



# **PETRONAS CHEMICALS GROUP BERHAD**

## **Quarterly Report**

**For Third Quarter Ended 30 September 2020**



# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 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 30 September 2020 which should be read in conjunction with the accompanying explanatory notes on pages 7 to 21.

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

<i>In RM Mil</i>	Note	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
		2020	2019	2020	2019
Revenue		3,457	3,669	10,526	12,136
Cost of revenue		(2,574)	(2,775)	(8,170)	(8,450)
<b>Gross profit</b>		<b>883</b>	894	<b>2,356</b>	3,686
Selling and distribution expenses		(227)	(195)	(717)	(646)
Administration expenses		(166)	(152)	(537)	(530)
Other expenses		(95)	(34)	(8)	(50)
Other income		78	140	310	403
<b>Operating profit</b>	<b>B4</b>	<b>473</b>	653	<b>1,404</b>	2,863
Financing (costs)/income		(6)	3	(16)	(18)
Share of profit/(loss) loss after tax of equity-accounted joint ventures and associates		12	(12)	(50)	(59)
<b>Profit before taxation</b>		<b>479</b>	644	<b>1,338</b>	2,786
Tax expense	<b>B5</b>	(27)	(86)	(208)	(303)
<b>PROFIT FOR THE PERIOD</b>		<b>452</b>	558	<b>1,130</b>	2,483
<b>Other comprehensive (expenses)/income</b>					
<i>Items that may be reclassified subsequently to profit or loss</i>					
Foreign currency translation differences		(287)	79	118	83
Share of other comprehensive (expenses)/income of equity-accounted joint ventures and associates		(27)	12	32	26
<b>Total other comprehensive (expenses)/income for the period</b>		<b>(314)</b>	91	<b>150</b>	109
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>138</b>	649	<b>1,280</b>	2,592
<b>Profit/(loss) attributable to:</b>					
Shareholders of the Company		471	553	1,162	2,471
Non-controlling interests		(19)	5	(32)	12
<b>PROFIT FOR THE PERIOD</b>		<b>452</b>	558	<b>1,130</b>	2,483
<b>Total comprehensive (expenses)/income attributable to:</b>					
Shareholders of the Company		158	644	1,312	2,580
Non-controlling interests		(20)	5	(32)	12
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>138</b>	649	<b>1,280</b>	2,592
<b>Basic earnings per share attributable to shareholders of the Company:</b>					
Based on ordinary shares issued (sen)	<b>B12</b>	6	7	15	31

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

# QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	Note	As at 30.09.2020	As at 31.12.2019
<b>ASSETS</b>			
Property, plant and equipment		20,548	20,482
Investments in joint ventures and associates		1,029	1,058
Intangible assets		739	584
Deferred tax assets		902	971
<b>TOTAL NON-CURRENT ASSETS</b>		<b>23,218</b>	23,095
Trade and other inventories		1,801	1,658
Trade and other receivables	B7	1,696	1,994
Tax recoverable		23	71
Cash and cash equivalents		12,564	12,045
<b>TOTAL CURRENT ASSETS</b>		<b>16,084</b>	15,768
<b>TOTAL ASSETS</b>		<b>39,302</b>	38,863
<b>EQUITY</b>			
Share capital		8,871	8,871
Reserves		21,414	21,062
<b>Total equity attributable to shareholders of the Company</b>		<b>30,285</b>	29,933
Non-controlling interests		577	605
<b>TOTAL EQUITY</b>		<b>30,862</b>	30,538
<b>LIABILITIES</b>			
Borrowings	B8	2,065	1,875
Lease liabilities		801	627
Deferred tax liabilities		979	906
Other long term liabilities and provisions		1,586	1,699
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5,431</b>	5,107
Borrowings	B8	122	-
Lease liabilities		61	78
Trade and other payables		2,664	3,063
Current tax payables		162	77
<b>TOTAL CURRENT LIABILITIES</b>		<b>3,009</b>	3,218
<b>TOTAL LIABILITIES</b>		<b>8,440</b>	8,325
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>39,302</b>	38,863
Net assets per share attributable to shareholders of the Company (RM)		3.79	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.

