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Operator:
Good day, and welcome to the PETRONAS Chemicals Group Second Quarter Financial Year 2017 Analyst Briefing. Today's conference is being recorded. At this time, I'd like to turn the call over to your host today, Rashidah Alias. Please go ahead.

Rashidah Binti Alias, *CFO:*

Thank you, Sara. Good evening, everyone. Welcome to PCG's Second Quarter 2017 Earnings Call. In the room today, we have Datuk Sazali, MD/CEO of PCG; and myself, Rashidah.

Before we begin today's session, please allow me to take this opportunity to welcome and briefly introduce to you 2 new members to the lineup of PCG's management team.

Earlier in July, as you are very much aware, I was Head of Manufacturing. Mr. Yusri Yusof has moved to a larger portfolio within the PETRONAS downstream business, assuming the role of Vice President Refinery and Trading of PETRONAS.

In Yusri's place, we wish to welcome Mr. Mahadzir Rani. Mr. Mahadzir has been with the PETRONAS group for more than 25 years, the past 8 of which has been spent within the PCG group of companies, including PC MTBE and PC Fertiliser Kedah. Just prior to his current appointment as PCG's new Head of Manufacturing Division, Mr. Mahadzir was the CEO of PC Methanol in Labuan. He was instrumental in leading and driving improvements in PC Methanol plant utilization, doubling the production of methanol by improving plant sustainability and feedstock reliability. With his vast technical knowledge and experience, Mr. Mahadzir would ensure continuity of PCG's manufacturing excellence initiatives.

I would also like to introduce and welcome Ms. Zaida Alia Shaari, our new Head of Investor Relations. Alia is, of course, no alien to the investor relation community, having held IR roles in Malaysian public-listed companies in the power and plantation industries prior to joining us in mid-July, of course. With Ms. Alia onboard, we look forward to a more productive engagement with the investment community.

We also have with us today, Mr. Shamsairi Ibrahim, Head of Olefins & Derivatives filling in for Mr. Akbar Thayoob, who is away on business travel.

Last, but not least, we also have Mr. Aziz Othman, Head of Strategic Planning and Ventures.

Now without further ado, I would like to hand over to Datuk Sazali for the key highlights. Datuk?

Sazali Bin Hamzah, *CEO*:

Thank you, Rashidah. Good evening, everybody, and thank you for joining our analyst briefing today.

Before I get into the key highlights, I would like to once again welcome Mahadzir, Ms. Alia and Shamsairi to the team.

I would also like to thank -- I would like to record of our thanks to Yusri for his contribution to PCG. His dedication and leadership was instrumental in driving PCG operational excellence initiative, which I strongly trust Mahadzir will follow through this initiative.

We will begin with my summary of PCG performance, followed by the detailed briefing on the financial by Rashidah, operation by Mahadzir and market by Shamsairi.

I am pleased to note that while the overall industry is in for the tough time, PCG managed to stay resilient and deliver what we aspire to achieve. All in all, the petrochemical market in the first half of 2017 was better than the year before, mainly due to the overall improvement in the energy industry.

The average price for Brent crude oil in the first half of 2017 was about USD 50 per barrel. This is 30% higher than USD 40 per barrel if we compare in the first half of 2016. The bullish sentiment from the higher crude oil values has in turn positively affected the downstream petrochemical sectors. Demand for product from both our olefin and derivative and fertilizer and methanol segment were better, supported by tight supply in this region. The recovery we saw in the market, coupled with the achievement of our internal target, cooperation and sales, brought together a strong first half result.

For the first 6 months of 2017, group plant utilization was sustained high at 94%. I'm referring to the second page of performance. The group plant utilization was still high at 94%, and production volume was boosted with the inclusion of SAMUR as part of our operation. Sales volume was up by 14%, and the former demand compared to the first half of 2016 gave support to better prices. PCG group revenue increased significantly to MYR 8.7 billion, which is 36% higher, and our profit after tax doubled to MYR 2.4 billion. And equally, EBITDA was at MYR 3.5 billion. It's about 47% higher as compared to same period last year.

Looking at quarter-on-quarter performance. The market condition in second quarter of 27 (sic) [2017] was not as bullish as the preceding quarter. Petrochemical product prices were lower in quarter 2 compared to quarter 1, in tandem with lower crude oil price, and the market for downstream petrochemical product was subdued on the back of ample supply and weaker demand.

Operationally, we completed the statutory turnaround at our MTBE facility in Kuantan during the quarter and the review. Hence, plant utilization in quarter 2 was lower than in quarter 1 2017. However, our total production and sales volume for quarter 2 are comparable to quarter 1 as a result of SAMUR's stable operation.

We closed the second quarter with revenue of MYR 4 billion, profit after tax of MYR 1 billion and EBITDA of MYR 1.5 billion.

I will now let Rashidah to explain more on the financial performance. I'll pass over to Rashidah.

Rashidah Binti Alias, *CFO:*

Thank you, Datuk. Hi, again, everyone. We will start with the group performance on Slide 6 before moving on to the segmental performances.

First, looking at the second quarter performance year-on-year. The global economy saw accelerated growth in the second quarter of 2017 compared to the same quarter of last year. The benchmark Brent crude price rose 9% year-on-year to average at $50 per barrel, with several unplanned outages as well as geopolitical tensions. Naphtha prices rose in tandem with crude oil, pushing up petrochemical product prices amidst tighter supply and stronger demand. With this improved market scenario, PCG recorded a 24% year-on-year increase in revenue at MYR 4 billion compared to MYR 3.2 billion in the corresponding quarter. This is the result of higher sales volume and improved product prices supported by favorable foreign exchange impact. EBITDA for the quarter was MYR 1.5 billion, an increase of 26% from that recorded in the same quarter last year, driven by higher volume, improved spread and favorable foreign exchange movement. However, EBITDA margin maintained at a healthy level of 38%. Profit after tax surged by 92% to MYR 1 billion from MYR 533 million.

Now moving on to the comparison against quarter 1 2017. Now compared against the preceding quarter, global economies recorded marginal improvement as some major economies slowed down. The benchmark Brent crude averaged lower during the quarter at $50 per barrel compared to $54 per barrel in quarter 1 as supplies improved with production returning from some African countries. Petrochemical product prices fell with the weaker crude and subdued demand. Despite seeing higher sales volume, revenue declined 16% from MYR 4.7 billion to MYR 4 billion due to lower product prices, mainly by methanol, urea and aromatics. EBITDA dropped 22% to MYR 1.5 billion as narrower spreads and unfavorable foreign exchange impact negated the higher-volume. EBITDA margin followed with 3 percentage points lower at 38% and PAT declined 26% to MYR 1 billion.

