

PETRONAS CHEMICAL GROUP BERHAD

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PETRONAS

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Agenda

About PCG

Snapshot: The Chemicals Industry

Positioning for Sustainability

- *2-pronged strategy aimed at value preservation and growth*
- *Climate action*
- *Evolving market dynamics and EESG requirements*

Market Outlook

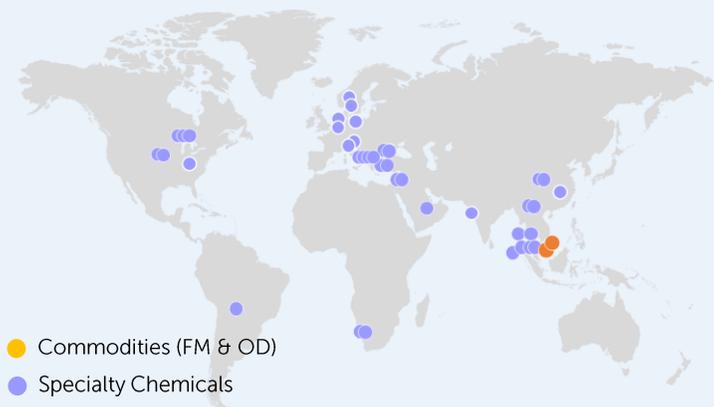
- *Fertiliser & Methanol*
- *Olefins & Derivatives*
- *Specialty Chemicals*

Investing in A Sustainable Future

Key Focus Areas

PCG is a leading integrated chemicals player in the region

PCG's Global Network



3 MAJOR SEGMENTS

Olefins & Derivatives

Olefins, intermediate, basic and high performance chemicals, and polymer

Fertilisers & Methanol

Methanol and a range of nitrogen, phosphate and compound fertilisers

Specialties

Specialty chemicals from the operations of BRB & Perstorp

PCG at a Glance

First plant in

1985

ASEAN Bintulu Fertilizer Sdn Bhd

Nameplate capacity

15.4mil

tonne per annum (mtpa)

Listed since **November**

2010

Made up of more than

80 Subsidiaries

JVs & associated companies

Market Capitalisation

RM57.3bil

as at 29 Dec 2023

Total asset:

RM58.7bil

as at 30 Sep 2023

Our Market presence

65%

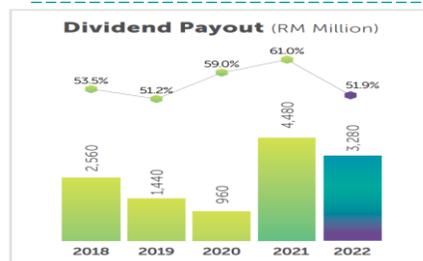
SEA

19%

NEA

16%

Rest of the world



Historical payout ratio more than

50%

of Group Profit After Tax and Non-Controlling Interests ("PATANCI"),

Our Growth Journey

1985

First plant in ASEAN Bintulu Fertilizer Sdn Bhd

1992-1999

- Commenced production at Gebeng Integrated Petrochemical Complex and Kerteh Integrated Petrochemical Complex
- Acquired methanol plant in Labuan

2010-2014

- Incorporation of PCG and listing on Main Market of Bursa Malaysia
- Incorporated overseas marketing subsidiaries, PCM (Thailand) Company Limited & PCM (China) Co., Ltd

2015-2016

- Undertake petrochemical projects at PIC, Pengerang, Johor
- Incorporated an overseas marketing subsidiary, PT PCM Kimia Indonesia

2017 – 2023

- Divested 50% equity in PPC to Aramco
- Commenced operations at PC Fertiliser Sabah
- Achieved first drop of Bio-Monoethylene Glycols
- Acquired BRB
- Commenced production of silicone blended products at BRB Malaysia in Gebeng, Pahang
- Acquired PERSTORP
- Commenced production at Lubricants Additive Chemical facility in Echt, Netherlands
- Final Investment Decision Maleic Anhydride Plant in Gebeng
- Final Investment Decision for Advanced Chemical Recycling Plant in Pengerang

Industry Outlook: Short term challenges persists as industry pivots towards new end-market demands and circularity

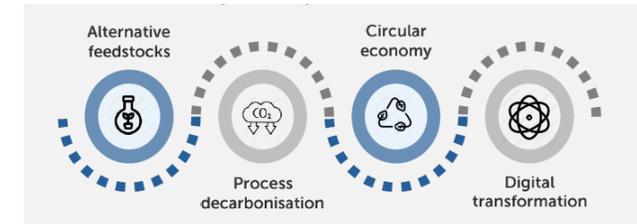
Short-term

- Modest demand recovery forecasted in 2024
- Asia leading growth in demand
- Industry still facing low profit margins and low operating rates
- Larger focus on efficiency

Immediate (2025-2030)

- Positive global demand for basic petrochemicals albeit slower growth
- Growth in specialties will dominate led by electronic chemicals
- 2050 net-zero commitments, plastic circularity and renewable bio-based feedstock

