PETRONAS

PETRONAS Chemicals Group Berhad Analyst Briefing

For Second Quarter 2023

22 August 2023

Open

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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

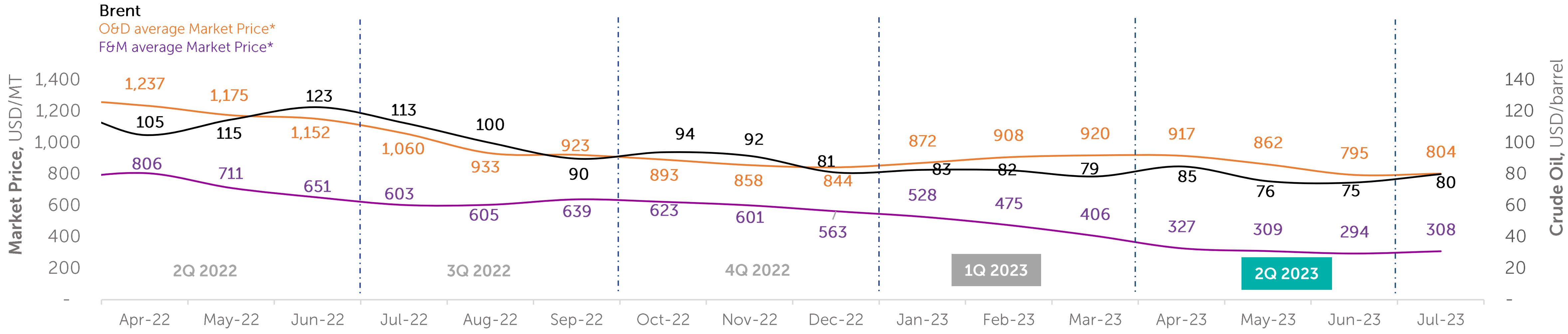
Debbie Chiu
Chief Operating Officer
Specialty Chemicals

Shakeel Ahmad Khan
Chief Commercial Officer

Zaida Alia Shaari
Head
Investor Relations

Content

Persistent inflation and monetary tightening policy continue to take a toll on global economic activities

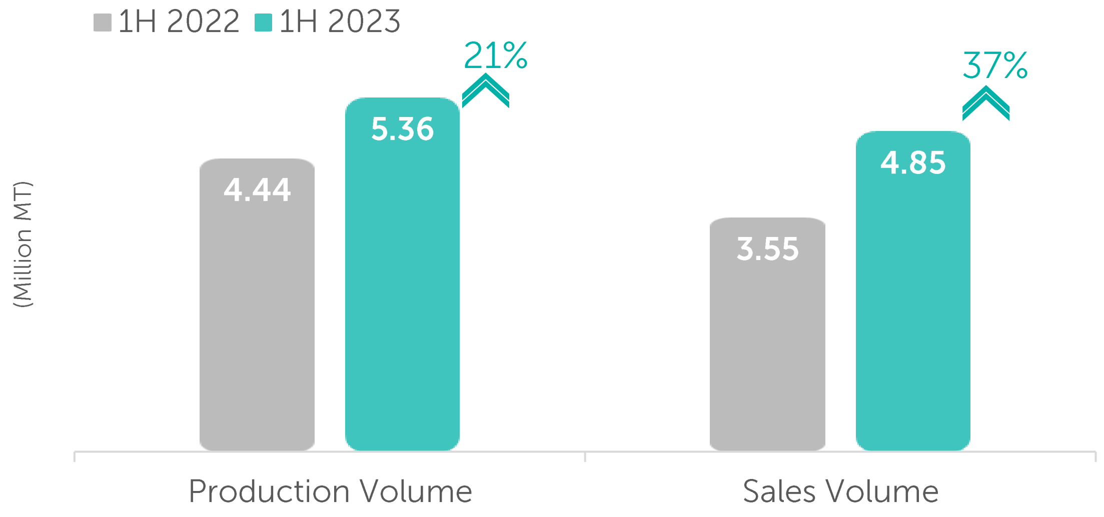


1H 2023 Market Highlights

- Global GDP declined to 2.44% on the back of persistent core inflation which led to further monetary tightening policy, consequently hindering market growth. *(1H 2023: 3.50%).*
- Global manufacturing sector contracted to 48.80 in 1H 2023 as output and new orders fall amid rising inflation, higher product costs, and ongoing geopolitical issue. *(1H 2023: 52.20)*
- The benchmark Brent crude declined by 26% settling at USD81/bbl due to slower-than-expected economic recovery from China, potential US interest rate hike, and ongoing inflation concerns. *(1H 2023: USD108/bbl)*
- Key petrochemical products prices declined compared to 1H 2023 particularly in the Fertiliser and Methanol segment.

