

PETRONAS CHEMICALS GROUP BERHAD

**Quarterly Analyst Briefing
for the
Quarter Ended 31 March 2018**

**21st May 2018
4.00pm**



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PCG Leadership Team



Datuk Sazali Hamzah
**Managing Director/
Chief Executive Officer**



Rashidah Alias
Chief Financial Officer



Mahadzir Rani
Head of Manufacturing



Shamsairi M Ibrahim
Head of Commercial



Akbar M Thayoob
Head of Strategic Planning & Ventures



Zaida Alia Shaari
Head of Investor Relations



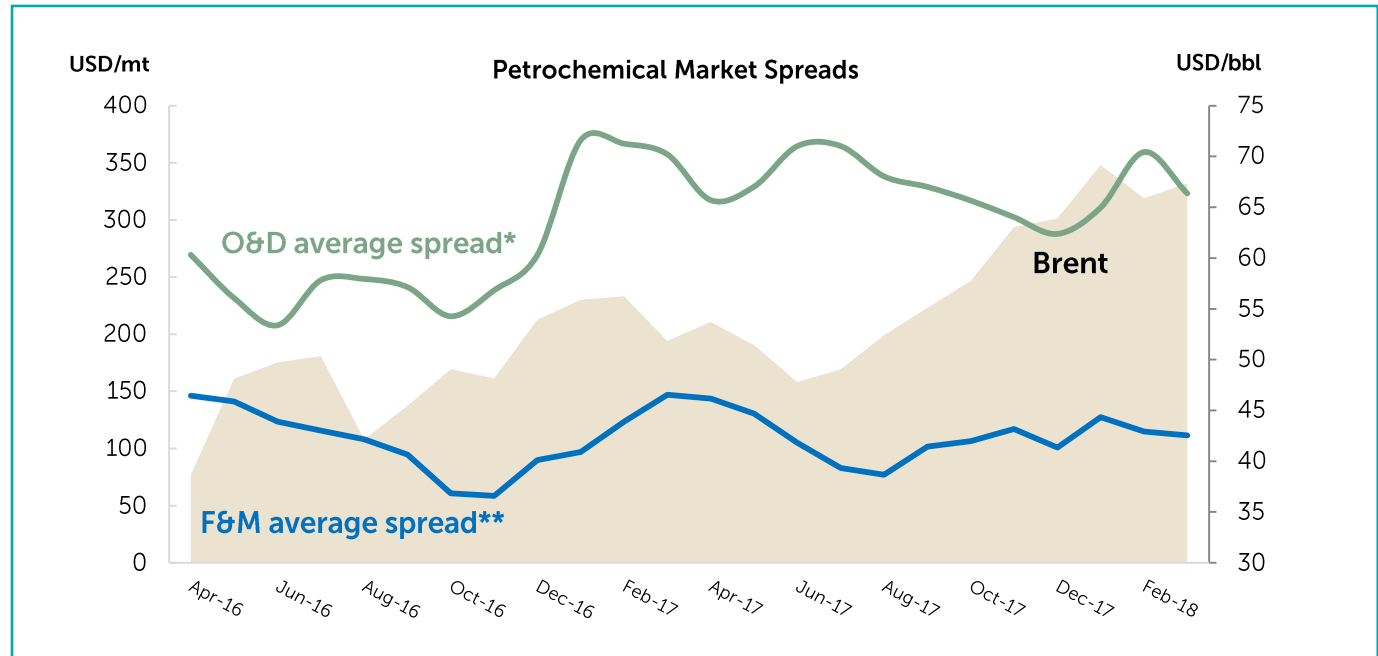
Key Highlights

Key Highlights

Market continues to improve



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- Continued improvement in crude oil prices, 1Q 2018 Brent averaged 24% higher at USD67/bbl
- Higher product prices in line with higher energy prices
- Higher product spreads in line with higher prices for petrochemical products (across the board)

