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Operator: Ladies and gentlemen, welcome to PETRONAS Chemicals Group Analyst Briefing for First Quarter 2018. Alia, please begin.

Zaida Alia Shaari, Head IR:

Thank you, Aaron. Good afternoon, ladies and gentlemen.

Thank you for joining our call today. You should, by now, have access to the presentation slides on the link provided in the e-mail invitation.

With us this afternoon to provide details of our first quarter FY 2018 results as well as to answer a few questions is PETRONAS Chemicals Group senior management comprising of our Chief Executive Officer, Datuk Sazali; Chief Financial Officer, Madam Rashidah; Head of Strategic Planning & Ventures, Mr. Akbar; Head of Manufacturing, Mr. Mahadzir; and Head of Commercial, Mr. Shamsairi.

I shall now hand you over to Datuk Sazali for the highlights.

Sazali Bin Hamzah, CEO:

Okay. Thank you, Alia. Good afternoon, everyone.

Thank you for joining our analyst briefing today. In the first quarter of this year, we saw continued recovery of chemical prices, driven by an overall improvement in the energy industry and positive economic condition.

Global PMI improved in the first few months of 2018 on higher expansion in major economies, namely U.S. and U.K. Crude oil price climbed up from the average of USD 54 per barrel in 2017 to

USD 67 per barrel in first quarter 2018, mainly from supply disruption in the U.S., continuing geopolitical tension and the anticipation that production cuts will be extended in 2019.

Chemical product prices rose in tandem with crude oil prices and was further supported by healthy demand in the regions.

On the back of this improved condition, I am pleased to highlight that PCG started the year on a strong note. Group plant utilization was 100%, as both plant reliability and feedstock supply was stable with minimal disruption as there were no plant turnaround activities during the first quarter. Supported by additional urea volume from PC Fertiliser Sabah that come on board in May last year, sales volume increased 15% year-on-year, driven by healthy demand across most products.

The higher volume together with firmer prices led to an improved revenue of MYR 5 billion though our EBITDA was slightly impacted by the strengthening of the Malaysian ringgit falling slightly into MYR 1.8 billion. EBITDA margin remained strong at 37%, mainly driven by better spreads and higher sales volume.

For more detail on financial, I will pass the session over to Puan Rashidah, our CFO.

[Rashidah Binti Alias, CFO:](#)

Thank you, Datuk.

Everyone, we will start with the group performance on Slide 5, comparing against the corresponding quarter, which is quarter 1 2017.

Now we saw improvement in major economies this quarter. Crude oil rose on geopolitical uncertainties and the expectation of an extended production cut. Chemical product prices rose fueled by the higher crude oil prices.

On our operation front, we saw higher feedstock availability during the quarter along with 0 turnaround shutdown. This, I am happy to report, brought about an impressive plant utilization rate of 100%. This contributed to higher production and subsequently sales volume, which were also boosted by the addition of PC Fertiliser Sabah to our stable. With this, PCG recorded a 5% increase in revenue at MYR 5 billion.

EBITDA, however, was 5% lower at MYR 1.8 billion, negatively impacted by: number one, the strengthening of the Malaysian ringgit against the U.S. dollar; and secondly, a one-off adjustment relating to under accrual of manpower-related expenses in the previous period. EBITDA margin also declined 4 percentage points against the corresponding quarter but remained strong at 37%.

Profit after tax also declined 20% to MYR 1.1 billion, in line with lower EBITDA, coupled with the impact of foreign exchange loss on shareholders loans, pursuant to the divestment of 50% equity interest in a subsidiary.

Next on the group financial performance against the preceding quarter, that is quarter 4 2017.

Market was unchanged quarter-on-quarter with global GDP seeing marginal increase. Major economies remained unchanged from quarter 4 2017, though the U.S. PMI improved. Crude oil prices rose due to supply disruption in the U.S. and the extension of the supply cut agreement by

OPEC and non-OPEC members until the end of 2018. Consequently, chemical product prices rose with higher overall energy prices.

During the quarter, we saw steady feedstock supply to our facilities and 0 downtime, compared to the preceding quarter with PC Methanol plant 1 was shut down for maintenance. Production and sales volume both improved during the quarter under review.

Against this backdrop, PCG recorded a 4% increase in revenue to MYR 5 billion on higher sales volume, coupled with higher product prices. EBITDA also improved 7% to MYR 1.8 billion on better product spreads and higher volume, partly negated by negative foreign exchange impacts.

