



PETRONAS CHEMICALS GROUP BERHAD
Quarterly Report
For First Quarter Ended 31 March 2020



QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2020



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 2020 which should be read in conjunction with the accompanying explanatory notes on pages 6 to 16.

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

<i>In RM Mil</i>	Note	Individual quarter ended	
		2020	31 March 2019
Revenue		3,891	4,130
Cost of revenue		(3,138)	(2,859)
Gross profit		753	1,271
Selling and distribution expenses		(244)	(217)
Administration expenses		(187)	(196)
Other expenses		(1)	(32)
Other income		285	126
Operating profit	B4	606	952
Financing costs		(6)	(9)
Share of loss after tax of equity-accounted joint ventures and associates		(32)	(24)
Profit before taxation		568	919
Tax expense	B5	(75)	(106)
PROFIT FOR THE PERIOD		493	813
Other comprehensive income/(expenses)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		465	(95)
Share of other comprehensive income/(expenses) of equity-accounted joint ventures and associates		54	(26)
Total other comprehensive income/(expenses) for the period		519	(121)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,012	692
Profit/(loss) attributable to:			
Shareholders of the Company		506	800
Non-controlling interests		(13)	13
PROFIT FOR THE PERIOD		493	813
Total comprehensive income/(expenses) attributable to:			
Shareholders of the Company		1,025	679
Non-controlling interests		(13)	13
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,012	692
Basic earnings per share attributable to shareholders of the Company:			
Based on ordinary shares issued (sen)	B12	6	10

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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	Note	As at 31.03.2020	As at 31.12.2019
ASSETS			
Property, plant and equipment		20,897	20,482
Investments in joint ventures and associates		1,079	1,058
Intangible assets		611	584
Deferred tax assets		948	971
TOTAL NON-CURRENT ASSETS		23,535	23,095
Trade and other inventories		1,742	1,658
Trade and other receivables	B7	1,942	1,994
Tax recoverable		37	71
Cash and cash equivalents		12,471	12,045
TOTAL CURRENT ASSETS		16,192	15,768
TOTAL ASSETS		39,727	38,863
EQUITY			
Share capital		8,871	8,871
Reserves		21,527	21,062
Total equity attributable to shareholders of the Company		30,398	29,933
Non-controlling interests		596	605
TOTAL EQUITY		30,994	30,538
LIABILITIES			
Borrowings	B8	2,124	1,875
Lease liabilities		850	627
Deferred tax liabilities		892	906
Other long term liabilities and provisions		1,681	1,699
TOTAL NON-CURRENT LIABILITIES		5,547	5,107
Borrowings	B8	119	-
Lease liabilities		79	78
Trade and other payables		2,873	3,063
Current tax payables		115	77
TOTAL CURRENT LIABILITIES		3,186	3,218
TOTAL LIABILITIES		8,733	8,325
TOTAL EQUITY AND LIABILITIES		39,727	38,863
Net assets per share attributable to shareholders of the Company (RM)		3.80	3.74

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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Attributable to shareholders of the Company</i>			
	<i>Non-distributable</i>			
<i>In RM Mil</i>	Share Capital	Foreign Currency Translation Reserve	Merger Reserve	Other Reserves
Individual quarter ended 31 March 2020				
At 1 January 2020	8,871	(185)	(204)	987
Foreign currency translation differences	-	465	-	-
Share of other comprehensive expenses of equity-accounted joint ventures and associates	-	-	-	54
Total other comprehensive income for the period	-	465	-	54
Profit/(loss) for the period	-	-	-	-
Total comprehensive income for the period	-	465	-	54
Additional shares issued to a non-controlling interest	-	-	-	-
Dividends to shareholders of the Company	-	-	-	-
Total transactions with owners of the Group	-	-	-	-
Balance at 31 March 2020	8,871	280	(204)	1,041
Individual quarter ended 31 March 2019				
At 1 January 2019	8,871	(77)	(204)	604
Foreign currency translation differences	-	(95)	-	-
Share of other comprehensive expenses of equity-accounted joint ventures and associates	-	-	-	(26)
Total other comprehensive expenses for the period	-	(95)	-	(26)
Profit for the period	-	-	-	-
Total comprehensive expenses for the period	-	(95)	-	(26)
Additional shares issued to a non-controlling interest	-	-	-	-
Dividends to shareholders of the Company	-	-	-	-
Total transactions with owners of the Group	-	-	-	-
Balance at 31 March 2019	8,871	(172)	(204)	578

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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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