Now looking at the performance for the cumulative 6 months period. Despite the decline that we saw in second quarter 2017 when compared to preceding quarter, the cumulative quarter, i.e., the first half of 2017 was better than the first half of 2016. Global economy strengthened, and crude oil rose from the $40 per barrel average in first half 2016 to $52 per barrel in 2017. Petrochemical prices rose in tandem with the higher naphtha prices. PCG recorded a 36% jump in revenue at MYR 8.7 billion in the first half of this year compared to MYR 6.3 billion within the same period last year, with higher sales volumes as well as improved product prices. EBITDA improved on the back of higher volume, better product spread and favorable foreign exchange. Consequently, EBITDA margin improved 3 percentage points to 40%.

PAT doubled to MYR 2.4 billion in the first 6 months of this year.

Next, let's move to the segmental performances, starting with the Olefins and Derivatives segment. I'm on Page 7 of the slides. Against the corresponding quarter, which is second quarter of 2016, petrochemical product prices were assessed higher with improved crude oil prices. The O&D segment recorded a 19% year-on-year increase in revenue at MYR 2.5 billion, with higher sales volumes and better product prices supported by favorable FX. EBITDA rose by 10% to MYR 949 million, driven by higher volume, improved product spread and favorable ForEX. EBITDA margin declined 4 percentage points, nonetheless, to 37% on the back of planned statutory turnaround at MTBE plant during the quarter. PAT saw a significant increment to MYR 615 million as the second quarter of 2016 saw a onetime asset write-off amounting to MYR 241 million.

Moving on to the performance against the preceding quarter, which is quarter 1 2017. Production and sales declined, in line with a higher maintenance days for turnaround activities with PC MTBE. Now revenue for the quarter fell 21% with lower volumes and lower product prices. EBITDA declined 29% as a result of lower volume, compressed spread and unfavorable FX. EBITDA margin followed losing 4 percentage points to 37%, and PAT also fell 34% to MYR 616 million.

For the 6-month cumulative period, the O&D segment performed better than the corresponding period with an improved market on the back of higher and firmer crude oil prices. Revenue rose 29% to MYR 5.8 billion with higher volume, better product prices and supported by favorable FX. EBITDA surged 36% to MYR 2.3 billion, driven by higher sales volumes, improved product spread and positive ForEx. Consequently, EBITDA margin rose to 40%, and PAT for the segment more than doubled to MYR 1.5 billion.

Next, let's look at the performance of the fertilizer and methanol segment on Slide 8. Let's start with the comparison against the corresponding quarter, second quarter 2016. Product price strengthened for methanol, tracking higher crude oil prices. However, ammonia and urea softened due to regional oversupply primarily. The segment revenue saw a 32% year-on-year increase with higher volume, especially urea coming from the SAMUR plants. EBITDA for segment improved a significant 55% on the back of higher volume and favorable foreign exchange movement. EBITDA margin followed improving 6 percentage points to 40%. And PAT saw a substantial increase of 82% year-on-year from MYR 219 million to MYR 398 million.

Moving on to the performance against the preceding quarter. This segment saw lower product prices with urea being in continuous oversupply and methanol facing lower demand from the Chinese MTO producers. However, ammonia price improved with better demand and tight supply. Compared with the preceding quarter, this segment recorded a 4% quarter-on-quarter decrease in revenues to MYR 1.4 billion as higher volume cushioned the lower product prices. EBITDA declined 7% with compressed spread and negative foreign exchange impact. And consequently, EBITDA margin fell slightly to 40%. PAT for this segment fell 12% quarter-on-quarter to MYR 398 million.

Now looking at the performance of the segment for the first 6 months of the year. Compared to the same period last year, the F&M segment saw improved product prices for methanol and urea, following improved demand. Ammonia, however, remained low on oversupply. Volume improved in 2017 year-on-year compared to 2016, with the commercialization of SAMUR, which brings up the urea volume. Therefore, for the first half of 2017, the F&M segment recorded a 46% increase in revenue to MYR 3 billion. EBITDA surged significantly to MYR 1.2 billion on the back of higher spreads and volume. EBITDA margin followed, including 6 percentage points from 35% to 41%. PAT more than doubled to MYR 849 million.

Next, a look at our balance sheet and cash flow on Slides 8 and 9. First, the balance sheet on 8. For the 6-month period ended 30th June, 2017, total assets increased by MYR 580 million, mainly from the addition to property, plant and equipment. And this is mainly from our capital spending in PRPC polymers or rather the Pengerang project.

Looking at our cash flow. We had higher cash generation for the 6-month period ended 30th June 2017 compared to the same period in 2016 with higher net cash receipts. Our cash balance declined by 10% at the end of the period with higher dividends paid to shareholders amounting to MYR 960 million, relating to the 2016 second interim dividend as well as higher CapEX in relation to our growth projects.

With MYR 7 billion in cash balance, we will continue to practice care and prudence as we focus on our current growth projects and future opportunities.

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

Mahadzir Rani, *Head of Manufacturing*:

Thank you, Rashidah. Good evening, everyone. Mahadzir is here. I'm referring to Slide #11. I'll review on operational performance year-on-year.

We have shown steady operation over last few years, focusing and maximizing plant production. Year-to-date 2017 plant utilization remains high at 94% for the group despite the planned downtime at PC MTBE. This higher utilization rate has been the result of focused execution of our game plan, which are synchronization of operational plan across the value chain, fixed spot reliability program and also TA optimization.

For the first half 2017, we delivered production volume as planned and was about to successfully deliver additional urea volume from SAMUR. Alhamdulillah SAMUR or PETRONAS Chemical Fertiliser Sabah Sendirian Berhad had successfully achieved commercial operation, contributing close to 400,000 metric tons since May 2017, and we are expecting greater volume in the following months.

I'm referring to Slide #12 for olefin and derivatives. O&D segment has been strong over last few years. Year-to-date 2017, the segment achieved a high-utilization of 97% despite planned statutory TA at our MTBE plant. The activity was safely completed with remarkable achievement, and I would like to make this opportunity to highlight some of the key achievements. Number one, more than 500,000 manhours achieved with no serious safety incident. Number two, a reduction of 25% minor incident recorded compared to previous TA as a result of effective implementation of safety program, namely ZECAT, which is Zero Compromised Action Team. And number three, as we adopt the TA planning norm, we are benefiting from the shorter shutdown duration and also lower spending.

For fertilizer and methanol segment, we have seen significant improvement as a result of greater collaboration with our feedstock supplier as well as the capacity growth projects. However, the first half of 2017 utilization rate was impacted as some facilities required corrective maintenance.

The corrective maintenances have been established from our plant threat program and also bad actor management program. Through these programs, we will continue to track a positive setting of operational management for sustainable operations. We believe strong -- through this structured approach, the plant threats will not turn into bad actors.

