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PETRONAS Chemicals Group Berhad Analyst Briefing

Second Quarter Ended 30 June 2024

16 August 2024

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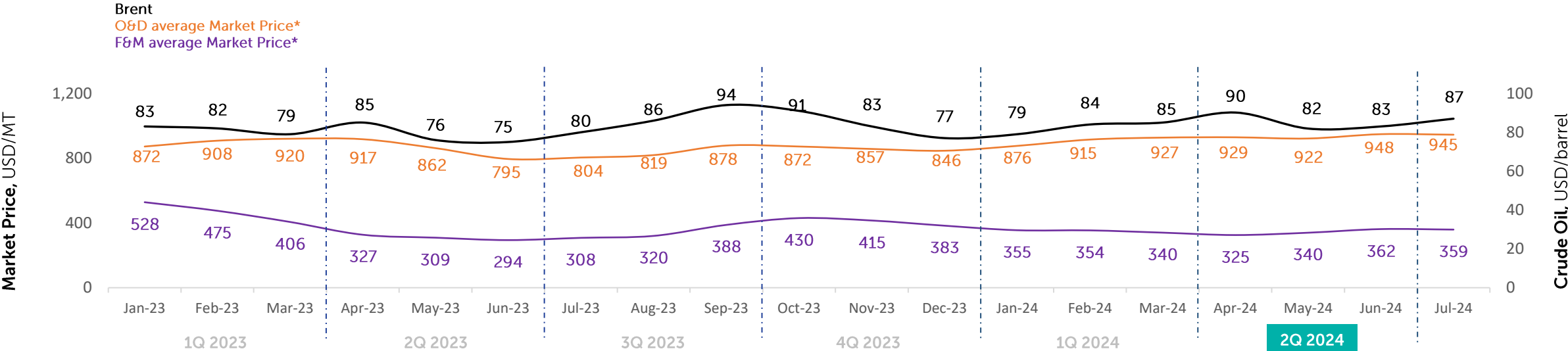
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Challenges continue in the chemicals market, mixed movements in O&D products but overall price declined in F&M



1H 2024 Market Highlights



The global manufacturing index rose by 2% at 50.40 (1H 2023: 48.80) reflected by new orders and a rise in employment amid expansion of output and new orders.



The benchmark Brent crude of USD84/bbl (1H 2023: USD80/bbl) remained elevated on escalation of geopolitical tensions in the Middle East amid extension of OPEC+ cuts.



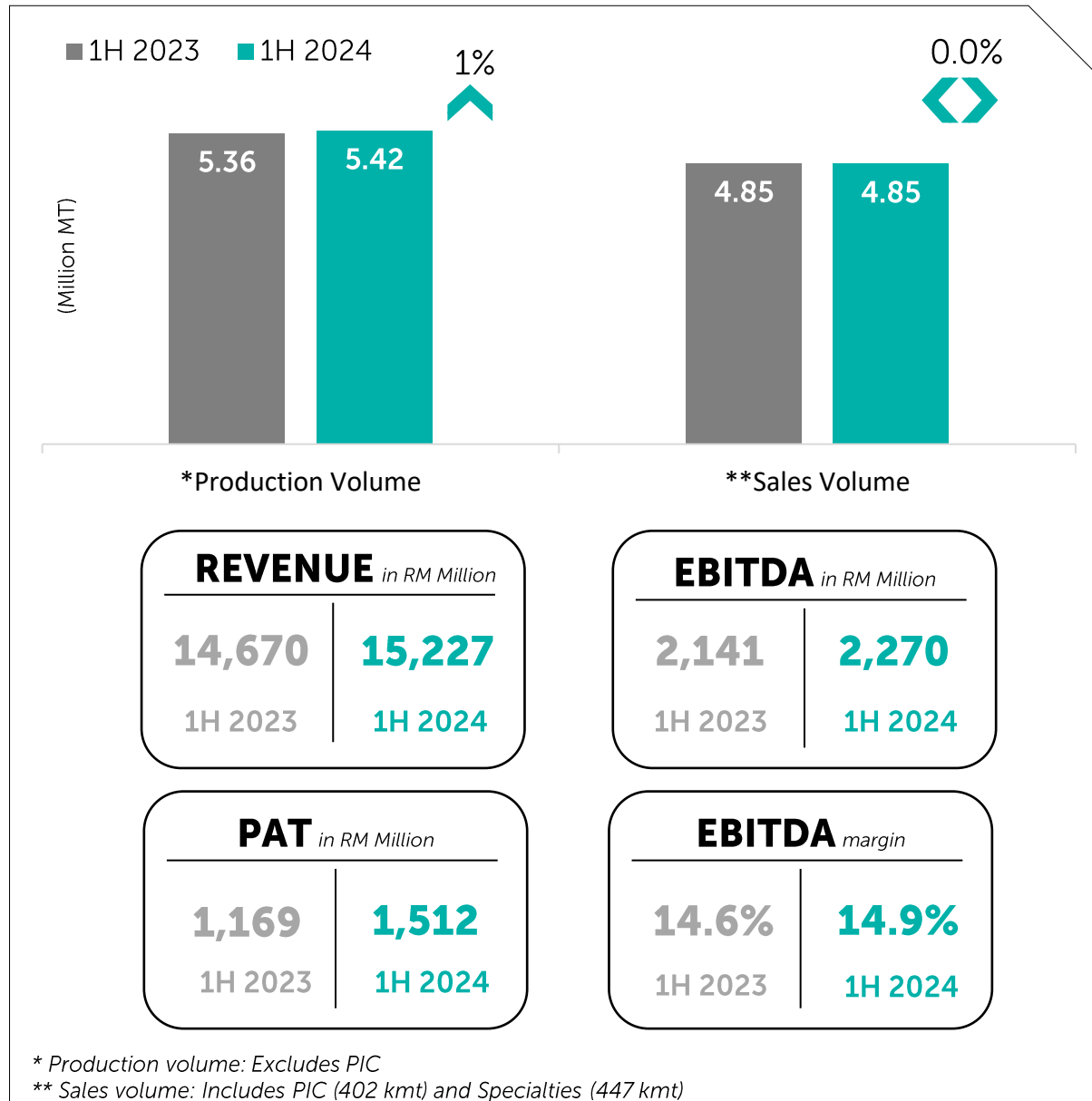
Global chemicals sector declined during the period, with the Bloomberg World Chemicals Index registering 4% lower, sluggish economic growth in Europe and China.



