PETRONAS

PETRONAS Chemicals Group Berhad

Analyst Briefing

For Fourth Quarter and Year Ended 31 December 2022

23 February 2023

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Such forward-looking statements are subject to certain risks and uncertainties, including but not limited to, the economic situation in Malaysia and countries in which we transact business internationally, increases in regulatory burdens in Malaysia and such countries, changes in import control or import duties, levies or taxes in international markets or in Malaysia, and changes in prices or demand for products produced by us, both in Malaysia and in international markets, as a result of competitive actions or economic factors. Such forward looking statements are also subject to the risks of increased costs in related technologies and such technologies producing expected results, and performance by third parties in accordance with contractual terms and specifications.

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PETRONAS Chemicals Group Management Line up

Mohd Yusri Mohamed Yusof
Managing Director/CEO
Presenter

Mohd Azli Ishak
Chief Financial Officer
Presenter

Zamri Japar
Chief Manufacturing Officer

Yaacob Salim
Head, Strategic Planning & Ventures

Shakeel Ahmad Khan
Chief Commercial Officer

Debbie Chiu
Head
Specialty Chemicals

Zaida Alia Shaari
Head
Investor Relations

Content

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04. Market Outlook

05. Growth Projects & Focus Area

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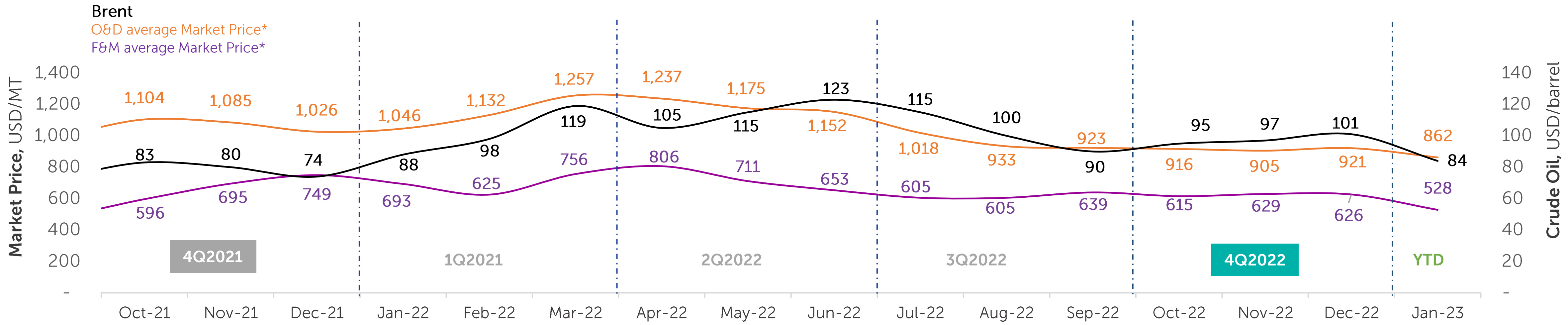
Energy supply constraints, COVID-19 restrictions and persistent inflation had slowed global economy

