Quarter Ended 30 September 2014 PETRONAS Chemicals Group Bhd Earnings Presentation
Event Date: 6 November 2014, 6.00pm

Nor Shahda Zakaria (Head of IR):

Good evening, everyone. Welcome to PETRONAS Chemicals Group Berhad's briefing on the highlights of the financial results for the quarter ended September 30, 2014.

As usual, PCG's President & CEO, Sazali Hamzah will be leading the briefing, followed by Farina, Yusri and Akbar, on the financial and operational highlights respectively, and on the market outlook. Aziz is also with us, as we will have the Q&A session afterwards.

Before we start, please observe the disclaimer statement in the briefing pack. This briefing can also be accessed from our corporate website www.petronaschemicals.com.

Without further ado, I will now hand over to Sazali.

Sazali Hamzah (President/CEO):

Thank you, Shahda. Ladies and gentlemen, good evening, and some of you probably morning. Thank you for joining us. I will start with some key updates on the Company.

First, on the strategic growth segment, at this moment we are exploring a new project to develop urea and ammonia derivatives to meet demand in Asia Pacific. As we have announced on September 15, PCG signed a non-binding MOU with Grupa Azoty Zaklady Aztowe "Pulawy" and Sipitang Oil & Gas Development. The three parties will embark on a preliminary study on technical, economy, raw material supply, logistics, infrastructure and utilities.

Next, on our current projects, we have been also working together with our upstream suppliers to increase availability and reliability of supplies for the methane gas and ethane feedstock via the Dalak pipeline project and ethane recovery enhancement initiatives respectively.

We have started preparation for a renewal of our ethane supply contract for our smaller cracker which will expire in September 2016. We will update you on the outcome of the negotiation in due time.

We are also pleased to inform that on September 24, 2014, we have incorporated our wholly-owned subsidiary, PCM China Company Limited, PCMC, in People's Republic of China, in line with our strategy to strengthen our position in this key export market.

Now, I will touch on general overview of market conditions in Quarter 3 2014, compared to the preceding quarter.

The global GDP growth eased slightly from 2.8% to 2.6% in Quarter 3, following slightly lower growth in the US and Europe, cushioned by China's GDP growth, which strengthened from Quarter 2.

Meanwhile, emerging Asia GDP, which is a basket of countries that include China, India, Indonesia, Malaysia, Philippines, Thailand, Vietnam and India, has also been marginally downgraded by 0.2% for both 2014 and 2015, leading to growth forecast of 6.5% in 2014 and 6.6% in 2015 respectively, according to the IMF October 2014 report. Thus, we expect market conditions to be tough for the remainder of the year and 2015.

Overall, Olefins and Derivatives product prices and spreads strengthened, driven by stronger ethylene feedstock price as a result of cracker turnaround in the region, particularly for aromatics due to short-term supply constraint, and ethylene glycol due to recovery in demand. The exception was MTBE which fell in tandem with weaker gasoline price with improved gasoline supply.

In the Fertilisers and Methanol segment, urea prices strengthened on tight supply amidst gas curtailment issues, while methanol prices were sustained with balanced supply and demand.

Next, I will touch on our operations. We have safely and successfully completed the turnaround activity at our smaller methanol plant. With that, we have brought to a close, the Group's first intensive cycle of statutory turnaround activities since our listing in 2010 which had started since Quarter 3 of last year.

With the completion of our turnaround activities in the preceding quarter, plant reliability has improved. However, the methane gas supply limitation affecting the methanol plant 2 facilities resulted in the plant utilisation in this quarter to be 75%, which is comparable to the preceding quarter of 76%.

Notwithstanding, excluding the gas supply limitation during the quarter, the Group PU would have been considerably higher at 88%.

Finally, I will go through some of the highlights on our financials. The Group financial performance improved, with higher volume and higher margin ethane-based products as well as improved spreads, particularly for Olefins and Derivatives products.