Nevertheless, EBITDA margin saw a slight improvement from 36% to 37%. PAT was higher quarter-on-quarter with lower tax expenses, partly due to lower recognition of deferred tax liabilities at PCFS, PC Fertiliser Sabah.

Moving onto the next slide. Let's look at the financial performances starting with the olefins and derivatives segment on Slide 6.

And we are comparing against the corresponding quarter. Against quarter 1 of 2017, the O&D segments saw a marginal 2% fall in revenue at MYR 3.16 billion, despite higher product prices and comparable sales volume. This is due to the strengthening of the Malaysian ringgit against the U.S. dollar.

EBITDA for the segment fell 17% to MYR 1.1 billion year-on-year with lower sales of ethane-based products relatively, coupled with negative foreign exchange impact. Consequently, EBITDA margin fell 6 percentage points to 35%. PAT was also lower by 23% at MYR 719 million on higher operating expenditures due to a one-off adjustment relating to under accrual of manpower-related expenses in the previous period.

Moving on the segment performance against the preceding quarter, quarter 4 2017.

Now segmental revenue rose 6% quarter-on-quarter at MYR 3.2 billion, with higher sales volumes and increased product prices. EBITDA jumped 15% to MYR 1.1 billion, largely due to higher sales volume and improved spreads, though partially negated by the strengthening of the Malaysian ringgit. EBITDA margin followed improving 3 percentage points to 35%. PAT for the segment improved by 13% to MYR 719 million on higher sales volume and favorable product spreads.

Moving on to the Fertiliser and Methanol segment on Slide 7. Against the corresponding quarter, the F&M segment recorded a 22% jump in revenue to MYR 1.8 billion on higher sales volume, mainly due to the addition of urea from PC Fertiliser Sabah and supported by firmer product prices.

Segment EBITDA saw a marked improvement of 25% at MYR 779 million on higher sales volumes and better product spreads, partly negated by unfavorable Forex impact. EBITDA margin improved from 41% to 43%. PAT for the segment improved 25%, in line with the higher sales volume and further supported by higher share of profits from our JV unit, particularly BPPA.

Next, looking at the performance against the preceding quarter, which is quarter 4 2017.

The F&M segment saw improved operational performance resulting in higher production and sales volume. However, revenue for the segment was that's comparable at MYR 1.8 billion impacted by the strengthening of the Malaysian ringgit against the U.S. dollar. EBITDA saw

marginal improvement of 1% at MYR 779 million despite higher sales volume and firmer product spreads due to unfavorable FX movement. EBITDA margin remained unchanged at 43%.

Segment profit after tax rose a marked 44% with higher share of profits from our JV and lower tax expenses, as the preceding quarter saw the recognition of deferred tax liabilities attributed to PCFS upon capitalization of assets.

Next, look at our balance sheet and cash flow on Slide 8 and 9.

First, the balance sheet on Slide 8. For the 3-month period ending 31st March 2018, the group's total assets increased by MYR 330 million, mainly due to, number one, profits generated during the quarter; and number two, receipts pursuant to the divestment of PRPC Polymers comprising drawdown of bridge loan financing as well as divestment proceeds.

On cash flows on Slide 9, we saw higher cash generation from operations with improved debtors turnover and lower tax expenses. Net cash used in investing activities was lower due to, again, the net consideration received on the divestment of equity in PRPC Polymers. We paid out a total of MYR 1.2 billion as dividend payout to our shareholders being the second interim dividend for 2017 at MYR 0.15 per ordinary share. At the end of the 3-month period, our cash balance increased to MYR 10.2 billion. With this balance, we're in a good position to continue pursuing our current growth projects plus future opportunities.

Thank you. That's all I have on financial performance. Over to Mr. Mahadzir for the manufacturing highlights.

Mahadzir Rani, Head of Manufacturing:

Thank you, Rashidah. Good evening, everyone. Mahadzir here. Let me share the operational highlights for this quarter.

Overall, we have started 2018 with a solid operational performance. We had recorded plant utilization for the group at 100% in the opening quarter of the year. We had a smooth and safe operation at our facilities, with no major activities conducted during the quarter supported by reliable feedstock supply to our plant.

However, moving forward, starting from April 2018, we will be having our turnaround maintenance activities for the year. There will be some heavy plant turnaround activities happening in quarter 2 and quarter 3. Nonetheless, based on our plans and scheduled TAs, we expect that we should be able to reach our target production level of above 10 million tons for the year.

