PETRONAS CHEMICALS GROUP BERHAD

1Q 2025 ANALYST BRIEFING

20 MAY 2025, 6.00pm Malaysia

Management attendees:

1.	**Mazuin Ismail** Managing Director & Chief Executive Officer	5.	**Bahrin Asmawi** Chief Commercial Officer
2.	**Mohd Azli Ishak** Chief Financial Officer	6.	**Yaacob Salim** Head, Strategic Planning & Ventures
3.	**Debbie Chiu** Chief Operating Officer, Specialty Chemicals	7.	**Zaida Alia Shaari** Head, Investor Relations
4.	**Ahmad Rizal Abdul Rahim** Chief Manufacturing Officer		

Zaida Alia Shaari:

Hello. Welcome to PETRONAS Chemicals Group Berhad's analyst briefing for the first-quarter ended March 31, 2025. I'm Zaida Alia, Head of Investor Relations and also your event host and moderator this evening. Thank you for joining us. You should by now be able to access and download the financial results from Bursa Malaysia's website. The same is available on our corporate website together with today's presentation materials. The agenda for today will be a short presentation followed by Q&A.

(Joining Instructions)

As a reminder, all information presented and disclosed today is strictly intended for participants of the meeting. Participants are reminded that this meeting is being recorded, and the recording will be made available on our website or in a few days. No other parties have been authorized to record this meeting.

To lead our briefing today is our Managing Director and CEO, Mr. Mazuin Ismail, follows by, our CFO, Mr. Azli. Also present to take questions after the presentation are the rest of the senior management. Compromising of Chief Manufacturing Officer, Mr. Ahmad Rizal; Chief Commercial Officer, Mr. Bahrin; Head of Strategic Planning and Ventures, Mr. Yaacob; and Dr. Debbie Chiu, Head of Specialty Chemicals.

Let's now proceed to the highlights. Over to you, Mr. Mazuin.

Mazuin Ismail:

Thank you, Alia. Ladies and gentlemen, thank you for joining us this evening. Let's start with the market highlights for the first quarter of 2025. In the first quarter of 2025, global economic indicators showed modest improvement. Although uneven across regions, GDP growth expanded to 2.87%, compared to 2.47% in quarter one of 2024, supported by easing of inflation and a rebound in trade, while global manufacturing PMI held steady at 50.3. However, the same trend was not observed in the chemicals sector. Energy prices such as Brent crude saw a declining trend on increased output from OPEC+. Similarly, the Bloomberg World Chemical index declined by 11%, indicating challenges in the industry attributed to overcapacity, and overall weak downstream demand. Reflecting a similar trend, the Asia Pacific Chemicals Index recorded a steeper decline over the same period, influenced by the same set of factors.

For PCG, product prices saw mixed performance. In the O&D segment, pricing pressures persisted due to oversupplied market conditions and continued weakness in downstream demand. In the F&M segment, Urea price increased more than 10% due to seasonal demand from major importing countries like India and continued export restrictions from China. Methanol prices were higher by 5% due to supply disruptions and stockpiling activities prior to festive season. The Specialty Chemicals segment saw improved contribution margins, driven by restocking activities, favourable product mix and improved demand in some of its key end markets, mainly in the construction and automotive sectors, and seasonal demand for deicer. The consumer goods market showed brief positive momentum, although this was short-lived as market sentiment weakened following tariff announcements.

Ladies and gentlemen, it appears that 2025 is shaping up to be the year where we put our strength and resilience to test. In addition to market challenges, particularly for the O&D segment, we encountered temporary operational challenges as well. In January, we experienced unplanned shutdown at our Kertih facilities, resulting from utilities supply disruption at the Air Separation Unit at Utilities Kertih. The effected plants had resumed their operations in end January, and both teams from PCG and PGB are implementing several mitigations steps to improve the overall plant delivery reliability and to minimize future occurrence. Despite the temporary downtime, the Group achieved plant utilisation rate of 94%. With the inclusion of volumes from the Specialties segment, our total production volume increased to 2.85 million tonnes for the quarter. Higher sales volume of 2.7 million tonnes was recorded supported by volume from strategic sourcing and Sarawak Petchem. As a result, we recorded Group revenue of 7.7 billion ringgit. Group EBITDA, however, was impacted by negative contributions from PPC, mainly due to reduced production from unavailability of feedstock and unrealised forex loss from revaluation of payables. The Group registered 892 million ringgit of EBITDA, and EBITDA margin of 12%. Group PAT declined to 18 million ringgit. With that, I will now hand over to Azli, to walk you through the financial performance in more detail.