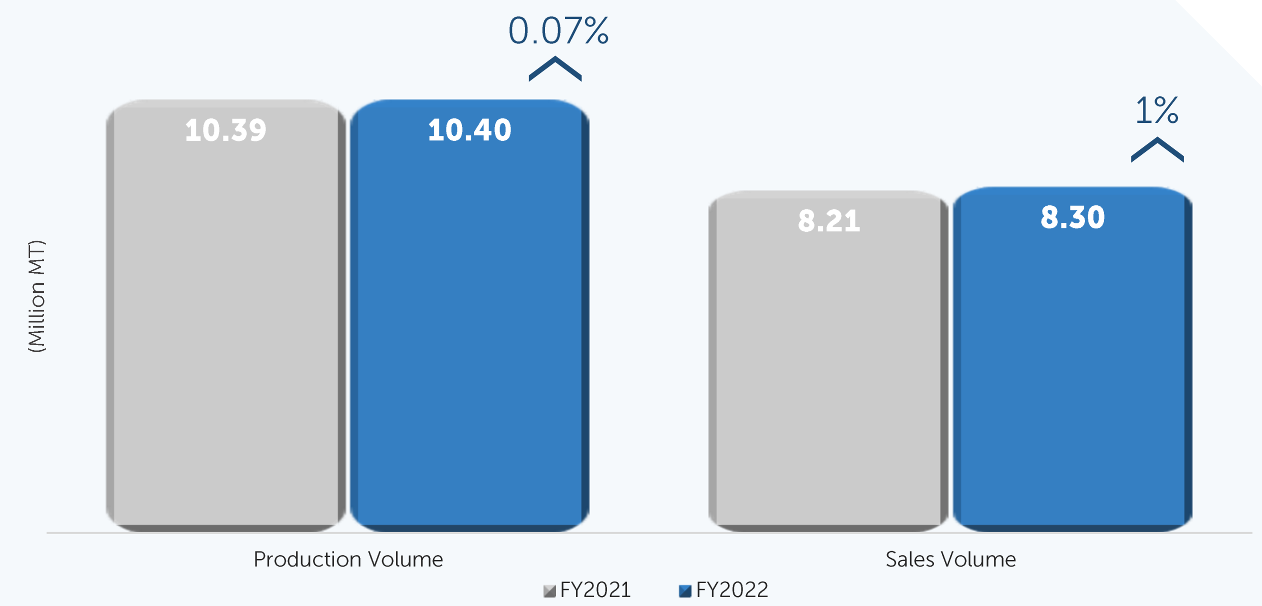


2022 Market Highlights

- Average GDP growth declined to 2.9% as banks continue to increase interest rates to fight inflationary pressures, subsequently slowing down global economic growth *(2021:5.5%).*
- Global PMI contracted to 48.6 as the industry downturn saw lower manufacturing activities inline with overall lower new orders, coupled with China prolonged lockdown. *(2021: 54.2).*
- The average Brent price rose 42% yoy to USD101/bbl due to overall improved demand amid supply limitation.
- Prices were higher across all products except MEG and methanol due to high production cost, declined demand and recession concerns.

**Source: market publications, team analysis*

FY2022 Highlights : Higher revenue driven by higher product prices



(RM Million)

Revenue	EBITDA	Profit After Tax
23,026 (2021) → 28,953 (2022), 26%	8,288 (2021) → 8,090 (2022), 2%	7,320 (2021) → 6,327 (2022), 14%

EBITDA Margin 2022: 28%
EBITDA Margin 2021: 36%

Operational Excellence

- Lower Plant utilization at 89% yoy on higher turnaround days *(2021: 93%).*
- Comparable production volume at 10,396 KMT contributed by Perstorp production volume despite lower production from Malaysian operation *(2021: 10,389 KMT).*

Commercial Excellence

- Sales volume increased marginally at 8,288 KMT with additional volume from Perstorp *(2021: 8,205 KMT).*
- Higher product prices across most products in line with higher crude oil price.

Financial Excellence

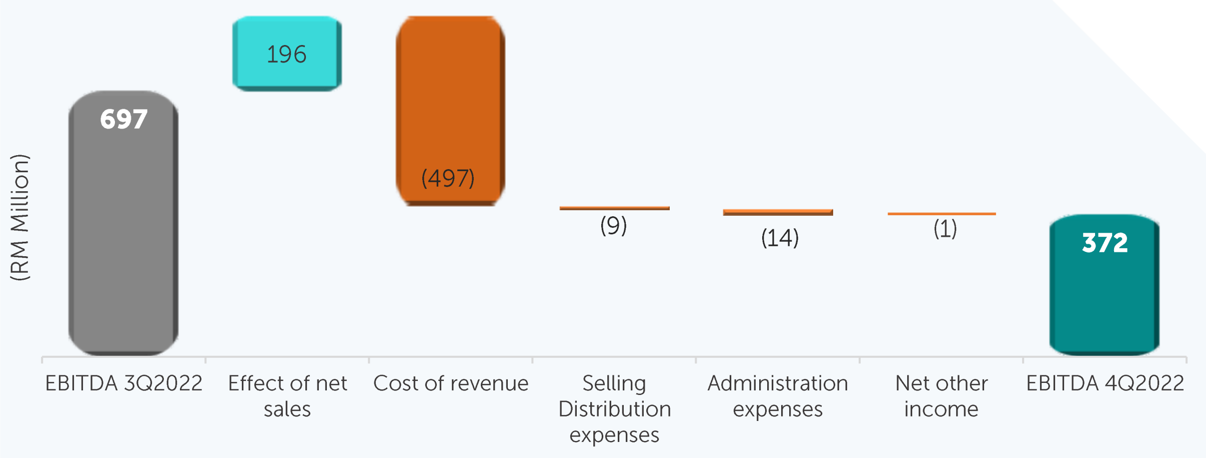
- Revenue higher by 26% yoy contributed by higher product prices, favourable foreign exchange impact, and additional revenue from Perstorp.
- EBITDA lower by 2% yoy due to higher cost in fuel, energy, utilities, and plant maintenance as well as lower sales volume from Malaysian operation.
- PAT lower by 14% yoy due to lower EBITDA and share of profit from joint ventures and associates.

Growth Delivery Excellence

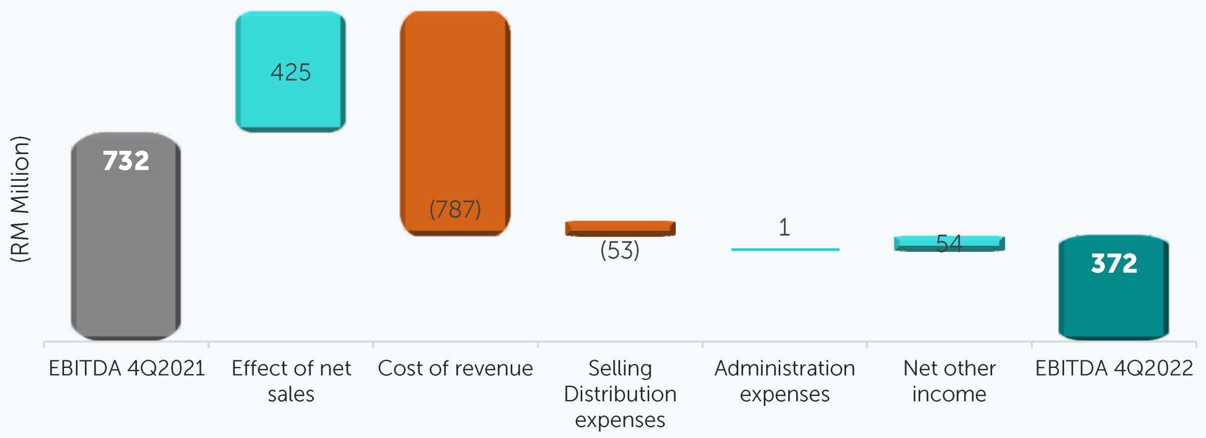
- Completion of Perstrop acquisition in October 2022.
- Specialties operating segment introduced in 4Q2022, to account for Perstorp and BRB Group.

