

PETRONAS CHEMICALS GROUP BERHAD

2Q 2025 ANALYST BRIEFING

13 AUG 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:

Good evening. Welcome to PETRONAS Chemicals Group Berhad's analyst briefing for the second quarter financial year 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.

(Event Instructions)

As a reminder, all information presented and disclosed today is strictly intended for participants of the meeting. You're reminded that this meeting is being recorded, and no other parties have been authorized to record this meeting.

Ladies and gentlemen, to lead our briefing today is our Managing Director and CEO, Mr. Mazuin Ismail, who will present the second quarter highlights, after which our CFO, Mr. Azli, will provide details of the segmental results. Also present today 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. I shall now hand you over to Mr. Mazuin for the highlights. Over to you.

Mazuin Ismail:

Thank you, Alia. Ladies and gentlemen, thank you for joining us this evening.

Let's start with the market highlights for the second quarter of 2025. In the second quarter, global GDP growth decelerated, weighed down by a combination of ongoing trade tensions, particularly between the US and China, as well as the tariff hikes impacting multiple countries, including Malaysia. Coupled with escalating geopolitical risks in the Middle East and heightened financial market volatility driven by inflationary pressures and bearish market sentiment, these factors have weighed heavily on the economic momentum.

Now, a similar trend was also observed in the global manufacturing sector, which fell into contraction, driven by drop in new orders amid weak global demand and sluggish international trade flows, signaling continued stress in the industrial sector.

On the local front, there have been key policy shifts with the imposition of tariff on Malaysian exports to the US and the revision and expansion of Malaysia sales and service tax or SST. These developments and shifts in policy have subsequently influenced the chemical sectors, altering end market demand patterns and creating supply imbalances that are influencing pricing and margins.

Now, for PCG, product pricing trends were lower than preceding quarter for the Commodity segments while Specialty Chemicals were mixed. If we look into the O&D segment, pricing pressures persisted due to oversupplied market conditions and continued weakness in downstream demand. Average market prices for benzene, propylene and MTBE declined by about 12% on average.

In F&M segment, ammonia prices were lower by 14% compared to the previous quarter, reflecting the continued bearish outlook and subdued demand, particularly in East Asia for industrial applications. The demand for agricultural applications in India is relatively weak as the majority of phosphate plants are having turnaround in the month of March and April this year.

The Specialty Chemicals segment saw mixed product prices during the quarter. We saw intermediates and specialties have some gains while silicon's prices declined. The consumer goods market showed brief positive momentum, although this was short-lived as market sentiment weakened by the ongoing trade and tariff tensions, as well as heightened competition, particularly from Chinese manufacturers.

Ladies and gentlemen, moving on to our performance. In the second quarter, we recorded 77% plant utilization rate, impacted by feedstock disruption and several planned as well as unplanned maintenance activities across the group. The O&D segment saw unplanned shutdowns at PC Ethylene and PC MTBE for repair and maintenance activities due to equipment issues. We have promptly contained and rectified all issues, and currently both plants have resumed stable operations.

We have also made an economic decision to temporarily scale back operation at our PC Aromatics following the completion of its turnaround activity earlier. This is due to unfavorable market conditions. In the F&M segment, the segment was impacted by PC Fertiliser Kedah shutdown due to feedstock supply curtailment following the pipeline incident at Putra Heights early in the quarter. The disruption has been resolved, and the operation has been fully restored in the month of June this year. The segment also successfully executed plant maintenance activities at ABF as well as PETRONAS Chemicals Methanol Plant 2 during the quarter.

Following the operational challenges and plant maintenance activities, we recorded total production volume of 2.4 million tonnes with our sales volume at 2.56 million tonnes, supported by volume from Sarawak Petchem. As a result, ladies and gentlemen, we recorded group revenue of RM6.4 billion for the quarter. Group EBITDA declined to RM395 million due to lower product spreads and higher unrealized forex loss from revaluation of payables at PPC. Correspondingly, EBITDA margin was lower, at 6.1%. The group recorded loss after tax of RM1 billion due to lower EBITDA, impairment of assets at Perstorp as well as unrealized forex loss on revaluation of shareholders' loan to PPC.

Ladies and gentlemen, with that, I now hand over to Azli to walk you through the financial performance by segment in more details.

Mohd Azli Ishak:

Thank you, Mr Mazuin. Ladies and gentlemen, thank you for joining us this afternoon. Now, let me take you through the fiscal highlights for the second quarter of 2025, starting with the Olefins & Derivatives segment on page 3 of the deck. In the second quarter, the average product prices in the O&D segment were lower by 4% due to oversupply market condition and continued weak downstream demand amid the ongoing trade tension and tariff uncertainties.