For the three months ended September 2014 compared to the preceding quarter, Group profit surged 25%, or MYR147 million to MYR732 million, while EBITDA climbed 15% or MYR143 million to MYR1.1 billion, on the back of comparable revenue of MYR3.5 billion. Overall, EBITDA margin remained healthy, increasing to 31%.

Now, I would like to hand over the session to Farina to provide details on our financial performance.

Farina Farikhullah Khan (CFO):

Thank you, Sazali. If you can turn to slide 4 on the Quarterly Group Financial Performance, I will go through that in detail, taking also into account the plant operational performance, as well as market conditions when I analyse the financial performance. Please note that I will also be making references to the Group Plant Utilisation which is on slide 3.

Firstly, the results for this quarter against preceding quarter. Overall, Group plant utilisation of 75% was comparable to the preceding quarter.

If you refer to slide 3, from the chart you can see that although there is only one turnaround activity in this quarter compared to three turnaround activities in Quarter 2 2014, there was a gas supply constraint at our methanol plant 2, which was a result of the transformer failure on our supplier's floating production storage and offloading facility from mid-July to mid-September. We had updated you on this in last quarter's briefing.

As Sazali mentioned earlier, excluding the gas supply limitations to our methanol plant 2, our plant utilisation would have been significantly higher at 88%.

As for the product prices, polymer prices were generally higher, supported by higher ethylene prices amidst limited supply in the regions, while ethylene glycol and aromatics were also higher due to improved polyester demand and temporary short supply situation respectively.

Meanwhile, urea and ammonia prices were higher amidst tight supply in the Middle East and North Africa due to unplanned shutdowns and gas supply constraints, while methanol prices stabilised with the balanced demand and supply.

Revenue increased 6% to MYR3.5 billion, driven by improved prices and volumes of high margin ethane-based products which offset the lower methanol sales volumes due to the methane gas supply limitation affecting the methanol facilities, as explained earlier.

Profit jumped 25% by MYR147 million to MYR732 million on the back of higher volumes of higher margin ethane-based products and improved spreads from some O&D product prices which offset the impact of lower volumes for methanol. Correspondingly, EBITDA for the Group was higher by 15% at MYR1.1 billion, while Group EBITDA margin gained 2% to 31%.

Next, compared to the corresponding quarter.

The Group plant utilisation improved, at 75% compared to 70% in the corresponding quarter. The stronger performance was driven by higher plant reliability across both business segments and lower level of statutory turnaround activities. Whilst in the corresponding quarter, we embarked on a busy cycle of the turnaround activity at the main cracker and its related downstream facility.

Consequently, production volume was higher in this quarter following higher plant utilisation. However, sales volume did not increase in tandem as the higher production was mainly for intermediary products.

Meanwhile, average realised prices were comparable. Product prices were mixed across the board as polymer prices increased due to the higher ethylene feedstock cost, while fertiliser prices improved following tight supply availability from key producers in the Middle East, as discussed earlier.

In contrast, ethylene glycol softened due to weaker demand from polyester industry, while aromatic prices were lower, with new capacity additions being commissioned in late Quarter 3 2014. As for methanol, prices were lower following the resumption of production at key regional producers.

With comparable sales volume and average realized prices, revenue only increased slightly by 1% at MYR3.5 billion. Nonetheless, profitability increased by 3%, driven by an increase in volumes of high-margin ethylene based products, as reflected in our EBITDA, rising by 6% or MYR67 million to MYR1.1 billion. Accordingly, EBITDA margin gained 2% to 31%.

Finally, for the nine-month period.

Overall Group plant utilisation in 2014 was lower at 77% compared to 82% in 2013 attributed to additional shutdowns at PC Methanol 2 due to Siakap North Petai field tie-in the first half of Quarter 1, as well as gas supply disruptions in Quarter 3.

