

EVENT	:	Q1 2019 PETRONAS CHEMICALS GROUP BERHAD EARNINGS CALL
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PCG PARTICIPANTS	:	Datuk Sazali Hamzah, MD/CEO En. Mahadzir Rani, Head of Manufacturing Pn. Rashidah Alias, CFO En. Akbar M Thayoob, Head Strategic Planning & Ventures Pn. Zaida Alia Shaari, Head Investor Relations
CALL PARTICIPANTS	:	Ajay Mirchandani, JPMorgan; Analyst Alex Goh, AmInvestment Bank; Analyst Azim Faris, BIMB Securities; Analyst Horace Chan, Citigroup; Analyst Tan Jian Yuan, Affin Hwang; Analyst Raymond Yap, CIMB; Analyst Mayank Maheshwari, Morgan Stanley; Analyst M Nadzmi Jaigani, EPF; Analyst Paworamon Suvarnatemee, Credit Suisse; Analyst Piyanan Panichkul, UBS; Analyst Yayati Tyagi; UBS; Analyst Yong Liang Por, BNP Paribas; Analyst

Operator:

Ladies and gentlemen, thank you for standing by and welcome to PETRONAS Chemicals Group analyst briefing for first quarter 2019.

I must advise you that this conference is being recorded today, 24th of May 2019.

I would now like to hand the conference over to your first speaker today, Alia. Thank you.

Please go ahead.

Zaida Alia Shaari, Head Investor Relations:

Thank you, Albern. Good afternoon, ladies and gentlemen. This is Alia, Head of Investor Relations. Thank you for joining us today for our quarterly briefing.

You should by now have access to the presentation material through the link provided in the invitation.

We are pleased to have with us today our senior management comprising of our Chief Executive Officer, Datuk Sazali; our Chief Financial Officer, Madam Rashidah; Head of Strategy, Planning and Ventures, Mr. Akbar; and Head of Manufacturing, Mr. Mahadzir.

Let me just quickly go through our agenda for today. It is slightly different from our usual quarterly calls. We will start with the key highlights with Datuk Sazali, followed by the briefing on our first quarter performance by the respective members of the management. And then Datuk Sazali will give you a short brief on the recently announced acquisition of Da Vinci Group before finally moving on to the Q&A session.

With that, I shall hand you over to our CEO, Datuk Sazali.

Sazali Hamzah, MD/CEO:

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

So, let me talk about the economic situation at this moment, yes. Based on our perspective, year-on-year global GDP declined, driven by slower growth in China who is feeling the impact of the trade war with the U.S. and U.K. whose economy is seeing weakness due to the tedious and difficult Brexit process. Global PMI while still in expansion mode, this at a significantly lower rate as compared to the same period last year. I could extract here, first quarter 2018 is at 54 indexed. And this year, quarter 1, 2019, is at 50.7, with lower expansion in major economies, namely U.S. and U.K., while China contracted.

Crude oil was in recovery mode post the fall seen in December 2018, but the quarter average remained weaker at USD 64 per barrel, yes, at USD 64 per barrel compared to USD 67 per barrel last year. If we look at today even, crude is still very volatile, yes. Starting, last week, 2 weeks ago, it's above USD 70, but now it's go back below USD 70. Despite the rise in crude oil prices during the quarter, economic uncertainties weighed in on petrochemical industry. Petrochemical player, despite the recovery in crude oil price, saw minimal impact to petrochemical product prices as feedstock price remained low into a weak end market coupled with slower demand. Low supply on various products are also capping prices at levels lower than those seen in the same period in 2018. At the same time, seasonal pickup expected post the lunar year was relatively modest. Despite the slight improvement, demand remained subdued.

Despite the volatile and weaker macroeconomic condition in first quarter 2019, I believe we have done relatively well for the quarter. In managing our assets well, we achieved a commendable plant utilisation of 95%, as compared to 100% last year. As this year, we started turnaround activities at our aromatics plant in quarter 1 and completed a major maintenance at our methanol plant, as compared to previous year's, 2018, first quarter. We don't have anything planned turnaround during that period, yes. So you expect that our PU is slightly lower than last year. However, we still maintain about 95%.

As a result, our production volume was lower by 5% at 2.6 million tonne, and subsequently, sales volume was also lower. Revenue fell 17% to MYR 4.1 billion with lower sales volume and lower product prices. EBITDA declined 31% to MYR 1.3 billion with lower spreads and lower sales volume, and EBITDA margin followed at 31%. So if you talk here, it's mainly on weaker spreads and also lower sales volume as a result of we have turnaround in quarter 1.

And PAT was lower by 27% at MYR 813 million, in line with lower sales volume.

So for further details, I would like to invite our CFO, Puan Rashidah, to take over from here.

Rashidah Alias, CFO:

Thank you, Datuk Sazali. Ladies and gentlemen, a very good afternoon, and thank you for joining us.

We will start with the Group's performance on Slide #5 before moving on to the segmental performances.

Now the first quarter of 2019 was certainly a challenging quarter. As mentioned before, GDP decelerated in the current quarter, driven by slower growth in China and the U.K. and global PMI declined due to a slower expansion in major economic countries, namely the U.S., China and U.K. The benchmark Brent price averaged lower in Q1 2019 compared to Q1 2018. And petrochemical product prices also averaged lower, with lower feedstock costs and subdued market demand. Against this weaker backdrop, the Group revenue declined 17% to MYR 4.1 billion, largely on the back of lower product prices and sales volumes.

EBITDA decreased 31% to MYR 1.3 billion with lower spreads, sales volume; and higher operating expenditure relating to maintenance activities, and EBITDA margin was lower at 31%. Subsequently, profit after tax also fell by 27% at MYR 813 million, in line with lower EBITDA, partially offset by lower tax expense. In addition, there was also an impact of foreign exchange loss in the corresponding quarter. This relates to shareholder loans pursuant to the divestment of 50% equity interest in Pengerang Petrochemical Company in the corresponding quarter.

Next we move on to the group financial performance against the preceding quarter that is quarter 4 2018.

The economic downturn that started in quarter 4 2018 continued into quarter 1 2019, with GDP slipping down to 2.9% from the previous 3%. Global PMI saw slower expansion in Q1 2019, as worries on the impact of trade war between U.S. and China and wider political uncertainty undermined business confidence. Despite the recovery of crude oil prices during the quarter, the benchmark Brent averaged lower at USD 64 per barrel compared to USD 69 per barrel in the preceding quarter. Petrochemical prices were lower in Q1 2019 on lower feedstock costs, a weak market and sluggish downstream demand.

