PETRONAS Chemicals Group Berhad
Analyst Briefing

For First Quarter 2023
29 May 2023

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PETRONAS Chemicals Group Management

Mohd Yusri Mohamed Yusof
Managing Director/CEO

Presenter

Mohd Azli Ishak
Chief Financial Officer

Presenter

Also present in the briefing:

Zamri Japar
Chief Manufacturing Officer

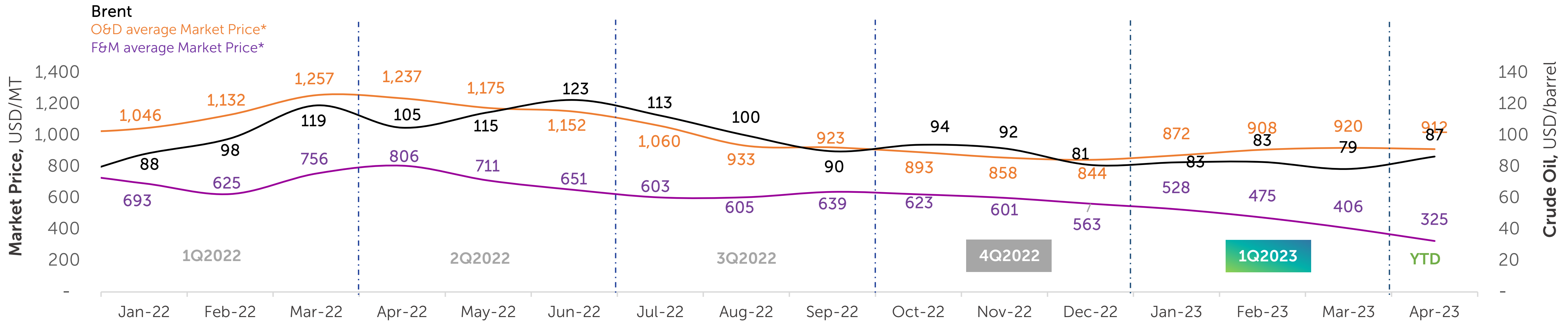
Yaacob Salim
Head, Strategic Planning & Ventures

Shakeel Ahmad Khan
Chief Commercial Officer

Zaida Alia Shaari
Head
Investor Relations

Content

Persistent inflation and monetary policy tightening hampered economic growth

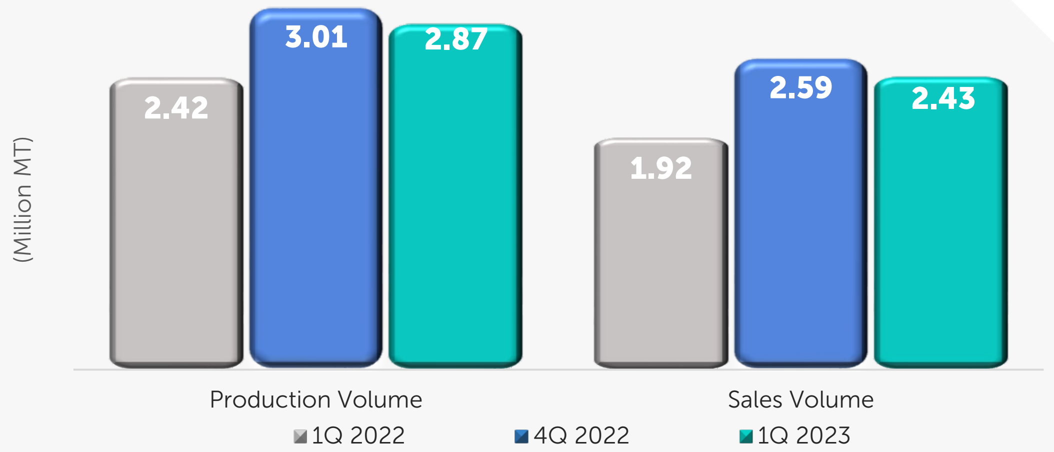


1Q2023 Market Highlights

- Slight improvement in Global GDP at 1.7% despite persistent core inflation and tightening monetary policy *(4Q2022: 1.49%).*
- Global PMI improved but remains in contractionary territory at 49.5 due to sluggish output growth caused by weak demand *(4Q2022: 48.93).*
- The benchmark Brent crude declined 7% to average at USD83/bbl on the back of higher crude production from the top US shales basins compounded by slower demand from China *(4Q2022: USD89/bbl).*
- Prices were higher across all products on market improvement except for Urea and Ammonia due to weaker demand and global oversupply.