Compared to 1H 2023, average product prices for PCG's key products was lower, impacted by the F&M segment, specifically Ammonia.

*Source: market publications, PCG analysis

1H 2024 Highlights : Financial resilience maintained amid prolonged industry downturn



Operational Excellence

- Commodity Plant Utilisation (P.U) rate declined to 88% (1H 2023: 89%) due to turnaround activities at PC Fertiliser Kedah and higher downtime days at PC MTBE, ABF and PC LDPE.
- Higher total production volume at 5.42 million MT supported by higher volume produced by Perstorp and BRB Group. (1H 2023: 5.36 million MT)

Commercial Excellence

- Group average sales price declined 3% year-on-year.
- Sales volume was comparable contributed by higher sales volume from joint operation entity, Specialties segment and higher strategic sourcing (1H 2023: 4.85 million MT).

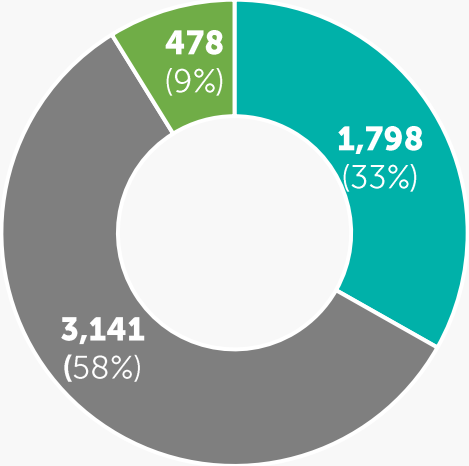
Financial Excellence

- Revenue was higher by 4% supported by favourable forex gain, higher sales volume from PIC, Specialties segment and strategic sourcing.
- Higher EBITDA by 6% at RM2.3 billion mainly due to favourable forex gain, lower variable cost, lower energy & utilities (E&U) cost and higher EBITDA contribution from Specialties segment.
- PAT was higher by RM393 million mainly due to finance income arising from adjustment of timing for payment of trade payables and unrealised forex loss on revaluation of shareholders loan to a joint operation entity.

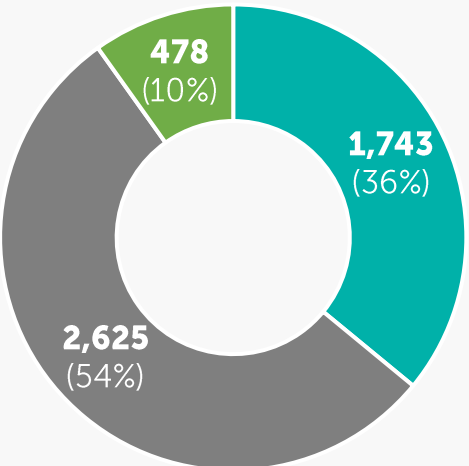
1H 2024 Performance Overview by Segment

- O&D
- F&M
- Specialties

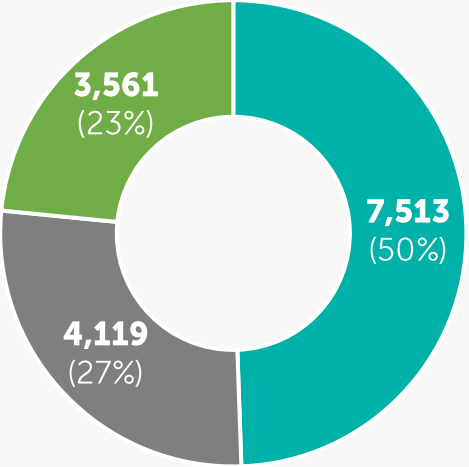
Production Volume (KMT)



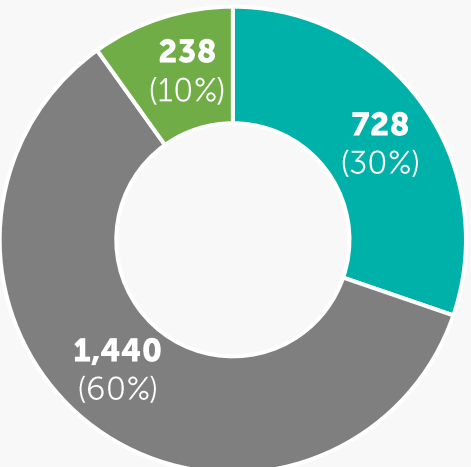
Sales Volume (KMT)



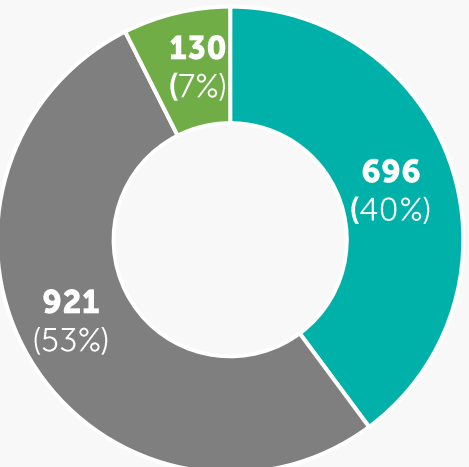
Revenue (RM Million)



EBITDA (RM Million)

