



PETRONAS

PETRONAS CHEMICALS GROUP BERHAD
Quarterly Report

For First Quarter Ended 31 March 2021



QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2021

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 2021 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	
		2021	31 March 2020
Revenue		4,675	3,891
Cost of revenue		(2,976)	(3,138)
Gross profit		1,699	753
Selling and distribution expenses		(229)	(244)
Administration expenses		(185)	(187)
Other expenses		(11)	(1)
Other income		169	285
Operating profit	B4	1,443	606
Financing costs		(7)	(6)
Share of profit/(loss) after tax of equity-accounted joint ventures and associates		133	(32)
Profit before taxation		1,569	568
Tax expense	B5	(103)	(75)
PROFIT FOR THE PERIOD		1,466	493
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation differences		330	465
Share of other comprehensive income of equity-accounted joint ventures and associates		22	54
Total other comprehensive income for the period		352	519
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,818	1,012
Profit/(loss) attributable to:			
Shareholders of the Company		1,461	506
Non-controlling interests		5	(13)
PROFIT FOR THE PERIOD		1,466	493
Total comprehensive income/(loss) attributable to:			
Shareholders of the Company		1,813	1,025
Non-controlling interests		5	(13)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,818	1,012
Basic earnings per share attributable to shareholders of the Company:			
Based on ordinary shares issued (sen)	B12	18	6

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 FIRST QUARTER ENDED 31 MARCH 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

<i>In RM Mil</i>	Note	As at 31 March 2021	As at 31 December 2020
ASSETS			
Property, plant and equipment		21,185	20,987
Investments in joint ventures and associates		880	722
Intangible assets		724	744
Long term receivables		17	-
Deferred tax assets		882	879
TOTAL NON-CURRENT ASSETS		23,688	23,332
Trade and other inventories		1,847	1,806
Trade and other receivables	B7	2,310	1,938
Tax recoverable		48	46
Cash and cash equivalents		13,387	12,707
TOTAL CURRENT ASSETS		17,592	16,497
TOTAL ASSETS		41,280	39,829
EQUITY			
Share capital		8,871	8,871
Reserves		22,828	21,575
Total equity attributable to shareholders of the Company		31,699	30,446
Non-controlling interests		568	563
TOTAL EQUITY		32,267	31,009
LIABILITIES			
Borrowings	B8	2,059	1,994
Lease liabilities		947	908
Provisions		253	247
Other long term liabilities		1,416	1,434
Deferred tax liabilities		1,027	993
TOTAL NON-CURRENT LIABILITIES		5,702	5,576
Borrowings	B8	184	198
Lease liabilities		81	80
Trade and other payables		2,948	2,893
Current tax payables		98	73
TOTAL CURRENT LIABILITIES		3,311	3,244
TOTAL LIABILITIES		9,013	8,820
TOTAL EQUITY AND LIABILITIES		41,280	39,829
Net assets per share attributable to shareholders of the Company (RM)		3.96	3.81

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

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2021

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 2021				
Balance at 1 January 2021	8,871	(350)	(204)	1,001
Foreign currency translation differences	-	330	-	-
Share of other comprehensive income of equity-accounted joint ventures and associates	-	-	-	22
Total other comprehensive income for the period	-	330	-	22
Profit for the period	-	-	-	-
Total comprehensive income for the period	-	330	-	22
Dividends to shareholders of the Company (note A8)	-	-	-	-
Total transactions with owners of the Group	-	-	-	-
Balance at 31 March 2021	8,871	(20)	(204)	1,023
Individual quarter ended 31 March 2020				
Balance at 1 January 2020	8,871	(185)	(204)	987
Foreign currency translation differences	-	465	-	-
Share of other comprehensive income 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/(loss) 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

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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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FOR FIRST QUARTER ENDED 31 MARCH 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