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company			
	Non-distributable		Merger Reserve	Other Reserves
	Share Capital	Foreign Currency Translation Reserve		
<i>In RM Mil</i>				
<b>Cumulative quarter ended 30 September 2020</b>				
At 1 January 2020	8,871	(185)	(204)	987
Foreign currency translation differences	-	118	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	32
Total other comprehensive income for the period	-	118	-	32
Profit for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	-	118	-	32
Additional shares issued to a non-controlling interest	-	-	-	-
Dividends to shareholders of the Company (note A8)	-	-	-	-
<b>Total transactions with owners of the Group</b>	-	-	-	-
Balance at 30 September 2020	8,871	(67)	(204)	1,019
<b>Cumulative quarter ended 30 September 2019</b>				
At 1 January 2019	8,871	(77)	(204)	604
Foreign currency translation differences	-	87	-	(4)
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	26
Total other comprehensive income for the period	-	87	-	22
Profit for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	-	87	-	22
Additional shares issued to a non-controlling interest	-	-	-	-
Redemption of redeemable preference shares in subsidiaries	-	-	-	238
Dividends to shareholders of the Company	-	-	-	-
Dividends to a non-controlling interest	-	-	-	-
Acquisition of a subsidiary	-	-	-	-
<b>Total transactions with owners of the Group</b>	-	-	-	238
Balance at 30 September 2019	8,871	10	(204)	864

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

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

<i>In RM Mil</i>	<i>Attributable to shareholders of the Company</i>		<i>Non- controlling Interests</i>	<i>Total Equity</i>
	<i>Retained Profits</i>	<i>Total Distributable</i>		
<b>Cumulative quarter ended 30 September 2020</b>				
At 1 January 2020	20,464	29,933	605	30,538
Foreign currency translation differences	-	118	-	118
Share of other comprehensive income of equity- accounted joint ventures and associates	-	32	-	32
Total other comprehensive income for the period	-	150	-	150
Profit for the period	1,162	1,162	(32)	1,130
<b>Total comprehensive income for the period</b>	<b>1,162</b>	<b>1,312</b>	<b>(32)</b>	<b>1,280</b>
Additional shares issued to a non-controlling interest	-	-	4	4
Dividends to shareholders of the Company (note A8)	(960)	(960)	-	(960)
<b>Total transactions with owners of the Group</b>	<b>(960)</b>	<b>(960)</b>	<b>4</b>	<b>(956)</b>
Balance at 30 September 2020	<b>20,666</b>	<b>30,285</b>	<b>577</b>	<b>30,862</b>
<b>Cumulative quarter ended 30 September 2019</b>				
At 1 January 2019	20,359	29,553	683	30,236
Foreign currency translation differences	-	83	-	83
Share of other comprehensive income of equity- accounted joint ventures and associates	-	26	-	26
Total other comprehensive income for the period	-	109	-	109
Profit for the period	2,471	2,471	12	2,483
<b>Total comprehensive income for the period</b>	<b>2,471</b>	<b>2,580</b>	<b>12</b>	<b>2,592</b>
Additional shares issued to a non-controlling interest	-	-	5	5
Redemption of redeemable preference shares in subsidiaries	(238)	-	-	-
Dividends to shareholders of the Company	(2,320)	(2,320)	-	(2,320)
Dividends to a non-controlling interest	-	-	(63)	(63)
Acquisition of a subsidiary	-	-	6	6
<b>Total transactions with owners of the Group</b>	<b>(2,558)</b>	<b>(2,320)</b>	<b>(52)</b>	<b>(2,372)</b>
Balance at 30 September 2019	<b>20,272</b>	<b>29,813</b>	<b>643</b>	<b>30,456</b>