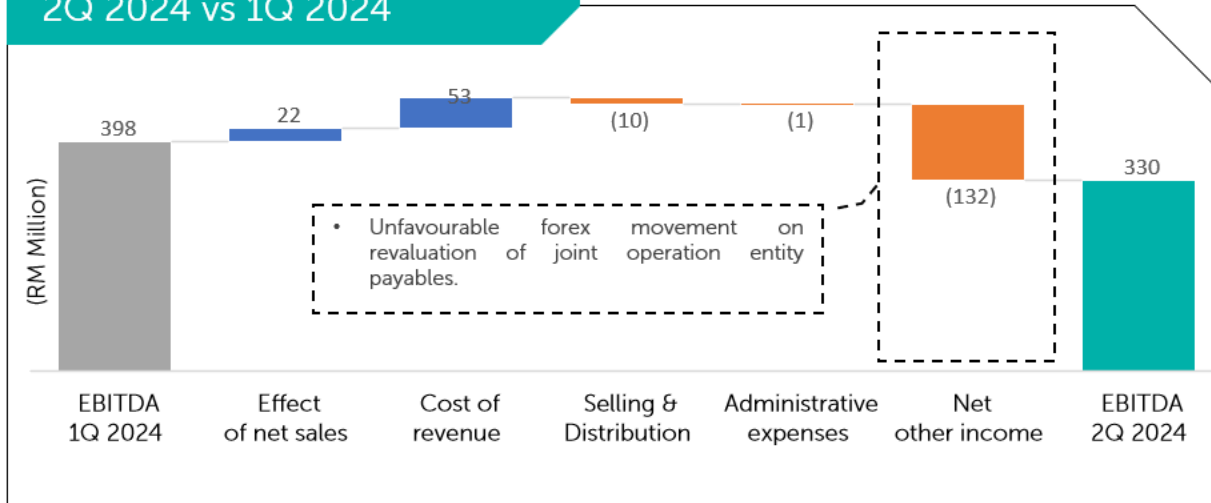


PAT (RM Million)

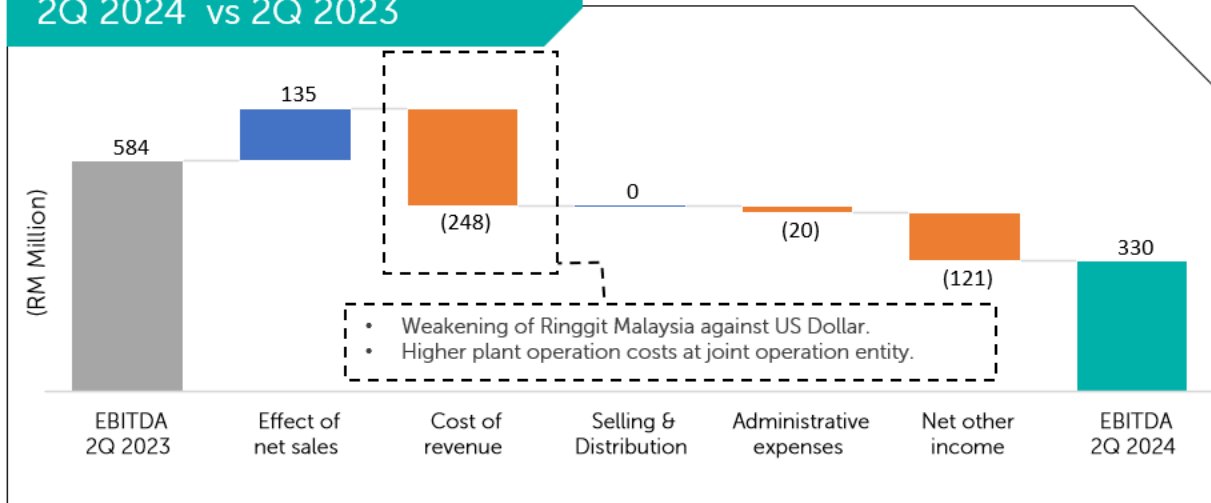


O&D: EBITDA decreased due to higher plant operating cost at joint operation entity, foreign exchange loss, and higher energy & utilities cost

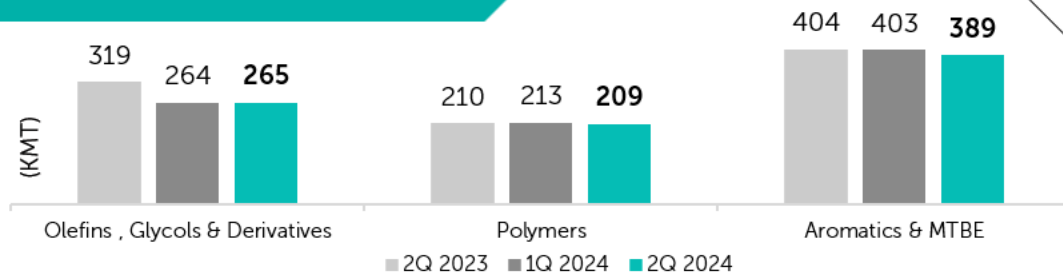
2Q 2024 vs 1Q 2024



2Q 2024 vs 2Q 2023



Product Sales Volume



	2Q 2023	1Q 2024	2Q 2024	Q-o-Q	Y-o-Y
* Plant Utilisation (PU) %	98.4	87.2	94.2	7.0%	(4.2%)
* Production Volume (KMT)	962	867	932	7.5%	(3.1%)
Sales Volume (KMT)	933	880	863	(1.7%)	(7.5%)
Revenue (RM mil)	3,633	3,745	3,768	0.6%	3.7%
EBITDA (RM mil)	584	398	330	(17.1%)	(43.5%)
EBITDA Margin %	16.1	10.6	8.8	(1.8%)	(7.3%)