For segment olefins and derivatives, in overall, the olefins and derivatives segment performed very well and achieved year to date \geq plant utilization at 100%. We saw stable ethane supply to our crackers during the quarter. This helped us maintain a high cracker performance, further supported by smooth operation of our downstream facilities. Therefore, this segment has delivered its production target for the quarter.

For Fertiliser and Methanol segment, similarly, the F&M year-to-date plant utilization performance was high at 99.5%. There was no major shutdown or turnaround activities during the quarter. We saw high production as PC Fertiliser Sabah was operating well and contributed a significant amount to the group's total production.

PC methanol Labuan saw good supply reliability resulting in commendable methanol volume for the quarter. This segment also has delivered its production target for the quarter.

Next is refer to Slide 13. I'm going to give you the project updates.

I'm pleased to report that aroma ingredient complex is starting to bear fruit. For aroma complex, the isoprenol and citral have been running at a stable rate of 60% to 70% with on-spec products supplied to BASF. Citronellol startup had commenced in February and on-spec production has been achieved at the end of February. Menthol startup has commenced in March after stabilization of the citronellol plant and is expected to come on stream by quarter 3 2018.

Next, the highly reactive polyisobutene, HR-PIB project. We achieved on-spec product for all grades for HR-PIB in January 2018. The production of HR-PIB will meet commercial volume in 2018. Currently, the products are undergoing acceptance test in customer's facility.

Next is for the PIC-PETCHEM update in Pengerang. As for the petrochemical complex update in Pengerang, Johor, mechanical construction activities are progressing well, reaching 78% overall completion. While for operation and maintenance readiness, 10% of the overall staff requirements have been deployed to Pengerang site in 2017. The remaining 90% staff will be deployed in phases in 2018.

Pre-commissioning and commission framing started in April 2018 and to be completed by quarter 3 2018. Additionally, readiness of management system is also progressing well at 70% to 74%, inclusive of smooth startup program, digital application, operation and physical asset management.

So in conclusion, the operational performance for first quarter was good. We recorded good volumes from both business segments. And moving forward in quarter 2 and quarter 3 of 2018, there will be some heavy turnaround and major planned maintenance activities at some of our facilities.

We shall remain focused in safeguarding safety and managing our asset and its reliability. And we will continue to focus on operational excellence in order to sustain the year-end PU of above 90%.

That's all I have for the operational highlights. I would like to hand over to Shamsairi for the market performance and outlook. Over to you, Sham.

Shamsairi Ibrahim, Head of Commercial:

Good evening. Shamsairi here.

As explained earlier, the price for quarter 1 remains strong, coupled with several cracker turnaround in North East Asia and Middle East region. Moving to quarter 2 for ethylene, price is expected to destabilize at a higher level in line with firm crude oil price.

Nevertheless, due to downstream issue face in Europe, we'll see arbitrage cargo coming to Asia Pacific, pushing price in Asia Pacific down temporarily. In terms of reliability of supply, we are expecting some shortage in the market due to numerous expected cracker turnaround continue on months April through June.

On the demand front, import from Taiwan and Japan are likely to be soft, as most of the buyers are sufficiently stopped through earlier spot purchase in terms of supply. And in addition, we expect that there may be several producers in South Asia, who may continue to sell ethylene in view of the slow demand from Polyethylene market.

Moving to polymers. Similarly, ethylene feedstock price pushed polymer price strength in quarter 1. Moving to quarter 2, we are anticipating stable polymer prices on the back of stable ethylene price. We are anticipating a limited upside on the polymer price due to ample supply availability, as most polymer plants in Southeast Asia region are coming back online after completing heavy turnaround in quarter 1. At the same time, demand from China will be soft as domestic inventory level in China is still at high levels. However, we do expect some support in Southeast Asia region as demand are expected to pick up ahead of the upcoming Eid ul-fitr.

Looking at MEG. Similar term in quarter 1 mainly due to firm ethylene price. MEG is projected to be stable in quarter 2, as supply is expected to tighten amid planned shutdowns by some regional producers, while demand are expected to increase in April, driven by large scale of restocking from polyester producer, which is expected to taper off at the end of quarter 2, which is seasonal downtime for MEG.

Moreover, the continuous startup of MEG inventory, and coupled with poor of the MEG domestic port in China after Lunar New Year holiday has put most of market players into wait to see stance, hence, limiting the price upward movement. Moving to F&M, before we move to F&M, let's touch on Aromatics.