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

# QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Cumulative quarter ended	
	2020	30 September 2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	1,338	2,786
Adjustments for:		
- Depreciation and amortisation	1,252	1,216
- Financing costs	16	18
- Interest income	(132)	(275)
- Share of loss after tax of equity-accounted joint ventures and associates	50	59
- Other non-cash items	(160)	(2)
Operating profit before changes in working capital	2,364	3,802
Change in trade and other inventories	(120)	(59)
Change in trade and other receivables	294	1,128
Change in trade and other payables	(461)	(299)
Cash generated from operations	2,077	4,572
Interest income received	136	252
Taxation paid	(64)	(169)
<b>Net cash generated from operating activities</b>	<b>2,149</b>	<b>4,655</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received from joint ventures and associates	26	92
Payment for acquisition of shares in a joint venture	(13)	-
Proceeds from disposal of property, plant and equipment	2	-
Partial payment of deferred consideration of acquisition in a subsidiary	(2)	-
Payment for acquisition of a subsidiary, net of cash acquired	-	(769)
Payment of cost for acquisition of a subsidiary	-	(20)
Payment for settlement of forward foreign exchange contract	-	(902)
Proceeds from settlement of forward foreign exchange contract	-	898
Purchase of property, plant and equipment	(916)	(1,714)
<b>Net cash used in investing activities</b>	<b>(903)</b>	<b>(2,415)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid to:		
- PETRONAS	(618)	(1,493)
- others (third parties)	(342)	(827)
- non-controlling interests	-	(63)
Drawdown of:		
- term loans	147	-
- revolving credit	113	-
Proceeds from shares issued to a non-controlling interest	4	5
Payment of lease liabilities:		
- principal	(64)	(56)
- interest	(52)	(36)
<b>Net cash used in financing activities</b>	<b>(812)</b>	<b>(2,470)</b>

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# QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

<i>In RM Mil</i>	<b>Cumulative quarter ended</b>	
	<b>2020</b>	<b>30 September</b>
	<b>2019</b>	
Net cash flows from operating, investing and financing activities	<u>434</u>	<u>(230)</u>
Effect of foreign currency translation differences	<u>(6)</u>	<u>30</u>
Net increase in cash and cash equivalents	<b>428</b>	<b>(200)</b>
Net foreign exchange differences on cash held	<b>91</b>	<b>36</b>
Cash and cash equivalents at beginning of the period	<u>12,045</u>	<u>12,329</u>
<b>Cash and cash equivalents at end of the period</b>	<u><b>12,564</b></u>	<u><b>12,165</b></u>

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

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



### 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 30 September 2020.

#### A2. ADOPTION OF NEW & 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>

In June 2020, the Malaysian Accounting Standards Board has issued amendment to MFRS 16 *Leases (COVID-19 Related Rent Concessions)* in response to the COVID-19 pandemic. The amendment is effective for annual periods beginning on or after 1 June 2020 of which the Group has early adopted the amendments.

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.



# QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



## 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, other than as disclosed in note A14.

### A7. DEBT AND EQUITY SECURITIES

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

### A8. DIVIDEND PAID

During the period under review, the Company paid:

- (i) A second interim single tier dividend of 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.
- (ii) A first interim single tier of 5 sen per ordinary share, amounting to RM400 million in respect of the financial year ended 31 December 2020 to shareholders on 25 September 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 specialty chemicals.