As the result, Group revenue decreased by 18% to MYR 4.1 billion, impacted primarily by lower product prices and sales volume. EBITDA fell 25% to MYR 1.3 billion on lower spreads, sales volume; and negative foreign exchange impact. EBITDA margin fell from 33% to 31%. In line with lower EBITDA, coupled with net share of losses from joint venture and associates, PAT also declined by 37% to MYR 813 million.

Now the next 2 slides show a bit more granular breakdown on the group performance by segment. I will leave these 2 slides for your consumption. Therefore, if we can move on to an update on balance sheet and cash flows on Slides 8 and 9.

First, the balance sheet, on Slide 8. For the 3 months period ended 31st March 2019, total assets was lower by MYR 746 million, to stand at MYR 36.6 billion, primarily due to 2 reasons: number one, payment of 2018 second interim dividend of MYR 1.52 billion; as well as capital expenditures spent mainly at Pengerang Petrochemical Company and PC Isononanol, 2 of our projects at Pengerang, Johor. And number two, there is lower trade and other receivables at MYR 2.28 billion mainly due to lower sales.

Let's now turn to our cash flow on Slide 9. Cash generated by operating activities was lower by 12%, primarily contributed by lower profit generated as well as changes in working capital during the period. Net cash used in investing activities was higher at MYR 543 million, as there was consideration received from Aramco in the corresponding quarter relating to divestment of 50% equity interest in Pengerang Petrochemical Company.

At the end of the 3 months period, our cash balance decreased to approximately MYR 11.6 billion. With this balance, we remain in a strong position to continue pursuing our current growth projects as well as future opportunities.

That is all on the financial performance. Over to Mr. Mahadzir for the manufacturing highlights.

Mahadzir Rani, Head, Manufacturing:

Thank you, Puan Rashidah. And good afternoon, everyone. Mahadzir here.

I'm going to present to you the operational highlights. Please refer to Slide 10. Let me share the operational highlights for the quarter.

Our operation in quarter 1 was comparable to the preceding quarter following good reliability in olefin and derivatives segment. Our fertiliser facilities were all in operation, contributing significantly to high utilisation of the Group. Compared to the previous quarter, we recorded better plant utilisation rate following safe delivery of maintenance activities at PC Methanol and PC Aromatics. All in all, we have achieved a good plant utilisation of 95% in first quarter 2019.

For first quarter 2019 segmental operational performance for olefin and derivatives. Quarter 1 of 2019 plant utilisation for the O&D segment was at 100%. Ethylene production was stable at about 270,000 metric tons compared to quarter 4 2018, as both of our crackers were operating well. We are seeing sustainable performance at other facilities as well. We will continue to focus on plant reliability and also plant efficiency to achieve improved performance and subsequently sustainable plant operations.

Next we go to the segmental operational performance for Fertiliser and Methanol. Please refer Slide 12.

For F&M, plant utilisation performance was at 92% following maintenance activities at PC Methanol Plant during the quarter. For PC Methanol, the maintenance works were safely and successfully completed in early March, following which the plant was running smoothly.

As for urea, the total production in quarter 1 2019 recorded highest at 662,000 metric tons compared to quarterly performance in 2018, with all urea plants running at optimum capacity. There was no major shutdown activities for all urea facilities during the quarter.

For project updates, please refer Slide 13.

PIC petchem. As for project updates on PIC petchem, 163 million safe man-hours were clocked up in the project since commissioning. Despite the challenges, PIC successfully rolled out on-spec final product of monoethylene glycol, polypropylene and linear low-density polyethylene. Start-up will continue with the remaining commissioning activities; and continue to progress for other petrochemical plants, namely flexi HDPE and Isononanol.

For AROMA complex, for updates on the aroma complex. We have just completed the first turnaround activity for citral plant, started in March 2019. And this is including the DOSH inspection. And the plant has been successfully start up.

In conclusion, please refer Slide 14.

To wrap up the quarter's performance: We sustained the best-in-class plant utilisation performance at 95% for the quarter. We maintained stable operation in olefin and derivatives segment and all our fertiliser facilities. We successfully and safely completed maintenance activity at methanol plant. Moving forward, in 2019 will be another heavy statutory turnaround year for PCG. We recently completed a statutory turnaround at our aromaticS plant in April and planned shutdown at MTBE plant in early May. We will be having our major planned turnaround activities in quarter 2 and quarter 3. Nevertheless, our commitments remain to deliver operational performance at above 90% plant utilisation for the year.

That's all I have for the operational highlights. I would like to hand over to Encik Akbar for the market performance.

Akbar Thayoob, Head, Strategic Planning & Ventures:

Thanks, Encik Mahadzir. Good evening. Akbar here, sitting in for Shamsairi.

Let's proceed with the market highlights.

Firstly, on ethylene. In general, markets remained soft due to prolonged U.S.-China trade war and China's government tightening safety compliance across petrochemical facilities after the recent explosion incident. In quarter 1, ethylene prices were higher, as demand picked up after Chinese New Year and supply was short due to shutdown of several crackers. Moving into the next 3 months, ethylene prices are expected to be stable as supply and demand are balanced. Ethylene supply is expected to be short given several crackers will be on turnaround. The impact of short supply, however, is mitigated by low demand, as several downstream plants will be undergoing maintenance in the coming months.

Moving on to polymers. Average prices in quarter 1 were lower due to bearish market sentiment, with minimal buying activity as market players were gradually returning from their year-end holidays and buying momentum was not yet back in full force. Polymer prices are expected to strengthen in view of the upcoming festive season in Southeast Asia on the back

of limited supply due to turnaround in Southeast Asia and China with estimated total volume loss of 182,000 metric tons.

Next, for MEG. MEG prices softened in quarter 1, as market players in China were reluctant to hold onto high inventory in view of lunar new year holidays and the slowdown in business activities. MEG market is going to be impacted by the weak sentiments towards China's economic performance post announcement by U.S. to increase tariffs on Chinese goods. As a result, there is the possibility of a market reduction in China polyester operating rates should the U.S.-China trade tension-prolong.

As for paraxylene, the average price in quarter 1 2019 was lower compared to the preceding quarter mainly due to the volatility in downstream PTA market amid bearish sentiment. PX price is forecasted to soften in the coming months on the back of ample supply, with upcoming new additional capacity in Northeast Asia, on top of the weak demand. Oversupply situation continues as new production comes onstream in Northeast Asia, with potential excess of over 3 million metric tons. Demand is anticipated to be weakened, as PTA producers undergo scheduled maintenance in India and China, with expected loss of about 125,000 metric ton. At the same time, downstream PET fiber sales are also expected to be slowed due to unclear market trends.