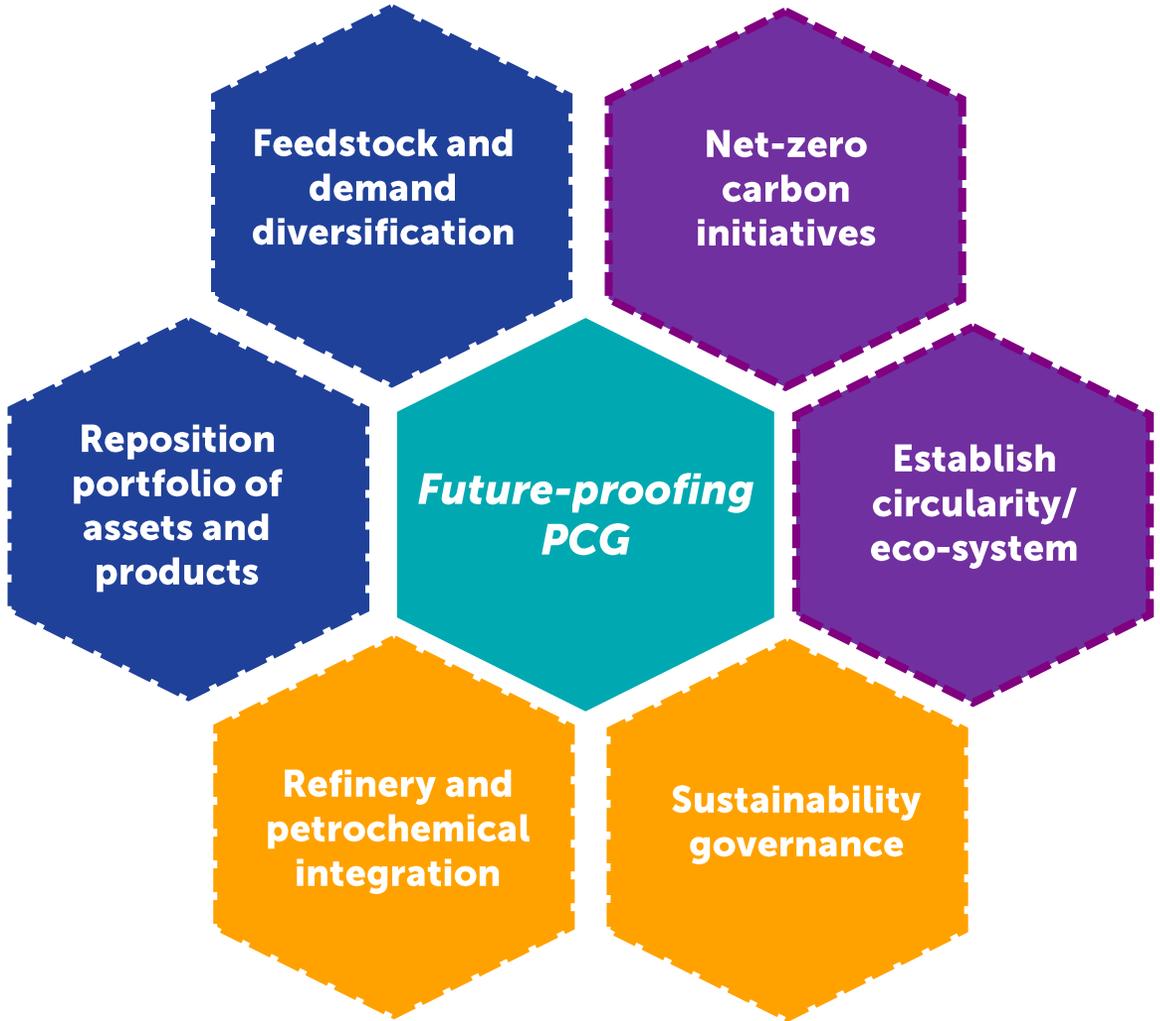
Long-term (post 2030)



Petrochemicals could account for ~60% of oil demand by 2050 from 15% in 2023

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PCG has been positioning itself to sustainably address the immediate and anticipated shifts in the chemicals industry