<i>In RM Mil</i>	<i>Attributable to shareholders of the Company</i>			
	<i>Distributable</i>			
	Retained Profits	Total	Non- controlling Interests	Total Equity
Individual quarter ended 31 March 2021				
Balance at 1 January 2021	21,128	30,446	563	31,009
Foreign currency translation differences	-	330	-	330
Share of other comprehensive income of equity- accounted joint ventures and associates	-	22	-	22
Total other comprehensive income for the period	-	352	-	352
Profit for the period	1,461	1,461	5	1,466
Total comprehensive income for the period	1,461	1,813	5	1,818
Dividends to shareholders of the Company (note A8)	(560)	(560)	-	(560)
Total transactions with owners of the Group	(560)	(560)	-	(560)
Balance at 31 March 2021	22,029	31,699	568	32,267
Individual quarter ended 31 March 2020				
Balance at 1 January 2020	20,464	29,933	605	30,538
Foreign currency translation differences	-	465	-	465
Share of other comprehensive income 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/(loss) 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	(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

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

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In RM Mil</i>	Individual quarter ended	
	2021	31 March 2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,569	568
Adjustments for:		
- Amortisation of deferred income	(35)	(41)
- Depreciation and amortisation	402	408
- Financing costs	7	6
- Interest income	(29)	(62)
- Share of (profit)/loss after tax of equity-accounted joint ventures and associates	(133)	32
- Other non-cash items	(123)	(109)
Operating profit before changes in working capital	1,658	802
Change in trade and other inventories	(7)	(147)
Change in trade and other receivables	(372)	55
Change in trade and other payables	163	19
Cash generated from operations	1,442	729
Interest income received	29	59
Taxation (paid)/recovered	(50)	6
Net cash generated from operating activities	1,421	794
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in a joint venture	(3)	-
Purchase of property, plant and equipment	(360)	(367)
Net cash used in investing activities	(363)	(367)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to:		
- PETRONAS	(360)	(360)
- others (third parties)	(200)	(200)
Drawdown of:		
- term loan	16	136
- revolving credit	-	113
Repayment of revolving credit	(23)	-
Proceeds from shares issued to a non-controlling interest	-	4
Payment of lease liabilities:		
- principal	(23)	(21)
- interest	(18)	(18)
Net cash used in financing activities	(608)	(346)
Net cash flows from operating, investing and financing activities	450	81
Effect of foreign currency translation differences	32	12
Net increase in cash and cash equivalents	482	93
Net foreign exchange differences on cash held	198	333
Cash and cash equivalents at beginning of the period	12,707	12,045
Cash and cash equivalents at end of the period	13,387	12,471

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

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2021

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 2020. 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 2020.

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 2021.

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 2020.

As of 1 January 2021, the Group has adopted the following amendments to MFRSs ("pronouncements") which are effective for annual periods beginning on or after 1 January 2021.

Amendments to MFRS 9	<i>Financial Instruments</i>
Amendments to MFRS 139	<i>Financial Instruments: Recognition and Measurement</i>
Amendments to MFRS 7	<i>Financial Instruments: Disclosures</i>
Amendments to MFRS 16	<i>Leases (Interest Rate Benchmark Reform – Phase 2)</i>

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

A3. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of PCG and its subsidiaries for the year ended 31 December 2020 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 FIRST QUARTER ENDED 31 MARCH 2021

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 2020 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 2020 to shareholders on 25 March 2021.

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>	2021		2020		Individual quarter ended 31 March	
	Third Parties	Inter-segment	2021	2020	Gross Total	
Olefins and Derivatives	2,851	2,396	2	5	2,853	2,401
Fertilisers and Methanol	1,565	1,261	-	-	1,565	1,261
Others	259	234	13	12	272	246
Total	4,675	3,891	15	17	4,690	3,908

9.2 Segment profit/(loss) for the period¹

<i>In RM Mil</i>	Individual quarter ended 31 March	
	2021	2020
Olefins and Derivatives	867	(17)
Fertilisers and Methanol	528	359
Others ²	71	151
Total	1,466	493

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 RM187 million (2020: RM192 million), RM191 million (2020: RM207 million) and RM24 million (2020: RM9 million) respectively.

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

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2021

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 2021, 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 2020.

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 March 2021	As at 31 December 2020
Property, plant and equipment:		
Approved and contracted for	598	475
Approved but not contracted for	1,543	1,734
Total	2,141	2,209

A14. GOODWILL

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

<i>In RM Mil</i>	As at 1 January 2021	Foreign currency translation	As at 31 March 2021
Goodwill	242	(4)	238

A15. 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).

