

QUARTERLY REPORT

On the consolidated results for the fourth quarter ended 31 December 2020

The Directors are pleased to announce the followings:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Amounts in RM million unless otherwise stated

		Quarter ended 31 December		%	Year ended 31 December		%
	Note	2020	2019	+ / (-)	2020	2019	+ / (-)
Continuing operations							
Revenue	A8, A9	3,639	3,376	8	13,081	12,062	8
Operating expenses		(3,066)	(3,141)		(11,573)	(11,651)	
Other operating income		73	77		592	202	
Other losses		(77)	(239)		(14)	(209)	
Operating profit	B5, A9	569	73	>100	2,086	404	>100
Share of results of joint ventures		(1)	- *		(1)	4	
Share of results of associates		1	- *		5	(2)	
Profit before interest and tax	A9	569	73	>100	2,090	406	>100
Finance income		8	3		17	13	
Finance costs		(23)	(44)		(116)	(168)	
Profit before tax		554	32	>100	1,991	251	>100
Tax (expense)/income	B6	(106)	(34)		(466)	24	
Profit/(loss) from continuing operations		448	(2)	>100	1,525	275	>100
Discontinued operations							
Loss from discontinued operations		(236)	(13)		(162)	(322)	
Profit/(loss) for the financial year		212	(15)	>100	1,363	(47)	>100
Profit/(loss) for the financial year attributable to:							
– equity holders of the Company							
- from continuing operations		385	(45)		1,347	122	
- from discontinued operations		(236)	(13)		(162)	(322)	
		149	(58)	>100	1,185	(200)	>100
– Perpetual Sukuk							
- from continuing operations		32	31		125	124	
		32	31		125	124	
– non-controlling interests							
- from continuing operations		31	12		53	29	
		31	12		53	29	
		212	(15)	>100	1,363	(47)	>100
Basic earnings/(loss) per share attributable to equity holders of the Company (sen):							
– from continuing operations	B13	5.6	(0.7)		19.6	1.8	
– from discontinued operations	B13	(3.4)	(0.2)		(2.4)	(4.7)	
Total		2.2	(0.9)	>100	17.2	(2.9)	>100

* Less than 1 million

The unaudited condensed consolidated statement of profit or loss should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Amounts in RM million unless otherwise stated

	Quarter ended 31 December		%	Year ended 31 December		%
	2020	2019	+ / (-)	2020	2019	+ / (-)
Profit/(loss) for the financial year	212	(15)	>100	1,363	(47)	>100
Continuing operations						
Other comprehensive income/(loss):						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences gain/(loss):						
– subsidiaries	91	(88)		(154)	89	
– joint ventures and associates	1	- *		-	- *	
Net change in fair value:						
– cash flow hedges (loss)/gain	(238)	1		(250)	(18)	
– transfer to profit and loss	(7)	(11)		(7)	(7)	
Tax income/(expense) relating to components through other comprehensive income	55	-		58	(1)	
	(98)	(98)		(353)	63	
Items that will be not reclassified subsequently to profit or loss:						
Actuarial gain/(loss) on defined benefit pension plans	13	(15)		13	(15)	
Investments at fair value through other comprehensive income ("FVOCI"):						
– changes in fair value	(3)	1		(3)	1	
Tax expenses relating to components through other comprehensive income	7	4		7	4	
	17	(10)		17	(10)	
	(81)	(108)		(336)	53	
Other comprehensive income/(loss) from discontinued operations	-	1		(113)	2	
Total other comprehensive (loss)/income	(81)	(107)		(449)	55	
Total comprehensive income/(loss) for the financial year	131	(122)		914	8	
Total comprehensive income/(loss) for the financial year attributable to:						
– equity holders of the Company						
– from continuing operations	301	(146)	>(100)	1,019	174	>100
– from discontinued operations	(236)	(12)	>100	(275)	(320)	14
	65	(158)		744	(146)	
– Perpetual Sukuk						
– from continuing operations	32	31		125	124	
	32	31		125	124	
– non-controlling interests						
– from continuing operations	34	5	>(100)	45	30	50
	34	5		45	30	
Total	131	(122)	>100	914	8	>100

* Less than 1 million

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Amounts in RM million unless otherwise stated

		Unaudited	Audited
		As at 31 December 2020	As at 31 December 2019
	Note		
Non-current assets			
Property, plant and equipment		17,283	17,314
Investment properties		7	8
Right-of-use assets		2,063	2,146
Joint ventures		35	34
Associates		43	40
Intangible assets		2,789	2,840
Investments at fair value through other comprehensive income ("FVOCI")		27	30
Deferred tax assets		621	640
Tax recoverable		265	334
Trade and other receivables		186	156
		23,319	23,542
Current assets			
Inventories		1,569	1,498
Biological assets		224	189
Trade and other receivables		2,246	1,934
Tax recoverable		215	313
Amounts due from related parties		3	2
Planned assets		44	-
Derivatives	B9	68	77
Bank balances, deposits and cash		309	431
		4,678	4,444
Non-current assets held for sale ⁽¹⁾		323	522
Total assets	A9	28,320	28,508
Equity			
Share capital		1,506	1,506
Reserves		12,149	11,755
Attributable to equity holders of the Company		13,655	13,261
Perpetual Sukuk		2,231	2,231
Non-controlling interests		384	368
Total equity		16,270	15,860

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

Amounts in RM million unless otherwise stated

		Unaudited As at 31 December 2020	Audited As at 31 December 2019
	Note		
Non-current liabilities			
Retirement benefits		277	260
Deferred income		-	-
Deferred tax liabilities		2,623	2,598
Borrowings	B8	4,397	5,255
Lease liabilities		164	162
Trade and other payables		81	78
		7,542	8,353
Current liabilities			
Trade and other payables		1,554	1,361
Contract liabilities		28	13
Amounts due to related parties		18	7
Retirement benefits		18	15
Lease liabilities		26	25
Tax payable		201	105
Derivatives	B9	360	243
Borrowings	B8	2,285	2,490
		4,490	4,259
Liabilities directly associated with non-current assets held for sale ⁽²⁾		18	36
Total liabilities		12,050	12,648
Total equity and liabilities		28,320	28,508
Net assets per share attributable to equity holders of the Company (RM)		1.98	1.93
Note:			
(1) Non-current assets held for sale			
Non-current assets held for sale			
– property, plant and equipment		34	66
– intangible asset		-	3
– joint venture		158	394
Disposal group held for sale			
– property, plant and equipment		89	34
– right of use assets		1	-
– other assets		41	25
		323	522
(2) Liabilities directly associated with non-current assets held for sale			
Disposal group held for sale			
– liabilities		18	36
		18	36

* Less than 1 million

The unaudited condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Amounts in RM million unless otherwise stated

	Attributable to equity holders of the Company										
Year ended 31 December 2020	Share capital	Capital reserve	Hedging reserve	Merger reserve	Investments at FVOCI reserve	Exchange reserve	Retained profits	Total	Perpetual Sukuk	Non-controlling interests	Total equity
At 1 January 2020	1,506	9	5	(18)	28	722	11,009	13,261	2,231	368	15,860
Continuing operations											
Profit for the financial year	-	-	-	-	-	-	1,347	1,347	125	53	1,525
Other comprehensive (loss)/income for the financial year	-	-	(199)	-	(3)	(142)	20	(324)	-	(9)	(333)
Disposal of subsidiaries	-	-	-	-	-	(4)	-	(4)	-	1	(3)
Total comprehensive (loss)/income for the financial year	-	-	(199)	-	(3)	(146)	1,367	1,019	125	45	1,189
Transactions with equity holders:											
Dividends	-	-	-	-	-	-	(346)	(346)	-	(33)	(379)
Distribution to Perpetual Sukuk holders	-	-	-	-	-	-	-	-	(125)	-	(125)
Changes in ownership	-	-	-	-	-	-	(4)	(4)	-	4	-
Discontinued operations											
Total comprehensive (loss) for the financial year	-	-	-	-	-	(113)	(162)	(275)	-	-	(275)
At 31 December 2020	1,506	9	(194)	(18)	25	463	11,864	13,655	2,231	384	16,270

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY(CONTINUED)

