Financial Year Ended 31 December 2012 PETRONAS Chemicals Group Bhd Earnings Presentation

Event Date : 26 February 2012, 5.30pm

Wan Asmah Che Din (Head of IR):

Good evening, I'm Wan Asmah from Investor Relations. Pleased to welcome everyone joining us for the PETRONAS Chemical Group's financial highlights briefing for the year ended December 2012.

With us today we have Dr. Hapiz, President and CEO; Ms. Wan Shamilah, CFO; Mr. Yusa, Head of the Olefins & Derivatives business segment; Mr. Shah, Head of the Fertiliser & Methanol segment.

The presentation slides for today's briefing are available for download from the webcast window or from our corporate website. Before we start please read through the disclaimer statement in the briefing pack.

Thank you. I will now hand over to Dr. Hapiz.

Abd Hapiz (President/CEO):

Thank you, Wan Asmah. Thank you all for joining us today to share our results for the quarter and also for the full year ended December 31, 2012.

I am very pleased to report stronger plant performance for us in 2012, particularly in our O&D segment. However, the market was challenging.

Generally, the average market prices were lower compared to 2011. As a result we are seeing thinning product margins.

As you are aware, in October 2012 we announced the discontinuation of our vinyl business as part of our portfolio optimisation strategy. The result that you see duly reflected the required provisions and will be covered more when Shamilah is talking later.

Overall, despite the challenging market conditions and other challenges, we have a resilient set of results. For details on the key highlights I'd like to then hand over the session to Wan Shamilah, our Chief Financial Officer, to provide details on PCG financial performance for the year 2012.

Over to you, Shamilah.

Wan Shamilah Saidi (CFO):

Thank you, Dr. Hapiz. Good afternoon, everybody.

Please go to slide number 3. This summarises the financial highlights for the year ended December 2012 against the comparative periods.

As mentioned by Dr. Hapiz, we achieved stronger plant performance in quarter 4, particularly our Olefins & Derivative segment. In addition, our feedstock supply situation also improved. The market was also more favorable. Hence we achieved healthy revenue growth in quarter 4 compared to preceding quarter.

The same trend is observed compared to corresponding quarter, however market condition was weaker. Hence, EBITDA improvement is to a lesser degree as positive impact of higher volume was somewhat diluted by thinning spreads.

For the full-year results the headlines are number one; improved plant performance. And number two; we do see lower prices overall on average which led to thinning spreads mainly for the polymers and the derivatives.

Moving on to the next page, allow me to give you a bit more detail or color. When you compare quarter on quarter, quarter 4 against quarter 4 last year, revenue increased by 12%, supported by higher volumes. And this is despite prices being lower on average by about 3%.

Contribution from our associates improved, similarly, backed by higher volume. At PBT level it was a different trend, it was lower by 32%, and this is as a result of the once-off discontinuation expenses that we have provided for in relation to the vinyl business strategy. The total amount of provision that we had made is MYR490 million.

Excluding this once-off item, profit before tax would have been around MYR1 billion. Profit attributable to shareholders increased by 14% at MYR902 million. And this included positive impact upon recognition of deferred tax assets for PC Methanol amounting to MYR432 million.

This is in relation to our new facilities as well as new installation at our older facility. And we have duly recognised the deferred tax assets following successful application for investment tax incentives that we received recently.

EBITDA margin for the Group was lower at 35%, reflecting the impact of narrower spreads. Compared to the corresponding 12-month period, revenue only increased marginally by 2% as the positive impact of higher sales volume was diluted by lower prices. Overall, we saw prices were lower on average by about 4%.

Contribution by our associates was also lower, mainly due to weaker market. PBT was affected by thinning margins for O&D products and also the once-off items that I explained earlier. Excluding once-off items PBT would be at MYR5 billion.

Profits attributable to shareholders declined by 7%, in line with lower PBT as well as the positive impact of deferred tax asset recognition as I explained earlier as well.

EBITDA and EBITDA margin worsened compared to corresponding year, reflecting again the thinning spreads that we saw.

