



**PETRONAS**

# **PETRONAS CHEMICALS GROUP BERHAD**

## **22<sup>nd</sup> Annual General Meeting**

**Well Positioned  
Sustainable Tomorrow**

16 June 2020

## **Annual General Meeting Questions & Answers**

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

## Performance & Outlook

| No. | Question  |
|-----|---|
| 1.  | Dear directors, can we have some vouchers sent to us as refreshment voucher? Thank you.   |
| 2.  | Will the company give away voucher to those who attend RPV meeting?   |
| 3.  | Any plan to give petrol card to shareholders?   |
| 4.  | Due to the MCO we had to attend this meeting by virtual participation, would the Board be kind to consider sending the Petronas gift card by post or by email with e-vouchers. Thank you.   |
| 5.  | Due to the MCO we had to attend this meeting by virtual participation, would the board be kind to consider sending the Petronas gift card by post or by email with e-vouchers. Thank you.   |
| 6.  | Please consider giving e-voucher to participating shareholders in line with Bursa AGM practice. Thank you.  |
| 7.  | I hope the Board would consider giving participants of this AGM Petronas gift cards or e-vouchers to purchase your products online. This would definitely brighten up our day during this Covid-19 period. Thank you.   |
| 8.  | Please give us some e-vouchers for attending this virtual meeting. Bursa gave e-vouchers to shareholders who attended the virtual AGM, so PChem should be able to do the same.  |
| 9.  | Good morning Chairman, please reconsider giving today's small crowd e-voucher for supporting today's AGM. From saving rental, refreshment, parking charges and door gift, your token for attending will be very appreciated for retirees here who also need desperate help during Covid. Thank you and God bless. Appreciate confirmation on e-voucher give during Bursa and MBSB streamlining.   |
| 10. | Mr. Chairman, it is appreciated that shareholders participating in this RPV be rewarded with E-Vouchers or E-Wallets Credits. Thank you.  |
| 11. | Whether the company can consider giving e- vouchers to all shareholders who take interest to participate in this virtual AGM.   |
| 12. | We hope PETRONAS Chemicals can give us some door gifts and e-vouchers for this kind of virtual meeting as there are already cost savings for the company and we shareholders can at least benefit a bit during this difficult time. Much focus had been channeled to other groups and shareholders have been the most neglected group & have been suffering. Please do give this suggestion some consideration instead of ignoring it in totality. Thank you. |

## Performance & Outlook

| No. | Question   |
|-----|--|
| 13. | Mr Chairman, I wish to request for petrol card valued at RM100.00. We received this gift last year. Although this is in RPV, you can still reward shareholders with this gift. Company can reverse decisions not to give gifts. All my questions have not been answered most of the time. Only 146 attendees. So, you will not spend much to send vouchers to us.  |
| 14. | Hi good day to all of you. Please reconsider giving e-vouchers or e-wallet like those given by Bursa and MBSB. Saving from rental, refreshment and door gift vouchers etc, during COVID-19, seniors need private transport and your petrol voucher will be most welcomed. Please reconsider to give so small number log in to support this morning AGM, the e-wallet. We need especially during COVID-19 hard time. God bless in return for your kindness. Awaiting your reply and assistance. |
| 15. | Mr. Chairman, in these challenging times, please reward us shareholders with e-vouchers or e-wallet credits who have participated in this RPV. The Government is promoting e-wallet usage & at the recent Bursa RPV AGM shareholders were rewarded with e-wallet credits.<br>Thank you.  |
| 16. | Good morning Mr. Chairman, I have only one request. Can you please consider giving out petrol voucher as per past practice as I am sure virus won't follow along with petrol voucher, for which I thank you.   |
| 17. | Mr. Chairman, kindly give PETRONAS gift cards RM100 to all shareholders. COVID-19 has given everyone a hard time. Kindly consider this.  |
| 18. | For the past 2 years, PChem provide PETRONAS Gift card to shareholders. Now, with virtual AGM you save more cost. Why no gift card given to participants of virtual AGM?   |
| 19. | We request for RM100 PETRONAS petrol voucher.  |
| 20. | Since the company's AGM is conducted on a fully virtual basis, the company has saved a lot of costs, will the company be giving shareholders who have to incur time and cost to attend this live streaming meeting and remote voting some e-vouchers?  |
| 21. | Since the company's AGM is conducted on a fully virtual basis, the company has saved a lot of costs, will the company be giving shareholders who have to incur time and cost to attend this live streaming meeting and remote voting some e-vouchers?  |
| 22. | Since the company's AGM is conducted on a fully virtual basis, the company has saved a lot of costs, will the company be giving shareholders who have to incur time and cost to attend this live streaming meeting and remote voting some e-vouchers?  |
| 23. | Mr Chairman & Board of Directors, this was our first fully virtual AGM and we are very excited about it. Bursa Malaysia has taken the initiative to provide us with meeting refreshment in the form of Boost credit of RM40 and got the Registrar to email us the Redemption Code.<br>We sincerely hope that PChem would do the similar. Your kind consideration is highly appreciated.  |