Firm crude oil price and naphtha in quarter 1 pushed up the average aromatic price in comparison to quarter 4 2017. Going to quarter 2, aromatic prices are predicted to be stable as supply is seen to be sufficient, as new capacity coming onstream in SEA and Middle region.

In terms of demand outlook, Paraxylene expect it to be positive in view of several PTA units coming online after their turnaround and supported further by firmer downstream polyester demand. Unlike paraxylene, benzene, the demand is expected to be soft in view of plant turnaround downstream styrene monomer in quarter 2.

Moving towards Fertiliser and Methanol segment. We see similar pattern for quarter 1 for Fertiliser and Methanol segments. Moving to quarter 2, urea prices are expected to soften through the end of buying or planting season, particularly in the U.S. and Europe. Demand for urea is expected to dwindle which will lead to a long position, in west of the Suez market. Middle East producers is seen to shift their volume to Latin America, i.e. Brazil at lower price, which indirectly will affect prices in the other region. Inventory level at SEA region is anticipated to remain high due to arriving of term cargoes and lesser spot demand.

The new Europe tender from India was [5 million] in April. Surprisingly, it was not enough to improve the global market sentiment or to boost the price further, as the supply remains ample.

As for ammonia, price was firm in Q1 2018. Moving to quarter 2, ammonia prices are expected to soften in anticipation of the additional capacity coming from the new plant in Indonesia. They are scheduled to start up within this year. There of spot activity will also lead to higher inventory buildup in Middle East and Yuzhny In terms of demands, the maintenance turnaround of phosphate plants, particularly in India, is expected to further dampen demand for ammonia in the region.

Lastly, on methanol. Methanol price were firmed in quarter 1. Moving to quarter 2, methanol prices are expected to be stable. Nevertheless, as what we are seeing currently, will remain firm due to a unscheduled plant issue happening in Iran and Oman.

Finally, all the supply from major producers in SEA are running stable with higher operating rate. The North West producer in China are also increasing their operating rate after shutting down for plant turnaround in March. Based on new plant commencing operation in May in the U.S., this new additional methanol volume is expected to increase supply availability in the North Asia region. Demand in SEA is projected to be stable from downstream for biodiesel and MTBE segment. Whereas in China, overall demand is quite poor in view of lower consumption for MTO and acetic acid sector.

There are 4 large MTO units confirmed for maintenance planned in quarter 2, which price dampened the price methanol in quarter 2. As a result, major end users only purchase methanol to satisfy their near-term demand consumption rather than building up the inventories.

In conclusion, O&D segment will see the stable prices moving forward. For F&M, we'll see price will be pushed downwards.

With that, thank you. Back to you, Datuk.

Sazali Bin Hamzah, *CEO*:

Okay. Thank you, Shamsairi.

Ladies and gentlemen, the first quarter showed positive signs of economic stability and improving energy industry. However, despite the improvement seen on the rise of crude oil prices, market conditions remain uncertain.

Asian chemical players are likely to continue facing some pressure with the additional capacity there coming on stream this year. There is the increasing trend of protectionism that will have major impact on the global economy. While we are cautious on the uncertain market, and we expect demand for chemical to remain growth.

Moving forward, we will continue to focus on our winning formula to sustain our operational performance above the world-class benchmark, underpinned by a strong HSE culture. We will continue to work on improving customer experience through our commercial and innovation excellence initiative to grow and expand presence in our key market here in Southeast Asia.

On the project front, our chemical plant in PIC are progressing well and we are very excited to see this through as it continues toward the final stage, which ensuring the project continues to be executed smoothly and effectively. At the same time, as we watch the plants at PIC materialize, we are also working to further grow our portfolio in order to future proof our business.

Chemical has always been an interesting and challenging business where innovation and specialization is key in order to remain competitive. We are actively assessing our opportunities in downstream derivative and specialty chemicals not just in Pengerang but in all our facilities. The completion of PIC as our current project will provide us the opportunity to grow the chemicals and specialty chemicals space.

And that's all that we have for now and let us move on to the question-and-answer.

Operator: (Operator Instructions) our first question, Ajay from JPMorgan.

Ajay Mirchandani, JPMorgan

I didn't hear my name. So apologies. First of all, thank you so much for taking time out, and congratulations on a pretty solid set of numbers. Two questions for me.

One was with regards to, obviously, post the stakes sales to Aramco. You are sitting on a pretty large amount of cash. Can investors expect any kind of special dividend, given the large cash pile? The second question I had was, given now that RAPID's pretty much close to completion, Datuk very briefly mentioned about looking at the opportunities in specialty chemicals but would you help us get a better sense of what kind of investment outlay PCHEM's potentially targeting for making investments in that space? And how we, as analysts, should be thinking about the opportunities. Is this going to be more greenfield, more brownfield and by what time lines can we see those investments being made?

