



PETRONAS

PETRONAS CHEMICALS GROUP BERHAD

Quarterly Report

For First Quarter Ended 31 March 2023



QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

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 31 March 2023 which should be read in conjunction with the accompanying explanatory notes on pages 7 to 20.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

<i>In RM Mil</i>	Note	Individual quarter ended 31 March	
		2023	2022
Revenue	A9.1	7,557	6,634
Cost of revenue		(6,167)	(4,157)
Gross profit		1,390	2,477
Selling and distribution expenses		(496)	(279)
Administration expenses		(337)	(183)
Other expenses		(72)	—
Other income		107	82
Operating profit	B4	592	2,097
Financing costs		(40)	(7)
Share of profit after tax of equity accounted associates and joint ventures		38	123
Profit before taxation		590	2,213
Tax expense	B5	(54)	(141)
PROFIT FOR THE PERIOD		536	2,072
Profit/(loss) attributable to:			
Shareholders of the Company		532	2,076
Non-controlling interests		4	(4)
PROFIT FOR THE PERIOD		536	2,072
Basic earnings per share attributable to shareholders of the Company:			
Based on ordinary shares issued (sen)	B12	7	26

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

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

<i>In RM Mil</i>	Note	Individual quarter ended 31 March	
		2023	2022
PROFIT FOR THE PERIOD		536	2,072
Other comprehensive income /(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		184	109
Share of other comprehensive (loss)/income of equity-accounted joint ventures and associates		(77)	10
Total other comprehensive income for the period		107	119
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		643	2,191
Total other comprehensive income/(loss) attributable to:			
Shareholders of the Company		637	2,195
Non-controlling interests		6	(4)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		643	2,191

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

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	Note	As at 31 March 2023	As at 31 December 2022
ASSETS			
Property, plant and equipment		27,385	27,213
Investments in joint ventures and associates		1,625	1,665
Intangible assets		9,422	9,364
Long term receivables	A15	289	284
Retirement benefits		89	88
Deferred tax assets		771	798
TOTAL NON-CURRENT ASSETS		39,581	39,412
Trade and other inventories		3,575	3,465
Trade and other receivables	B7	3,529	3,619
Tax recoverable		48	46
Cash and cash equivalents		8,423	8,888
TOTAL CURRENT ASSETS		15,575	16,018
TOTAL ASSETS		55,156	55,430
EQUITY			
Share capital		8,871	8,871
Reserves		29,564	30,207
Total equity attributable to shareholders of the Company		38,435	39,078
Non-controlling interests		661	655
TOTAL EQUITY		39,096	39,733
LIABILITIES			
Borrowings	B8	2,494	2,489
Lease liabilities		1,788	1,688
Provisions		223	221
Trade payables	A16	769	759
Retirement benefits		246	242
Other long term liabilities		1,411	1,432
Deferred tax liabilities		2,346	2,364
TOTAL NON-CURRENT LIABILITIES		9,277	9,195
Borrowings	B8	233	229
Lease liabilities		155	125
Trade and other payables	A16	6,147	5,914
Taxation		248	234
TOTAL CURRENT LIABILITIES		6,783	6,502
TOTAL LIABILITIES		16,060	15,697
TOTAL EQUITY AND LIABILITIES		55,156	55,430
Net assets per share attributable to shareholders of the Company (RM)		4.80	4.88

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 FIRST QUARTER ENDED 31 MARCH 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company			
	Non-distributable			
<i>In RM Mil</i>	Share Capital	Foreign Currency Translation Reserve	Merger Reserve	Other Reserves
Individual quarter ended 31 March 2023				
At 1 January 2023	8,871	1,573	(204)	1,165
Foreign currency translation differences	—	182	—	—
Share of other comprehensive loss of equity-accounted joint ventures and associates	—	—	—	(77)
Total other comprehensive income/(loss) for the period	—	182	—	(77)
Profit for the period	—	—	—	—
Total comprehensive income/(loss) for the period	—	182	—	(77)
Dividends to shareholders of the Company (note A8)	—	—	—	—
Total transactions with owners of the Group	—	—	—	—
Balance at 31 March 2023	8,871	1,755	(204)	1,088