Amounts in RM million unless otherwise stated

	Attributable to equity holders of the Company										
	Share capital	Capital reserve	Hedging reserve	Merger reserve	Investments at FVOCI reserve	Exchange reserve	Retained profits	Total	Perpetual Sukuk	Non-controlling interests	Total equity
Year ended 31 December 2019											
At 1 January 2019	1,100	9	31	(18)	27	621	11,348	13,118	2,231	396	15,745
<u>Continuing operations</u>											
Profit for the financial year	-	-	-	-	-	-	122	122	124	29	275
Other comprehensive (loss)/income for the financial year	-	-	(26)	-	1	88	(11)	52	-	1	53
Total comprehensive (loss)/income for the financial year	-	-	(26)	-	1	88	111	174	124	30	328
Transactions with equity holders:											
Share issue	406	-	-	-	-	-	-	406	-	-	406
Dividends	-	-	-	-	-	-	(117)	(117)	-	(58)	(175)
Distribution to Perpetual Sukuk holders	-	-	-	-	-	-	-	-	(124)	-	(124)
<u>Discontinued operations</u>											
Total comprehensive income/(loss) for the financial year	-	-	-	-	-	13	(333)	(320)	-	-	(320)
At 31 December 2019	1,506	9	5	(18)	28	722	11,009	13,261	2,231	368	15,860

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Amounts in RM million unless otherwise stated

		Year ended 31 December	
	Note	2020	2019
Cash flows from operating activities			
Profit for the financial period from continuing operations		1,525	275
Adjustments for:			
Share of results of joint ventures and associates		(4)	(2)
Finance income		(17)	(13)
Finance costs		116	168
Gain on disposal of:			
– property, plant and equipment	B5	(1)	(61)
– non-current assets held for sale	B5	(461)	(19)
Depreciation and amortisation	B5	1,225	1,206
Fair value (gains)/losses:			
– commodities contracts	B5	(93)	179
– forward foreign exchange contracts	B5	(6)	5
Unrealised foreign exchange losses/(gains)	B5	11	(14)
Tax expense/(income)	B6	466	(24)
Fair value changes on biological assets		(32)	(13)
Retirement benefits		32	42
Impairment of:			
– property, plant and equipment	B5	12	2
– right-of-use assets	B5	-	19
– amount due from joint venture	B5	-	28
– trade and other receivables	B5	10	11
Reversal of impairment:			
– trade and other receivables	B5	-	(20)
Write offs:			
– inventories	B5	10	4
– property, plant and equipment	B5	21	26
– right-of-use assets	B5	- *	2
Dividend income		(7)	(4)
		2,807	1,797
Changes in working capital:			
Inventories		(82)	155
Trade and other receivables		(390)	137
Trade and other payables		221	(99)
Intercompany and related party balances		10	(45)
Cash generated from operations		2,566	1,945
Tax paid		(103)	(111)
Retirement benefits paid		(32)	(25)
Operating cash flow from continuing operations		2,431	1,809
Operating cash flow from discontinued operations		-	(64)
Net cash generated from operating activities		2,431	1,745
Cash flows from investing activities			
Finance income received		17	13
Purchase of:			
– property, plant and equipment		(1,324)	(1,566)
– intangibles assets		(27)	(6)
– right-of-use assets		(1)	-
Advances for plasma plantation projects		(8)	(10)
Repayment of advances for plasma plantation projects		14	8
Proceeds from sale of:			
– non-current assets held for sale		505	71
– property, plant and equipment		4	122
Dividend received from:			
– FVOCI		7	4
– an associate		1	3
Investing cash flow used in continuing operations		(812)	(1,361)
Investing cash flow used in discontinued operations		(25)	-
Net cash used in investing activities		(837)	(1,361)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
Amounts in RM million unless otherwise stated

		Year ended 31 December	
	Note	2020	2019
Cash flows from financing activities			
Distribution to Perpetual Sukuk holders		(125)	(124)
Finance costs paid		(163)	(273)
Loans raised		3,031	6,029
Loan repayments		(4,052)	(5,557)
Repayment of lease liabilities		(42)	(56)
Dividends paid to shareholders		(346)	(459)
Dividends paid to non-controlling interests of subsidiaries		(33)	(58)
Financing cash flow used in continuing operations		(1,730)	(498)
Financing used in discontinued operations		-	63
Net cash used in financing activities		(1,730)	(435)
Net changes in cash and cash equivalents during the financial year			
		(136)	(51)
Foreign exchange difference		14	(7)
Cash and cash equivalents at beginning of the year		431	491
Reclassified to non-current assets held for sale		-	(2)
Cash and cash equivalents at end of the year		309	431
For the purpose of the statement of cash flows, cash and cash equivalents comprised the following:			
Bank balances, deposits and cash		309	431
Cash and cash equivalents from continuing operations		309	428
Cash and cash equivalents from discontinued operations		-	3
		309	431

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2019.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of preparation

This interim financial report is prepared in accordance with the requirements of paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and complies with the requirements of the Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting" and other MFRSs issued by the Malaysian Accounting Standards Board ("MASB"). The interim financial report is unaudited and should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019.

Prior to 1 June 2020, the Group measures its derivatives entered to hedge against crude palm oil price risk at fair value through profit or loss at each reporting date, in accordance with MFRS 9 "Financial Instruments". With effect from 1 June 2020, the Group has applied hedge accounting to its forward commodity contracts to minimise fluctuations from commodity price movements as any gains or losses on the hedging instrument is deferred in the hedging reserve until the transactions are realised. As at 31 December 2020, the Group has recognised a loss on derivatives that qualify for hedge accounting of approximately RM178.8 million (net of tax) in other comprehensive income.

A2. Accounting policies

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited consolidated financial statements for the financial year ended 31 December 2019 except as described below.

(a) Accounting pronouncements that are effective and have been adopted in preparing these financial statements:

(i) Interpretation and amendments that are effective on or after 1 January 2020

- Amendments to MFRS 3 "Definition of a Business"
- Amendments to MFRS 101 and MFRS 108 "Definition of Material"
- The Conceptual Framework for Financial Reporting
- Annual Improvements to MFRS Standards 2018–2020

The adoption of these amendments does not have any impact on the current period or any prior periods and is not likely to affect future periods.

(b) Accounting pronouncements that are not yet effective and have not been early adopted in preparing these financial statements:

(i) Interpretation and amendments that are effective on or after 1 January 2021

- Amendment to MFRS 16 Leases "Covid-19 - Related Rent Concessions"

(ii) Interpretation and amendments that are effective on or after 1 January 2022

- Amendments to MFRS 116 "Property, Plant and Equipment: Proceeds before Intended Use"
- Amendments to MFRS 137 "Onerous Contracts - Cost of Fulfilling a Contract"

(iii) Interpretation and amendments that are effective on or after 1 January 2023

- (Amendments to MFRS 101 "Classification of Liabilities as Current or Non-current")

(c) Accounting pronouncement where the effective date has been deferred to a date to be determined by the Malaysian Accounting Standards Board ("MASB") is set out below:

- Amendments to MFRS 10 and MFRS 128 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"

A3. Seasonal and cyclical factors

The Group's operations are not materially affected by seasonal or cyclical factors except for the fresh fruit bunch production which may be affected by the vagaries of weather and cropping patterns.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

Except as disclosed in Notes B1 and B2, there were no material unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the quarter under review.

A5. Material changes in estimates

There were no material effects from estimates made in prior periods or previous year.

