



PETRONAS CHEMICALS GROUP BERHAD

Extraordinary General Meeting

Questions & Answers
29 September 2022

Confidential

Note: The questions and feedbacks have been edited for brevity and clarity.

Gifts

No.	Question
1.	I have been a long-time shareholder and I would like to request for PETRONAS e-vouchers as a token of appreciation for attending today's RPV Meeting.
2.	Will the Board consider giving door gifts such as e-vouchers or e-wallet vouchers for in the participants of this EGM as a token of appreciation?
3.	Will there be any door gifts provided?
4.	Would the Board kindly reward long-time shareholders with PETRONAS e-vouchers as a token of appreciation for attending today's RPV meeting? <i>(2 submissions)</i>
5.	Kindly reward the shareholders with e-vouchers for their time at today's meeting.
6.	Good morning, dear BOD, please consider providing SETEL e-vouchers for attendees as a gesture of goodwill. Thank you. <i>(3 submissions)</i>
7.	Good morning Mr. Chairman and Board of Directors, kindly give us shareholders RM50 SETEL e-voucher for being loyal shareholders and for attending this EGM. Times are bad now. Please be considerate to us shareholders during these hard times. Thank you. <i>(2 submissions)</i>
8.	Good morning, Mr. Chairman and Board of Directors, I wish to congratulate the company for having done well in this trying times of COVID-19. Being a long-time shareholder, I would like to request from Mr. Chairman and Board of Directors, a token of appreciation for our participation. Please give us some food/e-wallet/e-vouchers after the EGM. Thanking you in advance.
9.	Is the company giving any door gifts to shareholders attending this EGM?
10.	Any door gifts for this EGM?
11.	Please reconsider to give door gifts eg. SETEL e-voucher as usual. Thank you for your generous consideration and appreciation for the shareholders' votes.
12.	Please consider giving e-vouchers to participating shareholders. Thank you.
13.	Good morning, Chairman, SETEL RM 50 e-voucher please. Thank you. <i>(2 submissions)</i>
14.	I humbly request for the BOD to give e-wallet or e-vouchers to attendees as a gesture of goodwill for this special event.
15.	Datuk Chairman, would the company consider providing door gifts such as e-voucher (SETEL) to all participating shareholder/proxies, thank you. <i>(2 submissions)</i>
16.	Request for door gifts please.
17.	Please give us vouchers, thank you very much. We need it to live.
18.	Dear directors, please give us vouchers, thank you very much and wish you all a very nice day.
19.	Hello, please give us vouchers to reduce our living burdens. Thank you very much, directors.
20.	Any door gifts for shareholders?
21.	Will the Board of Directors kindly give RM50 petrol vouchers as door gifts to shareholders/proxyholders. Thank you.
22.	Hope that the Board of Directors can provide some form of e-vouchers for AGM participants. Thanks.
23.	I hope the company can reward some door gifts to shareholders who participated in this EGM. Thank you in anticipation of getting the token.

Gifts

No.	Question
24.	Please reconsider your decisions on not to give all participants of this virtual meeting any token of appreciation. The SETEL top-up always brightens up our day. We do need to log in and listen to the meeting proceedings. A small gesture of appreciation means a lot to us. Thank you for your kind consideration.
25.	Can we have a token of appreciation as a door gift? Thank you very much.
26.	We would really appreciate it if you can provide some form of e-vouchers. Thanks.
27.	As participants of this EGM, we would be grateful if the Board can provide some form of small token in the form of e-vouchers. Thanks.
28.	Appreciate token door gifts for attending shareholders.
29.	Kindly consider providing an e-voucher for shareholders attending this EGM. Thanks.
30.	Dear Chairman, please consider giving e-vouchers to those attending this EGM. Thanking you in advance.
31.	Please give us some e-vouchers/e-wallet for attending this RPV as a token of appreciation. Thank you. <i>(12 submissions)</i>
32.	Any door gifts provided?
33.	Thank you, Datuk Chairman, I would appreciate very much an e-voucher of RM50 for attending the last AGM. As a software engineer, I found that redemption at the PETRONAS station is very fast and very efficient, I will also appreciate if you could continue to give us e-vouchers today. I am proud of the Company. Thank you.
34.	Will there be door gifts as we are not able to hear the answers to that question?
35.	Good morning. A small door gift should be distributed to the shareholders attending this virtual AGM. As an appreciation and gratitude for their time and support. Thank you.
36.	Any door gifts given?
37.	Hope the board will reconsider the decision on door gift distribution, as the group is very kind enough to distribute special dividends to the government.
38.	Hi, please provide door gifts, thank you.
Answer to question number 1 to 38:	
As stated in the Administrative Guide for the EGM on 29 September 2022, there will be no distribution of door gifts for attending this EGM.	

