

PETRONAS CHEMICALS GROUP BERHAD

**Quarterly Analyst Briefing
for the
Quarter Ended 31 March 2019**

**24th May 2019
3.30pm**



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Key Highlights



Performance Highlights



Moving Forward



Acquisition of Da Vinci Group B.V



Q & A



Key Highlights

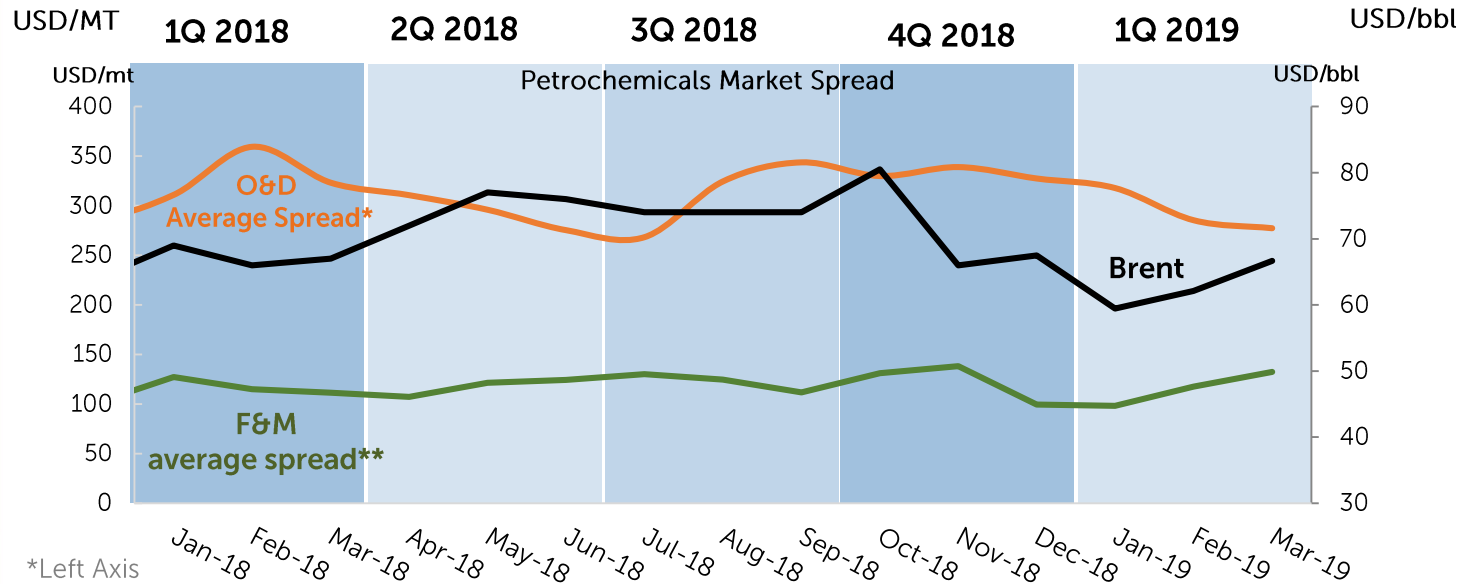
Economic headwinds continue



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Business Environment

Petrochemicals Market Spreads



*Left Axis

- Global GDP fell to 2.92%, as trade talks continue between US and China while Brexit related uncertainty continue to limit growth in the UK.
- Crude oil prices averaged at USD64/bbl in 1Q 2019, lower than USD67/bbl in 1Q 2018, with record-high output from the US off setting OPEC led production cuts.
- Average product prices declined on lower feedstock cost and slower downstream demand.



1Q 2019 Highlights

Key Highlights

- Plant utilisation (PU) at 95 %
 - Major maintenance completed at PC Methanol
 - Lower production volume by 5%

- Sales volume declined 14% y-o-y
 - Weak downstream and derivatives demand
 - Lower average product prices

- PAT declined
- Lower EBITDA due to;
 - weaker spreads, lower sales volumePartially offset by;
 - Strengthening USD against MYR



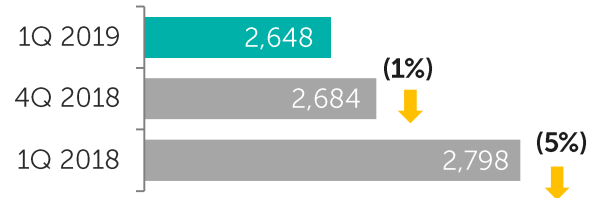
Financial Highlights

1Q 2019 Group Financial Results



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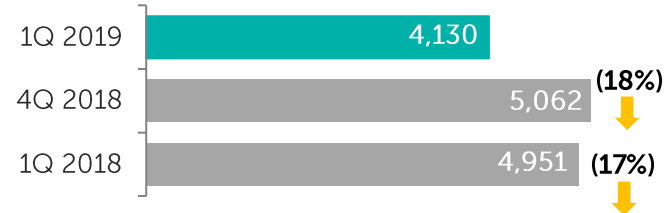
Production Volume, kMT



Lower production volume YoY and QoQ on:

- Lower plant utilisation rate
- Higher level of maintenance activities

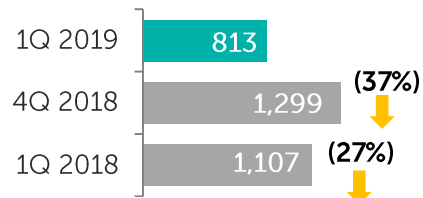
Revenue, RM million



Weaker YoY and QoQ due to:

- Lower product prices and sales volume
- QoQ further compounded by strengthening of Ringgit Malaysia against US Dollar

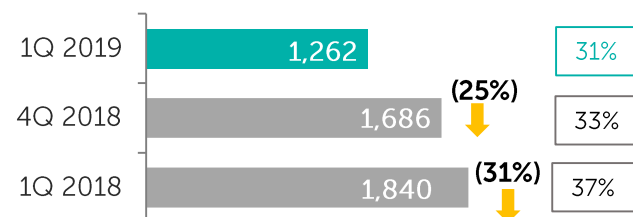
Profit After Tax, RM million



Lower PAT YoY and QoQ in line with:

- Lower EBITDA
- QoQ further compounded by net share of losses from joint ventures and associates

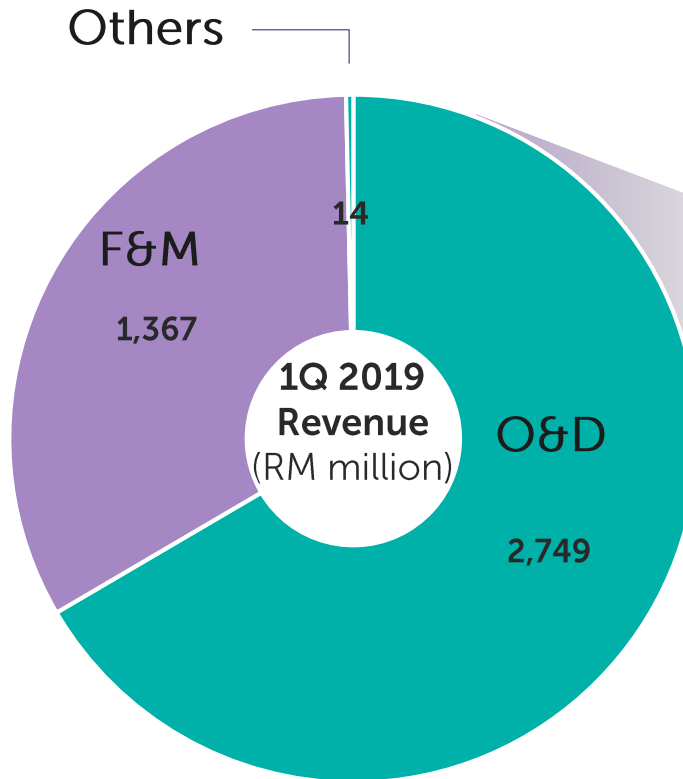
EBITDA, RM million



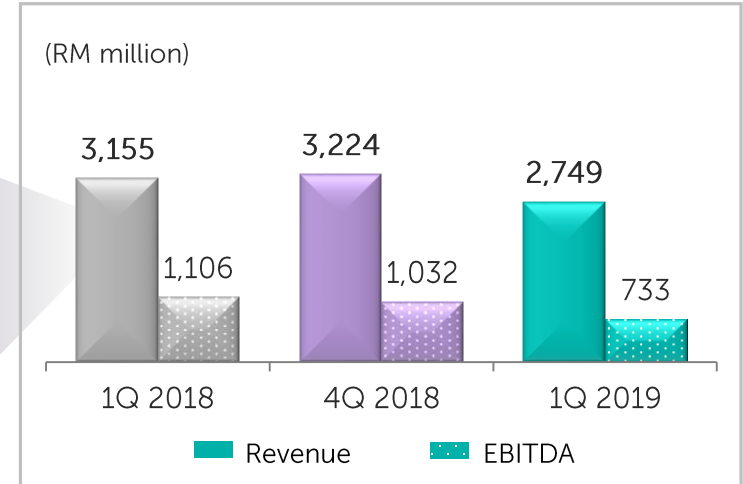
Lower EBITDA YoY and QoQ due to:

- Lower sales volume
- Lower spreads
- QoQ also impacted by higher operating expenditure for maintenance activities

Financials : Olefins & Derivatives

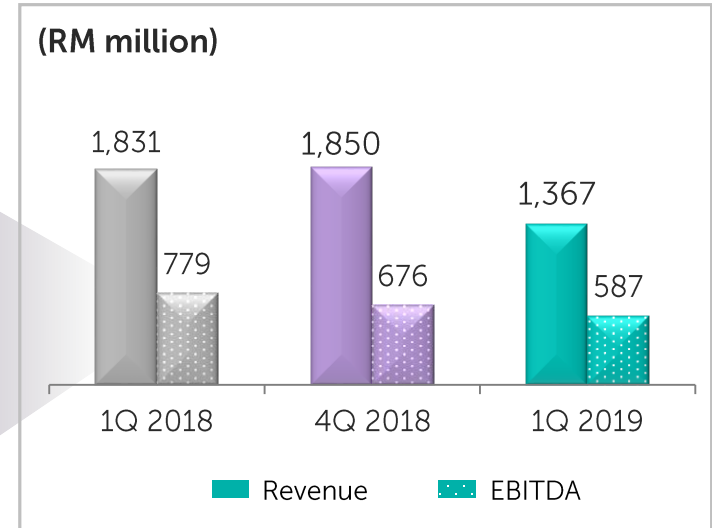
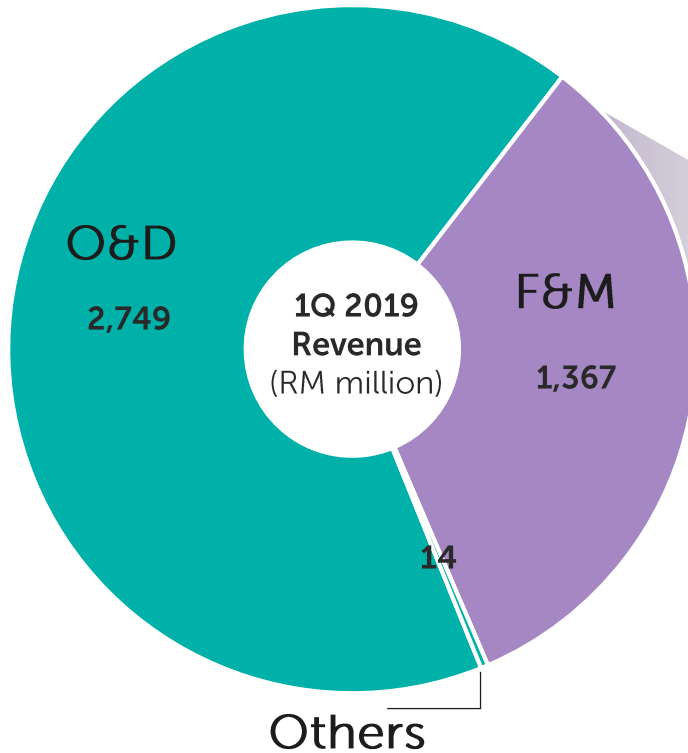


- Others comprise of operations related to investment holding company and port services which provide product distribution infrastructure to the Group.