We are also observing oversupply of products like benzene, ethylene and LDP, particularly in Asia. Operationally, plant utilization for the segment was slightly lower at 86% compared to 87% last quarter, and this is due to unplanned shutdown at PC Ethylene as well as PC MTBE for repairs and maintenance activities. Like En Mazuin mentioned earlier, we also made the decision to proactively and temporarily scale back operation at PC Aromatics due to unfavorable market condition.

Subsequently, the sales volume declined 19% quarter-on-quarter. The segments revenue was lowered by 25%, mainly due to negative contribution from PPC, resulting from unavailability of feedstock and lower sales volume, and mainly for aromatics, propylene, MTBE and ethylene.

Loss before tax, interest, depreciation and amortization was recorded at RM251 million, mainly attributable to unrealized forex loss from revaluation of payable at PPC as well as lower product spreads, and this was partially offset by lower plant operation costs during the quarter. Consequently, the O&D segment recorded loss after the tax of RM671 million for the quarter.

If we were to exclude the forex losses attributable to PPC as well as the loss in timing of deferred payment on PPC's payable, as well as opportunities loss from the unplanned shutdown, the loss after the tax for O&D segment would have been around RM100 million.

Moving on to Fertilisers & Methanol segment as shown in page 4 of the deck. In the second quarter, average product prices in the F&M segment declined by about 7%. Methanol prices declined 9% on weak demand in Southeast Asia and ammonia prices was driven down by weak demand in the Far East. Urea prices also reduced due to oversupply following increased output from Indonesia, China and South Korea.

Operationally, the plant utilisation for the segment was lower at 73%, in comparison to 98% in the preceding quarter, impacted by feedstock supply disruption at PC Fertiliser Kedah, following the pipeline incident at Putra Heights, as well as plant shutdown at PC Methanol Plant 2 and ABF. Subsequently, our production volume declined by 25% quarter-on-quarter. And our sales volume, however, was higher quarter-on-quarter with more volume available from the Sarawak Petchem plant.

Revenue declined by 9% due to lower average product prices stemming from weak demand and oversupply imbalance as mentioned earlier. EBITDA for the segment was lower by 38%, mainly attributable to lower product spreads. EBITDA margin declined to 25% from 36% in the previous quarter. In line with lower EBITDA, the profit after tax for the F&M segment was lower at RM307 million.

Now, let's move on to the Specialties segment on page 5 of the deck. For the Specialties segment, the segment experienced a decline in sales volume across most product categories with intermediates particularly impacted by the ongoing trade and tariff tensions as well as heightened competition from Chinese manufacturers. As a result, segment revenue decreased by 7% quarter-on-quarter to RM1.5 billion.

The segment recorded a gain from sale of emission rights amounting to RM130 million, which contributed to an improvement in EBITDA to RM153 million compared to RM52 million in the previous quarter. Despite this improvement, the segment reported loss after tax of RM302 million, primarily due to the impairment of assets at Perstorp Group.

Going by the business segment, the intermediates reported lower contribution margin due to weak demand, primarily in the Polyols and Oxo segments. The Specialties showed mixed performance where higher volumes and contribution margins were observed for personal care and coatings following improved demand in their respective key end markets. However, these were negated by lower volumes and contribution margin in the engineering fluids and advanced polymer as consumers demand turn conservative, particularly in the automotive sector.

And lastly, for Silicones, the segment reported higher contribution margin primarily from its downstream subsegment, mainly for the high voltage insulated coating, HVIC, fueled by infrastructure investment projects in the Middle East region. The upstream subsegment saw lower margin amid rising competition from China as suppliers shift their focus to other regions due to rising entry barriers into the US market.

Next, let's look at the second quarter performance for the group against quarter one 2025 in page 6. Against the preceding quarter, our Malaysian operation plant utilisation rate was lower at 77% due to the operational challenges that we faced during the quarter as detailed out by Mr Mazuin earlier. The production volume declined 16% quarter-on-quarter while the group total sales volume was lower by 5% at 2.6 million tonnes, slightly cushioned by the additional volume from Sarawak Petchem.

The group recorded revenue 16% lower compared to the preceding quarter at RM6.4 billion, primarily due to lower sales volume, lower average product prices and the weakening of US dollar against the Malaysian ringgit. Similarly, EBITDA declined by 56% at RM395 million, mainly due to lower product spreads and higher unrealized forex loss for revaluation of payables at PPC.

Correspondingly, the EBITDA margin was lower at 6.1%, and if you were to exclude the forex impact, the EBITDA for the quarter would have been RM632 million. The group loss after tax is at RM1 billion in comparison to a profit of RM18 million in the preceding quarter, and this is mainly due to lower EBITDA, impairment of assets at Perstorp, unrealized forex loss at PPC as well as the remeasurement loss arising from adjustment of timing of payment of payable at PPC. If we were to exclude the unrealized forex loss, the impairment, the adjustment of timing of trade payables, as well as the loss from the unplanned shutdown, our PAT could have been around breakeven.