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Acquisition

No.	Question
39.	<p>Under the terms and conditions of the SPA, PCIBV is required to undertake the Repayment of Existing Indebtedness which amounts to EUR851.7 million (RM3,804 million) as at 31 Dec 2021.</p> <p>a) When will the repayment of this debt take place?</p> <p>b) Interest rates around the world have been rising rapidly since 31 Dec 2021. Has there been an increase in interest accrued to the borrowings since 31 Dec 2021 and if yes, what is the amount? Will PCIBV be required to repay the additional interests incurred?</p>
Answer:	
<p>According to the SPA, PCIBV is required to make repayments on the Closing Date for the Existing Indebtedness and Debt Payment Costs. The accrued interests will be in line with Perstorp's existing financial agreements.</p>	
No.	Question
40.	<p>Perstorp's financial performance does not seem very appealing. It is experiencing a loss in FY2019, making minimal profits in FY2020. While it made a reasonable profit in FY2021, it is largely due to the extraordinary year in 2021 for the overall chemical industry, which may not be sustainable in future years.</p> <p>a) Does the valuation of this acquisition seem to be quite expensive in terms of Price to Earnings (P/E) and Price to Book (P/B) ratio?</p> <p>b) Please provide the rationale for acquiring Perstorp at such a high valuation?</p> <p><i>(2 Submissions)</i></p>
Answer:	
<p>PCG together with its advisors, have conducted an extensive assessment of Perstorp's financials and commercial performances to better understand their current operations and growth strategies. PCG believes that Perstorp's earnings are sustainable moving forward based on its inherent business fundamentals such as geographical footprint, wide and loyal customer base and high-quality products and services.</p> <p>Post-acquisition, Perstorp will be in a more robust financial position to pursue its business expansion plans and potential synergies with PCG. Based on the Expert's Report on the Fairness of the Base Purchase Price dated 9 September 2022 prepared by BNP Paribas, as stated in the circular, the Agreed Enterprise Value (EV) that was used to reach the Base Purchase Price is within the range of indicative EVs of the Perstorp Group, which falls between EUR1.9 billion to EUR2.6 billion.</p>	

Acquisition

No.	Question
41.	What are the gross transaction costs, synergetic benefits, expected cost savings and revenue expansions from the Proposed Acquisition? How's the risk of stagflation affecting the target company?
Answer:	
<ul style="list-style-type: none">• The gross transaction cost is estimated at a base transaction price of EUR1,538 million, which is equivalent to approximately RM6,869.6 million, subject to adjustments at Closing Date.• The potential areas of synergies include sales, procurement, and facility optimisation, which could create additional earning opportunities for both PCG and Perstorp. One of the key feedstocks for Perstorp is methanol which is currently imported from the market and can potentially be synergised with PCG's portfolio.• Based on FY2021 financial results, Perstorp is estimated to contribute approximately 20% to 25% incremental revenue to PCG.• Due to the diverse nature of Perstorp's products and services, the risk of stagflation is spread across the portfolio and is expected to be minimised.	

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Sustainability

No.	Question
42.	<i>Salam pagi</i> Tuan Pengerusi, with the acquisition of Perstorp Holding AB, will PETRONAS Chemicals Group leverage on the green initiatives with more ESG-compliant products to serve this industry? <i>Terima kasih.</i>
Answer:	
<p>Yes, PETRONAS may be looking into more opportunities for green initiatives with this acquisition as Perstorp is one of the best-in-class players in sustainability. They are targeting to be Finite Material Neutral, offering a broad range of pro-environment solutions and striving for leadership position in industry leading ESG targets, namely carbon dioxide emissions, water, wastes and toxicity. By having Perstorp onboard, it will help PCG to accelerate its sustainability efforts, for example, deriving chemical products from renewable and/or circular feedstock.</p>	

