CFO'S REVIEW

Dear Stakeholders,

In 2024, our performance was influenced by changing market conditions, geopolitical uncertainties, and forex fluctuations. Despite these hurdles, we stayed resilient, strengthening core business and focused on growth and sustainability.

Mohd Azli Ishak
Chief Financial Officer

FINANCIAL DISCIPLINE, SUSTAINING PERFORMANCE

The commodities market faced many challenges, such as China's increased self-sufficiency in petrochemicals, which lowered product prices and tightened margins. Additionally, geopolitical instability in the Middle East caused fluctuating oil prices, affecting feedstock prices. The specialties market also struggled due to global economic uncertainties, geopolitical tensions, and supply chain disruptions. These issues led to supply and demand imbalances, worsened by slow growth in key industries especially construction and automotive. High energy prices in Europe raised production costs, while low-cost Chinese competitors compressed margins.

In terms of our operational performance, we achieved a commendable plant utilisation rate of 91% up from 85% in the previous year. This is in spite of unexpected downtimes at some plants due to supply chain issues and mechanical challenges.

In reflection of our financial performance, the Group delivered a solid revenue performance, reaching a record-breaking RM30.7 billion, even as product prices experienced downturn. This growth underscores the Group's resilience in navigating challenging market conditions and reflects strong contributions from core operations.

The Group's EBITDA declined to RM3.5 billion from RM3.8 billion in 2023, reflecting higher operational expenses within a joint operation entity and narrower product spreads due to market dynamics. These challenges resulted in a lower EBITDA margin of 12%, compared to 13% in the prior year.

Profit after tax (PAT) faced a sharper decline, decreasing by 26% to RM1.3 billion from RM1.8 billion in 2023. This was primarily driven by the combination of lower EBITDA, unfavourable foreign exchange, increased depreciation charges, and higher finance costs within a joint operation entity. Despite these pressures, the Group benefitted from a remeasurement gain on trade payables, which partially offset the adverse financial impacts.

While the financial results reflect a challenging operating environment, the Group remains focused on managing costs, optimising operations, and leveraging its strategic initiatives to enhance long-term value creation for stakeholders.

The establishment of the Technology & Innovation Fund, is a significant milestone for PCG. This fund aims to support research and development projects that align with our business objectives and sustainability goals.

We remain committed to delivering value to our stakeholders through a steadfast focus on operational efficiency, strategic growth initiatives and sustainable practices. These efforts will position us to navigate market uncertainties and emerge stronger in the coming years.

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KEY ACHIEVEMENTS

Prudent Cost Discipline and Optimisation

Our capability to sustain our position as industry leader by continuing to take proactive measures that optimise cost and preserve value.

Actions:

- Maintained strong financial discipline and optimised costs, driven by initiatives in Operational and Commercial Excellence, alongside effective project management and execution
- Utilised tools such as preventive maintenance through machinery monitoring, as well as prescriptive and diagnostic measures
- Managed stakeholders effectively through contract negotiations, leading to enhanced contract value

Results:

- Cost saving of RM284.5 million was achieved through strategic procurement savings from contract negotiations, on-site cost optimisation and well-planned maintenance activities

Strengthened Risk Management and Governance

Our effective risk management has always been a pillar of good governance and integral to ensure business continuity.

Actions:

- Enhanced integrity management practices and compliance
- Influenced associate and JV companies to adopt structured risk management
- Assessed high-impact business decisions for growth and sustainability projects
- Implemented risk appetite, aligned risk profiles and mitigations across PCG Group, and introduced signposts for emerging risks monitoring
- Reviewed and aligned Group Limits of Authority (LOA) with current business practices
- Enhanced PCG's IR2024 disclosure contents, guided by reporting requirements and guidelines (i.e., MCCG, MMLR, GRI, IFRS and MFRS)

Results:

- Expanded and maintained ISO 37001:2016 Anti-Bribery Management System (ABMS) certification for PETRONAS Chemicals Marketing (Labuan) Ltd. (PCML) and PCG
- Strengthened risk management in associate and JV companies
- Promoted the balance of process efficiency and business agility in decision-making
- Secured prestigious awards; The Australasian Reporting Awards (Gold) and The Edge Malaysia ESG Awards (Silver), reinforces PCG's commitment to governance

Effective Working Capital and Liquidity Management

Our working capital management initiatives focused mainly on effective inventory, trade receivables and payables management as well as maintaining liquidity.

Actions:

- Executed efficient inventory management through strategic planning, proactive monitoring and the Bottom-Up Stock Target (BUST) initiative, ensuring optimal stock levels and uninterrupted supply to customers
- Diligently monitored potential overdue receivables
- Enhanced scrutiny of payable deadlines and optimised the payment process to guarantee timely payments within agreed terms, thereby safeguarding creditor relationships
- Developed daily cash flow forecasts to ensure robust cash management

Results:

- Maintained the timely monetisation of products, balanced with their availability, to meet customers' requirements
- Timely receipt of payments and maintained a record with no outstanding receivables written-off

External Financing

Our ability to secure financing amidst uncertainties is a testament to financial institutions' confidence in PCG's financial strength.