O&D: EBITDA declined year-on-year on lower product spread, higher energy and utilities cost, coupled with higher maintenance cost

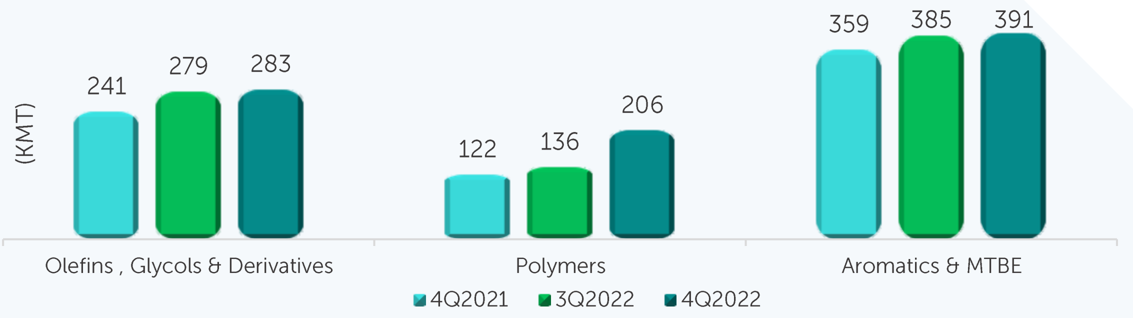
4Q2022 vs 3Q2022



4Q2022 vs 4Q2021



Product Sales Volume



	4Q21	3Q22	4Q22	Q-o-Q	Y-o-Y
Plant Utilisation (PU) *%*	101.1	101.0	99.4	(1.6%)	(1.7%)
Production Volume *(KMT)*	1,002	997	980	(1.7%)	(2.2%)
Sales Volume *(KMT)*	786	800	880	10.0%	11.9%
Revenue *(RM mil)*	3,407	3,419	3,494	2.2%	2.6%
EBITDA *(RM mil)*	732	697	372	(46.6%)	(49.1%)

4Q2022 vs 4Q2021

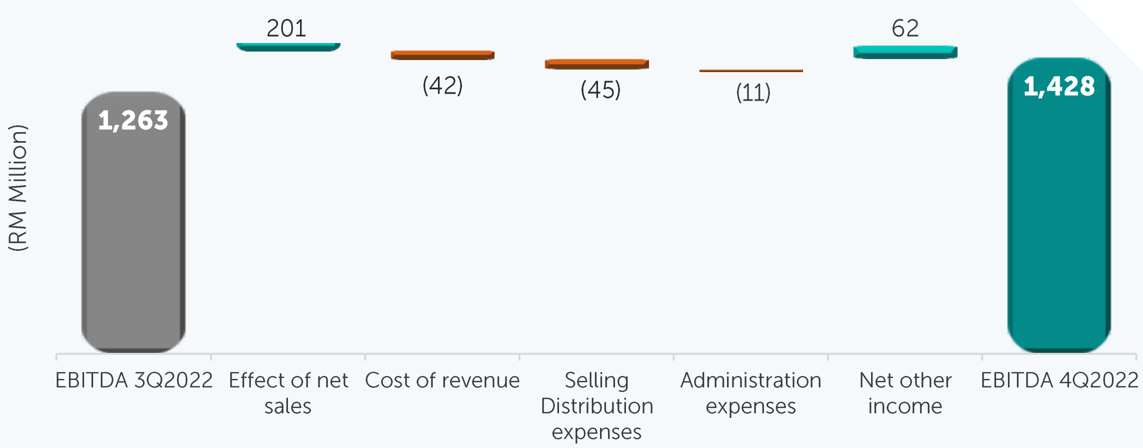
Plant Utilisation Rate: Slightly lower due to slowdowns at PC Aromatics and PC Glycols.

Revenue: Higher by 2.2% on higher sales volume and favorable forex impact.