A6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020
Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A7. Dividends paid

Dividends paid during the financial year ended 31 December 2020 are as follows:

	Year ended 31 December 2020
In respect of financial year ended 31 December 2019:	
- Final single tier dividend of 1.0 sen per share, paid in cash on 22 May 2020	69
In respect of financial year ended 31 December 2020:	
- Interim single tier dividend of 2.57 sen per share, paid in cash on 22 November 2020	177
- Special interim single tier dividend of 1.45 sen per share, paid in cash on 22 November 2020	100
	346

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020
Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A8. Revenue

The Group derived the following types of revenue:

		Year ended 31 December	
	Note	2020	2019
<u>Continuing operations</u>			
Revenue from contracts with customers	A8(a)	13,063	12,046
Revenue from other sources	A8(b)	18	16
		13,081	12,062
<u>Discontinued operations</u>			
Revenue from contracts with customers		-	52
Total revenue		13,081	12,114
(a) Disaggregation of revenue from contracts with customers			
<u>Continuing operations</u>			
Upstream			
– Malaysia		561	781
– Indonesia		804	865
– Papua New Guinea and Solomon Islands ("PNG/SI")		802	836
Downstream		10,837	9,509
Other operations		59	55
		13,063	12,046
<u>Discontinued operations</u>			
Upstream			
– Liberia		-	52
		13,063	12,098
<u>Continuing operations</u>			
Sales of palm based products, other refined edible oils, rubber, sugar, beef and other agricultural products		12,802	11,742
Freight services		252	297
Tolling services		9	7
		13,063	12,046
<u>Discontinued operations</u>			
Sales of palm based products		-	52
		13,063	12,098
<u>Continuing operations</u>			
Timing of revenue recognition			
– at point in time		12,802	11,742
– over time		261	304
		13,063	12,046
<u>Discontinued operations</u>			
Timing of revenue recognition			
– at point in time		-	52
		13,063	12,098
(b) Revenue from other sources			
Dividend (gross) received/receivable from investments		7	4
Rental income		11	12
		18	16

(c) Revenue expected to be recognised in relation to unsatisfied performance obligations

The following table shows the revenue expected to be recognised in the future relating to performance obligations that were unsatisfied (or partially unsatisfied) as at 31 December 2020:

	<u>Expected timing of recognition</u>
	During the quarter ending 31 March 2021
Freight income	28

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A9. Segment information

	Continuing operations							Discontinued operations	
	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI	Downstream	Other operations	Inter-segment elimination	Total		Total
Year ended 31 December 2020									
Segment revenue:									
External sales	577	804	802	10,839	59	-	13,081	-	13,081
Inter-segment sales	2,818	1,027	927	166	209	(5,147)	-	-	-
Total revenue	3,395	1,831	1,729	11,005	268	(5,147)	13,081	-	13,081
Segment results:									
Operating profit/(loss)									
– recurring activities	686	454	88	386	17	-	1,631	-	1,631
– non-recurring transactions	402	-	56	-	(3)	-	455	(162)	293
Share of results of joint ventures and associates	-	-	-	-	4	-	4	-	4
Profit before interest and tax	1,088	454	144	386	18	-	2,090	(162)	1,928
Year ended 31 December 2019									
Segment revenue:									
External sales	793	865	837	9,512	55	-	12,062	52	12,114
Inter-segment sales	2,276	834	439	82	288	(3,919)	-	-	-
Total revenue	3,069	1,699	1,276	9,594	343	(3,919)	12,062	52	12,114
Segment results:									
Operating profit/(loss)									
– recurring activities	177	187	(239)	276	27	-	428	(61)	367
– non-recurring transactions	(22)	9	-	8	(19)	-	(24)	(265)	(289)
Share of results of joint ventures and associates	-	-	-	-	2	-	2	4	6
Profit/(loss) before interest and tax	155	196	(239)	284	10	-	406	(322)	84

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020
Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A9. Segment information (continued)

	Continuing operations						Discontinued operations	
	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI	Downstream	Other operations	Inter-segment elimination	Total	Total
As at 31 December 2020								
Segment assets:								
Operating assets	9,455	4,880	7,526	4,732	225	-	26,818	26,818
Joint ventures and associates	-	-	-	-	78	-	78	78
Non-current assets held for sale	32	131	-	-	2	-	165	323
	9,487	5,011	7,526	4,732	305	-	27,061	27,219
Tax assets							1,101	1,101
Total assets							28,162	28,320
	Continuing operations						Discontinued operations	
	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI	Downstream	Other operations	Inter-segment elimination	Total	Total
As at 30 December 2019								
Segment assets:								
Operating assets	9,400	4,860	7,879	4,263	223	-	26,625	26,625
Joint ventures and associates	-	-	-	-	74	-	74	74
Non-current assets held for sale	69	-	43	-	-	-	112	522
	9,469	4,860	7,922	4,263	297	-	26,811	27,221
Tax assets							1,287	1,287
Total assets							28,098	28,508

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**A10. Capital commitments**

Authorised capital expenditure not provided for in the interim financial report are as follows:

	Unaudited	Audited
	As at	As at
	31 December	31 December
	2020	2019
Property, plant and equipment		
– contracted	210	331
– not contracted	102	175
	312	506
Other capital expenditure		
– not contracted	732	768
	732	768
	1,044	1,274

A11. Significant related party transactions

Significant related party transactions conducted were as follows:

	Year ended	
	31 December	
	2020	2019
(a) Transactions with a joint venture		
(i) Sale of goods and tolling services		
– Emery Oleochemicals (M) Sdn Bhd	31	51
– Rizhao Sime Darby Oils & Fats Co. Ltd.	29	34
(b) Transactions with associates		
(i) Management fee		
– Muang Mai Guthrie Public Company Limited	-	*
(ii) Purchase of goods		
– Thai Eastern Trat Company Limited	51	37

*Less than 1 million

(c) Transactions with related parties

Permodalan Nasional Berhad ("PNB") and the funds managed by its subsidiary, Amanah Saham Nasional Berhad, together owns 56.95% as at 31 December 2020 of the issued share capital of the Company. PNB is an entity controlled by the Malaysian Government through Yayasan Pelaburan Bumiputra ("YPB"). The Group considers that, for the purpose of MFRS 124 "Related Party Disclosures", the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government's controlled bodies (collectively referred to as government related entities) are related parties of the Group and the Company.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020
Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A11. Significant related party transactions (continued)

Significant related party transactions conducted were as follows: (continued)

(c) Transactions with related parties (continued)

Transactions entered into with Government related entities include the following:

	Year ended 31 December	
	2020	2019
(i) Foreign currency payment arrangement – Hastings Deering (PNG) Limited	111	124
(ii) Payroll, accounting and IT processing costs – DXC Technology Sdn Bhd (fka. Sime Darby Global Services Centre Sdn Bhd) *	-	27
(iii) Purchase of heavy equipment, spare parts and services – Sime Darby Industrial Holdings Sdn Bhd	15	25
– Sime Kubota Sdn Bhd *	-	1
– Hastings Deering (PNG) Limited	1	1
(iv) Lease of agricultural land – Kumpulan Sime Darby Berhad	9	6
(v) Car leasing charges – Sime Darby Rent-A-Car Sdn Bhd	1	2
(vi) Rental expenses – Sime Darby Property Bhd	3	2

* DXC Technology Sdn Bhd and Sime Kubota Sdn Bhd ceased to be related parties to the Group with effect from 1 May 2019 and 2 April 2019 respectively, subsequent to the disposal by Sime Darby Berhad.

A12. Material events subsequent to the end of the financial year

There were no material events in the interval between the end of the quarter under review and 10 February 2021, being a date not earlier than 7 days from the date of issuance of the report.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A13. Effect of significant changes in the composition of the Group

(i) Disposal of a subsidiary of Sime Darby Plantation Investment (Liberia)

Sime Darby Plantation Investment (Liberia) Private Limited, a wholly-owned subsidiary of the Group, had on 15 January 2020, completed the disposal of its entire 100% equity interest in Sime Darby Plantation (Liberia) Inc. ("SDP Liberia") to Mano Palm Oil Industries Limited ("MPOI") for a total cash consideration of USD1 plus an earn-out payment to be determined by the average future crude palm oil ("CPO") price and future CPO production of SDP Liberia. The earn-out consideration will be payable quarterly over a period of eight years, commencing from April 2023.