#### 9.1 Revenue

<i>In RM Mil</i>	2020		2019		Cumulative quarter ended 30 September	
	Third Parties	Inter-segment	2020	2019	2020	2019
Olefins and Derivatives	6,059	7,375	12	9	6,071	7,384
Fertilisers and Methanol	3,820	4,725	-	-	3,820	4,725
Others	647	36	38	34	685	70
<b>Total</b>	<b>10,526</b>	<b>12,136</b>	<b>50</b>	<b>43</b>	<b>10,576</b>	<b>12,179</b>

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



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

#### A9. OPERATING SEGMENTS (continued)

##### 9.2 Segment profit/(loss) for the period<sup>1</sup>

<i>In RM Mil</i>	Cumulative quarter ended 30 September	
	2020	2019
Olefins and Derivatives	273	1,131
Fertilisers and Methanol	880	1,360
Others <sup>2</sup>	(23)	(8)
<b>Total</b>	<b>1,130</b>	<b>2,483</b>

#### A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment for the period under review. As at 30 September 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 material changes in the composition of the Group for the period under review.

#### A13. CAPITAL COMMITMENTS

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

<i>In RM Mil</i>	As at 30.09.2020	As at 31.12.2019
Property, plant and equipment:		
Approved and contracted for	588	604
Approved but not contracted for	1,383	1,748
<b>Total</b>	<b>1,971</b>	<b>2,352</b>

#### A14. FINALISATION OF PURCHASE PRICE ALLOCATION FOR ACQUISITION OF DA VINCI GROUP (Da Vinci)

Pursuant to the completion of acquisition of Da Vinci on 12 September 2019, Da Vinci has become a wholly-owned subsidiary of the Group. The net identifiable assets and goodwill disclosed in the Audited Financial Statements for the year ended 31 December 2019 were based on provisional figures which was expected to be finalised within twelve months from the acquisition date.

The fair value of the net assets and goodwill disclosed on page 10 are based on the finalised figures of Da Vinci, of which intangible assets along with the corresponding deferred tax liability were recognised.

The intangible assets relate to the fair value of product formulation for the specialty chemicals whilst the goodwill reflects the synergy that Da Vinci will contribute to the Group.

<sup>1</sup> Included within profit/(loss) for the period for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM587 million (2019: RM577 million), RM617 million (2019: RM618 million) and RM48 million (2019: RM21 million) respectively.

<sup>2</sup> Includes loss from non-reportable segments and unallocated assets.

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



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

#### A14. FINALISATION OF PURCHASE PRICE ALLOCATION FOR ACQUISITION OF DA VINCI GROUP (Da Vinci) (continued)

Effects of the acquisition based on finalised fair value figures are as follows:

<i>In RM Mil</i>	<u>Fair value</u>
Other intangible assets	496
Non-current assets	62
Trade and other inventories	188
Trade and other receivables	134
Cash and cash equivalents	35
Other non-current liabilities	(2)
Deferred tax liability	(124)
Trade and other payables	(340)
Net identifiable assets	<u>449</u>
Less: Non-controlling interest	(6)
Add: Goodwill on acquisition	<u>227</u>
Purchase consideration	670
Add: Settlement of existing loans	231
Less: Deferred consideration	(97)
Payment for acquisition	<u>804</u>
Less: Cash and cash equivalents acquired	(35)
Payment for acquisition, net of cash acquired	<u>769</u>

As at 30 September 2020, amortisation of the other intangible assets and tax expense impact in relation to the deferred tax liability have been reflected accordingly in this quarterly report.

#### A15. GOODWILL

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

<i>In RM Mil</i>	As at 01.01.2020	Effect upon finalisation of purchase price allocation (note A14)	Foreign currency translation	As at 30.09.2020
Goodwill	583	(356)	12	<u>239</u>

Adjusted goodwill upon finalisation of purchase price allocation is RM227 million.

#### A16. FAIR VALUE INFORMATION

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

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

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

# QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



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

**A16. FAIR VALUE INFORMATION (continued)**

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.

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

**As at 30 September 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>
<b>Financial assets</b>					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>70</u>
<b>Financial liabilities</b>					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>(126)</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>
<b>Financial assets</b>					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>7</u>	<u>-</u>	<u>7</u>	<u>467</u>
<b>Financial liabilities</b>					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>(7)</u>	<u>(672)</u>

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



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

#### A17. SUBSEQUENT EVENT

On 18 November 2020, the Board has approved the cessation of Butanediol (“BDO”) Complex by a joint venture of the Group, BASF PETRONAS Chemicals Sdn. Bhd. (“BPC”) as part of portfolio realignment.