Now let's proceed with Fertiliser and Methanol segment, starting with urea.

Quarter 1 prices for urea, quarter 1 prices were lower in view of lower volume announced in the Indian tender, but the more new plants in Russia, Azerbaijan, Turkmenistan and India have started their commercial production in December which added more than 3 million metric tonne to the global urea supply. Urea prices are expected to be firm in the next 3 months after India issued LOIs and new tender for 1 million metric tonne in May 2019. Supply for the Indian tender will come mostly from Middle East, hence Middle East will not have any spot volume to offer for May and June. At the same time, demand from Southeast Asia market is anticipated to strengthen in line with the upcoming harvest season.

Moving on to ammonia. Prices for ammonia in quarter 1 2019 was soft due to the long supply. Our plants were running well, including the new Southeast Asia plant, and there was no fundamental changes in demand. Ammonia prices for the next 3 months are anticipated to be stable. A few plants in the Middle East and India are having turnaround, which will affect supply in Asia. South East Asia demand might improve towards quarter 2 2019 as it is anticipated there is demand of industrial ammonia in Vietnam that will give impact to consumption.

Lastly, on methanol. Prices further weakened in quarter 1 2019 on the back of ample supply, with major players resuming production after previous maintenance and shutdowns amid softening demand. Methanol prices are forecasted to be stable in the next 3 months. Supply outlook is stable, with major plants undergoing turnaround, while some are running at optimum operating rate. Demand is also expected to be stable in Southeast Asia with changes in biodiesel regulatory requirement, particularly in Indonesia and Malaysia. In Northeast Asia, weaker demand is expected for acetic acid and formaldehyde. Hence, methanol price in that region is expected to remain soft.

That's all for the updates on market. I'll now hand over the session back to Datuk Sazali.

Sazali Hamzah, MD/CEO:

Okay. Thank you very much, Encik Akbar. Ladies and gentlemen.

So at the start of the year, we spoke about expecting 2019 to be a challenging year, and that was exactly how the last 5 months have been. The impact was felt in most businesses, be it in at the service sector, manufacturing as well as petrochemical sector. Looking at our industry peers, no one was spared by the weakened market brought on by the economic uncertainty and dampened business sentiment. So if we look at this benchmark number of our peers, they are experiencing all the same on what we are experienced. [experience].

So moving on. Among the few, geopolitical uncertainty remained a key concern. And the trade talk between U.S. and China continues to fuel fears, dampening business confidence. Crude oil price will be dependent on the success or failure of the OPEC and non-OPEC alliance, political tension as well as political demand/supply balance. Nevertheless, global oil demand is still expected to grow in 2019, and this is expected to lend some support with stabilization of crude oil price. In the midst of all these factors, GDP have declined slightly in first quarter 2019, but in Asia Pacific region demand fundamentals remain solid, as the petrochemical deficit is expected to grow in the region over the next few years, albeit a more sedate pace.

For PCG, we are ready to take on the challenge. As you know, the business is a cyclical business, with HSE remaining our utmost priority it is crucial us to focus on sustaining our operational excellence initiatives, to run our asset well and optimize our production. With that, we will be able to manage our costs and continue to drive our commercial excellence initiatives to continuously create value for the company and its stakeholders.

As on the note of continuous value and growth, we saw earlier on the manufacturing highlights that the overall completion of the petrochemical plant in PIC stands at 98% at the end of April.

Now I know many are asking about the incident that's happening in Pengerang, at Atmospheric Residue Desulphurisation unit or ARDS, a few weeks back. And you might be wondering if the fire will cause the petrochemical plant operations to be delayed, so I would like to take the opportunity here to assure you that, despite the incident, we remain on track for commercial production in the fourth quarter of this year.

We have also added another focus to our 2019 plan, which is to venture into specialty and bio-based chemical. We have spoke for a long time that our way forward will be selectively venture into specialty chemical and solutions, and after exhaustive review on how we plan to venture, we are now ready to put our plan in focus. And that brings us to the next item on our agenda, our recent acquisition of Da Vinci Group B.V.

Ladies and gentlemen, let me start with a quick recap on PCG growth plan. We have 2-pronged strategy to grow and future-proof our business. Our first prong, which is sustain strength in basic petrochemical, we have so far managed to increase our petrochemical capacity since listing about — more than 40% from 10.8 million to 14.6 million by 2020. We have also achieved plant utilisation of more than 90% and customers' demand fulfillment reliability of more than 90% since 2016. And this generates strong EBITDA margin of more

than 30%. And with this, we basically have sustained our strength in basic petrochemical plants from the last few years back.

And we move into our second prong to into derivatives, specialty chemical and solution. We have started our venture with our partner BASF and then followed up by Pengerang. With BASF, as you remember, we have built our first specialty chemical, first 3 specialty chemical plants in Gebeng, which is 2-EHAcid, HR-PIB and aroma. And later on, we come up with our investment in Pengerang. We also include another specialty chemical called INA, isononanol plant. And this will be made ready by end of this year. Next.

And this venture with our JV and PIC is just the beginning in our journey to grow through the specialty chemical portfolio, thus provide our first test bed in playing our game in specialty chemical. Through the growth and expansion of specialty chemical portfolio, PCG aspires to double our earnings over the next 15 to 20 years in line with the growth rate of the global chemical industry. This will ensure that we're still relevant in this game. And we aim to grow our specialty chemical portfolio to make up to about 25% of our product offering in the long-term horizon. In order to achieve our aspiration, we have developed 3 market-backed growth levers. The first is extension of value chain, where we will continue to invest further downstream of our existing facilities. Under this lever, we are currently having 14 numbers of projects under various stages of evaluation.

Next is to Build Specialty Platforms in order to gain technology and market access. For this, there is 7 projects which is currently under evaluation.

And lastly is to Create Optionality for Growth, where we will be looking at long-term investment into research and development as well as investment in suitable start-up companies in line with PCG growth strategy. Here we are currently have 4 projects being evaluated at this moment through R&D, as well as for CVC.

So, once we have identified the potential growth projects through our various levers, the next step is to check these opportunities against the 8 market segments that we have identified as area of assured growth. This is as a result of study that we have done about 2 years back and recently on the global mega trends, yes. We also looked at the trending of aging population and the development of new energy as well as shifting market and rise of consumerism. And because of that, we identified 8 prioritised end markets to be played with in specialty chemicals. And opportunities that best fit these end market segments or are currently serving in this segment will be prioritised for PCG growth plans.

And so ladies and gentlemen, after evaluating multiple opportunities over the past year, we have identified Da Vinci Group as the key first step towards establishing our own specialty chemicals focus within PCG.

