

# **PETRONAS CHEMICALS GROUP BERHAD**

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

**25<sup>th</sup> February 2019  
6.00pm**



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## **Key Highlights**

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## **Financial Highlights**

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## **Manufacturing Highlights**

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## **Commercial Outlook**

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## **Moving Forward**

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## Key Highlights

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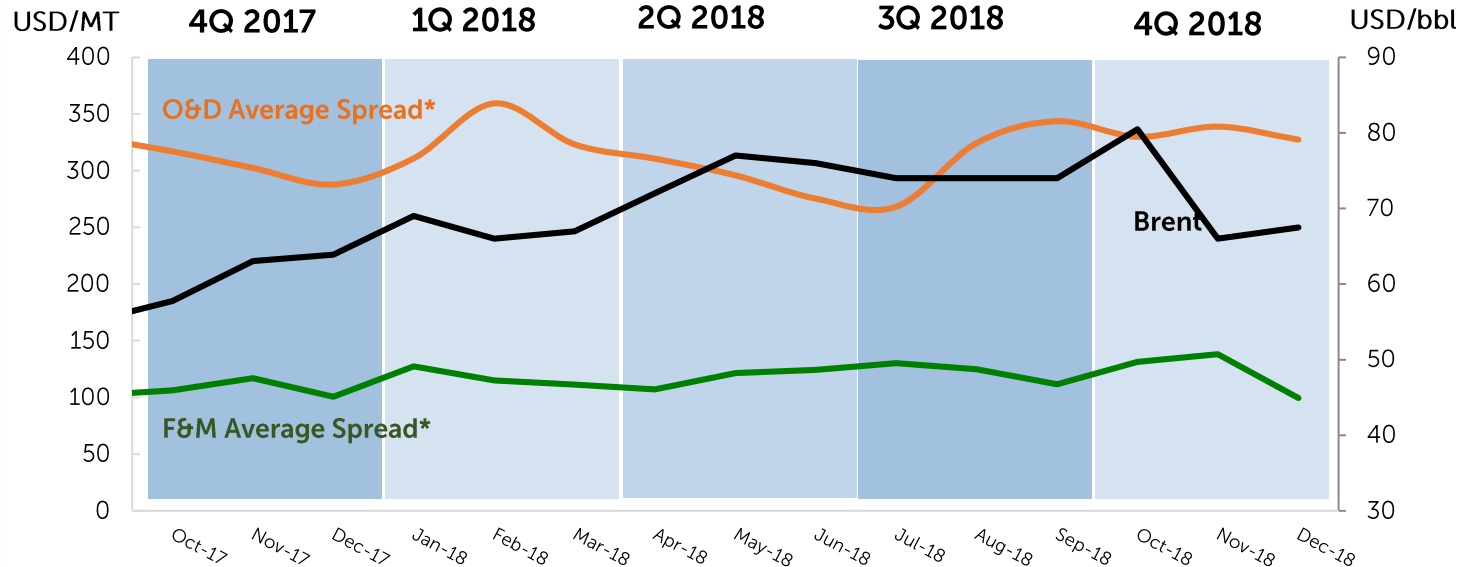
# A solid year



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## Business Environment

### Petrochemicals Market Spreads



\*Left Axis

- Global GDP growth hovered between 3.2% and 3.2% with slowdown in China while UK was restrained due to Brexit uncertainties.
- Crude oil prices climbed on geopolitical tensions and sanctions, averaging at USD72/bbl in 2018 compared to USD55/bbl in 2017.
- Average product prices improved on higher feedstock prices.