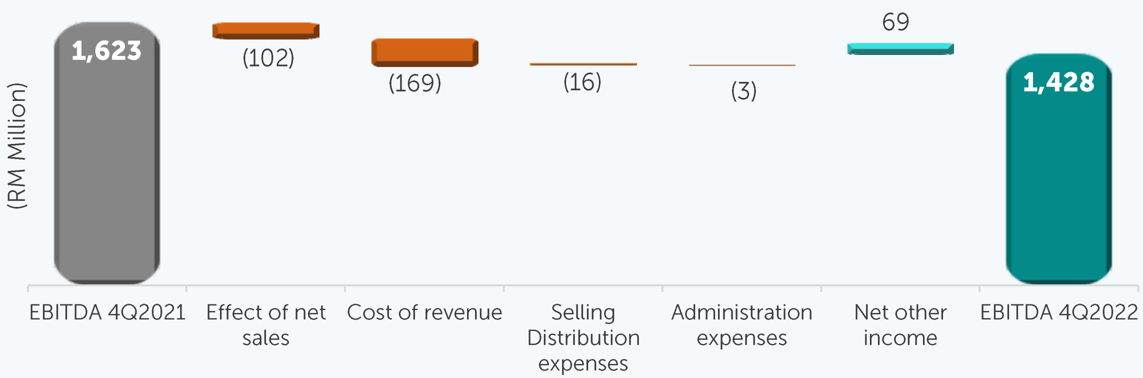
EBITDA: Decreased by 49% due to lower product spreads and higher utilities costs.

F&M : Higher EBITDA in 4Q2022 contributed by higher sales volume, higher product spread and favorable foreign exchange impact

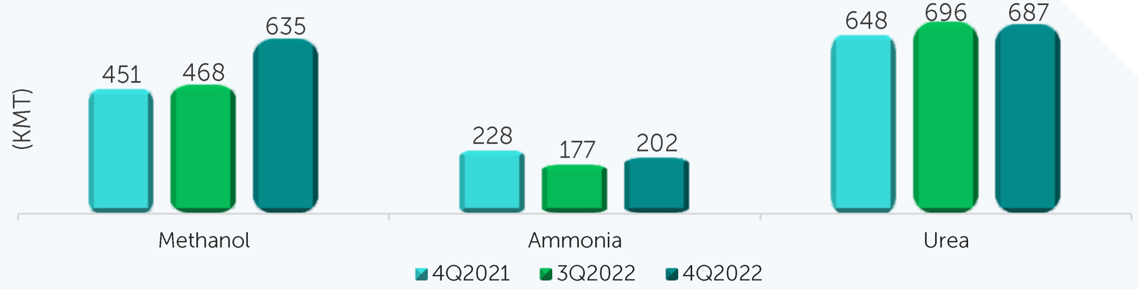
4Q2022 vs 3Q2022



4Q2022 vs 4Q2021



Product Sales Volume



	4Q21	3Q22	4Q22	Q-o-Q	Y-o-Y
Plant Utilisation (PU) *%*	82.5	94.4	100.3	5.9%	17.8%
Production Volume *(KMT)*	1,519	1,738	1,846	6.2%	21.5%
Sales Volume *(KMT)*	1,328	1,341	1,524	13.7%	14.8%
Revenue *(RM mil)*	3,268	3,187	3,533	10.9%	8.1%
EBITDA *(RM mil)*	1,623	1,263	1,428	13.1%	(12.0%)

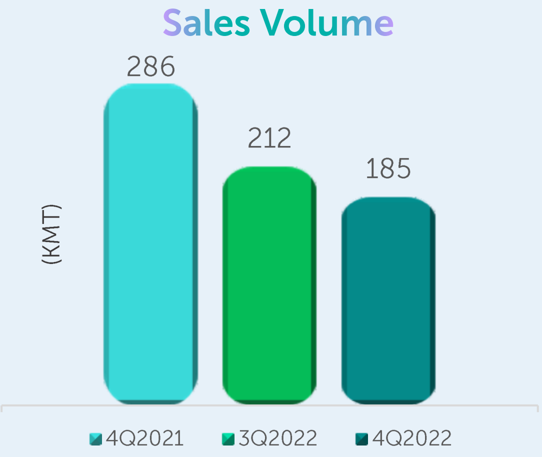
4Q2022 vs 4Q2021

Plant Utilisation Rate: Higher contributed by better plant performance and lower turnaround days.

Revenue: Improved 9% on higher sales volume and favourable foreign exchange impact.

EBITDA: 12% lower, on lower product spreads and higher fuel cost.

Specialties: Lower revenue and EBITDA in 4Q2022 driven by inventory destocking across end markets, leading to lower demand on the back of high energy costs



	4Q21	3Q22	4Q22*	FY2021	FY2022	Key highlights
Revenue *RM mil*	2,066	1,980	1,664	7,327	8,222	Higher revenue yoy mainly due to higher prices in certain product segments, partially offset by lower sales volume from weaker demand
EBITDA *RM mil*	336	192	7	1,318	1,113	Lower EBITDA yoy mainly due to lower sales volume and high energy cost especially in the European region
EBITDA Margin *(%)*	16.3	9.8	0.4	17.9	13.5	

***Perstorp consolidated from Oct 2022**

Resins & Coatings

- Lower sales volume for major resin segments in 4Q2022 vs 4Q2021.
- Demand has softened and pricing competition for intermediates increased in EMEA and Americas.

Advanced Materials

- Lower sales volume in 4Q2022 vs 4Q2021 due to lower demand especially from the construction market.
- High energy costs in Europe has reduced competitiveness and profitability.