So if you look at the slide there, the 6 marked logo identified Da Vinci's participation in the prioritised end markets. They are construction, paint and coatings, personal care, health care, electronic as well as automotive. With a product that fits most of the end market segments that we have identified, we believe Da Vinci presents a great opportunity for our growth.

Okay. So let's talk about Da Vinci Group. Da Vinci Group B.V. is a holding company of BRB Group, a Netherlands-based company; involved in the formulation and manufacturing of

silicone, lube oil additives as well as chemical. The group current has 5 plants in 4 locations, namely in Netherlands, Germany, Singapore and Canada. And it has 11 sales office globally, including Europe and Asia as well as North America. Having been in the silicone business for over 30 years, BRB started with own brand reselling but progressively moved down the silicone value chain with formulation and synthesis of specialty silicone product to serve the smaller or niche markets who are not served by the large players.

Silicone products are specialised and used for a very specific purpose, and BRB formulation and synthesis capability is able to provide customised solutions to their customer in line with PCG vision as an innovative customer solution provider. Just to give an example of the area in which Da Vinci currently serves: Among their customer are skin care experts such as Estée Lauder, Clarins and L'Oréal. Further to that and being known as the specialty chemical company, their R&D capability and trade secret formulation will ensure their sustainability and relevancy in the future. Next.

The acquisition of Da Vinci is a strategic step to broaden PCG's portfolio and provide a timely opportunity for PCG to accelerate its growth strategy and future-proof its business by diversifying PCG's product portfolio further into differentiated and specialty chemicals. As previously mentioned, it is important that our growth opportunities serve the mega trends and the industry and segment in which we want to grow in. And these industries or end markets include but not limited to personal care, construction, paints and coating. Da Vinci current portfolio serves 6 of the 8 prioritised end markets, with potential for future growth. The acquisition also provides PCG an entry point into growing silicone business which has the capacity to fetch higher specialty margin with low risk of substitution by other products. And the silicone business is also a growing segment with demand expected to outpace GDP over the next few years.

Another compelling reason for the acquisition is the potential enhancement of PCG customer-centric approach in providing customer solutions. With majority of Da Vinci recurring sales for customised solutions, there is much then can expect to enhance our commercial excellence initiatives. Finally, as to further future-proof our business, we needed to step out and venture beyond oil and gas. And this new silicone-based value chain is less susceptible to the cyclicity of the market and crude oil price; as such, will provide support to PCG's overall portfolio.

Ladies and gentlemen, as per the announcement made last week, we signed SPA on the 15th of May 2019, effectively marking PCG's first foray into specialty chemical via inorganic growth. Certainly a very exciting for us, but there is still work to be done before the transaction is completed. At the moment, PCG is currently working on fulfilling the conditions precedent of the SPA. These, among others, include the approval from the antitrust authorities. We expect that CP can be fulfilled within the next 6 months, as we target to complete the transaction in quarter 4 2019.

Upon completion of the transaction, Da Vinci will become a wholly owned subsidiary of PCG, and the financial will be consolidated accordingly. And I believe that this is a very interesting time for PCG given the opportunities presented to us by this acquisition. Right now, with Da Vinci, we are looking at greater market access which will provide opportunities for PCG to grow, especially in this region, as well as access to trade formulation of which Da Vinci is

known for; and increase capacity in the specialty chemicals space; and the increase in specialty portfolio contribution.

In summary. That's bring me to some of the key takeaway with regard to this acquisition. Number one, we aspire to double our earnings and expand our specialty chemicals portfolio to about 20% to 25% in the next 15 to 20 years. Second, Da Vinci represents the first stepping platform for PCG to realise this aspiration given its strategic fit to the group. Third, this acquisition allow PCG to access Da Vinci's global market, trade secrets in silicone business, research and development capabilities as well as customised solution culture. And finally, this, the acquisition, is expected to increase specialty portfolio contribution by approximately 2%, with a potential to grow to about 10% in 5 to 10 years time.

With all the above, this is certainly an interesting time for PCG to first venture in this new, specialised product line.

So ladies and gentlemen, we have come to the end of the presentation, and let us move to the question and answer.

+++ q-and-a

Operator:

Your first question comes from the line of Ajay Mirchandani of JP Morgan, Singapore.

Ajay Mirchandani, JP Morgan:

Three questions from me. The first one, specifically on the olefins division. We've actually seen EBITDA for that division at around about 27-odd percent. Did want to get a sense. If I go back, this seems to be going all the way back to kind of 2014 levels, the last time we've seen such EBITDA margins. I did want to kind of clarify how management is thinking about it. Is that the kind of new normal we should expect in terms of margins for that division? The second question I had was just to kind of get a quick confirmation on the 600,000 ethylene cracker maintenance dates. Is that going to be in 2Q or 3Q, and for how long? And the third and last question I had was specifically on your recent acquisition of Da Vinci. Would love to get a little bit of sense of and maybe management can help us better understand the kind of competitive landscape for those products which you talked about on the silicone side. And specifically, how is Da Vinci positioned in that market? And as a result, when you're looking to grow that part of the pie, is it more in terms of Da Vinci then, as a result, growing more greenfield capacity? Are you looking to continue to be more acquisitive and look to buy more players in that space?

Sazali Hamzah, MD/CEO:

Okay. For the first question, olefins, that you have mentioned that you have observed the olefin margin about 27%, close to 2014. I think you have rightly observed. This is where the current situation is. And whether it is a new norm, we believe fundamentally it shouldn't. It's more on the market correction based on -- not market correction, market response based on the recent issues, but how long it will be stay there, it depend on the progress of people that play in this game because everybody is cautious now. But fundamentally, we believe that you still go back around 30 of a percent, margin, yes.

Rashidah Alias, CFO:

Yes.

Sazali Hamzah, MD/CEO:

So I hope I answered your first question. The second question, Mahadzir should want to...

Mahadzir Rani, Head, Manufacturing:

For the ethylene cracker turnaround, I think it is planned in quarter 3 this year. And then the duration was around 40-plus days.

Sazali Hamzah, MD/CEO:

Okay. For question number three, Da Vinci, chemical landscape. Basically, if you look at this business, they are well serve clients in Europe, also in China. And they used to play in U.S. and recently they entered again. And moving forward, we believe that we can, -our focus market will be continue will be new market in U.S. because we see a lot of opportunity in U.S. And we also look at Asia. Asia is also a growing market for their product, especially in Southeast Asia and also Korea and Japan, because personal care has become popular in this area. And at the same time also, how we grow is it via greenfields. We are going to work on this plan because we have intention to grow further this business. And Da Vinci used to have limitation on capital, where we have that muscle, so we can provide that complement, where we have, they have actually a numbers of good technologies that we'll be able to develop the downstream plant. So that's actually the investment that we are looking at. And we have also some opportunity for M&A for any bolt-on opportunity of this business. I hope I answered the question, Ajay.