Moving forward, for quarter 3 and quarter 4, we are going to have several planned TA. We are committed to execute the TA plan for this year at PC ammonia and PC derivative in quarter 3 and plant 1 of PC methanol in quarter 4. As such, we expect the plant utilization rate for the second half of the year to be lower. We shall remain focused safeguarding safety, managing our asset and reliability and being effective in planning and executing our turnaround. Our team, especially the plant personnel, are committed to ensure a smooth turnaround with minimal interruption to our operations.

I'm referring to Slide #13. I would like to specifically mention the operational performance of urea production and also methanol production. We are pleased to mention that SAMUR project has delivered successful commercial operation in early May 2017. This is a major milestone in PCG's growth journey. To recap on the project, the facility named as PC Fertiliser Sabah was built to produce 740,000 metric ton per annum of ammonia and 1.2 million tons per annum of granular urea. This has positioned PCG as key urea player in the region with a total of about 2.6 million ton of urea per annum. In its early production, the plant has contributed to close to 400,000 metric ton urea and 250,000 metric tons of ammonia. Leveraging our PCG operational excellence, we believe SAMUR will be another key player among our assets.

Secondly, on the methanol production. The rigor in executing our OE journey is translating into results. Through our reliability improvement program and disciplined operational excellence practices, we have seen significant improvement in our operations. Methanol production has delivered its best result thus far. First half 2017 methanol production was higher than first half 2016 and second half of 2016. The integration effort across the value chain has minimized opportunity losses, and better collaboration has resulted in this good performance.

Move on to Slide #14, moving to the status of our projects. The first one on Aroma complex. This project marks PCG foray into the highly-attractive niche and specialty play, which are less affected by cyclicality compared to commodity chemical citral, citranellol and L-menthol production as Aroma ingredients will meet the high demand from the rapidly-growing fragrance and flavor industries. In terms of progress, we are within the range of our startup schedule after successfully achieving mechanical completion of these facilities. The commissioning and startup process of the integrated Aroma ingredients complex is progressing well to meet the range of 2017 startup schedule.

Second one is on the highly-reactive polyisobutene, HR-PIB. HR-PIB is another new work scale production plant. The plant will be the first of its kind in Southeast Asia with annual capacity of 50,000 metric ton per annum. HR-PIB is an important intermediate product for the manufacturing of high-performance fuel and lubricant additives. The project is progressing as planned with a targeted commissioning in fourth quarter of 2017. The project also has achieved 1.8 million safe manhours.

As both key projects are entering commissioning phase, we are ensuring that safety, operational readiness and equipment integrity being our key focus to achieve most commissioning activities.

Last, but not least, is our petrochemical projects within the Pengerang Integrated Complex. We are pleased to report that everything is progressing as planned.

That's all I have for the operational highlights. I would like to hand over to Shamsairi for the market outlook.

Shamsairi Ibrahim, *Head Olefins & Derivatives*:

Thank you, Mahadzir. Good evening, everybody. As introduced by Puan Rashidah, I'm Shamsairi will handle on commercial for today.

Overall prices weakened from Q1 2017 to Q2 2017, for most of olefin and derivative and fertilizer and methanol products. In Q2, it was observed that O&D product prices dampened, owing primarily to high supply availability and hampered downstream demand. For fertilizer and methanol, prices fell in Q2 due to oversupply from key producer. However, ammonia gained at the back of tight supply. By the way, please refer to Slide #15, sorry.

Moving into Q3 2017, we anticipate the prices of olefin and derivatives to stable to firm, owing support from tight supply condition, from scheduled turnarounds and increased demand from restocking activities. Meanwhile, a softer outlook on the fertilizer and methanol side is anticipated as the market continues into oversupply scenario.

Let's take a closer look at what we can anticipate as we move into quarter 3. I shall start the outlook under the olefin and derivative business. Ethylene prices dipped significantly in Q2 this year, tracking the availability of excess cargoes after key producers restarted the operation post-spring turnaround activities. In addition to that, the absence of demand from downstream producers, especially in styrene monomers and polymer sectors, has weighed heavily on ethylene prices this quarter. Nonetheless, we foresee ethylene prices to be stable to firm by Q3 2017, owing primarily to supply tightness from turnaround activities, particularly in Northeast Asia region, and stable styrene monomers and MEG the prices. The stable downstream prices will boost the sentiment of regional suppliers, who are less willing to take on spot contracts. On the other hand, restocking plans may be delayed by end users if ethylene prices push to higher levels.

As for polymers, prices softened in Q2 2017 attributed to the high supply availability from Middle East in tandem with the restart of several plants in Southeast Asia, following the completion of their TA activities. The restocking activities prior to festivities which occur at the end of quarter, was not as impactful due to the supply glut, limiting any price increase.

Moving into Q3 2017, polymer prices are foreseen to be stable amidst seasonal lackluster demand in key downstream market, such as construction and packaging due to the hot climate, typically seen in July and August, especially in China. Furthermore, buyers are purchasing only on a hand-to-mouth basis, as inventories are sufficiently stocked. However, prices may again gain from availability of low price Qatari origin cargoes (inaudible) would have reduced by the end of quarter 3. This is as a result of the current diplomatic riff in the Middle East.

Regarding MEG. MEG prices declined in quarter 2 2017 in view of high inventory levels in China coastal banks. In tandem with tampered buying on downstream polyester market. In addition to that, declines in domestic China's futures exerted downward pressure on MEG prices. Conversely, we foresee prices to be on upward trajectory moving into quarter 3, 2017, riding on the back of strong downstream performance in the polyester sector. Polyester plants have been operating at high levels recently in view of the upcoming winter season. MEG prices have also gained from supply tightness caused by shutdown at several key producers in Asia region.

As for aromatics. Aromatic prices dipped in quarter 2 2017 in view of weak demand on downstream segment as PTA producer were running at lower operating level, owing to postponement of maintenance of PTA units . In terms of supply, there was ample PX availability in the market as a new capacity has started operation in India. Going into quarter 3 2017, aromatics prices are predicted to stabilize on the back of firmer naphtha and downstream PTA prices. Now with PTA prices may surge with shutdown of major PTA producer in Northeast Asia. Weak polyester peak season in quarter 3 is also high demand for aromatic, especially, in China, as producers stock up in speculation of government electricity restriction.

On the supply front, China has been showing a steady increase of PX and benzene imports from India, reflecting the start-up of new aromatic operation.

Moving to F&M business segment. Page 17, please. Urea prices in quarter 2 are lower than quarter 1 due to high inventories at buyers side despite the planting season in Southeast Asia region. The limited supply availability from Middle East region from shutdown was not as impactful as prices continue to drop further. Bearish sentiments are import in quarter 3 as buying activities are foreseen in key markets due to the absence of favorable weather. Demand is also expected to be a bit down as planting season is coming to end in Southeast Asia. In anticipation that prices may further decline, demand has softened as buyers would rather wait in the sideline before committing to any cargoes. On the other hand, urea prices may expect a slight lift towards the second half of Q3, supported by the assurance of the India import tender, which will likely eliminate approximately 500,000 ton of urea off the market.