**Source: market publications, team analysis*

1H 2023 Highlights : Higher revenue driven by higher commodity sales volume and additional Specialties sales volume from Perstorp



REVENUE in RM Million	
13,217	14,670
1H 2022	1H 2023

EBITDA in RM Million	
4,390	2,141
1H 2022	1H 2023

PAT in RM Million	
3,944	1,169
1H 2022	1H 2023

EBITDA margin	
33%	15%
1H 2022	1H 2023

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

Operational Excellence

- Higher Plant Utilisation at 89% despite unplanned plant shutdown at PC Fertiliser Sabah and PC Methanol (Plant 2) in 2Q 2023 due to feedstock supply disruption. *(1H 2022: 79%)*
- Production volume was higher by 22% at 5,364 KMT in line with higher plant utilisation. *(1H 2022: 4,408 KMT)*

Commercial Excellence

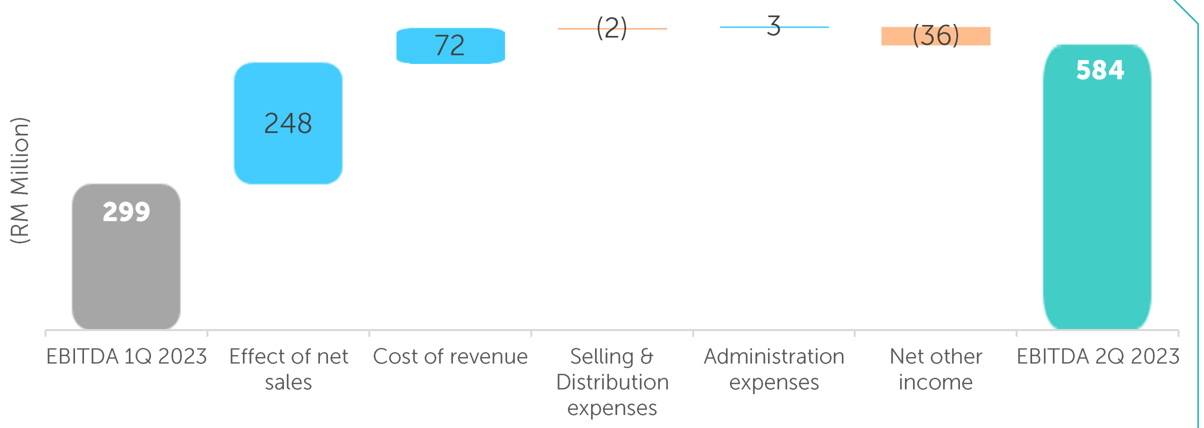
- The total sales volume increased by 37% at 4,853 KMT with additional volume from Perstorp. *(1H 2022: 3,545 KMT).*
- The average prices of products declined significantly across the board especially in F&M segments.

Financial Excellence

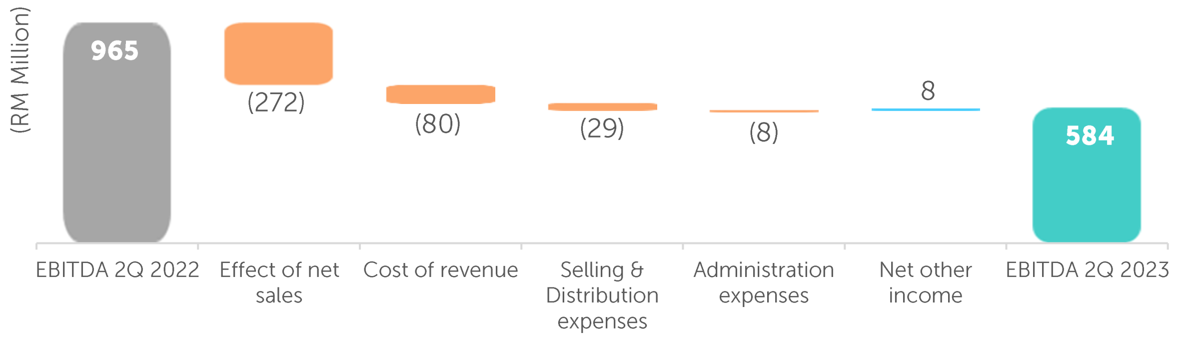
- Revenue improved 11% on higher sales volume from Malaysian operation and additional sales volume from Perstorp, partially offset by lower product prices.
- EBITDA was lower at RM2.1 billion mainly due to lower product spreads particularly in Ethane-related products, Urea and Ammonia.
- PAT was lower by RM1.3 billion in line with lower EBITDA, lower share profit from JV and associates compounded by unrealised forex loss on revaluation of debt at Perstorp.

O&D: Increase in EBITDA on higher sales volume and lower operating cost

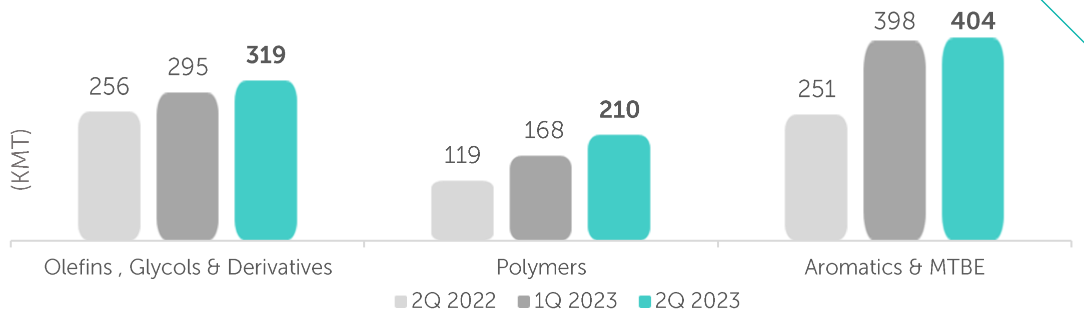
2Q 2023 vs 1Q 2023



2Q 2023 vs 2Q 2022



Product Sales Volume



	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Plant Utilisation (PU) %	89.4	94.1	**98.4**	**4.3%**	9.0%
Production Volume *(KMT)*	868	903	**962**	**6.5%**	10.8%
Sales Volume *(KMT)*	626	861	**933**	**8.4.%**	49.0%
Revenue *(RM mil)*	3,276	3,393	**3,633**	**7.1%**	10.9%
EBITDA *(RM mil)*	965	299	**584**	**95.1%**	(39.5%)
EBITDA Margin %	29.5	8.8	**16.1**	**7.3%**	(13.4%)