Details of the assets, liabilities and net cash flow arising from the disposal of the subsidiary are as follows:

	As at the date of completion
Consideration received	- *
Less: Incidental cost of disposal	(24)
Proceeds from disposal, net of transaction costs	(24)
Receivables	1
Inventories	13
Bank	1
Payables	- *
Net assets disposed	15
Loss on disposal of the subsidiary before reclassification of foreign currency translation reserve	(39)
Reclassification of foreign currency translation reserve	113
Gain on disposal of the subsidiary	74
Proceeds from disposal, net of transaction costs	-
Less: Incidental cost of disposal	(24)
	(24)
Less: Cash and cash equivalent in the subsidiary	(1)
Net cash outflow from disposal of the subsidiary	(25)

*Less than 1 million

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**A13. Effect of significant changes in the composition of the Group (continued)**(ii) Disposal of subsidiaries of Ultra Oleum

Ultra Oleum Pte Ltd (Ultra), an indirect wholly-owned subsidiary of the Group had on 29 May 2020, completed the disposal of its entire 52% equity interest in Verdant Bioscience Pte Ltd ("VBS") and its subsidiary, PT Timbang Deli to SIPEF and Ackermans & van Haaren NV (AvH) for a total cash consideration of USD8.6 million (equivalent to approximately RM37.6 million).

Details of the assets, liabilities and net cash flow arising from the disposal of the subsidiaries are as follows:

	As at the date of completion
Consideration received	38
Less: Incidental cost of disposal	-
Proceeds from disposal, net of transaction costs	38
Property, plant and equipment	38
Right of use assets	16
Receivables	2
Prepayments	- *
Inventories	1
Deferred tax assets	3
Cash and cash equivalents	1
Payables	(76)
Non-controlling interests	- *
Net liabilities disposed	(15)
Gain on disposal of the subsidiaries before reclassification of foreign currency translation reserve	53
Reclassification of foreign currency translation reserve	3
Gain on disposal of the subsidiaries	56
Proceeds from disposal, net of transaction costs	38
Less: Cash and cash equivalent in the subsidiaries	(1)
Net cash inflow from disposal of the subsidiaries	37

*Less than 1 million

A14. Commitments and contingent liabilities – unsecured**(a) Guarantees**

In the ordinary course of business, the Group may issue surety bonds and letters of credit, which the Group provides to customers to secure advance payment, performance under contracts or in lieu of retention being withheld on contracts. A liability from the performance guarantees would only arise in the event the Group fails to fulfil its contractual obligations.

The financial guarantees are as follows:

	As at 31 December 2020	As at 31 December 2019
Guarantees in respect of credit facilities granted to:		
– certain joint venture	6	6
– plasma stakeholders	36	47
	42	53

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020

Amounts in RM million unless otherwise stated

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of group performance

- (a) Current quarter ended 31 December 2020 against the previous year corresponding quarter ended 31 December 2019

	Quarter ended 31 December		+/(-)
	2020	2019	%
<u>Continuing operations</u>			
Revenue	3,639	3,376	8
Segment results:			
Upstream Malaysia	80	(67)	>100
Upstream Indonesia	247	99	>100
Upstream PNG/SI	24	(42)	>100
Downstream	202	72	>100
Other operations	5	-	>100
Recurring profit before interest and tax	558	62	>100
Non-recurring transactions	11	11	0
Profit before interest and tax	569	73	>100
Finance income	8	3	
Finance costs	(23)	(44)	
Profit before tax	554	32	>100
Tax expense	(106)	(34)	
Profit/(loss) from continuing operations	448	(2)	>100
Perpetual Sukuk	(32)	(31)	
Non-controlling interests	(31)	(12)	
Profit from continuing operations attributable to equity holders of the Company	385	(45)	>100
<u>Discontinued operations</u>			
Loss from discontinued operations attributable to equity holders of the Company	(236)	(13)	>(100)
Profit/(loss) after tax attributable to equity holders of the Company	149	(58)	>100
Loss from discontinued operations include:			
Segment results:			
– Upstream Liberia	-	(7)	
– Other operations	(236)	(6)	

For the quarter ended 31 December 2020, the Group reported a net profit from continuing operations of RM385 million, a turnaround from a net loss of RM45 million recorded in the corresponding quarter of the previous year, driven by stronger recurring profit before interest and tax ("PBIT") from all operating segments.

The Group continued to benefit from the decline in benchmark lending rates, resulting in lower finance costs as compared to the corresponding quarter of the previous year.

During the quarter under review, the Group recognised a loss on discontinued operations arising from an impairment charge of RM236 million on its joint venture, Emery Oleochemicals (M) Sdn Bhd.

The above resulted in a total net profit for the Group of RM149 million, as compared to a net loss of RM58 million in the corresponding quarter of the previous year.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020

Amounts in RM million unless otherwise stated

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B1. Review of group performance (continued)

(a) Current quarter ended 31 December 2020 against the previous year corresponding quarter ended 31 December 2019 (continued)

An analysis of the results of each segment is as follows:

Upstream

The Group's Upstream continuing operations reported a stronger total PBIT of RM351 million, as compared to a loss before interest and tax ("LBIT") of RM10 million recorded in the previous year corresponding quarter. In the same quarter last year, the Upstream segment suffered a loss arising from fair value of commodity hedges of RM140 million. The turnaround of the segment's performance was primarily due to the following factors:

- (i) higher average CPO and PK prices realised, which increased by 19% and 41%, respectively;
- (ii) an increase in the Group's fresh fruit bunches ("FFB") production by 3%; and
- (iii) unrealised foreign currency gains due to the appreciation of Ringgit and Rupiah against US Dollar by 3% and 5% in the current quarter, respectively.

The improved performance was partially reduced by the decline in the oil extraction rate ("OER") from 21.83% to 21.35%.

Segment	CPO price realised (RM per MT)			FFB production (MT'000)		
	Quarter ended		+/(–)	Quarter ended		+/(–)
	31 December			31 December		
	2020	2019	%	2020	2019	%
Upstream Malaysia	2,523	2,229	13	1,117	1,120	(0)
Upstream Indonesia	2,809	2,274	24	790	729	8
Upstream PNG/SI	2,753	2,190	26	389	382	2
Continuing operations	2,664	2,240	19	2,296	2,231	3
Discontinued operation	-	2,180	(100)	-	27	(100)
Total	2,664	2,239	19	2,296	2,258	2

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Quarter ended		+/(–)	Quarter ended		+/(–)
	31 December			31 December		
	2020	2019	%	2020	2019	
Upstream Malaysia	1,844	1,321	40	20.99	21.05	(0.06)
Upstream Indonesia	1,431	989	45	20.98	22.24	(1.26)
Upstream PNG/SI	-	-	-	22.95	23.15	(0.20)
Continuing operations	1,673	1,186	41	21.35	21.83	(0.48)
Discontinued operation	-	460	(100)	-	22.86	(22.86)
Total	1,673	1,176	42	21.35	21.84	(0.49)

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B1. Review of group performance (continued)

(a) Current quarter ended 31 December 2020 against the previous year corresponding quarter ended 31 December 2019 (continued)

An analysis of the results of each segment is as follows: (continued)

Downstream

The Group's Downstream operations almost tripled its PBIT to RM202 million from RM72 million to that of the corresponding period last year, attributable to the stronger performance from both the Asia Pacific and the European operations.

The Asia Pacific region benefited from the market price uptrend and premium from higher sales volume of RSPO products, which compensated for lower demand for bulk products. The Group's refineries in Europe recorded improved sales margins due to higher selling prices and more stringent cost controls measures, which compensated for the lower demand from restrictions placed by governments to contain Covid-19. Both regions also registered fair value gains on commodity hedges as compared to significant fair value losses incurred in the same quarter last year.

Other operations

Other continuing operations reported a PBIT of RM5 million, mainly due to unrealised foreign exchange gains as USD depreciated against local currencies during the quarter under review.

Non-recurring transactions

The non-recurring PBIT of RM11 million reported during the current quarter and similarly in the previous year corresponding quarter comprised mainly of gains on sale of land.