In addition, the plant utilisation was also affected by the heavy turnaround and maintenance activities conducted in 2014, affecting the smaller cracker and its related downstream facilities, MTBE plant, Bintulu urea plant, and our smaller methanol facilities, as well as planned maintenance at the aromatics plant.

In contrast, we carried out statutory turnaround activities at the Propane Dehydrogenation Plant, and the turnaround at the main cracker and its related downstream facilities, in the corresponding quarter which only started in the second half of Quarter 3 last year. Consequently, production and sales volumes were lower.

Average realised prices for the period was comparable, with mixed movements amongst the products. Polymers were higher supported by high ethylene prices, while methanol prices strengthened due to the tight supply situation affecting the first half of 2014.

Meanwhile, ethylene glycols and aromatics softened due to weaker demand and ample supply in the earlier part of 2014.

As for fertilisers, urea prices were weaker as the low export tax window in the middle of the year increased China cargoes into the market, while ammonia prices also fell on weaker demand.

As a result of lower volumes and prices, Group revenue declined by 10%, or MYR1.2 billion, at MYR10.7 billion. Group profitability declined following the lower revenue earlier on the back of narrower spreads, particularly for ethylene glycol, derivatives and aromatics, compounded by lower volumes of higher-margin ethane-based products due to the smaller cracker turnaround in Quarter 2. Accordingly, EBITDA for the Group decreased by 24% to MYR3.3 billion. Notwithstanding, our Group EBITDA margin for the nine months remained healthy and resilient at 31%.

Now, moving on to my last slide which is on our Group cash flow and cash balance.

During the year, you can see that our cash balance decreased by MYR720 million mainly due to lower cash generated from operations following lower sales volume, as well as higher cash outflow for investment in SAMUR project, and the turnaround cost during the period.

Nonetheless, our Group cash position remains very strong at MYR9.9 billion. With this strong cash balance, we are in good position to undertake our current and future growth plans. As Sazali has informed earlier, we are currently assessing our participation in RAPID, where we expect to utilise our cash, as well as to raise financing, to support the undertaking of this project.

That is the end of my presentation. I will now hand over to Yusri on the key operational highlights.

M Yusri M Yusof (Head of Manufacturing):

Thank you, Farina. This is Yusri. Let me take you through some of the highlights of our operation, which includes the last turnaround for the year at our smaller methanol plant, as well as the recent operational activities that have occurred in Quarter 3 2014.

With tighter controls and improvement measures in place, our turnaround activities for this year were completed effectively and on schedule. I am pleased to inform that we have successfully concluded our final mandatory turnaround activity at our smaller methanol plant in October. The plant restarted on time, and is running at the expected utilisation rate.

It is important to note that for the year, overall, we have executed close to 3 million manhours of the turnaround activities successfully and safely without any major HSE incident.

We continue to execute our planned program as part of our internal reliability enhancement. The plant reliability for Quarter 3 2014 improved compared to both preceding and corresponding quarters.

Moving on to our supplier management effort, I would like to highlight two of our top priority projects which have been mentioned by Sazali earlier.

First, on our ethane feedstock supply in Peninsular Malaysia. As I had mentioned during our briefing last quarter, we are working closely with our supplier in several joint projects to improve the availability and reliability of gas supply, one of which is the ethane recovery enhancement initiative at the gas processing plant which will improve the ethane supply to PCG.

In addition, PETRONAS continues to develop new gas fields offshore Peninsular Malaysia to ensure security of gas supply, and we expect that with the gas coming on stream from the North Malay Basin by 2016, it will also improve our ethane supply reliability.

Second, again, as I earlier mentioned during our last quarter's briefing, the Dalak pipeline is being constructed to bring in gas from a new source directly to our methanol plant 2 in Labuan. This will provide some long-term solution to enhance methane supply availability and reliability to our methanol plant 2, which is crucial to ensure that we achieve higher operating rates from 2016 onwards.

As shared by Farina earlier, the equipment failures at the FPSO interrupted the gas supply to our methanol plant 2 for much of the period this quarter. The affected equipment had either been repaired or replaced, and plant 2 resumed production in mid-September. It is now running at its expected rate.