Actions:

- In addition to maintaining low financial leverage, we continue to put Environmental, Economic, Social and Governance (EESG) as a top priority to position ourselves in meeting financing market requirements, with an attractive proposition to stakeholders

Results:

- Secured external financing with competitive rates despite market challenges, for our subsidiary, associates and joint venture

CFO'S REVIEW

SEGMENTAL PERFORMANCE RESULTS

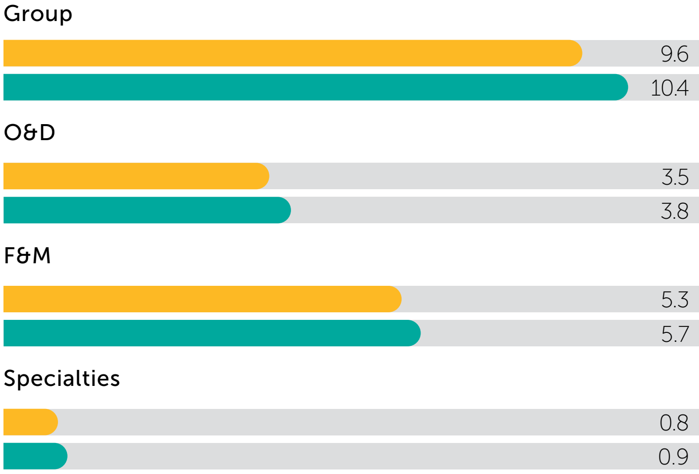
Our chemicals portfolio comprises Olefins & Derivatives (O&D) and Fertiliser & Methanol (F&M) which make up the commodities business and Specialties. F&M remained as the major contributor to the Group's EBITDA.

OPERATIONAL AND COMMERCIAL PERFORMANCE

2023 2024

Plant Utilisation Rate

Sales Volume *(Million TPA)*



O&D: Improved at 91.2% mainly due to lower external unplanned shutdown, resulting in higher production and sales volume.

F&M: Improved at 90.3% mainly due to lower plant maintenance activities, resulting in higher production and sales volume.

* *excluding PIC*

O&D: Increased in line with higher production volume and additional capacity from Pengerang Petrochemical Complex.

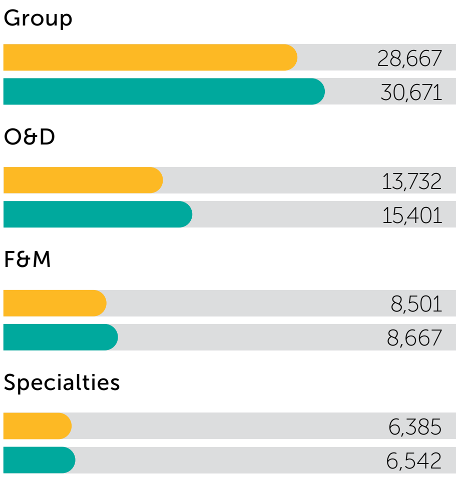
F&M: Increased driven by firm demand and stable plants' production.

Specialties: Increased mainly due to strong demand for Oxo and Polyols.

FINANCIAL PERFORMANCE

2023 2024

Revenue *(RM Million)*

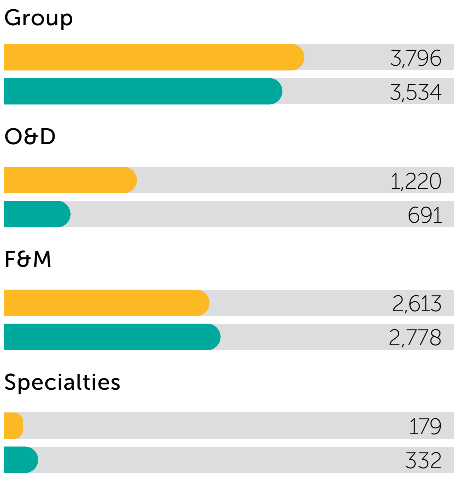


O&D: Improved mainly contributed by higher sales volume and product prices.

F&M: Increased mainly due to higher sales volume, partially offset by lower product prices.

Specialties: Increased mainly due to higher sales volume.

EBITDA *(RM Million)*

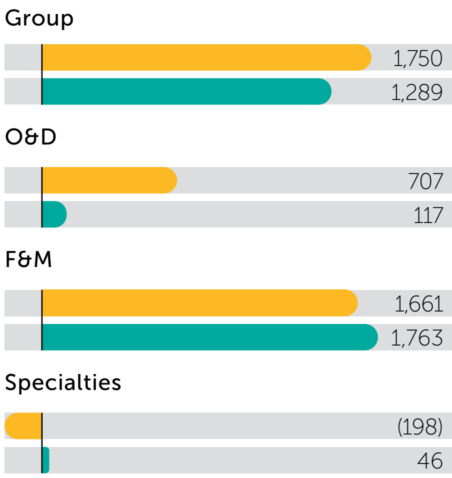


O&D: Reduced mainly due to lower product spreads and higher plant operating costs from a joint operation entity, partially offset by higher sales volume.