Sazali Bin Hamzah, CEO:

Thank you, Ajay. Your first question is on our large amount of cash and dividend. Definitely, when Aramco gave their equity part to us that increased our cash position. But bear in mind that we already have a clear plan on our growth project. And this amount of cash will be used for this growth project that we are currently undertaking.

We have dedicated people that looking into the next growth strategy for PCG for the next 15 to 20 years. And beyond RAPID, it provides a good platform for us to go beyond to the derivative and specialty. So you ask me on the second question on the specialty chemical that we are looking at. At this moment, we are evaluating the option. We are going to announce later once we have made the decision on this. And it's quite interesting because we have spent cash for this future project.

So your question is on whether to spend how much that we are preparing to spend for the next year for example. Our spending is still much on PIC or Pengerang Integrated project. It all together, roughly it's about, probably about MYR 4.4 billion, around that, that we are going to spend some time in this year.

Operator: Our next question, Alex Goh from AmBank.

Alex Goh, AmInvestment Bank

I've got 3 questions. I want to refer your attention to Page 10 and Page 11. When you show your plant utilization for your quarter has gone up from 93% to 99%. But your, but on Page 11, the quarterly volume for olefins and derivatives have actually dropped 2%. I'm just wondering, there's a disconnect here, could you explain what happened here?

The other question I would like to ask is, what is the absolute amount of the one-off adjustment for the accrual of manpower-related expenses? So I just wanted to see how much you're able to ship out. What would be the extra bottom line performance?

And my third question is regarding, I noticed in your balance sheet your trade numbers have fallen off in terms of your payables as well as your receivables. So my guess is probably due to the sale of your subsidiary to 50% stake. I just want to double-check if that's the reason. And also regarding that sale, I noticed you made an exceptional loss of MYR 100 over million loss. I, that would mean that either sale of your asset was below the book value of that of PRPC?

Sazali Bin Hamzah, *CEO*:

So I think that your first question is with regard to manufacturing.

Mahadzir Rani, *Head of Manufacturing*:

Yes. I'll take our second, the first question. In the first question, you are referring to the...

Sazali Bin Hamzah, *CEO*:

Slide 10, 11.

Mahadzir Rani, *Head of Manufacturing*:

Slide 10 and 11. The first Slide 10 is for the overall utilization for PCG plants. For Slide 11, it's specifically for olefins and derivatives. There is a slight reduction in terms of volume and olefin activity.

Alex Goh, *AmlInvestment Bank*

But if I were to compare quarter against quarter fourth quarter last year and the first quarter of this year, what was -- what would be the plant utilization for the olefins division then?

Mahadzir Rani, *Head of Manufacturing*:

Yes, yes. For olefins and derivatives, yes?

Alex Goh, *AmlInvestment Bank*

Yes.

Sazali Bin Hamzah, *CEO*:

It's more behind, 100 over, 102%, I think. We are still looking at the numbers. We'll come back to you on that.

Rashidah Binti Alias, *CFO*:

Let me take the, yes. While, let me just take your other 2 questions, Alex. So your second question on receivables and payables, right? So for receivables, it is a slight increase from the 31st December to 31st March '18, and that's in line with the higher prices in actual fact as our debtor turnover day has not changed very much. It is still hovering roughly between 35 to 40 days. That's the range that we're looking out for our debtors, and that has not changed much for this quarter.

And for trade and other payables, that registered a drop and as you are also aware when we divested PRPC Polymers, now they are no longer our subsidiary. So PRPC Polymers is a joint operation. And we consolidate PRPC Polymers line-by-line 50% on a 50% basis. So a drop-in very much related to project accrual on PRPC Polymers that is now recorded on a 50% basis.

So moving on to your next question on the divestment loss, yes, okay, the divestment is done as we have announced in the past that is done at cost. And therefore, it is in principle, it is at a no gain, no loss. However, the divestment also involved repayment of shareholders' loans or rather divesting of 50% shareholder loan. So the loan was repaid, the 50% portion.

And that loss is actually relating almost in its entirety through foreign exchange movements. Because when we gave out the shareholders' loan in the past that was at a higher ringgit MYR 4 something. So when we got it back at current at today's rate, that's roughly about, what, MYR

3.98, about roughly about MYR 3.98 last time. So that was the loss that we registered. In actual fact, this was the loss that we recognized in reserve, but now we have to bring it to P&L when we divested the 50% portion. Did I miss any other question that you have?

