PETRONAS CHEMICALS GROUP BERHAD

Quarterly Report

For Fourth Quarter and Year Ended 31 December 2020

PETRONAS CHEMICALS GROUP BERHAD 199801003704 (459830-K)

QUARTERLY REPORT

FOR FOURTH QUARTER AND YEAR ENDED 31 DECEMBER 2020

PETRONAS

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 and year ended 31 December 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

		Individual quarter ended 31 December		Year ended 31 December	
In RM Mil	**Note**	**2020**	**2019**	**2020**	**2019**
Revenue		**3,836**	4,234	**14,362**	16,370
Cost of revenue		**(2,666)**	(3,464)	**(10,837)**	(11,914)
Gross profit		**1,170**	770	**3,525**	4,456
Selling and distribution expenses		**(251)**	(232)	**(967)**	(878)
Administration expenses		**(181)**	(224)	**(718)**	(754)
Other expenses		**(102)**	(90)	**(68)**	(107)
Other income		**160**	153	**428**	523
Operating profit	**B4**	**796**	377	**2,200**	3,240
Financing costs		**(11)**	(13)	**(27)**	(31)
Share of (loss)/profit after tax of equity-accounted joint ventures and associates		**(266)**	5	**(316)**	(54)
Profit before taxation		**519**	369	**1,857**	3,155
Tax expense	**B5**	**(63)**	(57)	**(271)**	(360)
PROFIT FOR THE PERIOD		**456**	312	**1,586**	2,795
Other comprehensive (loss)/income					
Items that may be reclassified subsequently to profit or loss					
Foreign currency translation differences		**(283)**	(195)	**(165)**	(112)
Share of other comprehensive (loss)/income of equity-accounted joint ventures and associates		**(22)**	(20)	**10**	6
Total other comprehensive loss for the period		**(305)**	(215)	**(155)**	(106)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**151**	97	**1,431**	2,689
Profit/(loss) attributable to:					
Shareholders of the Company		**466**	340	**1,628**	2,811
Non-controlling interests		**(10)**	(28)	**(42)**	(16)
PROFIT FOR THE PERIOD		**456**	312	**1,586**	2,795
Total comprehensive (loss)/income attributable to:					
Shareholders of the Company		**161**	125	**1,473**	2,705
Non-controlling interests		**(10)**	(28)	**(42)**	(16)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**151**	97	**1,431**	2,689
Basic earnings per share attributable to shareholders of the Company:					
Based on ordinary shares issued (sen)	**B12**	**6**	4	**20**	35

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

In RM Mil	Note	As at 31.12.2020	As at 31.12.2019
ASSETS			
Property, plant and equipment		**20,987**	20,482
Investments in joint ventures and associates		**722**	1,058
Intangible assets		**744**	584
Deferred tax assets		**879**	971
TOTAL NON-CURRENT ASSETS		**23,332**	23,095
Trade and other inventories		**1,806**	1,658
Trade and other receivables	**B7**	**1,938**	1,994
Tax recoverable		**46**	71
Cash and cash equivalents		**12,707**	12,045
TOTAL CURRENT ASSETS		**16,497**	15,768
TOTAL ASSETS		**39,829**	38,863
EQUITY			
Share capital		**8,871**	8,871
Reserves		**21,575**	21,062
Total equity attributable to shareholders of the Company		**30,446**	29,933
Non-controlling interests		**563**	605
TOTAL EQUITY		**31,009**	30,538
LIABILITIES			
Borrowings	**B8**	**1,994**	1,875
Lease liabilities		**908**	627
Provisions		**247**	110
Other long term liabilities		**1,434**	1,589
Deferred tax liabilities		**993**	906
TOTAL NON-CURRENT LIABILITIES		**5,576**	5,107
Borrowings	**B8**	**198**	-
Lease liabilities		**80**	78
Trade and other payables		**2,893**	3,063
Current tax payables		**73**	77
TOTAL CURRENT LIABILITIES		**3,244**	3,218
TOTAL LIABILITIES		**8,820**	8,325
TOTAL EQUITY AND LIABILITIES		**39,829**	38,863
Net assets per share attributable to shareholders of the Company (RM)		3.81	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.