Taking into account year-to-date operational performance and anticipated Quarter 4 business performance, we expect the Group PU to be lower than our earlier expectation of mid-80s, but higher than last year's PU of 78%.

I would like to hand over to Akbar for our market outlook.

Akbar Md Thayoob (Head of Commercial):

Good evening, everyone. This is Akbar here. Let me start by highlighting that the third quarter, overall price performance was mostly firmer compared to Quarter 2 for Olefins and Derivatives segment, whilst for the Fertilisers and Methanol product prices were mixed, where prices for urea and ammonia were firmer but was stable for methanol.

I will now begin with O&D products.

Ethylene price was firm in Quarter 3 amidst persistent supply constraints as a result of heavy cracker turnaround in North East Asia and production issues at certain regional crackers. Supply constraint, however, eases as major cracker shutdowns came to an end in October.

Price is expected to soften in Quarter 4 following weakening crude and naphtha prices, coupled with weak downstream demand. Ethylene price is forecast to be lower in 2015 with improving operating rates, primarily due to the high price in 2014 being driven by heavy turnarounds.

Propylene price will drop further in 2015 due to on-purpose capacity of PDH and coal to propylene, before rebounding in 2016 in line with demand recovery and widening deficit.

For polymers, prices remain range bound supported by high ethylene price, despite softening demand in Quarter 3. However, polymer prices will no longer be supported by high feedstock price in Quarter 4, pressuring PE prices to move downwards, as weak demand remains persistent largely due to China's ongoing economic reforms.

Lower density polyethylene price is forecast to be lower in 2015 as a result of continuous threat of substitution by mLLDPE, and LLDPE and HDPE prices are forecast to be lower in 2015 due to heightened competition from Middle East exporters.

Polyethylene prices are forecast to strengthen from 2016 onwards likewise, in line with improving demand and widened deficit.

Moving on to aromatics. Prices were stronger in July and August before sharply declining in September due to new capacity additions. In Quarter 4, price is expected to soften following weakening crude and naphtha prices, coupled with weak downstream demand.

In 2015, new capacities are expected to flood the market. However, production is expected to be constrained by tight naphtha supply, resulting in quite stable PX price and healthy spread.

Echoing PX price trend in Quarter 3, Mono Ethylene Glycol or MEG price, was firm for both July and August, before easing due to slower downstream polyester demand. Prices dipped further in October upon high inventory post China Golden Week holidays. Market is expected to remain range bound in November and December on the back of slow downstream polyester demand, despite supply constraints from shutdowns and turnarounds in Asia.

For 2015, MEG, Butanol, Butyl Acetate (BAC) and Butyl Glycol Ether (BGE) prices are forecast to soften in the next two years due to heightened competition with more capacity additions in China, South East Asia and the Middle East coming on stream. Prices are expected to recover post 2017 as demand starts to outpace supply.

Moving on to the F&M segment, which is the fertilisers and methanol segment, and let me start with urea.

The urea market has been bullish in Quarter 3 amid tightened supply from Yuzhny as well as Egypt. Urea is to experience a short-term slowdown in Quarter 4, as Thailand has adequately stocked up their planting season requirement. However, prices are expected to pick up in anticipation of US purchases for their spring planting season in late Quarter 4.

In 2015, urea price is forecast to be lower as more new capacities come on stream, especially in Asia Pacific, resulting in a surplus urea market. Moving forward, the price is forecast to rebound in 2016 as demand improves on the back of less new capacity additions.

Ammonia, however, rose higher. The price of ammonia rose higher towards the end of Quarter 3, and is expected to remain firm in Quarter 4 on the back of tight supply with the extended turnaround of Yara plant in Australia. And in 2015, ammonia price is forecast to be lower on the back of the bearish outlook of the urea market.