	Attributable to shareholders of the Company			
	Distributable		Non- controlling Interests	Total Equity
<i>In RM Mil</i>	Retained Profits	Total		
Individual quarter ended 31 March 2020				
At 1 January 2020	20,464	29,933	605	30,538
Foreign currency translation differences	-	465	-	465
Share of other comprehensive expenses of equity-accounted joint ventures and associates	-	54	-	54
Total other comprehensive income for the period	-	519	-	519
Profit/(loss) for the period	506	506	(13)	493
Total comprehensive income for the period	506	1,025	(13)	1,012
Additional shares issued to a non-controlling interest	-	-	4	4
Dividends to shareholders of the Company (note A8)	(560)	(560)	-	(560)
Total transactions with owners of the Group	(560)	(560)	4	(556)
Balance at 31 March 2020	20,410	30,398	596	30,994
Individual quarter ended 31 March 2019				
At 1 January 2019	20,359	29,553	683	30,236
Foreign currency translation differences	-	(95)	-	(95)
Share of other comprehensive expenses of equity-accounted joint ventures and associates	-	(26)	-	(26)
Total other comprehensive expenses for the period	-	(121)	-	(121)
Profit for the period	800	800	13	813
Total comprehensive income for the period	800	679	13	692
Additional shares issued to a non-controlling interest	-	-	1	1
Dividends to shareholders of the Company	(1,440)	(1,440)	-	(1,440)
Dividends to non-controlling interests	-	-	(63)	(63)
Total transactions with owners of the Group	(1,440)	(1,440)	(62)	(1,502)
Balance at 31 March 2019	19,719	28,792	634	29,426

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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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Individual quarter ended	
	2020	31 March 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	568	919
Adjustments for:		
- Depreciation and amortisation	408	407
- Financing costs	6	9
- Interest income	(62)	(96)
- Share of loss of equity-accounted joint ventures and associates, net of tax	32	24
- Other non-cash items	(150)	16
Operating profit before changes in working capital	802	1,279
Change in trade and other inventories	(147)	49
Change in trade and other receivables	55	387
Change in trade and other payables	19	(323)
Cash generated from operations	729	1,392
Interest income received	59	91
Taxation recovered/(paid)	6	(52)
Net cash generated from operating activities	794	1,431
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from joint ventures and associates	-	30
Purchase of property, plant and equipment	(367)	(573)
Net cash used in investing activities	(367)	(543)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to:		
- PETRONAS	(360)	(927)
- others (third parties)	(200)	(513)
- non-controlling interests	-	(63)
Drawdown of:		
- term loan	136	-
- revolving credit	113	-
Proceeds from shares issued to a non-controlling interest	4	1
Payment of lease liabilities:		
- principal	(21)	(11)
- interest	(18)	(8)
Net cash used in from financing activities	(346)	(1,521)
Net cash flows from operating, investing and financing activities	81	(633)
Effect of foreign currency translation differences	12	7
Net increase/(decrease) in cash and cash equivalents	93	(626)
Net foreign exchange differences on cash held	333	(55)
Cash and cash equivalents at beginning of the period	12,045	12,329
Cash and cash equivalents at end of the period	12,471	11,648

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

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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 2019. 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 2019.

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 2020.

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 2019.

As of 1 January 2020, the Group has adopted the following amendments to MFRSs ("pronouncements") which are effective for annual periods beginning on or after 1 January 2020.

Amendments to MFRS 3	<i>Business Combinations (Definition of a Business)</i>
Amendments to MFRS 7	<i>Financial Instruments: Disclosures – Interest Rate Benchmark Reform</i>
Amendments to MFRS 9	<i>Financial Instruments</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements (Definition of Material)</i>
Amendments to MFRS 108	<i>Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)</i>
Amendments to MFRS 139	<i>Financial Instruments: Recognition and Measurement</i>

The initial application of the above pronouncements is not expected to have any 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 2019 were not subject to any audit qualification.

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.

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

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 2019 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 7 sen per ordinary share, amounting to RM560 million in respect of the financial year ended 31 December 2019 to shareholders on 27 March 2020.

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

<i>In RM Mil</i>	2020		2019		Individual quarter ended 31 March	
	Third Parties		Inter-segment		Gross Total	
Olefins and Derivatives	2,396	2,749	5	3	2,401	2,752
Fertilisers and Methanol	1,261	1,367	-	-	1,261	1,367
Others	234	14	12	12	246	26
Total	3,891	4,130	17	15	3,908	4,145

9.2 Segment profit/(loss) for the period ¹

<i>In RM Mil</i>	Individual quarter ended 31 March	
	2020	2019
Olefins and Derivatives	(17)	483
Fertilisers and Methanol	359	363
Others ²	151	(33)
Total	493	813

¹ Included within profit/(loss) for the period for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM192 million (2019: RM197 million), RM207 million (2019: RM203 million) and RM9 million (2019: RM7 million) respectively.

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

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

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 2020, all property, plant and equipment were stated at cost less accumulated depreciation and impairment losses.

