



# PETRONAS Chemicals Group Berhad

Corporate Update

CGS – CIMB Annual Malaysia Corporate Day  
January 2020

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# Operational Highlights

# 9-month Highlights



## Plant utilisation (PU) at 93 %

- Improved plant performance
- Higher feedstock supply
- Higher production volume

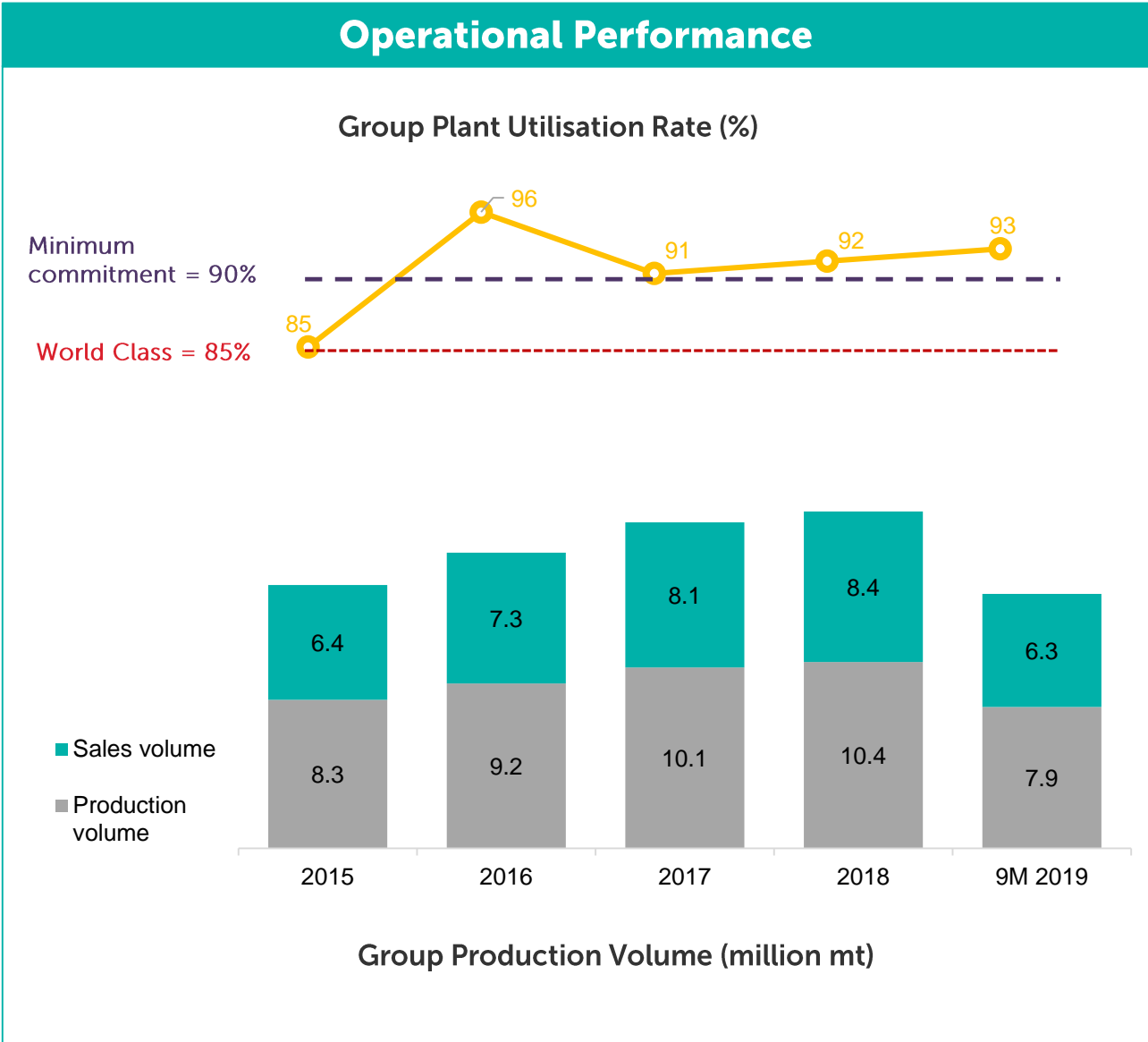


## Sales volume declined 1% y-o-y

- Limited volume availability with more plants undergoing TA during the period:
  - PC Fertiliser Sabah, PC Aromatics, PC Ammonia, PC Olefins, Glycols & Derivatives and PC LDPE
- Lower trading volume



- PAT declined
- Lower EBITDA due to;
  - Lower spreads, inventory write downPartially offset by;
  - Strengthening USD against MYR



- ### Operational excellence
- Sustained high plant utilisation even during heavy turnaround activities
  - Sustainable operations with stable feedstock supply through close relationship with supplier
  - 2020 PU to remain above 90% with only 1 TA at PC Methanol in 1Q.