Mohd Azli Ishak:

Thank you, En Mazuin. Ladies and gentlemen, thank you for joining us this evening. Now, let me take you through the fiscal highlights for the first quarter of 2025, starting with the Olefins and Derivatives segment on Page 3 of the deck. In the first quarter, average product prices in the O&D segment were relatively flat quarter-on-quarter, with marginal increases observed in certain products such as Ethylene, Polyethylene and MTBE. Operationally, plant utilisation for the segment was lower quarter-on-quarter at 87%, due to utilities supply interruptions following unplanned shutdown at Utilities Kertih, as shared by Encik Mazuin earlier, causing some of our O&D plants to temporarily shutdown and our production volume to decline 4% quarter-on-quarter. Segment sales volume declined 6% against the previous quarter, on lower production volume, and lower contribution from PPC following feedstock unavailability. Consequently, the O&D segment revenue declined 4% quarter-on-quarter. The segment recorded Loss Before Interest, Tax, Depreciation and Amortisation of 43 million ringgit, mainly due to unrealised forex loss from revaluation of payables at PPC and higher inventory drawdown due to the unplanned plants shutdowns. This was partially offset by lower fixed costs for the segment during the quarter. The O&D segment recorded a Loss After Tax of 356 million ringgit for the quarter. If we were to exclude the Loss After Tax from PPC and Loss arising from the temporary utilities disruption in January, our Profit After Tax would be in the region of 70 million ringgit.

Moving on to the Fertilisers and Methanol segment as shown on Page 4 of the deck. This quarter marked positive developments in the F&M segment, particularly for Urea and

Methanol. Urea prices improved 13%, due to heightened supply constraints and market uncertainties. This was primarily due to seasonal demand from major importing countries such as India, and continued export restrictions from China. Methanol prices increased by 5%, driven by high demand due to stockpiling activities in China for the Lunar New Year, and supply shortages following natural gas diversion for heating during the winter season, amid supply disruptions from Iranian producers. Operationally, the segment sustained a strong performance, recording plant utilisation rate of 98%, comparable to 99% in the preceding quarter, slightly impacting our production and sales volume. Our production and sales volume declined by 3% and 6%, respectively. Revenue increased by 3%, supported by higher average product prices, particularly for Urea and Methanol, as well as higher revenue contribution from Sarawak Petchem. EBITDA for the segment rose 22%, to 892 million ringgit, mainly attributable to higher product spreads and lower operational costs. As a result. the EBITDA margin improved to 36%, up from 30% in the previous quarter. In line with higher EBITDA, PAT for the segment increased by 27% quarter-on-quarter to 627 million ringgit. Now, lets move on to the Specialties segment on Page 5 of the deck.

Ladies and gentlemen, as PCG continues to pursue our growth agenda via Specialty Chemicals, we have also looked into enhancing the synergies from our acquisitions. Our Specialty Chemicals division, built on the combined capabilities of Perstorp and BRB, reflects our firm intent to become a global leader in the industry. This strategic integration has enabled a clearer focus across three established Business Units; namely Intermediates, Silicones, and Specialties. In addition, our ambition in specialties business units is to focus on four segments, namely Coating Solutions, Engineered Fluids Solutions, Personal Care Solutions, and Advanced Polymer Solutions, while also expanding our intermediates and silicones business. Our growth agenda reflects our strong ambition and commitment to progress. In 1Q 2025, the specialties segment recorded higher volumes, revenue and EBITDA against 4Q 2024. Intermediates reported higher contribution margin due to higher demand following value chain restocking effect primarily for polyols and oxo segments. The newly established business unit, Specialties, showed signs of early development with higher volumes and contribution margin for most segments within the unit. The introduction of Neptem series at European Coatings Show, and Emfinity at In-Cosmestics Global at Amsterdam have received strong customers responses. We also saw better performance in Engineered Fluids solutions, resulting from higher demand of VM Liquids, Viscotech Styrenic Solid and Gear Oil, especially in Europe. Silicones reported higher contribution margin primarily driven from downstream subsegments, which were offset by lower margins from the upstream products amid rising competition in China, as suppliers shift their focus to other regions due to rising entry barriers in the U.S. market.