Discontinued operations

The Group reported a net loss on discontinuing operations of RM236 million during the quarter arising from an impairment charge on its joint venture, Emery Oleochemicals (M) Sdn Bhd. The net loss of RM13 million in the corresponding quarter of the previous year comprised of the Group's Liberian operation and share of loss of joint ventures.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020

Amounts in RM million unless otherwise stated

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B1. Review of group performance (continued)

(b) Year ended 31 December 2020 against the previous year ended 31 December 2019

	Year ended 31 December		+/(–) %
	2020	2019	
<u>Continuing operations</u>			
Revenue	13,081	12,062	8
Segment results:			
Upstream Malaysia	686	177	>100
Upstream Indonesia	454	187	>100
Upstream PNG/SI	88	(239)	>100
Downstream	386	276	40
Other operations	21	29	(28)
Recurring profit before interest and tax	1,635	430	>100
Non-recurring transactions	455	(24)	
Profit before interest and tax	2,090	406	>100
Finance income	17	13	
Finance costs	(116)	(168)	
Profit before tax	1,991	251	>100
Tax (expense)/income	(466)	24	
Profit from continuing operations	1,525	275	>100
Perpetual Sukuk	(125)	(124)	
Non-controlling interests	(53)	(29)	
Profit from continuing operations attributable to equity holders of the Company	1,347	122	>100
<u>Discontinued operations</u>			
Loss from discontinuing operations attributable to equity holders of the Company	(162)	(322)	50
Profit/(loss) after tax attributable to equity holders of the Company	1,185	(200)	>100
Profit/(loss) from discontinued operations include:			
Segment results:			
– Upstream Liberia	74	(318)	
– Other operations	(236)	(4)	

For the year ended 31 December 2020, the Group posted net earnings from continuing operations of RM1.35 billion, as compared to RM122 million recorded in the previous year, due to higher recurring PBIT contributed by both the Upstream and the Downstream segments, and higher non-recurring PBIT arising from disposal of land and divestment of subsidiaries.

The Group's finance costs of RM116 million was 31% lower than the previous year, a result of the decline in benchmark lending rates, as well as repayment of borrowings in the current year.

The Group reported a tax expense in the current year as compared to a tax income in the previous year, mainly due to the higher profit before tax ("PBT") and a reversal of deferred tax assets amounting to RM72 million as a result of changes in the corporate tax rates in Indonesia during the year. The tax income of the previous year included recognition of deferred tax assets arising from losses suffered by the holding company of PT Mitra Austral Sejahtera ("PT MAS") on disposal of its subsidiary and the increase in the Real Property Gains Tax ("RPGT") rate in Malaysia of RM69 million and RM33 million, respectively.

The loss from discontinued operations comprised of an impairment charge of RM236 million on the Group's investment in a joint venture, Emery Oleochemicals (M) Sdn Bhd, which was partially offset by a gain of RM74 million recognised on the disposal of its wholly-owned subsidiary, SDP Liberia in January 2020.

As a result, the Group reported a total net earnings of RM1.18 billion, versus a total net loss of RM200 million recorded in the previous year.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B1. Review of group performance (continued)

(b) Year ended 31 December 2020 against the previous year ended 31 December 2019 (continued)

An analysis of the results of each segment is as follows:

Upstream

For the year ended 31 December 2020, the Group's Upstream segment reported a recurring PBIT of RM1.2 billion from continuing operations, as compared to the RM125 million reported in the previous year. The stellar performance was largely due to:

- (i) higher average CPO and PK prices realised, which increased by 23% and 31% respectively in the current year;
- (ii) higher contribution from sugar operation in PNG as it recovered from the pest and disease issue of the previous year; and
- (iii) fair value gains recorded on commodity hedges of RM129 million, as compared to fair value losses of RM130 million incurred in the previous year.

The above factors had partially cushioned the impact from the 3% decline in FFB production and the marginal decline in OER to 21.44% in the current year.

Segment	CPO price realised (RM per MT)			FFB production (MT'000)		
	Year ended 31 December		+/(–) %	Year ended 31 December		+/(–) %
	2020	2019		2020	2019	
Upstream Malaysia	2,465	2,069	19	4,944	5,102	(3)
Upstream Indonesia	2,587	2,048	26	2,522	2,663	(5)
Upstream PNG/SI	2,606	2,074	26	1,812	1,814	(0)
Continuing operations	2,532	2,063	23	9,278	9,579	(3)
Discontinued operations	-	2,037	(100)	-	100	(100)
Total	2,532	2,063	23	9,278	9,679	(4)

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Year ended 31 December		+/(–) %	Year ended 31 December		+/(–)
	2020	2019		2020	2019	
Upstream Malaysia	1,583	1,220	30	20.91	21.18	(0.27)
Upstream Indonesia	1,226	933	31	21.61	21.92	(0.31)
Upstream PNG/SI	-	-	-	22.50	22.10	0.40
Continuing operations	1,463	1,118	31	21.44	21.58	(0.14)
Discontinued operations	-	399	(100)	-	22.35	(22.35)
Total	1,463	1,106	32	21.44	21.58	(0.14)

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B1. Review of group performance (continued)

(b) Year ended 31 December 2020 against the previous year ended 31 December 2019 (continued)

An analysis of the results of each segment is as follows: (continued)

Downstream

The Group's Downstream segment reported a PBIT of RM386 million, 40% higher than the previous year, driven by improvements in its European refineries, which compensated for the weaker performance from the Asia Pacific region.

The Group's operations in Europe, Middle East and Africa reported higher profits due to improved sales margins arising from better selling prices and cost controls. This was despite lower sales volume from the hotel, restaurant and cafe ("HORECA") sector arising from restrictions placed by governments in view of the Covid-19 pandemic. Although the Asia Pacific operations reported higher margin, lower demand for bulk and differentiated products, as well as lower trading volume, had affected the region's performance during the year. Nevertheless, both regions registered fair value gains on commodity hedges as compared to significant fair value losses incurred last year.

Other operations

Other operations registered a lower PBIT of RM21 million as compared to RM29 million in the corresponding period of the previous year, mainly due to lower profits from seeds, fertilisers and agronomic services in Malaysia, impacted by the movement restrictions imposed by the government.

Non-recurring transactions

The total non-recurring PBIT of RM455 million comprised of gains from the disposal of land in Malaysia and the divestment of subsidiaries of RM414 million and RM53 million, respectively, which compensated for the RM12 million impairment charge on its plantation assets in Malaysia.

Discontinued operations

The Group's discontinued operations reported a net loss of RM162 million, comprised of an impairment charge of RM236 million on a joint venture, Emery Oleochemicals (M) Sdn Bhd, partially compensated by a gain of RM74 million recognised on the disposal of the Group's Liberian operation.

The net loss of RM322 million recorded in the previous year arose from operational loss and impairment charge on assets of the Group's operation in Liberia, and share of loss and impairment charge of joint ventures.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B2. Material changes in profit for the current quarter as compared with the immediate preceding quarter

	Quarter ended		
	31 Dec 2020	30 Sep 2020	+/(–) %
<u>Continuing operations</u>			
Revenue	3,639	3,182	14
Segment results:			
Upstream Malaysia	80	231	(66)
Upstream Indonesia	247	75	>100
Upstream PNG/SI	24	(33)	>100
Downstream	202	71	>100
Other operations	5	3	>100
Recurring profit before interest and tax	558	347	61
Non-recurring transactions	11	(15)	>100
Profit before interest and tax	569	332	71
Finance income	8	3	
Finance costs	(23)	(24)	
Profit before tax	554	311	78
Tax expense	(106)	(74)	
Profit from continuing operations	448	237	89
Perpetual Sukuk	(32)	(31)	
Non-controlling interests	(31)	(16)	
Profit from continuing operations attributable to equity holders of the Company	385	190	>100
<u>Discontinued operations</u>			
Loss from discontinued operations attributable to equity holders of the Company	(236)	-	
Profit after tax attributable to equity holders of the Company	149	190	(22)

The Group reported a net profit from continuing operations of RM448 million, an 89% improvement as compared to the preceding quarter, mainly due to higher recurring PBIT contributed by both the Upstream and Downstream segments. The Group also recorded a non-recurring PBIT of RM11 million, as compared to a LBIT of RM15 million in the preceding quarter.

During the quarter under review, the Group recognised a loss on discontinued operations arising from an impairment charge of RM236 million on its joint venture, Emery Oleochemicals (M) Sdn Bhd.

As a result of the loss recorded by the discontinued operations, the Group's earning for the last quarter of the year declined by 22% as compared to the preceding quarter.

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED) (CONTINUED)

B2. Material changes in profit for the current quarter as compared with the immediate preceding quarter (continued)

An analysis of the results of each segment is as follows:

Upstream

The Upstream segment's continuing operations reported a PBIT of RM351 million, 29% higher than the preceding quarter, arising from the following factors:

- (i) higher CPO and PK average realised prices which increased by 6% and 22%, respectively; and
- (ii) foreign exchange gains as the local currencies appreciated against USD during the quarter under review.