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FOR FIRST QUARTER ENDED 31 MARCH 2021

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

A15. 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 March 2021

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>459</u>
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>(2)</u>	<u>(290)</u>

As at 31 December 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>3</u>	<u>-</u>	<u>3</u>	<u>187</u>
Financial liabilities					
Forward foreign exchange contracts					
- within 1 year	<u>-</u>	<u>(4)</u>	<u>-</u>	<u>(4)</u>	<u>(334)</u>

QUARTERLY REPORT

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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>	2021		2020		Individual quarter ended 31 March	
	2021	2020	2021	2020	2021	2020
	Group		Olefins and Derivatives		Fertilisers and Methanol	
Revenue	4,675	3,891	2,853	2,401	1,565	1,261
Profit/(Loss) after tax	1,466	493	867	(17)	528	359
EBITDA ³	1,695	764	1,004	188	700	592

PCG Group recorded lower plant utilisation rate of 90% as compared to 94% in the corresponding quarter mainly due to higher level of maintenance and statutory turnaround activities resulting in lower production and sales volumes.

Overall average prices for the Group strengthened from the corresponding quarter in tandem with the recovery of crude oil price and bullish market amidst shortage of supply due to US storms and global container shortage.

Revenue was higher by RM784 million or 20% at RM4.7 billion largely due to higher product prices.

EBITDA was higher by RM931 million at RM1.7 billion in line with improved margin. Profit after tax was higher by RM973 million at RM1.5 billion in line with higher EBITDA and higher net share of profit from joint ventures and associates, partly negated by lower foreign exchange gain on revaluation of shareholder loan to a joint operation company.

Olefins and Derivatives

The segment recorded comparable plant utilisation rate, production and sales volumes as compared to the corresponding quarter.

Average product prices for the segment improved as mentioned above.

Revenue was higher by RM452 million or 19% at RM2.9 billion as a result of higher product prices.

EBITDA for the segment was higher by RM816 million at RM1.0 billion primarily driven by improved margin. Profit after tax increased by RM884 million at RM867 million in line with higher EBITDA and higher net share of profit from joint ventures and associates.

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.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2021

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 lower plant utilisation rate of 84% compared to 90% in the corresponding quarter mainly due to higher level of maintenance and statutory turnaround activities resulting in lower production and sales volumes.

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

The segment's revenue increased by RM304 million or 24% at RM1.6 billion primarily attributed to the improved product prices.

EBITDA was higher by RM108 million or 18% at RM700 million in line with improved margin. Profit after tax increased by RM169 million or 47% at RM528 million in line with higher EBITDA and higher net share of profit from joint ventures and associates.

(b) Variation of results against the preceding quarter

<i>In RM Mil</i>	Individual quarter ended	
	31 March 2021	31 December 2020
Revenue	4,675	3,836
Profit after tax	1,466	456
EBITDA ⁴	1,695	1,149

PCG Group recorded lower plant utilisation rate, production volume and sales volume as compared to the preceding quarter mainly due to higher level of maintenance and statutory activities.

Overall average product prices improved driven by higher crude oil prices and bullish market amidst shortage of supply due to US storms and global container shortage.

Revenue increased by RM839 million or 22% at RM4.7 billion largely attributable to higher product prices.

EBITDA for the current quarter was higher by RM546 million or 48% at RM1.7 billion in tandem with improved margin. Profit after tax was higher at RM1.5 billion in line with higher EBITDA and higher net share of profit 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.

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FOR FIRST QUARTER ENDED 31 MARCH 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B1. REVIEW OF GROUP PERFORMANCE (continued)

(c) Highlight on consolidated statement of financial position

<i>In RM Mil</i>	As at 31 March 2021	As at 31 December 2020
Total assets	41,280	39,829
Total equity	32,267	31,009
ROE (%)	8.0	5.3

The Group's total assets were higher by RM1.5 billion at RM41.3 billion. This was mainly due to the increase in cash and cash equivalents contributed by profit generated during the period, 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).

Total equity was also higher by RM1.3 billion at RM32.3 billion mainly due to profit generated during the period, partially reduced by dividend payment to shareholders.

(d) Highlight on consolidated statement of cash flows

<i>In RM Mil</i>	Individual quarter ended 31 March	
	2021	2020
Net cash generated from operating activities	1,421	794
Net cash used in investing activities	(363)	(367)
Net cash used in financing activities	(608)	(346)

Net cash generated from operating activities increased by RM627 million or 79% at RM1.4 billion, mainly due to higher profit generated during the period.