## Key Highlights

# FY 2018 Highlights



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### ■ Plant utilisation (PU) at 92 %

- 6 statutory TA completed
- Highest production at 10.4 kMT

### ■ Sales volume increased 4% y-o-y

- Steady demand for petrochemical products
- Higher average product prices

### ■ 15% PAT improvement

### ■ Improved EBITDA with;

- Better spreads, higher sales volume

Partially negated by;

- Higher maintenance cost
- Strengthening MYR against USD



## Financial Highlights

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# Financials

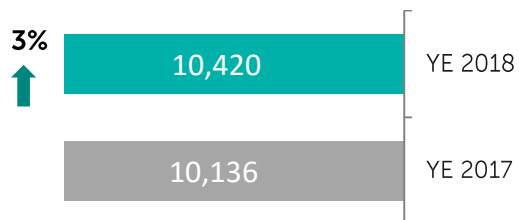
## 4Q 2018 Group Financial Results



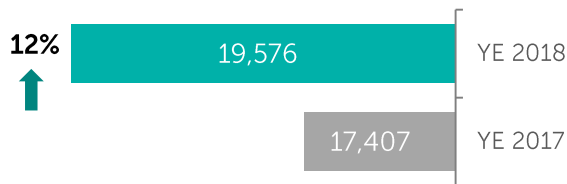
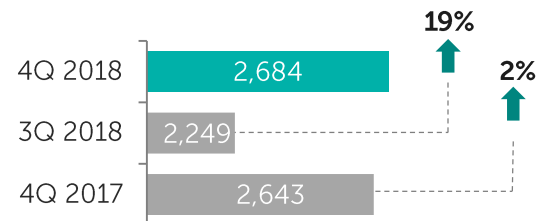
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Year to date

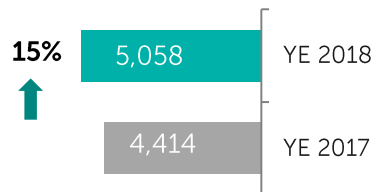
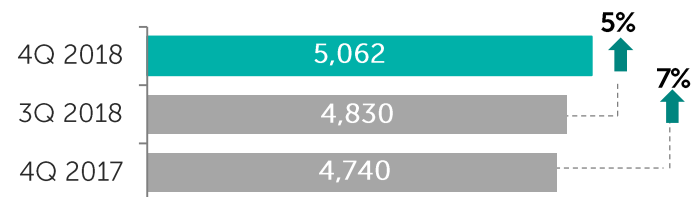
Individual quarter ended



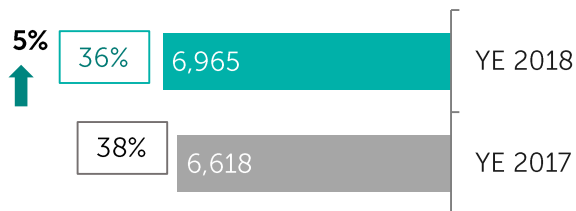
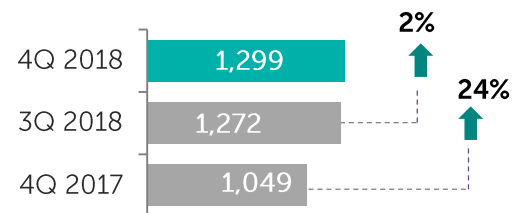
**Volume**  
*Kmt*