The above had cushioned the 4% decline in FFB production mainly from Malaysia and PNG/SI due to flooding at certain estates.

Segment	CPO price realised (RM per MT)			FFB production (MT'000)		
	Quarter ended		+/(–)	Quarter ended		+/(–)
	Dec 2020	Sep 2020	%	Dec 2020	Sep 2020	%
Upstream Malaysia	2,523	2,548	(1)	1,117	1,367	(18)
Upstream Indonesia	2,809	2,563	10	790	591	34
Upstream PNG/SI	2,753	2,366	16	389	436	(11)
Total	2,664	2,504	6	2,296	2,394	(4)

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Quarter ended		+/(–)	Quarter ended		+/(–)
	Dec 2020	Sep 2020	%	Dec 2020	Sep 2020	%
Upstream Malaysia	1,844	1,477	25	20.99	21.03	(0.04)
Upstream Indonesia	1,431	1,102	30	20.98	20.95	0.03
Upstream PNG/SI	-	-	-	22.95	22.31	0.64
Total	1,673	1,370	22	21.35	21.27	0.08

Downstream

The Downstream segment reported a stronger PBIT of RM202 million, boosted by the improved performance of all regional operations. Higher margins and trading activities have compensated for the fair value losses on commodity hedges which were impacted by increasing market prices running up to the year end.

Other operations

Other operations reported a PBIT of RM5 million as compared to RM3 million in the preceding quarter, due to lower foreign exchange loss recognised on intercompany balances in the current quarter.

Non-recurring

As reported above, the non recurring PBIT in the current quarter comprised mainly of gains on sale of land in Malaysia. The non-recurring LBIT reported in the preceding quarter consist of impairment charges on plantation assets in Indonesia.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**B3. Prospect**

Whilst the global economy continues to deal with the resurgence of the Covid 19 infections, the discovery and the rollout of vaccine programmes since December 2020 have provided hope of a global recovery in the year ahead.

Although palm oil prices are expected to remain supported in the first half of the year, the industry's productivity, particularly in Malaysia, is expected to continue to be hampered by the labour shortage. The Group remains cautiously optimistic of the year ahead and believes that its sustained efforts in driving operational improvements throughout its operations would allow the Group to continue delivering value to its stakeholders.

Barring further unforeseen circumstances, the Group expects its overall performance for the financial year ending 31 December 2021 to be satisfactory.

B4. Variance of actual profit from profit forecast or profit guarantee

There was no profit forecast or profit guarantee issued during the quarter under review.

B5. Operating profit and finance costs

Included in the operating profit are:

	Quarter ended 31 December		Year ended 31 December	
	2020	2019	2020	2019
<u>Continuing operations</u>				
Depreciation and amortisation	(289)	(321)	(1,225)	(1,206)
Fair value (losses)/gains:				
– commodities contracts	(62)	(192)	93	(179)
– forward foreign exchange contracts	8	(4)	6	(5)
Gain on disposals of:				
– property, plant and equipment	-	19	1	61
– non-current assets held for sale	- *	10	461	19
Impairment of:				
– trade and other receivables	(6)	-	(10)	(11)
– right-of-use assets	-	-	-	(19)
– amount due from joint venture	-	(28)	-	(28)
– property, plant and equipment	(10)	(2)	(12)	(2)
Unrealised foreign exchange (losses)/gains	25	(9)	(11)	14
Reversal of impairment:				
– trade and other receivables	-	42	-	20
Write off of:				
– property, plant and equipment	(4)	(10)	(21)	(26)
– right-of-use assets	-	(2)	-	(2)
– inventories	(10)	-	(10)	(4)
Included in finance costs is:				
Finance costs on interest rate swap contracts	(1)	- *	(2)	6

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020

Amounts in RM million unless otherwise stated

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B5. Operating profit and finance costs (CONTINUED)

Included in the operating profit are (continued):

	Quarter ended 31 December		Year ended 31 December	
	2020	2019	2020	2019
Discontinued operations				
Depreciation and amortisation	-	(5)	-	(20)
Impairment of:				
– property, plant and equipment	-	-	-	(228)
– right-of-use assets	-	-	-	(11)
– investments of joint ventures	-	-	-	(8)
– receivables	-	-	-	(10)
– inventories	-	-	-	(7)
– non-current assets held for sale	(236)	-	(236)	-
Reversal of impairment:				
– property, plant and equipment	-	4	-	4
– receivables	-	10	-	10
– inventories	-	7	-	7
Liberia's exit cost	-	(21)	-	(21)
Gain on disposal of non-current assets held for sale	-	-	74	-

B6. Tax expense

	Quarter ended 31 December		Year ended 31 December	
	2020	2019	2020	2019
Continuing operations				
In respect of current financial year:				
– current tax	61	44	341	133
– deferred tax	59	(25)	122	(173)
	120	19	463	(40)
In respect of prior financial years:				
– current tax	(14)	15	3	16
Tax expenses/(income)	106	34	466	(24)

For the year ended 31 December 2020, the Group reported a net tax expense of RM466 million on the back of a profit before tax from continuing operations of RM1,991 million. The tax expense included a writedown on deferred tax assets of RM72 million arising from the change in the corporate tax rates in Indonesia announced in March 2020, partially compensated by deferred tax asset of RM17 million recognised on tax loss arising from disposal of a subsidiary.

In the previous year ended 31 December 2019, the Group recognised deferred tax assets arising from the tax loss on disposal of a subsidiary, PT MAS, and the change in the Real Property Gains Tax ("RPGT") rate in Malaysia of RM69 million and RM33 million, respectively.

B7. Status of announced corporate proposals

There are no corporate proposals announced but not completed as at 17 February 2021.

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**B8. Borrowings and debt securities**

Borrowings of the Group as at 31 December 2020 are as follows:

	Secured	Unsecured	Total
Long-term			
Term loans	-	1,857	1,857
Revolving credits-i	-	1,572	1,572
Bonds	-	496	496
Multi-currency Sukuk	-	494	494
Unamortised deferred financing expenses	-	(22)	(22)
	-	4,397	4,397
Short-term			
Term loans	-	798	798
Revolving credits	-	1,471	1,471
Trade facilities	16	-	16
Unamortised deferred financing expenses	-	- *	- *
	16	2,269	2,285
Total	16	6,666	6,682
Borrowings of the Group consist of:			
– principal	16	6,688	6,704
– unamortised deferred financing expenses	-	(22)	(22)
	16	6,666	6,682

Borrowings of the Group in RM equivalent analysed by currencies in which they are denominated are as follows:

	Long-term	Short-term	Total
European Union Euro	496	91	587
Ringgit Malaysia	500	490	990
United States Dollar	3,401	1,704	5,105
	4,397	2,285	6,682

* Less than 1 million

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**B9. Derivatives**

The Group uses forward foreign exchange contracts, interest rate swap contracts and commodity forward, futures and options contracts to manage its exposure to various financial risks.

The fair values of these derivatives as at 31 December 2020 are as follows:

	Classification in Statement of Financial Position				
	Assets		Liabilities		Net
	Non-current	Current	Non-current	Current	fair value
Forward foreign exchange contracts	-	16	-	9	7
Commodities contracts	-	52	-	344	(292)
Interest rate swap contracts	-	-	-	7	(7)
	-	68	-	360	(292)

The description, notional amount and maturity profile of each derivative are as follows:

Forward foreign exchange contracts

Forward foreign exchange contracts were entered into by subsidiaries in currencies other than their functional currencies in order to manage exposure to fluctuations in foreign currency exchange rates on specific transactions.

The forward foreign currency contracts are stated at fair value, using the prevailing market rates. All changes in fair value of the forward foreign currency contracts are recognised in the statement of other comprehensive income unless it does not meet the conditions for the application of hedge accounting, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

As at 31 December 2020, the notional amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

Maturity tenor	Notional amount	Net fair value assets
Less than 1 year	1,291	7

Commodities contracts

Commodity forward, futures and options contracts were entered into by the Group to manage exposure to adverse movements in crude palm oil prices. Certain contracts are entered into and continue to be held for the purpose of the receipt or delivery of the physical commodity in accordance with the Group's expected purchase, sale or usage requirements, except for those contracts below.