Operator:

The next question comes from the line of Horace Chan from Citigroup.

Horace Chan, Citigroup:

Just 2 quick questions. The first, on the RAPID fire. I just wanted to make sure that I'm understanding correctly. So our schedule for fourth quarter start-up has been changed. Just want to make sure, clarify that. And secondly, on the acquisition. Is there any preliminary financials, including sales figures or EBIT margin data, that you can share with us regarding the project?

Sazali Hamzah, MD/CEO:

Okay. Thank you, Alex (sic) [Horace], for the question. For question number one, basically, for the scheduled start-up for petchem, actually there is no change. At this moment, we are still on track to commercialise to achieve commercial operation in quarter 4 this year, yes. And the start-up, we will start actually even from next quarter until quarter 4, so in-progress, progressive start-up. And some of the plant, actually we actually tested. And we have produced the product, now is in the process of one by one that we will commission in phases. So we hope that we will achieve the full commercial operation in quarter 4 this year...

Rashidah Alias, CFO:

Yes. And then on the second question, for financials relating to the acquisition, unfortunately we won't be able to share. As you are aware, we have signed the SPA, but the transaction has not been completed. Obviously, we are bound by nondisclosures confidentiality, but I think, in terms of impact to PCG, we have shared -- Datuk Sazali has shared earlier on in terms of how you would be thinking about the contribution to our specialty portfolio.

Operator:

Your next question comes from the line of Alex Goh from AmBank.

Alex Goh, AmBank:

I just want to follow up on an earlier question about Da Vinci. I understand the transaction is still being completed, but could you at least share what is the net profit that Da Vinci generated last year? And also, what is the debt level at Da Vinci so that we can get a gauge of what's the enterprise value that you are acquiring the assets for? That's my first question. And my second question is regarding could you give us the -- a sense of the statutory turnaround and maintenance activity that is going to be carried out in this second to fourth quarter of this year. I understand the MTBE plant has been shut down. I just want to know, has this started operation again this month? And -- or how long will that shutdown be? And my third question is regarding your -- on your Slide 4 you've indicated that sales volume was down by 14%, but your production volume was actually down by 5%. I'm just wondering. Where is the difference coming from? You should have gone into your trade inventories, but in your balance sheet the trade inventories actually come down instead. So I'm just wondering. Where is the disconnect in terms of the sales volume decrease and a lower decrease in terms of your production volume?

Sazali Hamzah, MD/CEO:

Okay.

Rashidah Alias, CFO:

Yes. Alex, on the first question, on Da Vinci, again unfortunately, at this stage, we are not able to release any of the financials, as in like the net profit, yes. So let's see how the transaction progresses. Once it's completed, perhaps at that point we would be able to share a bit more, including the debt level and the net profit, but at this point, again, we're not able to do that, yes.

Sazali Hamzah, MD/CEO:

Okay. The second question that you asked is about turnaround from quarter 2, quarter 3. So Mahadzir will answer, yes.

Mahadzir Rani, Head, Manufacturing:

Okay. I think, Alex, I did mention that we have completed the turnaround at aromatics; and also MTBE, our planned shutdown. Next we are going to have a turnaround in quarter 3 for another 3 plants that we're going to have. The first one is one of our fertiliser plants, around a month duration. The next one, on the ethylene cracker, as I mentioned just now, in quarter

3 as well, around 40-plus days. And the next one is on one of our polymer plants also in quarter 3. It's about 35 days. And also for fertiliser, it's for PCFS. And then for -- also Petronas ammonia, okay? Is that answering your question?

Alex Goh, AmBank:

All these taking into consideration, what should be looked at in terms of the full year plant utilisation? Should we still be looking at 94%?

Mahadzir Rani, Head, Manufacturing:

Yes...

Sazali Hamzah, MD/CEO:

Yes.

Mahadzir Rani, Head, Manufacturing:

We're confident it's going to be above 90%.

Sazali Hamzah, MD/CEO:

And the volume is also relatively comparable with 2018. So the next question that you asked, about sales volume down 14% whereas the volume down 6%, is mainly because of there is one shipment that fall at the end of March that we will not be able to enter the port because of adverse weather. So that shipment was actually done in month of April, so not in our accounts. So you will see later on it will be added in quarter 2 volume.

Alex Goh, AmBank:

Oh, does that mean that your revenue will shoot up in the second quarter because of this shipment in second quarter?

Sazali Hamzah, MD/CEO:

I think the sales volume will be a little bit higher, but whether the revenue will shoot up is depending on market, Alex. So we can't forecast what will happen next month. Hopefully, the price is good.

Operator:

Your next question comes from the line of Yong Por from BNP.

Yong Liang Por, BNP Paribas:

Just 2 quick questions. So just going back to that, the lower production and the lower sales volume. You mentioned that there was a delayed shipment, but I'm also curious to ask in terms of the sales volume decline. Was there any particular product which declined a little bit more? And I guess my second question is seeing that you are on spec on MEG for the new plant. And given where MEG margin is today, is it likely that you will probably run lower? And if so, will that mean more ethylene comes up to the market? That's my 2 questions.

Sazali Hamzah, MD/CEO:

Okay. I'll answer the second question, first. You said that the MEG price is lower. Yes, lower, but as far as margin, it's still positive margin. To us, as long as it is positive margin, we will run flat. So at this moment, we will run flat because we still have a margin. Unless it's close to breakeven, we may consider reduce a bit, yes, but at this moment, the plan is still we still have a lot of buffer. So I hope that answered that question. The first part, you're talking about the lower production and sales volume...I didn't get actually your question...

Rashidah Alias, CFO:

As you mentioned earlier on, there's that maintenance activity. So the products particularly will be methanol; as well as the aromatics products, which is PX and benzene. So relating to the maintenance, yes.

Yong Liang Por, BNP Paribas:

Sorry. So Datuk, just going back to your earlier comment about MEG. So the MEG, ethylene spread is negative today. And you mentioned that it's still okay for you guys. Does that mean you are getting ethylene at a lower price than the spot price?

Sazali Hamzah, MD/CEO:

Okay. If -- because we have -- yes, when you say it's RAPID, that will be a different case, yes. If RAPID, different case, but this MEG is basically, in RAPID, we have not yet produced. So later on, when we run the crackers, then we will be. Because at the end of the day, ethylene is only for the conversion. We can sell as ethylene or we can sell as MEG, and that's also subject to our commitment to our customer. So we will optimise within that, but as I mentioned, the commercial operations will happen only on quarter 4. And then during that time, we will do the optimisation. And another thing is the MEG also relates to polymer plant as well, where polymer still gives a good margin. So we may consider, make it a little bit lower but depending on our ethylene balance in the system.