**Source: market publications, team analysis*

1Q2023 Highlights : Higher share profit from JV & Associates supports improvement in PAT



REVENUE *in RM Million*

1Q 2022	4Q 2022	1Q 2023
6,634	8,704	7,557

EBITDA *in RM Million*

1Q 2022	4Q 2022	1Q 2023
2,422	1,740	1,083

PAT *in RM Million*

1Q 2022	4Q 2022	1Q 2023
2,072	484	536

EBITDA *margin*

1Q 2022	4Q 2022	1Q 2023
37%	20%	14%

Note:
1Q 2022 does not include contributions from Perstorp Group.

Operational Excellence

- Lower Plant utilisation at 96% due to planned shutdown at PC Aromatics and PC LDPE *(4Q2022: 100%).*
- Lower production volume by 5% at 2,870 KMT *(4Q2022 : 3,010KMT).*

Commercial Excellence

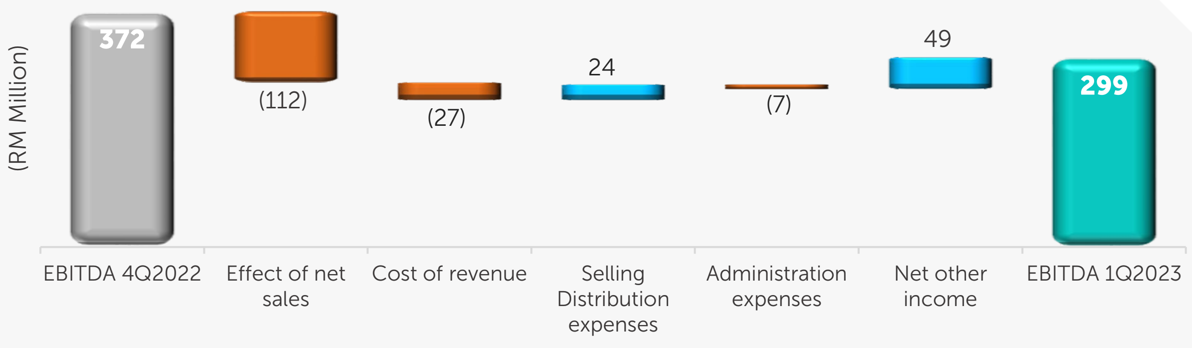
- Specialties sales improved but total sales volume decreased inline with lower production at the Malaysia operations *(4Q2022: 2,588KMT).*
- Average product prices for the Group declined, pulled down by weak Urea and Ammonia prices

Financial Excellence

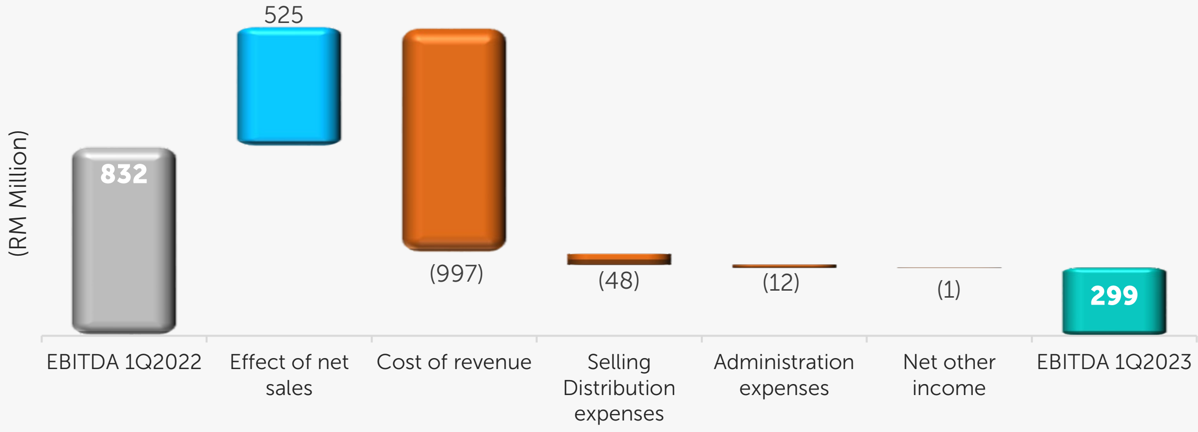
- 13% lower revenue quarter-on-quarter mainly due to lower sales volume, and supported by the strengthening MYR against USD
- EBITDA fell by 38% quarter-on-quarter due to lower sales volume, lower product spreads , particularly Urea and Ammonia
- PAT improved 11% quarter-on-quarter with higher share profit from JVs and Associates and lower unrealised foreign exchange loss on revaluation loan.