Key Highlights

Continuing excellence, solid start



■ Plant utilisation (PU) at 100%

- No turnaround in 1QFY2018
- Stable feedstock supply

■ Sales volume increased 15% y-o-y

- Healthy demand, higher merchantable volume
- Firmer petrochemical product prices

■ EBITDA margin at 37%

- Better spreads, higher sales volume

Partially negated by;

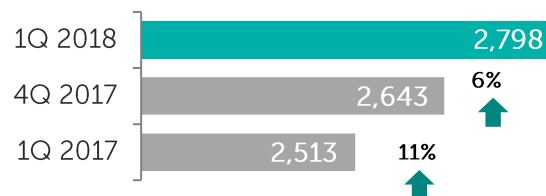
- Strengthening MYR against USD and higher manpower cost



Financial Highlights

1Q 2018 Group Financial Results

Production Volume, kmt



Higher production volume on:

- Higher feedstock supply
- Zero planned turnaround

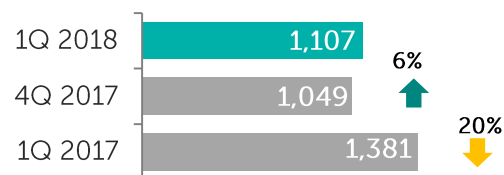
Revenue, RM million



Improved revenue with:

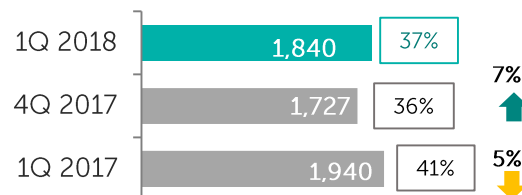
- Higher product prices
- Higher sales volume

Profit After Tax, RM million



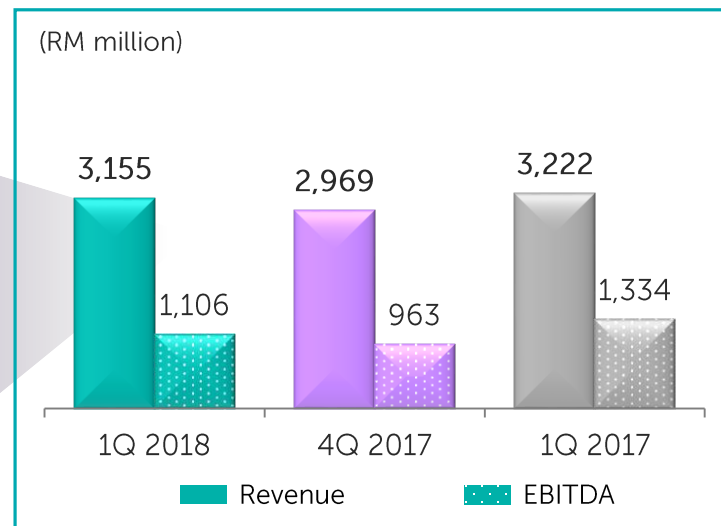
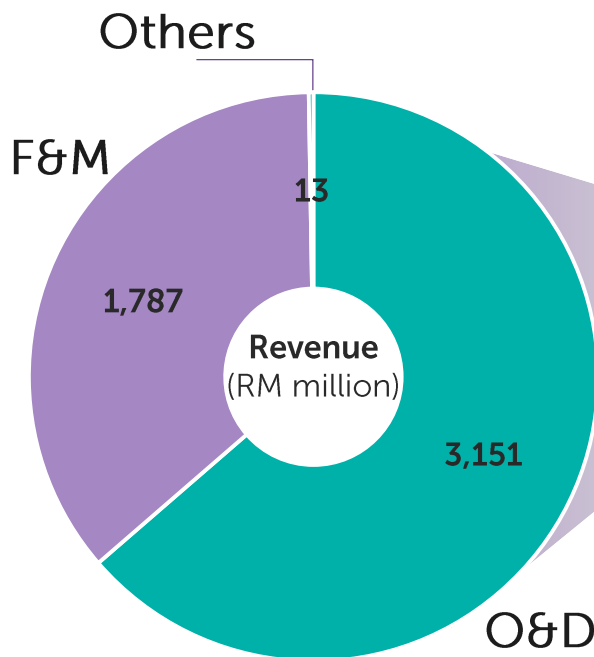
- *Against 4Q 2017*, PAT improved with lower recognition of deferred tax liabilities at PC Fertiliser Sabah
- *Against 1Q 2017*, PAT declined due to once-off foreign exchange loss on the shareholder loans pursuant to the divestment of 50% equity interest in its subsidiary, PRPC Polymers Sdn Bhd.