2Q 2024 vs 1Q 2024

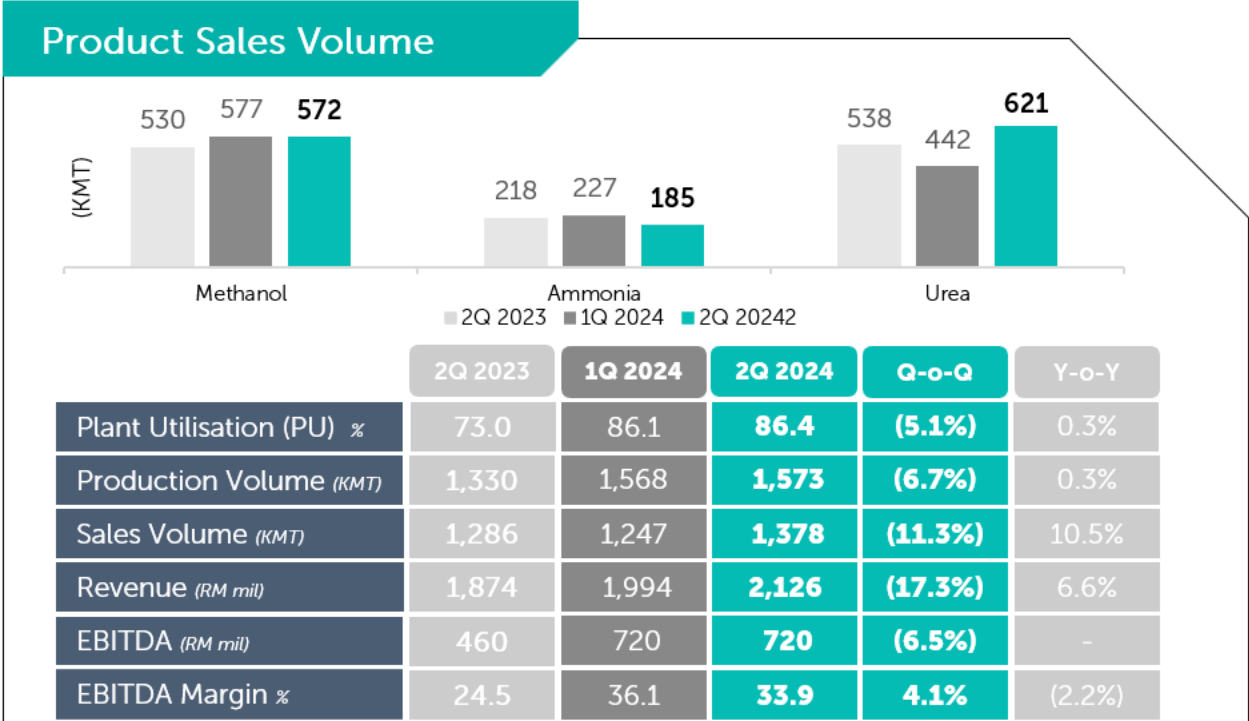
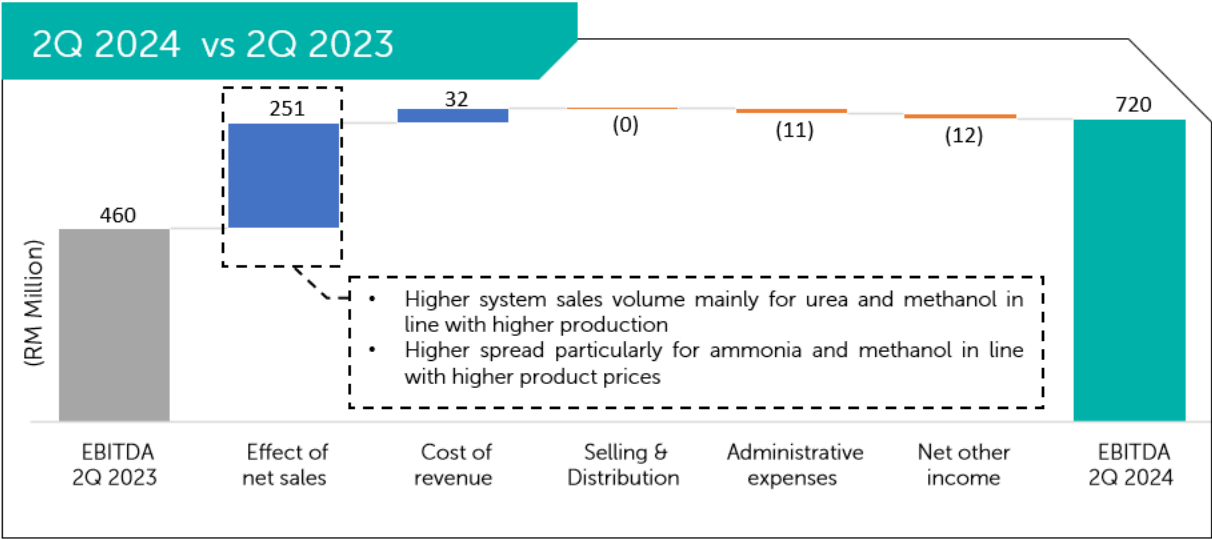
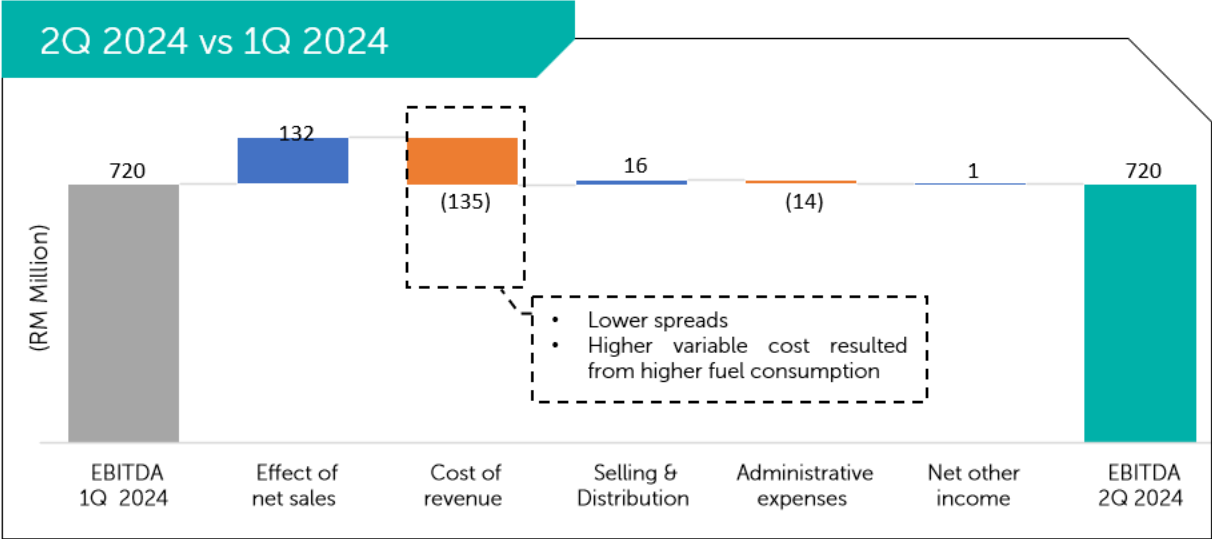
Plant Utilisation Rate: *Higher* due to better plant performance at most plants except for PC Aromatics.