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**
Year ended 31 December 2020				
Balance at 1 January 2020	8,871	(185)	(204)	987
Foreign currency translation differences	-	(165)	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	10
Total other comprehensive (loss)/income for the year	-	(165)	-	10
Profit for the year	-	-	-	-
Total comprehensive (loss)/income for the year	-	(165)	-	10
Additional shares issued to a non-controlling interest	-	-	-	-
Dividends to shareholders of the Company (note A8)	-	-	-	-
Dividends to a non-controlling interest	-	-	-	-
Others	-	-	-	4
Total transactions with owners of the Group	-	-	-	4
Balance at 31 December 2020	8,871	(350)	(204)	1,001
Year ended 31 December 2019				
Balance at 1 January 2019	8,871	(77)	(204)	604
Foreign currency translation differences	-	(108)	-	(4)
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	6
Total other comprehensive (loss)/income for the year	-	(108)	-	2
Profit for the year	-	-	-	-
Total comprehensive (loss)/income for the year	-	(108)	-	2
Additional shares issued to a non-controlling interest	-	-	-	-
Additional equity interest in a subsidiary	-	-	-	-
Redemption of redeemable preference shares in subsidiaries	-	-	-	381
Dividends to shareholders of the Company	-	-	-	-
Dividends to a non-controlling interest	-	-	-	-
Total transactions with owners of the Group	-	-	-	381
Acquisition of a subsidiary	-	-	-	-
Balance at 31 December 2019	8,871	(185)	(204)	987

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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**
Year ended 31 December 2020				
Balance at 1 January 2020	20,464	29,933	605	30,538
Foreign currency translation differences	-	(165)	-	(165)
Share of other comprehensive income of equity-accounted joint ventures and associates	-	10	-	10
Total other comprehensive (loss)/income for the year	-	(155)	-	(155)
Profit for the year	1,628	1,628	(42)	1,586
Total comprehensive (loss)/income for the year	1,628	1,473	(42)	1,431
Additional shares issued to a non-controlling interest	-	-	4	4
Dividends to shareholders of the Company (note A8)	(960)	(960)	-	(960)
Dividends to a non-controlling interest	-	-	(4)	(4)
Others	(4)	-	-	-
Total transactions with owners of the Group	(964)	(960)	-	(960)
Balance at 31 December 2020	21,128	30,446	563	31,009
Year ended 31 December 2019				
Balance at 1 January 2019	20,359	29,553	683	30,236
Foreign currency translation differences	-	(112)	-	(112)
Share of other comprehensive income of equity-accounted joint ventures and associates	-	6	-	6
Total other comprehensive (loss)/income for the year	-	(106)	-	(106)
Profit for the year	2,811	2,811	(16)	2,795
Total comprehensive (loss)/income for the year	2,811	2,705	(16)	2,689
Additional shares issued to a non-controlling interest	-	-	5	5
Additional equity interest in a subsidiary	(5)	(5)	(5)	(10)
Redemption of redeemable preference shares in subsidiaries	(381)	-	-	-
Dividends to shareholders of the Company	(2,320)	(2,320)	-	(2,320)
Dividends to a non-controlling interest	-	-	(68)	(68)
Total transactions with owners of the Group	(2,706)	(2,325)	(68)	(2,393)
Acquisition of a subsidiary	-	-	6	6
Balance at 31 December 2019	20,464	29,933	605	30,538