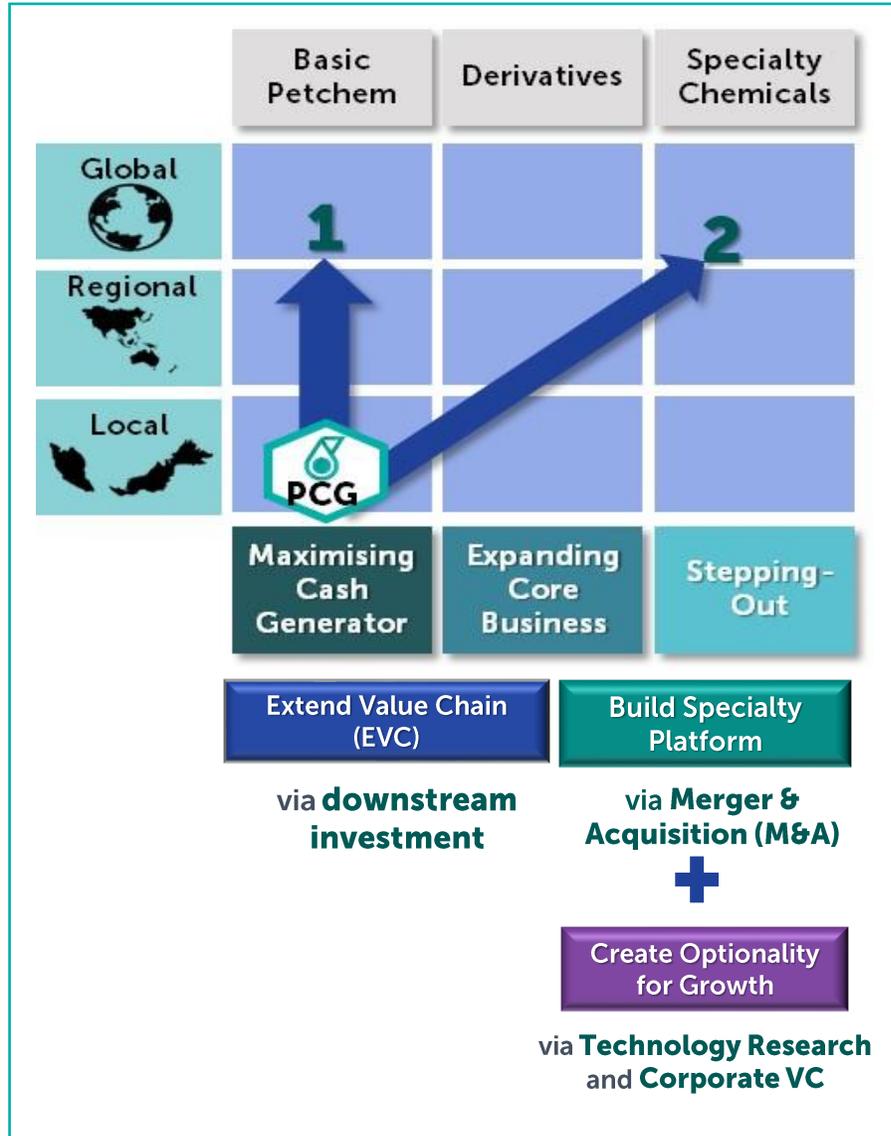
*"Companies in the petrochemical industry...will need to focus on three areas to differentiate themselves and "de-commodify" their products: **planning for volatile end market demand**, anticipating **consumer preferences** for seamless delivery and **sustainable products**, and capitalizing on **innovation**"*

- Deloitte

PCG's 2-pronged growth strategy aims to preserve and grow value, both in basic chemicals & derivatives business and new specialty chemicals platform