The cessation is part of the Group’s ongoing review of its product portfolio focusing on long term sustainable growth and strengthening the Group’s strategy to focus more on high-value chemicals portfolio. This is also aligned with the strategy undertaken by the Group’s partner in BPC, i.e. BASF. In addition, the cessation is also due to significant overcapacities in the region as a result of recent investments in coal-based BDO production.

The impact to the Group’s consolidated financial statements is estimated at USD56 million (RM232 million) being the Group’s 40% share in BPC which mainly relates to write-off, impairment, provision for decommissioning, dismantling and personnel severance costs.

Further details on the cessation is as disclosed in a separate Bursa Announcement dated 18 November 2020.

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



### PART B – OTHER EXPLANATORY NOTES

#### B1. REVIEW OF GROUP PERFORMANCE

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

<i>In RM Mil</i>	Individual quarter ended 30 September					
	2020	2019	2020	2019	2020	2019
	Group		Olefins and Derivatives		Fertilisers and Methanol	
Revenue	3,457	3,669	2,006	2,281	1,243	1,381
Profit after tax	452	558	258	232	323	315
EBITDA <sup>3</sup>	914	915	414	416	519	545

PCG Group recorded higher plant utilisation of 90% as compared to 81% in the corresponding quarter, mainly due to lower level of statutory turnaround activities. Correspondingly, production and sales volumes increased.

Overall average prices for the Group decreased from the corresponding quarter in tandem with declining crude oil price arising from OPEC+ fallout and softer demand following global COVID-19 pandemic.

Revenue was lower by RM212 million or 6% at RM3.5 billion largely due to lower product prices.

EBITDA was comparable at RM914 million. Profit after tax lower by RM106 million or 19% at RM452 million following foreign exchange loss on revaluation of shareholder loan to a joint operation company and lower interest income generated from fund placement partially offset by lower tax expense.

#### Olefins and Derivatives

The segment recorded higher plant utilisation of 100% compared to 78% in the corresponding quarter primarily due to lower level of statutory turnaround activities, resulting in higher production and sales volumes.

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

Revenue was lower by RM275 million or 12% at RM2.0 billion mainly as a result of lower product prices.

EBITDA for the segment was comparable at RM414 million. Profit after tax increased by RM26 million at RM258 million.

<sup>3</sup> 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.

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



### PART B – OTHER EXPLANATORY NOTES (continued)

#### B1. REVIEW OF GROUP PERFORMANCE (continued)

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

###### Fertilisers and Methanol

The segment's operational performance recorded slightly higher plant utilisation rate as compared to the corresponding quarter mainly due to lower level of statutory turnaround activities resulting in higher production volume. However, sales volume was comparable.

Average product prices for the segment was lower mainly for methanol in tandem with lower crude oil price and softer demand as mentioned in the previous page.

The segment's revenue decreased by RM138 million or 10% at RM1.2 billion primarily attributed to the decline in product prices.

EBITDA was slightly lower by RM26 million or 5% at RM519 million mainly due to compressed margin. However, profit after tax was comparable.

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

	Cumulative quarter ended 30 September					
	2020	2019	2020	2019	2020	2019
<i>In RM Mil</i>	Group		Olefins and Derivatives		Fertilisers and Methanol	
Revenue	10,526	12,136	6,071	7,384	3,820	4,725
Profit after tax	1,130	2,483	273	1,131	880	1,360
EBITDA <sup>4</sup>	2,373	3,698	918	1,803	1,516	2,044

The Group's plant utilisation was at 95%, higher than 93% in the corresponding period mainly due to lower level of plant statutory turnaround activities undertaken resulting in slightly higher production. However, sales volume was lower following softer demand.

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

Revenue was lower by RM1.6 billion or 13% at RM10.5 billion largely due to lower product prices.