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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	Year ended 31 December 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**1,857**	3,155
Adjustments for:		
- Amortisation of deferred income	**(151)**	(125)
- Depreciation and amortisation	**1,670**	1,659
- Financing costs	**27**	31
- Interest income	**(224)**	(377)
- Share of loss after tax of equity-accounted joint ventures and associates	**316**	54
- Other non-cash items	**50**	101
Operating profit before changes in working capital	**3,545**	4,498
Change in trade and other inventories	**(143)**	181
Change in trade and other receivables	**58**	803
Change in trade and other payables	**(465)**	26
Cash generated from operations	**2,995**	5,508
Interest income received	**224**	377
Taxation paid	**(204)**	(341)
Net cash generated from operating activities	**3,015**	5,544
CASH FLOWS FROM INVESTING ACTIVITIES		
Dividends received from joint ventures and associates	**50**	126
Investment in joint ventures	**(18)**	-
Proceeds from disposal of property, plant and equipment	**2**	1
Payment of deferred consideration	**(2)**	-
Payment for acquisition of a subsidiary, net of cash acquired	**-**	(769)
Payment of cost for acquisition of a subsidiary	**-**	(30)
Payment for settlement of forward foreign exchange contract	**-**	(902)
Proceeds from settlement of forward foreign exchange contract	**-**	898
Purchase of property, plant and equipment	**(1,476)**	(2,351)
Net cash used in investing activities	**(1,444)**	(3,027)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to:		
- PETRONAS	**(618)**	(1,493)
- others (third parties)	**(342)**	(827)
- non-controlling interests	**(4)**	(68)
Drawdown of:		
- term loans	**298**	1,895
- revolving credit	**113**	-
Repayment of a term loan		
- principal	**(74)**	(2,071)
- interest	**(46)**	(58)
Payment to a non-controlling interest on additional equity interest	**-**	(10)
Proceeds from shares issued to a non-controlling interest	**4**	5
Payment of lease liabilities:		
- principal	**(50)**	(81)
- interest	**(73)**	(50)
Net cash used in financing activities	**(792)**	(2,758)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

In RM Mil	Year ended 31 December 2020	2019
Net cash flows from operating, investing and financing activities	**779**	(241)
Effect of foreign currency translation differences	**(25)**	(5)
Net increase in cash and cash equivalents	**754**	(246)
Net foreign exchange differences on cash held	**(92)**	(38)
Cash and cash equivalents at beginning of the year	**12,045**	12,329
Cash and cash equivalents at end of the year	**12,707**	12,045

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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.

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 and year ended 31 December 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	*Business Combinations (Definition of a Business)*
Amendments to MFRS 7	*Financial Instruments: Disclosures – Interest Rate Benchmark Reform*
Amendments to MFRS 9	*Financial Instruments*
Amendments to MFRS 16	*Leases (COVID-19 Related Rent Concessions)*
Amendments to MFRS 101	*Presentation of Financial Statements (Definition of Material)*
Amendments to MFRS 108	*Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)*
Amendments to MFRS 139	*Financial Instruments: Recognition and Measurement*

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 did not 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.

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 year 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 dividend 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

						Year ended 31 December
	2020	2019	2020	2019	2020	2019
In RM Mil	Third Parties		Inter-segment		Gross Total	
Olefins and Derivatives	**8,194**	9,947	**14**	13	**8,208**	9,960
Fertilisers and Methanol	**5,311**	6,165	**-**	-	**5,311**	6,165
Others	**857**	258	**46**	44	**903**	302
Total	**14,362**	16,370	**60**	57	**14,422**	16,427

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

A9. OPERATING SEGMENTS (continued)

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

In RM Mil	2020	Year ended 31 December 2019
Olefins and Derivatives	**302**	1,176
Fertilisers and Methanol	**1,356**	1,690
Others[2]	**(72)**	(71)
Total	**1,586**	2,795

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

There were no revaluations of property, plant and equipment for the period under review. As at 31 December 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 year are as follows:

In RM Mil	As at 31.12.2020	As at 31.12.2019
Property, plant and equipment:		
Approved and contracted for	**475**	604
Approved but not contracted for	**1,734**	1,748
Total	**2,209**	2,352

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.