Yong Liang Por, BNP Paribas:

Yes. It's just that MEG is pretty shocking right now, but anyway, we will see how things go in the next 6 months.

Operator:

Your next question comes from the line of Yayati Tyagi from UBS.

Yayati Tyagi, UBS:

I have 2 questions. One is on the -- specifically on fertilisers and methanol division because what I see is that, that division has quarter-on-quarter a better utilisation rate and better EBITDA margin, but the amount of EBITDA is declining 13% from last quarter. So what -- so does it mean that prices were too low? Or what is driving that decline, sharp decline, in EBITDA amount for Fertiliser and Methanol division? Second question is regarding associates

income, so which has actually contributed a loss this quarter. So what is the reason behind that?

Sazali Hamzah, MD/CEO:

I think, Yayati, yes, if you look at the main price of methanol, it's actually declining. So our feedstock is actually pack with the product price, so because of that, our margin is also relate to that. So depending on the market. Because for methanol is going down. That's why under F&M you see the decline in overall margins. And another thing also, first quarter, we have a maintenance shutdown. So during that time, actually we don't produce, so as a result, our margin is lower, yes...

Yayati Tyagi, UBS:

No. what I said is the margin is higher versus last quarter.

Rashidah Alias, CFO:

Yes, yes. Sorry. Can I just backtrack a bit? For F&M, if I get your question right, margin is slightly higher, but in terms of the absolute quantum, it's lower. Now absolute quantum is lower because for 2 reasons. Number one is price. And number two is the maintenance activity that we spoke about just now at methanol. Now in terms of margin, although methanol came down in terms of margin, but -that was compensated by urea. Because in that Fertiliser and Methanol segment we've got those 2 major contributors to that segment. So that kind of balance it off, which is why you see overall to be margin-wise, percentage-wise it's balanced compared to the previous one.

Yayati Tyagi, UBS:

Okay. I think it means the methanol prices were rather too sharp declined.

Rashidah Alias, CFO:

Yes, yes, yes. It's about 20 -- 18%, 20% down. It's a big step, right, yes. It's quite -- yes, it's quite a sharp decrease, yes.

Sazali Hamzah, MD/CEO:

It's quite sharp...

Yayati Tyagi, UBS:

Right. And my other question was regarding loss from associates, please.

Rashidah Alias, CFO:

The share of profit from associates, yes.

Sazali Hamzah, MD/CEO:

Oh, okay. So the share of profits from associates you look at is low mainly because of the -- our partner BASF or BPC complex, they are having a major turnaround for most of the plant.

So that actually resulted in a negative for that particular quarter, but if you look at other contributions, all are positive actually. So we expect that quarter 2 will be better because now the plant is already to re-commissioned back.

Operator:

Your next question comes from the line of Mayank Maheshwari from Morgan Stanley.

Mayank Maheshwari, Morgan Stanley:

Sir, a couple of questions from my side. One was related to your PIC petchem plant, where you have now started to put in both the LLDPE, PP and MEG. Both are kind of on spec. So have you booked any earnings from that in this year -- sorry, in this quarter?

Sazali Hamzah, MD/CEO:

The answer is no because it is still at the commissioning stage. And when you say on spec, we just tested the plant and we run for 1 week and then we shut down again. So there will be no actually -- as we have indicated, for 2019, we don't see any contribution from PIC. We only see that in 2020.

Mayank Maheshwari, Morgan Stanley:

Okay. So sir, can you give us just a big picture background of how should we be looking at profitability once it starts up end of this year? Because now we are very close to it. So if you can just give us some highlights of how you should look at profitability for PIC.

Rashidah Alias, CFO:

Mayank, in terms of this year's performance, it will be -- in terms of financial contribution, will be very minimal because we are looking at quarter 4. As we've mentioned, quarter 4, commercial operations, whatever sales or costs that we incur during commissioning, obviously as you're aware, that will just go into the project costs because they are not yet commercial operations. So I suppose, the way to look at it, any meaningful contribution will be coming in in 2020, next year. So I don't think you factor in anything this year. If at all, it would be quite minimal.

Mayank Maheshwari, Morgan Stanley:

I mean, if I were to kind of think about 2020, and like I am just a bit of a hypothetical situation here if 2020, at current levels, do you think you will be profitable and breaking even on the operations next year?

Sazali Hamzah, MD/CEO:

Okay. Mayank, in terms of 2020, we are target utilisation, because they will be the first-year operation, will be between 70% to 80%. That is the targets that we are aiming for, but in term of profitability it's still very early for us to show to you. I would say probably, quarter 1 2020, we can give you an idea already. At this moment, on paper, I'm a bit reluctant to show on paper because price volatility is still there, as what Alex has mentioned just now -- or Yayati

has mentioned just now, that even the MEG situation can also have some bearing in running that plant later on.

Mayank Maheshwari, Morgan Stanley:

Okay, okay. And the other question was more related to your tax rate. Your tax rate has been around that 9% level. So is there any guidance you can give us for this year, how much would be your tax rate for this year?

Rashidah Alias, CFO:

As what we have mentioned earlier on, so I -- in terms of tax rate, obviously this is very much dependent on market and the profitability level. So based on historical trending, we should put it at between that 9% to 12%, depending. So we are looking at that kind of rate. Obviously, for as long as we have Labuan authority, it does not change. So that is the level of effective tax rate we are looking at. Plus, obviously then, outfit like SAMUR's, for example, they also have tax expenses. So all inclusive, that's the level of tax rate that we should be looking at.

Sazali Hamzah, MD/CEO:

9% to 12%.

Rashidah Alias, CFO:

Yes.

Mayank Maheshwari, Morgan Stanley:

9% to 12%, okay, okay. That's clear. And the final question was related to the AROMA plant. And now that it's basically gone through a bit of operations, how has been the contribution from this plant to your overall earnings?

Sazali Hamzah, MD/CEO:

Overall earning...

Rashidah Alias, CFO:

At the share-of-profit level.

Mayank Maheshwari, Morgan Stanley:

Yes.

Rashidah Alias, CFO:

Yes. Again, I think, in terms of operationally volume disposal to the market, that has been quite good. End market is also recovering in that space, but I think, BASF— or rather BPC as a whole, as you hear from our presentation just now, BPC as a whole itself is making a loss this quarter primarily because of turnaround. So I think, as we progress through this year, we should be able to see, we should be able to have better visibility.