Alex Goh, AmlInvestment Bank

There was one. Accrual of your manpower-related expenses, what is the absolute value?

Rashidah Binti Alias, CFO:

It's roughly about MYR 120 million roughly.

Alex Goh, AmlInvestment Bank

Okay. Roughly how many years or periods would this involve? And what actually occurred that caused this to happen?

Rashidah Binti Alias, CFO:

This is actually pertaining to performance-related payout. So as you can realize, 2017 was a very good year for PCG. So and typically, as the process stands the board bot will actually take a call in terms performance related-payouts after the year concluded. So we made meet certain accruals. We made meet certain assumptions for 2017.

But when the actual performance payout was decided based on actual performance of 2017, so we over or under-accrue or sorry, we recognize any over or under accrual. So in this case, considering that 2017 was a good year, there was that under-accrual for the performance-related. So we expect this to be a one-off, not something that will recur, again, depending on the performance of the year, of course. This is actually this is just relating to 2017.

Sazali Bin Hamzah, CEO:

Okay. Clear, Alex? So under plant performance, we'll come back to you, yes?

Alex Goh, AmlInvestment Bank

Yes. Then could also give us some guidance on the next second quarter and third quarter plant maintenance that how is it going to affect your utilization? Because you're already at 100% utilization. You can only come down. So I'm just wondering, how is your that's going to affect you?

Sazali Bin Hamzah, CEO:

Yes. Quarter 2, we have 1 plant shutdown planned for PDH, which we have done it, we have completed actually. So we expect that the utilization is lower roughly quarter 2.

Mahadzir Rani, Head of Manufacturing:

Quarter 2 is still above 90% -94%.

Sazali Bin Hamzah, CEO:

About 94%, there is what, yes, roughly.

Mahadzir Rani, Head of Manufacturing:

But again, for overall, we still target above 90% for the whole year.

Sazali Bin Hamzah, CEO:

For the overall, for the year, we still target above 90%, as what we explained to you in the previous briefing.

Alex Goh, AmInvestment Bank

Yes. But I noticed in a previous briefing, you also did indicate that a second half is going to be -- the utilization would be lower in the first half. Did I catch you correctly? I mean, does the second half...

Sazali Bin Hamzah, CEO:

Correct. Besides, we're for the second half, we have another 4 plant turnaround. So the first half, only 1, 1 plant turnaround. And then the second half, we will have 4 plant turnaround. But altogether, the utilization, as I mentioned, we still target above 90%. Incorporating all those turnaround plan.

Operator:Our next question, Mohshin Abd Aziz from Maybank.

Mohshin Abd Aziz, Maybank Kim Eng

My question is relating to the under-accrual of past manpower charges, right? I just want to understand. Is this relating to staff contract? I just want to understand the basis of it because the amount is quite big and very rare by PCHEM to have this happening, you see, so I just wanted to understand what is it and going forward in the future, what is the normal run rate for staff cost?

Sazali Bin Hamzah, CEO:

Actually, what we normally do, Mohshin, by early of the year, when we budget we put certain assumptions on the bonus payout based on performance payout that we think that what we supposed to be. So and the pending year-to-year sometimes we are getting more than what we plan. Sometimes it's less. But as for this particular year, because you know that 2017 is a good year so PCG have to recognize the staff performance. So it is distributed to all permanent staff actually.

Mohshin Abd Aziz, Maybank Kim

I see. So you get paid bonus on quarter 4, I assume?

Sazali Bin Hamzah, CEO:

No.

Rashidah Binti Alias, CFO:

No, no, no. Mohshin, for clarity, right, so in terms of accrual for bonuses, we do it throughout the year. So every...

Mohshin Abd Aziz, Maybank Kim

No, no, no. I understand. I mean, most companies do that. To start the year, you budget something, and then, let's just say performance is greater, you give the amount greater. But you may pass the fourth quarter accounting book closure. So that's why I ask, is bonus paid on fourth quarter?

Rashidah Binti Alias, CFO:

Yes.

Sazali Bin Hamzah, CEO:

Yes, yes.

Mohshin Abd Aziz, Maybank Kim

Okay. So this is basically a once-off event like, I mean, it's not something...

Sazali Bin Hamzah, CEO:

Correct, correct.

Rashidah Binti Alias, CFO:

Yes.