[1] Included within profit/(loss) for the year for Olefins and Derivatives, Fertilisers and Methanol and Others segments are depreciation and amortisation expenses amounting to RM784 million (2019: RM794 million), RM819 million (2019: RM830 million) and RM67 million (2019: RM35 million) respectively.

[2] Includes loss from non-reportable segments and unallocated assets.

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:

In RM Mil	Fair value as at 30.09.2020
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	**449**
Less: Non-controlling interest	**(6)**
Add: Goodwill on acquisition	**227**
Purchase consideration	**670**
Add: Settlement of existing loans	**231**
Less: Deferred consideration	**(97)**
Payment for acquisition	**804**
Less: Cash and cash equivalents acquired	**(35)**
Payment for acquisition, net of cash acquired	**769**

As at 31 December 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 year under review:

In RM Mil	As at 1.1.2020	Effect upon finalisation of purchase price allocation (note A14)	Foreign currency translation	As at 31.12.2020
Goodwill	583	(356)	15	242

Adjusted goodwill upon finalisation of purchase price allocation as at 30 September 2020 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).

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 31 December 2020
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	-	3	-	3	187
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	-	(4)	-	(4)	(334)

As at 31 December 2019
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	467
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	-	(7)	-	(7)	(672)

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

A17. SIGNIFICANT EVENT

On 18 November 2020, the Board has approved the cessation of Butanediol ("BDO") Complex by an associate 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 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.

PART B – OTHER EXPLANATORY NOTES

B1. REVIEW OF GROUP PERFORMANCE

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

	Individual quarter ended 31 December					
	2020	2019	2020	2019	2020	2019
In RM Mil	Group		Olefins and Derivatives		Fertilisers and Methanol	
Revenue	**3,836**	4,234	**2,137**	2,576	**1,491**	1,441
Profit after tax	**456**	312	**29**	45	**476**	329
EBITDA[3]	**1,149**	750	**476**	296	**667**	475

PCG Group recorded higher plant utilisation rate of 94% as compared to 89% in the corresponding quarter, mainly due to lower level of maintenance activities resulting in higher production volume. However, sales volume was lower due to inventory build-up for inventory management.

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

Revenue was lower by RM398 million or 9% at RM3.8 billion largely due to lower sales volume and product prices.

EBITDA was higher by RM399 million or 53% at RM1.1 billion following lower operating expenditure. Profit after tax was higher by RM144 million or 46% at RM456 million in line with higher EBITDA, partly negated by net share of loss from joint ventures and associates due to once-off provision arising from decision to cease the operation of Butanediol ("BDO") Complex, BASF PETRONAS Chemicals Sdn. Bhd. ("BPC").

Olefins and Derivatives

The segment recorded lower plant utilisation rate of 93% compared to 98% in the corresponding quarter primarily due to higher level of statutory turnaround activities, resulting in lower production and sales volumes.

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

Revenue was lower by RM439 million or 17% at RM2.1 billion mainly as a result of lower sales volume and product prices.

EBITDA for the segment was higher by RM180 million or 61% at RM476 million primarily driven by lower operating expenditure. However, profit after tax decreased by RM16 million or 36% at RM29 million mainly due to the net share of loss from joint ventures and associates as mentioned above.

[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)

Fertilisers and Methanol

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

Average product prices for the segment was higher amid global supply disruptions and demand recovery.

The segment's revenue slightly increased by RM50 million or 3% at RM1.5 billion primarily attributed to the improved product prices.

EBITDA was higher by RM192 million or 40% at RM667 million mainly due to improved margin. Profit after tax increased by RM147 million or 45% at RM476 million in line with higher EBITDA.

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

					Year ended 31 December	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
In RM Mil	**Group**		**Olefins and Derivatives**		**Fertilisers and Methanol**	
Revenue	**14,362**	16,370	**8,208**	9,960	**5,311**	6,166
Profit after tax	**1,586**	2,795	**302**	1,176	**1,356**	1,690
EBITDA[4]	**3,523**	4,448	**1,394**	2,099	**2,183**	2,520

PCG Group recorded higher plant utilisation rate and production volume mainly due to lower level of plant statutory turnaround activities. However, sales volume was slightly lower as compared with corresponding year.

