAD235,000 (RM796, 697) translated at exchange rate of CAD1.0000 : RM3.3902, being the middle rate quoted by Reuters on 30 September 2022.

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

PART B – OTHER EXPLANATORY NOTES (continued)

B10. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

The Group does not have any financial liabilities that are measured at fair value (other than derivative financial instruments) for the period under review.

B11. MATERIAL LITIGATION

There was no pending material litigation since the last audited consolidated financial statements for the year ended 31 December 2021.

B12. BASIC EARNINGS PER SHARE

Basic earnings per share is derived based on the profit attributable to shareholders of the Company and number of ordinary shares of the Company.

	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2022	2021	2022	2021
<i>In RM Mil</i>				
Profit for the period attributable to shareholders of the Company	1,896	1,964	5,841	5,285
<i>In millions of shares</i>				
Number of ordinary shares issued	8,000	8,000	8,000	8,000
<i>In sen</i>				
Basic earnings per share	24	25	73	66

As at the date of the statement of financial position, the Company does not have any instruments which may have a dilutive impact on the basic earnings per share.

B13. EXCHANGE RATES

	30 September 2022	Individual quarter ended		30 September 2022	Cumulative quarter ended	
		30 June 2022	30 September 2021		31 December 2021	30 September 2021
USD/MYR						
Average rate	4.4820	4.3502	4.1971	4.3416	4.1439	4.1302
Closing rate	4.6375	4.4035	4.1890	4.6375	4.1740	4.1890
EUR/MYR						
Average rate	4.5150	4.6371	4.9477	4.6199	4.9025	4.9414
Closing rate	4.5568	4.5981	4.8609	4.5568	4.7279	4.8609

By order of the Board

Azira Marini Binti Ab Rahim (SSM Practising Certificate No. 201908001107)

Kang Shew Meng (SSM Practising Certificate No. 201908002065)

Company Secretaries

Kuala Lumpur
25 November 2022

QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

APPENDIX 1 - IMPACT OF MFRS 116 AMENDMENTS

- a) No restatement to consolidated statement of profit or loss and other comprehensive income for individual quarter ended 30 September 2021 as the transactions are immaterial.
- b) Reconciliation of consolidated statement of financial position as at 31 December 2021.

	As previously reported	Effect of MFRS 116 amendments	As restated
<i>In RM Mil</i>			
Property, plant and equipment	22,195	(154)	22,041
Other assets	24,413	-	24,413
TOTAL ASSETS	46,608	(154)	46,454
EQUITY			
Share Capital	8,871	-	8,871
Reserves			
Retained Profits			
Balance as at 1 January 2021	21,128	(154)	20,974
Total comprehensive income for the year	7,345	-	7,345
Total transactions with owners of the Group	(3,201)	-	(3,201)
Balance as at 31 December 2021	25,272	(154)	25,118
Other reserves	862	-	862
Total equity attributable to shareholders of the Company	35,005	(154)	34,851
Non-controlling interests	535	-	535
TOTAL EQUITY	35,540	(154)	35,386
TOTAL LIABILITIES	11,068	-	11,068
TOTAL EQUITY AND LIABILITIES	46,608	(154)	46,454