Net cash used in investing activities was comparable at RM363 million.

Net cash used in financing activities for the period was higher by RM262 million or 76% at RM608 million, due to lower drawdown of term loans and nil revolving credit requirement.

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FOR FIRST QUARTER ENDED 31 MARCH 2021

PART B – OTHER EXPLANATORY NOTES (continued)

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 petrochemical product prices to remain strong in the coming quarter, amid continued tight supply and demand recovery.

B3. PROFIT FORECAST OR PROFIT GUARANTEE

The Group does not publish any profit forecast.

B4. OPERATING PROFIT

<i>In RM Mil</i>	Individual quarter ended	
	2021	31 March 2020
Included in operating profit are the following charges:		
Depreciation and amortisation	402	408
Inventories written down to net realisable value	-	63
and credits:		
Interest income	29	62
Inventories written back to net realisable value	34	-
Amortisation of deferred income	35	41
Net gain on foreign exchange	99	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.

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FOR FIRST QUARTER ENDED 31 MARCH 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B5. TAX EXPENSE

<i>In RM Mil</i>	Individual quarter ended	
	2021	31 March 2020
Current tax expenses		
Current period tax	73	66
Deferred tax expenses		
Origination and reversal of temporary differences	30	2
Over provision in respect of prior periods	-	7
	30	9
	103	75

The Group's effective tax rates for the quarter ended 31 March 2021 and 2020 are 7% and 13% respectively which, are reflective of the various tax legislation within which the Group operates, including among others Malaysia Income Tax Act 1967 and Global Incentive for Trading (GIFT) under Labuan Financial Services and Securities Act 2010.

B6. STATUS OF CORPORATE PROPOSALS

There were no new corporate proposals during the period under review since the last audited consolidated financial statements for the year ended 31 December 2020.

B7. TRADE AND OTHER RECEIVABLES

(a) Details of Group trade and other receivables

<i>In RM Mil</i>	As at 31 March 2021	As at 31 December 2020
Trade receivables:		
- Third party	1,746	1,392
- Joint ventures and associates	154	194
- Related companies	89	45
Other receivables	321	307
Total	2,310	1,938

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

(b) Ageing analysis of trade receivables

<i>In RM Mil</i>	As at 31 March 2021	As at 31 December 2020
Current	1,930	1,601
Past due 1 to 30 days	55	30
Past due 31 to 60 days	3	-
Past due 61 to 90 days	1	-
Total	1,989	1,631

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.

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FOR FIRST QUARTER ENDED 31 MARCH 2021

PART B – OTHER EXPLANATORY NOTES (continued)

B8. BORROWINGS

	Denominated currency	<i>In denominated currency</i>		<i>In presentation currency</i>	
		As at 31 March 2021 Mil	As at 31 December 2020 Mil	As at 31 March 2021 RM Mil	As at 31 December 2020 RM Mil
Non-current					
Term loans - secured	USD	425	427	1,766	1,718
Term loan - unsecured	USD	35	31	146	127
Term loan - unsecured	EUR	30	30	147	149
				2,059	1,994
Current					
Terms loans - secured	USD	38	37	160	148
Revolving credit - unsecured	EUR	5	10	24	50
				184	198

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 is pursuant to the co-borrowing agreement between the joint operation company and a related party under an integrated borrowing structure. The loan bears nil interest and has been fair valued at an effective interest rate of 2.17% per annum 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 2020, other than as disclosed in note A15.

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 2020.

QUARTERLY REPORT

FOR FIRST QUARTER ENDED 31 MARCH 2021

PART B – OTHER EXPLANATORY NOTES (continued)

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	
	2021	31 March 2020
<i>In RM Mil</i>		
Profit for the period attributable to shareholders of the Company	<u>1,461</u>	<u>506</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>18</u>	<u>6</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.

B13. EXCHANGE RATES

	Individual quarter ended		
	31 March 2021	31 December 2020	31 March 2020
USD/MYR			
Average rate	<u>4.0647</u>	<u>4.1082</u>	<u>4.1795</u>
Closing rate	<u>4.1530</u>	<u>4.0285</u>	<u>4.3275</u>

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
27 May 2021