Moving on to page 5, overview on the Group performance. Firstly on utilisation rates. We achieved higher plant utilisation rates in quarter 4, and this was a significant improvement compared to quarter 3 of only 75%, we recorded 88.5% for quarter 4. This was achieved through good plant performance as well as improving feedstock supply situation. Overall for the year though was only 82.5%, pulled down by heavy maintenance works that we undertook in quarter 2 and quarter 3.

Our revenue follows the same trends as per utilisation rates, except for between quarter 3 to quarter 2. Revenue increased despite lower trending in plant utilisation rates. The revenue was achieved partly through higher trading activities to mitigate system shortfall for our customers. This also explains why EBITDA margin for quarter 3 was our lowest in the year because of the dilutive impact of trading activities.

EBITDA margin overall for the Group is sustained above 30% with a slightly declining trend, reflecting again the pattern for O&D product spreads.

Let me now move on to segmental performance on page six. Let me cover O&D first. Olefins & Derivatives continue its good run in 2012 with plant utilisation rates of 93.6% for quarter 4. Overall for the year O&D achieved our target of 90% PU, recording 90.7% utilisation rate.

Please note that as part of our cessation of or discontinuation of the vinyl business, we also built up inventories at the year end in preparation for the cessation in production, because as you are aware we are still continuing our PVC facility in Vietnam which is undergoing a divestment exercise. Without the buildup in inventory then the revenue for this segment would have been even higher.

Overall prices for Olefins & Derivatives was lower compared to 2011, approximately around 4% lower. We do see notably improving trend in quarter 4 with prices being higher compared to preceding quarter by around 15%.

Revenue trend follows the price pattern. And for EBITDA, again, you see the point that, as I explained earlier about thinning spreads, and you do see it with declining EBITDA margin for O&D. And overall for the year, EBITDA margin for O&D was 32% compared to 2011 of 37%.

For Fertilisers & Methanol segment we recorded a marked improvement in plant utilisation rates in quarter 4 at 84.1% compared to only 62.9% in quarter 3. This was achieved with less maintenance activity as well as improvement in gas supply of feedstock situation.

Overall for the year plant utilisation rates for Fertilisers & Methanol was at 75%, a slight increase compared to what we achieve in 2011 of 74%, but this segment during the year 2012 underwent maintenance work at all 4 facilities, so it was weighed down by those activities.

In addition, if you recall, there was also the vessel fire incident that happened in July, and subsequent to that we undertook precautionary shutdown of plant number one to ensure it is safe to operate, and that was out of action for more than a month. It has also led to challenges in managing our jetty in the interim.

Prices for Fertilisers & Methanol overall was at par with 2011. Market condition continued to be steady for methanol. Ammonia is seeing a boost following strong demand and supply constraints in market. Urea dipped slightly with new capacities coming on-stream.

Overall EBITDA margin for Fertilisers & Methanol despite the challenges that we faced in terms of maintenance activity as for gas supply is sustained above 40%. The only exception is in quarter 3 as a result of the dilutive impact of trading activities that we undertook.

Moving onto slide number 7, our cash flow is very strong, standing at over MYR9 billion. And we have very minimal gearing. We have nearly paid off all our borrowings with a very small amount remaining relating to our asset that we are currently divesting.

The Board has proposed dividend for our shareholders' approval at the next AGM, for a final dividend of MYR0.14 per share, and together with the interim dividend that has already been paid of MYR0.08 per share that would mean a payout ratio of around 50%.

That concludes my presentation, and now we'll move on to the heads of business.

Yusa Hassan (Head of Olefins & Derivatives Business):

Thank you, Shamilah. Yusa here, Head of Olefins & Derivatives business. On the business side, for the most part of 2012 the O&D business faced challenges across most products amidst weak demand. Ethylene price was on the uptrend due to limited supply from the reduction in operating rates by producers coupled with firm naphtha price.