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

Revenue was lower by RM2.0 billion or 12% at RM14.4 billion largely due to lower product prices.

EBITDA was lower by RM925 million or 21% at RM3.5 billion mainly due to compressed margin. Profit after tax also decreased by RM1.2 billion or 43% at RM1.6 billion following lower EBITDA and the net share of loss from joint ventures and associates.

[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.

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

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

Olefins and Derivatives

The segment recorded higher plant utilisation rate and production volume than the corresponding year 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 RM1.8 billion or 18% at RM8.2 billion largely attributable to lower product prices.

EBITDA was lower by RM705 million or 34% at RM1.4 billion mainly due to compressed margin. Profit after tax also decreased from the corresponding year by RM874 million or 74% at RM302 million mainly due to lower EBITDA and the net share of loss from joint ventures and associates.

Fertilisers and Methanol

PCG Group recorded comparable plant utilisation rate and production volume with corresponding year. However, sales volume was lower mainly due to inventory build-up for inventory management.

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

The segment recorded lower revenue by RM854 million or 14% at RM5.3 billion mainly due to lower prices.

EBITDA was lower by RM337 million or 13% at RM2.2 billion following compressed margin. Profit after tax also decreased from the corresponding year by RM334 million or 20% at RM1.4 billion in line with lower EBITDA.

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

(c) Variation of results against the preceding quarter

In RM Mil	**Individual quarter ended** **31 December 2020**	**30 September 2020**
Revenue	**3,836**	3,457
Profit after tax	**456**	452
EBITDA[5]	**1,149**	914

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

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

Revenue increased by RM379 million or 11% at RM3.8 billion largely attributable to higher product prices.

EBITDA for the current quarter was higher by RM235 million or 26% at RM1.1 billion in tandem with higher revenue. Profit after tax was comparable at RM456 million mainly due to net share of loss from joint ventures and associates as a result of as disclosed in note A17.

(d) Highlight on consolidated statement of financial position

In RM Mil	**As at 31.12.2020**	**As at 31.12.2019**
Total assets	**39,829**	38,863
Total equity	**31,009**	30,538
ROE (%)	**5.3**	9.2

The Group's total assets were higher by RM966 million at RM39.8 billion. This was mainly due to the increase in cash and cash equivalents contributed by profit generated during the year, partially offset by dividend payment to shareholders. Additionally, property, plant and equipment increased primarily in relation to the capital investment in the petrochemicals projects within Pengerang Integrated Complex (PIC). These were partially reduced by the lower investment in joint ventures and associates as a result of as disclosed in note A17.

Total equity was also higher by RM471 million at RM31.0 billion mainly due to profit generated during the year, partially reduced by dividend payment to shareholders.

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

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

(e) Highlight on consolidated statement of cash flows

In RM Mil	2020	Year ended 31 December 2019
Net cash generated from operating activities	**3,015**	5,544
Net cash used in investing activities	**(1,444)**	(3,027)
Net cash used in financing activities	**(792)**	(2,758)

Net cash generated from operating activities decreased by RM2.5 billion or 46% at RM3.0 billion, mainly due to lower profit generated during the year.

Net cash used in investing activities was lower by RM1.6 billion or 52% at RM1.4 billion, primarily due to lower capital investment for the year, as compared to the corresponding year when PCG acquired and paid for acquisition of a new subsidiary.

Net cash used in financing activities for the year was lower by RM2.0 billion or 71% at RM792 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 prices, 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 market recovery will continue providing stable demand for our products.

B3. PROFIT FORECAST OR PROFIT GUARANTEE

The Group does not publish any profit forecast.