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# Financial Performance

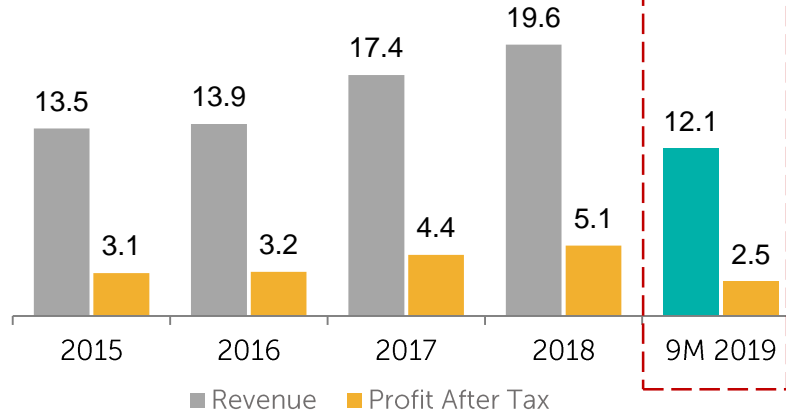
# Value creation through higher Operational Excellence and Commercial Excellence is reflected in our financial performance



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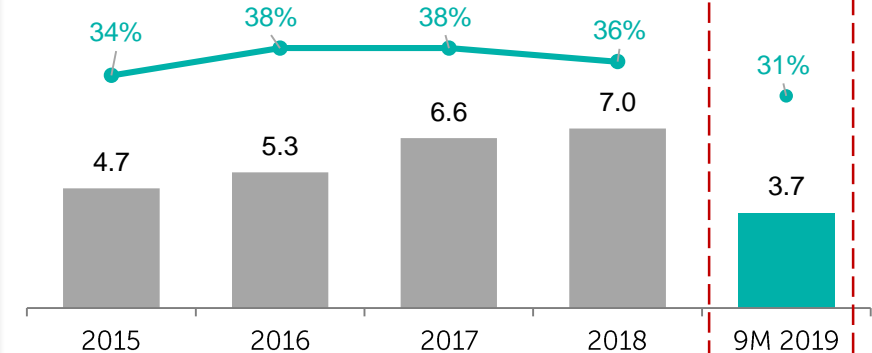
## Earnings