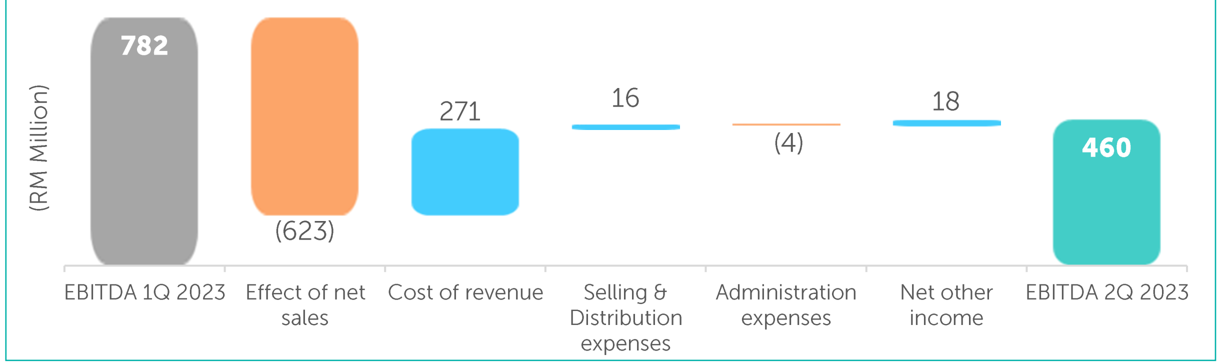
2Q 2023 vs 1Q 2023

Plant Utilisation Rate: Higher contributed by better plant performance at most O&D plants.

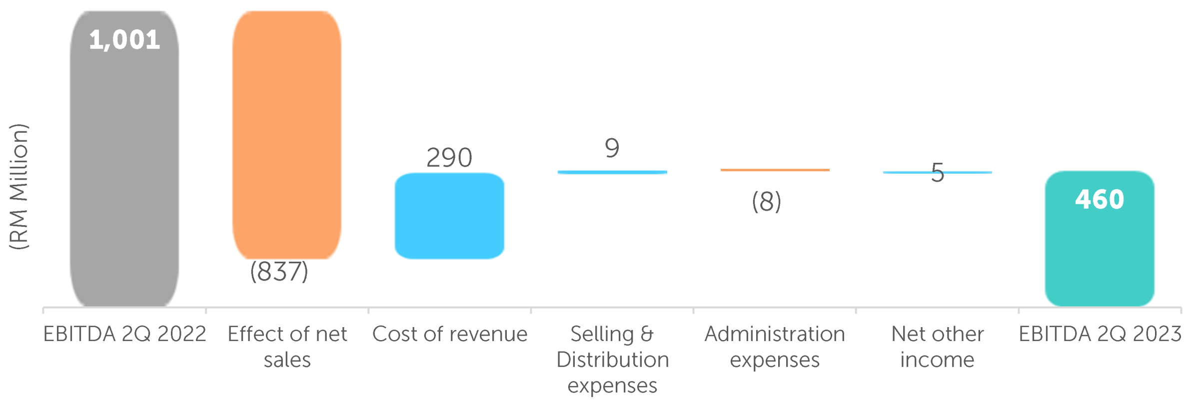
Revenue & EBITDA: Improved revenue and EBITDA mainly due to higher sales volume and positive foreign exchange impact.