Feedstock & demand diversification

Reposition portfolios of assets & products

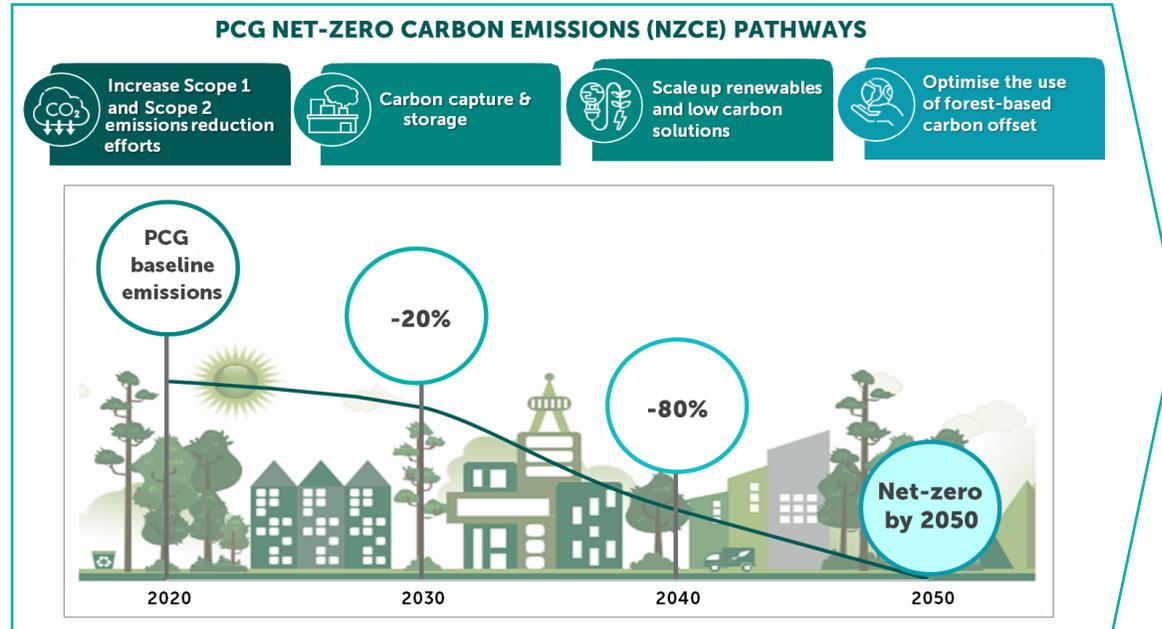


| Milestones | |
|------------|--|
| 2016 | 2-EHAcid |
| 2018 | Citral, Citronellol & L-Menthol HR-PIB |
| 2019 | BRB |
| 2020 | PT Anugerah Kimia Indonesia |
| 2022 | Perstorp |
| 2023 | Nitrile Butadiene Latex Specialty Ethoxylates & Polyols |
| 2024 | Melamine, Pengerang Complex |
| 2025 | 2EHAcid Expansion, Butadiene |
| 2026 | Maleic Anhydride, Circular Polymers, Green Methanol |

Climate action is at the forefront of our Sustainability Agenda

Net-zero carbon initiatives

Establish circularity/eco-system



Target

Driving Climate Action



Limit GHG for Malaysian operations to 6.92 Mil tCO₂e by 2024



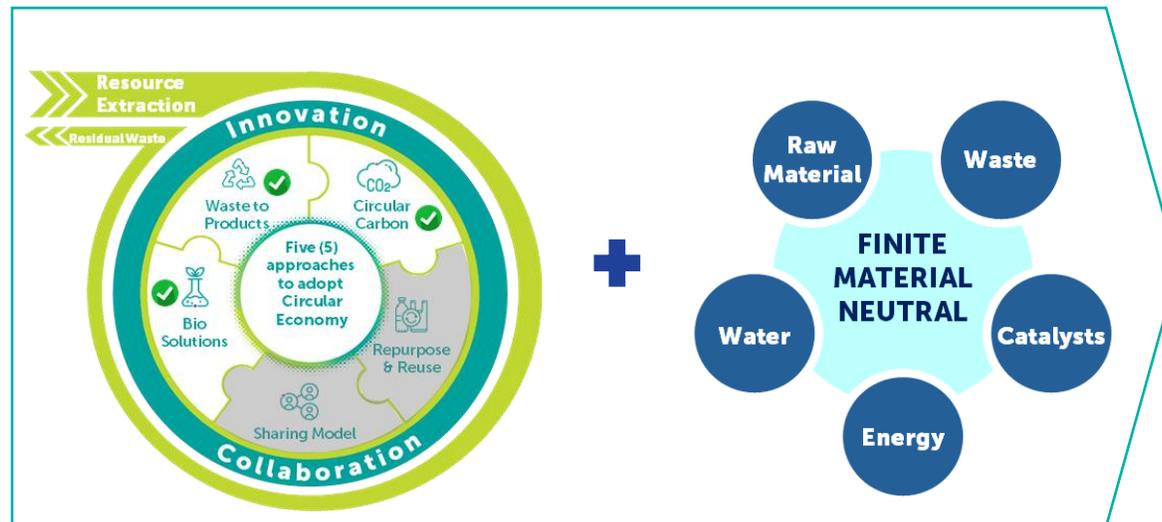
20% reduction in GHG by 2030



Net Zero Carbon Emissions by 2050

Projects

- Bio-MEG for biodegradable packaging
- DMPP Treated Urea (Blue Urea)
- Project Air for Sustainable Methanol
- Bio-emollient for personal care
- Pyrolysis of Plastic waste to Tacoil, for production of circular polymers



Understanding of evolving market dynamics and EESG requirements provide PCG the ability to respond to risks and opportunities

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Refinery- petrochemical integration

PRESENT RISKS

- Oil price fluctuation
- Overcapacity increasing competition
- Evolving consumer preference
- Volatile end-market demand
- Increasing cost of operations

OPPORTUNITIES

- New process technologies
- Crude to chemicals
- Specialty products
- Enabling circular economy

PCG's response

- OE** HSE & Operational Excellence
- CE** Commercial Excellence
- GE** Growth Delivery Excellence
 - Stepping out: Specialties
 - New Plastics Economy
 - Biomass to chemicals
 - Renewable chemicals to resins
 - Green methanol

Sustainability governance

Safeguarding the Environment

Driving
Climate Action

Pursuing Nature
Action

Supporting Just Transition

Delivering Positive
Social Impact

EVALUATING THE EFFECTIVENESS OF PCG'S CLIMATE GOVERNANCE

- Annual assessment of the Board's performance on sustainability
- Senior Management's KPIs include targets and progress of material sustainability risks,
- Incentives are provided to MD/CEO and key leadership based on climate-related KPIs