RM Bil



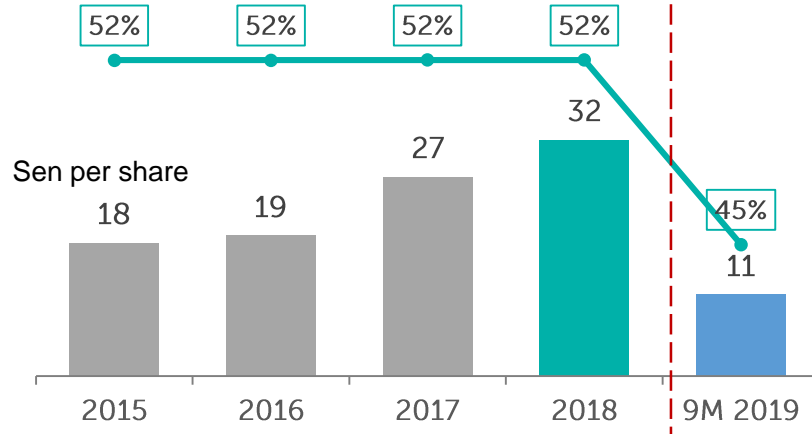
## EBITDA

RM Bil



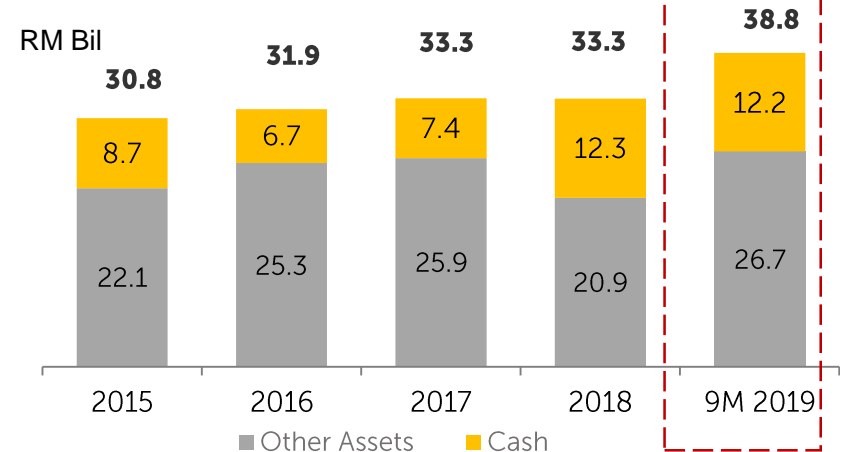
## Dividend Pay-out

Sen per share



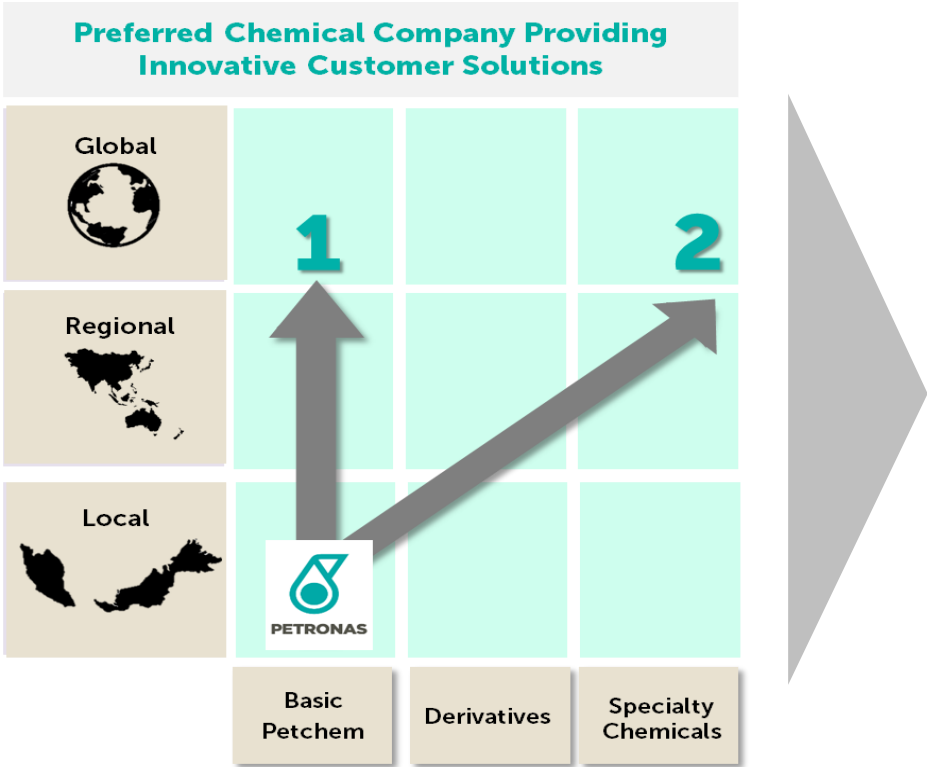
## Total assets

RM Bil



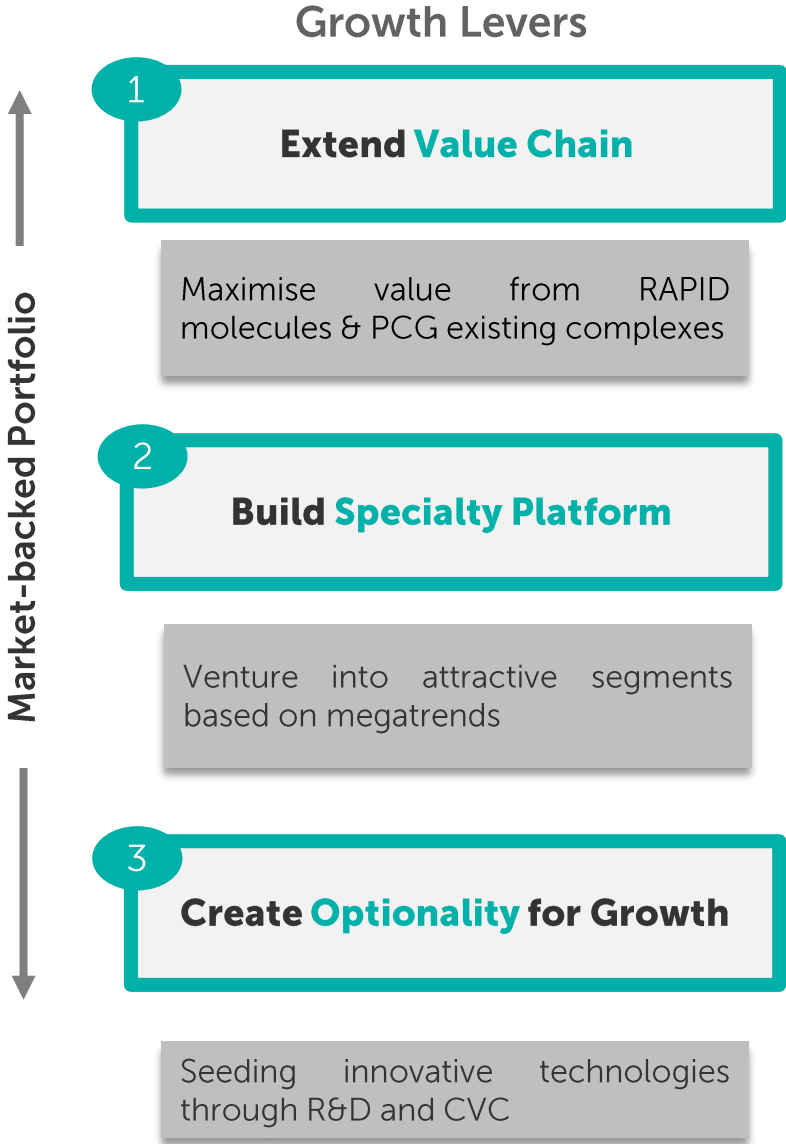
# Growth Agenda

# Growth strategy in place to obtain sustainable future involves enhancing existing assets and establishing new platforms



- 1.Sustain strength in basic petrochemicals
  - Increase basic petrochemicals capacity by ~40% to 14.6 mil tpa (in 2020)
  - Sustain plant utilisation > 90%
  - Generate strong EBITDA margin

2. Diversify into derivatives, specialty chemicals & solutions
  - Build initial specialty chemicals plants in Gebeng
  - Start-up Pengerang Petrochemicals Complex provides opportunity to further extend into derivatives & specialty chemicals