F&M: EBITDA impacted by lower sales volume and product spreads

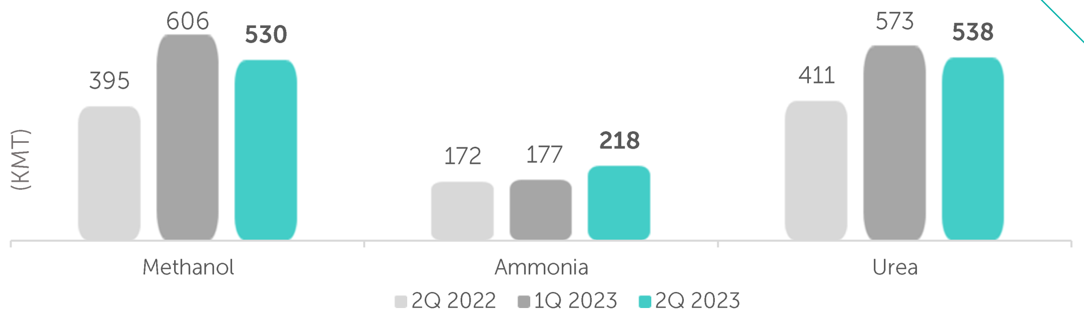
2Q 2023 vs 1Q 2023



2Q 2023 vs 2Q 2022



Product Sales Volume



	2Q 2022	1Q 2023	2Q 2023	Q-o-Q	Y-o-Y
Plant Utilisation (PU) *%*	62.2	97.2	**73.0**	**(24.2%)**	10.8%
Production Volume *(KMT)*	1,132	1,752	**1,330**	**(24.1%)**	17.5%
Sales Volume *(KMT)*	978	1,357	**1,286**	**(5.2%)**	31.5%
Revenue *(RM mil)*	2,826	2,407	**1,874**	**(22.1%)**	(33.7%)
EBITDA *(RM mil)*	1,001	782	**460**	**(41.2%)**	(54.0%)
EBITDA Margin *%*	35.4	32.5	**24.5**	**(7.9%)**	(10.9%)

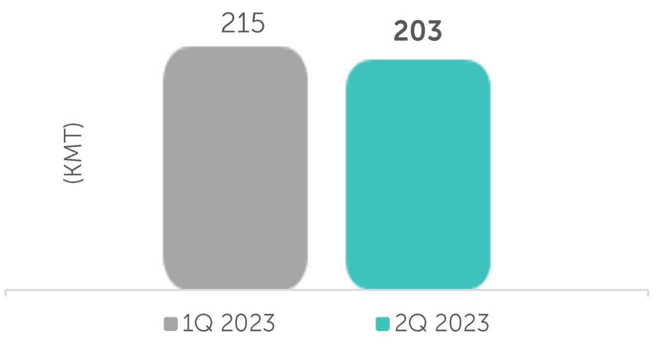
2Q 2023 vs 1Q 2023

Plant Utilisation Rate: PU rate impacted by unplanned shutdown at PC Methanol (Plant 2) and PC Fertiliser Sabah due to feedstock supply disruption.

Revenue & EBITDA: Decreased due to lower sales volume of Methanol and Urea and lower product prices across the board.

Specialties: 2Q 2023 performance continued to be impacted by challenging market conditions

Sales Volume



	1Q 2023	2Q 2023	Q-o-Q	Key highlights
Revenue *RM mil*	1,744	**1,591**	**(8.8%)**	Lower revenue q-o-q due to lower demand in all regions coupled with price competition from China
EBITDA *RM mil*	88	**38**	**(56.8%)**	Lower EBITDA q-o-q in line with lower sales volume
EBITDA Margin *(%)*	5.0	**2.4**	**(2.6%)**	

Resins & Coatings

- Lower revenue and sales volumes mainly for resins segments in 2Q 2023 vs 1Q 2023.
- 2Q 2023 volumes declined mainly attributed by powder coatings following weak sentiment from consumer products end market.

Advanced Materials

- Lower revenue on lower realised price in 2Q 2023 vs 1Q 2023 following price competition mainly from China and slow recovery of construction industry.
- The impact was softened by higher volumes for Polyvinyl butyral (PVB) Film amid steady demand from the automotive end market.

Engineered Fluids

- Lower revenue and sales volume in 2Q 2023 vs 1Q 2023 mainly due to decline in demand for Metalworking Fluids following strong competition and price pressure from China.

Silicones

- Lower revenue in 2Q 2023 on product price decline due to slowdown in the market and price pressure from China.
- The weak market sentiment is expected to persist in 2H 2023.

Animal Nutrition

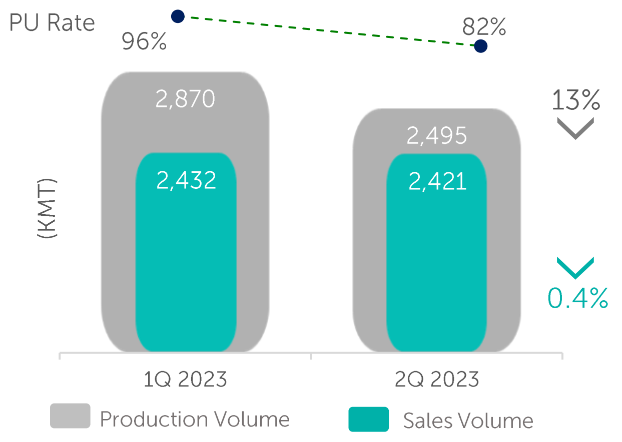
- Higher revenue 2Q 2023 vs 1Q 2023 driven by higher sales from specialty gut health products.
- Margins improvement contributed by higher margin product mix as well as favourable raw material prices.

Lube Oil Additives & Chemicals

- Lower revenue in 2Q 2023 vs 1Q 2023 following lower volumes and prices for the key segment on the back of unfavourable market circumstances and aggressive price competition.