The MEG business sector has also performed relatively well despite facing challenges of high inventory in the first half of 2012. On the other hand, polymer business performance was mainly challenging last year with weak demand and thinning spread.

Contrary to the mixed scenario in C2 and C3 chain, aromatics business performance was strong as prices rose driven by tight supply amidst high feedstock heavy naphtha prices and healthier demand from the newly commissioned PTA producers.

In the near term of quarter 1 2013, the O&D business segment is expected to perform better as prices are somewhat firming with improved demand and firming of feedstock prices.

Ethylene prices are anticipated to remain firm and supply is expected to remain tight with the upcoming cracker turnaround in Middle East. Similarly, MEG performance will also be better as tight supply from the major producers along with the strong feedstock prices are expected to continue to push the MEG prices.

Polymer business is expected to be partly recover with some restocking activities post Lunar New Year. However, the margins are still expected to remain tight. Aromatics business however is expected to remain firm due to limited supply from upcoming turnarounds and delayed startups of major paraxylene plants along with healthier demand from the startup of new PTA plants.

Moving forward, the overall performance and demand for O&D segment is anticipated to improve, driven by the economic recovery from the key markets.

Muhammad Shah Ali (Head of Fertilisers & Methanol Business):

Thank you Yusa. I like to wish everyone a very good evening, my name is Shah, Head of business of Fertilisers & Methanol. I'm covering basically the market dynamics for methanol, urea and ammonia, in that order.

Let's talk about methanol. Methanol basically reached a peak towards the second quarter of last year, and then started dipping down to the levels we seen towards the end of quarter 4, roughly USD360s, USD370s. Basically mainly because of two main reasons, that one is because of the Iranian sanction exercise that actually basically enabled lot of supplies of methanol to China, which is the biggest buyer of this region and has the biggest impact to prices. So we could see that because of these two reasons methanol prices have been weak despite the fact that energy prices has been also low.

We think going into 2013 the prices are going to firm up somewhat. We're already seeing some strengthening in the prices mainly also attributed by the Iranian factor as well. There's a low rate of production that we are seeing right now, for probably the next three to six months. And potentially higher demand is coming from China, starting up from their MTO plants, and the Ningbo MTO plants. So that roughly sums up what we have for methanol going into 2013.

For urea, well, the end of quarter 4 was also sluggish. Prices were really at rock bottom levels at sub-USD400. But coming into 2013, although a little bit late, the US season picked up. And coupled with the closure, the shutdown of Egyptian urea plants due to shortage of natural gas supply this has boosted prices. And given what we were talking last week, the recent Indonesian tenders have indicated numbers of about USD20 to USD30 above the prices as end December.

So we are quite optimistic on demand, but we need to be mindful there is additional capacity that's being added that's coming on-stream basically in Algeria and Middle East, between 2 to 2.5 million tons. Surely, this will make some impact on prices.

Last but not least, ammonia; prices are softening, as expected. Our focus will be on the Indian ammonia demand and supply options. It was seen that during the high ammonia price scenarios the Indians have been switching to DAP imports instead of ammonia which created the huge surplus from the market, especially from the Middle East.

In addition, the demand for caprolactam and acrylonitrile was seen to be weakening mainly due to China. This has also impact ammonia prices towards the end of quarter 4.

In summary, we see further weakening of ammonia prices in quarter 1. What will happen in quarter 2 onwards, we have to see on how the demand improves in India and China. With that I would like to hand over this to Dr. Hapiz.

Abd Hapiz:

Okay, ladies and gentlemen, that's the end of our presentation. Overall, our result showed resilience on the back of stronger plant performance. We will continue to strive and sustain the performance of our plants.

Now we open the floor for question and answers.

Question and Answer Session

Yong Por - BNP Paribas - Analyst

Just one question. I've read a report that there will be major maintenance performed at the ethylene complex in third quarter. I just want to confirm whether this is the case or not? Thank you.

Yusa Hassan:

Yes, I think as indicated in the previous briefing, this year is going to be a relatively heavy turnaround for the Olefin & Derivatives segment. One of our cracker is undergoing annual turnaround sometime during the third quarter.