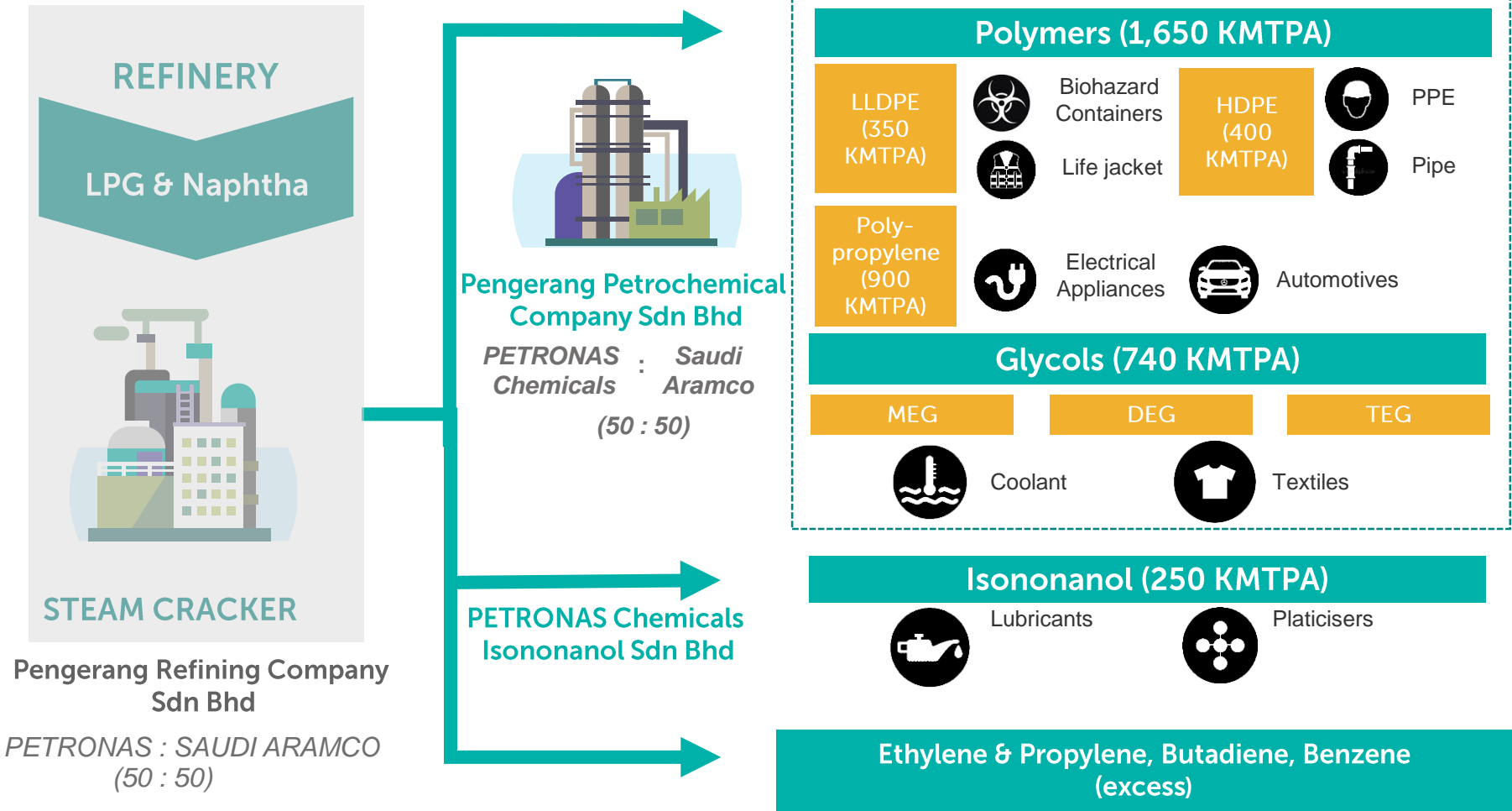


# Pengerang Integrated Complex provides platforms for PCG to pursue opportunities in commodities, differentiated and specialty



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## Commodities, Differentiated and Specialty Petrochemical Products