Now, let's proceed with the cash flow and balance sheet on the next two pages. On cash flow, in the first half of 2025, we generated cash flow from operation of RM1.3 billion, and most of our cash used for investing are incurred for maintenance and turnaround activities. And most of our net cash outflow from financing activities was dedicated to dividend payments to the shareholders of the company.

On the balance sheet at page 8 of the deck. Total assets were lower by RM1.2 billion, and this is mainly due to lower property, plant and equipment following impairment of assets at Perstorp, as well as movement in forex translation. In terms of equity, our total equity

was lower by RM660 million following loss generated during the period and the dividends paid to the shareholders of the company.

However, it was offset by the movement of forex translation following the weakening of Malaysian ringgit against the euro and against Swedish krona. Total liabilities were lower by RM514 million, mainly due to lower trade and other payables, and this is as a result of settlement of turnaround costs, settlement of payables at Perstorp, as well as lower feedstock and production costs accordingly.

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

Mazuin Ismail:

Thank you, Azli. Ladies and gentlemen, now let's briefly go through the market outlook. The global market conditions are anticipated to remain challenging throughout 2025. Of course, this is due to shifting geo-economic policies, ongoing trade tensions, product overcapacity as well as geopolitical events.

If you look at the O&D segment, ethylene prices are anticipated to remain pressured on additional supply in the region, particularly with the startups of PRefChem and Indonesia's Lotte Chemical Crackers. Demand remains muted due to cautious procurement as trade policy uncertainty continues.

Now for MEG, prices are expected to find support on balance supply despite weak downstream polyester demand. However, in the recent weeks, we are observing some uplift on prices. This is driven by optimistic sentiment of new policy measures from China, aimed at phasing out outdated production capacities in important industries including steel, non-ferrous metals, petrochemicals as well as construction materials.

For polyethylene, the market is expected to remain bearish with increasing supply from new capacities in China as well as Southeast Asia, and the upcoming Chinese festivals are expected to provide little boost to demand, but demand essentially remains weak as converters are expected to restock only essential volumes.

For paraxylene, the demand is expected to remain flat, despite tight supply in Asia, following scheduled maintenance of the players in the region. The price outlook remains relatively stable on restricted supply from plant shutdowns and low run rates, particularly in Southeast Asia.

Onto Specialties segment, if we look at the key end markets served by our Specialties segment, which are primarily in building and construction, automotive and transportation as well as consumer goods.

In the building and construction, the outlook is mixed. Residential construction, particularly in the Americas and China, is softening. However, infrastructure and industrial projects are stabilizing with accelerated growth expected across most regions. Despite this potential, the sector faces challenges from rising material costs as well as labor shortages, which would impact the overall growth of this sector.

Now, turning to the automotive sector, the outlook remains cautious, particularly in the Americas as well as Europe due to high interest rates and inventory buildups. Overcapacity in China continues amid slow domestic demand. However, we are seeing a slight uptick in India and ASEAN countries for local production.

The consumer goods sector is relatively stable, supported by resilient consumer spending in the Americas and strong growth across Asia Pacific region, excluding China. Now, in China, growth remains subdued due to structural headwinds despite the policy stimulus. The sector remains cautious overall given ongoing uncertainties around global trade and tariff tensions. In summary, we maintain cautious view, expecting continued margin pressure and subdued demand driven by persistent oversupply, tariff impacts and weak global macroeconomic conditions.

Ladies and gentlemen, before we proceed to our Q&A session, I would like to take a moment to reaffirm our key priorities and strategic focus for the second half of this year. In light of ongoing industry challenges and persistent global trade uncertainties, we remain committed to building resilience and maintaining competitiveness.

To that end, we are intensifying our portfolio review, organizational right sizing as well as driving cost optimization efforts across all business segments, including our joint ventures and associate company investments.

In our Commodities segment, we have implemented various commercial excellence initiatives aimed at improving sales netbacks. For example, we undertook a review of logistics arrangements to enhance vessel utilizations and delivery efficiency. These efforts are complemented by our operational excellence program where turnaround and maintenance activities are coordinated across the value chain to maximize production output.

Within the Specialties segment, we are actively pursuing extensive cost optimization efforts, including site, logistics and supply chain enhancements. And we will continue to evaluate the segment performance and strategic alignment. Through these efforts, we have managed to realize between, January to June, additional EBITDA and cost savings amounting to RM238 million, and we will continue to prioritize prudent spending and strategic capital allocation with clear focus on delivering both immediate gains as well as long-term sustainable value.

