PETRONAS

PETRONAS CHEMICALS GROUP BERHAD

Quarterly Report

For Second Quarter Ended 30 June 2023

PETRONAS CHEMICALS GROUP BERHAD 199801003704 (459830-K)

QUARTERLY REPORT

FOR SECOND QUARTER ENDED 30 JUNE 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 30 June 2023 which should be read in conjunction with the accompanying explanatory notes on pages 7 to 21.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Individual quarter ended 30 June		**Cumulative quarter ended 30 June**	
In RM Mil	**Note**	**2023**	**2022**	**2023**	**2022**
Revenue	**A9.1**	**7,113**	6,583	**14,670**	13,217
Cost of revenue		**(5,923)**	(4,471)	**(12,090)**	(8,628)
Gross profit		**1,190**	2,112	**2,580**	4,589
Selling and distribution expenses		**(468)**	(278)	**(964)**	(557)
Administration expenses		**(279)**	(262)	**(616)**	(445)
Other expenses		**—**	(11)	**—**	(3)
Other income		**259**	315	**294**	390
Operating profit	**B4**	**702**	1,876	**1,294**	3,974
Financing costs		**(22)**	(8)	**(62)**	(15)
Share of profit after tax of equity-accounted associates and joint ventures		**14**	70	**52**	193
Profit before taxation		**694**	1,938	**1,284**	4,152
Tax expense	**B5**	**(61)**	(66)	**(115)**	(208)
PROFIT FOR THE PERIOD		**633**	1,872	**1,169**	3,944
Profit/(loss) attributable to:					
Shareholders of the Company		**628**	1,869	**1,160**	3,945
Non-controlling interests		**5**	3	**9**	(1)
PROFIT FOR THE PERIOD		**633**	1,872	**1,169**	3,944
Basic earnings per share attributable to shareholders of the Company:					
Based on ordinary shares issued (sen)	**B13**	**8**	23	**15**	49

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

		Individual quarter ended 30 June		Cumulative quarter ended 30 June	
In RM Mil	Note	2023	2022	2023	2022
PROFIT FOR THE PERIOD		633	1,872	1,169	3,944
Other comprehensive income /(loss)					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences		920	718	1,104	827
Share of other comprehensive income/(loss) of equity-accounted joint ventures and associates		75	71	(2)	81
Total other comprehensive income for the period		995	789	1,102	908
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,628	2,661	2,271	4,852
Total other comprehensive income/(loss) attributable to:					
Shareholders of the Company		1,621	2,659	2,258	4,854
Non-controlling interests		7	2	13	(2)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,628	2,661	2,271	4,852

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 SECOND QUARTER ENDED 30 JUNE 2023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In RM Mil	Note	As at 30 June 2023	As at 31 December 2022
ASSETS			
Property, plant and equipment		28,306	27,213
Investments in joint ventures and associates		1,714	1,665
Intangible assets		9,522	9,364
Long term receivables	A15	189	284
Retirement benefits		90	88
Deferred tax assets		760	798
TOTAL NON-CURRENT ASSETS		40,581	39,412
Trade and other inventories		3,718	3,465
Trade and other receivables	B7	3,710	3,619
Tax recoverable		31	46
Cash and cash equivalents		9,056	8,888
TOTAL CURRENT ASSETS		16,515	16,018
TOTAL ASSETS		57,096	55,430
EQUITY			
Share capital		8,871	8,871
Reserves		31,185	30,207
Total equity attributable to shareholders of the Company		40,056	39,078
Non-controlling interests		668	655
TOTAL EQUITY		40,724	39,733
LIABILITIES			
Borrowings	B8	2,584	2,489
Lease liabilities		1,852	1,688
Provisions		242	221
Trade payables	A16	795	759
Retirement benefits		252	242
Other long term liabilities		1,295	1,432
Deferred tax liabilities		2,317	2,364
TOTAL NON-CURRENT LIABILITIES		9,337	9,195
Borrowings	B8	269	229
Lease liabilities		162	125
Trade and other payables	A16	6,294	5,914
Taxation		310	234
TOTAL CURRENT LIABILITIES		7,035	6,502
TOTAL LIABILITIES		16,372	15,697
TOTAL EQUITY AND LIABILITIES		57,096	55,430
Net assets per share attributable to shareholders of the Company (RM)		5.01	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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company			
	Non-distributable			
In RM Mil	**Share Capital**	**Foreign Currency Translation Reserve**	**Merger Reserve**	**Other Reserves**
Cumulative quarter ended 30 June 2023				
At 1 January 2023	8,871	1,573	(204)	1,165
Foreign currency translation differences	—	1,100	—	—
Share of other comprehensive loss of equity-accounted joint ventures and associates	—	—	—	(2)
Total other comprehensive income/(loss) for the period	—	1,100	—	(2)
Profit for the period	—	—	—	—
Total comprehensive income/(loss) for the period	—	1,100	—	(2)
Dividends to shareholders of the Company (note A8)	—	—	—	—
Total transactions with owners of the Group	—	—	—	—
Balance at 30 June 2023	8,871	2,673	(204)	1,163