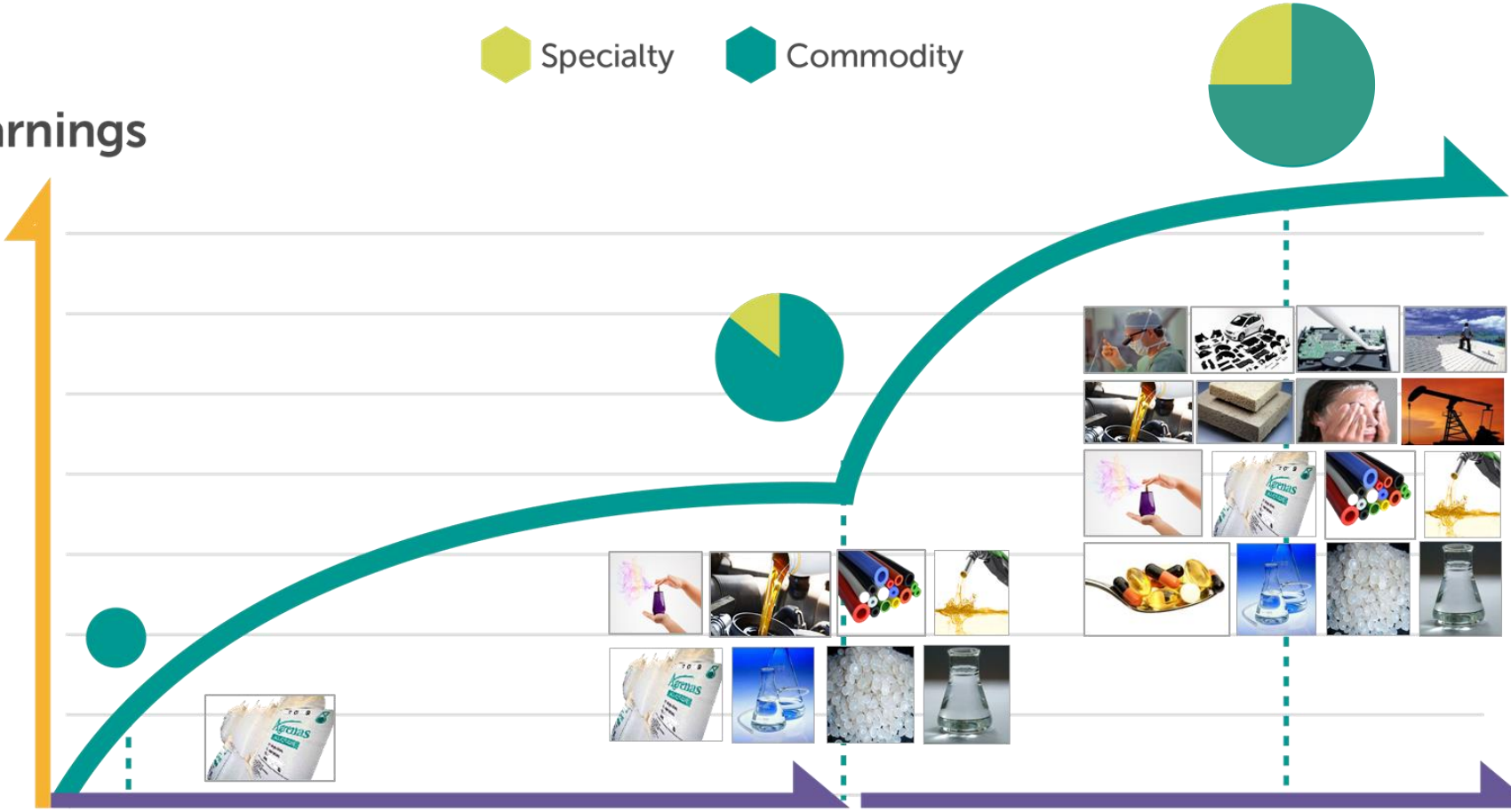


# Over the next 20 years, we are investing in a new product portfolio of specialty chemicals to complement expanding basic chemicals range



Specialty      Commodity

Earnings



1985

2018

+20 years



# Completed in September 2019, the acquisition of Da Vinci Group is in line with PCG strategic push into specialty chemicals

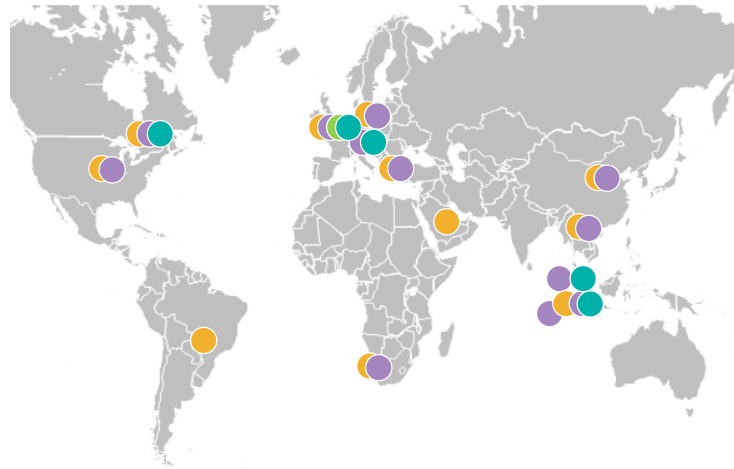


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## Business Overview

- ❑ Da Vinci is the holding company of BRB.
- ❑ BRB is an own-brand reseller and producer of silicone products and lube additives & chemicals (LAC)
- ❑ Founded in 1981, headquartered in the Netherlands
- ❑ > 450 active trade secrets

## Geographic Footprint



● Plant ● R&D ● Warehouse ● Sales Office



- Sales presence in **11** countries
- **4** plants (Netherlands, Germany, Singapore, Canada)
- **1** R&D labs (Netherlands)
- **> 1,200** customers