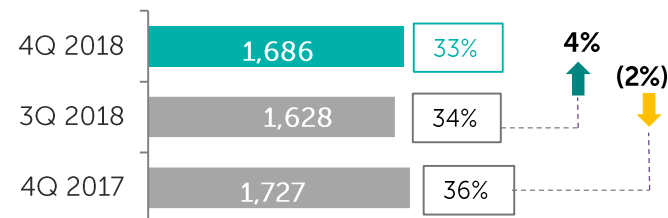
**Revenue**  
*RM Mil*



**Profit After Tax**  
*RM Mil*



**EBITDA**  
**EBITDA margin (%)**

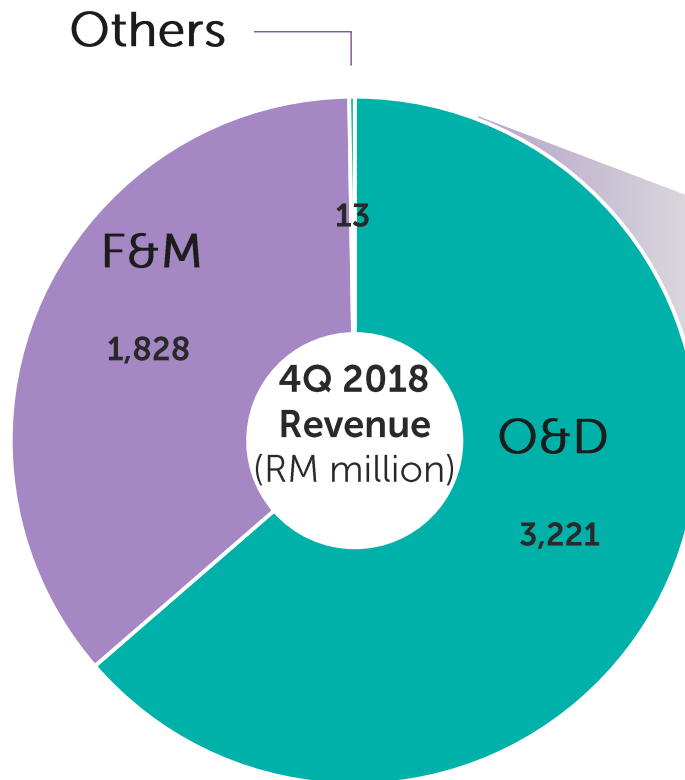




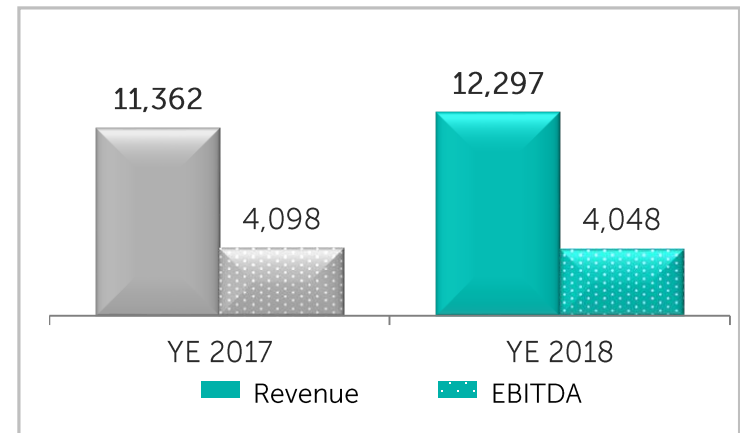
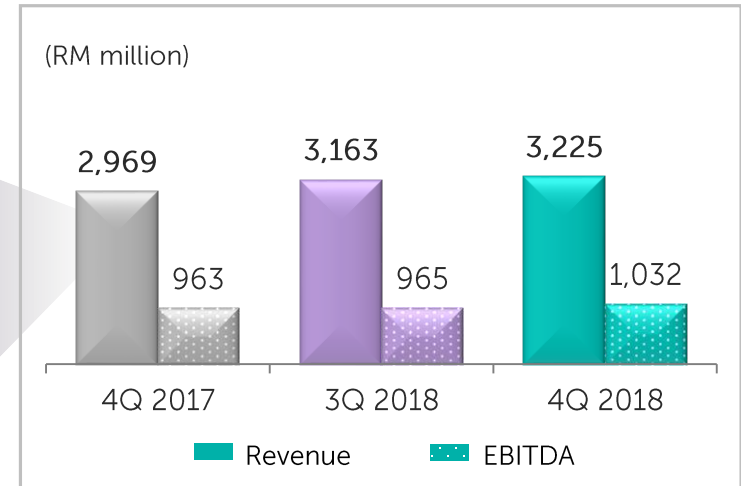
## Financials : Olefins & Derivatives