The outstanding commodity forward, futures and options contracts as at 31 December 2020 that were not held for the purpose of physical delivery are as follows:

	Quantity (metric tonne)	Notional amount	Net fair value assets/ (liabilities)
Less than 1 year:			
– Purchase contracts	56,238	167	52
– Sale contracts	676,805	1,984	(344)
			(292)

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 31 DECEMBER 2020

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**B9. Derivatives (continued)**

The description, notional amount and maturity profile of each derivative are as follows: (continued)

Interest rate swap contracts

The Group has entered into interest rate swap contracts to convert floating rate liabilities to fixed rate liabilities to mitigate the Group's exposure from adverse fluctuations in interest rates on underlying debt instruments.

The differences between the rates calculated by reference to the agreed notional principal amounts were exchanged at periodic intervals. All changes in fair value during the financial year are recognised in the other comprehensive income statement unless it does not meet the conditions for the application of hedge accounting, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

The outstanding interest rate swap contracts, all plain vanilla, as at 31 December 2020 are as follows:

Effective period	Notional amount (USD'mil)	All-in swap rate per annum (%)
17 August 2020 to 17 February 2021	116	1.44%-1.89%

As at 31 December 2020, the notional amount, fair value and maturity tenor of the interest rate swap contracts are as follows:

Maturity tenor	Notional amount	Net fair value liabilities
Less than 1 year	470	(7)

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the preceding financial year.

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B10. Material litigation

Save as disclosed below, there were no pending material litigations against the Group which might materially and adversely affect the Group's financial position.

(a) New Britain Palm Oil Limited ("NBPOL") v. Masile Incorporated Land Group ("Masile"), NBPOL v. Rikau Incorporated Land Group ("Rikau") & NBPOL v. Meloks Incorporated Land Group ("Meloks") (collectively, "Defendants")

NBPOL, a wholly-owned subsidiary of SDP, had on 31 August 2011 initiated 3 separate legal actions against the Defendants in the National Court of Justice at Waigani, Papua New Guinea (Court). All 3 actions relate to the same cause of action whereby the Defendants had defaulted in their obligations to surrender their Special Agricultural Business Leases (SABL) to NBPOL for registration of the sub-leases despite having received benefits from NBPOL under the sub-lease agreements (SLA). Such benefits received by the Defendants include rental paid by NBPOL for 3,720 Ha of land under the SABL (Land), royalties for the FFB harvested from the Land, and 31,250 ordinary shares in NBPOL respectively issued to each of the Defendants.

On 25 June 2018, the Court rendered its decision on NBPOL's claims against Meloks in NBPOL's favour. In its decision, the Court declared the SLA entered into between NBPOL and Meloks to be valid and an order of specific performance was made against Meloks to deliver the SABL to NBPOL and to do all acts and things necessary to enable NBPOL to register the SLA entered into between NBPOL and Meloks. On 10 October 2018, Meloks surrendered the SABL to NBPOL. However, in view that Meloks had laminated the SABL, Meloks had to execute an application for the official copy of the SABL which NBPOL lodged with the registrar of titles together with NBPOL's application for registration of the SLA. The laminated plastic has since dislodged from Melok's SABL. However NBPOL and Meloks are in the process of executing a new SLA to facilitate the registration of the SLA as the date of the SLA has to be the same or after the date of the SABL.

Masile and Rikau were considering whether to continue defending against NBPOL's claims in view of the Court's decision on the trial relating to NBPOL's claims against Meloks or to conclude on the same basis as Meloks given that the facts, issues and evidences are similar. Parties then agreed to enter into Consent Court Orders (CCOs) on terms similar to the order made in respect of Meloks and the CCOs were formally endorsed by the Court on 15 December 2020. Masile and Rikau surrendered their respective SABLs to NBPOL on 30 July 2020. However, the SABL received from Masile was laminated whilst the SABL received from Rikau is a copy and therefore NBPOL is in the process of obtaining an official copy of the SABLs and compiling the relevant documents (including execution of new SLAs) before it can proceed with the registration of the SLAs.

(b) PT Mulia Agro Persada ("PT MAP") and PT Palma Sejahtera ("PT PS") vs. PT Minamas Gemilang ("PT MGG"), PT Anugerah Sumbermakmur ("PT ASM") and PT Indotruba Tengah ("PT ITH")

PT MGG and PT ASM, both indirect wholly-owned subsidiaries of SDP, and PT ITH, a 50%-owned subsidiary of the SDP Group, are involved in a lawsuit brought by Yayasan Kartika Eka Paksi (YKEP) against PT MAP, PT PS and others. PT MGG and PT ASM are shareholders of PT ITH, each holding 25% equity interest. YKEP holds the remaining 50% share in PT ITH.

YKEP sold and transferred its shares in PT ITH to PT MAP in December 2008 but thereafter YKEP filed a lawsuit to invalidate and nullify the transfer of shares as it is against law and regulations. The purchase of shares in PT ITH by PT MAP was funded by PT PS. Subsequently, on 31 May 2016, the Supreme Court decided the Judicial Review (1st Judicial Review Decision) application by Darsono CS (ex-officer of YKEP) in favour of YKEP. This decision reinforced the earlier District Court decision which had invalidated and nullified the transfer of the ordinary shares of PT ITH from YKEP to PT MAP.

In that regard, YKEP then filed a petition at the Central Jakarta District Court to execute the 1st Judicial Review Decision, demanding that (i) the 6,200 ordinary shares in PT ITH be returned to YKEP and (ii) PT MAP and the former officers of YKEP to pay compensation for damages to YKEP in the amount of IDR 200.0 billion (equivalent to around RM57.5 million). YKEP's petition was granted under a Warning Letter (Surat Aanmaning) issued by the Central Jakarta District Court which obligates PT MAP and the former officers of YKEP to comply with the 1st Judicial Review Decision.

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B10. Material litigation (continued)

Save as disclosed below, there were no pending material litigations against the Group which might materially and adversely affect the Group's financial position. (continued)

(b) PT Mulia Agro Persada ("PT MAP") and PT Palma Sejahtera ("PT PS") vs. PT Minamas Gemilang ("PT MGG"), PT Anugerah Sumbermakmur ("PT ASM") and PT Indotruba Tengah ("PT ITH") (continued)

In response, the former officers of YKEP (some of them were represented by their heirs) filed a Third Party Opposition Suit (Gugatan Perlawanan) registered under case number 537/PDT.PLW/2017/PN.Jkt.Pst dated 18 October 2017, seeking nullification towards both the Warning Letter (Surat Aanmaning) issued by the Central Jakarta District Court and the execution of the 1st Judicial Review Decision, on the basis that (i) the 6,200 ordinary shares in PT ITH are currently owned by YKEP; (ii) YKEP has also received dividends as a shareholder of PT ITH; and (iii) there are conflicting decisions on the matter of legality of transfer of the 6,200 shares in PT ITH between (i) the 1st Judicial Review Decision No. 196 PK/Pdt/2016, which nullified such transfer of shares, and (ii) the Decision of East Jakarta District Court No. 130/Pdt.G/2015/PN.Jkt.tim dated 7 July 2015 (Decision of East Jakarta District Court), which declared the transfer of 6,200 ordinary shares in PT ITH from YKEP to PT MAP as legally valid. However, neither YKEP, PT ITH, PT MGG nor PT ASM were included as parties under the Decision of East Jakarta District Court. On 12 April 2018, the Central Jakarta District Court rejected the Third Party Opposition Suit (Gugatan Perlawanan) by the former officers of YKEP. The former officers of YKEP then filed an appeal at the Jakarta High Court against the decision of the Central Jakarta District Court. On 4 March 2019, PT ITH was notified that the former officers' appeal was rejected by the Jakarta High Court.