- **Market was weak inline with lower energy prices coupled with economic worries.**
- **Lower earnings due to:**
 - **Lower product prices**
 - **Lower sales volumes**
 - **Lower spreads**

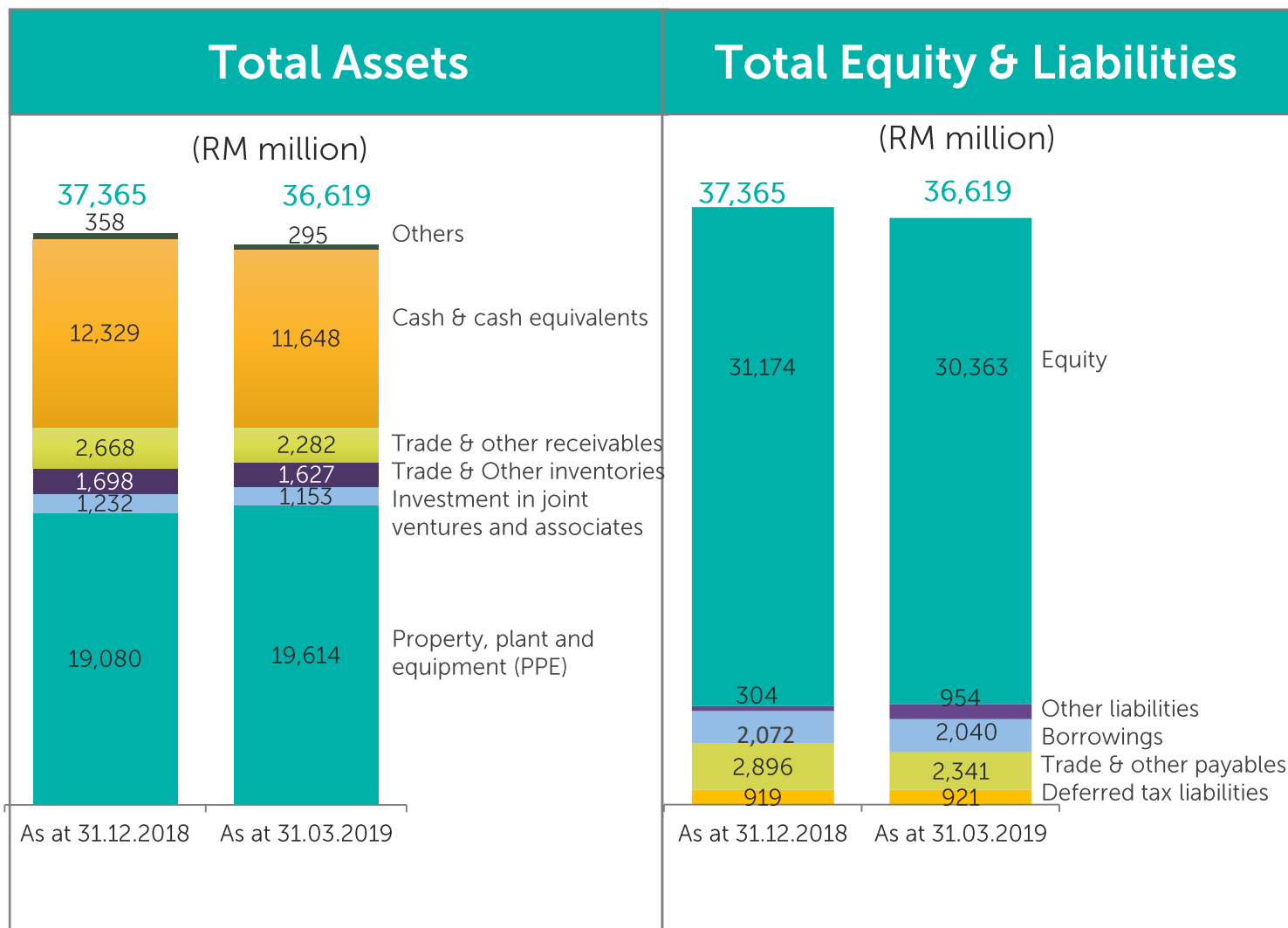
Financials : Fertilisers & Methanol



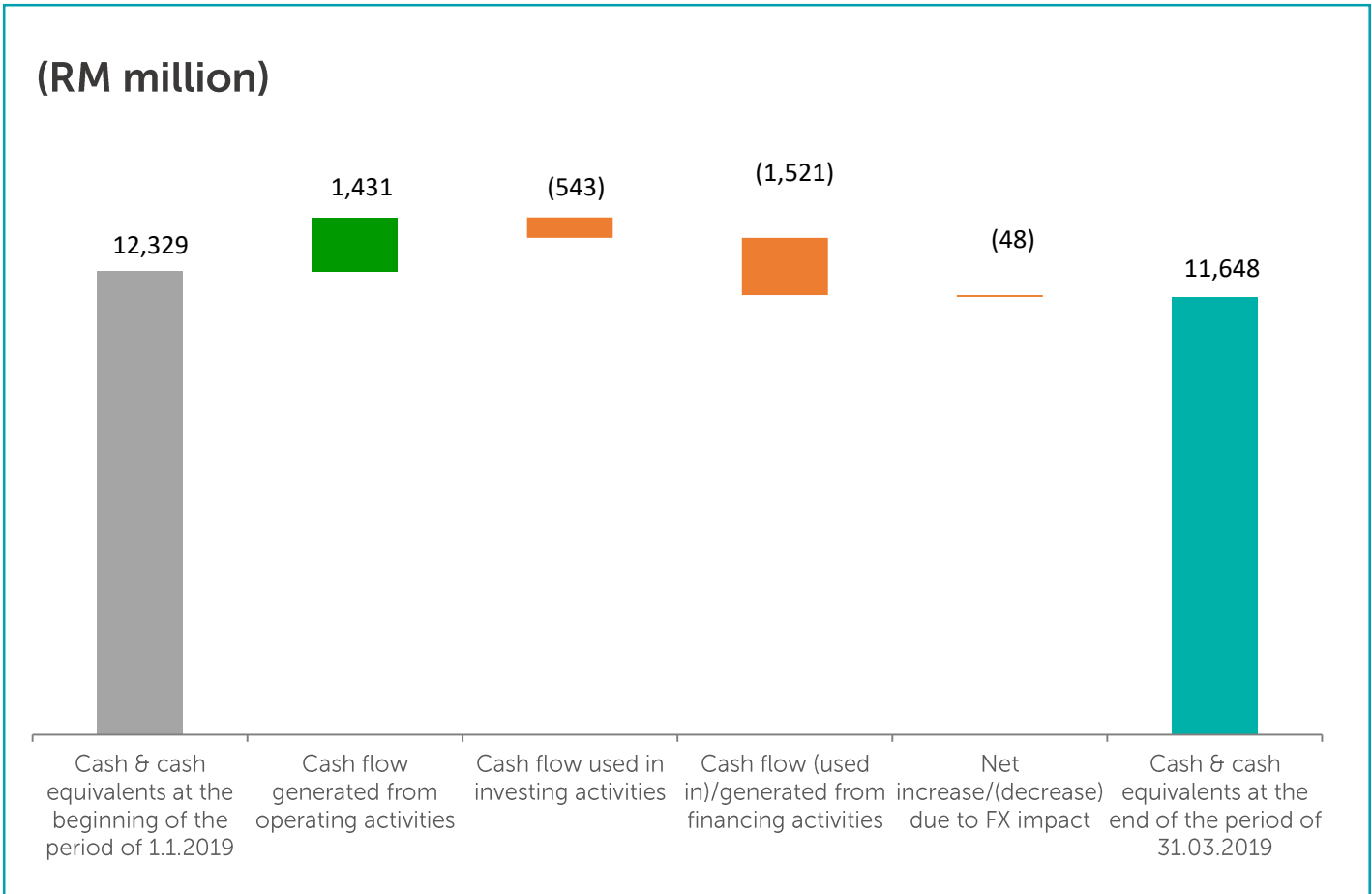
- **Weaker on low energy prices and oversupply**
- **Lower earnings due to:**
 - Lower product prices
 - Lower sales volumes
 - Lower spreads