Engineered Fluids

- Slightly lower sales volume in 4Q2022 vs 4Q2021, compensated by better pricing.
- Rebound in air travel has supported the demand for the segment, offset by softer demand from industrials.

Silicones

- Lower sales volume in 4Q2022 vs 4Q2021, as downstream demand was weaker amid a traditionally slower quarter.
- Anticipation of lower prices by customers boosted the destocking activities.

Animal Nutrition

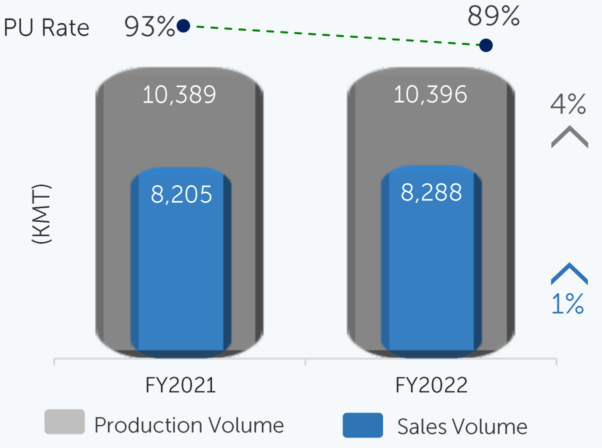
- Lower sales volume in 4Q2022 vs 4Q2021 due to higher feed costs and lower customer profitability.
- Raw material prices remain high due to the energy crisis.

Lube oil Additives & Chemicals

- Slightly higher sales volume in 4Q2022 vs 4Q2021, supported by new contracts.
- Competition and margin pressure remained stiff with rising raw material prices.

Commendable full year performance amidst challenging market and heavy turnaround schedule

FY2022 vs FY2021

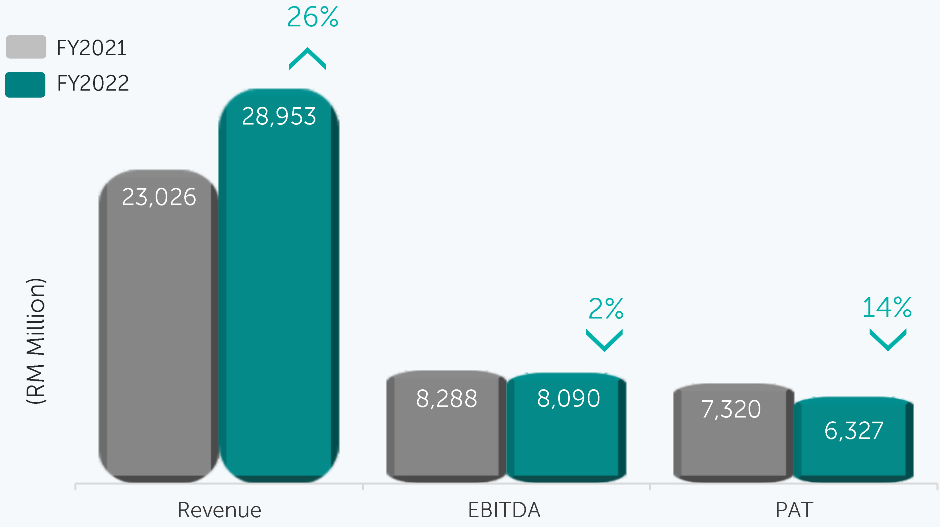


Plant Utilisation Rate:
Lower due turnaround and pitstop activities at 6 sites.

Production Volume:
Comparable with addition of Perstorp production volume.

Sales Volume:
1% higher with contribution from Perstorp despite lower sales volume from Malaysian operation.

Specialty Chemicals
Performance is impacted by higher energy costs and lower demand in 2H2022.

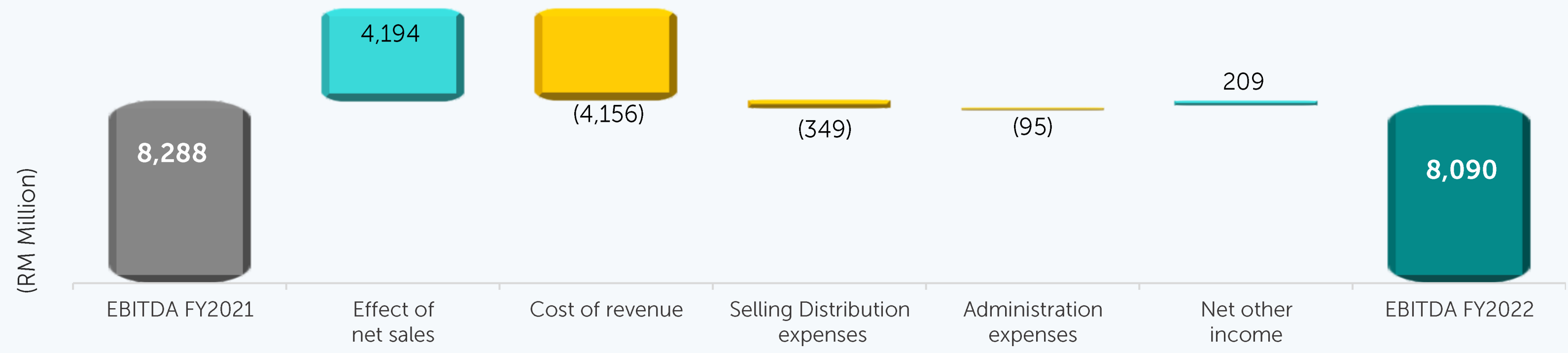


Revenue higher mainly from:
- Higher product prices.
- Favourable forex impact.
- Additional revenue from Perstorp.