Improve Board oversight and responsibilities



Environmental Stewardship



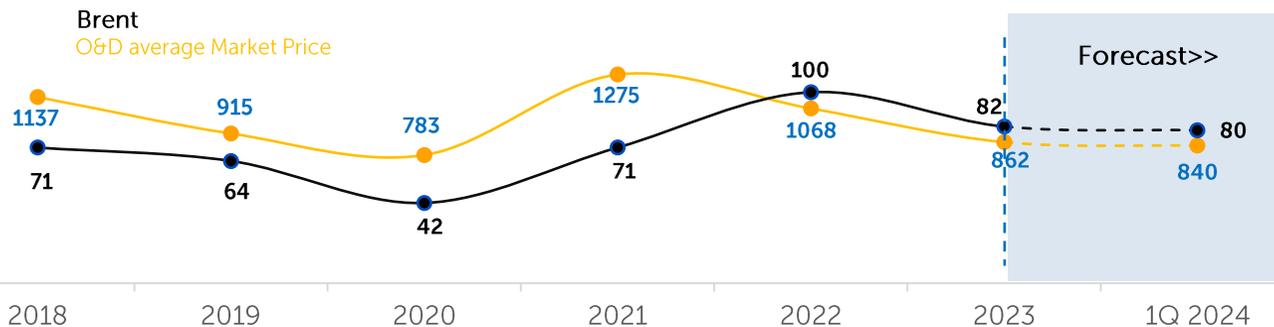
Digitalisation (OEXMS)



Customer Centricity

Olefins & Derivatives: Overcapacity coupled with the influx of cargoes from US and Middle East dampen outlook

Factors to look out for in 2024



- **Ethylene:** Ethylene prices in Asia are expected to soften due to year-end holidays season, leading to a slowdown in trading. Price range for 1Q2024 is forecasted between **USD900- USD 910/MT**
- **Polyethylene:** Prices is expected to picking up starting Jan'24 in preparation for Lunar Chinese New Year in early February. Price range for 1Q 2024 is forecasted between **USD990-USD 1,110/MT**
- **Paraxylene:** Lower prices for paraxylene in line with tapering of gasoline demand and lower downstream demand for PTA. Price range for 1Q 2024 is forecasted between **USD 1,000 – USD 1,030/MT**
- **MEG:** Expecting high inventories with the massive new capacity addition in China (2023: 6 mil MT, 2024: 2.1 mil MT) and influx of US & ME cargoes into Asia. Price range for 1Q 2024 is forecasted between **USD 450– USD 480/MT**

OE



Optimise the Cost to Serve



Maximise production volume through efficient and reliable plant operations



Safe operations and disciplined practices in HSE

CE



Capture the pricing excellence against market benchmark for new customers



Strengthen based market domestically, while pushing best netback for SEA market

GE



Nitrile Butadiene Latex



Ethoxylates & Polyols



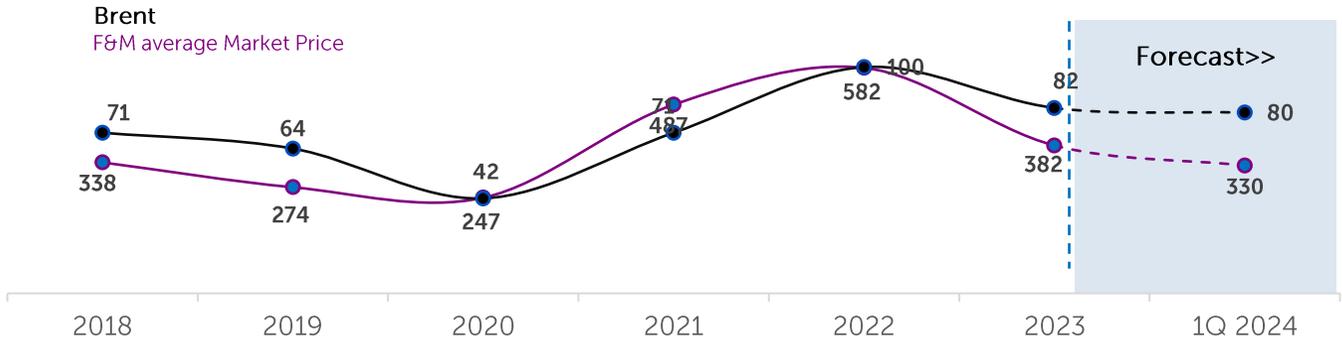
New Plastic Economy



Maleic Anhydride

Fertiliser & Methanol: Market dynamics will be influenced by APAC industrial downstream demand as well as China and India's demand growth

Factors to look out for in 2024



- **Urea:** Prices are forecasted to be softening in nearly every market as supply continues to outpace demand. Price range for 1Q2024 is forecasted between **USD325- USD 340/MT**
- **Ammonia:** Ammonia prices are forecasted to be bearish as global demand remains muted with the exception of any natural-gas market spikes. Price range for 1Q 2024 is forecasted between **USD300- USD330/MT**
- **Methanol:** Methanol prices is soft despite tight supply due to weak downstream demand. Price range for 1Q2024 is forecasted between **USD320-USD 330/MT**

| | | | | | |
|-------------|--|-------------|--|-------------|-----------------|
| <h3>OE</h3> | <ul style="list-style-type: none"> Optimise the Cost to Serve Maximise production volume through efficient and reliable plant operations Safe operations and disciplined practices in HSE | <h3>CE</h3> | <ul style="list-style-type: none"> Capture the pricing excellence against market benchmark for new customers Strengthen based market domestically, while pushing best netback for SEA market | <h3>GE</h3> | <p>Melamine</p> |
|-------------|--|-------------|--|-------------|-----------------|