EBITDA, RM million



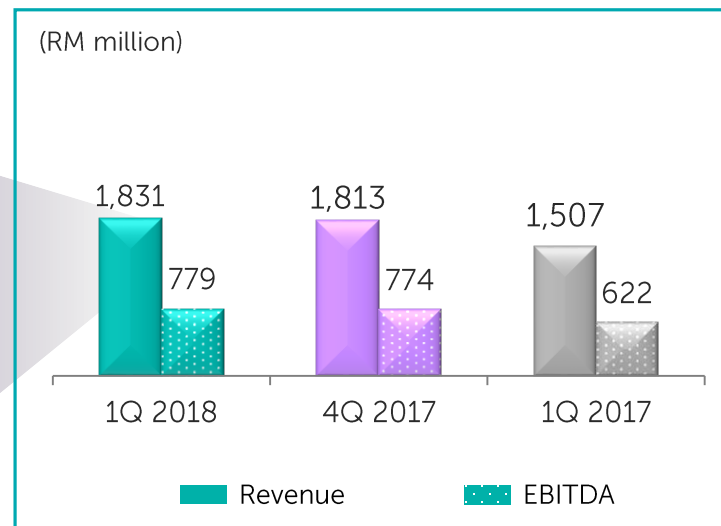
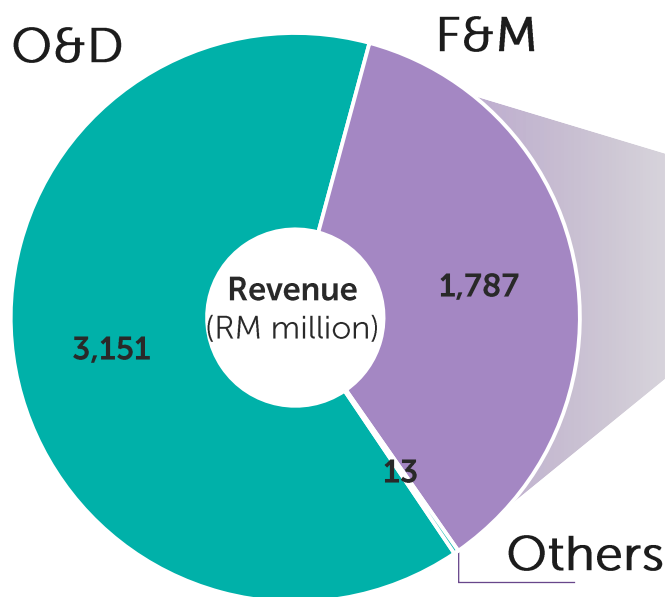
- *Against 4Q 2017*, EBITDA improved with higher spreads and higher sales volume.
- *Against 1Q 2017*, EBITDA declined due to the strengthening of the MYR against USD

Financials : Olefins & Derivatives



- Improved market with higher crude oil prices and healthy chemicals demand.
- Higher earnings due to:
 - Improved product prices
 - Higher sales volume

Financials : Fertilisers & Methanol



- Improved product prices with overall improvement in energy prices
 - EBITDA improved with better spreads;
- Partially negated by;
- strengthening of the Malaysian Ringgit against the US Dollar.