Yong Por:

Thank you. And of the other units, are there as well major maintenance planned?

Wan Shamilah Saidi:

We'll coordinate, usually when we do this we coordinate the downstream facilities so that we optimise the availability of all the plants.

Yusa Hassan:

So the relevant downstream plants of the cracker will also undergo turnaround at the same time.

Yong Por:

Okay. So will the aromatics be affected?

Yusa Hassan:

No. Aromatics is a different stream.

Wan Shamilah Saidi:

Not part of that chain.

Yusa Hassan:

Yes.

Yong Por:

Okay. And on the methanol side, has there been any issue with feedstock supply in third quarter?

Wan Shamilah Saidi:

The feedstock situation, as explained earlier, is improving. And you can see that in the performance of the Fertiliser & Methanol in quarter 4.

Samuel Lee - JPMorgan - Analyst

For the charges related to divestiture of the PVC business, will there be additional charges in 2013? Thanks very much.

Wan Shamilah Saidi:

Well, the provisions we have made is based on our best estimate of what's required. So no, we don't expect any additional. But that provision was made based on our best estimates as at financial year end.

Alex Goh - AmInvestment Bank - Analyst

Just two questions, I just want to be clearer, just now you mentioned on the Olefin & Derivatives division, can I just be clear that one of the reasons why the margins were down was because of trading activities in the fourth quarter, if you compare on a quarter-on-quarter basis?

Wan Shamilah Saidi:

No, the trading activity that was indicated is mainly in the Fertiliser & Methanol segment. That's why you see the Fertiliser & Methanol's EBITDA margin in quarter 3 was the lowest.

Alex Goh:

I see. But what about the Olefin & Derivatives division, why was the margin down if you were to strip out the discontinued or the vinyl division?

Wan Shamilah Saidi:

It's due to thinning spreads.

Yusa Hassan:

Yes, mainly I think due to the thinning spread; for example, the C2 chain, though ethylene price is actually high, but the derivatives prices has not actually followed in tandem.

Wan Shamilah Saidi:

Yes.

Yusa Hassan:

So that resulted actually in thinning margin of the downstream unit. The other aspect is actually on our C3 also, the margin was actually quite thin as compared to the previous years.

Alex Goh:

I see. And a question on the Sipitang plant, the urea plant, in which quarter of 2015 will the plant begin to commence operation?

Wan Shamilah Saidi:

It will be towards the later part of 2015.

Grace Lee - Deutsche Bank - Analyst

Can I just ask; what's the 2012 Capex breakdown? How much was used for the SAMUR project. And also in 2013 and 2014 is there any guidance on Capex?

My second question is regards to debt levels. I'm just wondering because now that you have paid down all your debt and you clearly have sufficient room to gear up, I'm just wondering if are you planning to take on debt in 2013 and 2014 to fund any of the projects that are upcoming?

And my third question is on cost optimisation. So I remember in 2011 the Company was talking a lot about cost optimisation, I was wondering how's the progress going on that front. Thanks.

Wan Shamilah Saidi:

Okay, for 2012 Capex that we incurred is around MYR800 million, out of which about MYR500 million was in relation to project SAMUR. And for 2013 the maintenance Capex that we'll incur for our facilities is similar, around the region of MYR600. But there are heavier maintenance work that we are undertaking so we are seeing some opportunities to improve our reliability. So it will go slightly above another MYR100 million or so to improve the reliability of the plant. That will be undertaken when we do the shutdown for our cracker facilities and the other facilities.

Project SAMUR next year will be in the region of about MYR2 billion.

Sorry, I forgot to answer question about gearing. Our balance sheet is very strong currently, very healthy cash position, we have nearly no gearing.

We are well-positioned to, of course, gear up when we undertake growth opportunities. And we do have such plans for project SAMUR. So in due course we will start that exercise.

And apart from SAMUR, there will be other growth plans or strategies that we are pursuing. So if that progress well our balance sheet today also positions us to gear up for that.