EBITDA lower due to:
- Higher fuel cost, energy and utilities.
- Lower sales volume from Malaysian operation.
- Higher operation/maintenance cost.

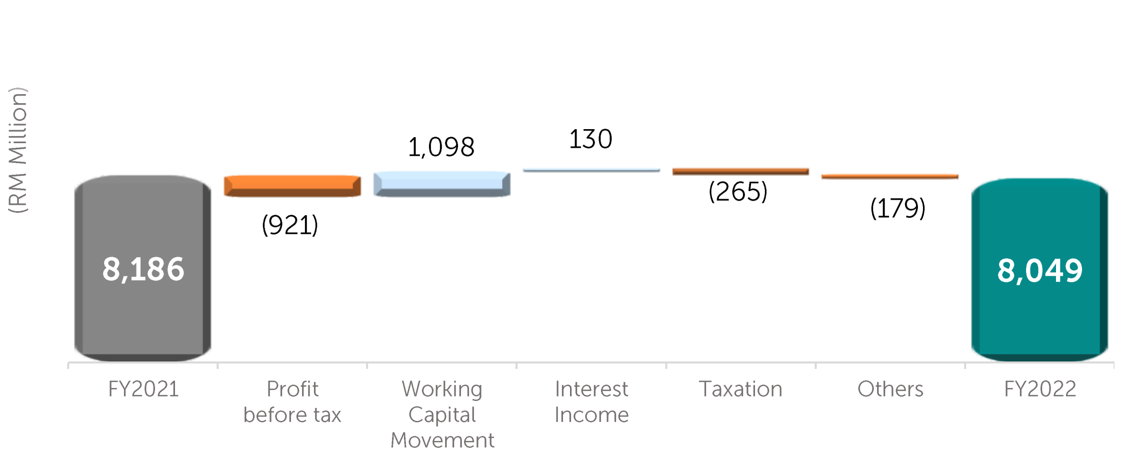
PAT lower due to:
- Lower product spreads.
- Lower share profit from JV & Assoc.