Next, lets have a look at the first quarter performance for the group, against 4Q 2024 on Page 6. Against the preceding quarter, our Malaysian operations plant utilization was slightly lower at 94% due to utilities supply interruptions following unplanned shutdown at Utilities Kertih. The Group total sales volume was lower by 4%, at 2.7 million metric tonnes, mainly for methanol, ethylene glycols, performance chemicals and urea, despite stronger sales performance from the specialties segment. The Group recorded 3% higher revenue quarter-on-quarter, at 7.7 billion ringgit, driven by higher average product prices, higher revenue contribution from our Specialties segment, and higher revenue from strategic sourcing. Similarly, EBITDA rose by 26% to 892 million ringgit, supported by better spreads for urea, methanol, MTBE and olefin derivatives, coupled with reduced operational costs. However, Profit After Tax (PAT) declined to 18 million ringgit, from 539 million ringgit in the previous quarter, mainly due to unrealised forex loss on revaluation of shareholders loan to PPC, and revaluation of loan receivables at Perstorp. If we were to exclude the forex loss impact, our PAT would be around 210 million ringgit. Now, lets proceed with the cashflows and balance sheet on the next two pages.

In the first quarter, we generated Cash Flows from Operation of 778 million ringgit. Most of our cash used for investing are incurred for growth projects and turnaround preparation cost. Most of our net cash outflow from financing activities are dedicated to dividend payment to shareholders. On the balance sheet at Page 8 of the deck, total assets were slightly higher by 819 million ringgit or 1.4%, at RM60.8 billion mainly due to higher intangible assets resulting from forex translation of Ringgit Malaysia against Euro and Swedish Krona. Total equity was higher by 753 million ringgit or 1.9%, at RM40.7 billion due to higher reserves resulting from forex translation of Ringgit Malaysia against Euro and Swedish Krona, partially offset by payment of second interim dividend for financial year 2024. Total liabilities were comparable at RM20.1 billion mainly due to higher borrowings due to net drawdown of revolving credit facilities at Perstorp, higher Deferred Tax Liabilities in line with higher intangible assets and PPE, partially offset by lower trade and other payables mainly resulting from turnaround activities in preceding quarter, lower purchase of feedstocks from PRC following plants shutdowns and unavailability of feedstock, as well as reversal of earn out provision following completion of earn out payment for BRB.

That's all for the financial breakdown. I'm handing back the session to Mr. Mazuin for the way forward.

Mazuin Ismail:

Thank you, Azli. Now let's have a look at the market outlook. Ladies and gentlemen, global market conditions are expected to remain challenging for the rest of 2025, as changing geo-economic policies, trade tensions, product overcapacities as well as geopolitical events continue to influence market dynamics.

For the O&D segment, Ethylene prices are anticipated to soften, as the temporary supply constraints caused by planned regional maintenance in Southeast Asia and Northeast Asia are mitigated by the introduction of new capacity to the market. For MEG, extensive turnarounds activities in Southeast Asia and Northeast Asia may tighten supply and lend some support to prices. However, any potential upside might be offset by ongoing tariff concerns and persistently weak polyester demand. For Polyethylene, the market is expected to remain bearish with increasing supply from new capacities from China, and slow market activities during extended holidays in May, which usually leads to lower trading volumes and reduced market participation. It is expected that market might return, albeit moderately, as buyers return from the holidays. For Paraxylene, demand is expected to remain weak due to the decline in downstream exports. However, the outlook remains relatively stable, on restricted supply from planned shutdown and low run rates in Southeast Asia and China.