Sazali Hamzah, MD/CEO:

And this one, probably this quarter 2 2019, next quarter, you will be able to see some indication.

Rashidah Alias, CFO:

Yes.

Mayank Maheshwari, Morgan Stanley:

No. Because AROMA plant has started some turnaround in March '19, correct? So I don't know whether you will be able to see even in second quarter. So I was just getting a sense of how have you seen historically been the performance of AROMA specifically.

AROMA, when -- before the shutdown, they actually have not, like, in full rate capacity. And one of the products actually, menthol, it took a bit longer time to produce. They have produced 2 of their sub products. So this -- after this shutdown, they will start producing menthol. They target -- actually it's not -- if I am not mistaken-- it is somewhere in June, May or June. They produce menthol -- I think June. It's not May. Then we will see the full contribution of AROMA. So the number that we have now, in the past, for example, February and January, is actually still not reflecting the full AROMA representative.

Operator:

Your next question comes from the line of Piyanan Panichkul from UBS.

Piyanan Panichkul, UBS:

I have 2 questions. The first one is regarding the Da Vinci acquisition. I know that you couldn't actually disclose any financial info, but would you comment about the implied valuation of the deal? Maybe the EV/EBITDA or the average multiple that normally is done in the specialty chem space. The second question is regarding demand outlook. I wonder if you see any negative impact from the trade war when you sell your products. Have you seen any sign of slowdown yet? And particularly in polyethylene and also new products of RAPID project such PP and MEG. If you could comment on that as well.

Sazali Hamzah, MD/CEO:

Okay. So okay. I'll answer the second question while Rashidah is looking at your first question. With regard to trade war, what we see now, our buyer, not only in China, also in this region, a bit cautious. Meaning to say, we believe that they don't buy as what they normally buy. They put their inventory at very minimum practically possible to wait and see how the trade war progress, but as far as demand per se, we have still no issue. We still can sell product, but the only thing is until when actually they really start stocking up their inventories. So when they start, then the market will re-correct back to the original position. So the current MEG price, we believe, should not -- is -- was not to be a new norm. It's only a market reaction, but how long it can go back, that is a bit a question mark we have to still wait and see. Okay. Go back to the question number one.

Rashidah Alias, CFO:

Okay. Piyanan, again, in terms of EBITDA multiple that you're asking, obviously then that's our negotiation -- what you call it, negotiation information that clearly we cannot reveal in the public space. But if you look at past transactions within the silicone transaction, M&A transactions that's public information, you'll see that it ranges between, if I'm not wrong, 8.5x to around about 11-ish multiple. So those are the transactions that have been dealt with in the past 5 years. So you can probably take some rough guidance from that, but our own specific, obviously that's not something we can divulge.

Operator:

Your next question comes from the line of Raymond of CIMB.

Raymond Yap, CIMB:

This is Raymond hear from CIMB. Just to clarify again: Did you say it was 8.5 to 11x? Was that EV/EBITDA multiple? And a question for Mahadzir on the plant utilisation. Could you tell me how many days was the methanol plant maintained or shut down in the first quarter? And the aromatics plant. I know it spills over into the second quarter. Could you break it down between the first quarter days and the second quarter days? And also the similar question for the MTBE plant in the second quarter and the ammonia plant in the third quarter. So just basically I want to know how many days of the plant utilisation will be affected in terms of the shutdowns there. And lastly, I'm not sure whether you are able to say, but with the fire at the atmospheric desulfurization unit, will that affect the start-up of the refinery itself? And if it does, where is the naphtha cracker going to obtain its source of naphtha? And whether any alternative sources of supply of naphtha would be made possible if in the event that the cracker, -- sorry, the refinery actually gets affected in terms of the operations? So yes. Sorry. It's a little bit on your parent company side but just not sure whether you can say anything with that regard.

Sazali Hamzah, MD/CEO:

Yes...

Rashidah Alias, CFO:

Raymond, to your first question, yes. It's between that 8.5x to 11x industry multiple, past transaction.

Mahadzir Rani, Head, Manufacturing:

Okay. For question number two. For aromatics, I think the -- in quarter 1, the shutdown duration is 14 days. And in quarter 2, it's 26. And for -- I just would like to correct the focus on methanol plant. Basically we are not fully shut down. We ran around 60% capacity during the maintenance activity. That took about 32 days altogether.

Raymond Yap, CIMB:

Okay.

Sazali Hamzah, MD/CEO:

Okay. Your last question is with regard to the fire incident in refinery section. Definitely, we can't talk about that area. As far as I can share with you, investigation is ongoing, yes. Whether there is impact in refinery start-up, we can't, we are not able to share with you, but alternative sourcing for petchem-is also being looked at this time. And there is -- what we'll say, that it is possible. There is no issue to get the alternative resource. I think that's what we can say as much as possible.

Raymond Yap, CIMB:

Okay. Thank Datuk Sazali. Just to follow up with Mahadzir as well: Could you tell me the MTBE and the ammonia shutdowns or turnarounds, how long that will take?

Mahadzir Rani, Head, Manufacturing:

Well, MTBE, that has been completed. It took us about 17 days altogether. For...

Sazali Hamzah, MD/CEO:

Ammonia.

Mahadzir Rani, Head, Manufacturing:

For ammonia, we are going to have a turnaround in quarter 3 that will take about 39 days.

Sazali Hamzah, MD/CEO:

That one will coincide with the...

Mahadzir Rani, Head, Manufacturing:

Integrated, yes.

Sazali Hamzah, MD/CEO:

Integrated Optimal complex, I guess the turnaround is shorter than that, but we can start without the Optimal, yes.

Mahadzir Rani, Head, Manufacturing:

Yes.

Operator:

Your next question comes from the line of Jianyuan Tan of Affin Hwang.

Tan Jian Yuan, Affin Hwang:

Just have 2 quick questions here. It was mentioned that the associates was actually referring to a loss of --losses of about MYR 24 million because there was a plant turnaround. Can I just get a clarification? How many days were the plant actually off-line? Then the second

question is basically regarding -- it's one of your balance sheet item. Can I just understand the nature of the lease liabilities?

Rashidah Alias, CFO:

Okay. If I can answer the second question, first. On the lease liabilities, effectively from 5th January 2019, so -- we adopted MFRS 16, so -- I'm sorry, on the leases, sorry, on the leases. So we looked at all of our leases. This affects operating lease. So we look at that. And some of our operating leases are -- fall under that new requirement of MFRS, and that gets recognised on the balance sheet as lease liabilities. That's why you don't see the balance in 2018, but you're seeing some balance appearing in 2019. This is existing operating lease which is now recognised on the balance sheet in accordance with the requirement of MFRS 16. There's also a note on Page 6 of the quarterly report, if you want to make further reference to it.