## Performance & Outlook

| No.   | Question  |
|---|---|
| 24.   | <p>Hi, Good Morning. Honourable Mr Chairman &amp; Board of Directors of PETRONAS Chemicals.</p> <p>I would sincerely like to request for e-vouchers or e-wallet to be given to us your loyal shareholders who take the time &amp; trouble to attend this AGM &amp; continue to support the company. These are hard times &amp; more than ever before; we need these small handouts from such big conglomerates such as PChem.</p> <p>Look forward to positive reply. Thank you.</p> |
| 25.   | <p>Mr. Chairman &amp; Board of Directors,</p> <p>I would like to appeal to your good self to give e-vouchers or e-wallet to us your loyal shareholders to help us during these challenging &amp; hard times.</p>  |
| 26.   | <p>Mr. Chairman, we shareholders are spending money, time &amp; immense effort participating in this RPV and it is only good CSR to give us e-vouchers/ e-wallets for our efforts.</p>  |
| 27.   | <p>You say performance will improve towards year-end &amp; 2021, so will you give us better door gifts or e-vouchers in the next AGM?</p>   |
| 28.   | <p>Since the company's AGM is conducted on a fully virtual basis, the company has saved a lot of costs, will the company be giving shareholders who have to incur time and cost to attend this live streaming meeting and remote voting some e-vouchers?</p>  |
| 29.   | <p>Mr. Chairman, will you give better &amp; more door gifts in 2021 to compensate for this year's lack luster AGM?</p>  |
| <b>Answer to question number 1 to 29 :</b>  |   |
| For this year's AGM, we are not providing any gifts or vouchers including e-vouchers. |   |

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## Performance & Outlook

| No.  | Question  |
|--|---|
| 30.  | How does COVID-19 affect the business?  |
| 31.  | Has COVID-19 impacted the operations and the financial bottom line? RM amount?  |
| 32.  | How to increase or maximise the company profit in this post COVID-19, especially when the market demand is very weak? |
| <b>Answer to question number 30 to 32 :</b>  |   |
| <p>Based on PCG's performance in the first quarter of 2020 (1Q2020) during the initial stage of COVID-19 outbreak, the Group demonstrated resilience by maintaining our production output as per plan and securing market for all our products. As a result, PCG registered EBITDA of RM764 mil and PAT of RM493 mil in 1Q2020.</p> <p>This has been achieved through the following measures:</p> <ul style="list-style-type: none"><li>• our solid operational and commercial capabilities allow us to respond with speed and agility to meet customer needs;</li><li>• our close relationships with our customers, suppliers and regulators allow us to minimise business interruptions;</li><li>• we have established strong market knowledge and understanding at ground level. The team has the ability to shift volumes into alternative markets; and</li><li>• effectively prioritising markets to capture maximum value and lessen the lockdown impact.</li></ul> <p>To ensure our business sustainability in this new environment, PCG is undertaking the following measures:</p> <ul style="list-style-type: none"><li>• strengthening our practices to ensure that the health and safety of our employees and stakeholders;</li><li>• ensuring business resilience through solid operational and commercial capabilities;</li><li>• optimising operational costs and prioritising our investment spending accordingly; and</li><li>• reviewing and strengthening our long-term growth strategy.</li></ul> |   |