As for ammonia in quarter 2, prices rose to higher levels due to reduced production rate from Algeria key producer and scheduled maintenance in Middle East and Australia. However, this upstream in prices is short-lived as prices are anticipated to decline in quarter 3 2017. The ammonia market continues into oversupply with lackluster demand globally, especially in U.S., where spring application season comes to an end. Gross losses for producers are foreseen to persist as recently the Ukraine producers have taken a unit offline in order to mitigate further losses. The market is overwhelmingly bearish heading into quarter 3 as sellers slash prices to remain competitive, although buyers feel the market needed further downward correction to balance oversupply and reflect price reduction internationally.

Lastly, methanol. Likewise, methanol prices also fell into a lower price level as Chinese coastal buyers sourcing domestically due to widening gap between the import and domestic methanol prices. Demand from traditional derivative market, biodiesel, acetic acid, DME, formaldehyde and MTBE was soft towards the end of June. Going into quarter 3, methanol prices are expected to stabilize at lower price level, even stable demand from biodiesel segments, formaldehyde and MTBE. And in addition, cheaper coal price has led to increase in production rate of MTO units in China despite environmental concerns. Coastal inventory is currently lower than optimal level of 700,000 tons, suggesting that China will be importing more at the back of healthy consumption from end users.

That's what I have for the market. Let me move forward to other highlights and some commercial initiative. First half 2017, overall excellent performance through focused execution of all commercial excellence initiatives with emphasis on: one, embarking on sales force effectiveness initiative; two, we are embarking and enhancing presence in Focus Market, with operationalization of our PCM Indonesia office; third, implementation of key account management.

Moving forward to second half 2017. To sustain good performance of continuation of commercial excellence initiatives, focusing on digitalization initiative, on business intelligence tools, execution of go-to-market activities in selected countries, i.e., rapid readiness. Next, I will be talking on our commercial achievement for first half 2017 and moving forward. We delivered commendable commercial performance for the quarter through (inaudible) of our commercial excellence initiative. I think to elaborate further, allow me to pass to Datuk to continue. Thank you.

Sazali Bin Hamzah, *CEO*:

Okay. Thank you, Shamsairi. Ladies and gentlemen, despite the market recovery in the first half of the year, we expect crude oil price to remain volatile and, subsequently, impacting the petrochemical product price. The slower economic growth from the major economies, such as China, U.S. and Europe, are expected to lead the weaker demand amidst an already ample supply situation. While market direction remain unclear, we will be focusing on achieving our full year target. In the third quarter, we will be undertaking heavy statutory turnarounds, as what Mr. Mahadzir has mentioned, PC O&D and PASB, Followed by methanol plant. And these activities we have several planned is actually is planned, and we expect that our second half of utilization is slightly lower than the second half -- than the first half. With SAMUR in full operation, we will expect higher production volume in 2017. Hence, and overall, we will have a better prospect for the year end. At the same time, all our growth projects in Gebeng and Pengerang are progressing as planned at this moment. So I would like now to move on to question and answer.

+++ q-and-a

Operator:
We will now move on to our first question from Ajay Mirchandani from JPMorgan.

Ajay Mirchandani, JP Morgan:

I have 3 to 4 questions. I'll just maybe walk through each of them. Start off with SAMUR, specifically on the volume numbers that you mentioned as well as the -- I just wanted to get a sense of the EBITDA contribution. The question I had there was, I understand the overall project is 1.2 million per year of urea production, but the number you mentioned in the month of May was 400,000 tons. I just wanted to understand is that a year-to-date production number or is it just for the month of May and June? So if I can just clarify that first.

Sazali Bin Hamzah, *CEO*:

Okay. For the first question, we'll talk about SAMUR. Basically, if you can recall, we target SAMUR to come earlier, but unfortunately, we have some hiccup then we come a bit late. So actually if we just only run about 2 months full, that's why the volume is only 400,000. The capacity still remain at 1.2 million for the whole year if we can run the whole plant at full rate capacity. I hope that answered the question, yes?

Ajay Mirchandani, JP Morgan:

So, Datuk, just to clarify, because you're saying you're running 400,000 tons on an annual capacity of 1.2 million. So I would have thought if it's 1.2 million, that's around about 100,000 a month, or is my understanding incorrect? I'm just trying to -- that's one confusion I had. I thought the 1.2 million number is an annual number.

Sazali Bin Hamzah, *CEO*:

1.2 million is annual number, 400,000 ton is only, I think about 2, 2.5 months running. But in addition to that, we also include some ammonia volume, yes. So if you recall that, this urea if we have ammonia converted to urea. In certain instances we have also excess urea, then we will export urea as well -- sorry, ammonia, because some of them is not converted to urea when urea is having problems, so we sell it as ammonia. So that is a combined volume actually 400.

Rashidah Binti Alias, *CFO:*

Ajay, please use 1.94 million tons when you are looking at annual volume, because it's 1.2 million plus 714,000.

Sazali Bin Hamzah, *CEO*:

But bear in my mind, Ajay, under normal circumstances, when we full production of urea, there will be 0 ammonia, because all the ammonia for 700,000 we'll convert that into urea to become 1.2 million urea. But in certain situation where urea is not running, then I will produce ammonia.

Ajay Mirchandani, JP Morgan:

Understand. And just to ask...

Sazali Bin Hamzah, *CEO*:

Because 1.9 million will not be achieved in urea.

Ajay Mirchandani, JP Morgan:

Correct, correct. And just to confirm it's 400,000 of urea and 250,000 of ammonia, if I heard the number correct, is that right?

Rashidah Binti Alias, *CFO:*

Come again, come again, sorry?

Ajay Mirchandani, JP Morgan:

So the number I heard during the presentation was 400,000 of urea and 250,000 of ammonia that was sold in the quarter, is that number correct?

Sazali Bin Hamzah, *CEO*:

No, no. I think we have to get back the actual number to you.

Mahadzir Rani, *Head of Manufacturing* :

It's only 400,000.

Sazali Bin Hamzah, *CEO*:

I think the total is about 400,000 ammonia and urea.

Rashidah Binti Alias, *CFO:*

Yes. That's right.

Sazali Bin Hamzah, *CEO*:

The breakdown I think we can (inaudible).

Ajay Mirchandani, JP Morgan:

Okay, okay. No, no, that's fine. And if I can clarify in terms of the EBITDA contribution that came from SAMUR for those 2 months on a first half basis roughly, if -- on the rough percentage terms, if you could give us a sense?

Rashidah Binti Alias*, CFO:*

Sure. It's less than 5%, considering that it's only about 2 months and also at the current market going -- I mean, the current market prices it's less than 5%.