Can you repeat your question, I beg your pardon, on cost optimisation, please?

Grace Lee:

Yes, because I was just wondering because in 2011 you are talking about some cost optimisation and about a MYR130 million target. So I'm just wondering how is it going now, because I'm looking at, like, your SG&A cost and margins are all going south. So I'm just wondering what's happening to the cost optimisation.

Wan Shamilah Saidi:

Yes, it's still ongoing. We never cease to take opportunities to further improve our cost base but we prefer to see it as our pursuit to increase value, and one of the main activity that we'll be undertaking this year is in terms of the turnaround activities. This year activity that we'll be undertaking at our ethylene cracker and downstream facilities that are related will be managed centrally by a dedicated team who is handling turnaround. So this is one of the examples of what we are doing or putting in place within the Group to further raise value and create value.

When we have a dedicated team to do turnaround, the strategy is to make sure we do it better. And the target is, of course, to execute it as per plan and making sure that we can start up the facility again as per plan. So that are the kind of activities that we are very focused on, because a day of availability is very significant in terms of value that we can create. So, yes, the answer to that is we are continuing in our pursuit of cost optimisation and value maximisation.

In terms of value, we did indicate MYR130 million previously. Those are ongoing, continuing activities. And we feel we can maintain similar levels.

Although we prefer to focus on efficiency of running the facilities rather than focusing on cost per se.

Because what's more important is to make sure that the plant runs well. I hope that answers your question.

Trevor Buchinski - Macquarie - Analyst

I have three questions. Firstly, related to the utilisation rate guidance. Are you still maintaining your 90% utilisation rate guidance for 2013 given the major maintenance that you were talking about previously?

Second question related to tax rates. Are there any other tax credits that we can expect to see in 2013? And if so, what are they related to?

And then lastly related to the RAPID project, could you just give us an update on when we might expect to hear an announcement related to that?

That's it. Thanks.

Wan Shamilah Saidi:

Okay. Thank you. Utilisation rates, yes, we are maintaining our target of 90%. As you can see for 2012 we did achieve that for O&D facility. So we did meet that target. In some quarters we surpassed that target. So we are very focused in 2013 to increase the performance level of Fertilisers & Methanol.

Tax rates, at the moment there are no other tax incentives that we can highlight to you. This would be as and when we undertake projects. So at the moment there are no new projects other than that we have just developed.

On RAPID, PETRONAS is leading the project. It is progressing. In due course PETRONAS will share further announcement as they reach further milestones, but for us, as we have shared previously, we will share further information after PETRONAS sanctions the project. We will undertake our own assessment of the viability of the project. So at the moment we don't have much info that we are able to share with you, but it is progressing, it is being led by our parent.

Nitin Kumar - Nomura - Analyst

A couple of questions. First on, I think on the amount of inventory for polyvinyl chain, how much of VCM inventory was built? And what kind of direction do we have in terms of divestment of the Vietnam plant?

Secondly on the project in Labuan now that I think we are very close to completion of the Sabah-Sarawak pipeline. Should we expect a much higher utilisation rate into that project this year?

Wan Shamilah Saidi:

On the divestment of our PVC business in Vietnam, that is ongoing process, so we are initiating that formal process, so that should complete during this year. On our Labuan facility, the completion of Sabah-Sarawak gas pipeline is not connected to our facility. So no, there will be no impact to us.

On the inventory, I will pass it to Yusa.

Yusa Hassan:

On the inventory, the volume is actually sufficient to actually sustain the PMPC operation for the next few months coupled with the quantity that we are also sourcing from the open market.

Nitin Kumar:

Understand. So beyond the August timeframe, what should we expect from this plant. Should we continue continuation of this plant from external sourced VCM?

Yusa Hassan:

Yes. It will be a mix between our own inventory as well as the amount, the quantity that we are sourcing from the market.

Wan Shamilah Saidi:

Yes.