Financials

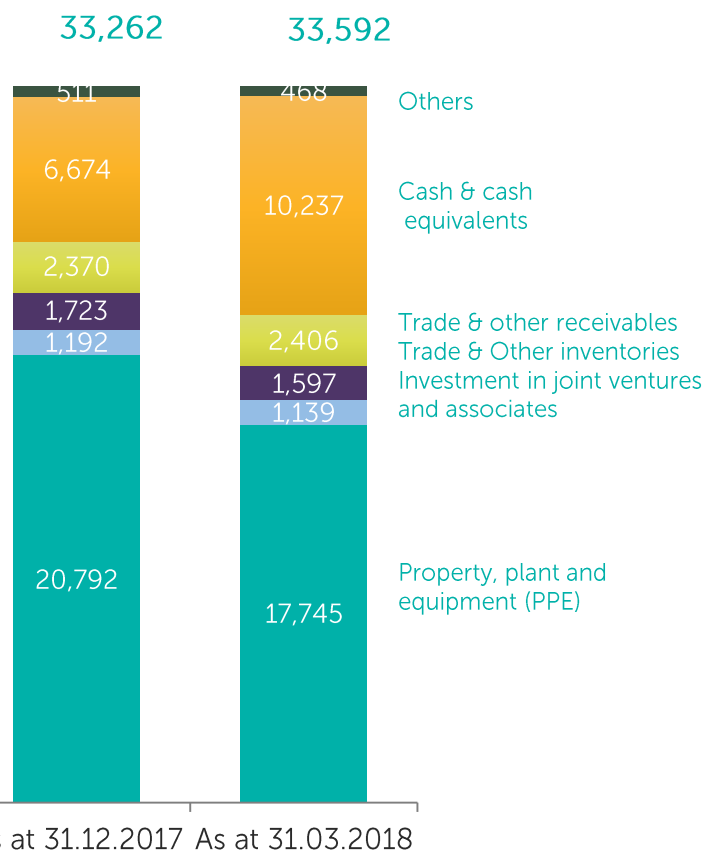
Balance Sheet as at 31 March 2018



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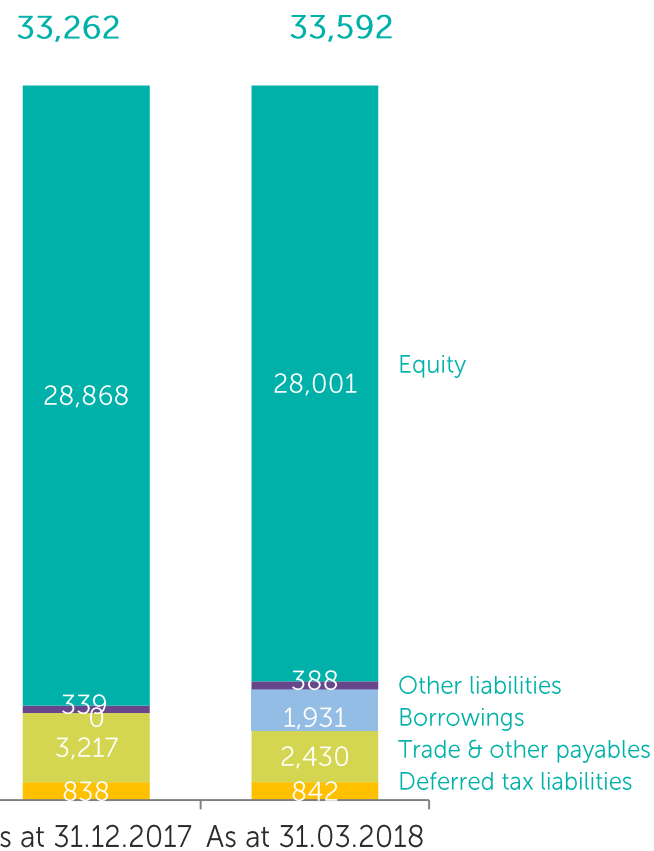
Total Assets