A11. CONTINGENCIES

There were no material contingent liabilities or contingent assets since the last audited consolidated financial statements for the year ended 31 December 2019.

A12. CHANGES IN COMPOSITION OF THE GROUP

There were no 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 31.03.2020	As at 31.12.2019
Property, plant and equipment:		
Approved and contracted for	615	604
Approved but not contracted for	<u>1,383</u>	<u>1,748</u>
Total	<u>1,998</u>	<u>2,352</u>

A14. 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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PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (continued)

A14. FAIR VALUE INFORMATION (continued)

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

As at 31 March 2020

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>11</u>	<u>-</u>	<u>11</u>	<u>372</u>
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>(3)</u>	<u>(146)</u>

As at 31 December 2019

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>7</u>	<u>-</u>	<u>7</u>	<u>467</u>
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>(7)</u>	<u>(672)</u>

A15. COMPARATIVE FIGURES

Certain comparative figures have been amended as a result of change in accounting policy on investment tax credit on 13 August 2019. Details on the change in accounting policy are as disclosed in the audited financial statements of the Group for the year ended 31 December 2019.

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PART B – OTHER EXPLANATORY NOTES

B1. REVIEW OF GROUP PERFORMANCE

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

	Individual quarter ended 31 March					
	2020	2019	2020	2019	2020	2019
<i>In RM Mil</i>	Group		Olefins and Derivatives		Fertilisers and Methanol	
Revenue	3,891	4,130	2,401	2,752	1,261	1,367
Profit/(Loss) after tax	493	813	(17)	483	359	363
EBITDA ³	764	1,262	188	736	592	587

PCG Group recorded comparable plant utilisation rate, production and sales volumes with the corresponding quarter.

Overall average prices for the Group decreased from the corresponding quarter in tandem with declining crude oil price as well as softer demand following global COVID-19 pandemic.

Revenue was lower by RM239 million or 6% at RM3.9 billion largely due to lower product prices.

EBITDA decreased by RM498 million or 39% at RM764 million mainly due to compressed margin. Profit after tax also reduced by RM320 million or 39% at RM493 million following lower EBITDA, partially offset by foreign exchange gain on revaluation of shareholder loan to a joint operation company.

Olefins and Derivatives

The segment maintained plant utilisation rate of 100%. Correspondingly, production and sales volume were higher.

Average product prices for the segment declined following decreased in crude oil prices and softer demand as mentioned above.

Revenue was lower by RM351 million or 13% at RM2.4 billion as a result of lower product prices.

EBITDA for the segment decreased by RM548 million or 74% at RM188 million mainly due to compressed margin. The segment recorded loss after tax at RM17 million largely due to lower EBITDA and net share of losses from associates.

Fertilisers and Methanol

The segment's operational performance was lower with plant utilisation rate of 90% compared to 92% in the corresponding quarter mainly due to higher level of planned maintenance activities resulting in lower production. However, we were able to maintain the sales volume.

Average product prices for the segment was lower due to softer demand as mentioned above, coupled with ample supply.

The segment's revenue decreased by RM106 million or 8% at RM1.3 billion primarily attributed to the decline in product prices.

EBITDA slightly increased by RM5 million or 1% at RM592 million following lower operating expenditure. However, profit after tax was comparable.

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.

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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 2020	31 December 2019
Revenue	3,891	4,234
Profit after tax	493	312
EBITDA ⁴	764	750

The Group's plant utilisation rate was at 94%, higher than 89% in the preceeding quarter mainly due to better plant performance resulting in higher production volume. However, sales volume were lower following deferred shipment in the current quarter due to tighter control at port as a result of COVID-19 movement control order.

Overall average product prices for the Group declined in line with lower crude oil prices.

Revenue decreased by RM343 million or 8% at RM3.9 billion affected by the lower sales volumes and lower product prices.

EBITDA for the current quarter was higher by RM14 million or 2% at RM764 million attributable to lower operating expenditure relating to maintenance activities. Profit after tax also increased by RM181 million or 58% at RM493 million in line with higher EBITDA and foreign exchange gain on revaluation of shareholder loan to a joint operation company.

(c) Highlight on consolidated statement of financial position

<i>In RM Mil</i>	As at 31.03.2020	As at 31.12.2019
	Total assets	39,727
Total equity	30,994	30,538
ROE (%)	8.1	9.2

The Group's total assets were higher by RM864 million or 2% at RM39.7 billion. This was due to the increase in cash and cash equivalent contributed by profit generated during the period, partially offset by dividend payment to shareholders. In addition, property, plant and equipment increased primarily in relation to the recognition of additional right-of-use asset and capital investment in the petrochemicals projects within Pengerang Integrated Complex (PIC).

Total equity was also higher by RM456 million or 2% at RM31.0 billion following profit generated during the period, partially negated by dividend payment to shareholders.