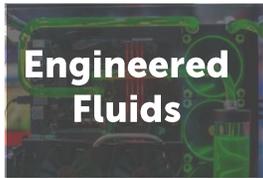
Specialty Chemicals: Market expected to register moderate growth as demand & supply gradually stabilize across all market segments

Outlook by segments



Resins & Coatings

Market driven by shifting demand due to environmental coating regulations



Engineered Fluids

Market fueled by rising demand for eco-friendly and high-performance lubricants



Animal Nutrition

Expected to grow driven by antibiotic bans, favoring gut health products



Advanced Materials

Cautiously optimistic outlook on the back of sustained demand in automotive, packaging and construction



Silicones

Expected to grow driven by rapid growth in the cosmetic industry



Lube Oil Additives & Chemicals

Expected to grow driven by rising automotive and industrial demand, especially in APAC

Focus Area for 2024



Sayakha Plant

- Production of Pentaerythritol (Penta) and renewable Voxtar (renewable Penta)
- Location: Sayakha, India
- Target COD in 2024



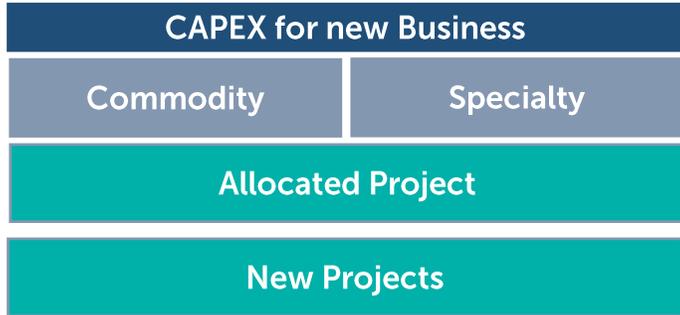
Project Air

- Ongoing feasibility study on the production of sustainable methanol
- Granted award of €97 million by EU Innovation Fund (under European Commission) in Jan 2023
- Granted Environmental Permit in June 2023
- Target commissioning date in 2026

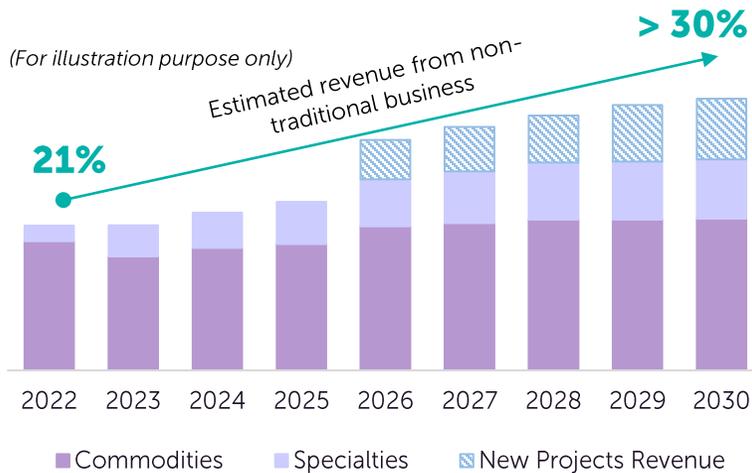
- ✓ Strengthening footprint in APAC with completion of Sayakha Plant
- ✓ Explore new market to expand customers' coverage
- ✓ Implement volume growth initiatives to sustain market leadership & regain market share through value creation projects
- ✓ Gradual shift of intermediates portfolio towards Specialties in the focused strategic market segments and sustainability