PART B – OTHER EXPLANATORY NOTES (continued)

B4. OPERATING PROFIT

In RM Mil	Individual quarter ended 31 December 2020	2019	Year ended 31 December 2020	2019
Included in operating profit are the following charge:				
Depreciation and amortisation	**418**	443	**1,670**	1,659
Net loss on foreign exchange	**93**	72	**58**	39
Inventories:				
- written down to net realisable value	**18**	-	**1**	13
- written-off	**-**	31	**-**	34
and credits:				
Interest income	**91**	102	**224**	377
Inventories written back to net realisable value	**-**	93	**-**	-
Amortisation of deferred income	**34**	41	**151**	125

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

In RM Mil	Individual quarter ended 31 December 2020	2019	Year ended 31 December 2020	2019
Current tax expenses				
Current period tax	**28**	43	**226**	268
Under provision in respect of prior periods	**-**	8	**(1)**	2
	28	51	**225**	270
Deferred tax expenses				
Origination and reversal of temporary differences	**26**	(5)	**31**	88
Over provision in respect of prior periods	**9**	11	**15**	2
	35	6	**46**	90
	63	57	**271**	360

The Group's effective tax rates for the individual and cumulative quarter and year ended 31 December 2020 are 12% and 15% 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.

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

In RM Mil	As at 31.12.2020	As at 31.12.2019
Trade receivables:		
- Third party	**1,392**	1,464
- Joint ventures and associates	**194**	203
- Related companies	**45**	105
Other receivables	**307**	222
Total	**1,938**	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

In RM Mil	As at 31.12.2020	As at 31.12.2019
Current	**1,601**	1,748
Past due 1 to 30 days	**30**	22
Past due 31 to 60 days	**-**	2
Past due 61 to 90 days	**-**	-
Total	**1,631**	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

		In denominated currency		*In presentation currency*	
	Denominated currency	As at 31.12.2020 Mil	As at 31.12.2019 Mil	As at 31.12.2020 RM Mil	As at 31.12.2019 RM Mil
Non-current					
Term loans - secured	USD	**427**	457	**1,718**	1,875
Term loan - unsecured	USD	**31**	-	**127**	-
Term loan - unsecured	EUR	**30**	-	**149**	-
		488	457	**1,994**	1,875
Current					
Term loans - secured	USD	**37**	-	**148**	-
Revolving credit - unsecured	EUR	**10**	-	**50**	-
		47	-	**198**	-

PART B – OTHER EXPLANATORY NOTES (continued)

B8. BORROWINGS (continued)

During the year, the Group via its subsidiaries and joint operation company had drawdown EUR and USD denominated borrowings, respectively. The EUR 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 USD unsecured term loan bears nil interest with a final repayment date being twelve months following the final discharge of the project financing, mentioned below.

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. DIVIDENDS

The Directors of the Company have declared 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 2020 (2019: 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).

The dividend is payable on 25 March 2021 to depositors registered in the Records of Depositors at the close of business on 11 March 2021.

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 11 March 2021 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.

PART B – OTHER EXPLANATORY NOTES (continued)

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 31 December		Year ended 31 December	
	2020	**2019**	**2020**	**2019**
In RM Mil				
Profit for the period attributable to shareholders of the Company	**466**	340	**1,628**	2,811
In millions of shares				
Number of ordinary shares issued	**8,000**	8,000	**8,000**	8,000
In sen				
Basic earnings per share	**6**	4	**20**	35

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			Year ended	
USD/MYR	**31.12.2020**	**30.09.2020**	**31.12.2019**	**31.12.2020**	**31.12.2019**
Average rate	**4.1082**	4.2033	4.1650	**4.2036**	4.1423
Closing rate	**4.0285**	4.1575	4.0995	**4.0285**	4.0995

By order of the Board

Hasnizaini Mohd Zain (SSM Practising Certificate No. 201908001684)
Kang Shew Meng (SSM Practising Certificate No. 201908002065)
Company Secretaries

Kuala Lumpur
23 February 2021