O&D: EBITDA declined quarter-on-quarter due to lower sales volume, mainly from ethane-related products

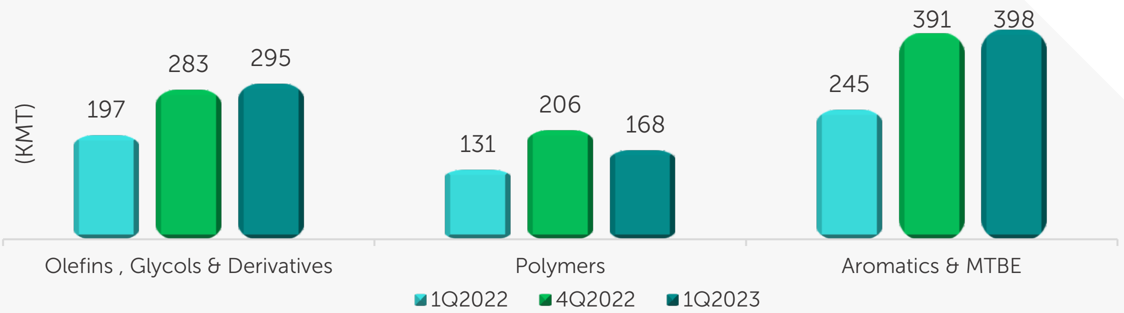
1Q2023 vs 4Q2022



1Q2023 vs 1Q2022



Product Sales Volume



	1Q22	4Q22	1Q23	Q-o-Q	Y-o-Y
Plant Utilisation (PU) *%*	75.3	99.4	94.1	(5.3%)	18.8%
Production Volume *(KMT)*	732	980	903	(7.9%)	23.4%
Sales Volume *(KMT)*	573	880	861	(2.2%)	50.2%
Revenue *(RM mil)*	2,743	3,494	3,393	(2.9%)	23.7%
EBITDA *(RM mil)*	832	372	299	(19.6%)	(64.1%)
EBITDA Margin *%*	30.3	10.6	8.8	(1.8%)	(21.5%)