EBITDA was lower by RM1.3 billion or 36% at RM2.4 billion mainly due to compressed margin. Profit after tax also decreased by RM1.4 billion or 54% at RM1.1 billion following lower EBITDA and interest income generated from fund placement.

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

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



### PART B – OTHER EXPLANATORY NOTES (continued)

#### B1. REVIEW OF GROUP PERFORMANCE (continued)

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

###### **Olefins and Derivatives**

The segment recorded higher plant utilisation rate and production volume with the corresponding period mainly due to lower level of plant statutory turnaround activities. However, sales volume was comparable.

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

Revenue decreased by RM1.3 billion or 18% at RM6.1 billion largely attributable to lower product prices.

EBITDA was lower by RM885 million or 49% at RM918 million due to compressed margin. Subsequently, profit after tax also decreased from the corresponding period by RM858 million or 76% at RM273 million.

###### **Fertilisers and Methanol**

Plant utilisation for the segment was slightly lower with plant utilisation rate of 92% compared to 94% in the corresponding quarter mainly due to higher level of maintenance activities resulting in lower production and sales volumes.

Average product prices for the segment was lower mainly for methanol in tandem with lower crude oil price and softer demand.

The segment recorded lower revenue by RM905 million or 19% at RM3.8 billion mainly due to lower prices and sales volume.

EBITDA was lower by RM528 million or 26% at RM1.5 billion following compressed margin. Profit after tax also decreased from the corresponding period by RM480 million or 35% at RM880 million in line with lower EBITDA partially offset by lower tax expense.



# QUARTERLY REPORT

FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



## PART B – OTHER EXPLANATORY NOTES (continued)

### B1. REVIEW OF GROUP PERFORMANCE (continued)

#### (c) Variation of results against the preceding quarter

<i>In RM Mil</i>	Individual quarter ended	
	30 September 2020	30 June 2020
Revenue	3,457	3,178
Profit after tax	452	185
EBITDA <sup>5</sup>	914	695

PCG Group recorded lower plant utilisation rate, production volume and sales volumes as compared to the preceding quarter.

Overall average product prices improved from ease of lockdowns post COVID-19 and in tandem with strengthening of crude oil prices.

Revenue increased by RM279 million or 9% at RM3.5 billion largely attributable to higher product prices.

EBITDA for the current quarter was higher by RM219 million or 32% at RM914 million in tandem with higher revenue. Profit after tax increased by RM267 million at RM452 million in line with higher EBITDA and lower tax expense.

#### (d) Highlight on consolidated statement of financial position

<i>In RM Mil</i>	As at 30.09.2020	As at 31.12.2019
	Total assets	39,302
Total equity	30,862	30,538
ROE (%)	4.7	9.2

The Group's total assets were higher by RM439 million or 1% at RM39.3 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.

Total equity was also higher by RM324 million or 1% at RM30.9 billion following profit generated during the period, partially reduced by dividend payment to shareholders.

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

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



### PART B – OTHER EXPLANATORY NOTES (continued)

#### B1. REVIEW OF GROUP PERFORMANCE (continued)

##### (e) Highlight on consolidated statement of cash flows

<i>In RM Mil</i>	Cumulative quarter ended	
	2020	30 September 2019
Net cash generated from operating activities	2,149	4,655
Net cash used in investing activities	(903)	(2,415)
Net cash used in financing activities	(812)	(2,470)

Net cash generated from operating activities decreased by RM2.5 billion or 54% at RM2.2 billion, following lower profit generated during the period.

Net cash used in investing activities was lower by RM1.5 billion or 63% at RM903 million, primarily due to lower capital investment for the period, as compared to the corresponding period when PCG acquired and paid for a new subsidiary.

Net cash used in financing activities for the period was lower by RM1.7 billion or 67% at RM812 million, 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 COVID-19 pandemic continues to adversely affect the global economy and PCG was also not spared.