## Key Product Lines

### Silicones

- Fluids
- Antifoam
- Resins
- Silicone emulsions
- Silicone polyethers



### Lube Additives & Chemicals

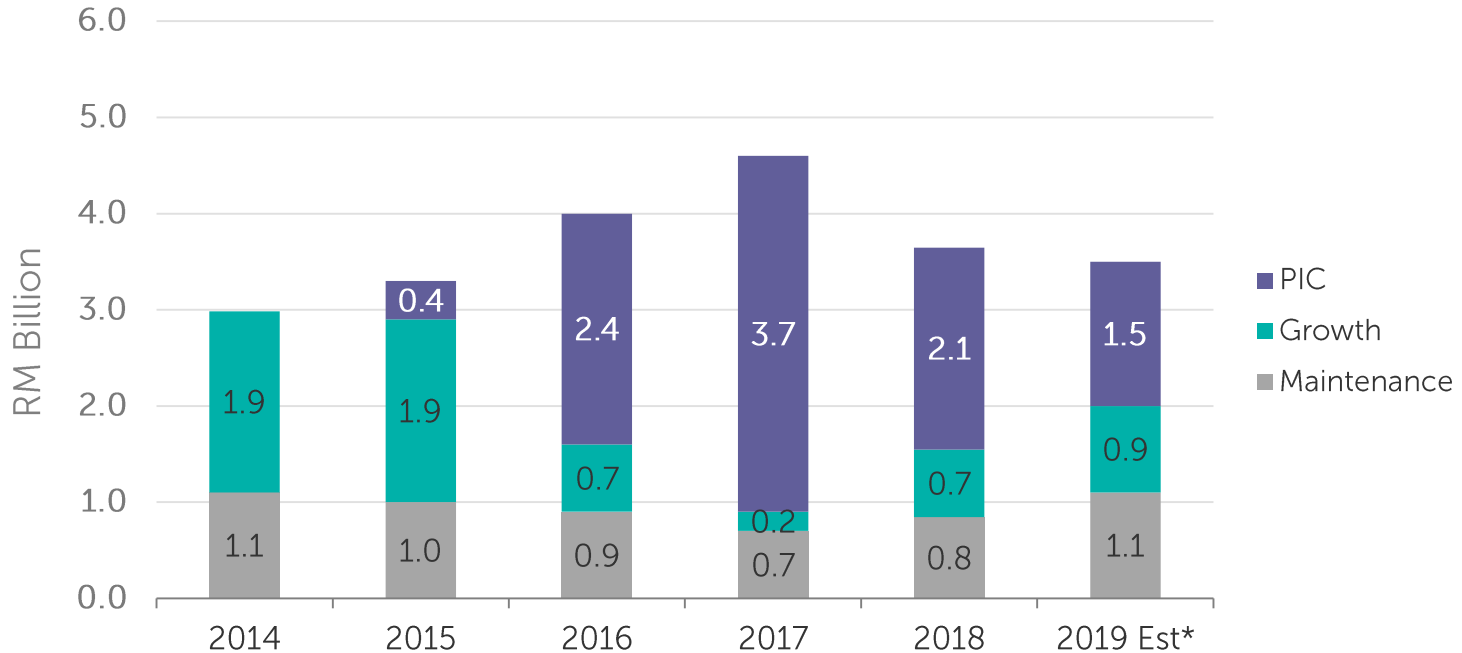
- Viscosity modifiers
- Engine oil
- Hydraulic Additives
- Coolants



# Continuous investment to future proof our business



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- Growth CAPEX mainly for Pengerang Integrated Complex (PIC) Petrochemical Projects
- Growth CAPEX includes Specialty chemicals projects such as the ~RM900 million spent on the acquisition of Da Vinci Group.
- Operation CAPEX consists of reliability and integrity projects, turnaround activities, value improvements and other operational requirements.



# Market Trends & Outlook

## Crude Oil

- ❑ Crude Oil price movement impacts price feedstock and subsequently product prices
- ❑ Crude price volatility has a negative impact on product prices

## Capacity Additions

- ❑ The medium and long term outlook of product prices weigh heavily on capacity additions and start ups on new plants, where new capacities will see prices soften before demand follows to absorb the new volumes.

## Global Economy

- ❑ Petrochemical and chemical products follows GDP and consumption.
- ❑ Disruption and slow down of global economy, such as trade tensions that affect consumption will impact chemical product prices.

**External factors**



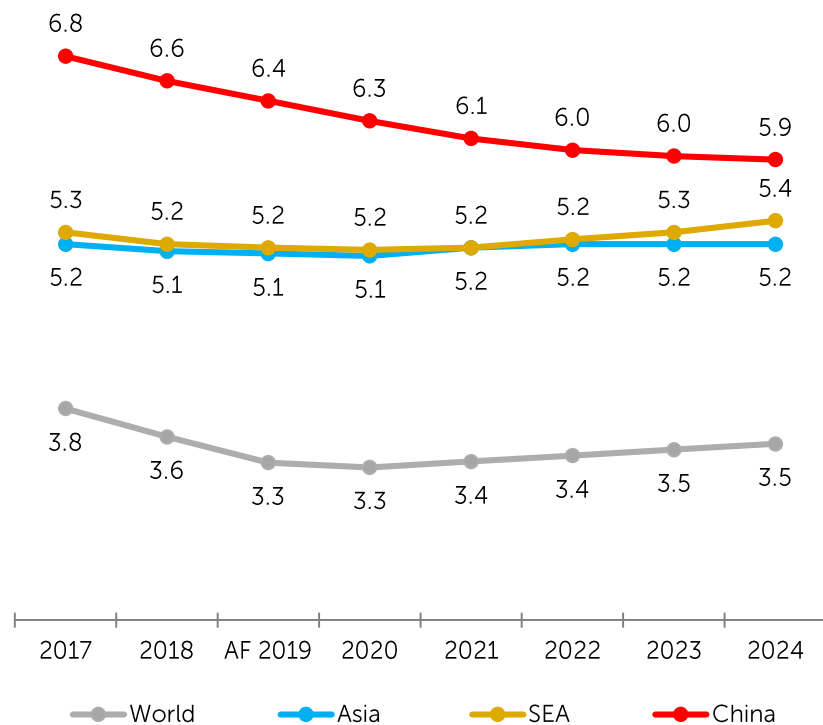
# 2020 will see declining GDP growth rate in China coupled with massive capacity additions