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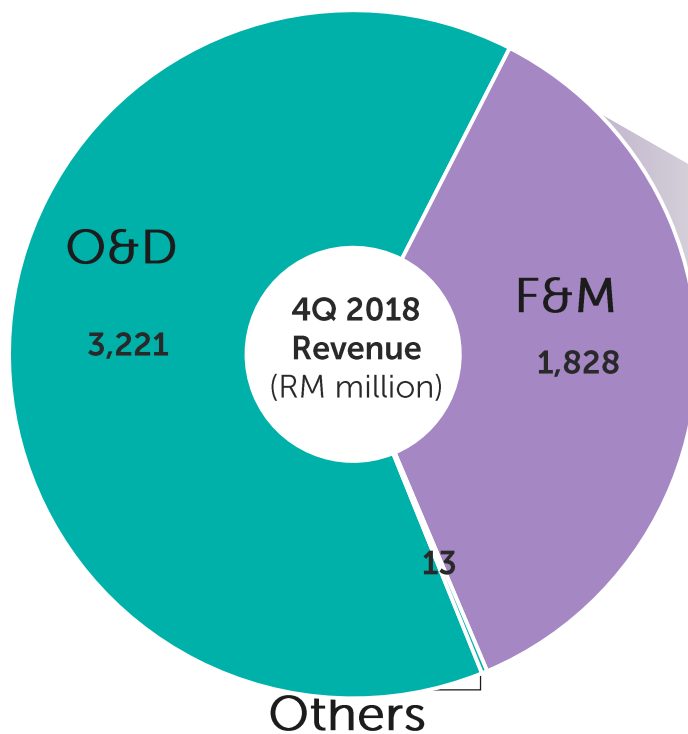
- Others comprise of operations related to investment holding company and port services which provide product distribution infrastructure to the Group.



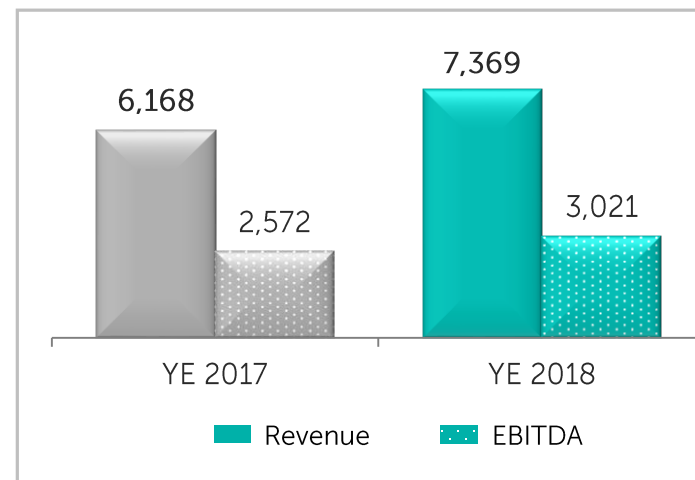
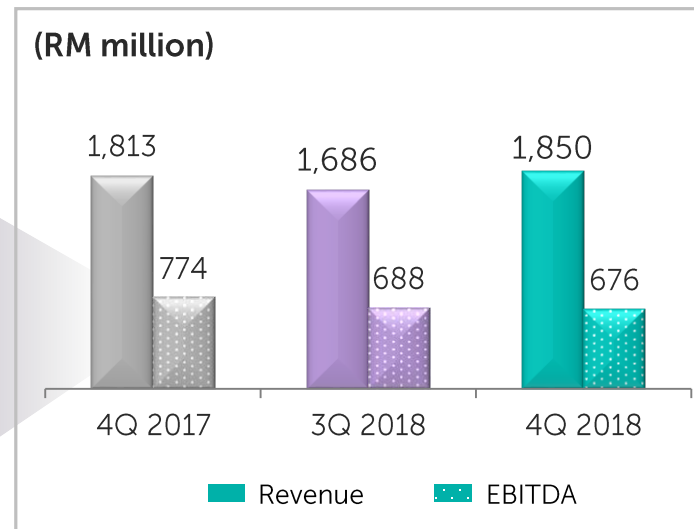
## Financials : Fertilisers & Methanol