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Individual quarter ended 31 March 2022				
Balance at 1 January 2022, as previously reported	8,871	24	(204)	1,042
- Effect of Amendments to MFRS 116	—	—	—	—
Balance at 1 January 2022, restated	8,871	24	(204)	1,042
Foreign currency translation differences	—	109	—	—
Share of other comprehensive income of equity-accounted joint ventures and associates	—	—	—	10
Total other comprehensive income for the period	—	109	—	10
Profit/(Loss) for the period	—	—	—	—
Total comprehensive income/(loss) for the period	—	109	—	10
Dividends to shareholders of the Company (note A8)	—	—	—	—
Others	—	—	—	—
Total transactions with owners of the Group	—	—	—	—
Balance at 31 March 2022	8,871	133	(204)	1,052

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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 FIRST QUARTER ENDED 31 MARCH 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

<i>In RM Mil</i>	Attributable to shareholders of the Company		Non- controlling interests	Total Equity
	Retained Profits	Total		
	<u>Distributable</u>			
Individual quarter ended 31 March 2023				
At 1 January 2023	27,673	39,078	655	39,733
Foreign currency translation differences	—	182	2	184
Share of other comprehensive loss of equity- accounted joint ventures and associates	—	(77)	—	(77)
Total other comprehensive income/(loss) for the period	—	105	2	107
Profit for the period	532	532	4	536
Total comprehensive income/(loss) for the period	532	637	6	643
Dividends to shareholders of the Company (note A8)	(1,280)	(1,280)	—	(1,280)
Total transactions with owners of the Group	(1,280)	(1,280)	—	(1,280)
Balance at 31 March 2023	26,925	38,435	661	39,096

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Individual quarter ended 31 March 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)
Balance at 1 January 2022, restated	25,118	34,851	535	35,386
Foreign currency translation differences	—	109	—	109
Share of other comprehensive income of equity- accounted joint ventures and associates	—	10	—	10
Total other comprehensive income for the period	—	119	—	119
Profit/(Loss) for the period	2,076	2,076	(4)	2,072
Total comprehensive income/(loss) for the period	2,076	2,195	(4)	2,191
Dividends to shareholders of the Company (note A8)	(1,840)	(1,840)	—	(1,840)
Others	74	74	(77)	(3)
Total transactions with owners of the Group	(1,766)	(1,766)	(77)	(1,843)
Balance at 31 March 2022	25,428	35,280	454	35,734

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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 FIRST QUARTER ENDED 31 MARCH 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Individual quarter ended	
	2023	31 March 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	590	2,213
Adjustments for:		
- Amortisation of deferred income	(22)	(22)
- Depreciation and amortisation	484	389
- Financing costs	40	7
- Interest income	(76)	(22)
- Share of profit after tax of equity-accounted joint ventures and associates	(38)	(123)
- Unrealised forex loss/(gain)	239	(22)
- Other non-cash items	49	(79)
Operating profit before changes in working capital	<u>1,266</u>	<u>2,341</u>
Change in trade and other inventories	(182)	63
Change in trade and other receivables	89	(139)
Change in trade and other payables	(54)	(77)
Cash generated from operations	<u>1,119</u>	<u>2,188</u>
Interest income received	76	22
Taxation paid	(56)	(78)
Net cash generated from operating activities	<u>1,139</u>	<u>2,132</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in joint ventures and associates	—	(21)
Purchase of property, plant and equipment	(401)	(327)
Net cash used in investing activities	<u>(401)</u>	<u>(348)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to:		
- PETRONAS	(824)	(1,184)
- others (third parties)	(456)	(656)
Drawdown of revolving credit	—	150
Payment of lease liabilities:		
- principal	(34)	(19)
- interest	(13)	(7)
Repayment of revolving credit	—	(24)
Repayment of term loans:		
- principal	(1)	—
- interest	(29)	(10)
Net cash used in financing activities	<u>(1,357)</u>	<u>(1,750)</u>
Net cash flows from operating, investing and financing activities	(619)	34
Effect of foreign currency translation differences	144	(6)
Net (decrease)/increase in cash and cash equivalents	<u>(475)</u>	<u>28</u>
Net foreign exchange differences on cash held	10	88
Cash and cash equivalents at beginning of the period	<u>8,888</u>	<u>16,390</u>
Cash and cash equivalents at end of the period	<u>8,423</u>	<u>16,506</u>

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 FIRST QUARTER ENDED 31 MARCH 2023

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 2022. 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 2022.

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 31 March 2023.

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 2022.