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## China's GDP growth is expected to decline during forecast years

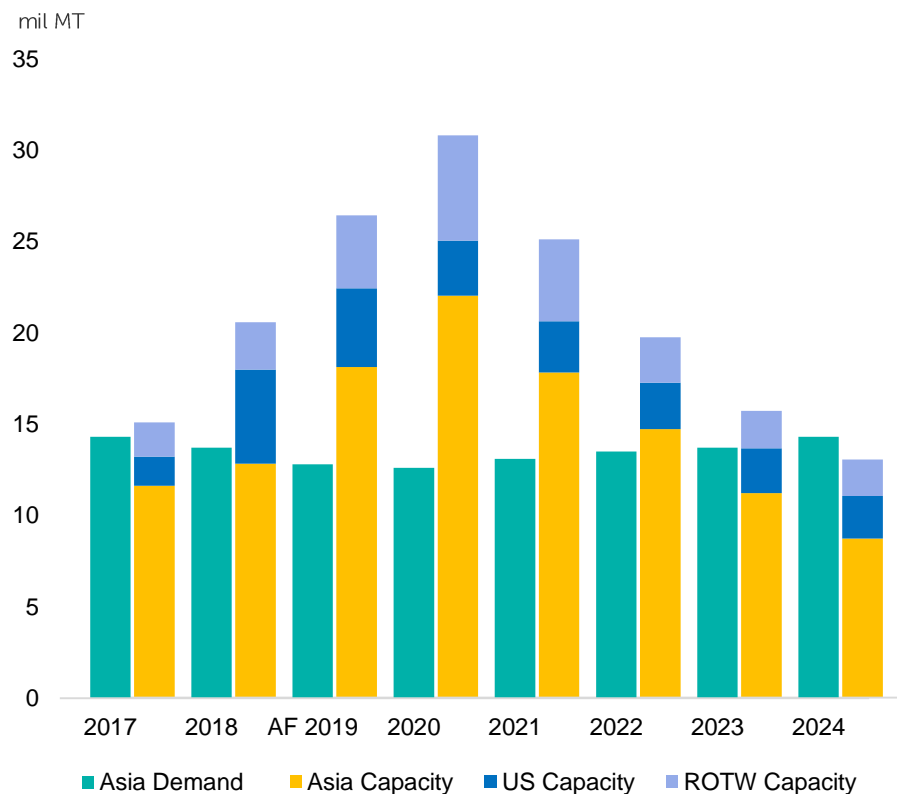
Annual GDP Growth Rate of Asia, China and SEA %



Source: IMF, IHS, PETRONAS

## Demand growth softening with GDP while huge capacity additions expected in the coming years

Petrochemicals Demand and Capacity Additions



Source: IHS

\*ROTW: Rest of the World

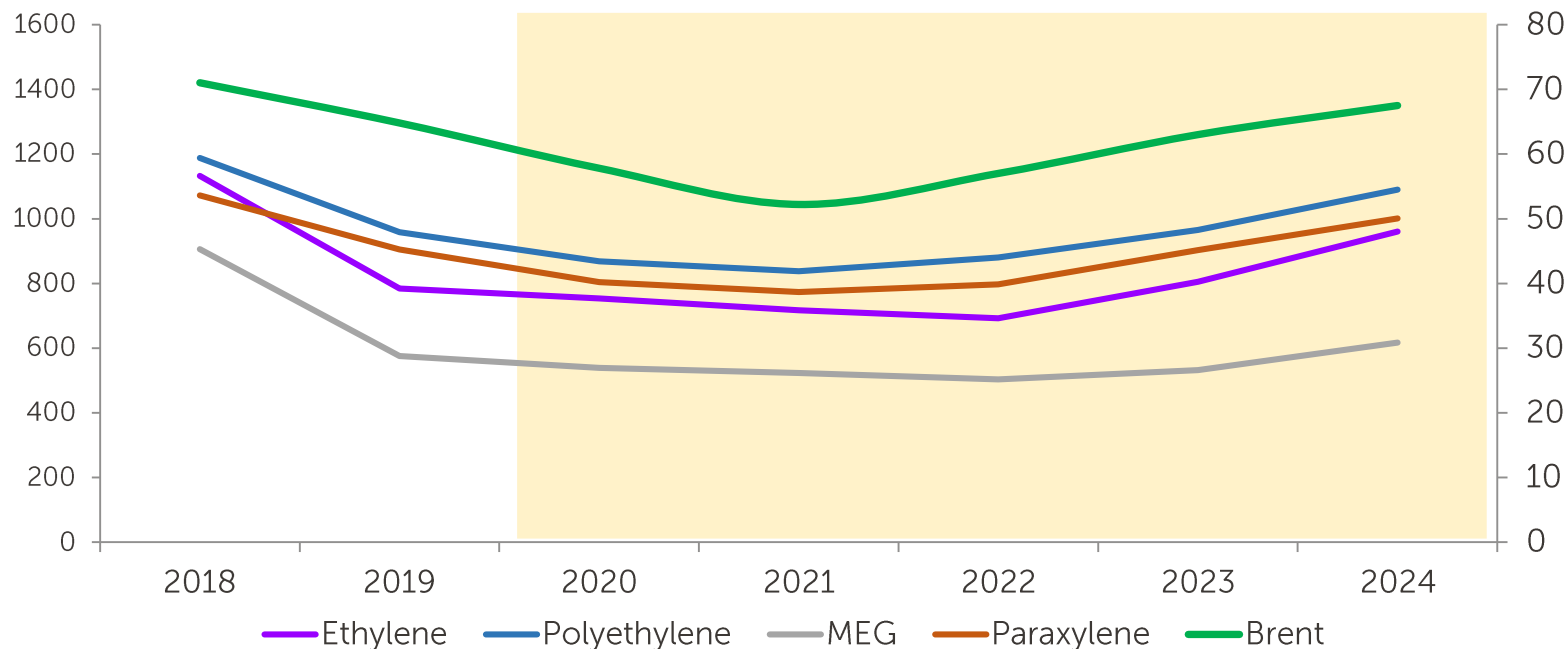
# Market outlook : Olefins & Derivatives