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



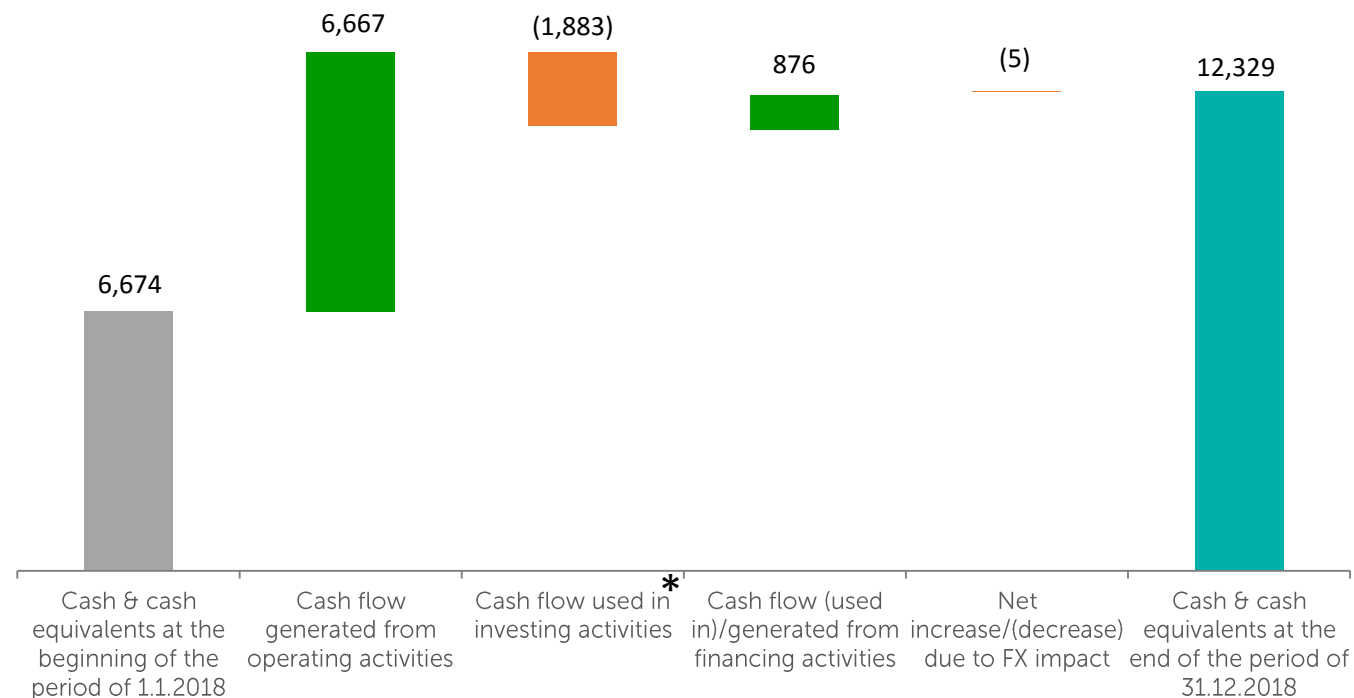
Total Assets	Total Equity & Liabilities
(RM million)	(RM million)
<div> <div>33,262</div> <div>As at 31.12.2017</div> </div> <div> <div>37,365</div> <div>As at 31.12.2018</div> </div>	<div> <div>33,262</div> <div>As at 31.12.2017</div> </div> <div> <div>37,365</div> <div>As at 31.12.2018</div> </div>
<div> <div>511</div> <div>Others</div> </div> <div> <div>6,674</div> <div>Cash &amp; cash equivalents</div> </div> <div> <div>2,370</div> <div>Trade &amp; other receivables</div> </div> <div> <div>1,723</div> <div>Trade &amp; Other inventories</div> </div> <div> <div>1,192</div> <div>Investment in joint ventures and associates</div> </div> <div> <div>20,792</div> <div>Property, plant and equipment (PPE)</div> </div>	<div> <div>28,868</div> <div>Equity</div> </div> <div> <div>31,174</div> <div>Equity</div> </div> <div> <div>339</div> <div>Other liabilities</div> </div> <div> <div>2,072</div> <div>Borrowings</div> </div> <div> <div>3,217</div> <div>Trade &amp; other payables</div> </div> <div> <div>838</div> <div>Deferred tax liabilities</div> </div>