(RM million)



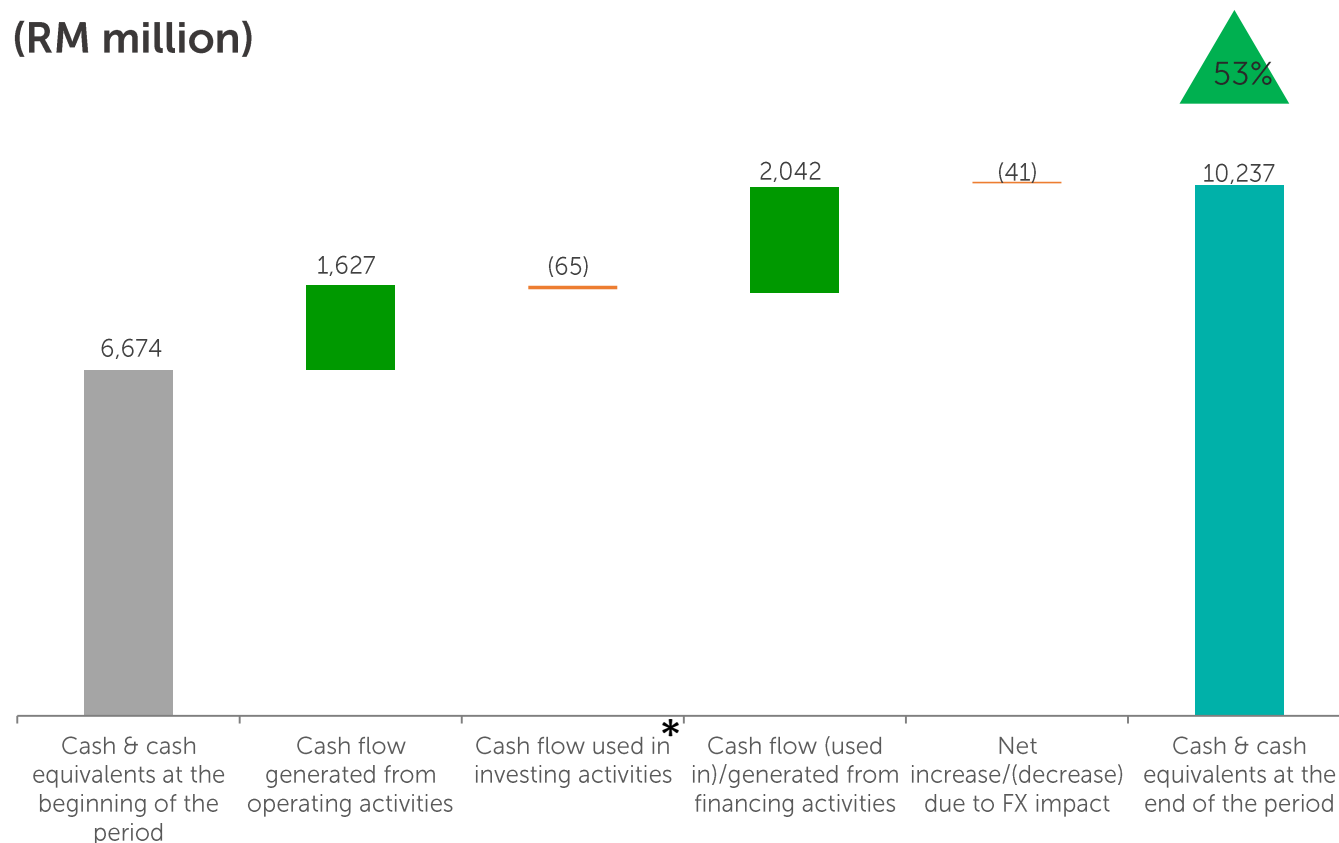
Total Equity & Liabilities

(RM million)