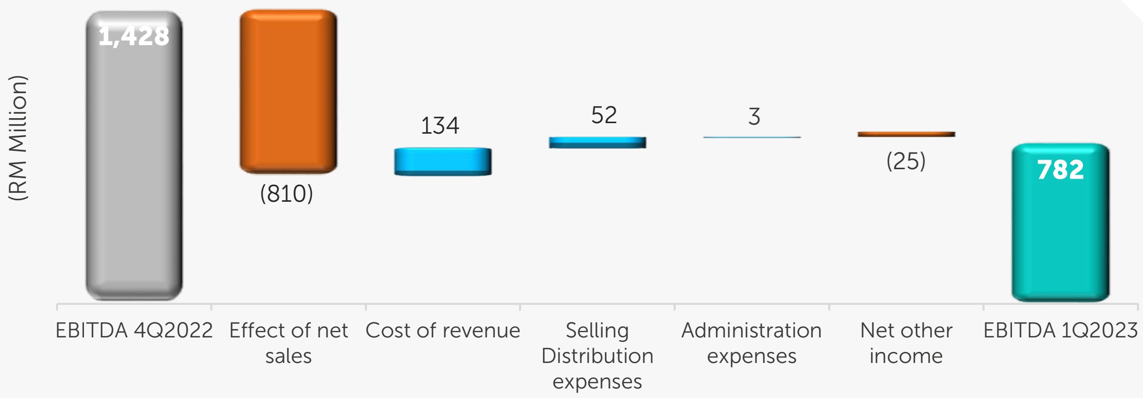
1Q2023 vs 4Q2022

Plant Utilisation Rate: Lower utilisation due to pitstops at PC Aromatics and PC LDPE

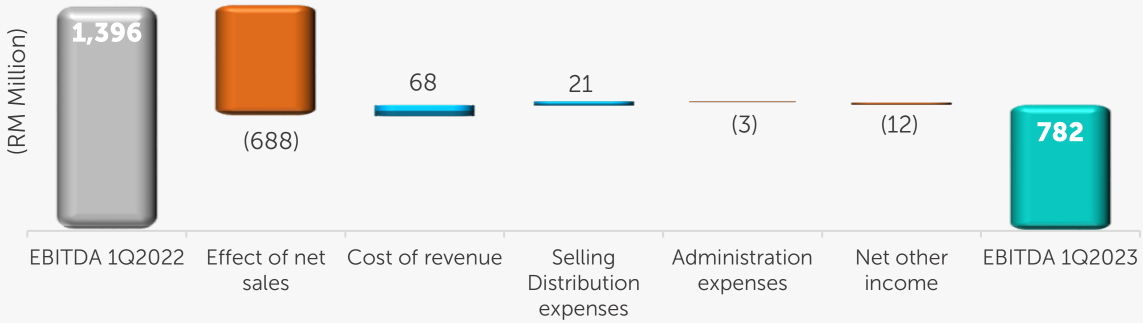
Revenue & EBITDA: Decreased by 3% and 20% respectively due to lower sales volume mainly from ethane-related products and pre-operating costs of a joint-operation company

F&M: EBITDA impacted by lower spreads and lower sales volumes

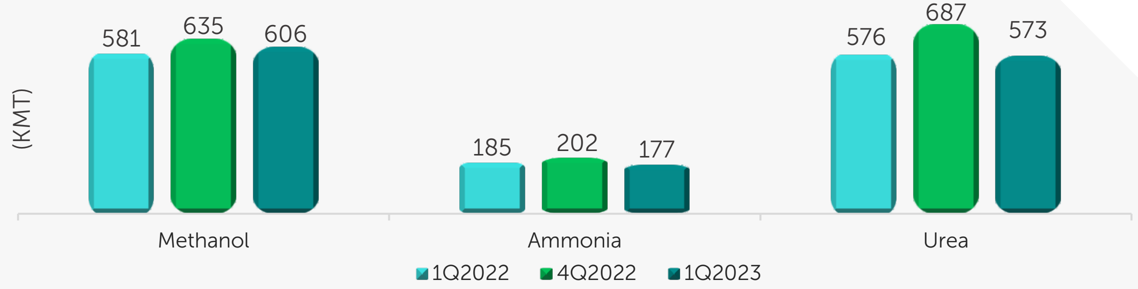
1Q2023 vs 4Q2022



1Q2023 vs 1Q2022



Product Sales Volume



	1Q22	4Q22	1Q23	Q-o-Q	Y-o-Y
Plant Utilisation (PU) *%*	92.9	100.3	97.2	(3.1%)	4.3%
Production Volume *(KMT)*	1,673	1,846	1,752	(5.1%)	4.7%
Sales Volume *(KMT)*	1,342	1,524	1,357	(11.0%)	1.1%
Revenue *(RM mil)*	3,304	3,533	2,407	(31.9%)	(27.1%)
EBITDA *(RM mil)*	1,396	1,428	782	(45.2%)	(44.0%)
EBITDA Margin *%*	42.2	40.4	32.5	(7.9%)	(9.7%)