Here, I would also like to share progress on several of our key projects. Our Melamine plant in Gurun, Kedah, is now ready for startup. The facility will utilise urea production from PC Fertiliser Kedah as its feedstock, and this is in line with our growth strategy and will further expand PCG into derivative products.

In Pengerang, Johor, our Isononanol or what we call INA plant has successfully achieved commercial operations or COD. In fact, we achieved this at midnight last night. And, of course, Isononanol is an oxo-alcohol use in production of plasticisers, and this addition will complement Perstorp's product offerings and strengthen our position in the Asia Pacific plasticisers market.

Meanwhile, in PPC, efforts are currently centered on meeting the creditor's reliability tests by year end, and we are progressing well to achieve this milestone. On the operations side, a turnaround is currently underway at PC Fertiliser Sabah, and we are expecting for it to be completed as scheduled.

Finally, ladies and gentlemen, before we conclude, we would like to reiterate our firm commitment to our sustainability agenda. We continue to drive efforts to reduce greenhouse gas emissions and develop solutions that support our customers on their sustainability journey, helping our customers to meet evolving regulatory requirements as well as environmental expectations.

That concludes my update for today, ladies and gentlemen. Thank you. And now, let us open the floor for the Q&A session. Thank you again.

Zaida Alia Shaari:

Thank you, Mr Mazuin. We shall begin the Q&A.

(Event Instructions)

First question coming from Raymond. Raymond go ahead.

Raymond Yap:

I'd like to ask about the impairment of Perstorp. The decision was taken fourth quarter last year not to impair. What changed in the past six months that triggered the impairment this quarter. And about the PRefChem, right, about PPC, is there a risk you think that that could be impaired as well?

Mohd Azli Ishak:

Thank you Raymond. I think for the impairment testing, we will assess at least every quarter. And we assess all our assets, number one, and we will also assess all our integrated chain whether the whole chain needs to impair or not. For Perstorp in quarter four, we look at the not just impairment testing at the assets, but also the impairment of goodwill from our acquisition. So those two are different.

And with regards to this impairment that we are making in quarter two, this is as a result of an extensive study on the asset on various sites of Perstorp. And we look at for each site, which are the ones that future value versus the recovery amount is lower, and those are the sites that we look at. And we will continue to do this every quarter, and we hope that the market recovers and then we can assess this again. And then, again, it's a quarter-on-quarter basis. So I hope that address your question on impairment at Perstorp before I proceed with PRefChem.

Raymond Yap:

Yeah, please go ahead.

Mohd Azli Ishak:

With regards to PPC, it's the same story, Raymond. Every quarter, we look at the impairment testing. And as you know, as part of our impairment testing, we look at the integrated value chain of the entire PRefChem. I think we are quite intimate with the special arrangement with regards to the feedstock ethylene and propylene coming from PRC. And the fact that both PRC and PPC need each other to survive, and that's a requirement of the entire complex.

So when we did the impairment testing, it's not just at PPC but it also renders us to also look at the impairment testing at the PRC. And based on that and based on the special discount arrangement, PPC, there's no indication of impairment. And because of the significant size of the investment, we are putting a lot more focus on Pengerang. And then, I think, that's also the attention from our at least in our Board Audit Committee to really scrutinize the impairment testing at PPC. And this is also true not just at PCG but also by our partner, Saudi Aramco.

Raymond Yap:

So back to the Perstorp impairment, that's the impairment on the fixed assets. The goodwill hasn't been impacted yet, right?

Mohd Azli Ishak:

No.

Raymond Yap:

Okay, sure. In terms of the revaluation on trade payables, typically you book in a profit but this time around you book in a loss. So presumably the timeline for repayment has accelerated. What triggered that?

Mohd Azli Ishak:

Based on the -- again, the impairment testing, because we use the same model actually in the future cash flow and at what time when this payable can be repaid based on the recent -- latest price forecast, for example, production, utilization and based on that particular assessment, we believe that PPC can pay those people much earlier than what we anticipated earlier. I mean because of that, we recorded -- because of net present of that impact, that's a loss that we're recording this year -- I mean, this quarter.

Raymond Yap:

Okay, sure. Maybe the last question on my side before I hand you over to other participants is the size of the EBITDA loss at PPC this quarter.

Mohd Azli Ishak:

Okay, generally, I will give the operational EBITDA, I mean, excluding forex, so, it will be consistent. I think the last quarter one, the negative EBITDA at PPC was around RM140 million. And for the second quarter, the negative EBITDA for PPC is almost the same at RM135 million because on both quarter one and quarter two, the plant are not running.