EBITDA MOVEMENT

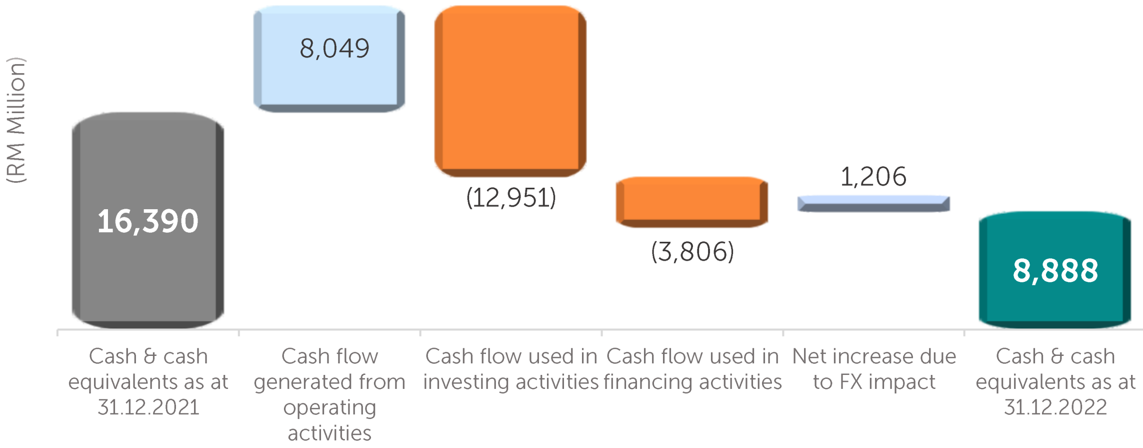


Cash Flow from Operations (CFFO) & Consolidated Cash flow

Cash Flow from Operations



Cash Flow



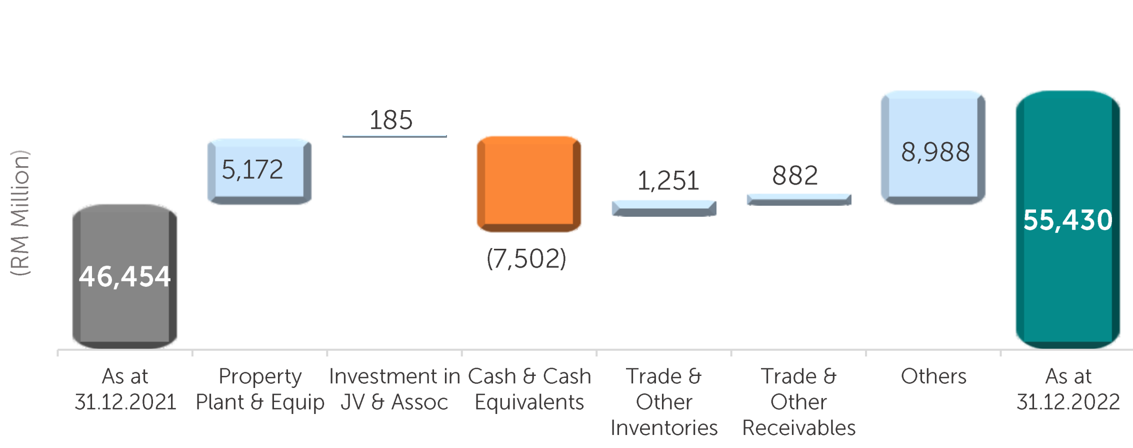
Net cash generated from operating activities was lower at RM8.0 bil mainly due to higher taxation paid and partially offset by higher interest income.

Net cash used in investing activities was higher mainly due to payment for the acquisition of Perstorp and higher purchase of PPE for costs related to turnarounds completed in FY2022, and project cost at PPC and PC INA.

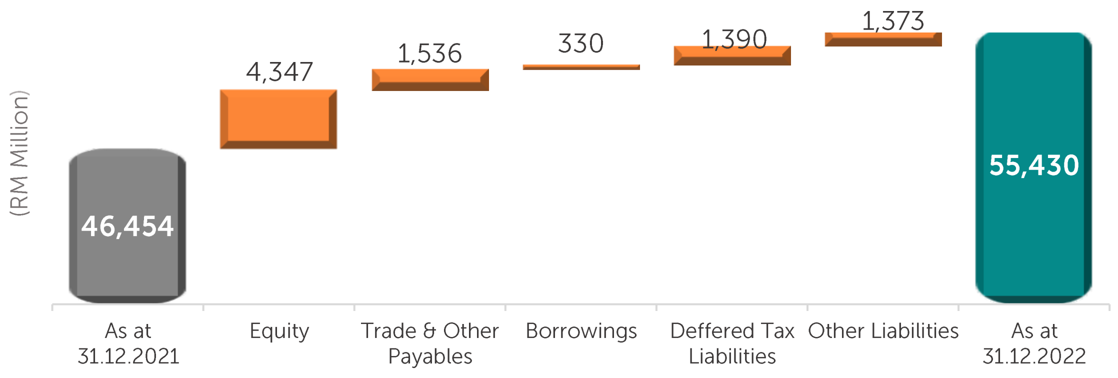
Net cash used in financing activities was higher at RM3.8 bil mainly due to higher dividend paid to shareholders of the Company.

Higher total assets from acquisition of Perstorp. Higher equity contributed by profit for the year and favourable forex impact

Total Assets



Total Equity & Liabilities



The Group's total assets grew by 19% at RM55 billion, mainly due to:

- Higher intangible assets from acquisition of Perstorp.
- Higher Property, Plant and Equipment (PPE), mainly contributed by Perstorp, project costs incurred at PPC and PC Isononanol and capitalisation of TA 2022 related costs.
- Lower cash and cash equivalent due to Perstorp acquisition cost, dividend payments as well as purchase of PPE.

Total equity was higher by RM4.3 bil or 12.3% due to:

- Profit generated during the year.
- Favourable foreign exchange impact.

Off-set by:

- Dividend payments (FY2021 second interim dividend and FY2022 first interim dividend).

Keeping track of our sustainability metrics

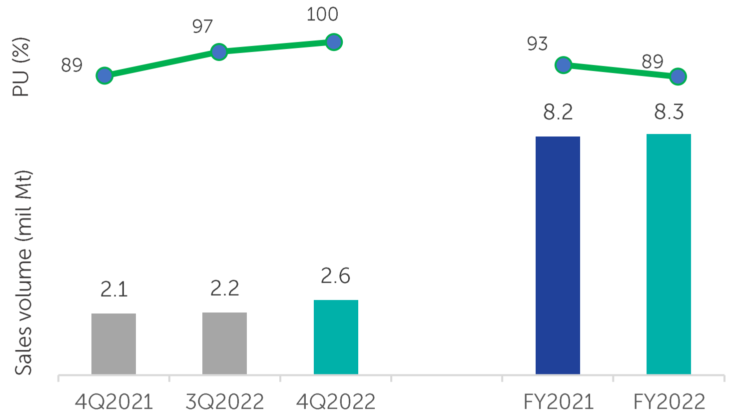
FTSE4Good

Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA

Economic

Plant Utilisation
89%

Sales Volume
8.3 MMt

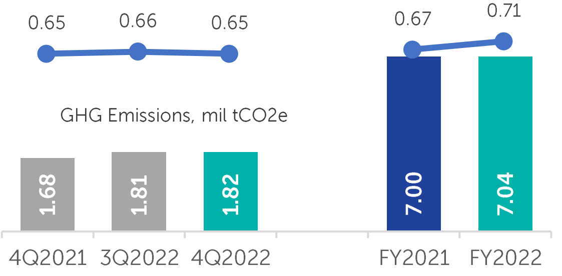


Pursuing our NZCE 2050 Target

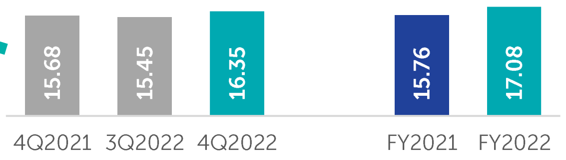
PCG completed its NZCE roadmap that sets our carbon reduction goals and pathways, starting with a reduction of 20% by 2030 towards becoming net-zero by 2050