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Cumulative quarter ended 30 June 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	—	828	—	—
Share of other comprehensive income of equity-accounted joint ventures and associates	—	—	—	81
Total other comprehensive income/(loss) for the	—	828	—	81
Profit/(Loss) for the period	—	—	—	—
Total comprehensive income/(loss) for the period	—	828	—	81
Dividends to shareholders of the Company (note A8)	—	—	—	—
Others	—	—	—	—
Total transactions with owners of the Group	—	—	—	—
Balance at 30 June 2022	8,871	852	(204)	1,123

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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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to shareholders of the Company			
	Distributable			
In RM Mil	**Retained Profits**	**Total**	**Non-controlling interests**	**Total Equity**
Cumulative quarter ended 30 June 2023				
At 1 January 2023	27,673	39,078	655	39,733
Foreign currency translation differences	—	1,100	4	1,104
Share of other comprehensive loss of equity-accounted joint ventures and associates	—	(2)	—	(2)
Total other comprehensive income/(loss) for the period	—	1,098	4	1,102
Profit for the period	1,160	1,160	9	1,169
Total comprehensive income/(loss) for the period	1,160	2,258	13	2,271
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 30 June 2023	27,553	40,056	668	40,724

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	Retained Profits	Total	Non-controlling interests	Total Equity
Cumulative quarter ended 30 June 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	—	828	(1)	827
Share of other comprehensive income of equity-accounted joint ventures and associates	—	81	—	81
Total other comprehensive income/(loss) for the period	—	909	(1)	908
Profit/(Loss) for the period	3,945	3,945	(1)	3,944
Total comprehensive income/(loss) for the period	3,945	4,854	(2)	4,852
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 30 June 2022	27,297	37,939	456	38,395

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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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

In RM Mil	Cumulative quarter ended 30 June 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,284	4,152
Adjustments for:		
- Amortisation of deferred income	(44)	(45)
- Depreciation and amortisation	966	748
- Financing costs	62	15
- Interest income	(159)	(72)
- Share of profit after tax of equity-accounted joint ventures and associates	(52)	(193)
- Unrealised forex loss/(gain)	87	(196)
- Other non-cash items	32	16
Operating profit before changes in working capital	2,176	4,425
Change in trade and other inventories	(169)	(212)
Change in trade and other receivables	17	97
Change in trade and other payables	354	(2)
Cash generated from operations	2,378	4,308
Interest income received	159	72
Taxation paid	(95)	(112)
Net cash generated from operating activities	2,442	4,268
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from joint ventures and associates	–	96
Investment in joint ventures and associates	–	(21)
Payment of earn out for a subsidiary	(231)	–
Purchase of property, plant and equipment	(827)	(781)
Net cash used in investing activities	(1,058)	(706)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to:		
- PETRONAS	(824)	(1,184)
- others (third parties)	(456)	(656)
Drawdown of:		
- term loans	–	224
- revolving credit	–	150
Payment of lease liabilities:		
- principal	(63)	(34)
- interest	(35)	(16)
Repayment of revolving credit	(1)	(86)
Repayment of term loans:		
- principal	(39)	(92)
- interest	(63)	(21)
Net cash used in financing activities	(1,481)	(1,715)
Net cash flows from operating, investing and financing activities	(97)	1,847
Effect of foreign currency translation differences	20	(24)
Net (decrease)/increase in cash and cash equivalents	(77)	1,823
Net foreign exchange differences on cash held	245	697
Cash and cash equivalents at beginning of the period	8,888	16,390
Cash and cash equivalents at end of the period	9,056	18,910