Ajay Mirchandani, JP Morgan:

So this is 5% of EBITDA for the first half, yes?

Rashidah Binti Alias*, CFO:*

Not for the first half, for the quarter.

Ajay Mirchandani^ Quarter, for the quarter.

Rashidah Binti Alias*, CFO:*

For the first half, it will be even lower. Yes, for the first half, it will be even lower.

Ajay Mirchandani, JP Morgan:

Okay. Understand. The second question I had was, specifically on the comment on lower utilization in the second half. Are we talking about it dropping marginally to say the high 80s, is that a fair way to think about it or are we talking about a slightly bigger decline in terms of utilization for the assets into the second half?

Sazali Bin Hamzah, *CEO*:

We are saying that we are targeting about high 80s, yes, but in total for the year, we are targeting close to probably 90s, around that figure.

Ajay Mirchandani, JP Morgan:

Understand. And just lastly, specifically on the turnaround planned. I missed the plants that were going to go offline in the second half. If you could just help me better understand which were the specific plants which were going to be going into turnaround in the second half?

Sazali Bin Hamzah, *CEO*:

Yes, actually, the second half now, we see it's currently under turnaround is our ammonia plant, that's one. Secondly is our optimal plant, [PC, OGD] glycol derivative is what we're shutting down now. And moving into...

Ajay Mirchandani, JP Morgan:

And how many days will be that for? Sorry?

Sazali Bin Hamzah, *CEO*:

There will be about close to 60 days around that.

Ajay Mirchandani, JP Morgan:

60 days. Understood.

Sazali Bin Hamzah, *CEO*:

Yes, and moving into quarter 3 -- quarter 4, will be a methanol plant 1. So that is part of our plan this year. That's why if you see the overall utilization, we target close to about 90% for the overall year utilization. Compared to previous year, it's about 96% that we achieved.

Ajay Mirchandani, JP Morgan:

95%, correct. One last question was just on tax rate. You've had an effective tax rate of only 11% -- or 11%, 12% percent this quarter. Is that a sustainable tax rate given that you're now getting the tax break on? Or should I say the capital investment break on SAMUR? Or is this more of a one-off -- a low number and we should see tax rates move slightly higher into the second half?

Rashidah Binti Alias*, CFO:*

I'll take that question. Is more of a one-off, Ajay, because in this quarter, as SAMUR come into commercial operation, we have also finalized the qualifying expenses that falls under the tax incentive with the tax authority. So there is actually a deferred tax recognition -- deferred tax asset recognition in this quarter, and that's also relating to the previous quarters' expenses. So as I've mentioned, as we finalize the qualifying expenses with the tax authority, then we are able to then recognize the different tax assets accordingly. Because obviously, the current profit is not quite sufficient to absorb the incentive attributable to the quarter, so we do recognize some DTA. It's more of a once-off adjustment for quarter 2.

Ajay Mirchandani, JP Morgan:

So you would expect tax rates to just normalize closer to 15%, 17%, is that fair?

Rashidah Binti Alias*, CFO:*

Yes. Because as you're familiar, given how we organize our operation to reflect the functional focus, so we swing between 2 main tax regime, which is the Labuan and also the corporate income tax regime. At any point in time, we are looking at a range of mid- to high-teens when it comes to effective tax rate, so which is why the 12% -- 11%, 12% is a bit on the low side because of the once-offs, low to high -- sorry, mid- to high-teens, yes.

Operator:
We'll now move to our next question from Alex Goh of Ambank.

Alex Goh, AmBank:

I just wanted to run through your production volume from second quarter against the first quarter of this year. Because your notes (inaudible) had mentioned that there were some inventory write-downs. I just want to know your production volume increase, was it very different from your sales volume increase? That's my first question. And the second one is regarding the related question on the inventory drawdown. I noticed your balance sheet shows your trade inventories actually went up in this second quarter, but yet your notes mentioned that there was some drawdown instead. Could you just give some clarification on that?

Sazali Bin Hamzah, *CEO*:

Yes. Okay, basically, when you say about inventory drawdown, you see when we manage our inventory, we can run within a certain range of level, between 14 to 21 days. So depending on the situation, when the market is good, we will trade the tank and take some out of the inventory to take the advantage of the good pricing regime. But at the same time, we will not go below the operational requirement where we still need certain level of inventory for any plant hiccup, so that our customer will not be affected. So you will see this from time to time that we play with this inventory drawdowns.

Rashidah Binti Alias, *CFO:*

So it's not an unusual drawdown, Alex, so that it's within our normal operation and within our normal inventory limit. So as Datuk Sazali has mentioned, there's some market factors, customers and whatnot. So we do maintain within that band, within that level. And to your second question, in terms of the inventory balance going up, I mean, 2 things. Number one is, of course, the price has gone up compared to -- you're comparing against the 31st [December] , am I right?

Alex Goh, AmBank:

Yes, correct.

Rashidah Binti Alias, *CFO:*

Yes, so number one is the price factor. And number two, of course, apart from the drawdown, there is also some inventory that we put aside in preparation for the turnaround. So there are also things that we've put aside for turnaround. So those are mainly the 2 reasons.

Alex Goh, AmBank:

How much of that actually went into your revenue? I mean, just trying to gauge how much of that contributed to the sales volume increase in the second quarter?

Rashidah Binti Alias, *CFO:*

Okay. Not very huge, because like I said, it's within our normal operation limit. So it's actually not so big.

Sazali Bin Hamzah, *CEO*:

I don't think we have this number at this moment.

Rashidah Binti Alias, *CFO:*

Yes.

Sazali Bin Hamzah, *CEO*:

I don't think it will be big, the numbers. We don't have that. Normally, we don't (inaudible) that, as long as within that range (inaudible) , it's part of the operation.

Rashidah Binti Alias, *CFO:*

Yes, within that range, yes.

Sazali Bin Hamzah, *CEO*:

So we don't have that number, Alex, unfortunately.

Alex Goh, AmBank:

Yes, it's okay. It's all right. But could you give us your production volume increase from second quarter -- from first quarter this year to second quarter 2017, the production volume increase and the sales volume increase, at least that could give me some gauge there.

Sazali Bin Hamzah, *CEO*:

If you look at the first quarter, second quarter, the total volume is about the same, yes. We moved into quarter 3 and quarter 4, the volume also I think relatively about the same, I can say. It will be -- if we're high, just a little bit high. But as assumption, at this moment, we assume that it is about the same as first quarter, I think -- first half, sorry.

Alex Goh, AmBank:

Okay. That means you're actually expecting second half of this year's production volume to be similar to first half of this year, am I right, even with the SAMUR coming in?

Sazali Bin Hamzah, *CEO*:

Roughly but slightly higher, but not that far higher. I have that number...