And now that as Mr Mazuin mentioned earlier, that they are undertaking CRT just currently and we hope that the negative EBITDA will somewhat reduce. I'm sure it will be somewhat reduced and if they run based on the CRT percentage and we hope that by quarter three and four, those negative EBITDA will be normalized.

Raymond Yap:

Okay, it'll narrow.

Mohd Azli Ishak:

Of course, it will narrow.

Zaida Alia Shaari:

Next would be Anshool from JPMorgan.

Anshool Singhi:

So just let me start with a couple of questions. Firstly, for the F&M segment, we saw margins drastically drop down from like 35% in the last quarter to under 25%. We understand there was a feedstock disruption which led to lower production. The sales number was higher quarter-on-quarter. Was there an aspect of lower margin sales or what led to this margin compression?

Mohd Azli Ishak:

Okay. First of all, it is on many grounds with regards to F&M. One is the production volume. As Mr Mazuin mentioned earlier that because of the gas curtailment, feedstock disruption arising from the Putra Height gas pipeline incident, our PC Fertiliser Kedah in Gurun experienced downtime, so, we had to be down between 35 to 40 days and that impact volume. Also impacted is also the prices for urea, but it was down by around 2%, not as bad as how methanol and ammonia was down by double digits. So those two contribute to lower urea margins and then also contributes to lower F&M.

I also want to point out that now during the quarter, we also undertook a planned maintenance activities at PC Methanol Labuan for Plant 2. And that plant was down for around 50 days and then this is mandatory. And that will also contribute to lower plant utilisation as

well as opportunity EBITDA loss.

Anshool Singhi:

Understood. Just to follow up on that, was there an aspect of lower margin sales for the products sold from Sarawak Petchem?

Mohd Azli Ishak:

Sarawak Petchem is basically a function of marketing fee, Anshool. We buy and then we sell at a certain margin, so we didn't take a position on that.

Anshool Singhi:

Understood. My next question is, there were reports coming out about a strategic review that you're planning to undertake. Maybe if you could throw some light on what exactly are you planning to look at, are there specific assets or are they complete business lines? I understand you mentioned like you'll be looking at the whole changes, but what was your focus?

And maybe if you could take a step ahead, what would you want to achieve from this review because, I believe balance sheet is not such a big issue but profitability is. So, if you could throw some light on that.

Mazuin Ismail:

Yeah. Anshool, thanks for the question. Mazuin here. So, when we look at strategic review, particularly on portfolio, we look into many aspects. So, we evaluate asset by asset, but we also chain by chain. And our focus is, when we look at those chains and those assets, how can we make sure that those are very resilient.

Now, we have very good assets and plants. We have a very good position in market. Now, how do we make sure that all those work in tandem for us to continue to create value, although we are faced with many challenges. So, in doing that, of course, we have many scenarios and permutations that we input and look at the strength of our assets. And when we have that test, we also see that what can we do within our control because the market is something else. But within our control to actually increase the value, particularly in many scenarios.

So those are the ones they're looking at and that resulted as you have heard from us earlier cost optimisation as well as our effort to make sure that we can increase the yield from our manufacturing facilities. Some of them we can actually push and our planning utilisation in some of our plants are doing better than expected or better than planned.

So we want to -- we will do that first. So, when we do all these scenarios, we are also looking at, will there be plants or assets or chain, in many scenarios, it's actually quite critical in terms of their ability to deliver value, meaning to say they can't. And for those, when the time comes, we will make the decisions whether or not to keep those within our portfolio or it is time for us to move on and look at other growth opportunities.

So those are the things that we do. It takes a lot of effort. It requires a lot of details but we approach it with discipline, we want to make sure that if we cannot generate any value, we'll cut it off. But if we can turn it around and make it resilient, we will. Because staying resilient now is very important, as the market turns, we should be able to capture. Again, our market position is good and we want to maintain that. And that's our way forward, Anshool.

Hopefully, that addresses some of your questions.

Anshool Singhi:

Yes, it certainly does. Maybe just my final question, you mentioned that you're preparing for the review for the PPC -- creditors review for the PPC asset. Maybe if you could share some timelines in terms of when is the upstream going to start operations and when will the downstream start? And then when will this review happen?

Mohd Azli Ishak:

Okay, the Creditors Reliability Test, started June 26th. And then as guided to you earlier, this test will last for the next 90 days. So, we will see the result of the test in September. We are halfway through that. I think if my math is correct, we are at number day 47. And that is why the whole refinery, the whole cracker running backs. And then the same goes for the petchem plants. And the credit as part of the requirement, the creditors -- sorry, the bank, appointed as independent technical consultant, to verify those numbers. And then this as you know, is part of the PRefChem project financing. So, as we get more color to the CRT, we will share with everyone.