Moving on to the F&M market. We expect that product prices for the F&M segment will be mixed, with most support coming from Urea. Outlook for Urea is expected to be firm, on improved demand in preparation for planting season and tighter supply availability, as Middle Eastern producers are committed to fulfilling their term commitments. The Ammonia market is expected to be bearish, as most producers are operating their plants at full capacity, despite weak downstream demand, further exerting downward pressure on ammonia prices. For Methanol, prices are expected to soften as Iranian producers gradually ramp up output following the restoration of gas supply, while Sarawak Petchem continues to increase operating rates after achieving on-spec production in mid-March.

Next, onto our Specialties segment. The performance of our specialties segment ties back to the variations in end-market demand that largely tracks the macroeconomic environment. Coming out from 1Q 2025, we see limited indications from specialties perspective for any broader economic recovery as uncertainties and risks remain, despite resilience from 1Q 2025. Major economies like the US, China, and Euro area are expected to see mixed specialty chemicals demand profiles across target end markets shaped by uneven recovery paths and shifting trade dynamics. Construction and automotive end markets are likely to remain under pressure from prolonged structural and tariff-related headwinds. Declining auto sales and deceleration in public-sector construction activity is not expected to be reversed in the near term for the major economies. Meanwhile, consumer goods and retail may face stagnating momentum as cautious consumer sentiment, pre-tariff stockpiling, and squeezed purchasing power weigh on demand. As such, we retain our cautious view as we anticipate demand uncertainty to persist across most of our end markets while navigating the evolving business landscape for specialty chemicals.

Ladies and gentlemen, before we move on to Q&A, I would like to briefly touch on our key priorities and focus areas in 2025. In response to the ongoing challenges within the industry, we remain steadfast in our commitment to maintain both resilience and competitiveness. Despite the current downturn, we continue to focus on operational and commercial excellence as a cornerstone of our strategy, and at the same time, to be on the look out for opportunities to strengthen our portfolio. As some of you may already be aware, we have encountered a couple of operational issues in the second quarter to date. The incident involving the Peninsular Gas Utilisation underground pipeline at Putra Heights which occurred on 1 April, has impacted our F&M operation at PC Fertilizer Kedah. Following the incident, the ammonia and urea production was temporarily disrupted due to gas curtailment before resuming operations. The plant is now back at full capacity. Despite the unplanned shutdown, we successfully met our customer commitments by leveraging our robust operational network, redirecting supply from other Urea plants. At present, we are conducting essential repair and maintenance activities at multiple O&D and F&M plants, which involves pitstop and maintenance work at ASEAN Bintulu Fertilizer and Aromatics in Kertih, and PC Methanol Plant 2 in Labuan.

Under our operational excellence initiative, we are continuously looking to improve our plant operations, efficiency and product yields, with continuous reviews of our maintenance and turnaround plans, taking into account market dynamics. Nonetheless, our dedication to safety and efficiency remains paramount, with rigorous standards upheld across all our facilities. These efforts are critical to ensuring sustained reliability and performance while positioning us for long-term operational strength. We are also expecting the re-startup of our Pengerang Petrochemical Company Sdn Bhd upon completion of critical repair activities in the Refinery complex and concurrently commencing the Creditors Reliability Test in late June 2025.

As part of our commitment to commercial excellence, we strive to deliver optimal value through strategic initiatives, such as portfolio optimisation, better cost-to-serve for our products, and pricing excellence, enabling us to navigate market complexities effectively. Simultaneously, we are deepening engagement with our customers to better anticipate and respond to their evolving needs. This includes co-development of new products with the customers. This not only strengthens our relationships and supports our aim to provide more tailored, value-driven solutions that enhance customer satisfaction and loyalty. These are crucial for long-term success.

In parallel, we will maintain rigorous cost discipline and optimisation efforts to ensure our financial resilience. We will prioritise prudent spending and effective capital allocation, focusing on capturing immediate and sustainable value creation. Last, but not least, we remain committed to sustainability by continuing our efforts in GHG emissions reduction and developing solutions that support our customer's sustainability journey whilst ensuring their compliance to evolving regulatory requirements. That concludes my update for today. Thank you.

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