* Others comprise of operations related to investment holding company and port services which provide product distribution infrastructure to the Group.

Balance Sheet as at 31 March 2019



Cash Flows as at 31 March 2019





Manufacturing

Operational Highlights

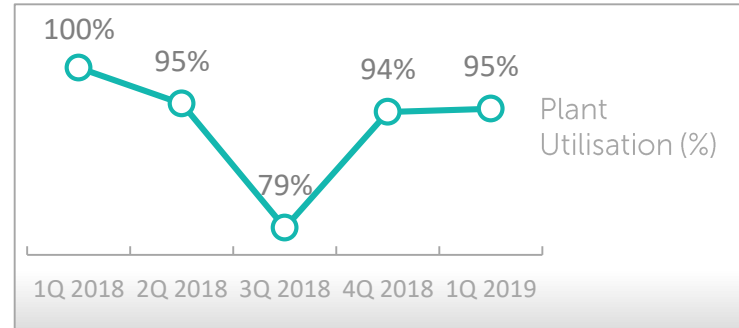


Manufacturing

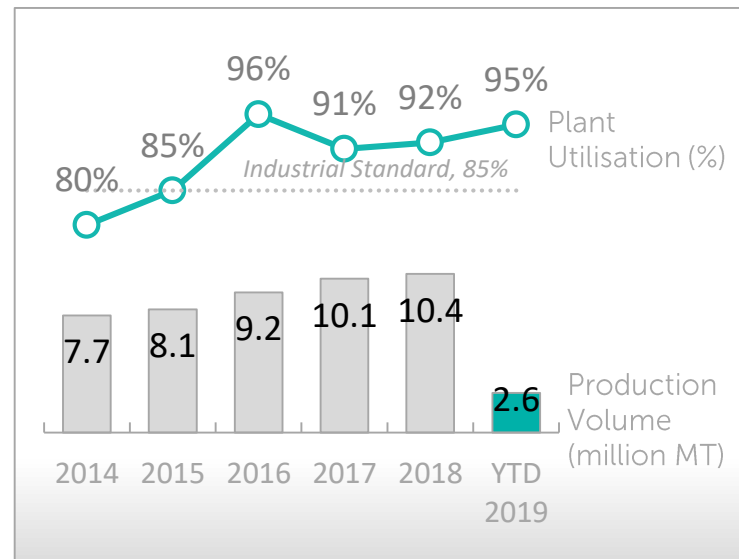
Plant Utilisation was stable at 95% for the quarter

- High utilisation in Olefins & Derivatives segment
- Stable operations at Fertiliser facilities
- Maintenance activities at PC Methanol and PC Aromatics