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

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 30 June 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 MFRS and 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	*Insurance Contracts*
Amendments to MFRS 17	*Insurance Contracts (Initial Application of MFRS 17 and MFRS 9 – Comparative Information)*
Amendments to MFRS 101	*Presentation of Financial Statements (Disclosure of Accounting Policies)*
Amendments to MFRS 108	*Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Accounting Estimates)*
Amendments to MFRS 112	*Income Taxes (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)*

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

On 2 June 2023, MASB has also issued the Amendment to MFRS 112 *Income Taxes International Tax Reform – Pillar Two Model Rules.* The amendment is effective from annual period beginning on or after 1 January 2023 and will be in effect upon enactment of Pillar Two Models Rule in Malaysia. As allowed by transitional provision of the said amendment, the Group is not required to provide any disclosure in relation to this amendment for interim period ended 30 June 2023.

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.

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 segment generally experience less cyclicality 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 advanced 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.

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

A9. OPERATING SEGMENTS (continued)

9.1 Revenue

In RM Mil	Third-parties 2023	Third-parties 2022 Restated	Inter-segment 2023	Inter-segment 2022	Gross total 2023	Gross total 2022 Restated
					Cumulative quarter ended 30 June	
Olefins and Derivatives	7,026	6,016	–	3	7,026	6,019
Fertilisers and Methanol	4,281	6,130	–	–	4,281	6,130
Specialties	3,336	1,047	–	–	3,336	1,047
Others	27	24	24	18	51	42
Total	14,670	13,217	24	21	14,694	13,238

9.2 Segment profit/(loss) for the period [1]

In RM Mil	Cumulative quarter ended 30 June 2023	Cumulative quarter ended 30 June 2022 Restated
Olefins and Derivatives	591	1,687
Fertilisers and Methanol	773	1,964
Specialties	(192)	240
Others[2]	(3)	53
Total	1,169	3,944

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment for the period under review. As at 30 June 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 RM228 million (2022: RM298 million), RM457 million (2022: RM419 million), RM145 million (2022: RM7 million) and RM136 million (2022: RM24 million) respectively.
[2] Includes profit/loss from non-reportable segments and unallocated assets.

A13. CAPITAL COMMITMENTS

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

In RM Mil	**As at 30 June 2023**	**As at 31 December 2022**
Property, plant and equipment:		
Approved and contracted for	722	168
Approved but not contracted for	1,189	2,450
	1,911	2,618
Lease contracts yet to commence:		
Plant and equipment	52	49
Total	1,963	2,667

A14. GOODWILL

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

In RM Mil	**As at 1 January 2023**	**Adjustment**	**Foreign currency translation**	**As at 30 June 2023**
Goodwill	3,014	(2)	81	3,093

A15. LONG TERM RECEIVABLES

In RM Mil	**As at 30 June 2023**	**As at 31 December 2022**
Trade receivable	24	22
Other receivables and prepayment	165	262
	189	284

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 year, where first tranche payment has been released from escrow account to the seller upon meeting certain conditions as agreed in the Sales and Purchase Agreement in current quarter.

A16. TRADE AND OTHER PAYABLES

Details of Group trade and other payables

In RM Mil	As at 30 June 2023	As at 31 December 2022
Non current liabilities		
Trade payables	**795**	759
Current Liabilities		
Trade and other payables	**6,294**	5,914

The Group via its joint operation entity has entered into an arrangement on trade payables amounting to RM795 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.

A17. FAIR VALUE INFORMATION (continued)

As at 30 June 2023

Fair value of financial instruments carried at fair value

In RM Mil	Level 1	Level 2	Level 3	Total	Nominal value
Financial assets					
Forward foreign exchange contracts					
- within 1 year	–	16	–	16	826
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	–	(4)	–	(4)	(819)
Contingent consideration					
- within 1 year	–	–	(110)	(110)	(110)

As at 31 December 2022

Fair value of financial instruments carried at fair value

In RM Mil	Level 1	Level 2	Level 3	Total	Nominal value
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 has been completed on 24 July 2023 upon fulfilment of Conditions Precedent under the SPA. With this completion, PCFS will continue to be a subsidiary of the Company.

Based on the latest unaudited consolidated statement of financial position of the Company as at 31 July 2023 , the Divestment has reduced PCG's ownership in PCFS from 100% to 75%. The carrying amount divested to non-controlling interests ("NCI") is RM1,114 million (representing 25% interest) with fair-valued deferred payment consideration of RM1,143 million. The Divestment has increased the NCI by RM1,114 million and equity attributable to owner of the Company by RM29 million.