Revenue: *Comparable* despite lower sales volume due to improved average selling prices.

EBITDA: *Decreased* mainly due to higher plant operation costs at a joint operation entity, unfavourable forex movement on revaluation and higher energy & utilities cost.

* Excludes PIC

F&M: Higher revenue contributed by higher sales volume and strategic sourcing initiatives



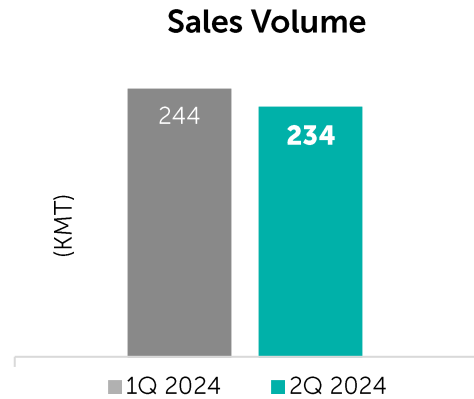
2Q 2024 vs 1Q 2024

Plant Utilisation Rate: *Comparable* due to operational downtime faced at PC Fertiliser Kedah and ABF.

Revenue: *Higher* mainly contributed by higher sales volume and higher revenue from strategic sourcing mainly for methanol.

EBITDA: *Comparable* as higher sales volume and lower fixed cost were offset by lower spreads.

Specialties: Higher EBITDA against 1Q 2024 due to higher margins contributed by higher average selling prices



	2Q 2023	1Q 2024	2Q 2024	Q-o-Q	Y-o-Y	Key highlights
Revenue <i>RM mil</i>	1,591	1,742	1,819	4.4%	14.3%	Revenue was mainly driven by higher average selling prices.
EBITDA <i>RM mil</i>	38	118	120	1.7%	>100%	Higher EBITDA q-o-q mainly due to higher contribution margins driven by higher average selling prices.
EBITDA Margin (%)	2.4	6.8	6.6	(0.2)	4.2	

Resins & Coatings

- Lower sales volume due to unfavourable market demand in APAC due to weakening of automotive and real estate market.
- Higher contribution margin mainly contributed by lower raw material costs.

Advanced Materials

Higher sales volume & contribution margin against preceding quarter contributed by higher demand of PVB Films and PVC Stabilizer due to supply chain disruptions by competitors.

Engineered Fluids

- Sales volume is comparable against preceding quarter.
- Higher contribution margin contributed by Aviation Turbine Oil following improved demand from aviation industry, as well as higher refrigeration lube demand.

Silicones

Higher sales volume and contribution margin in 2Q 2024 compared to 1Q 2024 contributed by improved supply chain management, partially offset by lower average selling prices due to strong market competition from APAC.

Animal Nutrition

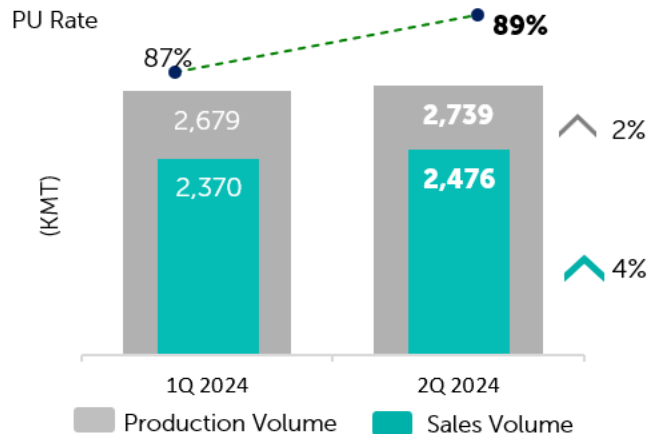
- Slight decrease in sales volume against 1Q 2024 largely due to lower demand in America.
- Contribution margin is comparable against preceding quarter.

Lube Oil Additives & Chemicals

Higher sales volume and contribution margin mainly attributable to better product mix.

Group: Slightly lower EBITDA due to lower contribution from joint operation entity and higher variable cost from energy & utilities

2Q 2024 vs 1Q 2024



Plant Utilisation Rate (PU):

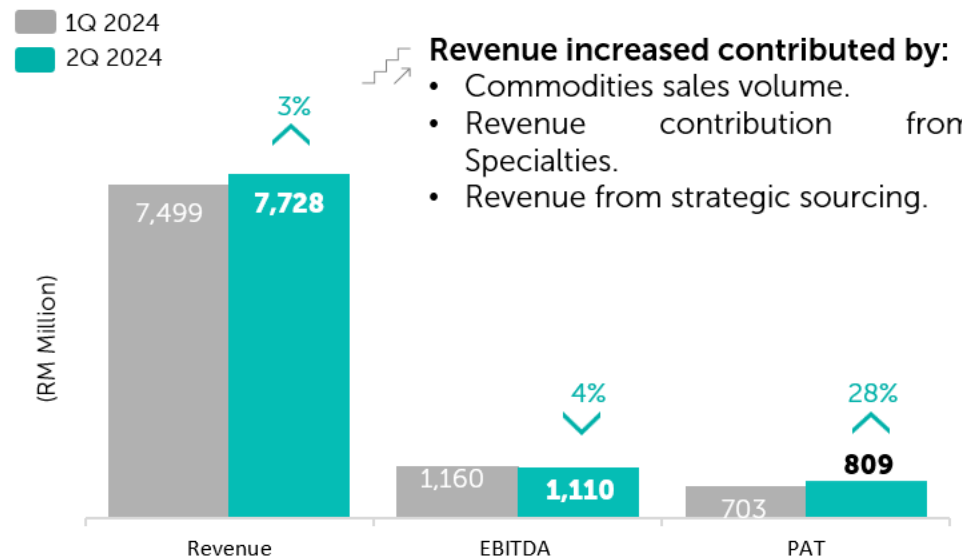
Higher PU rate due to better plant performance at most plants except PC Aromatics, ABF, and PC Fertiliser Kedah.

Production Volume:

Higher, on higher production from O&D segment mainly propylene and MTBE.

Sales Volume:

Increased, contributed by higher sales volume of commodity chemicals mainly urea, and strategic sourcing volume (methanol, MTBE and ethylene glycols).