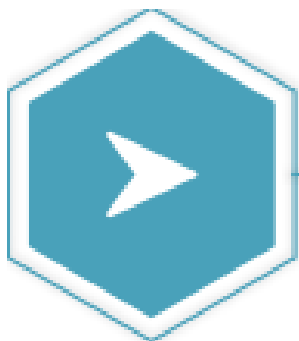


Cash Flows as at 31 March 2018

(RM million)



* Includes proceeds from partial divestment of equity and shareholder's loan in a subsidiary, net of cash divested



Manufacturing Highlights

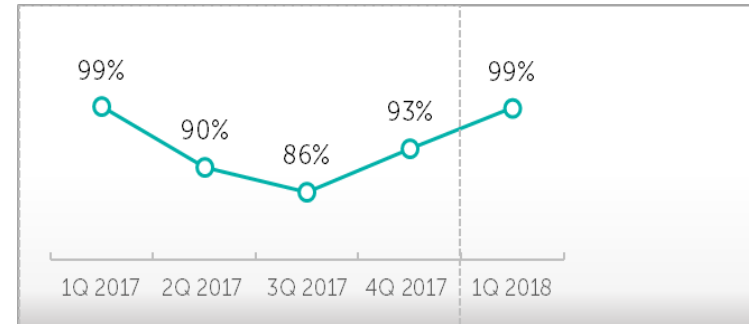
Sustained Group Plant Performance

Manufacturing

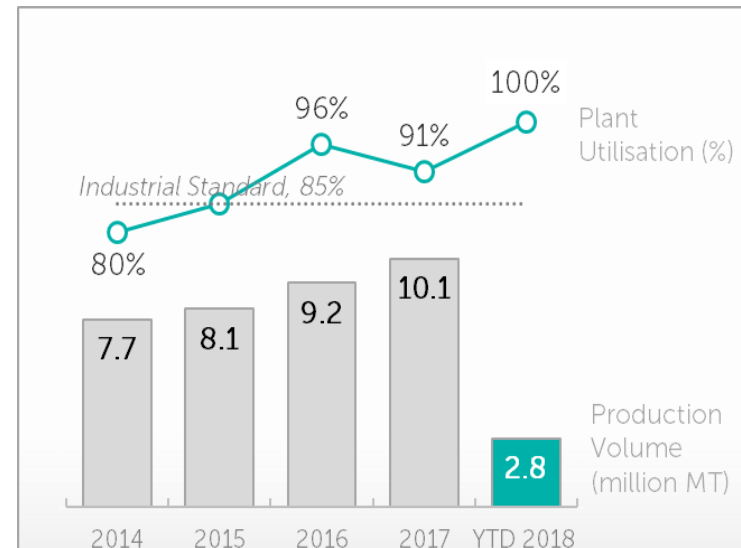
Sustained Group Plant Utilisation above 90%

- **Smooth and safe operation without major activities during the quarter**
- **Reliable supply to our facilities**
- **Annual production volume will remain above 10 kMT**

Quarter Group Performance

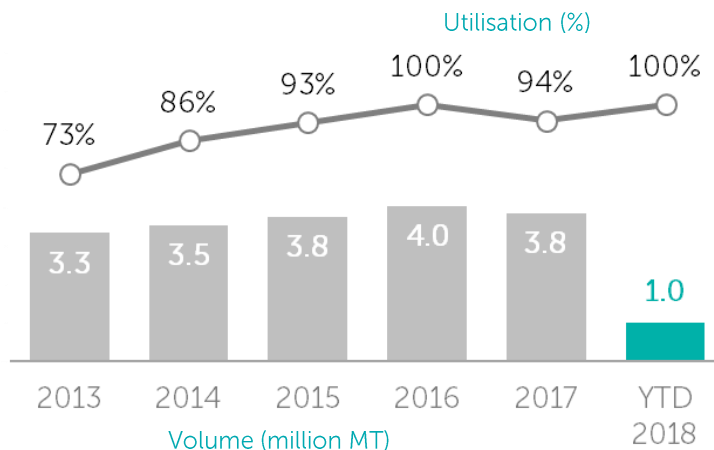


Annual Group Performance



Sustained Group Plant Performance

Manufacturing



OLEFINS AND DERIVATIVES (O&D)