Alex Goh, AmBank:

I'm just quite trying to understand, because with SAMUR, you're adding 1.2 million tons per annum of...

Sazali Bin Hamzah, *CEO*:

Yes, but you remember, optimal is still shut down in second half, and methanol plant is also we're going to shut down in quarter 4. So SAMUR will balance up all those.

Rashidah Binti Alias*, CFO:*

Yes. If I also may clarify, Alex. In terms of the volume, correct, as Datuk pointed out, for the second half, it's probably going to come in fairly close to the first half. And although SAMUR is adding in, but did you remember, we also have the turnaround that we talked about. In total, we would have 4 turnarounds. We've spoken about MTBE. We're going to turn around OGD, ammonia and also methanol plant 1. So all these factors combined, with SAMUR coming in, so we are able to balance the volume still.

Alex Goh, AmBank:

Okay. And then regarding the...

Rashidah Binti Alias*, CFO:*

That should should come close to first half.

Alex Goh, AmBank:

Okay. And then regarding the question on the effective tax rate for, that Ajay asked. I thought earlier that gift -- trading in Labuan, you -- that there was some effort to move some of the marketing and sales operations over there in order to benefit from the gift tax benefit. So I thought the low tax impact that we saw in the first quarter was something that was sustainable, or is there something else behind that?

Rashidah Binti Alias*, CFO:*

Yes. I mean, I mentioned earlier, because we swing between these 2 tax regime, which is the Labuan or rather the gift tax regime, which is essentially the commercial group, and also the corporate income tax regime. First quarter, if I -- if you recall, we saw around about 16%, 17%-ish effective tax rates. And I also mentioned earlier on that our tax rates tend to swing within that range, low-teens to high-teens. So Q1 is something that's sustainable. For quarter 2, that's a bit on the low side because of the one-off that I mentioned to you earlier on -- or as I mentioned earlier on, on the SAMUR DTA, deferred tax assets recognition.

Operator:
We'll now move to our next question from Mayank Maheshwari from Morgan Stanley.

Mayank Maheshwari, Morgan Stanley:

Just had 2 questions, here. First was related to the impact of gas cost that you have seen this quarter. Have you seen the full impact from higher gas costs this quarter? And second one was more related to the outlook on the RAPID project, of how has been the progress there and what are the time lines that you are looking at in terms of completing that?

Sazali Bin Hamzah, *CEO*:

Okay. In terms of higher gas cost, this one I'm not -- you can comment on that. I think it's about the same.

Rashidah Binti Alias*, CFO:*

Yes. You're referring to the second -- sorry, the first cracker, right, Mayank, the one that took place (inaudible) Last year. Yes, okay. We've seen -- obviously, we've seen the full impact from quarter 4 last year itself, but it wasn't a big impact from an EBITDA standpoint that was less than 3%. If I recall, even in the previous conversation, we also mentioned around about the same impact, and that is -- we continuously see that kind of impact in this quarter, so it's around about there less than 3%.

Sazali Bin Hamzah, *CEO*:

So it's a line that...

Rashidah Binti Alias*, CFO:*

Sorry, come again?

Mayank Maheshwari, Morgan Stanley:

So it's maintained at that less than 3% level even during the last...

Rashidah Binti Alias*, CFO:*

Yes.

Sazali Bin Hamzah, *CEO*:

Yes. Yes.

Rashidah Binti Alias*, CFO:*

Yes.

Sazali Bin Hamzah, *CEO*:

Yes. Okay. Your second question on RAPID progress. Actually at this moment, it is still on track. We are still targeting in second half of 2019 for Pet Chem to be commissioned. So I think the project progress at this moment -- overall, RAPID is more than -- it's about close to 70-over percent. Pet Chem itselfalso progressed as per plan. So we are still targeting by 2019 second half.

Sazali Bin Hamzah, *CEO*:

How much of the total CapEX in the first half this year has been spent on RAPID until now from PCHEM perspective?

Rashidah Binti Alias*, CFO:*

The total CapEX is about MYR 1.5 billion, out of which MYR 1.25 billion or rather MYR 1.25 billion to MYR 1.3 billion that is on the polymer -- or rather the RAPID project, roughly .

Mayank Maheshwari, Morgan Stanley:

Okay. So the other 2 JV projects that you have, that would be not be accounted in this MYR 1.5 billion, I'm assuming?

Rashidah Binti Alias*, CFO:*

No, that one takes in the form of equity contribution, because these are the ones that's taken up by BT -- BPC, yes.

Mayank Maheshwari, Morgan Stanley:

And any progress on the -- like any updates, like you kind of highlighted that you are entering into commissioning stage for those 2 projects. So when do you most likely think you could get commercial operations from both?

Sazali Bin Hamzah, *CEO*:

We are still targeting within the quarter 4 -- second half of 2017, because commissioning is still ongoing. As you know, when we commission, there will be some Teething issues during the startup. So as our plan, we're still within 2017 will be in a commercial operation for both projects.

Mayank Maheshwari, Morgan Stanley:

Okay. So by 2018, you can kind of assume more like 90-odd percent utilization rates for the projects in 2018?

Sazali Bin Hamzah, *CEO*:

Very difficult to tell, depending on how -- because as you know this program also led by BASF, and on our side, we are also not very familiar with this kind of plant. We're depending so much on BASF expertise. If I say that the 2EHacidlast time, it's quite smooth. But Aroma, we still have some challenges. HRP, we have not yet mechanically completed, so we can't tell. So still depend on how smooth this startup will be. So if you would say 80%, I think I will not be able to guarantee that.

Operator:
And I'll move to our next question from Cheong Mun Wai of Employees Provident Fund (EPF).

Cheong Mun Wai, EPF:

Just a few questions. Maybe I can just ask the questions and we go to one by one. Okay, referring to Slide #13. This one is on the SAMUR's production, the volume in the quarter. Just to clarify that, 400,000 combined volume from urea and ammonia was produced from SAMUR in the quarter. So if you think that over 2 million tons per annum capacity, so that's only 20% utilization rate for the whole year. So if I think like 2.5 months out of 12 months, right, so there's also like 20%, right. So does that mean that SAMUR is running at close to 100% capacity in the second quarter '17?

Sazali Bin Hamzah, *CEO*:

At this moment, is -- you are right. The first half is about 2, 2.5 months running and equivalent. That's why we produced about 400,000 metric ton. Second half we are targeting only about 83% utilization, because during the ramping up like this, so we are still expecting some pit stop will be done. So target to end is probably about 83%, 85%, that's the range that SAMUR will run for the second half.

Cheong Mun Wai, EPF:

I see. So second half is 85%. And does this include the warranty shutdown that you mentioned or has it been pushed to first quarter '18?