Revenue increased contributed by:

- Commodities sales volume.
- Revenue contribution from Specialties.
- Revenue from strategic sourcing.

Slightly lower EBITDA mainly due to:

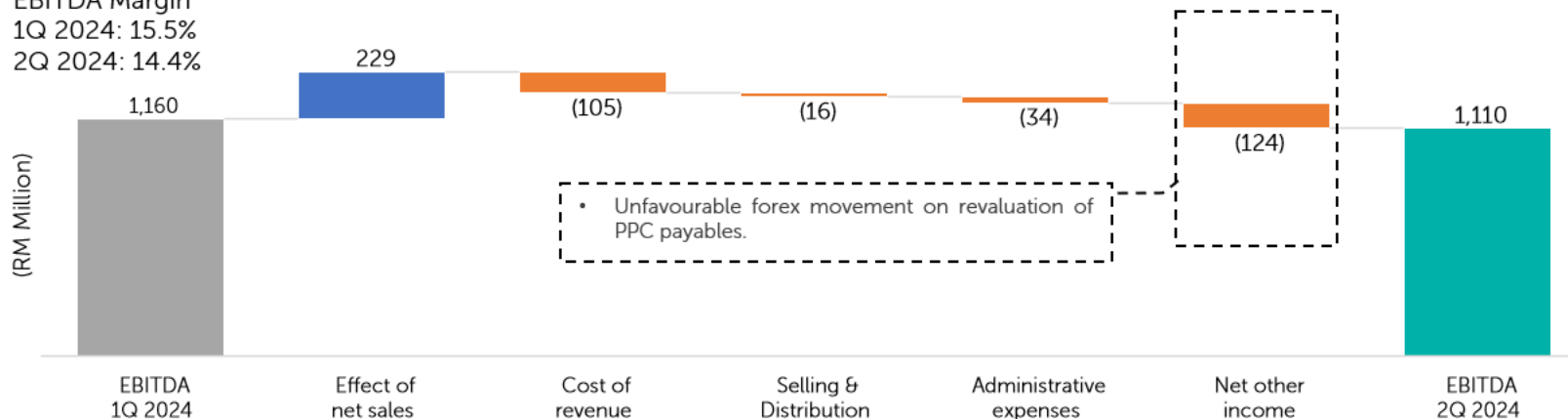
- Lower contribution from joint operating entity.
- Higher E&U (higher fuel consumption and gas tariff).

Higher PAT due to:

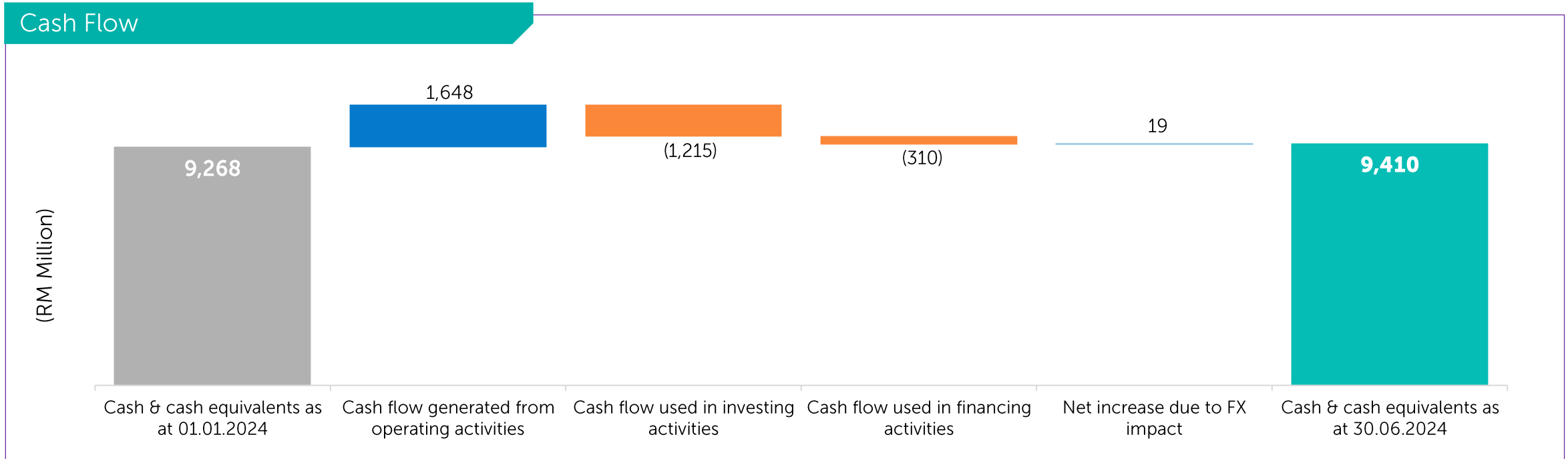
- Finance income arising from adjustment of timing for payment of trade payables at joint operation entity.