Group PAT improved in 2Q 2023 despite lower revenue

2Q 2023 vs 1Q 2023

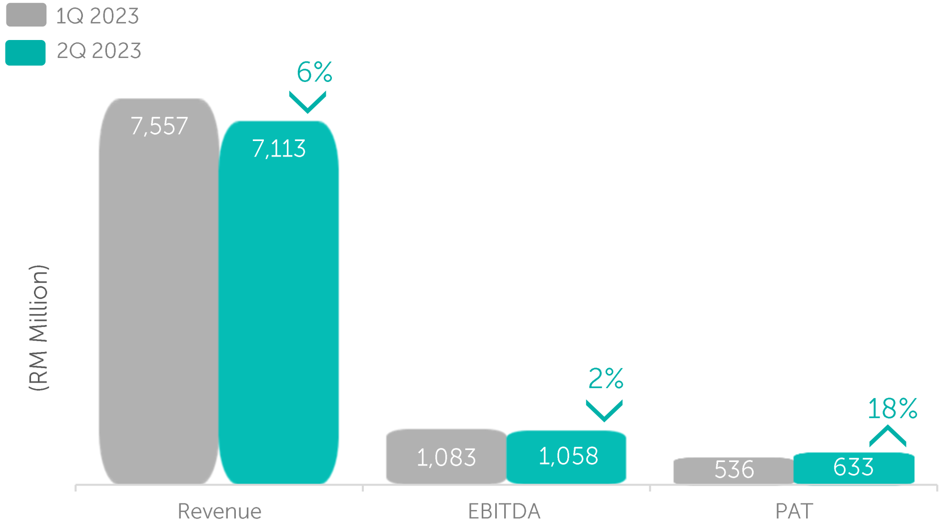


Plant Utilisation Rate:
Lower due to unplanned downtime at PC Methanol and PC Fertiliser Sabah

Production Volume:
Lower mainly due to lower production within the F&M segment (Methanol and Urea)

Sales Volume:
Lower sales volume mainly for Methanol, Urea and Ethylene Glycols

Specialty Chemicals
Impacted by lower demand from Advanced Material Silicones due to price competition and regional economic uncertainties

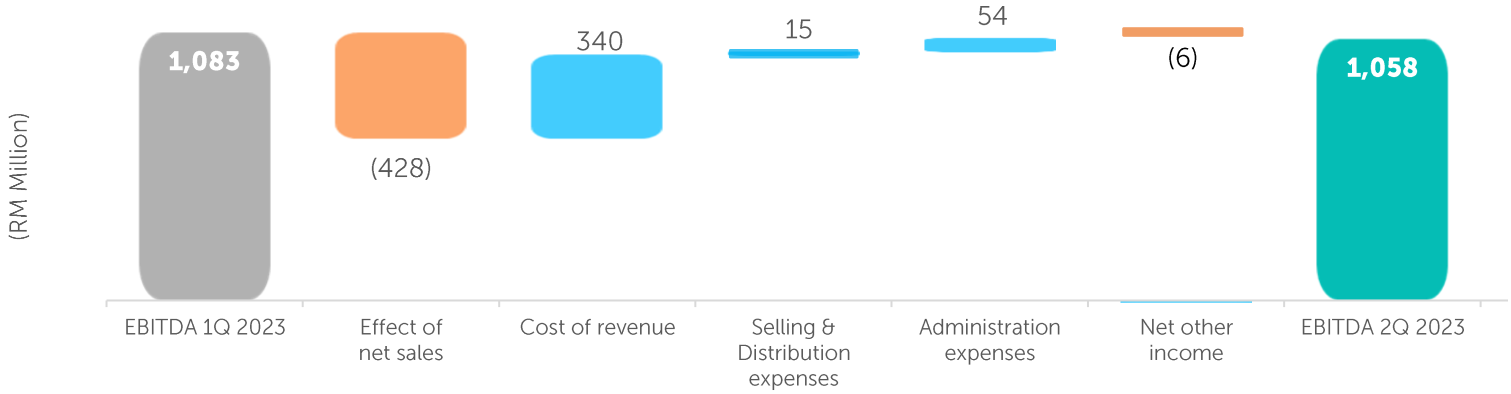


Revenue declined due to:
- Lower sales volume
- Lower product prices
- Lower revenue from Perstorp

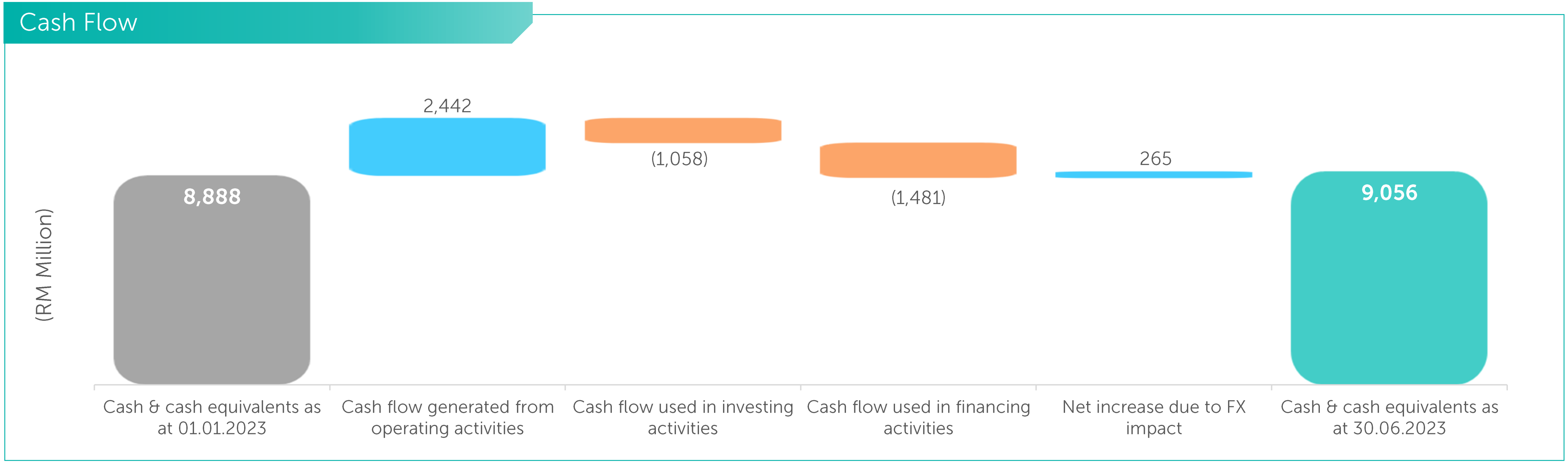
EBITDA lower due to:
- Lower sales volume
- Lower product spreads (Ammonia & Methanol)