Further details and the effect of the divestment are as stated in a separate Bursa Announcements issued on 25 April 2023 and 24 July 2023.

PART B – OTHER EXPLANATORY NOTES

B1. REVIEW OF GROUP PERFORMANCE

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

							Individual quarter ended 30 June	
	2023	2022	2023	2022	2023	2022	2023	2022 Restated
In RM Mil	Group		Olefins and Derivatives		Fertilisers and Methanol		Specialties	
Revenue	**7,113**	6,583	**3,633**	3,276	**1,874**	2,826	**1,591**	469
Profit/(loss) after tax	**633**	1,872	**422**	954	**241**	792	**(164)**	77
EBITDA[3]	**1,058**	1,968	**584**	965	**460**	1,001	**38**	107

PCG Group recorded higher plant utilisation rate of 82% as compared to 72% in the corresponding quarter mainly due to no statutory turnaround and lower plant maintenance activities during the quarter resulting in higher production & sales volumes.

Revenue was higher by RM530 million or 8% at RM7.1 billion largely due to higher sales volumes and inclusion of revenue contribution from a recently acquired subsidiary, partially offset by lower product prices.

EBITDA was lower by RM910 million or 46% at RM1.1 billion mainly due to lower products spreads. Profit after tax decreased by RM1.2 billion or 66% at RM633 million in line with lower EBITDA and share of profit from joint ventures and associates.

Olefins and Derivatives

The segment's operational performance recorded higher plant utilisation rate of 98% as compared to 89% in the corresponding quarter mainly due to no statutory turnaround and lower plant maintenance activities during the quarter resulting in higher production & sales volumes.

Revenue was higher by RM357 million or 11% at RM3.6 billion primarily due to higher sales volumes and weakening of Ringgit Malaysia against US Dollar.

EBITDA was lower by RM381 million or 39% at RM584 million following lower product spreads, higher energy & utilities costs as well as pre-operation costs from a joint operating company. Profit after tax was also lower by RM532 million or 56% at RM422 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 73% as compared to 62% in the corresponding quarter mainly due to no statutory turnaround and lower plant maintenance activities resulting in higher production and sales volumes.

The segment's revenue decreased by RM952 million or 34% at RM1.9 billion primarily attributed to lower product prices partially offset by weakening of Ringgit Malaysia against US Dollar.

EBITDA was lower by RM541 million or 54% at RM460 million mainly due to lower product spreads. Profit after tax was lower by RM551 million or 70% at RM241 million in line with lower EBITDA.

Specialties

The segment's revenue increased by RM1.1 billion at RM1.6 billion primarily due to inclusion of newly acquired subsidiary.

[3] 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.

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

Specialties (continued)

EBITDA was lower by RM69 million or 64% at RM38 million mainly due to compressed margin and lower sales volume. The segment recorded loss after tax of RM164 million as compared to profit after tax in the corresponding quarter of RM77 million in line with lower EBITDA and higher foreign exchange loss on revaluation of loan.

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

							Cumulative quarter ended 30 June	
	2023	2022	2023	2022	2023	2022	2023	2022 Restated
In RM Mil	Group		Olefins and Derivatives		Fertilisers and Methanol		Specialties	
Revenue	**14,670**	13,217	**7,026**	6,019	**4,281**	6,130	**3,336**	1,047
Profit/(loss) after tax	**1,169**	3,944	**591**	1,687	**773**	1,964	**(192)**	240
EBITDA[4]	**2,141**	4,390	**883**	1,797	**1,242**	2,396	**126**	323

PCG Group recorded higher plant utilisation rate of 89% as compared to 79% in the corresponding period mainly due to no statutory turnaround and lower plant maintenance activities during the period resulting in higher production & sales volumes.

Revenue was higher by RM1.5 billion or 11% at RM14.7 billion largely due to inclusion of revenue contribution from a recently acquired subsidiary and higher sales volumes, partially offset by lower product prices.

EBITDA was lower by RM2.2 billion or 51% at RM2.1 billion mainly due to lower product spreads. Profit after tax decreased by RM2.8 billion or 70% at RM1.2 billion in line with lower EBITDA.

Olefins and Derivatives

The segment's operational performance recorded higher plant utilisation rate of 96% as compared to 82% in the corresponding period mainly due to no statutory turnaround and lower plant maintenance activities resulting in higher production and sales volumes.