Investing in a sustainable future

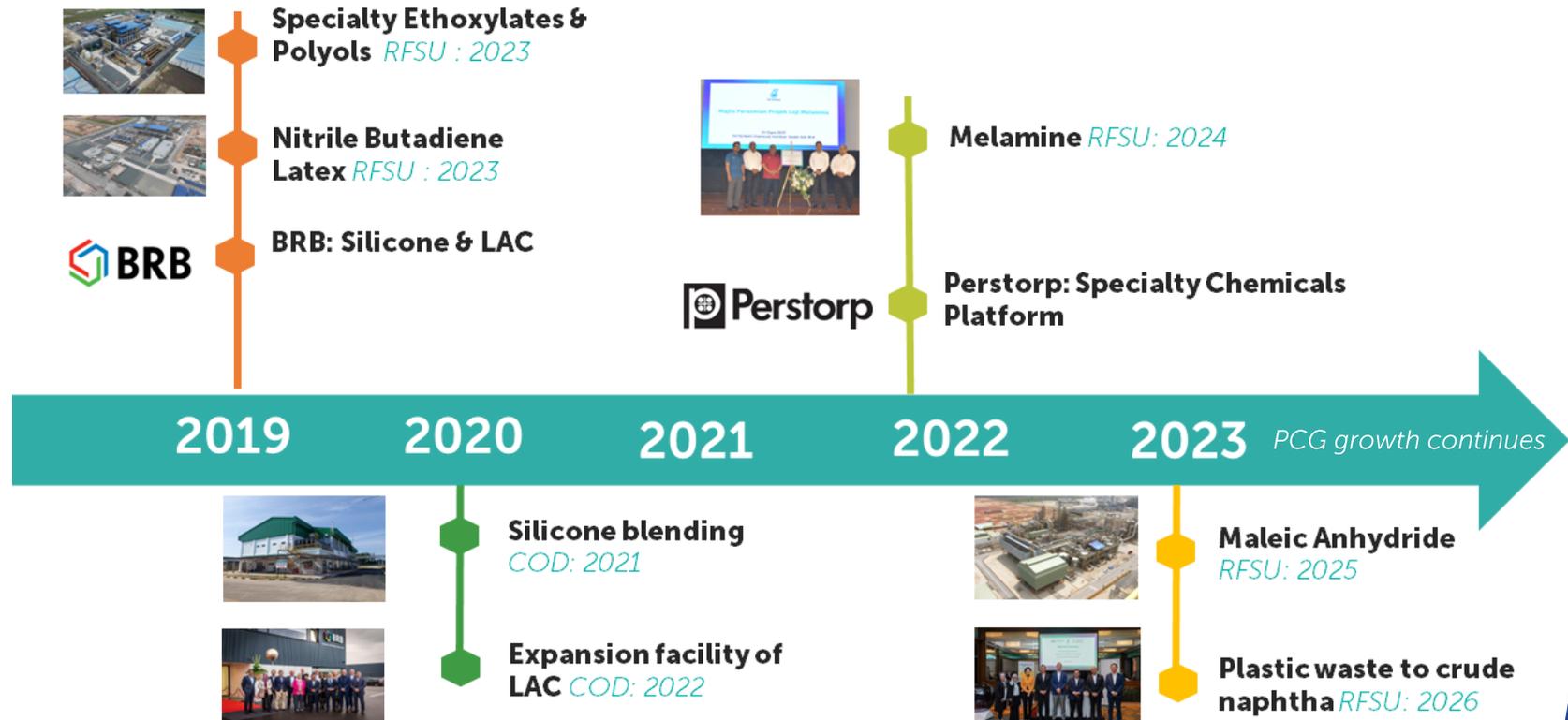
Our priority is to grow and deliver value to our stakeholders