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Performance, Risk & Outlook

No.	Question
43.	<p>The Audited Consolidated PATANCI of Perstorp as at 31 December 2021 was reported at RM447 million (page 20 of the Circular)</p> <p>a) What is the latest reported PATANCI figures for Perstorp as at 30 June 2022?</p> <p>b) In view of the volatility of the commodities prices in FY2022, is the PATANCI of Perstorp up to the Board's expectations?</p>
Answer:	
<p>a) The latest reported PATANCI figures for Perstorp as at 30 June 2022 was SEK306 million, which is equivalent to RM136 million, as provided in page 36 of the Circular.</p> <p>b) Perstorp performance is in line with the market movement and is within our expectations.</p>	
No.	Question
44.	<p><i>Salam pagi Tuan Pengerusi, what will be the revenue outlook FY2023 for both PETRONAS Chemicals Group Berhad and the newly acquired Perstorp Holding AB, considering the gloomy global outlook quoted by World Bank? Terima kasih.</i></p>
Answer:	
<p>The overall market in 2023 is expected to soften compared to 2022. The Group's revenue outlook for FY2023 will depend on market movements and operational performance. Perstorp is diversified in their market presence across multiple regions and is expected to perform in line with the markets.</p>	
No.	Question
45.	<p>What is the CAPEX currently budgeted by Perstorp Group in FY2022 and its planned capex from 2023 to 2025?</p>
Answer:	
<p>Based on the business plan, Perstorp is expected to allocate annual CAPEX of approximately EUR100 million to EUR200 million for growth and operational CAPEX.</p> <p>Essentially, specialty chemicals business is not as capital-intensive as petrochemical plants. Apart from building new production facilities (for example, Project Elephant and Project Air), more capital is also spent towards research and development (R&D) and product applications, operational efficiencies and yields as well as value-driven plant modifications to continue to meet the customers' demands.</p>	

Performance, Risk & Outlook

No.	Question
46.	Who are the competitors of Perstorp?
Answer:	
<p>Given the diverse nature of Perstorp's portfolio, there is no specific chemical company that would be considered as a like-to-like competitor of Perstorp as a Group.</p> <p>However, there are several global chemical companies operating in similar business segments as Perstorp, for example OQ Chemicals, Eastman Chemical Company, BASF, Dow, INEOS and Lanxess.</p>	
No.	Question
47.	a) To what extent will the continual depreciation of Malaysian Ringgit further increase the cost of this acquisition?
Answer:	
<p>As mentioned in our response to the pre-EGM questions, PCG will be utilising its US Dollar cash reserves for the payment of the acquisition which are mostly denominated in Euros. As the Euro currency has weakened against US Dollar, less US Dollars will be required to fund the acquisition. As the Euro currency has also weakened against Ringgit Malaysia as of 29 September 2022, the acquisition cost is anticipated to be lower than initially announced on 17 May 2022.</p>	
No.	Question
47.	b) It has been reported that the Sultan of Sulu's descendants have won a claim in the French Court regarding the party's non-lease payments in Sabah against Malaysia which resulted in the seizure of PETRONAS European-based assets; what risk does this pose to PCG and its acquired assets?
Answer:	
<p>Referring to the PETRONAS media release dated 12 July 2022, PETRONAS had confirmed its views that the action of the alleged seizure of assets by the Sulu claimants were baseless. If it becomes necessary, PCG will work vigorously to defend its legal position against this matter.</p>	

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Dividend

No.	Question
48.	This purchase involved large cash piles. Will the dividend in the coming years be negatively impacted? If yes, what will be the new dividend policy? Thank you.
49.	Moving forward, will this acquisition affect PCG's dividend policy? Can PCG maintain or increase the dividend payout post-acquisition? Is there a dividend payout policy in the next 5 years post-acquisition? Thank you.
Answer:	
There will be no impact as dividend payments are decided based on the company's annual performance and our dividend policy accordingly. Our dividend policy provides a payout ratio of around 50% of Group Profit After Tax and Non-Controlling Interests (PATANCI).	

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Administrative

No.	Question
50.	May I know when will the AGM be resumed physically? <i>(2 submissions)</i>
51.	As noted in Paragraph 2.11 of the revised guidance and FAQ on the conduct of General Meeting, listed issuers should consider conducting hybrid or physical AGM when the situation permits, if shareholders insist on attending a meeting physically. How does the company define "situation permits"? <i>(2 submissions)</i>
Answer:	
The Company will continue to observe the guidelines or new procedures as issued by the Securities Commission Malaysia from time to time. This is also aligned with the recommendations in Practice 13.3 of the Malaysian Code of Corporate Governance (MCCG) for listed companies to leverage on technology when conducting general meetings. This includes conducting fully virtual or hybrid general meetings.	
No.	Question
52.	Any refreshments provided to the BOD for attending this EGM?
Answer:	
Yes, we provided light refreshments to all the Board Members present physically at the broadcast venue.	
No.	Question
53.	Please send a printed copy of the EGM and AGM. Thank you.
Answer:	
As set out in the Administrative Guides for both the EGM and 2022 AGM, you would need to register your request via the Tricor website. In this case, we have notified the Share Registrar to arrange for the delivery of your EGM Circular dated 14 September 2022 and the 2021 Annual Report.	
No.	Question
54.	Dear BOD, I participated in the virtual PETRONAS Chemicals AGM 2022 and I am unable to redeem the RM50 door gift. I contacted your office many times but no action was taken. Thank you.
Answer:	
Thank you for your feedback. We will contact our poll administrator, Tricor to verify and resolve this matter.	