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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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	
	2020	31 March 2019
Net cash generated from operating activities	794	1,431
Net cash used in investing activities	(367)	(543)
Net cash used in financing activities	(346)	(1,521)

Net cash generated from operating activities decreased by RM637 million or 45% at RM794 million, following lower profit generated during the period.

Net cash used in investing activities was lower by RM176 million or 32% at RM367 million, primarily due to lower capital expenditure in petrochemicals projects within PIC.

Net cash used in financing activities for the period was lower by RM1.2 billion or 77% at RM346 million, due to lower dividend payment to shareholders and drawdown from refinancing of term loan and revolving credit at subsidiaries.

B2. COMMENTARY ON PROSPECTS

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

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.

Olefins and Derivatives

The Group anticipates product prices could marginally recover towards the end of the year if the COVID-19 pandemic eases and there is improvement in crude oil price.

Fertilisers and Methanol

The Group anticipates prices for Fertilisers to remain stable moving towards the year end. Fertilisers demand is less impacted by COVID-19. It is anticipated to be firm in line with upcoming planting season and stable thereafter. Methanol demand is projected to improve gradually with crude oil price recovery and improvement in downstream derivatives demand.

B3. PROFIT FORECAST OR PROFIT GUARANTEE

The Group does not publish any profit forecast.

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PART B – OTHER EXPLANATORY NOTES (continued)

B4. OPERATING PROFIT

<i>In RM Mil</i>	Individual quarter ended	
	2020	31 March 2019
Included in operating profit are the following charges:		
Depreciation and amortisation	408	407
Net loss on foreign exchange	-	23
Inventories written down to net realisable value	63	20
and credits:		
Amortisation of deferred income	41	26
Interest income	62	96
Net gain on foreign exchange	176	-

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	
	2020	31 March 2019
Current tax expenses		
Current period tax	66	70
Deferred tax expenses		
Origination and reversal of temporary differences	2	36
Under provision in respect of prior periods	7	-
	9	36
	75	106

The Group's effective tax rates for the quarter ended 31 March 2020 and 2019 are 13% and 12% respectively, which are reflective of the various tax legislations 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.

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PART B – OTHER EXPLANATORY NOTES (continued)

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 2019.

B7. TRADE AND OTHER RECEIVABLES

(a) Details of Group trade and other receivables

<i>In RM Mil</i>	As at 31.03.2020	As at 31.12.2019
Trade receivables:		
- Third party	1,491	1,464
- Joint ventures and associates	122	203
- Related companies	67	105
Other receivables	262	222
Total	1,942	1,994

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 31.03.2020	As at 31.12.2019
Current	1,627	1,748
Past due 1 to 30 days	49	22
Past due 31 to 60 days	3	2
Past due 61 to 90 days	-	-
Past due more 90 days	1	-
Total	1,680	1,772

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.

B8. BORROWINGS

	Denominated currency	<i>In denominated currency</i>		<i>In presentation currency</i>	
		As at 31.03.2020	As at 31.12.2019	As at 31.03.2020	As at 31.12.2019
		Mil	Mil	RM Mil	RM Mil
Non-current					
Term loans - secured	USD	458	457	1,981	1,875
Term loan - unsecured	EUR	30	-	143	-
		488	457	2,124	1,875
Current					
Revolving credit - unsecured	EUR	25	-	119	-

During the quarter, the Group via its subsidiaries, had undertaken EUR denominated borrowings. The unsecured term loan bears interest of 0.71% per annum and is repayable in 2025. The unsecured revolving credit bears interest of 0.79% margin above EURIBOR.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2020



PART B – OTHER EXPLANATORY NOTES (continued)

B8. BORROWINGS (continued)

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 are repayable from 2021 to 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 2019, other than as disclosed in note A14.

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 2019.

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	
	31 March	
	2020	2019
<i>In RM Mil</i>		
Profit for the period attributable to shareholders of the Company	<u>506</u>	<u>800</u>
<i>In millions of shares</i>		
Number of ordinary shares issued	<u>8,000</u>	<u>8,000</u>
<i>In sen</i>		
Basic earnings per share	<u>6</u>	<u>10</u>

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 2020



PART B – OTHER EXPLANATORY NOTES (continued)

B13. EXCHANGE RATES

	<u>31.03.2020</u>	Individual quarter ended	
		<u>31.12.2019</u>	<u>31.03.2019</u>
USD/MYR			
Average rate	4.1795	4.1650	4.0905
Closing rate	4.3275	4.0995	4.0795

By order of the Board

Hasnizaini Mohd Zain (LS 0009780)
 Kang Shew Meng (MAICSA 0778565)
Joint Secretaries

Kuala Lumpur
 20 May 2020