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O&D Core Average Price  
(USD/MT)

Brent  
(USD/bbl)



## Ethylene



- Wave of US new plants
- Ample supply from Middle East

## Polymers



- Lower feedstock price
- Diversion of US cargoes

## MEG



- Softening ethylene price in
- Lackluster downstream demand

## Paraxylene

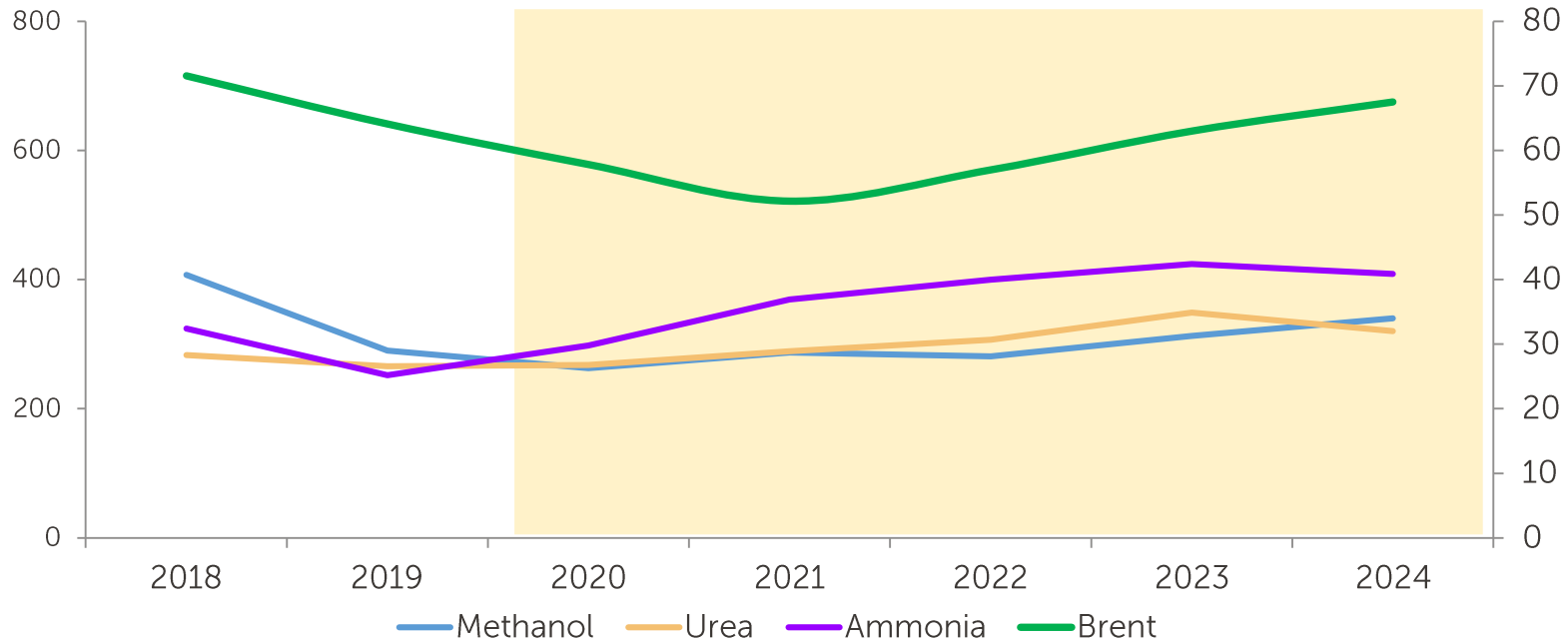


- Weak feedstock price
- Weak PTA & PET demand

# Market outlook : Fertiliser & Methanol

F&M Core Average Price  
(USD/MT)

Brent  
(USD/bbl)



## Urea



- Capacity additions offset by closures
- Moderate demand growth
- Lower energy costs

## Ammonia



- Limited merchant supply growth
- Growing demand for fertiliser and industrial usage

## Methanol



- New US capacity
- Lower energy costs
- Weakening demand in MTO



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# 2020 Key Focus Areas



# 2020 Key Focus Areas



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1

Uphold  
**HSE**  
as a  
Priority

2

Sustain  
world Class  
**Operational  
Excellence**

3

Drive  
**Commercial &  
Innovation  
Excellence**

4

Ramp-up &  
Commercialisation  
of **Pengerang  
Petrochemical  
Complex**

5

Pursue  
**Specialty**  
Chemicals growth



# Thank you

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