Quarter Group Performance



Annual Group Performance

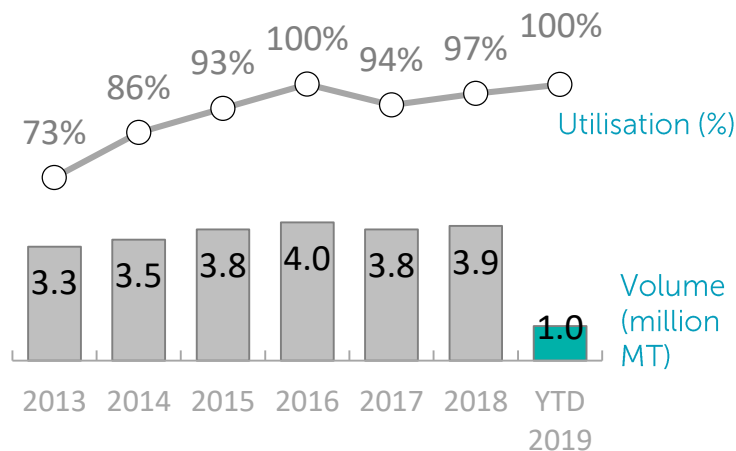


1Q 2019 Segmental Operational Performance



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Manufacturing



OLEFINS AND DERIVATIVES (O&D)

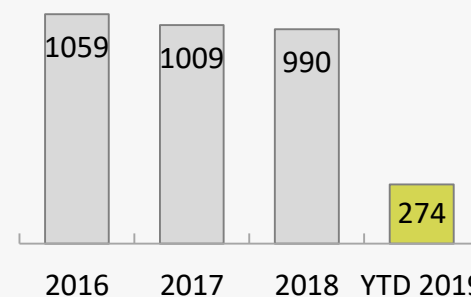


Achieved 100% utilization in 1Q 2019

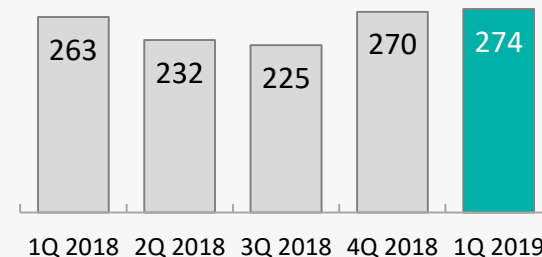
Ethylene production stable at above 270 kMT

Ethylene Production

Annual Volume (thousand MT)



Quarterly Volume (thousand MT)

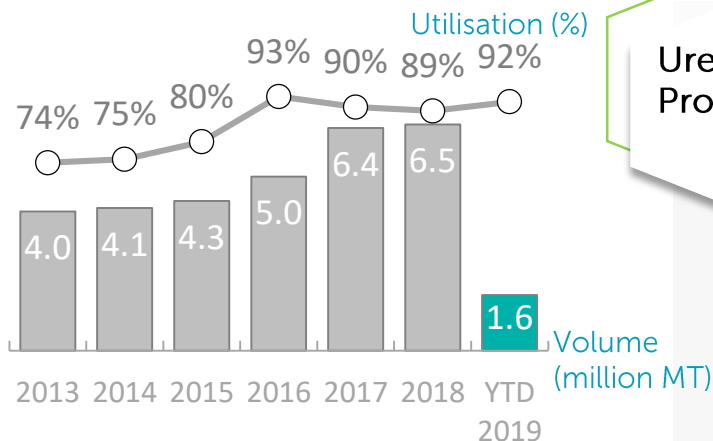


1Q 2019 Segmental Operational Performance

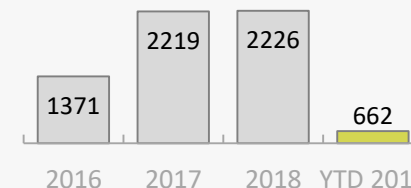


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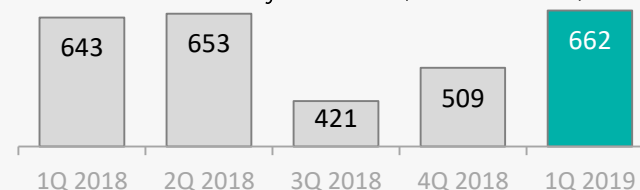
Manufacturing



Annual Volume (thousand MT)



Quarterly Volume (thousand MT)



FERTILISER AND METHANOL (F&M)

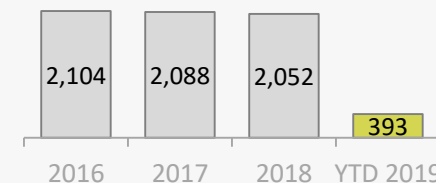


Urea production highest in 1Q 2019 compared to quarterly performance in 2018, with all Urea plants running at optimum capacity

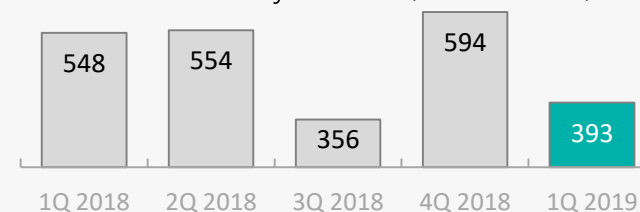
Successful completion of PC Methanol's maintenance activities

Methanol Production

Annual Volume (thousand MT)



Quarterly Volume (thousand MT)



Operational highlights - Projects Updates



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Manufacturing

P I C - P E T C H E M



Photo of EOEG Plant

OPERATION & MAINTENANCE READINESS



Deployment



Training



Management System

- 98.3% completion of PIC-PCHEM overall progress as of April 2019
- 163 million safe manhours were clocked up in the project since commissioning
- Petrochemical plant commissioning is progressing well with on-spec production of MEG, LLDPE and PP

A R O M A P L A N T



Aroma Plant

citral | menthol | citronellol

- Stable operation for the quarter with statutory turnaround at Citral plant started in Mar 2019.
- Isoprenol plant progressing as planned

Operation: Conclusion



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Manufacturing

- **Group plant utilisation was stable at 95% for the quarter**
- **Stable operations in Olefins & Derivatives segment and in Fertilizer facilities**
- **PIC-PETCHEM obtained on-spec final product for MEG, and two Polymer plants (LLDE and PP)**
- **Completion of statutory turnaround at Aromatics plant in April and planned shutdown at MTBE plant in early May**



Commercial

Ethylene



Q1 2019
(vs Q4 2018)