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 2023

MFRS 17	<i>Insurance Contracts</i>
Amendments to MFRS 17	<i>Insurance Contracts</i>
Amendments to MFRS 17	<i>Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 – Comparative Information)</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements and MFRS Practice Statement 2 (Disclosure of Accounting Policies)</i>
Amendments to MFRS 108	<i>Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)</i>
Amendments to MFRS 112	<i>Income Taxes (Deferred Tax related to Assets and Liabilities arising from Single Transaction)</i>

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

A3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of PCG and its subsidiaries for the year ended 31 December 2022 were not subject to any audit qualification.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

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. Specialties segments generally experience less cyclical due to the higher customised requirements of the products and more barriers for substitution.

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 2022 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 a second interim single tier dividend of 16 sen per ordinary share, amounting to RM1,280 million in respect of the financial year ended 31 December 2022 to shareholders on 23 March 2023.

A9. OPERATING SEGMENTS

The Group reportable segments comprise Olefins and Derivatives, Fertilisers and Methanol, Specialties and Others. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies.

- 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.
- Specialties - activities include manufacturing and marketing of advance chemicals solutions, animal nutrition, silicones; and lube oil additives and chemicals.
- Others – other non-reportable segments comprise operations related to investment holding and port services which provide product distribution infrastructure to the Group.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

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

A9. OPERATING SEGMENTS (continued)

9.1 Revenue

<i>In RM Mil</i>	2023		2022		Individual quarter ended 31 March	
	Restated		Restated		2023	2022
	Third-parties		Inter-segment		Gross total	
Olefins and Derivatives	3,393	2,741	—	2	3,393	2,743
Fertilisers and Methanol	2,407	3,304	—	—	2,407	3,304
Specialties	1,745	578	—	—	1,745	578
Others	12	11	12	8	24	19
Total	7,557	6,634	12	10	7,569	6,644

9.2 Segment profit for the period¹

<i>In RM Mil</i>	Individual quarter ended 31 March	
	2023	2022 Restated
Olefins and Derivatives	170	733
Fertilisers and Methanol	533	1,172
Specialties	(29)	163
Others ²	(138)	4
Total	536	2,072

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment for the period under review. As at 31 March 2023, 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 2022.

A12. CHANGES IN COMPOSITION OF THE GROUP

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

¹ Included within profit for the period for Olefins and Derivatives, Fertilisers and Methanol, Specialties and Others segments are depreciation and amortisation expenses amounting to RM113 million (2022: RM164 million), RM232 million (2022: RM209 million), RM71 million (2022: RM5 million) and RM68 million (2022: RM11 million) respectively.

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

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FOR FIRST QUARTER ENDED 31 MARCH 2023

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

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 31 March 2023	As at 31 December 2022
Property, plant and equipment:		
Approved and contracted for	694	168
Approved but not contracted for	1,612	2,450
	<u>2,306</u>	<u>2,618</u>
Lease contracts yet to commence:		
Plant and equipment	49	49
Total	<u>2,355</u>	<u>2,667</u>

A14. GOODWILL

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

<i>In RM Mil</i>	As at 1 January 2023	Foreign currency translation	As at 31 March 2023
Goodwill	3,014	34	<u>3,048</u>

A15. LONG TERM RECEIVABLES

<i>In RM Mil</i>	As at 31 March 2023	As at 31 December 2022
Trade receivable	23	22
Other receivables and prepayment	266	262
	<u>289</u>	<u>284</u>

The Group via its subsidiary has entered into an arrangement on trade receivables which resulted in adjustment of timing for payments of the balances. The receivable was fair valued on initial measurement and is subjected to periodic accretion of interest income over the period of the arrangement.

Included in other receivables are amount transferred into escrow account in relation to acquisition of a subsidiary in previous period.

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FOR FIRST QUARTER ENDED 31 MARCH 2023

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

A16. TRADE AND OTHER PAYABLES

Details of Group trade and other payables

<i>In RM Mil</i>	As at 31 March 2023	As at 31 December 2022
Non current liabilities		
Trade payables	<u>769</u>	<u>759</u>
Current Liabilities		
Trade and other payables	<u>6,147</u>	<u>5,914</u>

The Group via its joint operation entity has entered into an arrangement on trade payables amounting to RM769 mil which resulted in adjustment of timing for payments of the balances. The trade payables were fair valued on initial measurement and is subjected to periodic accretion of interest expense over the period of the arrangement.

A17. FAIR VALUE INFORMATION

The carrying amounts of cash and cash equivalents, short terms 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 transfers 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.