PAT higher due to:
- Forex gain on revaluation of shareholder loan to PPC

EBITDA MOVEMENT



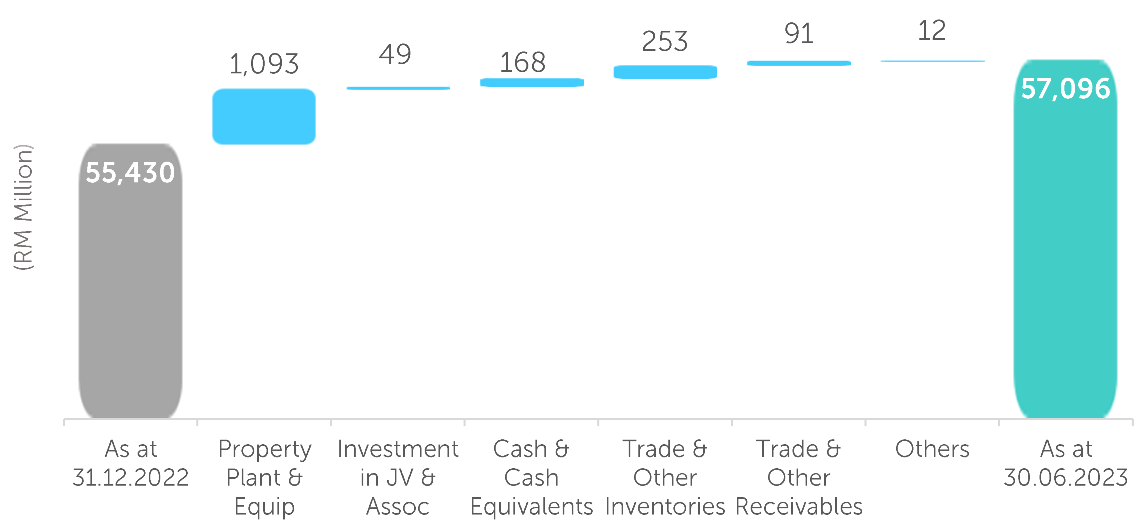
Consolidated Cash flow



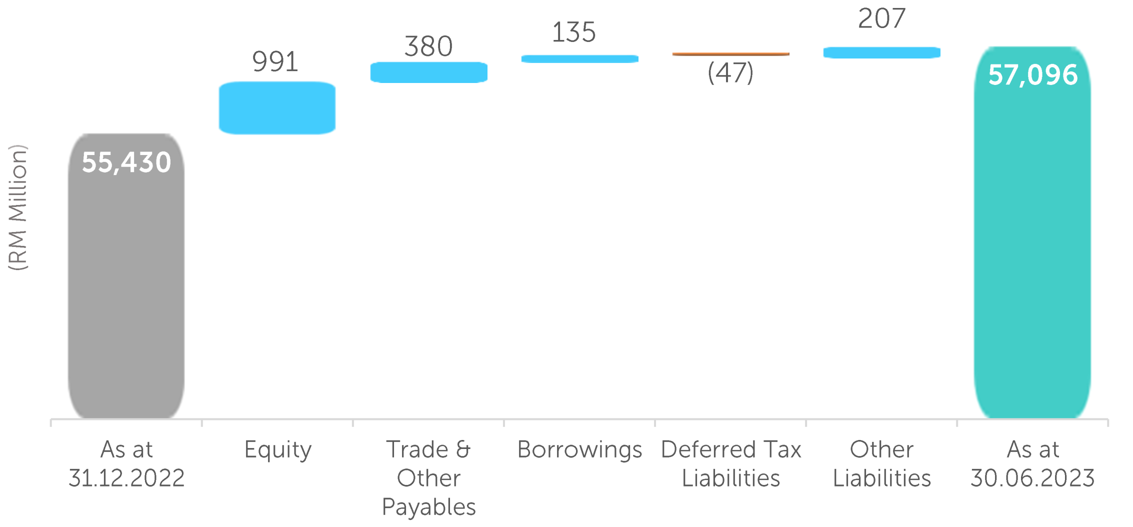
- Net cash used in investing activities was higher due to project costs incurred at Pengerang Integrated Complex, Perstorp growth projects and the Melamine project at PC Fertiliser Kedah
- Net cash used in financing activities mainly comprise of dividend paid to shareholders i.e. second interim dividend for FY2022 of 16 sen per ordinary share.