## Performance & Outlook

| No.   | Question   |
|---|--|
| 33.   | The 1 <sup>st</sup> Quarter 2020 results for the period ended 31 March 2020 reported a loss for the Olefins and Derivatives segment despite maintaining plant utilisation rate at 100%. Have the average product prices and profit margins improved from April until early June 2020?                            |
| 34.   | Year 2019 Revenue and Profit are lower as compared to the previous year. What is the outlook for Year 2020, will it be better or worse in terms of Revenue and Profitability?  |
| 35.   | What is the outlook for Year 2020 in terms of Revenue and Profit as compared to 2019?  |
| 36.   | Quarter 1 reported lower average selling price and margin compression as the main reasons for drop in revenue and profit.<br>1) Can management share what are the latest situation for each of your product's price and margin?<br>2) Do you foresee the situation to improve or getting worse in coming months? |
| <b>Answer to question number 33 to 36 :</b>   |  |
| <ul style="list-style-type: none"><li>• US-China trade war, lower global GDP, COVID-19 and low crude price resulted in the decline of petrochemicals prices.</li><li>• Consequently, this put downwards pressure to overall petrochemicals margin.</li><li>• We view this to be short term and believe the market will improve towards the end of the year and into 2021.</li></ul> |  |

## Performance & Outlook

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| No.   | Question  |
|---|---|
| 37.   | Considering significant new capacity is going to be introduced to the market and COVID-19 will likely further dampen the demand in short to midterm. Will there be an oversupply situation in petrochemical industry? |
| 38.   | This year February news citing Singapore-based ChemOne to launch a USD3.38 billion Aeromatic Plant investment in Pengerang. Is this a new competitor and a threat to PCG?   |
| <b>Answer to question number 37 and 38 :</b>  |   |
| <ul style="list-style-type: none"><li>• The addition of new capacity is a positive indication that the industry is growing.</li><li>• There will be short term margin pressure but in the long term it is healthy.</li><li>• Given our diverse portfolio mix, strong customer relationship, reliability of supply, proximity to market and secured term contract, PCG will be able to navigate the impact of additional capacity.</li></ul> |   |

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## Performance & Outlook

| No. | Question  |
|-----|---|
| 39. | Which benefits the company, high or low Brent oil price?  |
| 40. | What is the impact or benefit of crude oil price crash on PCG's performance going forward?  |
| 41. | If the crude oil and gas prices were to remain low in the next few years, how would it affect the margin of PCG which is in a downstream business?  |
| 42. | Crude oil prices have declined severely and likely to remain low, what is the overall impact on the performance of the company? How favorable or unfavourable?  |
| 43. | Has the collapse in crude oil prices since February 2020 resulted in the similar downtrend of Olefins & Derivatives prices? If yes, what are the average reduction in percentage terms compared to the average prices achieved in FY2019. |

### Answer to question number 39 to 43 :

- We do not comment on crude oil prices outlook.
- As you can see today, there is a positive trend of crude oil prices. We expect the prices to improve gradually if there is no second wave of COVID 19.
- For PCG, some products have certain level of correlation to crude oil price, for example products under the Olefins & Derivatives segment, but others do not. Hence, it is difficult to directly correlate the crude oil prices to the Group's performance.
- We view that the current situation will have short term impact to PCG performance and it will gradually improve towards the end of the year and into 2021.



## Costs of Running the AGM

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| No.   | Question   |
|---|--|
| 44.   | Please inform shareholders the cost of running this Virtual AGM compared against the cost of a normal physical AGM. Thank you. |
| 45.   | How much does the company spend on this virtual AGM?   |
| 46.   | How much does the company save on this?  |
| <b>Answer to question number 44 to 46 :</b>   |  |
| The cost of a virtual AGM is significantly less than a physical AGM as virtual AGM does not involve the cost of venue, meals and other logistics arrangement. |  |

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## Site Visit/Plant Tour

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| No.  | Question  |
|--|---|
| 47.  | Is the company planning any plant tour this year?       |
| 48.  | Will we still be invited to visit plants post COVID-19? |
| 49.  | How can we participate in site visits?                  |
| <b>Answer to question number 47 to 49 :</b>  |   |
| In view of the health and safety measures put in place following the COVID-19 pandemic, all site visits planned this year have been put on hold. |   |