Revenue was higher by RM1.0 billion or 17% at RM7.0 billion primarily due to higher sales volumes and weakening of Ringgit Malaysia against US Dollar.

EBITDA was lower by RM914 million or 51% at RM883 million following lower product spreads, higher energy & utilities costs as well as pre-operation costs from a joint operating company. Profit after tax also decreased by RM1.1 billion or 65% at RM591 million in line with lower EBITDA and share of profit from joint ventures and associates.

Fertilisers and Methanol

The segment's operational performance recorded higher plant utilisation rate of 85% as compared to 77% in the corresponding period mainly due to no statutory turnaround activities resulting in higher production and sales volumes.

The segment recorded lower revenue by RM1.8 billion or 30% at RM4.3 billion mainly due to lower product prices.

EBITDA was lower by RM1.2 billion or 48% at RM1.2 billion following lower product spreads. Profit after tax decreased by RM1.2 billion or 61% at RM773 million in line with lower EBITDA.

[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.

PART B – OTHER EXPLANATORY NOTES

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

Specialties

The segment's revenue increased by RM2.3 billion at RM3.3 billion primarily due to inclusion of newly acquired subsidiary.

EBITDA was lower by RM197 million or 61% at RM126 million mainly due to compressed margin and lower sales volume. The segment recorded loss after tax of RM192 million as compared to profit after tax in the corresponding period of RM240 million in line with lower EBITDA and higher foreign exchange loss on revaluation of loan.

(c) Variation of results against the preceding quarter

In RM Mil	Individual quarter ended 30 June 2023	31 March 2023
Revenue	7,113	7,557
Profit after tax	633	536
EBITDA[5]	1,058	1,083

PCG Group recorded lower plant utilisation rate of 82% as compared to 96% in the preceding quarter mainly due to gas supply limitation at PC Methanol Labuan and PC Fertiliser Sabah as well as higher plant maintenance activities resulting in lower production and sales volumes.

Revenue was lower by RM444 million or 6% at RM7.1 billion mainly due to lower sales volumes and product prices, partially offset by higher revenue contribution from a joint operation company.

EBITDA was lower by RM25 million or 2% at RM1.1 billion mainly contributed by lower volumes and product spreads. However, profit after tax was higher by RM97 million or 18% at RM633 million mainly due to higher foreign exchange gain on revaluation of loan to a joint operation company.

(d) Highlight on consolidated statement of financial position

In RM Mil	As at 30 June 2023	As at 31 December 2022
Total assets	57,096	55,430
Total equity	40,724	39,733
ROE (%)	8.7	15.9

The Group's total assets were higher by RM1.7 billion or 3% at RM57.1 billion. This was mainly due to the increase in property, plant and equipment in relation to the capital investment in the petrochemical projects within the Pengerang Integrated Complex, Penta plant in Sayakha, India and plant improvement projects.

[5] 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.

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

(e) Highlight on consolidated statement of cash flows

In RM Mil	Cumulative quarter ended 30 June 2023	2022
Net cash generated from operating activities	**2,442**	4,268
Net cash used in investing activities	**(1,058)**	(706)
Net cash used in financing activities	**(1,481)**	(1,715)

Net cash generated from operating activities was lower by RM1.8 billion or 43% at RM2.4 billion mainly due to lower profit generated during the period.

Net cash used in investing activities was higher by RM352 million or 50% at RM1.1 billion primarily due to higher purchase of property, plant and equipment.

Net cash used in financing activities for the year was lower by RM234 million or 14% at RM1.5 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 improve slightly, supported by restocking activities prior to China's Golden Week holiday. Fertiliser and methanol product prices are forecast to stabilise amidst short supply in the region. For specialties, the Group expects weaker sales and earnings development moving forward in view of slower industrial growth impacting demand.