F&M: Improved mainly contributed by higher sales volume, partially offset by lower product spreads.

Specialties: Higher driven by improved contribution margin following higher sales volume and lower raw material costs.

Profit/(Loss) After Tax *(RM Million)*



O&D: Reduced in line with lower EBITDA, unfavourable foreign exchange and higher depreciation and finance cost from a joint operation entity, partially offset by income arising from adjustment of timing of trade payables.

F&M: Increased in line with higher EBITDA.

Specialties: Improved in line with higher EBITDA.

BALANCE SHEET HIGHLIGHTS

- **Total Assets:** Maintained at RM60.0 billion same level as FY2023.
- **Cash Position:** Stood at RM9.9 billion, reflecting strong liquidity for growth initiatives and operational needs.
- **Gearing Ratio:** Remained low at 8%, underscoring PCG's financial discipline.

Total Assets

RM60,020 MILLION

2023: RM60,206 million

Total Equity

RM39,979 MILLION

2023: RM42,074 million

Dividend Payout Ratio (%)

88.5%

2023: 61.3%

RETURNS TO SHAREHOLDERS

In line with PCG's dividend policy of a payout ratio of around 50% of Group Profit After Tax and Non-Controlling Interests (PATANCI), the Board declared dividends of 10 sen and 3 sen per ordinary share, amounting RM1,040 million in respect of the financial year ended 31 December 2024. This reaffirms our commitment to balancing shareholder returns with funding for growth.

SUSTAINABILITY

In 2024, PCG continued to prioritise sustainability as a key pillar of its strategy. We have strengthened our focus on reducing environmental impact while positioning the Group for long-term value creation in line with global EESG standards.

CLIMATE ACTION AND DECARBONISATION

- **Emission Reduction:** We have identified optimisation opportunities to ensure operational efficiency and reduce emissions.
- **Carbon Tax Readiness:** Actively preparing for Malaysia's upcoming carbon tax in 2026 by embedding internal carbon pricing mechanisms into new project assessments.
- **Renewable Energy Initiatives:** We are planning rooftop solar installations at administrative facilities, along with ground-mounted solar installations. This project will reduce carbon intensity in non-core operations.

ALIGNMENT WITH GLOBAL SUSTAINABILITY STANDARDS

- PCG is aligning its reporting with emerging global frameworks, including the IFRS S1 and S2 issued by the International Sustainability Standards Board (ISSB) and the European Corporate Sustainability Reporting Directive (CSRD). This enhances transparency, accountability, and stakeholder confidence in PCG's sustainability agenda.
- Climate risk assessments have been expanded to include international assets, addressing physical and transition risks across our operations.

Our transparency in governance reporting is recognised at the Australasian Reporting Awards 2024.

As part of our Net Zero Carbon Emissions (NZCE) 2050 Roadmap, we balance investments in sustainable technologies with delivering consistent shareholder value. While some renewable product initiatives face cost challenges, these obstacles drive innovation and optimisation. By refining processes and enhancing efficiencies, we aim to make these initiatives commercially viable and drive progress toward a sustainable future.

The establishment of Sustainability Fund, is a key step in our commitment to environmental stewardship and sustainable growth. This fund will finance projects that promote renewable energy, reduce carbon emissions and enhance efficiency aligned with PCG's decarbonisation aspirations.

PCG recognises that the global push for sustainable practices will drive future growth. We are working closely with stakeholders, including customers and regulators, to meet evolving expectations while embedding sustainability into the core of our operations.

OUTLOOK

The outlook for 2025 remains challenging as the global chemical sector continues to grapple with economic uncertainties, fluctuating crude oil prices and evolving market dynamics. The anticipated pressure on petrochemical prices, driven by softer demand and geopolitical headwinds, will require PCG to focus intently on cost containment and operational efficiency.

KEY SEGMENTAL OUTLOOK

Commodities
Commodities market is expected to be bearish amidst supply outages and limited downstream demand.

Specialties
The Group remains cautiously optimistic for the demand recovery in specific end markets, attributable to the uncertain global macroeconomic environment.

STRATEGIC FOCUS FOR 2025

- **Cost Optimisation:** PCG will continue its focus on rigorous cost management practices, leveraging proven operational and commercial excellence strategies to enhance competitiveness and resilience.
- **Growth Investments:** The commercialisation of the Pengerang Integrated Complex (PIC) will contribute to revenue growth, supported by new specialty chemical projects in the region.
- **Sustainability Goals:** Intensified efforts to reduce greenhouse gas emissions and comply with Malaysia's forthcoming carbon tax regulations will underpin PCG's commitment towards NZCE by 2050.

MOHD AZLI ISHAK
Chief Financial Officer