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## Financials

| No.   | Question  |
|---|---|
| 50.   | Why is financing cost up in 2019 vs 2018 when borrowing is down?  |
| <b>Answer :</b>   |   |
| <p>Finance cost is higher mainly due to financial guarantee related to bridge loan obtained by our joint operation company which has been refinanced via project financing in 2019 and unwinding discounts on lease liabilities recognised upon adoption of new accounting standard i.e. MFRS16, Leases as disclosed in page 103 of Integrated Report.</p>          |   |
| No.   | Question  |
| 51.   | <p>On Balance Sheet, the “Other long-term liabilities and provisions” increases from RM583 million to RM1.6990 billion, Note 18 on page 109 state that this is due to big increases in “Deferred income”, which due to “investment tax allowance”.</p> <p>i) Can management elaborate and explain why investment tax allowance are recognised in liability?</p> <p>ii) How will this amount impact P&amp;L?</p> <p>Thank you.</p> |
| <b>Answer :</b>   |   |
| <p>With the change in accounting policy, tax incentives with similar features to government grants are recognised as deferred tax asset while “deferred income” is credited under liability instead of tax credit. The deferred income will subsequently be amortised into income statement over remaining useful life of the plant upon realisation of profit.</p> |   |
| <p>Please refer to page 75 of our Governance and Financial Report 2019, Note 2 Significant Accounting Policies.</p>   |   |

## Directors Benefit

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| No.   | Question   |
|---|--|
| 52.   | How much is each director's allowance for attending quarterly meeting and AGM? |
| <b>Answer :</b>   |  |
| The information has been disclosed in page 26 of Governance and Financial Report. |  |

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| <b>No.</b>   | <b>Question</b>  |
|--|--|
| 53.  | How much losses do PChem experience from fire occurred at RAPID? |
| <b>Answer :</b>  |  |
| The fire did not occur in the Pengerang petrochemicals facility. |  |

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## Pre AGM Questions

| No.   | Question   |
|---|--|
| 1.  | At these unprecedented times, can the company provide door gift to shareholders who attended the meeting? Thanks   |
| 2.  | Why no e-voucher?<br>Any written reply when we post question? Hopefully next year we will be back to the ordinary norm. Stay safe everyone.  |
| 3.  | Any plan to give petrol card or e-vouchers?  |
| 4.  | Mr Chairman we want to request for PETRONAS gift card valued at 100.00. Last all attendees were give this gift. Thank you.   |
| 5.  | Since the AGM is conducted on a virtual basis, we outstation shareholders are able to participate for the first time in the meeting, so we hope the company will consider giving shareholders attending the meeting some e vouchers. |
| 6.  | Although the AGM is conducted on a virtual basis, we hope the company will continue giving shareholders attending the live streaming meeting and remote voting some e-vouchers.  |
| 7.  | Although the AGM is conducted on a virtual basis, we hope the company will continue giving shareholders attending the live streaming meeting and remote voting some e-vouchers.  |
| 8.  | Although the AGM is conducted on a virtual basis, we hope the company will continue giving shareholders attending the live streaming meeting and remote voting some e-vouchers.  |
| 9.  | Since the AGM is conducted on a virtual basis, we outstation shareholders are able to participate for the first time in the meeting, so we hope the company will consider giving shareholders attending the meeting some e-vouchers. |
| <b>Answer to question number 1 to 9 :</b>   |  |
| For this year's AGM, we are not providing any gifts or vouchers including e-vouchers. |  |