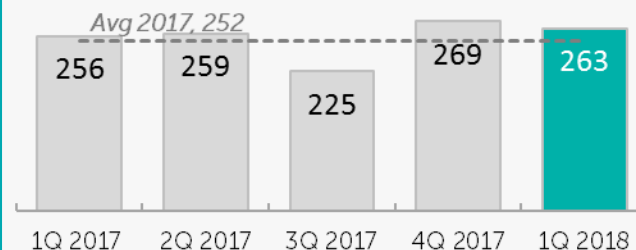
Ethylene crackers delivered production as planned during the quarter despite challenges from upstream.

Ethylene Production

Annual Volume (thousand MT)



Quarterly Volume (thousand MT)

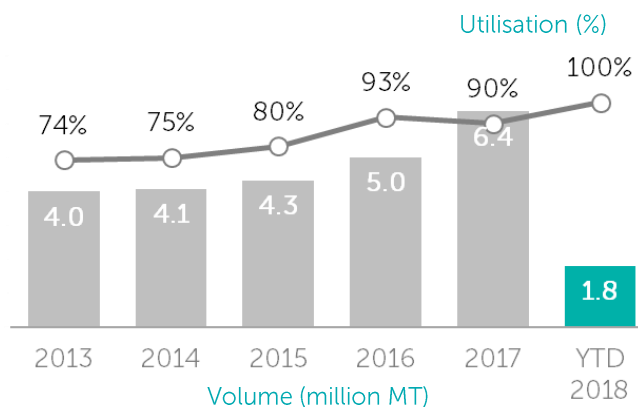


Sustained Group Plant Performance



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Manufacturing



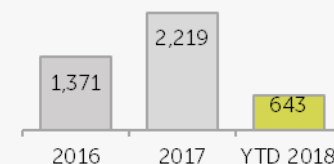
FERTILISER AND METHANOL (F&M)



Urea and Methanol strengthen with reliable operation of PCM and PCFS

Urea Production

Annual Volume (thousand MT)

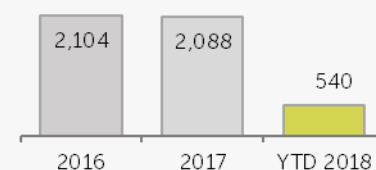


Quarterly Volume (thousand MT)



Methanol Production

Annual Volume (thousand MT)



Quarterly Volume (thousand MT)



Project Updates



Aroma Plant

citral | menthol | citronellol

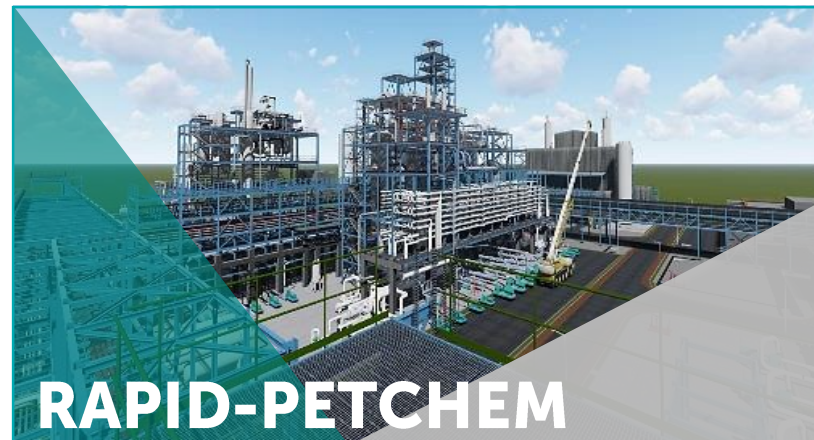
- Stable Isoprenol, Citral & Citranellol in 1Q 2018.
- L-menthol plant is progressing planned and will be comin on stream in phases this year.