Despite the 1st Judicial Review Decision, PT MAP and PT PS still filed a lawsuit at the South Jakarta District Court seeking compensation from the defendants (and a number of individuals), individually or jointly and severally, namely PT ITH, PT MGG, PT ASM and YKEP. The compensation sought by PT MAP and PT PS comprised of: (i) material damages (direct loss) in the amount of IDR247.0 billion (equivalent to around RM71.0 million) with an interest of 3% per month of the amount of IDR137.2 billion (equivalent to around RM39.4 million) until the payment is made to PT MAP and PT PS; (ii) fine (dwangsom) in the amount of IDR250 billion (equivalent to around RM71.8 million); and (iii) immaterial damages (indirect loss) in the amount of IDR500 billion (equivalent to around RM143.7 million). The potential exposure of PT MGG, PT ASM and PT ITH could be up to IDR997.0 billion (equivalent to around RM286.4 million), being the total sum of the above material damages (excluding the 3% interest), fine and immaterial damages claimed by PT MAP and PT PS from all the 11 defendants, individually or jointly and severally. The term "individually or jointly and severally" means that one or more defendants can be pursued to pay all amounts demanded. In other words, PT MAP and PT PS may recover all the damages from any of the defendants regardless of their individual share of the liability.

To that extent, the South Jakarta District Court and the Jakarta High Court, which previously adjudicated and examined this case, rejected PT MAP and PT PS's lawsuit. In response, PT MAP and PT PS filed an appeal to the Supreme Court which was subsequently rejected. PT MAP and PT PS then filed a judicial review (Jakarta Selatan Judicial Review) in the Supreme Court against the Supreme Court's decision. As at the reporting date, parties are awaiting the official decision of the Jakarta Selatan Judicial Review by the Supreme Court.

Separately, PT PS filed a judicial review in the Supreme Court against the 1st Judicial Review. As at the reporting date, the matter is still before the Supreme Court.

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B10. Material litigation (continued)

Save as disclosed below, there were no pending material litigations against the Group which might materially and adversely affect the Group's financial position. (continued)

(c) Chantico Ship Management Ltd ("Chantico") vs. Sime Darby Oils Zwijndrecht Refinery B.V. (formerly known as Sime Darby Unimills B.V.) ("SDOZR")

SDOZR, an indirect wholly-owned subsidiary of SDP, is involved in litigation in respect of a vessel known as the mv Geraki (formerly known as mv Cap Thanos). This vessel was carrying vegetable oils for 9 different cargo owners (7 European cargo owners including SDOZR, and 2 Algerian cargo owners). The percentage of SDOZR's cargo on board was about 14.4%. The vessel was auctioned and in April 2011 was sold to Chantico. All cargo were eventually discharged in April/May 2013. Beginning in 2012, Chantico started various proceedings against the cargo owners.

The following two lawsuits are still pending:

(i) Proceedings before the Court of Piraeus which started in October 2014 ("Lawsuit 1")

The claims by Chantico are based on alleged actions in tort (i.e. alleged delay of discharge of cargo) and the current total amount claimed from all 9 cargo owners, jointly and severally, is EUR6 million (approximately RM29,739,720). The hearing for Lawsuit 1 concluded on 25 September 2018.

(ii) Proceedings before the Court of Piraeus which started in December 2015 ("Lawsuit 2")

The claim in these proceedings is based on the alleged damage to the vessel and loss of profit caused by the alleged actions in tort during transshipment and heating of the cargo. The claim against the 9 cargo owners and the third party, jointly and severally, amounts to EUR9.3 million (approximately RM46,096,566) and an additional claim was filed against all cargo owners, jointly and severally, of EUR380,000 (approximately RM1,883,516) for port and anchorage dues. The hearing for Lawsuit 2 concluded on 25 September 2018.

On 25 November 2020 the Court of Piraeus rendered its judgement dismissing all of Chantico's claims in Lawsuit 1 and Lawsuit 2. Chantico is able to appeal against this judgment however at present, the time limit of 60 days to file an appeal from the date of service of judgment has been suspended due to Covid-19 restrictions in Greece. SDOZR's Greek lawyer estimates the exposure of SDOZR (and all of the other 8 cargo owners, jointly and severally) at EUR2.1 million (approximately RM10,408,902) for Lawsuit 1 and EUR145,000 (approximately RM718,710) for Lawsuit 2, all amounts inclusive of interest. As at this juncture, adequate provision has been made.

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**B11. Withhold Release Order (WRO) issued by the U.S. Customs and Border Protection (US CBP)**

In July 2020, a non-governmental organisation, Liberty Shared (LS), made public a summary of its petition against the Group which was submitted to the US CBP. The Group commenced engaging LS to seek further clarification of these allegations to address appropriate corrective actions, if any. In October 2020, the Group proceeded to appoint PwC Consulting Associates (M) Sdn Bhd in an effort to establish an effective channel of communication with LS to obtain further details of the allegations on concerns and issues surrounding its Malaysian operations. Concurrently, the Group also appointed an independent international human rights activist specialising in migrant workers rights to support efforts to further strengthen its human rights commitments and compliances.

The Group also begun engagements with the US CBP to provide details of its existing policies and procedures and also periodic updates on any initiatives undertaken in its operations as part of its on-going continuous improvement.

However, on 30 December 2020, the US CBP proceeded to issue a WRO on the Group's Malaysian produced palm products. In engagements with the Group, the US CBP has indicated that it does not intend to release any further details following its press release on the WRO.

Whilst the Group continues working towards obtaining more information from LS, it has proceeded to conduct its own internal assessments of the entire Malaysian operations. The findings do not reveal any systemic issues in the Group's operations. It is also worth noting that an initial review of audit findings for the Group's operations conducted by the Roundtable on Sustainable Palm Oil (RSPO) in the wake of the US CBP petition did not generate any red flags. The RSPO has said that it will continue to investigate this matter further and the Group continues to engage with the RSPO to provide any support, if needed.

The Group is currently in the process of appointing an independent assessor to review and ensure that there is a safe and nurturing environment for all its workers, regardless of gender or nationality. Furthermore, the Group has maintained regular engagements with all its stakeholders to ensure they are updated and appraised on ongoing developments.

B12. Dividend

The Board has declared a final single tier dividend of 5.42 sen per share in respect of the financial year ended 31 December 2020 ("Final Dividend"). Together with the interim dividend of 2.57 sen per share and special interim dividend of 1.45 sen per share paid on 22 November 2020, this would translate into a single tier dividend of 9.44 sen per share for the financial year ended 31 December 2020.

The Final Dividend is not taxable in the hands of the shareholders pursuant to the paragraph 12B of Schedule 6 of the Income Tax Act 1967 will be paid on 12 May 2021 and the entitlement date for the dividend payment is 29 April 2021.

A depositor shall qualify for entitlement to the dividend only in respect of:

- (i) shares deposited into the depositor's securities account before 12.30 p.m. on 28 April 2021 in respect of shares which are exempted from mandatory deposit;
- (ii) shares transferred into the depositor's securities account before 4.30 p.m. on 29 April 2021 in respect of transfers; and
- (iii) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

The dividends for the financial year ended 31 December 2020 is as follow:

	Year ended 31 December 2020		Year ended 31 December 2019	
	Net per share (sen)	RM'million	Net per share (sen)	RM'million
Interim dividend	2.57	177	-	-
Special interim dividend	1.45	100	-	-
	4.02	277	-	-
Final dividend	5.42	373	1.00	69
	9.44	650	1.00	69

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**B13. Earnings per share**

Basic earnings per share attributable to equity holders of the Company are computed as follows:

	Quarter ended 31 December		Year ended 31 December	
	2020	2019	2020	2019
Profit/(loss) for the financial period				
- from continuing operations	385	(45)	1,347	122
- from discontinued operations	(236)	(13)	(162)	(322)
	149	(58)	1,185	(200)
Weighted average number of ordinary shares in issue (million units)	6,885	6,885	6,885	6,885
Basic earnings/(loss) per share (sen)				
- from continuing operations	5.6	(0.7)	19.6	1.8
- from discontinued operations	(3.4)	(0.2)	(2.4)	(4.7)

The diluted earnings per share of the Group is similar to the basic earnings per share as the Group does not have any material potential dilutive ordinary shares in issue.

By Order of the Board

Petaling Jaya
17 February 2021

Azrin Nashiha Abdul Aziz
Group Secretary