Nitin Kumar:

And would there be a margin uplift because of this in 1Q, because 4Q you would have seen a margin decline as you were building inventory? Should we see any margin uplift in 1Q from there?

Wan Shamilah Saidi:

You shouldn't see a margin decline because it doesn't affect our results because it's inventory build up.

Nitin Kumar:

I understand. And just one clarification on the Capex number for project SAMUR, you mentioned MYR2 billion, is that for 2014 or 2013?

Wan Shamilah Saidi:

For 2013.

Patrick Tiah - Goldman Sachs - Analyst

Three questions for me. Firstly, I think you mentioned that you've seen improved feedstock availability for your Olefins & Derivatives in the fourth quarter. If you could just elaborate a little bit about when the upstream gas maintenance completed? I think there was maintenance started in the third quarter, and I think probably ended in the fourth quarter, if you could give us a little bit in terms of the dates for those shutdown, so we can work out roughly how many days disruption occurred in the fourth quarter and the third quarter. I think that will be helpful and that's number one.

Number two; for F&M, can you elaborate, in the fourth quarter how much was the utilisation rate for your methanol facilities? And I think you mentioned that the feedstock availability is getting better. But I'm just wondering whether it's still an issue now or do you think that's been solved already, and it's nothing for us to worry about going forward.

And the final question for me is on the dividends because I think you have a very strong balance sheet with a very high net cash position, I'm just wondering whether you could look to pay more dividends and return more cash to shareholders. Seeing from a financial perspective you can definitely afford to do that, thanks.

Wan Shamilah Saidi:

I'll take the second and the third question. And we may need you to clarify the first question, sorry.

Patrick Tiah:

Sure.

Wan Shamilah Saidi:

For the second question, you're asking about utilisation rates for our PC Methanol. We don't provide detailed disclosure by facility, but as you can see Fertilisers Methanol overall achieved 84%, and a marked improvement largely comes from the methanol facility compared to quarter 3.

Patrick Tiah:

Sure.

Wan Shamilah Saidi:

On dividend we note the comment that we have a very strong balance sheet but we are also gearing for growth opportunities that we potentially may undertake.

Patrick Tiah:

Okay.

Wan Shamilah Saidi:

Do you mind, sorry, repeating your first question again?

Patrick Tiah:

Okay. I think in the last quarter you had some ethane shortages related to upstream gas availability, the GSP maintenance, the gas separation plant.

So I just want to check how many days was it offline and when did it come back online in the fourth quarter?

Wan Shamilah Saidi:

Well, we are not able to comment specific of our supplier's facilities, but maybe I can guide directionally, it was completed towards the later part of quarter 4. So we were still affected by the work undertaken at the gas processing facility for quarter 4.

Patrick Tiah:

And when did it start in the quarter, in third quarter, was it early in the quarter or middle of the quarter?

Wan Shamilah Saidi:

Again, as I said, I am not able to comment specifically about facilities of our supplier, but it was for a prolonged period of time.

Mohshin Aziz - Maybank - Analyst

First question relates to the dividend of MYR0.14, just curious why is it lower than, it was expected to be about MYR0.19, similar to what it was it was last year.

Second question, could you comment on your customer's buying patterns right now? It's post Chinese New Year. Are the buying pattern more structured in nature or is it sporadic purchases like what we saw most of last year? Thank you.

Wan Shamilah Saidi:

You're welcome. On the dividend soon after we listed we paid MYR0.19, and last year for the nine months period we paid MYR0.16, so for this year, 2012, we are proposing a total dividend of MYR0.22. So actually, we are sustaining the payout ratio as well; so that's the answer on dividend.

Yusa Hassan:

And on the buying of our products, after the Chinese Year we are actually seeing the customer coming back into the market mainly due to the restocking activities. So it's improving, definitely after the Chinese New Year.

Muhammad Shah Ali:

Yes, and also it's not different for the F&M products. Basically, things were a little bit slow just before the New Year and you see a flurry of activity, getting all our contracts done basically just after this New Year. So same trend that we seeing so far for F&M.