CAPEX is crucial in sustaining the businesses

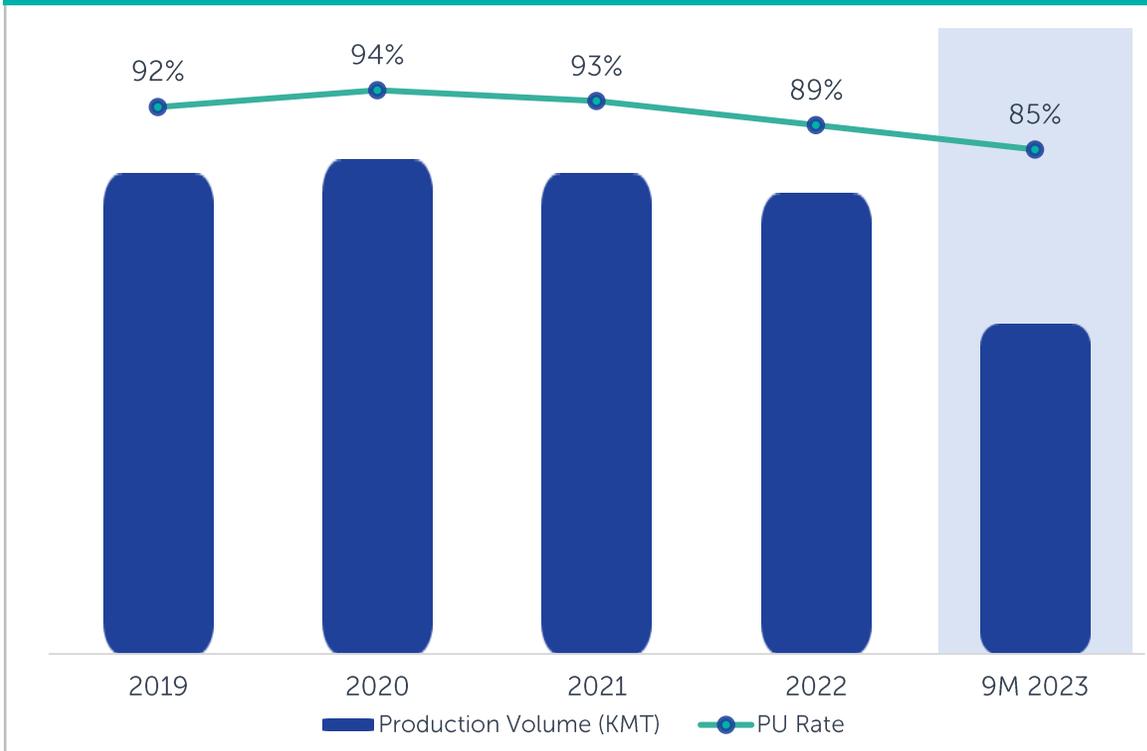


PCG continues to evaluate projects which are under various stages of studies and execution to future-proof our business

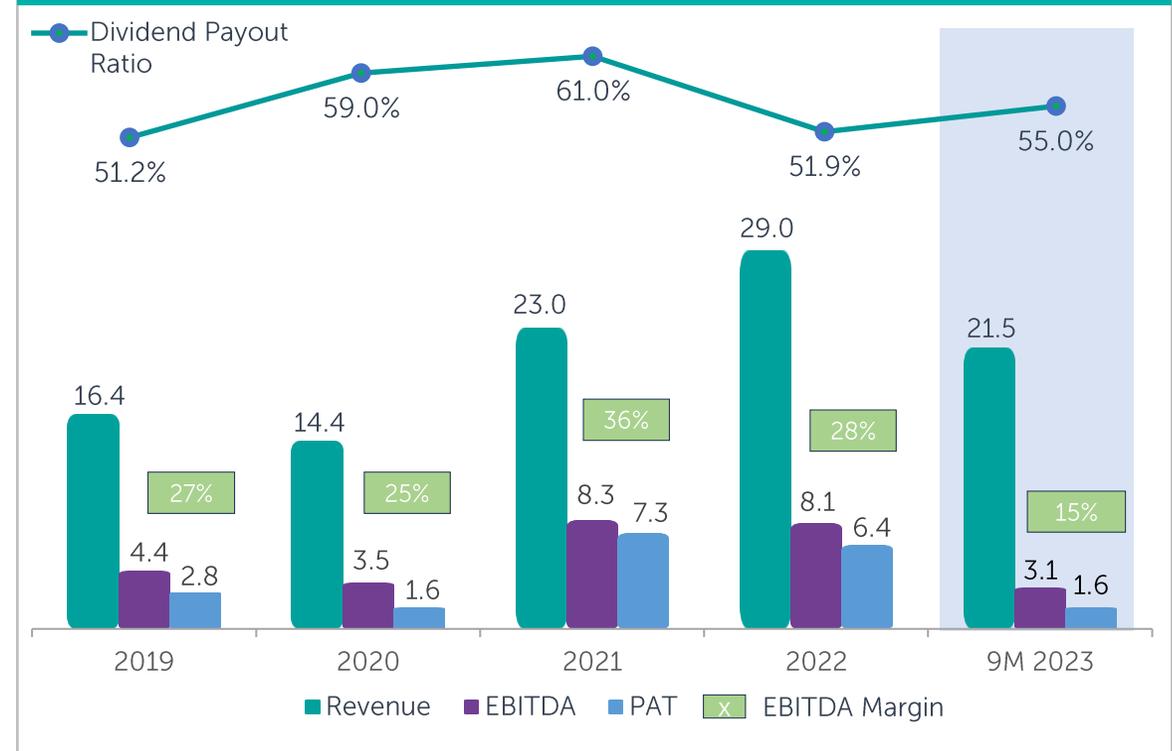


PCG continue to record commendable operational and financial performance despite volatile markets and supply chain disruptions

Operational performance



Financial performance



Continuous focus on strategy execution and maintaining financial resilience

- ✓ Foreign exchange management
- ✓ Risk management and governance practice
- ✓ Prioritized capital investment
- ✓ Inventory management
- ✓ Cost discipline and optimization
- ✓ Business growth
- ✓ Management of working capital & liquidity

2024 Management Focus Areas



Operations

- Potential impact of economic uncertainties and lower crude oil prices
- Continuous concerted efforts to meet “ZERO is Possible” aspiration and ensure compliance to cyber security & 5 Critical Laws
- Target PU above 90%



PIC Petchem

- Start-up targeted in 1Q 2024
- PIC Petchem is expected to contribute additional sales volume of 1.5 mil MT



Specialties

- Improvement in revenue and sales volume
- Cost optimisation initiatives and ensuring supply chain efficiency
- Potential bolt-on acquisitions



Growth & Sustainability

- Startup for Melamine and 2-EH Acid projects
- Smooth execution of projects i.e Maleic Anhydride & Advanced Chemical Recycling Plant
- Reduction in GHG emissions from current operations and growth projects



Financials

- Sufficient cash to fund CAPEX requirements for sanctioned projects
- Commitment to dividend policy

Framework/ standard



Benchmarking



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Thank you