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 will be stable in line with current quarter product prices.

#### B3. PROFIT FORECAST OR PROFIT GUARANTEE

The Group does not publish any profit forecast.

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



### PART B – OTHER EXPLANATORY NOTES (continued)

#### B4. OPERATING PROFIT

<i>In RM Mil</i>	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2020	2019	2020	2019
<b>Included in operating profit are the following charge:</b>				
Depreciation and amortization	424	404	1,252	1,216
Net loss on foreign exchange	94	-	-	-
Inventories written down to net realisable value	-	114	-	106
<b>and credits:</b>				
Interest income	33	87	132	275
Inventories written back to net realisable value	5	-	17	-
Amortisation of deferred income	35	31	117	84
Net gain on foreign exchange	-	19	34	33

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

#### *Foreign exchange exposure / hedging policy*

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

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

#### B5. TAX EXPENSE

<i>In RM Mil</i>	Individual quarter ended 30 September		Cumulative quarter ended 30 September	
	2020	2019	2020	2019
<b>Current tax expenses</b>				
Current period tax	49	7	198	228
Over provision in respect of prior periods	(1)	(6)	(1)	(6)
	48	1	197	222
<b>Deferred tax expenses</b>				
Origination and reversal of temporary differences	(21)	93	5	90
Under provision in respect of prior periods	-	(8)	6	(9)
	(21)	85	11	81
	27	86	208	303

The Group's effective tax rates for the individual and cumulative quarter ended 30 September 2020 are 6% and 16% 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.

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



### 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 30.09.2020	As at 31.12.2019
Trade receivables:		
- Third party	1,237	1,464
- Joint ventures and associates	182	203
- Related companies	47	105
Other receivables	230	222
<b>Total</b>	<b>1,696</b>	<b>1,994</b>

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

##### (b) Ageing analysis of trade receivables

<i>In RM Mil</i>	As at 30.09.2020	As at 31.12.2019
Current	1,430	1,748
Past due 1 to 30 days	34	22
Past due 31 to 60 days	1	2
Past due 61 to 90 days	1	-
<b>Total</b>	<b>1,466</b>	<b>1,772</b>

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 30.09.2020 Mil	As at 31.12.2019 Mil	As at 30.09.2020 RM Mil	As at 31.12.2019 RM Mil
<b>Non-current</b>					
Term loans - secured	USD	461	457	1,918	1,875
Term loan - unsecured	EUR	30	-	147	-
		<b>491</b>	<b>457</b>	<b>2,065</b>	<b>1,875</b>
<b>Current</b>					
Revolving credit - unsecured	EUR	25	-	122	-

# QUARTERLY REPORT

## FOR THIRD QUARTER ENDED 30 SEPTEMBER 2020



### PART B – OTHER EXPLANATORY NOTES (continued)

#### B8. BORROWINGS (continued)

During the period, the Group via its subsidiaries, had drawdown 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.

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 A16.

#### 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		Cumulative quarter ended	
	30 September		30 September	
	2020	2019	2020	2019
<i>In RM Mil</i>				
Profit for the period attributable to shareholders of the Company	471	553	1,162	2,471
<i>In millions of shares</i>				
Number of ordinary shares issued	8,000	8,000	8,000	8,000
<i>In sen</i>				
Basic earnings per share	6	7	15	31

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 THIRD QUARTER ENDED 30 SEPTEMBER 2020



PART B – OTHER EXPLANATORY NOTES (continued)

**B13. EXCHANGE RATES**

USD/MYR	Individual quarter ended			Cumulative quarter ended		
	30.09.2020	30.06.2020	30.09.2019	30.09.2020	31.12.2019	30.09.2019
Average rate	4.2033	4.3233	4.1657	4.2354	4.1423	4.1348
Closing rate	4.1575	4.2850	4.1870	4.1575	4.0995	4.1870

**By order of the Board**

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

Kuala Lumpur  
 18 November 2020