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

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FOR FIRST QUARTER ENDED 31 MARCH 2023

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

A17. FAIR VALUE INFORMATION (continued)

As at 31 March 2023

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	—	10	—	10	1,257
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	—	(6)	—	(6)	(546)
Contingent consideration					
- within 2 years	—	—	(213)	(213)	(213)

As at 31 December 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	—	7	—	7	459
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	—	(11)	—	(11)	(562)
Contingent consideration					
- within 2 years	—	—	(208)	(208)	(208)

A18. SUBSEQUENT EVENT

Further to the announcement dated 9 January 2023 in relation to the divestment of 25% of the Company's equity interest in PETRONAS Chemicals Fertiliser Sabah Sdn. Bhd. ("PCFS") to SMJ Sdn Bhd ("SMJ"), a wholly owned company of the Sabah State Government, the Company has entered into a Share Purchase Agreement ("SPA") and other related agreements with SMJ on 25 April 2023 (the "Divestment"). The consideration of the Divestment is RM1,246 million which is based on the net book value of plant, property and equipment of PCFS as at 31 December 2022. The consideration is payable on a deferred payment arrangement.

The Divestment is expected to be completed by the end of the second quarter 2023. Upon completion of the Divestment, PCG and SMJ shall have 75% and 25% of the ownership in PCFS, respectively and PCFS will continue to be a subsidiary of the Company.

Based on the latest audited consolidated statement of financial position of the Company as at FYE 31 December 2022 and on the assumption that the Divestment had been in effect on that date, the Divestment has reduced PCG's ownership in PCFS from 100% to 75%. The carrying amount divested to non-controlling interests ("NCI") is RM1,050 million (representing 25% interest) with fair-valued deferred payment consideration of RM1,150 million. The Divestment has increased the NCI by RM1,050 million and equity attributable to owner of the Company by RM100 million.

Further details and the effect of the divestment are as stated in a separate Bursa Announcement issued on 25 April 2023.

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FOR FIRST QUARTER ENDED 31 MARCH 2023

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

(b) Variation of results against the preceding quarter

<i>In RM Mil</i>	Individual quarter ended	
	31 March 2023	31 December 2022
Revenue	7,557	8,704
Profit after tax	536	484
EBITDA ⁴	1,083	1,740

PCG Group recorded lower plant utilisation rate of 96% as compared to 100% in the preceding quarter mainly due to higher plant maintenance activities resulting in lower production and sales volumes.

Revenue was lower by RM1.1 billion or 13% at RM7.6 billion mainly due to lower sales volumes, lower product prices and strengthening of Ringgit Malaysia against US Dollar.

EBITDA was lower by RM657 million or 38% at RM1.1 billion mainly contributed by compressed margins. However, profit after tax was higher by RM52 million or 11% at RM536 million mainly due to lower foreign exchange loss on revaluation of loans to a joint operation company & of a subsidiary and lower earn out costs arising from acquisition of BRB Group in 2019.

(c) Highlight on consolidated statement of financial position

<i>In RM Mil</i>	As at 31 March 2023	As at 31 December 2022
	Total assets	55,156
Total equity	39,096	39,733
ROE (%)	12.2	15.9

The Group's total assets and equity were comparable at RM55.2 billion and RM39.1 billion respectively.

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

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FOR FIRST QUARTER ENDED 31 MARCH 2023

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

(d) Highlight on consolidated statement of cash flows

<i>In RM Mil</i>	Individual quarter ended 31 March	
	2023	2022
Net cash generated from operating activities	1,139	2,132
Net cash used in investing activities	(401)	(348)
Net cash used in financing activities	(1,357)	(1,750)

Net cash generated from operating activities was lower by RM993 million or 47% at RM1.1 billion mainly due to lower profit generated during the period.

Net cash used in investing activities was higher by RM53 million or 15% at RM401 million primarily due to higher property, plant and equipment relating to capital investment in the petrochemicals projects within Pengerang Integrated Complex (PIC) and melamine project.

Net cash used in financing activities for the period was lower by RM393 million or 22% at RM1.4 billion due to lower 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 Group anticipates product prices for olefins & derivatives to soften following demand uncertainty amidst global inflationary pressure. Fertiliser and methanol product prices are expected to stabilise, supported by improving demand. For specialties, the Group expects modest demand recovery as restocking activities have been observed but the persistent global inflationary environment and slowdown in certain end-markets may pose headwinds on pricing.