Moving on to methanol. Following the PETRONAS Chemical methanol shutdown in August and September, South East Asia price increased slightly as further price hike was capped by competition from Chinese cargoes coming into Southeast Asia following the volume shortfall. We expect South East Asia price to stabilise in Quarter 4 with the resumption of PETRONAS Chemical methanol operations.

Likewise, in 2015, lower price is forecast for methanol, as regional supplies retreat to normal level from 2014's tight supply, driven by production issues at major South East Asia plants. Price is forecast to strengthen from 2016 on the back of China's strong demand, which is expected to grow at 10% CAGR between 2015 to 2019.

That is the end of my presentation. I will now hand over to Mr. Sazali for his closing remarks.

Sazali Hamzah (President/CEO):

Ladies and gentlemen, let me wrap up the session with the following key points on our projects, operational performance and market.

Work on SAMUR project is progressing well and currently at peak construction phase. We have achieved 13 million of safe manhours. The first phase of our aroma project is also progressing well. Both projects are scheduled for completion in 2016.

Next is on RAPID. We are still in the progress of evaluating our participation in the project and expect to announce our decision sometime in the first half of next year.

On our operational excellence commitment, as Yusri has updated, we are working very closely with our upstream suppliers to provide additional sources of feedstock to our facilities in both Peninsular Malaysia as well as Labuan to safeguard our requirements for a higher level of feedstock reliability.

We continue to see challenging market conditions in Quarter 4 2014, and 2015, in key products on the back of long supply from additional capacities amidst slower demand growth.

Now, I would like to open the floor for any questions and answers.

Oscar Yee – CITI – Analyst

I would like to ask a little more details about your 2015 outlook. When you talk about the drop in the polymer market, are you referring to just the absolute price, or you are referring to the PE naphtha spread for 2015?

My second question is about the recent market trend. I have noticed that the polymer market price was actually quite slow to react to the sharp drop in oil and naphtha price. Any particular reason why the price drop for polymer is a bit slower? Because I have noticed that in the past few years when we had a similar big oil price drop, usually, polyethylene price tend to drop maybe within two to three weeks after the big oil price drop. But this time around, it is actually been quite modest. Is it because the underlying demand supply is healthier? Could you comment on that?

Akbar Md Thayoob (Head of Commercial):

We are forecasting, for 2015, the average LDPE spread for ethylene and ethylene derivatives to be lower due to the high ethylene cost, coupled with soft LDPE demand. I guess in the past, the demand has been rising to support the rapid development in this region, especially in China. But, with the softening economic outlook for 2015, coupled with the higher feedstock prices, we believe that LDPE demand will be growing at the slightly lower rate, coupled by spread pressure for the producer in 2015.

Wan Zahidi – RHB Research – Analyst

Since naphtha is going down, can we expect a better margin for naphtha-based products?

And another question I would like to ask, you seem very bearish on the 2015 outlook, can we expect any growth at all, in terms of financial?

Farina Farikhullah Khan (CFO):

Just to recap, I think your first question is basically with respect to, given that naphtha price is going down, whether we are expecting a better margin for the naphtha-based products.

As you know, we only have a small naphtha-based products. Out of our total capacity of about 10.8 million tonnes, aromatics is about 0.7 million tonnes of that 10.8 million tonnes in our product portfolio.

Akbar Md Thayoob (Head of Commercial):

I think the biggest concern for 2015 is the additional capacity that is coming in for naphtha. Towards the second half of the year, as well as the last quarter of this year, there is about 3.3 million tonnes per annum of capacity being added into the market.

Going into 2015, we foresee that about 5.3 million tonnes per annum of new capacity will come on stream, coupled with lackluster demand for polyester, that is why we are forecasting that the PX market will be quite bearish in 2015. It probably will bottom up around 2015 before demand start to outpace capacity addition in 2016. We believe that 2015 will be the bottom trough.