Sazali Bin Hamzah, *CEO*:

This is the assumption that we managed to push to the 2019. We are still working with DOSH. Hopefully, we will be able to get that approval. So let's see.

Cheong Mun Wai, EPF:

I'm sorry. I'm sorry. You mentioned 2019 for the warranty shutdown?

Sazali Bin Hamzah, *CEO*:

Yes, yes. We'll not even do the 2018, if we manage to push the shutdown further.

Cheong Mun Wai, EPF:

I see. Then, in that case what will be the expectation of your SAMUR utilization rate in 2018?

Sazali Bin Hamzah, *CEO*:

Good question. I will say that's probably about 85%. There is normal fertilizer plan at the beginning stage of running. But definitely, internally, we'll -- definitely, we'll push as high as possible, but as planned, probably 85%.

Cheong Mun Wai, EPF:

I see. Okay. Second question is on the plant shutdown for the methanol 1 and 2. I think what we knew then was like a 2-day shutdown in methanol 1 -- plant 1 and some -- a few days shutdown in PML 2 in June and July, right. Just to confirm that the plants have been up and running already?

Mahadzir Rani, *Head of Manufacturing:*

Yes, yes. The plant is already up and running. I think there is a normal hiccup that we face yearly. Then if you can see the rate of bouncing back is very fast. As you mentioned, 2 days, I think is very, very fast in the chemical industry.

Sazali Bin Hamzah, *CEO*:

And when the plant is running at (inaudible)

Cheong Mun Wai, EPF:

The disruption was due to some electricity supply issues?

Sazali Bin Hamzah, *CEO*:

No, no, no. It's just instrumentation hiccup, sometimes it trip unnecessary due to electronic, those kind of things. So it is quite common in the plant. That's why when -- normally when we plan the design of the plant, you will not be 100%, yes. Normally it's between 95% to 100%. That is if the plant is running very well. So well benchmarked, for Pet Chem, it's about 85%. So that is the number that you look at it. So if you times 85% times 365 days, so you have about, I think about, 30 days reserved for these kind of issues.

Cheong Mun Wai, EPF:

I see. So I just want to clarify that this -- I mean, these issues is quite common in Labuan. Is that why you have some disruptions since few days and it's not going to have a major impact?

Sazali Bin Hamzah, *CEO*:

Only in Labuan, I think its everywhere.

Mahadzir Rani, *Head of Manufacturing:*

I think it's not only in Labuan, but everywhere in the world, yes.

Sazali Bin Hamzah, *CEO*:

It's considered normal Cheong.

Cheong Mun Wai, EPF:

Okay, right. Okay. My next question is on the tax rate. I think what Ajay and Alex mentioned just now, because I remember very clearly the first quarter '17, the guidance given was said that effective tax rate is probably going -- it is likely to fall to the low teens once the commercial operations have been shifted to Labuan. So just to clarify, again, so are we now looking at mid-teens kind of -- I know you range below -- I mean, to low-teens to high-teens, but if not mid-teens, the figure that we should be expecting to be like the trend, the normal rate for '17, '18 onwards for the effective tax rate?

Rashidah Binti Alias*, CFO:*

Yes, I know we mentioned about the low-teens earlier on, but at this present moment, we are also running the analysis as and when we close the quarter, as and when we get more information and more data, then we refine our analysis further to try and see what is our sustainable effective tax rate. I think at the end of the day, our analysis was also thrown off at some point by some of the incentives that we obtain from SAMUR. So that was why this quarter when we refreshed the entire analysis, we think what's sustainable for PCHEM is that mid- to high-teens, as opposed to that low teens. I don't think that -- yes -- but I do acknowledge, Mun Wai that's correct. We said about -- we mentioned about low-teens, but as I've mentioned as we refine the analysis further, I think mid-teens to high-teens should be something that you're looking for when analyzing PCHEM. That will be a better -- that will be more a representative rate.

Cheong Mun Wai, EPF:

I see. Can you just clarify, the change in the assumptions that you -- from low-teens to mid- to high-teens due to SAMUR. Is it because perhaps the crystallization of the DTA at SAMUR is lower than expected, because maybe the price outlook is weaker than what you have initially forecasted, and therefore, it takes more time to actually crystallize the tax incentive?

Rashidah Binti Alias*, CFO:*

No, not quite. I think earlier on we were trying very much to come to a landing in terms of the qualifying expenditure. So that was a bit of a curve ball on that bit. So as we land better in terms of what expenditures will qualify for the incentive, we have a bit more better analysis. But not so much because of -- in terms of the market projection and market outlook, of course, we're looking at a long-term projection. So that hasn't quite -- that has been updated, and that hasn't quite changed very much from earlier on, yes.

Cheong Mun Wai, EPF:

I see. So basically the delta came from that certain qualifying expenditure on SAMUR, which you thought was initially -- well qualified, but actually it was not allowed, is it?

Rashidah Binti Alias*, CFO:*

Yes. So there are packets of items in that category. There are packets of items that we could actually claim -- qualify for deduction or rather qualify for incentives. So that's a mixed bag of -- in terms of the line items.

Cheong Mun Wai, EPF:

Okay. So basically, just to conclude that, the QE -- the QA for SAMUR is lower than expected?

Rashidah Binti Alias*, CFO:*

The qualifying allowance, you mean? No, no, I wouldn't say that.

Cheong Mun Wai, EPF:

Qualifying asset.

Rashidah Binti Alias*, CFO:*

Qualifying asset. Sorry, qualifying asset. No, I wouldn't say that. Of course, the other bit in running this analysis in terms of data that we require, market factor will also play a lot of influence as in the market price and everything, and those are something that we also need to normalize. Because as I've mentioned, generally speaking, the commercial group cost under the Labuan tax regime, they're fronting the market. And whereas the manufacturing group is the one that falls underneath corporate income tax regime. So obviously, market pricing and everything is something that we try to normalize so that we can get to a fairly reasonable range of effective tax rates. So 2 factors. Number one, of course, is SAMUR, but that's not quite right that our qualifying asset is lower in actual fact it's higher as we finalize our list of items, but the other also huge factor is the market analysis.

Cheong Mun Wai, EPF:

I see. Okay. All right. Last question on urea prices. I think urea currently in third quarter '17, urea prices have been quite weak. I think it's like maybe USD 210. But then just what will be your outlook on the pricing? Do you think it will fall below $200, and what would you understand in terms of the -- your own expectation of the cash cost of urea producers? Is it around $200 per level and there should be a strong support for the urea prices?

Sazali Bin Hamzah, *CEO*:

Actually, if you look at -- at this moment, if you look at the supply and demand balance, probably you'll stay between $190 to $210, that's the range that urea will play. If you ask me what is our cash cost, definitely, we can't disclose. With this regime, what I can tell you is that we're still healthy. I think that's the only information that I would like to share, but in terms of price, I think, you're right that will be the current normal price regime. If there is anything happened in China, that they will back off some of the urea production, then the price can be increased a bit.