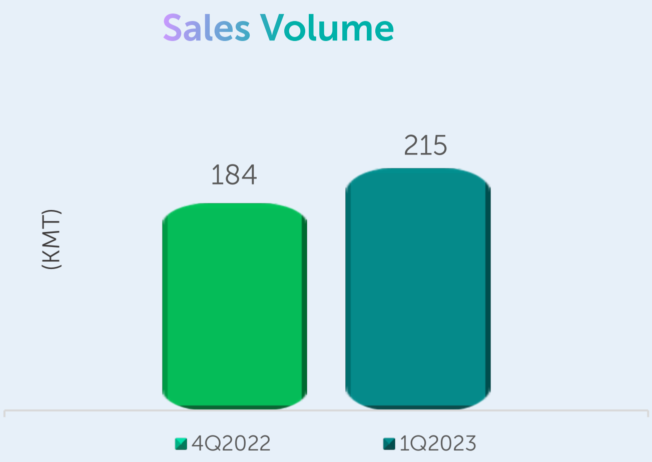
1Q2023 vs 4Q2022

Plant Utilisation Rate: PU rate declined due to maintenance work

Revenue: Decreased due to lower sales volume of Urea and Ammonia, lower product prices and strengthening Ringgit Malaysia against US Dollar

EBITDA: Declined on lower product spreads

Specialties: Slight recovery seen in 1Q2023 as inventory destocking comes to a close although the demand recovery is still weaker than expected for 1H2023



	4Q22	1Q23	Key highlights
Revenue *RM mil*	1,664	1,744	Higher revenue q-o-q attributable to increase in end market demand and sales volume
EBITDA *RM mil*	7	88	Higher EBITDA q-o-q in line with higher revenue supported by product margins
EBITDA Margin *(%)*	0.4	5.0	

Resins & Coatings

- Higher revenue and sales volume for major resin segments such as alkyds in 1Q2023 vs 4Q2022.
- Q1 saw some restocking activities although demand is still subdued with the pricing pressure on intermediates.

Advanced Materials

- Higher revenue and sales volume in 1Q2023 vs 4Q2022 as customers started to rebuild their inventory
- In particular, Polyvinyl butyral (PVB) Film segment volumes increased following issues faced by Chinese competitors and maintenance shutdowns in Europe

Engineered Fluids

- Higher revenue and sales volume in 1Q2023 vs 4Q2022, supported by higher demand for transportation end market (aviation and transformer oil)
- Refrigeration lubes still see weaker demand due to China and the weak global housing market

Silicones

- Lower revenue amid slightly higher volume in 1Q2023 vs 4Q2022 due to lower product prices
- Demand is slowly picking up but overall volume recovery is still under pressure

Animal Nutrition

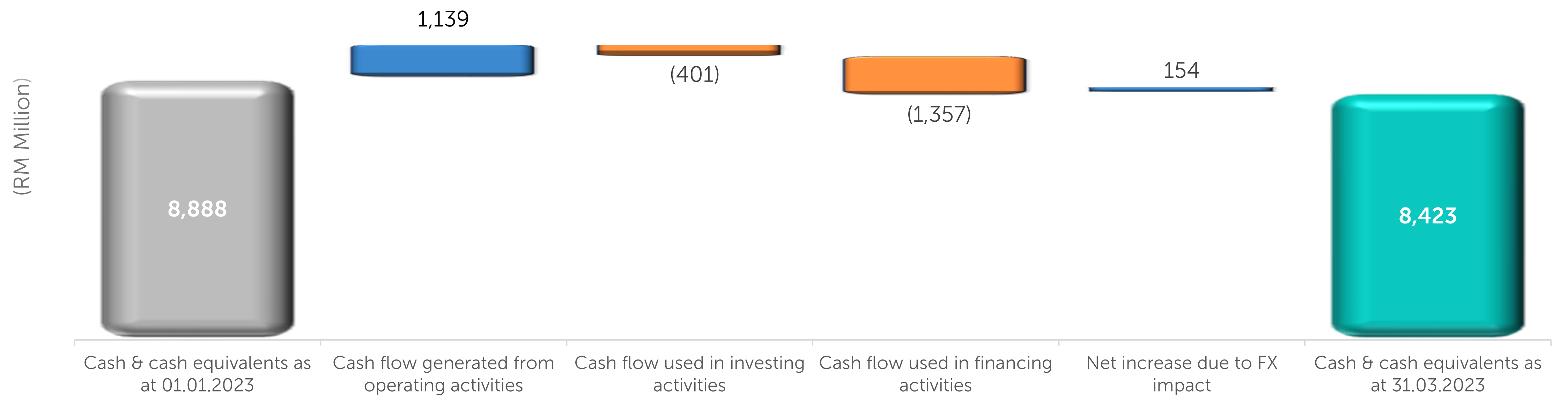
- Lower revenue and sales volume in 1Q2023 vs 4Q2022 due to lower demand amid higher prices and lower customer profitability.
- Higher cost to serve also reduced the margins for the segment