HR-PIB

highly reactive polyisobutene

All grades achieved specification in 1Q 2018 with YTD production exceeding budgeted volume for the quarter.



Several plants construction are progressing as planned with start up target in 2019, in stages.

OPERATION & MAINTENANCE READINESS



Deployment



Training



Management System

Ready for commercial operation in phases this year.



Commercial Outlook

Outlook: Olefins & Derivatives

Ethylene



Q1 2018
(vs Q4 2017)



- ◆ Firming Crude Price
- ◆ Supply limitation in NEA & ME
- ◆ Improved demand from downstream

Q2 2018
(Forecast)



- ◆ Firming Crude Price
- ◆ TA activities in NEA and ME
- ◆ Soft demand in SEA and FEA

Polymers



Q1 2018
(vs Q4 2017)



- ◆ Strong ethylene price.
- ◆ Supply limitation in SEA

Q2 2018
(Forecast)



- ◆ Ample supply availability in SEA
- ◆ Stable demand in China and SEA

MEG



Q1 2018
(vs Q4 2017)



- ◆ Strong ethylene price
- ◆ Robust demand from polyester pre & post CNY holiday

Q2 2018
(Forecast)



- ◆ Maintenance shutdown in NEA & ME
- ◆ High inventory in China ports
- ◆ Anticipate restocking from polyester manufacturers

Aromatics



Q1 2018
(vs Q4 2017)



- ◆ Stronger demand from downstream
- ◆ Firm Naptha prices

Q2 2018
(Forecast)



- ◆ Ample supply in SEA and ME
- ◆ Stable demand from downstream

Outlook: Fertilisers & Methanol

Urea



Q1 2018
(vs Q4 2017)



- Long supply conditions
- Resumption of Demand

Q2 2018
(Forecast)



- End of purchasing season in US and Europe.
- High inventory in Thailand

Ammonia



Q1 2018
(vs Q4 2017)



- Tight supply and limited availability in the Middle East
- Deferment of new capacity in SEA

Q2 2018
(Forecast)



- New capacity in stream in SEA
- Low demand from downstream due to TA

Methanol



Q1 2018
(vs Q4 2017)



- Supply shortage in China and Middle East
- Steady derivative demand in Far East Asia

Q2 2018
(Forecast)



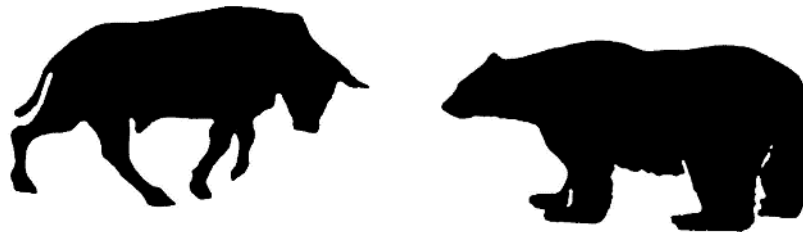
- Ample supply with high OR
- Stable demand from downstream



Moving Forward

Moving Forward

Chemicals demand to remain strong



Increasing
consumer
demand

Oil price
recovery

Improving
global
economy

Market
uncertainty

Increasing
protectionism





Key focus areas for 2018



PETRONAS

- Sustain world class **operational excellence**
- Deliver **commercial & innovation excellence**
- Execute **growth** projects effectively
- Growth portfolio and **future proof** business



THANK YOU

For further enquiries please contact us at:

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