Cheong Mun Wai, EPF:

I see. Do you expect this urea price around $200 -- $190 to $210 to extend into 2018 as well?

Sazali Bin Hamzah, *CEO*:

It's very difficult to forecast. But we've -- as far as we -- our budget purposes, I think, we -- that is the number that we are looking at now. And of course, the way we forecast is we are much more comfortable for the next 3 months. Beyond 3 months, we kind of only forecast directionally it's like that, but things can change time-to-time.

Cheong Mun Wai, EPF:

I see. Okay. Sorry, one more last question, it is on Slide #18, on the commercial highlights. On the box at the bottom (inaudible) of the second half '17, right, digitalization initiative. i.e., business intelligence tools. Can you highlight a little bit more on how you do this?

Sazali Bin Hamzah, *CEO*:

Okay. Basically, we -- on digitalization, we have 2 initiatives that we are working on. We try to utilize the digital technology to really improve our efficiency plus also improve our customer support tools. So I think that tracking our product volume rate goes by the balance the inventory and how much that we made per day, those kinds of things we'll put in digitalization form, such that all the sales, we'll be able to assess it. But this is still at the early stage. We are now working on converting this into more on the likes ipad of facilities, in such a way that our salesperson can work better, and our customer also be able to access some of the information as part of our initiative to make sure that we give a good support to our customer. On operational side, we use also digitalization to convert some of our daily activity into digitalization, which later, all this data may be able to be used as our analytical data analysis, which will help us to pinpoint some of opportunity for improvement. So this is part of the digitalization effort that we are starting embarking now, and this journey probably will take about another 2 to 3 years to see the real benefit, I would say.

Cheong Mun Wai, EPF:

I see, and how much will it cost?

Sazali Bin Hamzah, *CEO*:

At this moment, it's not much because mostly use Apple or Android application -- online application. So we are not talking about really a big computer or not. It's just fit-for-purpose application, digital application.

Cheong Mun Wai, EPF:

I see. So more on the software side, I guess?

Sazali Bin Hamzah, *CEO*:

Yes, yes. You're right.

Operator:
We'll now move to our next question from Piyanan Panichkul from UBS.

Piyanan Panichkul, UBS:

I just have 2 questions. The first one is regarding CapEX in the second half of this year and 2018. What's your expectation there? And my second question is regarding associate income. It was quite fluctuated in the past year or so. Could you comment what drives that? Was it volume, price? And going forward what we should expect after the new (inaudible) come through?

Rashidah Binti Alias*, CFO:*

Okay. On the CapEX, our CapEX level for 2017, we expect it to be roughly about the same as per last year in 2016. And also for 2018, it's about that, because this is the year that we spend -- we were incurred most for our Pengerang project. Last year, it was high, primarily, because of SAMUR. So we will be spending roughly an even number of CapEX, probably plus or minus -- probably plus about 4%, 5% level for CapEX. That's both for 2017, 2018. That's the level that is expected. Now in terms of the share of profit. For this quarter -- or rather for the 6 months it's lower than compared to last year. And if you also recall, in past quarters, we talked about lower contribution coming from one of our associates, which is the BPC, and this is particularly so because the market for BDO oxo which had the products of BPC is quite badly hit. So this has been suffering quite a bit in terms of from the compression of the -- market compression. We have seen some improvements in the past few months leading up to April, May, June, we've seen some improvement the market turning around. So we hope that 2018 will be a better year for BPC and then the share of profit would return back. But it is quite a trough cycle for this pet chem industry.

Operator:
We'll now move to our next question, which comes from Abhishek Nigam from Nomura.

Abhishek Nigam, Nomura Securities Ltd:

I just have one question. Any color that you can provide on the turnaround plants for 2018? And from what I understand, the last cracker shutdown was in 2014. So the next one, it's going to be due in the next 4, 5 years, so is that going to be '18 or '19?

Sazali Bin Hamzah, *CEO*:

Okay. Basically for second cracker -- the first cracker -- the second cracker this year. Second cracker we plan also sometime next year. I think that's one that we anticipate. There are also a few other plans. Relatively next year also, that -- we this is the year of heavy turnaround, similar that we experienced this year. I think that's what we anticipate in 2018.

Abhishek Nigam, Nomura Securities Ltd:

Okay. So 2018 will be, again, a slightly higher heavy turnaround kind of year, is that what you're saying?

Sazali Bin Hamzah, *CEO*:

Right, yes, yes. '17, '18 will be heavy turnaround. '19, '20 will be the light turnaround. I think that go through the cycle.

Operator:
We'll now move to our next question from Khairul Hakimi

Khairul Hakimi, KWAP:

Two questions from my side. Following the questions from Abishek just now. Can you guide us on the utilization rate for next year, for FY '18? And on the second question, can you give us some color on the earnings contribution from RAPID project? Is it -- as you mentioned, as you now you've got to contribute from second half of 2019, is it safe for us to assume that the earnings will -- gradually comes in from this project onwards?

Sazali Bin Hamzah, *CEO*:

Okay. For your first question on PU for 2018, I would say that since, as I mentioned, the turnaround is heavy as what was 2017. So you'll expect 2018 PU is about low 90s, as what we expected in 2017, close to 90 about that. And your second question is on earning contribution from RAPID. Yes, second half 2019 will be the commercial operation of this facility. But bear in mind that this is a very huge complex. The plant has to run integratedly with refinery and cracker. And my experience in running these kinds of complex will take some time to stabilize. So whether it is really impacting in terms of earnings contribution by second half 2019, I don't -- I could not guarantee -- I can't have the high guarantee on that. But 2020 will be much confident level that we can say that.

Rashidah Binti Alias, *CFO:*

I don't think we could give a meaningful guide at this stage, because number one, I think we should also try and observe how SAMUR is coming into our results. Then because when RAPID comes onboard, that will stack up against existing plus SAMUR. I think closer to when we are going to operationalize RAPID, then we will start giving some indications or some analysis. If you can bear with us, then at some point, we'll release that guidance.

Operator:
As there appear to be no further questions at this time. I would like to turn the call back over to the panel for any additional or closing remarks.

Sazali Bin Hamzah, *CEO*:

I think we have no other information that we'd like to share. Anyway, thank you very much to all the participation for today. And I hope that we will give you good guidance for all of you. With that, thank you. See you next quarter.

Rashidah Binti Alias*, CFO:*

I'm sorry, just one last item. I think in the past briefings, Maybank if you are in the call. You requested for this indirect cash flows for 2016. So we will upload that shortly after this call, so you can access it from our website. Thank you very much, all. Thanks for your time.

Operator:
That will conclude today's conference call. Thank you for your participation, ladies and gentlemen. You may now disconnect.

***** End Document *****