Mazuin Ismail:

And that's why as the refinery runs, the cracker runs, the PPC runs, our PC Isononanol is able to produce, and we've been able to commercialize the products produced from our plant.

Anshool Singhi:

So is the utilization rate like around 60%, 70% or maybe much lower for the whole complex?

Mohd Azli Ishak:

For the whole complex, I cannot comment on the refinery and cracker. But my understanding is that it runs more than what is intended. For the chemical plant, it varies. My understanding, it ranged between 80% to 90%. And then to some extent, some of the units also run 100%. So, I think that's -- but the whole thing needs to be run on integrated basis. But I think, if I'm not mistaken, the weightage will be put more towards the refinery and cracker.

Zaida Alia Shaari:

Now we go back to Raymond from CGS.

Raymond Yap:

So, for PRefChem -- sorry, okay, you say, you can't comment on the PRefChem utilization, only for PPC. So, 80%, 90%, some 100%, it's quite good, right? So basically, you're about -- basically you're stretching the utilisation up to what is effectively possible already, right?

Mohd Azli Ishak:

Yeah.

Raymond Yap:

Yeah. Okay. Talk about the aromatics plant, the utilisation curtailment there. Are you still producing aromatics or have you just totally stopped? And I'm looking at naphtha prices recently has declined. So, the economics looks better again. Are you going to restart this one?

Mohd Azli Ishak:

No, I mean, I think when I mentioned that we temporarily proactively, I think we were down for around three weeks only because we review the spread against -- between paraxylene and benzene against naphtha. And when it's lower, then we make that proactive decision to scale back. And when it's good, then we start running it. And I think it's only for two to three weeks only, Raymond, that we were down and then we saved a huge EBITDA loss, potential EBITDA loss because of that.

Raymond Yap:

Is it easy to shut down and start again? I mean, does it cause a lot of technical problems along the way?

Mohd Azli Ishak:

No, because I think the naphtha that we procure from the refinery next door can be consumed by PC Aromatics or can be sold by PETRONAS or Petco, if PC Aromatics do not utilise that.

Raymond Yap:

Okay. I want to talk about the RM130 million of other income from the sale of emission rights. Is this related to some EU emissions trading system?

Debbie Chiu:

Not really because this is coming from the CO2 emission for each site. And this is really coming from each site discipline, right? Because we're able to reduce the CO2 emission, our good practice of the process. So, this is coming from the excellence of the manufacturing practise. And that give us all the credit because there is a quota, how much you emit to the environment. And if we produce below that, then you get the credit. So, in a sense, it resulted from your manufacturing practice. So, this is where we get the credit.

Raymond Yap:

So, this is actually recurring, it's possible to have this recurring, right, if you're ongoing.

Debbie Chiu:

Yes, it is ongoing, yes. And if we are perfecting our practice, it will be even more to accumulate. So yes, this is recurring.

Raymond Yap:

Is this the first time because I've never seen this before since you bought Perstorp?

Debbie Chiu:

A couple of years ago, we actually did sell some, but, yes, it's not -- we're looking into that because as the time is the proper time, we're looking at that to sell that.

Raymond Yap:

Okay, so I would expect this to recur again next quarter in the next quarter, right?

Mazuin Ismail:

Okay. Sorry, Mazuin here. So, when we look at that -- okay, our drive in the first place is efficiency of our production. That's the first drive. And the more efficient and the more careful we are in safeguarding the emission, which is actually in the first place is great for the environment and that's our focus. We have credits. And when the time comes like that, we said we're going to sell. So, it recurs, when we execute our selling is one factor. The rate of accumulation, Raymond, is also a factor. So, we can't say that we expect the same number every quarter because that accumulation and when we sell is another consideration.

Raymond Yap:

Okay, I understand, and I presume the cap also declines over time, right? So, you constantly have to keep running in order to be able to sell the excess. Yeah.

Okay. In the past you've talked about, having a turnaround for PC Olefins and the downstream LDP and glycols in the fourth quarter, but it was deferred to April 2026. Is that still on track?

Ahmad Rizal Abdul Rahim:

Yeah, that is subject to finalisation with the authorities because that's statutory.

Raymond Yap:

Okay. So, for now, it's still scheduled for fourth quarter. It's only until you receive the formal approval, then you can delay it.

Ahmad Rizal Abdul Rahim:

Yeah. The -- we are finalising the approval, but we are looking at pushing it to quarter two, 2026. Yes.

Raymond Yap:

Okay. Final question, for Azli, the RM446 million unrealized forex loss, RM194 million comes from the shareholders loan to PPC. How about the remainder?

Mohd Azli Ishak:

Remainder is basically the PPC's payable.

Raymond Yap:

How much is that?

Mohd Azli Ishak:

That is around RM230 million. And then the balance is the Perstorp loans.