## Cash Flows as at 31 December 2018



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(RM million)



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



## **Manufacturing**

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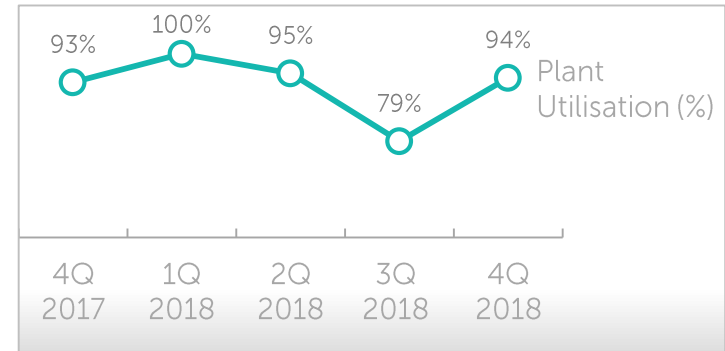
# Operational Highlights

## Manufacturing

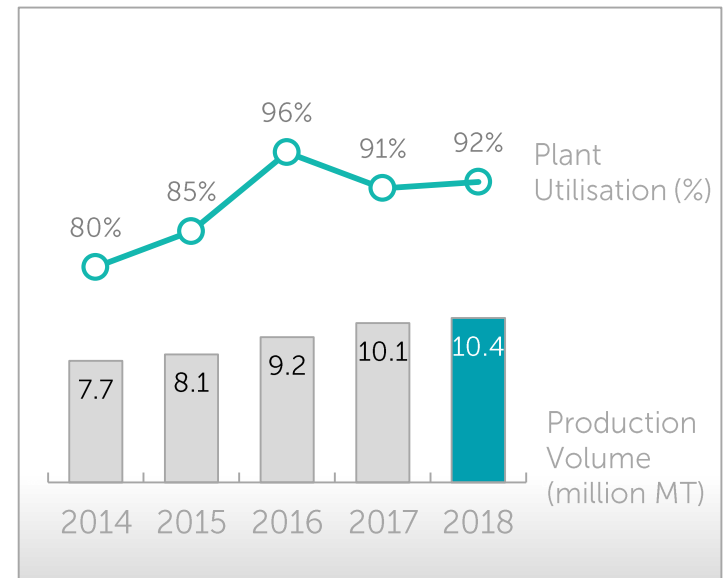
**Commendable annual  
plant utilisation rate  
at 92%**

- **Achieved highest annual production volume at 10.4 million MT**
- **PCFS PU above 95% in its first full year operation**
- **Concluded 6 TAs for the year, sustained plant reliability at other facilities**