Administrative

No.	Question
55.	Low audio levels during the EGM.
56.	The volume of the broadcast is very soft. Appreciate if Tricor can rectify and increase the volume. Thanks.
57.	Tricor, please increase the audio volume.
58.	Hi, please improve on the acoustics. Speech is not very audible. Please speak into the microphone. Thank you.
59.	The replies to the questions are very soft.
Answer:	
We appreciate your feedback, the issues have been rectified upon receiving the reports.	

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Pre-EGM Questions

No.	Question
1.	I humbly request the BOD to give e-wallet or e-vouchers to attendees as a token of appreciation. I believe that the token sum is small, manageable and within annual budgeted expenses.
2.	Is the company giving any door gifts to shareholders attending this EGM? <i>(2 submissions)</i>
3.	Will the Board be considering to provide SETEL e-vouchers to shareholders attending this EGM?
4.	Dear BOD, kindly give us some e-vouchers, food vouchers or e-wallet (no discount vouchers please) for being loyal shareholders and attending this meeting. Times are bad now. Please be considerate to us shareholders during these trying times. Thank you.
5.	Is the company giving any door gifts to shareholders attending the AGM?
6.	Would like to request for door gifts to loyal shareholders.
7.	Kindly provide e-vouchers to those who attend this virtual EGM as a token of appreciation.
8.	Please give us some e-vouchers/e-wallet for attending this RPV. Thank you. <i>(5 submissions)</i>
9.	Please give us some e-vouchers/e-wallet for attending this RPV as a token of appreciation. Thank you. <i>(10 submission)</i>
10.	Do provide door gifts in order to enhance the relationship among all members.
Answer:	
As stated in the Administrative Guide for the EGM on 29 September 2022, there will be no distribution of door gifts for attending this EGM.	
No.	Question
11.	How are you currently engaging your suppliers to adopt sustainable practices? What are your plans?
Answer:	
<ul style="list-style-type: none"> As a signatory of the chemical industry initiative, Responsible Care® Global Charter, PCG follows the principles and approach of the charter to maximise the value of our innovations while minimising environmental impacts. For instance, during product design studies, raw materials from suppliers are assessed for potentially hazardous substances, ethical-sources and prioritised sustainable design criteria to maximise product benefits. PCG will adopt the Responsible Care® Global Charter to enhance our efforts on sustainable bio-based and natural chemicals derivatives towards developing a circular economy. To date, PCG has ventured into three bio-based research & technology projects for potential application in natural-based specialty chemicals for home & personal care products. 	

Pre-EGM Questions

No.	Question
12.	What measures have been taken to eliminate all forms of forced or compulsory labour? What policies do you have in place?
Answer:	
<ul style="list-style-type: none"> • PCG is guided by PETRONAS Contractors Code of Conduct on Human Rights where we aim to uphold human rights by ensuring 100% compliance within our operations and supply chain, thus ensuring their employee well-being. • All contractors and suppliers are expected to adhere to the 9 principles of the Contractors Code of Conduct on Human Rights such as Freedom of Labour, Grievance Mechanism, Wages & Benefits, Working hours, Child Labour, Freedom of Association, Foreign Workers, Humane Treatment and Non-Discrimination. • Among the programs that we conduct are: <ul style="list-style-type: none"> ○ Social Risk Assessment to assess human right practice; and ○ Trainings and mentorships to enhance their capability 	
No.	Question
13.	What is the ratio of the annual total compensation of the CEO to the median of the annual total compensation of all employees, except the CEO?
Answer:	
<ul style="list-style-type: none"> • We do not disclose the ratio of the annual total compensation of the CEO to the median of the annual total compensation of all employees. • PCG employees including the CEO's remuneration package have been benchmarked with the industry and is in line with industry practice. 	
No.	Question
14.	The government imposes 45 hours weekly working hours of workforce. What is the impact to company of the new employment?
Answer:	
<p>There is no impact as our weekly working hours are less than 45 hours i.e., 39 hours per week for non-shift (office) employees and 42 hours per week for shift-based employees.</p>	