Sazali Bin Hamzah, CEO:

Yes, some time.

Mohshin Abd Aziz, Maybank Kim

Okay. That clarifies. And -- okay. At least, it's nothing to be worried about?

Sazali Bin Hamzah, CEO:

Yes, yes. We work hard will then we have to pay hard some time.

Mohshin Abd Aziz, Maybank Kim

Why not?

Operator: Our next question, Mayank from Morgan Stanley.

Mayank Maheshwari, Morgan Stanly

So I have 2 questions. One was related to aroma as well as how has the utilization rates been for both these projects, aroma as well as PIB plant? And how much have you guys recognized in terms of earnings from these plants in the current quarter?

Sazali Bin Hamzah, CEO:

Okay. In terms of utilization rate, hold on, yes? Roughly, it's about 62. But this is as part as what where we expect as well because for the initial operation, we always have to ramp it up step-by-step as well as getting the our buyer approval on our product. And when you say, how much is contributed to our EBITDA, it's close to it is positive. It's more than 5 close to MYR 5 million EBITDA contribution from aroma.

Mayank Maheshwari, Morgan Stanly

Both the plants put together?

Sazali Bin Hamzah, CEO:

Only aroma.

Mayank Maheshwari, Morgan Stanly

Okay. And the other one would be roughly how big?

Sazali Bin Hamzah, *CEO*:

Which? the other one?

Mayank Maheshwari, Morgan Stanly
HR-PIB.

Sazali Bin Hamzah, *CEO*:

For HR-PIB, at this moment, is about balance. Because we run only 50%. So we are still at the testing period. So still, we cannot consolidate the account yet. So I think we need to wait until the end of the year, then we can see the actual number.

Mayank Maheshwari, Morgan Stanly

Yes, okay. And sort of a one last question was more related to the associates. Obviously, you have seen improvement in performance there this quarter. Is it or largely related to asset-to-asset prices? Or is there something else that you're seeing in these numbers as well, which is helping you?

Sazali Bin Hamzah, *CEO*:

Actually, also some of the business is really helping us. If you look at associate now, we are doing better than last year. Last, if you can compare quarter 1 2017, we are doing better, mainly because some of our associates like BPPA in acetic acid is also doing a quite well performed well in the contribution. Okay. You see the Acetic Acid the price is quite high.

Mayank Maheshwari, Morgan Stanly

Okay. But has the utilization rates also moved up here? Or that's been lastly flattish quarter on a year-on-year basis?

Sazali Bin Hamzah, *CEO*:

Yes. Overall utilization, actually, we are on track. We know the number now it's roughly it's about utilization is about 94% as compared to quarter 1 2017, it's at about 83%. So we are moving in the right track. But bear in mind that for aroma and HR-PIB, all those require a certain time for us to certify our product and get the full swing.

Mayank Maheshwari, Morgan Stanly

Okay. And when you think that can happen on both aroma and HR-PIB?

Sazali Bin Hamzah, *CEO*:

Probably we are targeting until end of the year, then it will be stabilized. This is our anticipation at this moment.

Mahadzir Rani, Head of Manufacturing:

I would like to go back to Alex from AM bank about the question about the overall utilization for O&D in quarter 4. The utilization for O&D in quarter 4 is 101%.

Sazali Bin Hamzah, *CEO*:

That's why you see the some lower in the volume as compared to quarter 1 2018, okay?

Operator^ Our next follow-up question, Alex Goh from M bank.

Alex Goh, AmlInvestment Bank

Yes. I just wanted to follow up with a question. Your plant in fourth quarter went up to 101. And this and the first quarter 2018, you went back to 100%. So I'm just wondering, how many percent above the 100% capacity can you run? I mean, just...

Sazali Bin Hamzah, CEO:

Yes, yes. Good question. I think our based on our performance test will be 103%, 105%, the highest we can go. But that's subject into availability of the plant as well as the feedstock.

Alex Goh, AmlInvestment Bank

Okay. I'm just wondering, the other one, your numbers for the year, does it also include the SAMUR utilization as well? That would mean SAMUR is also running 100% utilization, am I right?

Sazali Bin Hamzah, CEO:

Yes, yes.

Mahadzir Rani, Head of Manufacturing:

Yes. That's why you've been hearing we are always saying that SAMUR is performing well. SAMUR is performing well. They're there both at 100%.

Operator: Our next question, Yayati from UBS.

Yayati Tyagi, UBS

May I just request on the utilization rate of methanol quantities, and also for the outlook of the methanol plant for Q2.