Zaida Alia Shaari:

Next, we have Mayank from Morgan Stanley.

Mayank Maheshwari:

Hi. I think so. My questions are mostly related to Perstorp and EBITDA on accounting question. First and foremost on Perstorp, can you give us an idea of what has led to the decline in volumes, which specific products if you can kind of talk about whether it is the animal nutrition side, whether it is something else on the paints and coating side, where are you seeing the most challenges still continue and where are you seeing improvement?

Debbie Chiu:

Okay. Coming from the market side, if you look at that, the overall demand from the global market, there is a shrinkage in the global market. And then also, we lost some share to the competition. You probably have heard, we're talking about a lot of the Chinese import, they flooded the market, especially in Europe and coming to Southeast Asia.

So for some of the customers, there's very strict under the cost basis, so we have lost some of our shares to the cheaper suppliers. So, if you look at the overall market, the overall market shrunk a little bit and then we lost the market, and particularly if you look at we have enjoyed a little bit last year. Our competitor has had a force majeure for about three months in the oxo products.

This year, it doesn't happen. So, we have a lower Oxo volume compared to last year. And then, again, you heard that Mr Mazuin has talked about some of the markets -- some has become a bit softer, for example, residential, building construction, which has a lot tying with our polyol product. So, we see a bit softer demand coming from the oxo and polyol segments.

Mayank Maheshwari:

Okay. So, I think, so is -- it fair to say that 224 ktons on a quarterly basis is now kind of a new normal assuming demand remains where it is, or have you seen any changes in the demand patterns in the current quarter we are in?

Debbie Chiu:

We're seeing – it's probably going to be for the remaining of the year, just because the market, unless the market situation has turned quite a bit. But there are some upside like Mr Mazuin has mentioned, we do see maybe not coming from the residential, but coming from the infrastructure – looking around with some of the infrastructure that sector we were expecting it probably going to pick up, become stronger.

So it really depends on the economy situation, but for the remaining of the year, we would expect it probably going to remain as such.

Mayank Maheshwari:

Got it. And I think, just I think on, that thing, I think if you look at, I think your India operations would have contributed to it yet on volumes or not because that was a new plant that was supposed to get started?

Debbie Chiu:

Yes. Sayakha – it is a new plant. So, we have inaugurated that last year. So, the Sayakha plant is mainly for the APAC region, and that site is up and running, and we're looking to get more business in volume coming from Sayakha, yes.

Mayank Maheshwari:

Okay. So, there is still a scale up schedule there or it's kind of scaled up is what you're thinking?

Debbie Chiu:

We're ramping up for that site. So, the site really started late last year and we're slowly and steadily ramping up that site.

Mayank Maheshwari:

Got it. And I think just moving on to the impairment side of it now, can you just give us an idea of where and which assets have the impairments kind of come through for Perstorp?

Mohd Azli Ishak:

Like I mentioned to Raymond just now, it is various sites within Perstorp Group. So unfortunately, I cannot reveal which site, but we're looking at the Perstorp sites globally and asset by assets.

Mayank Maheshwari:

Okay. So, but do you think that this is just a start or you think considering the situation and the cost competitiveness which was earlier mentioned right now. You think you'll have to kind of go through a round more or this is something that is work in progress still?

Mohd Azli Ishak:

No, for us, like I mentioned, we undertook impairment testing every quarter. So, it's not that we only started it in quarter two. We've been looking at impairment for all our assets, regardless of where they are, every quarter. So, and when there's an indication that the future value of those assets or those businesses are much lower than the amount, then we took the conservative stand to impair.

Of course, the market will bounce and then you know like what Mr Mazuin mentioned, improvement, opportunity, efficiency can be also be realized, then we can also have the tendency to write back.

Mayank Maheshwari:

No, fair enough. I think so, the reason I was asking you this also is that because, when you look at your competition and a lot of other players, they have been taking bigger hits on their impairment numbers and their intangible assets have actually kind of got slashed quite a bit.

But for you, I think if you look at versus December '24 to now your intangible assets have actually gone up by around 8% to 10% -- 8% or so from RM9 billion to RM9.7 billion. So, I was kind of -- trying to kind of relate all these three things together.

Mohd Azli Ishak:

Okay. I think the reason why number one, the intangibles went up mainly because translation of forex, it's not that we write up or write back or increase the intangible amount. And then for us, when you mentioned about other competitors and some even took had to take a drastic action of closing the plant, and then exiting a business.

But for us, like what Mr Mazuin mentioned, we are in this for the long run and we synergistic value of Perstorp to our commodities business and then this is a business that we are intending to grow further, especially in the South Asia Pacific region. And we will continue to assess these assets and as what Mr Mazuin mentioned, as part of our strategic review looking at our assets and portfolio, and we will do so accordingly.