Tan Jian Yuan, Affin Hwang:

Okay.

Sazali Hamzah, MD/CEO:

Your first question is losses about MYR 24 million.

Rashidah Alias, CFO:

Yes, that's mentioned...

Sazali Hamzah, MD/CEO:

That's due to turnaround at associate. But how many this plant shutdown is basically there is many plant, we are -- not at the same time, so very difficult for me. If -- overall it's 50 days, but each plant, they -- some of them has 30 days, some of them 40 days, some of them 50 days. So some plants start earlier. Some plants is taking the whole 50 days duration.

Operator:

Your next question comes from the line of Alex Goh of AmBank.

Alex Goh, AmBank:

Sorry. Just to follow up on my earlier, -- on this Da Vinci. I just want to be doubly sure. Currently, what is the percentage of your specialty chemicals and derivatives share to the group's overall production volume as well as revenue? Could I have some sort of gauge what is it currently? And I understand Da Vinci is going, increase it by 2%. So then what is the level currently?

Sazali Hamzah, MD/CEO:

Yes. Alex Goh, while we are looking at the volume, I just want to cautious you. When we go to specialty chemicals, they are no longer tracked on the volumes. Because of the nature of the business, the volume is a lot smaller. A good example that -- like Da Vinci itself probably

at about only 15,000 to 16,000 metric tons per year, yes, the whole group. And if you talk about HR-PIB, there it is also about, what, 40,000, 50,000...

Mahadzir Rani, Head, Manufacturing:

50,000, yes.

Sazali Hamzah, MD/CEO:

50,000 metric tons. So in term of volume, it's immaterial to PCG overall volume, but I think -- more important, it's on the EBITDA or EBIT contribution.

Rashidah Alias, CFO:

Yes, yes. So currently, we have around about 5% to 6% of small contribution on specialty. So we've mentioned earlier on just now that Da Vinci will potentially contribute to about additional 2% to the specialty contributions. So currently today, we have about 5% to 6%.

Alex Goh, AmBank:

The 5% to 6%, is it based on revenue, or is it based on EBITDA?

Rashidah Alias, CFO:

EBITDA, EBITDA.

Operator:

Your next question comes from the line of Muhammad Bin Jaigani from EPF.

Muhammad Nadzmi Bin Jaigani, EPF:

My question was actually from the previous question, the one where -- the 2% thing. I think it's already answered, yes...

Sazali Hamzah, MD/CEO:

Okay, all right. For the Da Vinci again...

Muhammad Nadzmi Bin Jaigani, EPF:

Yes, for the Da Vinci acquisition thing, yes.

Operator:

Your next question comes from the line of Pawaramon Suvarnatemee from Crédit Suisse.

Paworamom Suvarnatemee, Credit Suisse:

I just have 2 quick question on the RAPID project. The first one is on PP, polypropylene. I don't know whether I understand correctly that part of your PP output will be coming from refinery and the other part will be from naphtha cracker. Could you please give us a little bit of color

there as to like the start-up that you are talking about of commissioning and in the fourth quarter? Would that include the entire PP output? And the second question that I have will be on the accounting method that you would account for the RAPID project. Would there be full consolidation with the minority interest or the 50% or the equity accounting on the net profit line?

Sazali Hamzah, MD/CEO:

Sure. So for question number one. So basically, when we want to commission PP, so we are going to -- at this moment, we are in the preparation -- of the refinery side is in the preparation of starting of naphtha cracker, yes. So they use import naphtha to commission the plant. So once the naphtha cracker runs, we will have the PP production half of it. And from the refinery also later on, they will try to first bring PP as an intermediate. Later on, they will start with bypassing the affected unit but still running the crude unit to produce PP. So that plan is currently ongoing. They need to do some modification, and that will not impact petchem schedule to start up the plant.

Paworamon Suvarnatemee, Credit Suisse:

I see. So both of in operation, both part of the operation can produce PP within the fourth quarter target that you mentioned, right?

Mahadzir Rani, Head, Manufacturing:

Yes.

Sazali Hamzah, MD/CEO:

Yes.

Paworamon Suvarnatemee, Credit Suisse:

Okay, yes. Okay.

Rashidah Alias, CFO:

So on the second question. Now for RAPID, these will be accounted for using line-by-line consolidation. So you will only take 50% of each line. So there will be no minority interest, and it's also not on equity accounting method. Because PPC, I mean the company Pengerang Petrochemical Company, is a joint operation company, so we are able to adopt a line-by-line consolidation, yes.

Paworamon Suvarnatemee, Credit Suisse:

Okay, okay. That's very clear, yes.

Rashidah Alias, CFO:

Yes. It will contribute to EBITDA.

Operator:

Your next question comes from the line of Azim Faris Ab Rahim from BIMB Securities.

Azim Faris Bin Ab Rahim, BIMB:

Okay. I have a simple question just to check with you. Just now you mentioned about a 5% to 6% contribution to EBITDA from specialty chemicals. May I check with you, that refers to to which products. Because I understand the specialty chemicals are placed under the JV or associates line.

Rashidah Alias, CFO:

Where it's coming from. Because some from derivatives...

Yes. Azim, of course, some of the specialty directives is coming from associates, but there are also some within our existing plants, especially at the cracker side. So we do have derivatives and specialty products. So primarily, it's coming from there. That's why it's rather a small contribution at this point in time...

Yes, at PC Derivatives. So later on, we will be adding in terms of PC Isononanol once that comes onstream from Pengerang. So that will also add up to the specialty.

Azim Faris Bin Ab Rahim, BIMB:

Can you please name the product, please? I just want to know what kind of products, the name of the products.

Sazali Hamzah, MD/CEO:

Yes. Ethanolamine...

Akbar Thayoob, Head, Strategic Planning & Ventures:

Most of the Ethoxylates.

Azim Faris Bin Ab Rahim, BIMB:

Ethoxylates. Okay.

Operator:

There are no further questions at this time. Presenters, you may proceed to off your call.

Sazali Hamzah, MD/CEO:

Okay. All right, okay.

Zaida Alia Shaari, Head Investor Relations:

Okay. Thank you, everyone. Please send us your reports once it's published.

Rashidah Alias, CFO:

Thank you very much. Thank you all.

Akbar Thayoob, Head, Strategic Planning & Ventures:

Thank you.

Mahadzir Rani, Head, Manufacturing:

Yes. Thank you.

Operator:

Ladies and gentlemen, that does conclude our conference for today. Thank you for participating. You may all disconnect.

****END****