Mahadzir Rani, Head of Manufacturing:

Methanol plant, roughly, the utilization for methanol plant for both plant is above 90%.

Sazali Bin Hamzah, CEO:

And then any kind of turnaround.

Mahadzir Rani, Head of Manufacturing:

And then for quarter 2, for quarter 2, yes, we are expecting to run still above 90%.

Yayati Tyagi, UBS

All right. There's just one more thing. If I'm not running ahead of myself, do you think the earnings off of 2018, how do you see them compared to expect them to be compared to 2017 since that Q1 has been lower than Q1 '17?

Sazali Bin Hamzah, CEO:

Yes. If subject to exchange rate as well as the market, which we don't know if we're assuming they're all the same. So we are anticipating about the same profit as what we have achieved in 2017.

Operator: (Operator Instructions) Our next question, Oscar Yee from Citigroup.

Oscar Yee, Citigroup Inc

First question, could you I noticed you have acquired a minority stake from Sasol for both the cracker and LDP. So roughly, in terms of MI, how much per quarter is this business generating? I presume you have paid MYR 630 million for this minority stake increase, right? Am I correct? That's the first question.

Second question is I previously remember you have this warranty shutdown, right, for the SAMUR urea plant. Is it still going to happen like next year or this year? And could you just remind us about your third quarter? You mentioned about 4 plants maintenance, right? Could you specify which 4 plants?

Sazali Bin Hamzah, CEO:

Okay. We answer the plants...

Mahadzir Rani, Head of Manufacturing:

I will answer the operation question first. I think the 4 plant that we're going to bring it down for TA and planned maintenance for towards the second and third quarter will be one of our crackers, and fertilizer plants and also methanol plant towards the third quarter.

Sazali Bin Hamzah, CEO:

Okay. And then and the with SAMUR shutdown. On SAMUR shutdown, I think as I we mentioned, we are not going to do this year. We plan to do it next year for the warranty turnaround. Okay. I'll go back to the first question.

Rashidah Binti Alias, CFO:

Oscar, in terms of the expedition of the minority interest, you will also see in our Bursa report year, right, we need the payment for the additional equity was roughly about MYR 630 million. Now you will also see in the Page 4 of the quarterly report, the statement of changes in equity. Under the line, if additional equity interest in subsidiary, there's a charge of about MYR 248 million to our retained profits. So that represents somewhat the profit buyout that we are expected to realize moving forward without them. So roughly, that. Plus the other upside that we can get for a more efficient operation running the business on our own.

Sazali Bin Hamzah, CEO:

And on tolling.

Rashidah Binti Alias, CFO:

Yes, on tolling, you're also aware that we do functional restructuring to our organization. So with the minority interest out, then we're able to then implement a tolling business model to the business. And that brings in itself some upside to the restructuring. So that upside, plus the future profit buyout that we recorded that's roughly the value.

Operator: Our next question, Yong Por from BNP.

Yong-Liang Por, BNP Paribas

Two quick questions. Can you just give us an update on the EBITDA sensitivity to FX? And the second question is, can you give us any update on the ethylene and propylene transfer price from PRPC in the future?

Rashidah Binti Alias, CFO:

So your first question, for every MYR 0.10 movement in dollar-ringgit that roughly affects our EBITDA by a range of 5% to 7% up and down accordingly.

Sazali Bin Hamzah, CEO:

So on the ethylene and propylene price for PRPC, we are still in the discussion, but as of now, it's about 5% discount from the market price.

Yong-Liang Por, BNP Paribas

Do you think that, that kind of transfer pricing will incorporate maybe contract price, naphtha price? Other components besides just the spot price.

Rashidah Binti Alias, CFO:

The formula is market...

Sazali Bin Hamzah, CEO:

Yes. The formula is market-priced. Which have a component -- I think there is a component of naphtha inside that. And it's quite the standard market price for ethylene and propylene market use.

Operator: There are currently no more questions in queue (Operator Instructions) As there are no further questions, I will now hand the session over to you. Please go ahead, Alia.

Zaida Alia Shaari, Head IR:

Thank you, Aaron. Thank you, everyone, for participating. If you have any more further questions, please e-mail us. Thank you.

Sazali Bin Hamzah, CEO:

All right. Thank you.

Rashidah Binti Alias, CFO:

Thank you very much.

Operator: Thank you. Ladies and gentlemen, this concludes today's conference call. Thank you for your participation. You may now disconnect.