Environmental

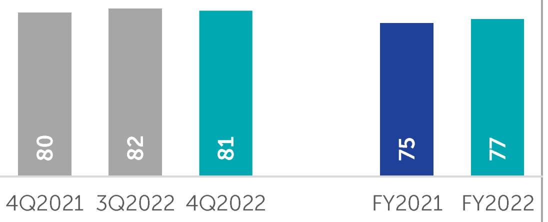
Target in 2024
GHG Emissions Volume 6.98 mil tCO2e



Target in 2024
Energy Intensity 15.85 GJ/t



Target in 2024
Waste Recycle rate(%) , 3R 82%



Social

Target reach in 2022 **250,000**

Achieved over 300,000 reach in 2022

Environment
- Be Green
- ecoCare

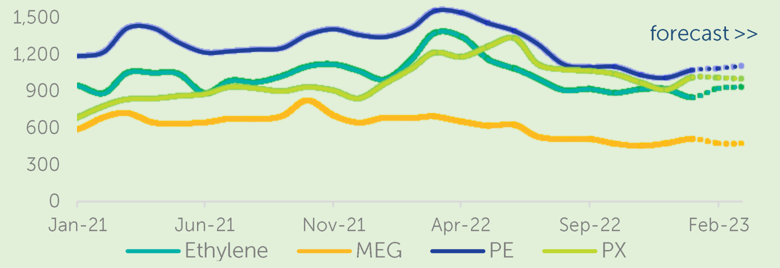
Community Development & Well-being
- Safe Handling of Chemicals for School (SHOC4School)
- PCG COVID-19 Relief
- Sentuhan Kasih

Education
Plastic, Sustainability & You Education (PSYE)

Social & Governance
Focusing on closing gaps identified from previous social risk assessment

China's re-opening expected to provide a boost to overall market demand. Fertilisers to remain soft on oversupply amid off-planting season.

O&D: Demand recovery supported by balanced supply and active restocking activities



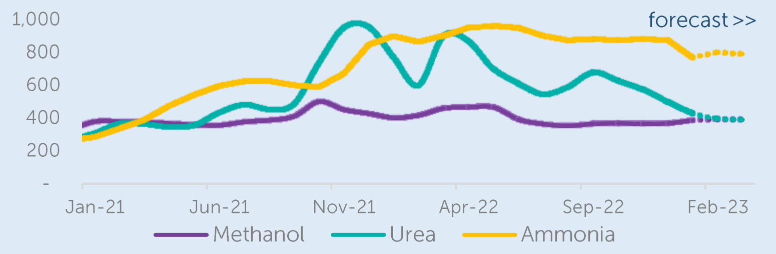
Ethylene:
- Tight supply amidst cracker TA and reduced cargoes from US and Middle East.

Ethylene Glycols:
- Balanced supply and steady demand as plant resumed operation post CNY holiday.

Polyethylene:
- Limited supply due to higher EVA production for solar application. Healthy demand on restocking activities amidst regional festivities.

Paraxylene:
- Tight supply due to major units on plant TA coupled with limited demand due to economic uncertainty.

F&M: Fertiliser slows on off-planting season; Methanol to stabilise on balanced supply and demand



Urea:
- Abundant supply in the region.
- Bearish demand amidst off planting season.

Ammonia:
- Sufficient supply upon output recovery in SEA.
- Prolonged weak downstream demand.

Methanol:
- Tight supply in SEA.
- Indonesia new biodiesel mandate to support demand.

Specialties: Modest recovery as most inventory destocking activities completed

- Higher price levels for natural gas and raw materials are expected to remain throughout 2023, especially in Europe.
- Inventory destocking is expected to conclude in 1Q2023 followed by modest volume recovery.
- Impact from China's reopening on the supply chains and inflation remains a concern for specialty chemicals demand in 2023.

The Group will continue to optimise product mix and maximise pricing excellence in a challenging environment

Embedding Sustainability at the Core, PCG will continue to focus on Economic, Environmental, Social and Governance (EESG) aligned with 50.30.0

50% improvement in cash flows from operations by 2025

30% revenue by 2030 from non-traditional business

Net Zero carbon emissions by 2050

FOCUS AREAS 2023

Economic

Maximise value from OE & CX

Optimise Cost

Executions of various projects

- PERSTORP
- Melamine
- Nitrile ButadieneLatex
- Specialty Ethoxylates

Execute Sustainability Development roadmap

Environment

Environment Stewardship & Resource Efficiency

Social

Sustain HSE Excellence

Empower People

Governance

DJSI world ranking
Top quartile FTSE4GOOD Bursa Malaysia Index

Shared Values

Thank you