B3. PROFIT FORECAST OR PROFIT GUARANTEE

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

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FOR FIRST QUARTER ENDED 31 MARCH 2023

PART B – OTHER EXPLANATORY NOTES (continued)

B4. OPERATING PROFIT

<i>In RM Mil</i>	Individual quarter ended 31 March	
	2023	2022
Included in profit for the period are the following charges:		
Depreciation and amortisation	484	389
Inventories written down to net realisable value	72	—
Net loss on foreign exchange	73	—
and credits:		
Interest income	76	22
Inventories written back to net realisable value	—	21
Amortisation of deferred income	22	22
Net gain on foreign exchange	—	30

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 31 March	
	2023	2022
Current tax expenses		
Current period tax	46	118
Deferred tax expenses		
Origination and reversal of temporary differences	8	25
Over provision in respect of prior periods	—	(2)
	8	23
	54	141

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FOR FIRST QUARTER ENDED 31 MARCH 2023

PART B – OTHER EXPLANATORY NOTES (continued)

B5. TAX EXPENSE (continued)

The Group's effective tax rates for the quarter ended 31 March 2023 and 2022 are 9% and 6% 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.

B6. STATUS OF CORPORATE PROPOSALS

There were no new corporate proposals during the period under review since the last audited consolidated financial statements for the year ended 31 December 2022.

B7. TRADE AND OTHER RECEIVABLES

(a) Details of Group trade and other receivables

<i>In RM Mil</i>	As at 31 March 2023	As at 31 December 2022
Trade receivables:		
– Third party	2,471	2,714
– Joint ventures and associates	259	253
– Related companies	140	103
Other receivables	659	549
Total	3,529	3,619

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 31 March 2023	As at 31 December 2022
Current	2,786	2,983
Past due 1 to 30 days	88	66
Past due 31 to 60 days	9	23
Past due 61 to 90 days	2	12
Past due more than 90 days	8	8
Total	2,893	3,092

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 FIRST QUARTER ENDED 31 MARCH 2023

PART B – OTHER EXPLANATORY NOTES (continued)

B8. BORROWINGS

	Denominated currency	In denominated currency		In presentation currency	
		As at 31 March 2023 Mil	As at 31 December 2022 Mil	As at 31 March 2023 RM Mil	As at 31 December 2022 RM Mil
Non-current					
Term loans - secured	USD	371	370	1,637	1,635
Term loan - unsecured	USD	158	157	699	695
Term loan - unsecured	EUR	33	34	158	159
				2,494	2,489
Current					
Term loans - secured	USD	26	26	115	115
Term loans - unsecured	CNY	20	20	13	13
Term loans - unsecured	EUR	1	—	4	—
Revolving credit - unsecured	CAD	—	0*	1*	1*
Revolving credit - unsecured	RM	100	100	100	100
				233	229

There are two EUR unsecured term loans which bear interests of 0.71% per annum and interest margin above EURIBOR of 0.85% per annum respectively. These loans are repayable on various dates between 2023 and 2027. The CAD unsecured revolving credit bears interest margin of 1.5% 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 ranging from 2.33% to 4.18% per annum and due for a final repayment twelve months following the final discharge of the project financing, mentioned below.

There are two CNY unsecured term loans which bear interests of 3.85% and 4.10% per annum respectively.

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 USD secured term loans relate to 50% share of project financing facility of a joint operation company. The loans bear interest margin above 6-month LIBOR ranging from 0.80% to 1.74% per annum and is repayable on various dates between 2021 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.

*Amount of revolving credit – unsecured is CAD305,000 (RM995,879) (2022: CAD355,000; RM1,156,311) translated at exchange rate of CAD1.0000 : RM3.2655 (2022: RM3.2571), being the middle rate quoted by Reuters on 31 March 2023.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

PART B – OTHER EXPLANATORY NOTES (continued)

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 2022, other than as disclosed in note A17.

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 2022.

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.

<i>In RM Mil</i>	Individual quarter ended	
	2023	31 March 2022
Profit for the period attributable to shareholders of the Company	532	2,076
<i>In millions of shares</i>		
Number of ordinary shares issued	8,000	8,000
<i>In sen</i>		
Basic earnings per share	7	26

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.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2023

PART B – OTHER EXPLANATORY NOTES (continued)

B13. EXCHANGE RATES

	31 March 2023	Individual quarter ended	
		31 December 2022	31 March 2022
USD/MYR			
Average rate	4.3906	4.5756	4.1925
Closing rate	4.4150	4.4150	4.2030
EUR/MYR			
Average rate	4.7096	4.6645	4.7076
Closing rate	4.8194	4.7099	4.6965

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
 29 May 2023