Lube oil Additives & Chemicals

- Slightly higher revenue and sales volume in 1Q2023 vs 4Q2022 despite decreasing product prices following pricing competition in the markets
- This is partially impacted by the lower base oil prices in the market, offset by effective product mix

Consolidated Cash flow

Cash Flow

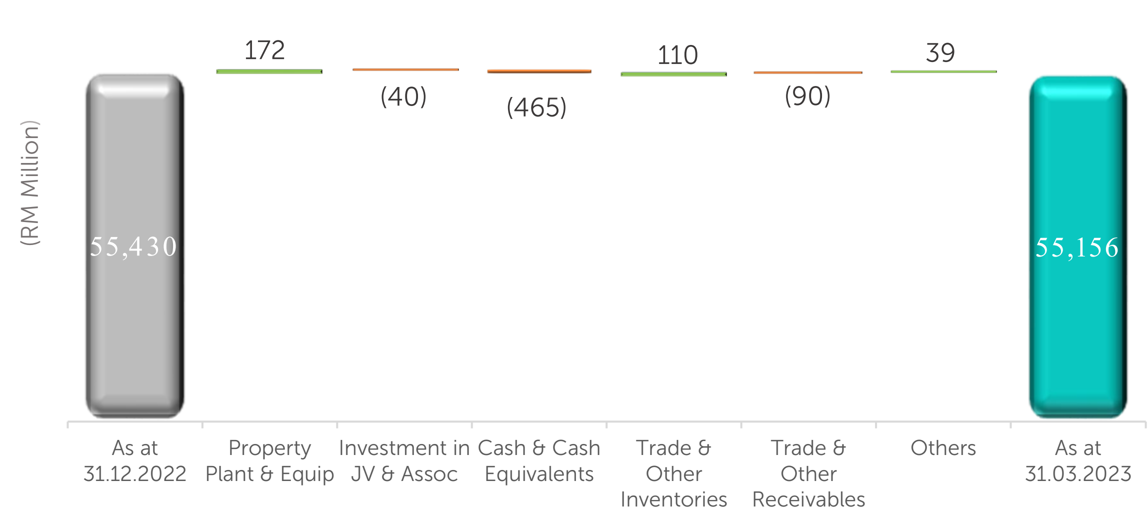


Net cash used in investing activities mainly comprise of the purchase of PPE for various growth projects at PIC and the Melamine project.

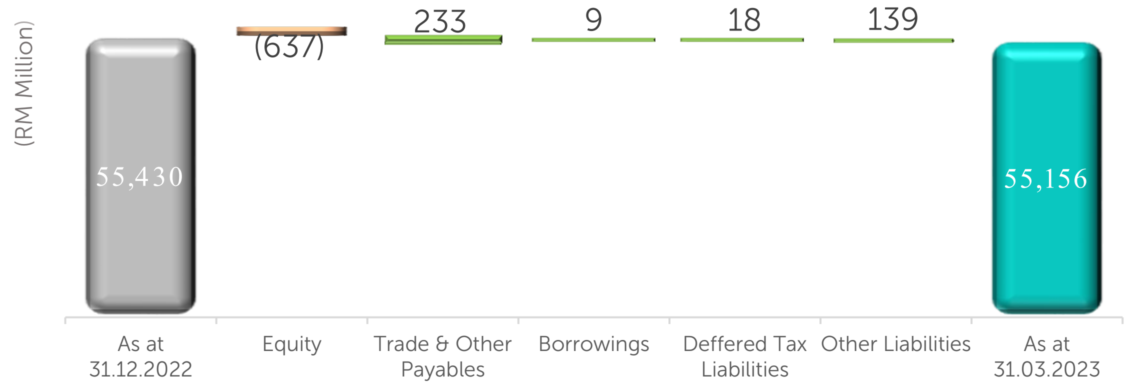
Net cash used in financing activities largely due to second interim dividend of RM1.28 billion paid in March 2023.