- ◆ Short supply
- ◆ Pickup of demand before & after CNY

Q2 2019
(Outlook)



- ◆ Short supply
- ◆ Low demand from downstream

Polymers



Q1 2019
(vs Q4 2018)



- ◆ Ample supply, thin demand and bearish market sentiment

Q2 2019
(Outlook)



- ◆ Stable demand in view of the festive season
- ◆ Short of supply due to several TA and disruptions

MEG



Q1 2019
(vs Q4 2018)



- ◆ High inventory in China
- ◆ Slowdown in business activities; reluctant to hold stock

Q2 2019
(Outlook)



- ◆ High inventory in China despite stable demand
- ◆ Polyester OR at 95%

Paraxylene



Q1 2019
(vs Q4 2018)



- ◆ Oversupply on top of slowdown in PTA & PET demand

Q2 2019
(Outlook)



- ◆ Oversupply with the start of new capacities in NEA
- ◆ PTA turnarounds



Urea



Q1 2019
(vs Q4 2018) ↓

- Unissued volume of Indian tender
- New capacity

Q2 2019
(Outlook) ↑

- New tender from India
- Improving demand in SEA

Ammonia



Q1 2019
(vs Q4 2018) ↓

- Surplus supply
- Demand remain stable

Q2 2019
(Outlook) ↔

- Short supply from Asia
- Balanced demand from industry and agricultural sector

Methanol



Q1 2019
(vs Q4 2018) ↓

- Ample supply
- Lower demand from downstream

Q2 2019
(Outlook) ↔

- Stable supply
- Increased demand for Biodiesel while Formaldehyde and Acetic acid declines



Moving Forward

Strong supply-demand fundamentals but market is volatile

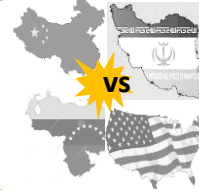


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Moving Forward



Stabilising crude oil prices



Geopolitical uncertainty

Demand remains strong



Continued protectionism



Moving Forward

2019 Focus Areas



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1. Uphold **HSE** as a Priority



2. Sustain world class **Operational Excellence**



3. Drive **Commercial Excellence**



4. Operationalise **Pengerang Integrated Complex**



5. Venture into **Specialty & Bio-based Chemicals**



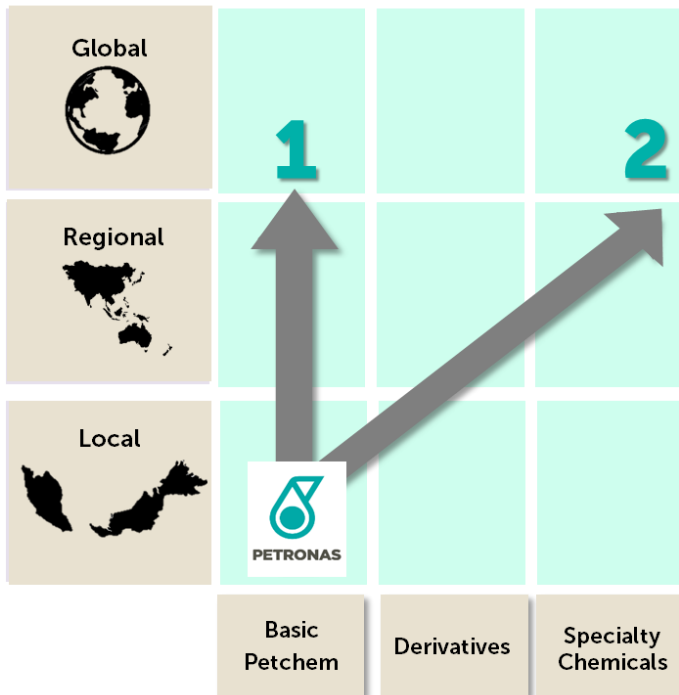
PCG acquires Da Vinci Group B.V

PCG has a clear strategy to grow specialty chemicals portfolio and future proof our business



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Preferred Chemical Company Providing Innovative Customer Solutions



1 Sustain strength in basic petrochemicals

- ◆ Increase basic petrochemicals **capacity by ~40%** from 10.8 to 14.6 mil tpa (in 2020)
- ◆ Achieve **plant utilisation > 90%** and **customers' demand fulfillment reliability > 94%** since 2016
- ◆ Generate strong **EBITDA > 30% margin**