Mayank Maheshwari:

I think the last question was in terms of the conversations with PETRONAS. Are you seeing any major developments around long-term sourcing from a pricing perspective on gas, or you're still in the same, earlier announcements? Have you seen any more longer-term conversations with them on pricing for gas?

Mohd Azli Ishak:

Okay, I think for that particular, you're referring to the feedstock, the gas feedstock --, It's always a discussion with PETRONAS, right. Although the current contract only runs until 2030, of course, we are already discussing with PETRONAS, what would that be after 2030.

And PETRONAS being a major shareholder in PCG and then they always look for the best interests of the chain and then the spinoff impact of it to PCG, as well as our growth opportunities coming from those same molecules. So, I think this is a discussion that PETRONAS will take at the group level and for us, our going in position is again to maintain those commercial terms.

Zaida Alia Shaari:

I shall now go to questions we have in the question box. I'll just take the questions that have not been asked. Please provide an update on plant turnarounds in third quarter, fourth quarter, '25, and in 2026.

Ahmad Rizal Abdul Rahim:

For the third quarter 2025, we are currently doing the PC Fertiliser Sabah turnaround, currently ongoing. As well as the pit stop for the Aromatics plant for the absorber replacement, also for 45 days. As mentioned earlier, for the fourth quarter of 2025, subject to finalisation of approval with the authorities we are looking at deferring the Kertih Integrated Petrochemical Complex turnaround to the quarter two of 2026.

So, in quarter four, we are largely free. We are only left with a unplanned pit stop for PC Methanol Plant 1 for 21 days. That is for a catalyst-scheming activity.

Zaida Alia Shaari:

Next question is on the sales volume. I think, that the sales volume dropped by 5%. Was any part of the decline due to lower demand for any PCG's products? How is demand now after

the US tariff and has there been any changes to contracts with clients?

Bahrin Asmawi:

I think as far as the sales volume, it went down for a bit because of the volume - has been down because of production issue due to the interruption and all that. Otherwise, we would have been able to sell as what we planned, accordingly.

Mohd Azli Ishak:

And then with regard to the customers, currently we don't experience any customers canceling their orders, and those contracts with customers that are scheduled for renewal has been renewed, and those renewal of contracts are being renewed on the same terms as per previous contract. So, I think that's a good indication that customers are sticking together with us, despite the challenging market condition. And it also shows and demonstrates our market leadership for commodities in this region.

Mazuin Ismail:

In fact, when we have new products coming in from PC INA, for example, from our Perstorp Amsterdam Plant, also new products, we've been able to actually sell it to new customers, which is considering the market is actually a good achievement. And we continue to push through - so that, new products, new solutions can be pushed to the market.

Zaida Alia Shaari:

Another question from the chat box from Sin Kiat. At 80% to 90% utilisation, will PPC be EBITDA positive?

Mohd Azli Ishak:

It all depends on the market condition, pricing and the spread of the petrochemical products. Under the current scenario, 80%-90%, we believe PPC will be a EBITDA breakeven.

Zaida Alia Shaari:

Next question from Aimi Nasuha, AMInvest. Assuming CRT PPC is completed and successful in September, should we expect run rates to broadly reflect the tested reliability levels at 80% to 90% utilisation? Or will PCG calibrate output to market demand and pricing conditions?

Mohd Azli Ishak:

Okay. I think for this particular exercise, they need to run to meet the certain plant utilization rate as required by the lenders. Moving forward, when the CRT is achieved, they will run based on the best linear programming model. So, for every molecule or ethylene, they will decide which is best to go to visit the HDPE or LDPE - which unit of propylene you need, whether to go to, other parts of the complex, but it will be on the maximising the value chain.

So, again, it's also based on market spread and the intent is also to maximise the production of chemicals because the whole integrated complex of PRefchem is heavy on the chemicals.

Zaida Alia Shaari:

Next question from AMInvest is, PCG has delivered RM238 million of cost optimisation year-to-date from portfolio review and right sizing. How does this compare to the Group's full year target and what savings should we expect in the second half of 2025?

Mohd Azli Ishak:

I think I need to correct that the RM238 million was not achieved from right sizing of portfolio review. Those are basically derived or realized from our value creation and cost optimisation and that we have achieved for the first six months of the year. And we will continue to do so, and we hope that we can replicate this achievement on the second half of the year as well.

Zaida Alia Shaari:

We don't have any more questions in queue. So, we shall now close the Q&A session. Once again, thank you ladies and gentlemen for your kind participation. Please reach out to us if you have any follow up questions. We look forward to receiving the reports once published. Good evening,

Management:

Thank you.

END