B3. PROFIT FORECAST OR PROFIT GUARANTEE

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

PART B – OTHER EXPLANATORY NOTES (continued)

B4. OPERATING PROFIT

In RM Mil	Individual quarter ended 30 June 2023	2022	Cumulative quarter ended 30 June 2023	2022
Included in profit for the period are the following charges:				
Depreciation and amortisation	**482**	359	**966**	748
Inventories written down to net realisable value	**–**	54	**40**	33
and credits:				
Interest income	**83**	50	**159**	72
Fair value gain	**–**	54	**–**	54
Inventories written back to net realisable value	**32**	–	**–**	–
Amortisation of deferred income	**22**	23	**44**	45
Net gain on foreign exchange	**146**	163	**73**	193

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 & 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

In RM Mil	Individual quarter ended 30 June 2023	2022	Cumulative quarter ended 30 June 2023	2022
Current tax expenses				
Current period tax	**78**	123	**124**	241
Deferred tax expenses				
Origination and reversal of temporary differences	**(17)**	(57)	**(9)**	(31)
Over provision in respect of prior periods	**–**	–	**–**	(2)
	(17)	(57)	**(9)**	(33)
	61	66	**115**	208

PART B – OTHER EXPLANATORY NOTES (continued)

B5. TAX EXPENSE (continued)

The Group's effective tax rates for the individual and cumulative quarter ended 30 June 2023 are both 9%, 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

In RM Mil	**As at 30 June 2023**	**As at 31 December 2022**
Trade receivables:		
– Third party	**2,202**	2,714
– Joint ventures and associates	**245**	253
– Related companies	**165**	103
Other receivables	**1,098**	549
Total	**3,710**	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

In RM Mil	**As at 30 June 2023**	**As at 31 December 2022**
Current	**2,576**	2,983
Past due 1 to 30 days	**46**	66
Past due 31 to 60 days	**10**	23
Past due 61 to 90 days	**2**	12
Past due more than 90 days	**2**	8
Total	**2,636**	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.

PART B – OTHER EXPLANATORY NOTES (continued)

B8. BORROWINGS

	Denominated currency	In denominated currency As at 30 June 2023 Mil	In denominated currency As at 31 December 2022 Mil	In presentation currency As at 30 June 2023 RM Mil	In presentation currency As at 31 December 2022 RM Mil
Non-current					
Term loans - secured	USD	357	370	1,672	1,635
Term loan - unsecured	USD	159	157	746	695
Term loan - unsecured	EUR	33	34	166	159
				2,584	2,489
Current					
Term loans - secured	USD	32	26	151	115
Term loans - unsecured	CNY	20	20	13	13
Term loans - unsecured	EUR	1	—	5	—
Revolving credit - unsecured	CAD	—	— *	—	1*
Revolving credit - unsecured	RM	100	100	100	100
				269	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 in prior year 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 CAD355,000; RM1,156,311) translated at exchange rate of CAD1.0000 : RM3.2571), being the middle rate quoted by Reuters on 31 December 2022.

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. DIVIDENDS

The Directors of the Company have declared an interim single tier dividend of 8 sen per ordinary share, amounting to RM640 million in respect of the financial year ending 31 December 2023 (2022: first interim single tier dividend of 25 sen per ordinary share, amounting to RM2,000 million in respect of the financial year ended 31 December 2022).

The dividend is payable on 21 September 2023 to depositors registered in the Records of Depositors at the close of business on 8 September 2023.

A Depositor shall qualify for entitlement to the dividends only in respect of:

a. Shares transferred into the Depositor's Securities Account before 4.00 pm on 8 September 2023 in respect of ordinary transfers.
b. Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of the Bursa Malaysia Securities Berhad.

B13. 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 June		Cumulative quarter ended 30 June	
In RM Mil	**2023**	**2022**	**2023**	**2022**
Profit for the period attributable to shareholders of the Company	**628**	1,869	**1,160**	3,945
In millions of shares				
Number of ordinary shares issued	**8,000**	8,000	**8,000**	8,000
In sen				
Basic earnings per share	**8**	23	**15**	49

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.

B14. EXCHANGE RATES

	Individual quarter ended			Cumulative quarter ended		
USD/MYR	30 June 2023	31 March 2023	30 June 2022	30 June 2023	31 December 2022	30 June 2022
Average rate	4.5250	4.3906	4.3502	4.4578	4.4001	4.2713
Closing rate	4.6860	4.4150	4.4035	4.6860	4.4150	4.4035
EUR/MYR						
Average rate	4.9260	4.7096	4.6371	4.8178	4.6311	4.6724
Closing rate	5.0946	4.8194	4.5981	5.0946	4.7099	4.5981

By order of the Board

Azira Marini Binti Ab Rahim (SSM Practising Certificate No. 201908001107)
Mek Yam @ Mariam Hassan (SSM Practising Certificate No. 201908000788)
Company Secretaries

Kuala Lumpur
22 August 2023