Suwat Sinsadok - CIMB Securities - Analyst

I have two questions. The first is about the Capex. Could you share with us about the potential Capex that you plan to spend for the RAPID project? Given that you have a very strong balance sheet. And you seem that you may cap some dividend for that kind of expansion?

The second question is related to the C3 chain. I understand you talk about the impact of the C3 chain to the EBITDA margin in the last quarter.

Could you share or expand a little bit on that? And also, the outlook for C3 chain in the 2013. Thank you.

Wan Shamilah Saidi:

Thank you. On Capex for project RAPID, as you are aware it is being led by our parent, so it will be premature for us to make any comment on how much Capex it will involve, but as you are aware as well that the project RAPID that is being led by our parent potentially may cost in the region of $20 billion for the total complex refinery integrated with petrochemical.

So in due course if there are development in that area, you'll hear due announcement from PETRONAS, they are leading the project.

On the C3 chain, if I can provide a bit more clarity, in terms of our feedstock cost, the C3 portion on average probably, depending on the market prices may amount to between 30% to 40% of our total feedstock cost. So that is significant. The other significant feedstock would be the naphtha, another 40%. Again depending on market prices, it may increase. So as you can see, that is quite significant portion of our feedstock that we purchase is related to market.

So when there are movements in this feedstock, there is C3, C4, as well as naphtha, our spreads would be impacted.

Cheong Mun Wai - EPF - Analyst

I have two questions. Number one, regarding the provision for the MYR490 million made in the quarter, right. Just wondering whether, does it attract any tax shield or benefits, or is it that you only enjoy the benefit when you actually incur the loss in 2013?

Second question relating to the olefins and polymer division, excluding the ethane feedstock interruption in the quarter, what would have been the utilisation rate of the O&D segment? Thank you.

Wan Shamilah Saidi:

On the provision that we have made, at the moment it is a provision, we haven't incurred those expenses or we are at the early stage of incurring them. And as you know, from tax angle, it's incurred expenses. We'll be making our assessment of whether it will be allowable expenses or not. But bear in mind, this is relating to discontinued business, so there might be limitations.

On the impact of ethane to the Olefins & Derivatives segment in quarter 4. There was a bit of limitation. But what we did was we optimised the two crackers that we have. And second cracker that we have can take propane, so we then push more propane to optimise our running rate.

As you can see, despite those constraints we still achieve above 93%, maybe 94% plant utilisation rates for O&D. So we have a bit of room to optimise given that the cracker has slightly different configuration. So our second cracker can take some propane to a certain extent.

Cheong Mun Wai:

I see. Sorry, just to clarify. So are you mentioning your second cracker can take on more propane? I mean replacing the ethane with propane feedstock?

Yusa Hassan:

One of the cracker is actually dual feed; ethane and propane. So when we have shortage of ethane, we can actually, to some extent only, substitute with the propane, to produce ethylene as well as propylene. We crack propane to produce ethylene and propylene.

Wan Shamilah Saidi:

But it's as Yusa states, it is to certain extent, we do have limitations, but we do use it when we need to.

Cheong Mun Wai:

I see, thank you. So there wasn't any propane feedstock interruption, right, just ethane, during the quarter?

Yusa Hassan:

Yes. No issue with propane. The concern on the propane which is not to this cracker, it is actually to our other site in Gebeng, due to the thinning margin. I think, because of the feedstock from the facility in Gebeng actually based on mark-to-market price. For propane and butane, the prices actually has gone even past all-time high and mainly because of Saudi are actually providing these propane to the downstream, as they commission their downstream unit, they are providing propane and butane into their downstream unit.

And I think just to cover the earlier question on the outlook, the propane somewhat has actually, prices have trended downwards. This is actually the general trend that we see after the winter season. So for January and February, it has actually trended downwards.

And that has actually to some extent improved our C3 margin.

Wan Asmah Che Din:

That is the end of the session for this evening. I want to thank all of you who have participated in the session. Thank you very much and good evening.

THE END