Higher total asset mainly from higher PPE in relation to capital investment in projects. Increase in equity contributed by profit generated during the period

Total Assets



Total Equity & Liabilities



The Group's total assets were higher by 3% at RM57.1 billion, mainly due to higher PPE of RM1.1 billion from:

- Project costs incurred at Pengerang Integrated Complex
- Expansion projects at Perstorp facilities
- Melamine project at PC Fertiliser Kedah
- Recognition of right-of-use asset at PC Marketing Labuan, mainly for charter hire.

- Total equity was higher by RM991 million mainly contributed by profit generated during the period and favorable foreign exchange impact.
- Total liabilities were higher with:
  - Higher Trade and Other Payables mainly arising from Perstorp expansion and maintenance projects.
  - Higher borrowing due to higher foreign currency translation on a stronger US Dollar

Keeping track of our sustainability metrics

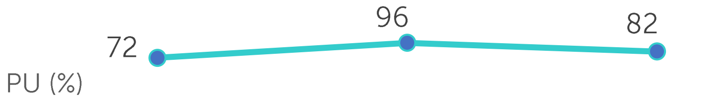
FTSE4Good

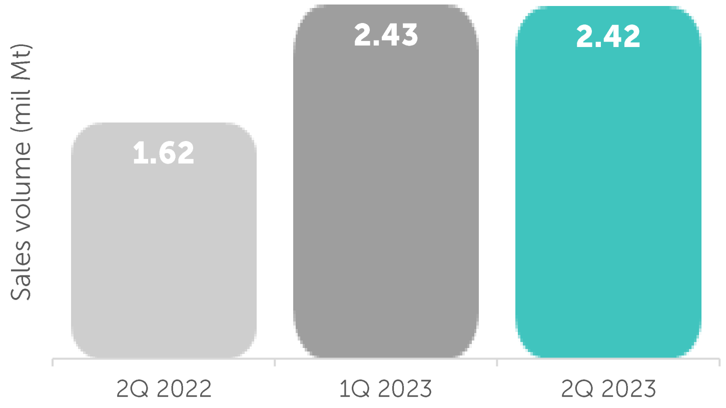
Member of
Dow Jones
Sustainability Indices
Powered by the S&P Global CSA

Economic

Plant Utilization 82%

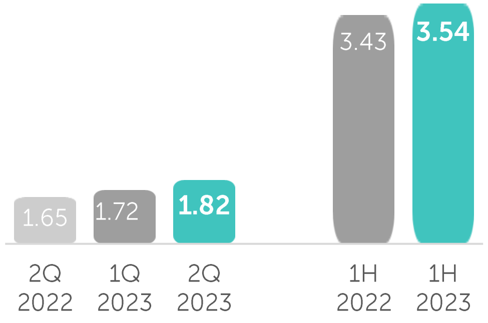
Sales Volume 2.42 Mil MT



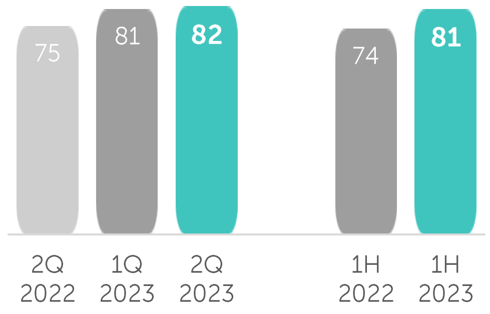


Environmental

Target in 2024
Cap GHG Emissions Volume at 6.98 Mil tCO_2e



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

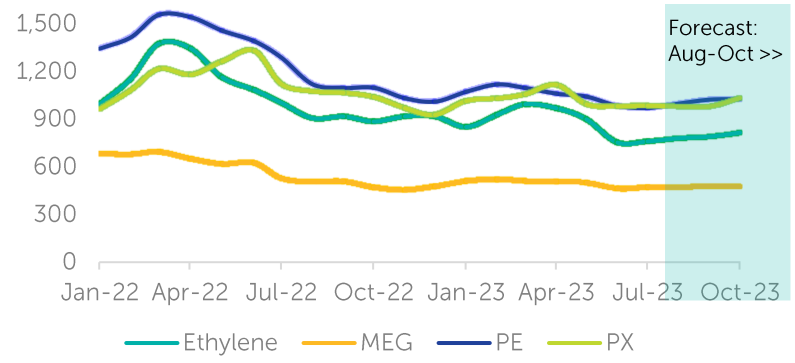
Community Development & Well-being
- Safe Handling of Chemicals for School (SHOC4School)
- Community/Disaster Relief Program

Education
Plastic, Sustainability & You Education (PSYE)

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

Stable commodities on firmer feedstock prices while Specialties remain weak on inflationary pressures and market slowdown

O&D: Restocking activities prior to Golden Week holiday to stimulate demand in 3Q 2023



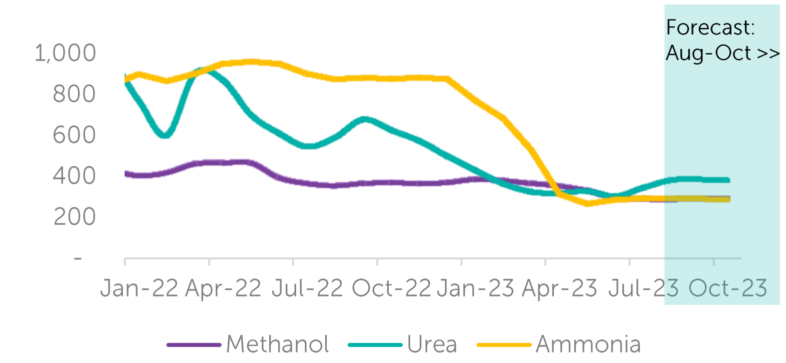
Ethylene:
- Price is supported by firm naphtha price despite ample supply