### Quarter Group Performance



### Annual Group Performance

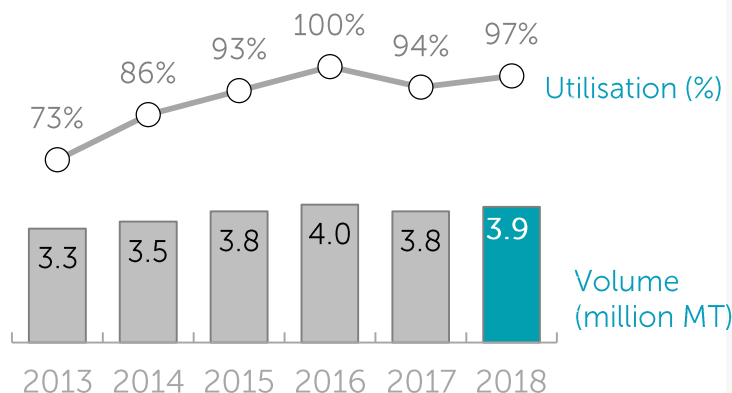


# 4Q 2018 Segmental Operational Performance



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## Manufacturing



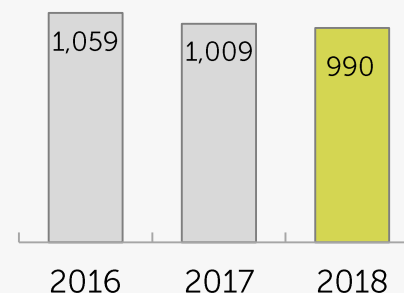
## OLEFINS AND DERIVATIVES (O&D)



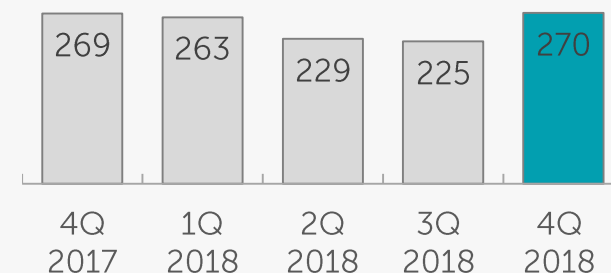
**Reliable cracker operation at PC Olefin and PC Ethylene, catching up the ethylene production for the year**

### Ethylene Production

Annual Volume (thousand MT)



Quarterly Volume (thousand MT)

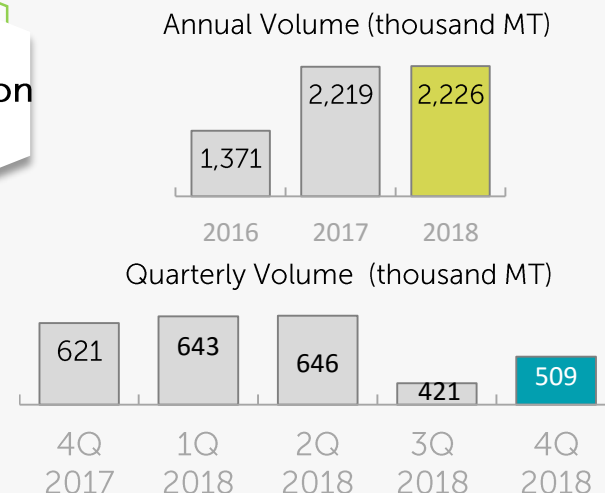
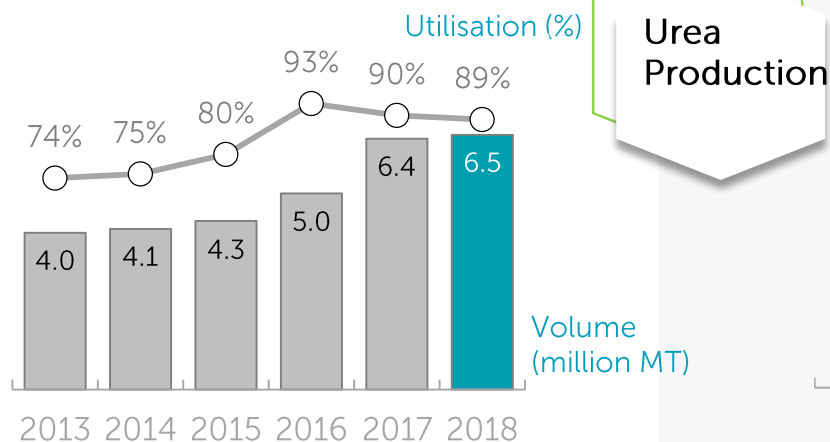