Lower total asset and equity due to second interim dividend for FY2022 paid in March

Total Assets



Total Equity & Liabilities



The Group's total assets lower by 0.5% at RM55.1 billion, mainly due to:

- Payment for FY2022 second interim dividend paid in March 2023
- Payment for purchase of PPE

Partially offset by cash generated from operations and effects of net foreign exchange difference.

Total equity was lower by RM637 mil or 1.6% at RM39.1 bil due to FY2022 second interim dividend paid in March and partially offset by profit generated during the period and favorable foreign exchange impact.

Keeping track of our sustainability metrics

FTSE4Good

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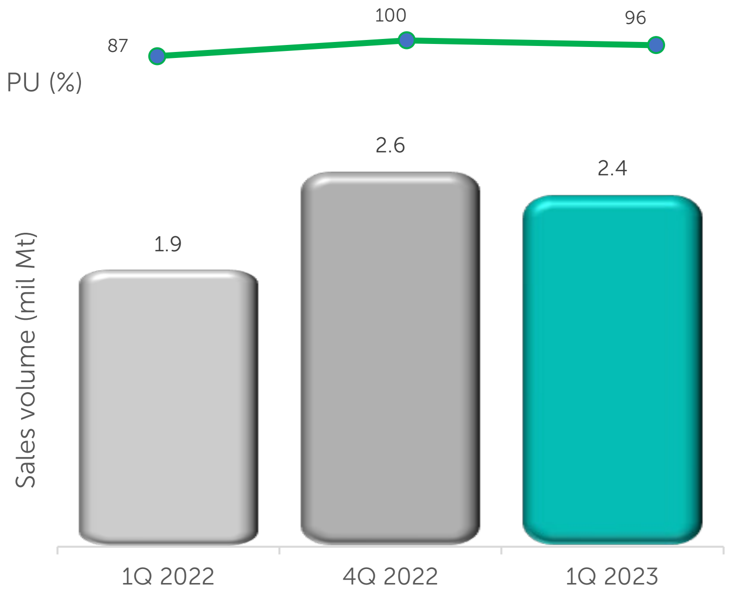
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA

Economic

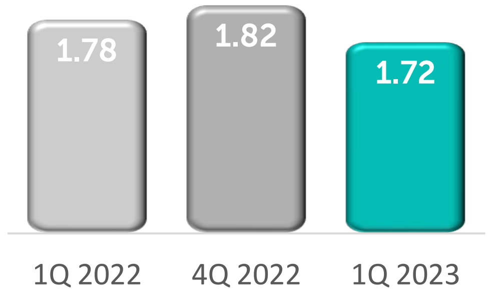
Plant Utilization 96%

Sales Volume 2.43 Mil MT

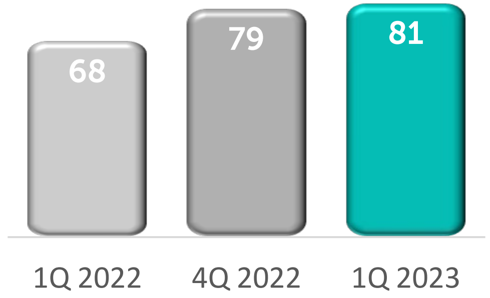


Environmental

Target in 2024
Cap GHG Emissions Volume at **6.98 Mil** $tCO_{2}e$



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



Social

Target reach in 2023 for CR activities **~323,000** *people*

Mangrove planting target in 2023 **~5,500** *trees*

Environment
- Be Green
- ecoCare

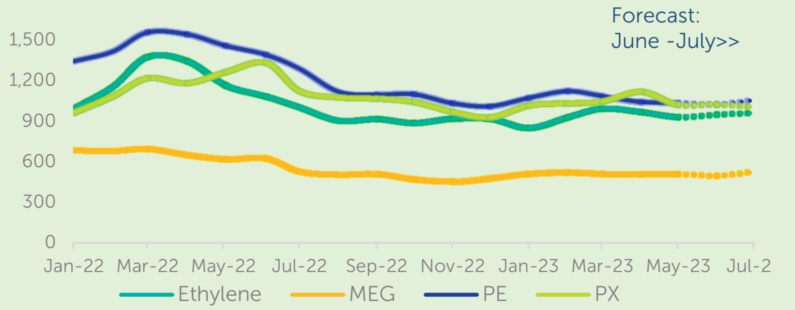
Community Development & Well-being
- Safe Handling of Chemicals for School (SHOC4School)
- Community/Disaster Relief Program

Education
Plastic, Sustainability & You Education (PSYE)

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

Short-term market outlook

O&D: Weak demand **recovery amidst additional supply from new capacity addition**



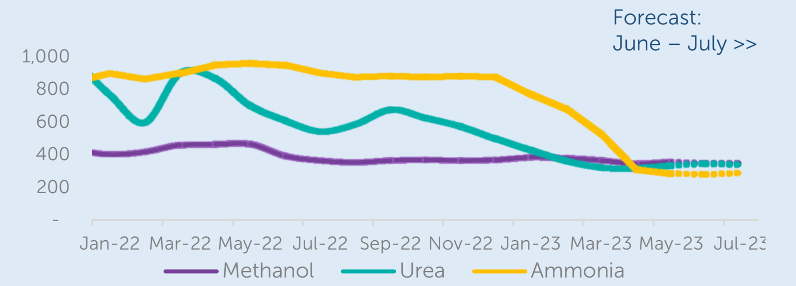
Ethylene:
- Ample supply with plants returning onstream post turnaround
- Cautious downstream market given new capacity

Ethylene Glycols:
- Ample supply due to new startup amidst weak polyester demand

Polyethylene:
- Limited buying interest with subdued demand post festive season

Paraxylene:
- Additional supply with new capacity start ups, mainly in China.

F&M: Urea prices are stabilizing upon start of planting season; Methanol to remain firm on tight supply and demand



Urea:
- Balanced supply in SEA amidst plant shutdown
- Improving demand for planting season.

Ammonia:
- Weak demand due to persistent high production cost for downstream Caprolactam and Acrylonitrile

Methanol:
- Potential tight supply in SEA amidst plant shutdown.
- Improving demand supported by MTBE and Biodiesel.

Specialties: Modest recovery supported by restocking activities

- Energy and raw materials prices in Europe remain elevated compared to the historical average.
- Modest demand recovery has been observed with restocking activities underway, but the persistent global inflationary environment and market slowdown (i.e construction) may pose headwinds on pricing.
- The impact on demand in specialty chemical in 2023 from China re-opening remain uncertain.

Key priorities in 2H2023

OE **OPERATIONAL EXCELLENCE**

- Strengthening plant reliability
- Deliver safe and effective execution of planned shutdown and turnaround
- Deliver safe and smooth start up of Pengerang Integrated Complex

GE **GROWTH DELIVERY EXCELLENCE**

- Achieve RFSU for Specialty Ethoxylates & Polyols plant in Kerteh, NBL in Pengerang and Penta plant in Sayakha, India by 2H 2023
- Continue project execution for Melamine and 2-EH Acid projects as per plan
- Deliver the PMI work plans and identified value creation synergies with Perstorp

CE **COMMERCIAL EXCELLENCE**

- Maximize value from existing business and maintain competitive cost
- Ensure supply reliability to customers
- Maximize value creation through non-traditional business & process improvements

Thank you