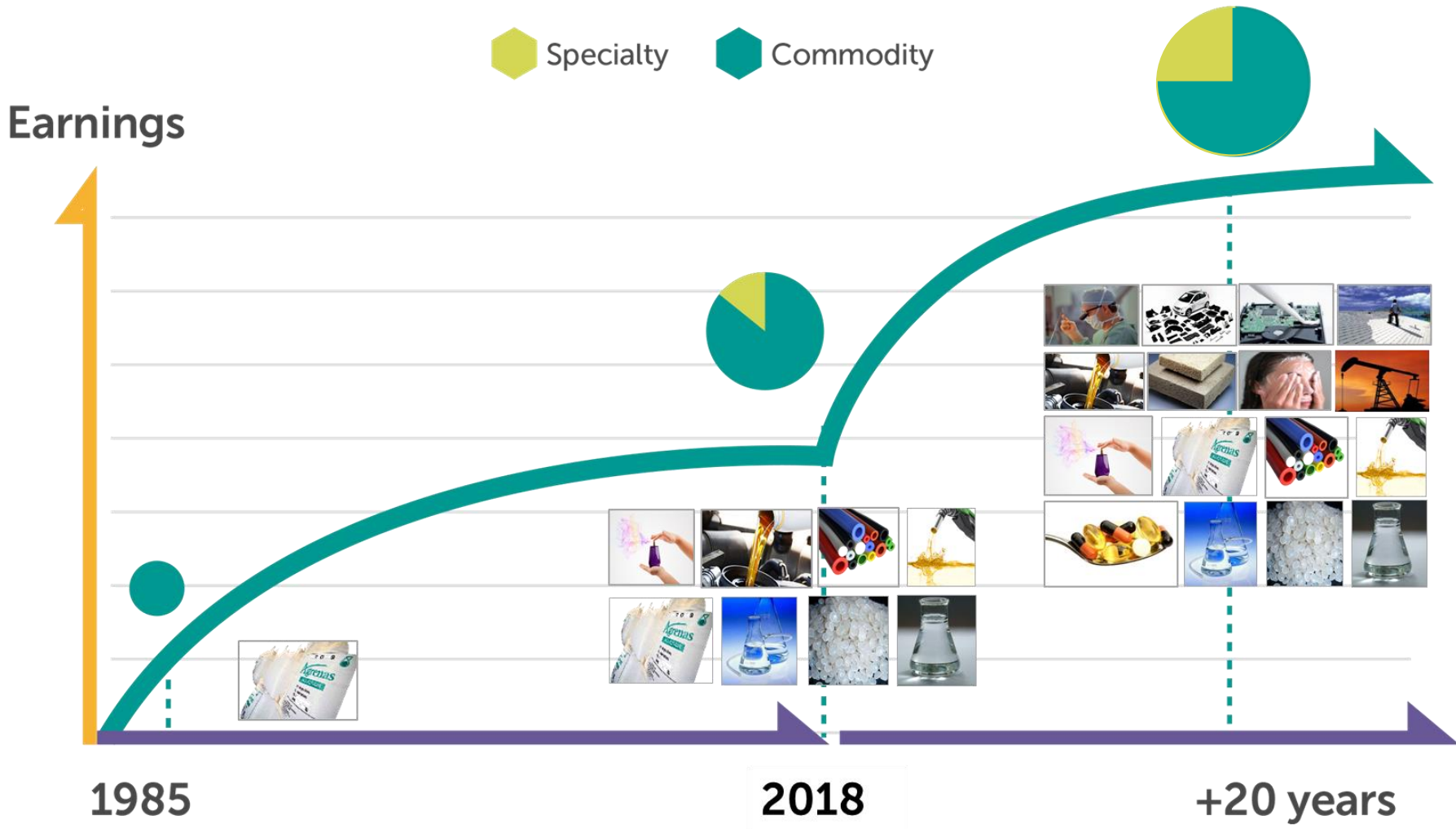
2 Diversify into derivatives, specialty chemicals and solutions

- ◆ Build **initial specialty chemicals plants** in Gebeng (2-EHAcid, HR-PIB & Aroma) and PPC (INA)
- ◆ **Start-up & commercialise Pengerang Petrochemicals Complex** and provide opportunity to further extend into **derivatives & specialty chemicals**

PCG aspires to double its earnings and expand its specialty chemicals portfolio in the next 20 years



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PCG has developed 3 growth levers to achieve its aspiration



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Extend Value Chain

Further downstream investment



Build Specialty Platform

Gain technology & market access



Create Optionality for Growth

Long-term investment in start-ups and R&D

Opportunities under evaluation

14

7

4

In evaluating growth opportunities, PCG focuses on eight prioritised end-markets



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Global Megatrends



Urbanisation



Aging population



Increasing global connections



Shift to emerging markets and rise of consumerism



Renewable energy



Energy efficiency



Energy storage



Prioritised End-Markets

1	Construction		
2	Paints & Coatings		
3	Personal Care		
4	Healthcare		
5	Food & Nutraceuticals		
6	Electronics		
7	Automotive		
8	Oil & Gas		

Legend
 PCG's prioritised end markets which Da Vinci is currently serving

Da Vinci is a global specialty chemicals company in silicone products and lubricant additives & chemicals

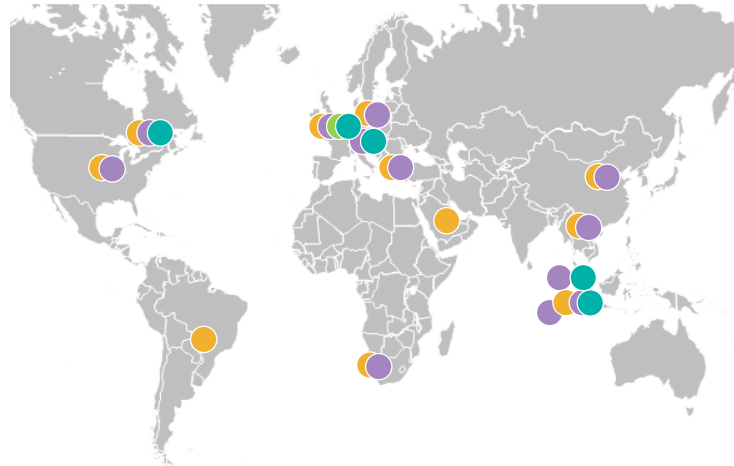


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Business Overview

- Da Vinci is the holding company of BRB, majority owned by a private equity firm
- BRB is founded in 1981, headquartered in the Netherlands
- Own-brand reseller and producer of silicone products (78%) and lube additives & chemicals (LAC) (22%)
- ~ 200 employees

Geographic Footprint



● Plant ● R&D ● Warehouse ● Sales Office



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

Key Product Lines

Silicones

- Fluids
- Antifoam
- Resins
- Silicone emulsions
- Silicone polyethers
- Amino silicones



Lube Additives & Chemicals

- Viscosity modifiers
- Engine oil additives
- Driveline additives
- Hydraulic Additives
- Coolants