Pre-EGM Questions

No.	Question
15.	<p>a) Does the company apply the new 45 hours weekly working hours to all full-time employment including general workers, supervisors, executives, managers and top management?</p> <p>b) What is the company justification for the wages pay? What is the impact to PCG's operational cost to the new increment of minimum wages from RM1,200 to RM1,500 and the annual salary increment?</p>
Answer:	
<p>a) PCG Group applies 39 working hours per week for non-shift or office and 42 working hours per week for shift-based employees respectively, which is superior to the Employment (Amendment) Act 2022 whereby the maximum working hours have been reduced from 48 hours per week to 45 hours per week.</p> <p>b) As our entry level salary is better than the minimum wage of RM1,500 imposed by the Minimum Wages Order 2022 dated 1 May 2022, there is no impact to the wages and operational cost.</p>	
No.	Question
16.	<p>a) Is the weakening of Ringgit beneficial to a net export company?</p> <p>b) Is the raw material cost a major contributor to the company's profit margin?</p>
Answer:	
<p>a) PCG has in place a Foreign Exchange ("Forex") Management Guideline which covers the Forex Management process and considerations required to prudently manage and mitigate exposures to Forex risk.</p> <p>PCG Group has a natural hedge as our revenue and expenses are mostly denominated in US Dollar.</p> <p>The weakening of Ringgit Malaysia against US Dollar will have positive impact on our financials.</p> <p>b) In FY2021, our raw material costs were around 51% of the total costs. As raw material costs increase, this will have impact on our profit margin.</p>	
No.	Question
17.	<p>As the weakening of Ringgit will affect the proposed acquisition that includes plan to reduce existing debt via EGM approval, does company have alternative solution? With the movement of foreign currency exchange as compared to early planning during last quarter or past 1 month before EGM, what would company do to cover the less value after EGM?</p>
Answer:	
<p>PCG will be utilising its US Dollar cash reserves for the payment of the acquisition which are mostly denominated in Euros. As the Euro currency has weakened against US Dollar, less US Dollars will be required to fund the acquisition. As the Euro currency has also weakened against Ringgit Malaysia as of 29 September 2022, the acquisition cost is anticipated to be lower than initially announced on 17 May 2022.</p>	

Pre-EGM Questions

No.	Question
18.	<p>a) With the material shortages due to supply chain challenges and recovery stages post-MCO has yet to return to pre-pandemic level of supplies, what is the alternative solution to overcome or minimise the impact of shortage?</p> <p>b) What is the action plan for the company to gain more revenue and reduce debt? Does this include winding up non-necessary operation/subsidiaries/segments?</p>
Answer:	
<p>a) As PCG is an integrated producer, most of our raw materials are produced locally through PETRONAS' supply chain.</p> <p>We have been able to consistently deliver production volumes of more than 10 million tonnes per annum. This is achieved through sustained collaboration with feedstock suppliers via monthly supply planning and coordination meetings.</p> <p>b) PCG will continue to focus on our 2-pronged strategy which is to:</p> <ul style="list-style-type: none"> • SUSTAIN strength in basic petrochemicals through Operational Excellence & Commercial Excellence in Maximising Cash Generation from existing business and; • Selectively DIVERSIFY into derivatives, specialty chemicals and solutions through Growth Delivery Excellence via Expanding Core & Stepping-out opportunities <p>This will steer us towards our aspiration to generate 30% revenue from non-traditional business by 2030.</p> <p>To optimise resource allocation and elevate performance, PCG conducts annual portfolio review and rationalisation. For instance, as part of Group's portfolio optimisation to focus on high-value chemicals portfolio, we exited our vinyl chloride business in FY2012 & PVC business in FY2014 and ceased our butanediol business via our JV-company, BASF PETRONAS Chemicals in FY2020.</p>	
No.	Question
19.	<p>Can the company elaborate on what is mentioned in CGS CIMB ESG Day corporate presentation on "Next specialty chemical M&A crucial for future positioning"? Is this proposed Perstorp acquisition part of this M&A or is there another M&A in the pipeline?</p>
Answer:	
<p>The statement mentioned "Next specialty chemical M&A crucial for future positioning" refers to the acquisition of Perstorp.</p>	

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