Farina Farikhullah Khan (CFO):

As to your second question on the expectation of growth. I think as far as the production volume, given our expectation of continuous year-on-year improvement in our efficiency at our plants, as well as improvement in the supply reliability from our feedstock supplier, we do expect growth as far as production volume is concerned. But, the financial results at the end of the day are very much affected by the market conditions next year. So, as you know we are expecting the market to be most challenging in 2015.

So 2014, as you can see, is more challenging than last year. We expect 2015 to be even more challenging than 2014 as far as the market prices are concerned, and this is in tandem with the industry cycle. I hope that answers your question.

Akbar Md Thayoob (Head of Commercial):

Just a little bit on aromatics. There is some slight silver lining provided that naphtha supply is getting tighter. If that happens, then capacity addition supply will be checked, that may reduce the impact on the spread.

So on the last part, we are foreseeing that the spread will be the thinnest in 2015, with some slight opportunity if naphtha supply is tight.

Yong Liang Por – BNP Paribas – Analyst

I think you mentioned earlier that the ethane contract would be renewed soon. Can you tell us approximately when that will be concluded, and also whether you will disclose the terms of the new contract?

The second question is, obviously the oil prices have fallen a lot, it looks likely they will stay weak for a while more. Does this change your plans in any way? Will you think about closure of more, less-profitable products, especially since you think 2015 looks weaker now?

Sazali Hamzah (President/CEO):

Your first question is about the ethane contract, which the first one will be due in 2016. We will start negotiating in early 2015. So far, we believe that there will be no major changes except for a normal increment, in view that we are still seen as a value driver to PETRONAS. So, as far as pricing is concern, I think there will not be much change.

Secondly, with expectation of quite a challenging period in 2015 in terms of spread, we have run our economics. We believe that we will still be able to run all the facilities, except for those that we have decided to divest earlier. But, there is no additional plant that we plan to shut down or stop production because of that.

Farina Farikhullah Khan (CFO):

Just to add to what Sazali mentioned earlier, as far as our outlook for EBITDA going forward at the subsidiaries, we don't expect any to be making EBITDA negative position. So, as far as cash profit is concerned, we are still expecting them to be above water. So, right now, there's no plans basically for closure.

Yong Liang Por – BNP Paribas – Analyst

Just going back to the ethane contract again, do you think it will be finalised by the first half of next year?

Sazali Hamzah (President/CEO):

No, I think probably by end of the 2015 realistically, or early first quarter of 2016, before the deadline.

Mayank Maheshwari – Morgan Stanley - Analyst

I wanted to ask regarding the utilisation rates that you are expecting to come through for the remaining part of this year and next year for both on the olefins side as well as on the methanol side.

And my second question is related to progress of the two projects, aroma as well as the urea project. Can you give us some numbers on the completion rate? You did touch on some highlights, but if you can give us some numbers, as in how much has been completed.

M Yusri M Yusof (Head of Manufacturing):

I have mentioned earlier during my briefing, based on what has happened for the first three quarters and our market outlook for Quarter 4, we expect our year-end projection, PU, to be lower than the mid-80s that we expected earlier. But it will be higher than the 78% PU that we did last year. Today, that's our expectation for this year.

Similarly, for next year, based on the business condition, we are expecting it to be around the same level.

Mayank Maheshwari – Morgan Stanley - Analyst

There would be similar level of turnarounds that we have seen this year for next year as well?

M Yusri M Yusof (Head of Manufacturing):

There will be turnarounds, but it will be less in intensity than it is this year. But, there are obviously going to be some shutdown days.

Farina Farikhullah Khan (CFO):

As far as the utilisation rate, we expect it to be better than 2014. However, if you can recall from our earlier discussion in Quarter 2 on the supply interruption on methane, what we have said is that the permanent solution, via the third source of supply, which will be connected through a new pipeline called the Dalak pipeline. That will only come in 2016.