EBITDA MOVEMENT

EBITDA Margin
1Q 2024: 15.5%
2Q 2024: 14.4%

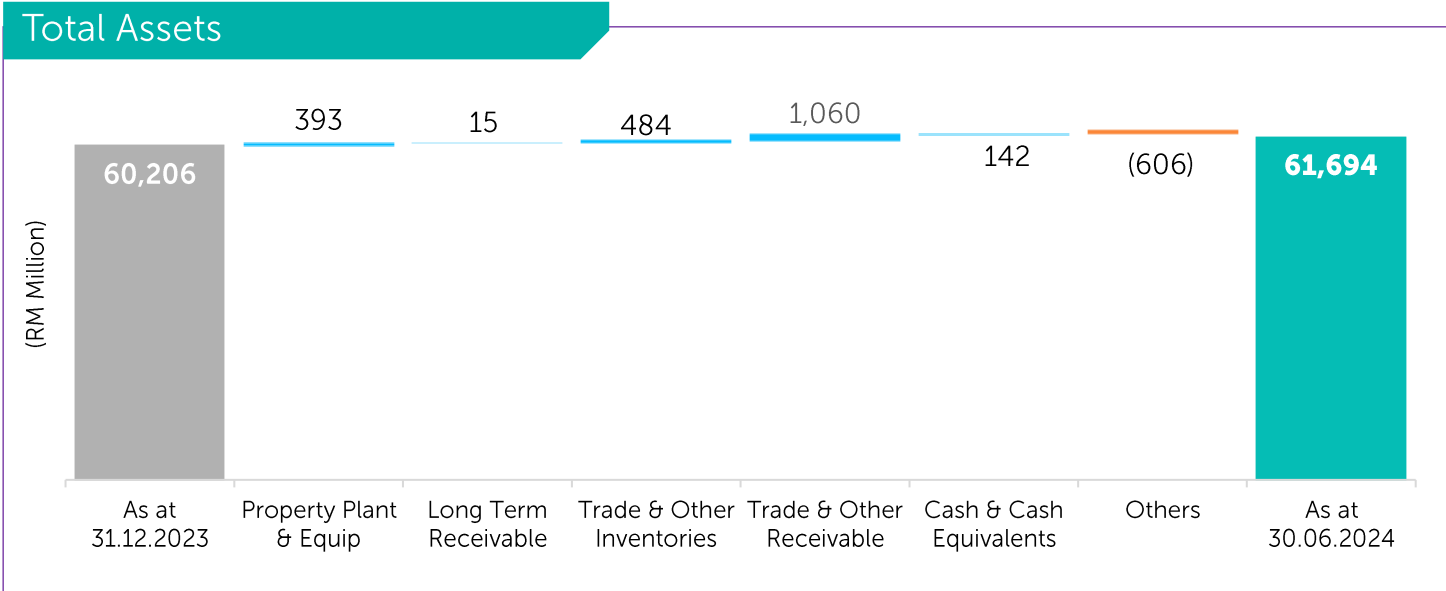


PCG maintains solid cash and cash equivalents at RM9.4 billion



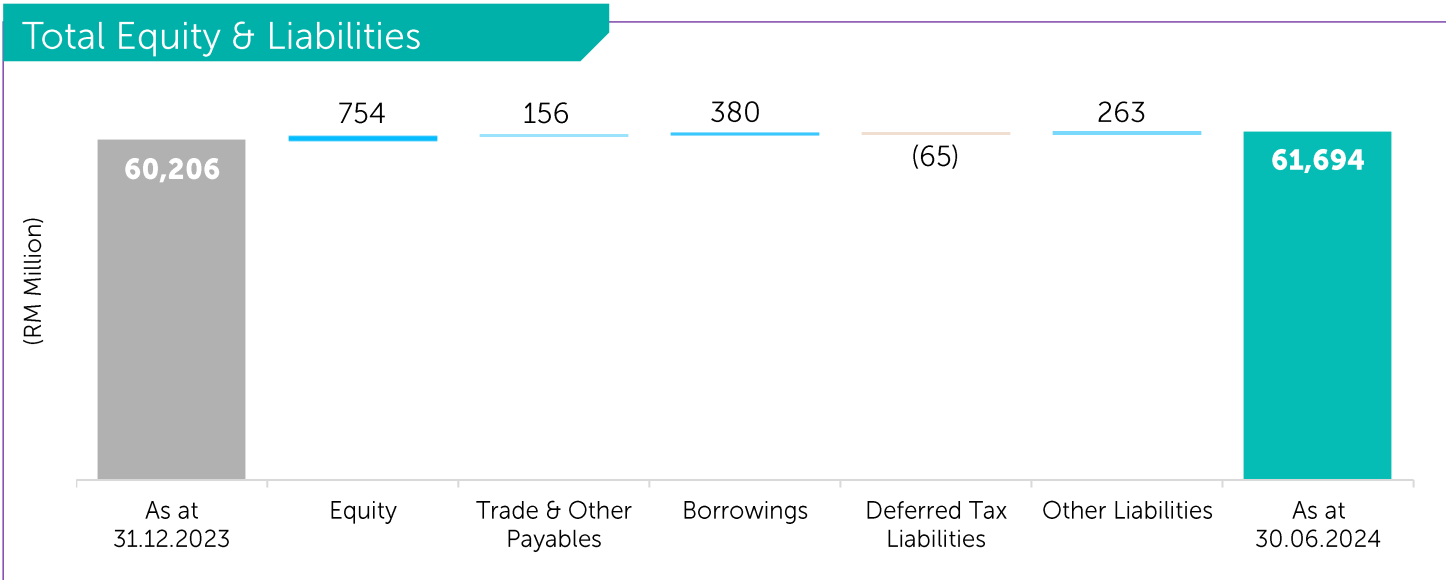
- Net cash generated from operating activities was lower mainly due to lower cash generated from operations.
- Net cash used in investing was higher due to higher purchase of PPE mainly for projects growth and turnaround cost.
- Net cash used in financing mainly due to dividend paid to shareholders.

Higher total asset mainly from trade and other receivables



The Group's total assets were higher mainly due to:

- ❑ Higher trade and other receivables in line with higher sales.
- ❑ Higher PPE from growth projects.



- Higher equity in line with higher profit.
- Higher borrowings mainly due drawdown of revolving credit at Perstorp.
- Higher trade and other payables mainly due to higher feedstock consumption particularly heavy naphtha.

Keeping track of our sustainability metrics

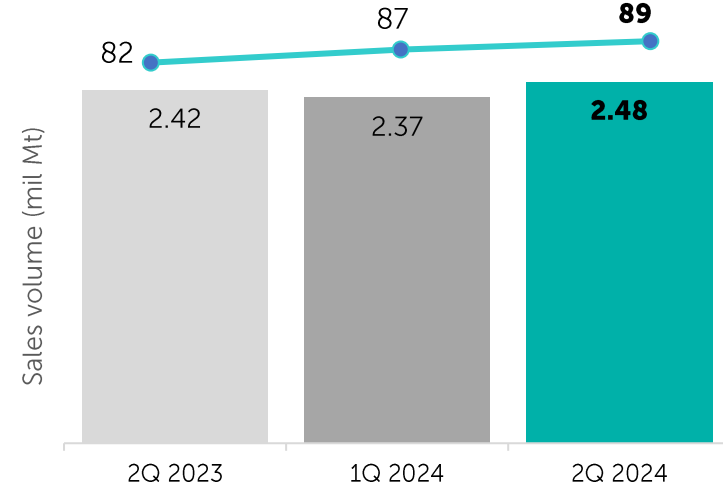
Economic



Plant Utilisation
 2Q 2024 **89%**

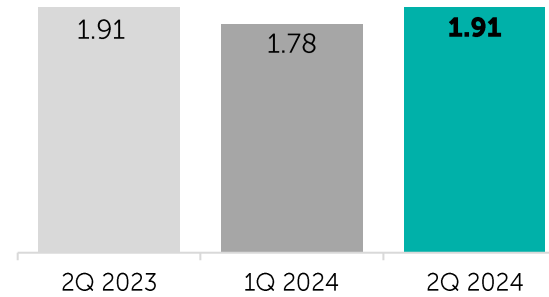
Sales Volume
 2Q 2024 **2.48Mil MT**

PU (%)