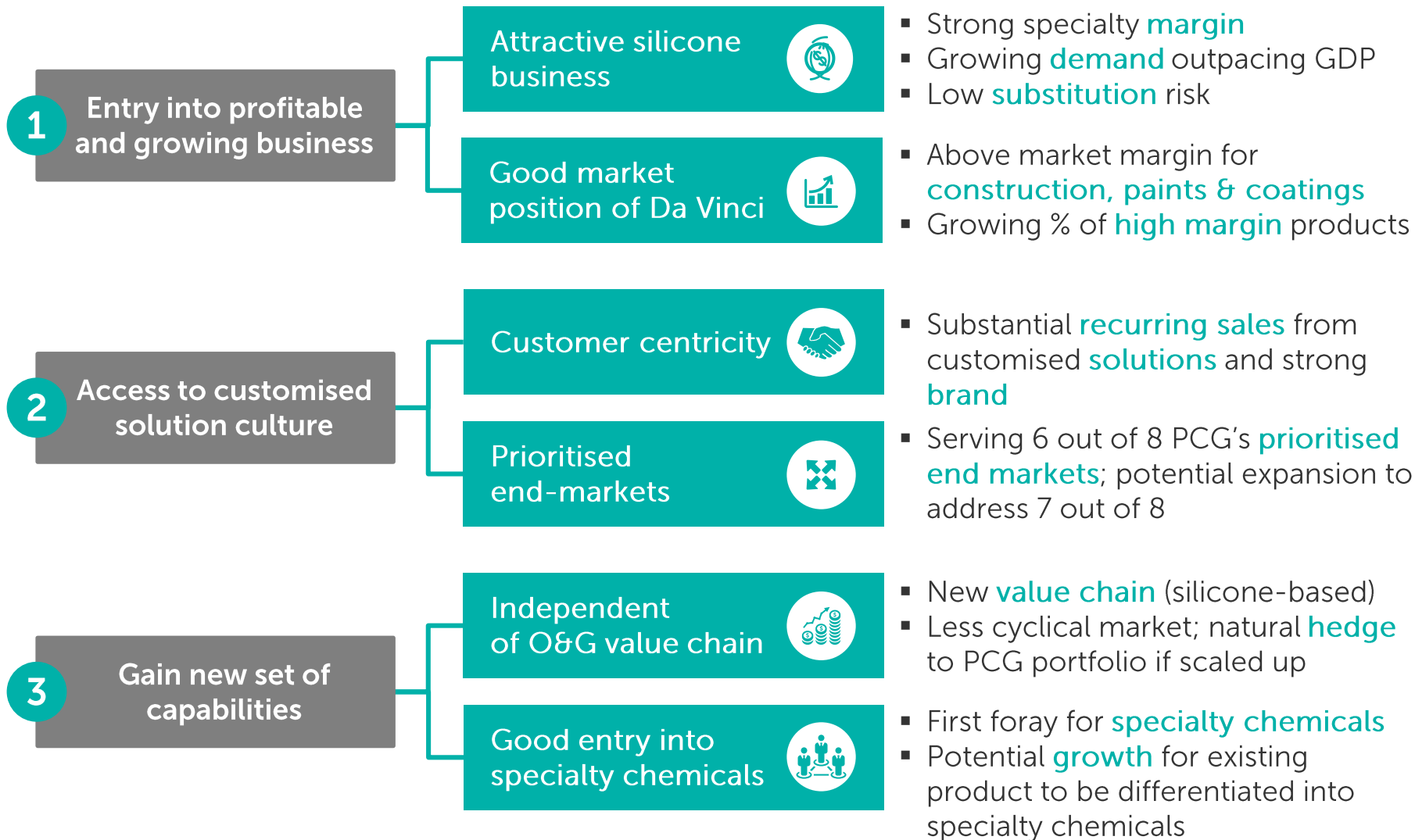


Da Vinci is a an attractive stepping platform for PCG to grow its specialty chemicals business



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Acquisition Rationale

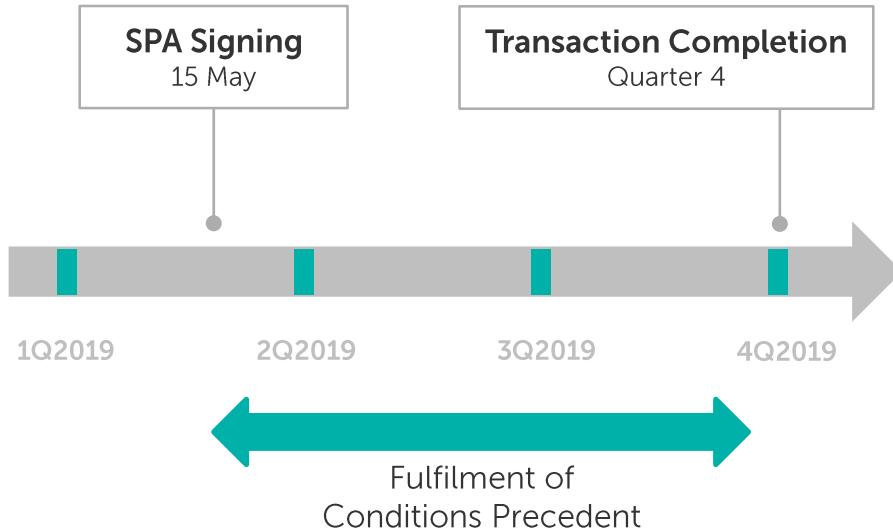


Impact of the acquisition of Da Vinci Group B.V.



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Key Milestones



Post Completion

A PCG structure

Upon completion of the Acquisition, Da Vinci will be a wholly-owned subsidiary of PCG and the financials of Da Vinci will be consolidated under PCG.

B Impact to PCG

- Greater market access providing opportunity for PCG to grow
- Access to trade formulation
- Increased capability in the specialty chemicals space
- Expected to increase specialty portfolio contribution by approximately 2% with a potential to grow to about 10% in 10years time

- PCG aspires to double its earnings and expand its specialty chemicals portfolio to about 20%- 25% in the next 20 years.
- Da Vinci represents the first stepping platform for PCG to realise this aspiration given its strategic fit to the Group.
- This acquisition allows PCG to access Da Vinci's global market, trade secrets in silicone business, research and development capabilities as well as customised solutions culture.
- The acquisition is expected to increase specialty portfolio contribution by approximately 2% with a potential to grow to about 10% in 10years time.



Question & Answer



THANK YOU

For further enquiries please contact us at:

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