Ethylene Glycols:
- Price is anticipated to remain stable on sufficient supply amidst China plants shutdown
- Balanced demand on cautious buying activities

Polyethylene:
- Improvement in price is expected from restocking activities ahead of festivities holiday; Golden Week and Diwali

Paraxylene:
- Balanced supply with Asia plants on maintenance

F&M: Urea prices are stabilizing on sufficient supply and fresh demand



Urea:
- SEA supply sufficient for term commitment with no excess for spot
- Improving demand amidst announcement of India tender.

Ammonia:
- Stable supply despite unplanned shutdown in the region
- Weak downstream demand

Methanol:
- Middle Eastern producers to cut operating rates due to unfavourable margin
- Consumption to remain weak in all derivative markets

Specialties: Weak demand amid challenging macro environment in 2H 2023

- Energy and raw material prices have softened in Europe, but demand is expected to remain weak for certain end markets especially construction.
- The persistent global inflationary environment and market slowdown) will continue to pose headwinds on pricing.
- China's recovery is critical in supporting market improvement in 2H 2023

Headwinds continue with persistent inflation and slower economic growth

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 plant in Pengerang and Penta plant in Sayakha, India by 4Q 2023
- Continue project execution for Melamine, 2-EH Acid and *Maleic Anhydride (MAn)*
- Deliver the PMI work plans and identified value creation projects as well as synergies with Perstorp

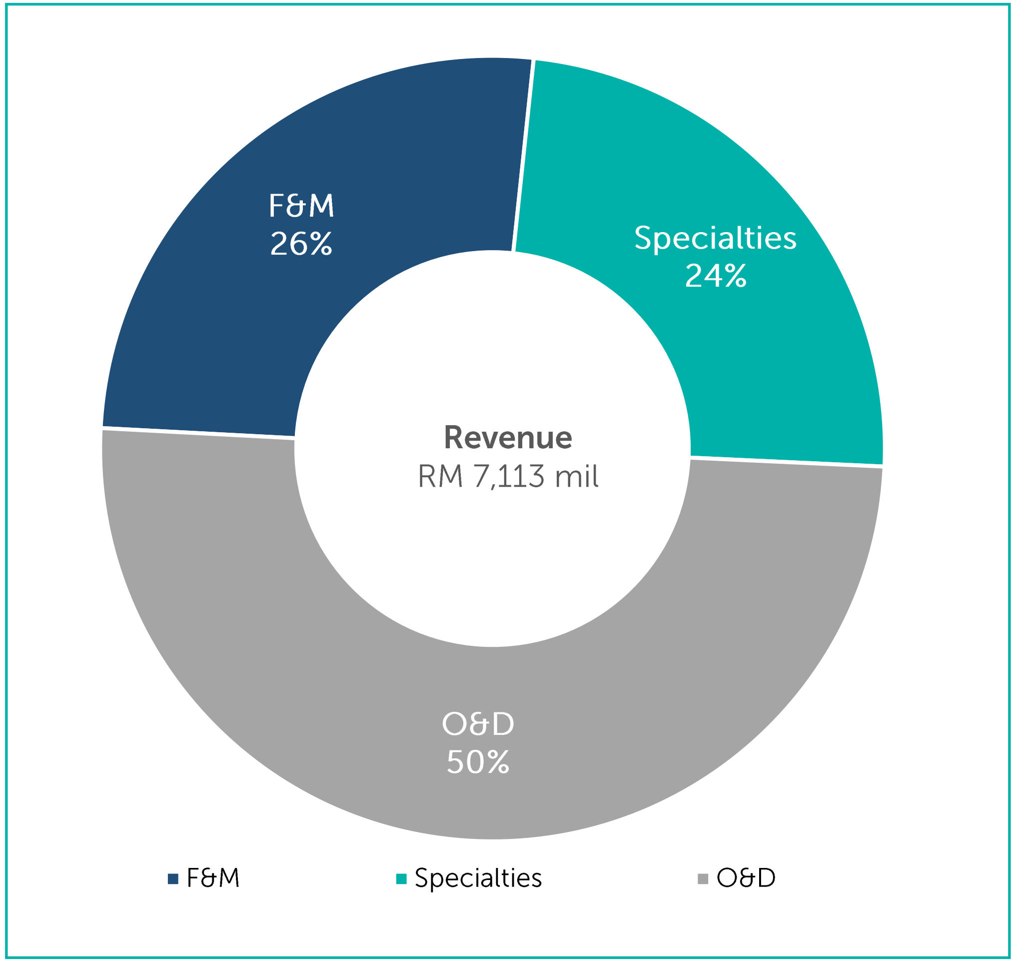
CE

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

PCG is moving closer in achieving at least 30% of Group revenue from Specialties by 2030



Others: Revenue from non-reportable segments and unallocated assets