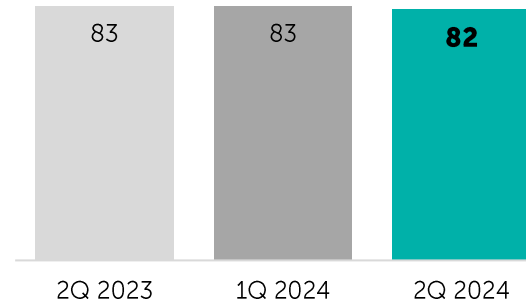


Environmental

GHG Emissions Volume, Market based
 (mil tonne CO₂e)



Hazardous Waste Recycle rate (%), 3R*



*commodities business

Social



- No of reach, YTD June 2024: **1,029**
- No of mangrove trees planted, YTD June 2024: **225,235**

Environment



- Be Green
- Mangrove Rehabilitation & Biodiversity Conservation

Community Well-being & Development



- Community/Disaster Relief Program

Education



- Plastic, Sustainability & You Education (PSYE)
- Safe Handling of Chemicals for School (SHOC4School)

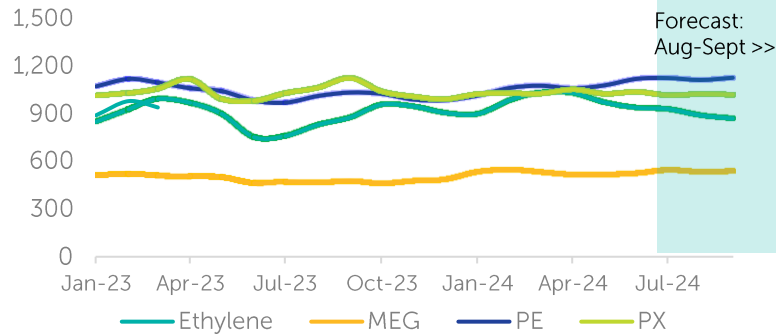
Social & Governance



- Focusing on PETRONAS Human Rights Policy adoption and roll-out

Mixed sentiments for commodities on the back of supply demand dynamics. Specialties facing headwinds from persisting weakness in the building and construction sector

O&D: Flat market outlook with continuous weak downstream demand.



Ethylene:

Ethylene prices are forecasted to be soft due to ample supply in SEA as most of regional crackers return from maintenance.

Ethylene Glycols:

EG prices are expected to be stable with balanced market sentiment. Supply is tight especially ME with lower operating rate in ME due to shortage of feedstock

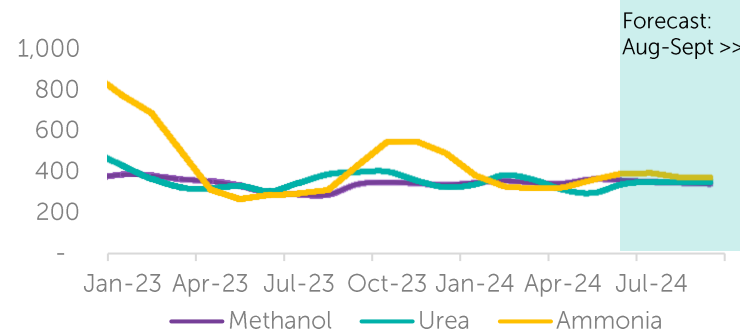
Polyethylene:

Stable outlook with the support from restocking activities ahead of China's Golden Week festival.

Paraxylene:

Prices are expected to be stable-to-soft largely due to typhoon season in US and slow activities in China PTA market.

F&M: Planting season in SEA, India and LATAM to support F&M prices.



Urea:

Urea price is forecasted to be firm in anticipation of increase in LATAM demand.

Ammonia:

Stable ammonia outlook as availability set to improve in Q3 following restart of Ma'aden plant from scheduled turnaround while import demand remains steady in India and Far East Asia.

Methanol:

Soft price outlook amid lackluster demand coupled with ample supply from Southeast Asia and Middle East producers.

Specialties: Slower global market recovery heading into 2H 2024



- Global market conditions remain dynamic with ongoing geopolitical tension and elections, but a slower recovery in market demand is expected to continue in 2H 2024.
- Despite rebound in US economic growth, EU may resume the course of industrial activity struggles in 2H 2024, while China's slower industrial activities and consumer demand also remain a potential concern.
- Headwinds are expected to persist in building and construction sector, while automotive sector shows indications of flattish demand in 2H 2024, besides selective improvement in consumer goods sector as prices start to fall.

Resilient in navigating market challenges and commitment to deliver value through business excellence initiatives

OPERATIONAL EXCELLENCE



- Enhancing the reliability of plant operations.
- Ensuring the safe and efficient implementation of scheduled shutdowns and turnarounds.
- Ensuring the safe and seamless initiation of operations at the Pengerang Integrated Complex.

GROWTH EXCELLENCE



- Expansion of 2-Ethylhexanoic Acid (2-EHA) plant in Gebeng, Pahang.
- Commissioning of Pentaerythritol (Penta) plant in Sayakha, targeted in 2H 2024.
- Deliver identified value creation, projects and synergies with Perstorp.
- Commercial operations of Pengerang Petrochemical Complex in 2H 2024.

COMMERCIAL EXCELLENCE



- Optimise value from current business operations while upholding competitive cost structures.
- Ensure dependable supply to meet commitment to customers.
- Maximising value creation in non-traditional business platform through innovative product solutions.

**Thank
you**



Q&A