So, in our forecast of 2015, though we do have a certain expectation, and as you know, our target have always been to achieve at least 90%. However, whether we get there or not, because methanol plant 2 is a big plant that contributes to the Group overall plant utilisation, so, unless and until that new pipeline connecting that source of supply comes on stream in 2016, our projections are really dependent on the availability of the supply prior to this pipeline coming on line.

To recap what Yusri said, we think that it should be better than this year, but barring any unfortunate circumstances coming from the suppliers.

Mayank Maheshwari – Morgan Stanley - Analyst

But, is it fair to say then, olefins will be running at third quarter level of utilisation rates but fertilisers would be as you highlighted that there could be supply-related challenges which obviously you can't control right now, but at least on olefins, you can run at about 90% next year?

Farina Farikhullah Khan (CFO):

I think that is a fair conclusion because though we do have some planned maintenance activities at the Olefins and Derivatives segment, we are not planning for any major turnaround activity similar to the last two years. So, I think that's a fair conclusion.

Cheong Mun Wai – EPF – Analyst

I have two quick questions. First one is just to confirm that in fourth quarter this year there will be no more disruption there because the FPSO is up already and the PML 1 is also up.

And I think that on the 2015 utilisation, I think Mayank has already asked the question, but, just to get more color, maybe can you just guide us on, say, which particular quarter that you will have the turnarounds? And I guess no more statutory turnarounds, but the normal turnarounds, and maybe how many days?

The second question would just a bit more details on your two projects. The first one is the ethane recovery enhancement project, and the other one is the Pulawy that was announced in September. Any details as to when is the FID? Any feedback or the timeline, or anything on that?

Farina Farikhullah Khan (CFO):

For Quarter 4, again, barring any unfortunate circumstances, there will be no more TA planned, no major maintenance planned in Quarter 4. So again, subject to the supply, which is, as what Yusri mentioned earlier, since it was up from middle of September, it has been running well and we expect that to be the case until the end of the year.

However, again, I would like to say that the third supply source for us is very important, in order for us to give a permanent solution to the availability and reliability issue from the upstream supplier.

So whilst, yes, this FPSO issue has been resolved, that was really unexpected for us, because in the past, there was never any problem at the FPSO. The issue has always been at the fields. And since we have added the second field in the first quarter, we were quite confident that the reliability were expected to be higher, as we said earlier in the recent quarter, that we expect it to be meeting mid-80s. And we were still very much on track to meet that mid-80s number until the unfortunate incident at the FPSO happened. And again, since the fields came on stream, the supply to PC Methanol 2, we have never had any issue at FPSO before.

I hope that explains our subdued guidance as to Quarter 4, because as far as any event that we cannot foresee, we can't say. But based on the plan, you are absolutely right. No more TAs and Quarter 4 should be a good quarter operationally, except for those things that are outside our control.

M Yusri M Yusof (Head of Manufacturing):

For ethane enhancement, basically, we have been working with our supplier to improve the efficiency of recovery at their processing plant.

What it means is that for the same volume of gas processed at the processing plant, we will get a bit more ethane extracted out from the gas streams. So, we are expecting an improvement of around 10% from the current rate in terms of efficiency. And those involve modification and involve CAPEX at the gas processing plant.

Those are done in stages and it's basically on 80% completion. And we are already getting some of the results already.

Sazali Hamzah (President/CEO):

Moving into your third question on Pulawy study, or Pulawy collaboration study. So, this, basically, is only the pre-feasibility study will take about, until mid of next year. And the pre-feasibility study will see the opportunity for us to move further downstream from urea and ammonia. And depending on the study, we will move forward into the second stage of DFS (Detailed Feasibility Study). So, I think we have to wait until the feasibility study is completed sometime mid of next year.

Our focus remains on our main project, SAMUR execution of completion, as well as our aroma project.

Nor Shahda Zakaria (Head of IR):

If there are no further questions, I think we can wrap up the session. We thank you for your participation. The recording on the website will be available at the end of the day. And with that, we thank you and have a good evening. Thank you.

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