## Pre AGM Questions

| No.  | Question   |
|--|--|
| 10.  | Does the group continue to operate during MCO period?  |
| <b>Answer :</b>  |  |
| <ul style="list-style-type: none"> <li>• PCG continues to operate throughout the MCO period by implementing necessary precautionary measures to ensure the safety of our employees.</li> <li>• As presented by MD/CEO during AGM, measures taken to ensure continuous business activities include:               <ol style="list-style-type: none"> <li>i) Work from Home for non-essential personnel</li> <li>ii) Operating at minimum manning to adhere to MITI's requirement</li> <li>iii) Temperature &amp; health screening</li> <li>iv) Collaborated with local authorities &amp; services providers to ensure uninterrupted supply chain &amp; timely delivery to our customers</li> <li>v) Continue to explore alternative markets &amp; new customers to maximise volume</li> </ol> </li> </ul> |  |
| No.  | Question   |
| 11.  | What is the current utilisation rate on both Olefins and Derivatives segment and Fertilisers and Methanol segment? |
| <b>Answer :</b>  |  |
| <ul style="list-style-type: none"> <li>• Our plant utilisation rates are above 90% for both O&amp;D and F&amp;M segments.</li> <li>• As at Q1 2020, plant utilisation rates for both segments are higher compared to Q4 2019.</li> </ul>   |  |
| No.  | Question   |
| 12.  | How much is the correlation between crude oil price and group performance?   |
| <b>Answer :</b>  |  |
| Some products have certain level of correlation, but others do not. Hence, it is difficult to directly correlate to group performance.   |  |
| No.  | Question   |
| 13.  | What is the outlook on crude oil price?  |
| <b>Answer :</b>  |  |
| <ul style="list-style-type: none"> <li>• We do not normally comment on crude oil prices outlook.</li> <li>• As you can see today, there is a positive trend of crude oil prices. We expect the prices to improve gradually if there is no second wave of COVID-19.</li> <li>• Currently, starting from June 2020, Brent crude oil traded at above USD35/bbl.</li> </ul>  |  |

## Pre AGM Questions

| No.   | Question  |
|---|---|
| 14.   | What is the prospective outlook for petrochemicals industry?<br>Vis a vis your competitors locally and overseas, can you maintain the edge over them?<br>Kindly look into how to benefit or increase shareholder's value.   |
| <b>Answer :</b>   |   |
| <ul style="list-style-type: none"> <li>As explained in our response to MSWG queries, the short-term challenging outlook is temporary and we believe the market will improve towards the end of the year and into 2021.</li> <li>We believe that we will maintain our level of competitiveness moving forward.</li> <li>All our efforts and strategies are towards creating sustainable growth and value.</li> </ul>   |   |
| No.   | Question  |
| 15.   | There are many petrochemical hubs being built by rivals in the region (eg: ChemOne-Pengerang, LC Titan-Indonesia, Beca/Sinopec-Lawas). Are they direct competitors and a threat to PCG? Will there be an oversupply risk in the future? What are PCG's competitive advantages compared to rivals? |
| <b>Answer :</b>   |   |
| <ul style="list-style-type: none"> <li>The construction of new petrochemical hubs is a positive indication that the industry is growing.</li> <li>There will be short term margin pressure but in the long term it is healthy.</li> </ul>   |   |
| No.   | Question  |
| 16.   | We paid RM760 million for acquisition of Da Vinci Group (DVG). What are its net assets, debt and goodwill generated from this purchase? Did we overpay, or paid a good price for it?  |
| <b>Answer :</b>   |   |
| <ul style="list-style-type: none"> <li>The net identifiable assets and liabilities on the acquisition date was RM77 million with a goodwill of RM583 million as disclosed in the Governance and Financial Report, page 151. It is worth to note that specialty chemicals companies are typically asset light with significant goodwill, where the real value is more concentrated towards customer solutions, know-how and brand.</li> <li>At the point of purchase, we believe that we purchased at fair value taking into consideration the synergy and future value that we expect to realise from the investment and have the opportunity to grow further.</li> </ul> |   |



## Pre AGM Questions

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| No.   | Question  |
|---|---|
| 17.   | Continued from question regarding acquisition of DVG.<br>i) What is the number of employees?<br>ii) What is the revenue per employee?<br>iii) What is the historical Return on Equity of DVG?<br>iv) What is the annual growth rate expected from DVG's acquisition?<br>v) What is the estimated profit margin from the expected growth market? |
| <b>Answer :</b>   |   |
| <ul style="list-style-type: none"><li>• In 2019, DVG has approximately 300 employees globally.</li><li>• Revenue per employee for 2019 is about RM2.8 million.</li><li>• DVG's last 3 years' average return on equity is around 18%.</li><li>• Demand for Silicones historically grows at GDP plus although some short-term disruption expected due to Covid-19. Based on current estimates, DVG's EBITDA will contribute around 3% to PCG Group's EBITDA in the next 5 years.</li><li>• Generally, DVG's profit margin is better than basic petrochemicals plants, typically above two-digit numbers, driven by the value of specialty solutions it provides to customers.</li></ul> |   |