# 4Q 2018 Segmental Operational Performance



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## Manufacturing



## FERTILISER AND METHANOL (F&M)

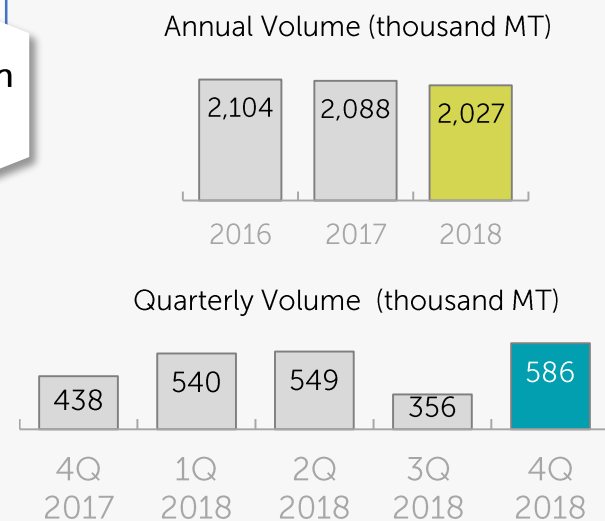


Successful completion of turnaround at ABF in October 2018

World class performance of PCFS in first full year operation, strengthening urea production

3 consecutive years, producing methanol above 2 million MT

### Methanol Production





# Operational highlights - Projects Updates

## Manufacturing

### P I C -PETCHEM



Photo of EOEG Plant

**96.1% completion of mechanical construction**

**On track to commence production in second half of 2019**

**Route to market readiness is at final stage**



## Commercial

# Outlook: Olefins & Derivatives



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## Ethylene



**Q4 2018**  
(vs Q3 2018)



- Ample supply from ME
- Weak downstream demand following TA

**Q1 2019**  
(Outlook)



- Short supply for ethylene; balanced by ample polypropylene supply
- Demand to pick up post Lunar New Year

## Polymers



**Q4 2018**  
(vs Q3 2018)



- Bearish market sentiment
- Destocking activities towards year-end

**Q1 2019**  
(Outlook)



- Limited demand due to CNY
- Sufficient supply despite several TA

## MEG



**Q4 2018**  
(vs Q3 2018)



- Soft ethylene price
- Lackluster downstream demand

**Q1 2019**  
(Outlook)



- High inventory in China
- Slow down in business activities; reluctant to hold stock

## Aromatics



**Q4 2018**  
(vs Q3 2018)



- Supply restored with restart of production
- Slowdown in PTA & PET demand

**Q1 2019**  
(Outlook)



- Oversupply with further production restart
- Stable demand

## Outlook: Fertilisers & Methanol



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### Urea



**Q4 2018**  
(vs Q3 2018)



- 1st Indian Tender issued & exclusion Iranian cargoes
- Tight supply in ME, SEA and China

**Q1 2019**  
(Outlook)



- Unissued volume of Indian Tender
- New capacity

### Ammonia



**Q4 2018**  
(vs Q3 2018)



- Limited supply
- Stable demand from industrial application

**Q1 2019**  
(Outlook)



- Surplus supply
- Demand remain stable

### Methanol



**Q4 2018**  
(vs Q3 2018)



- Ample supply from Iran & Oceania
- Demand was soft for formaldehyde, MTBE and biodiesel

**Q1 2019**  
(Outlook)



- Healthy supply as major producers running at optimum operating rate
- Lower demand from downstream



## **Moving Forward**

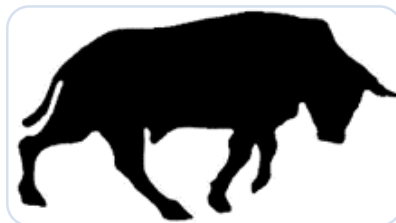
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## Moving Forward

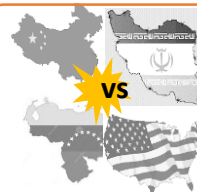
# Demand fundamentals remain strong amidst oncoming headwinds



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Stabilising  
crude oil prices



Geopolitical  
uncertainty

Demand  
remains  
strong



Continued  
protectionism





## Question & Answer

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# THANK YOU

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For further enquiries please contact us at:

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