PETRONAS CHEMICALS GROUP BERHAD

4Q 2024 ANALYST BRIEFING

21 FEB 2025, 6.00pm Malaysia

Management attendees:

1.	**Mazuin Ismail** Managing Director & Chief Executive Officer	5.	**Bahrin Asmawi** Chief Commercial Officer
2.	**Mohd Azli Ishak** Chief Financial Officer	6.	**Yaacob Salim** Head, Strategic Planning & Ventures
3.	**Debbie Chiu** Chief Operating Officer, Specialty Chemicals	7.	**Zaida Alia Shaari** Head, Investor Relations
4.	**Ahmad Rizal Abdul Rahim** Chief Manufacturing Officer		

Zaida Alia Shaari:

Hello. Welcome to PETRONAS Chemicals Group Berhad's analyst briefing for the fourth-quarter and full year ended December 31, 2024. I'm Zaida Alia, Head of Investor Relations and also your event host and moderator this evening. Thank you for joining us. You should by now be able to access and download the financial results from Bursa Malaysia's website. The same is available on our corporate website together with today's presentation materials. The agenda for today will be a short presentation followed by Q&A.

(Joining Instructions)

As a reminder, all information presented and disclosed today is strictly intended for participants of the meeting. Participants are reminded that this meeting is being recorded, and the recording will be made available on our website or in a few days. No other parties have been authorized to record this meeting.

To lead our briefing today is our Managing Director and CEO, Mr. Mazuin Ismail, who will start the presentation with the full financial year performance highlights. After which, our CFO, Azli, will provide details on the results. Also present to take questions after the presentation are the rest of the senior management. Compromising of Chief Manufacturing Officer, Mr. Ahmad Rizal; Chief Commercial Officer, Mr. Bahrin; Head of Strategic Planning and Ventures, Mr. Yaacob; and Dr. Debbie Chiu, Head of Specialty Chemicals.

Let's now proceed to the highlights. Over to you, Mr. Mazuin.

Mazuin Ismail:

Thank you, Alia. Good evening, everyone, and thanks for joining us today. Ladies and gentlemen, before we start with the performance review, I would like to introduce to you our Chief Manufacturing Officer, Mr. Ahmad Rizal Abdul Rahim, who took over from Mr. Zamri Japar, you know him from before, and this is actually effective February 1st, 2025. For your information, Mr. Zamri has been appointed as the PETRONAS' Vice President for Group Health, Safety, and Environment, effective on the same date, which is February 1st.

Rizal brings over 28 years of experience in PETRONAS, having held various roles in both domestic and international operations. Rizal also has held managerial positions in technical and operational functions. He has led critical projects and also served as the Head of Special Projects in Downstream EVP office, focusing on operational excellence.

Before assuming his current role, he served as the Head of Plant of PETRONAS Chemicals Olefins, Glycols, and Derivatives. I believe that his experience and expertise will be invaluable in driving PCG's operational excellence and maximizing our production. Rizal, welcome on board.

Ahmad Rizal Abdul Rahim:
Thank you, Mr. Mazuin.

Mazuin Ismail:
Ladies and gentlemen, now onto our performance. Throughout 2024, we saw inflationary pressures begin to ease, prompting the Federal Reserve and other major central banks to gradually shift to more accommodative policies. These developments supported a global economic recovery with average global GDP growth rising from 2.09% in 2023 to 2.65% in 2024. Albeit we see that the pace of growth varied across regions.

The average PMI for 2024 showed a slight uptick supported by emerging market economies, particularly in Asia, which demonstrated stronger gains driven by robust domestic demand and recovery in exports. On the other hand, advanced economies such as Europe and the US experience a slower rebound due to lingering economic challenges.

Moving on to crude prices. The average benchmark brand crude price decreased to $81 per barrel, pressured by weak refining margins and concerns over sluggish economic growth, particularly in Europe and China. While the OPEC+ production cuts provided some support to prices, persistent oversupply in key regions such as the US and non-OPEC countries kept prices under pressure.

Turning to chemicals sector. The sector continued to face challenges as key markets in Europe such as construction, automotive, and electronics remained weak. These challenges were reflected in the Bloomberg World Chemical Index, which declined by 10.7% against the same period last year. In addition, oversupply of chemicals such as polyethylene and methanol, particularly from the US and Asia, led to pricing pressure, further dampen the downstream industries.

For PCG product prices performance were mixed across all the three segments. Product prices in our F&M segment was lower, mainly due to lower urea prices stemming from lower Indian tender and wheat crop prices. In the O&D segment, we saw a slight improvement in product prices on stabilized energy and feedstock prices. Nonetheless, product availability, limited price uptake, and downstream spreads remained weak.

The specialty segment continued to face downward pressure on sales prices as key end markets such as construction remain flat across most regions, while the automotive sector saw a slowdown, particularly in Europe. However, positive momentum was noted in the consumer goods market driven by lower interest rates and increased holiday spending towards year end.

Ladies and gentlemen, moving on to our operational performance. Last year, we completed four turnarounds involving PETRONAS Chemicals Fertiliser Kedah, PC Methanol, which is in Plant 1, and recently PC Ethylene and Polyethylene, which were completed at the end of November 2024. In addition to the turnaround, we experienced some unexpected downtimes, mainly in the fertiliser and methanol plants in the second and third quarter of last year due to some mechanical issues which have been resolved. In the last quarter, there was a minimal unplanned downtime as the issues were promptly addressed.

Notwithstanding the setbacks, we doubled down and continue to focus on operational discipline, which resulted in a full year group plan utilization rate of 91%, a significant improvement compared to 85% in 2023. Commodities production was higher coupled with higher production from the Specialties segment. We saw a total production volume increase of 8% year to year to 11.2 million tonnes.

Subsequently, sales volume improved across all segments. This is further strengthened by added volume from PPC which is included in our O&D segment and additional volume from strategic sourcing. As a result, we recorded 7% improvement in group revenue at MYR30.7 billion.

Group's EBITDA, however, decreased by 7% to MYR3.5 billion due to negative EBITDA contribution from PIC Petchem, mainly from unrealized Forex loss from revaluation on payables and higher operating costs at PPC. These were further exacerbated by lower product spreads and consequently, EBITDA margin slid to 12% compared to 13% in the same period last year.

The group's PAT declined to MYR1.3 billion from MYR1.8 billion, mainly due to lower EBITDA, higher depreciation and finance cost at PPC, net unrealized Forex loss on revaluation of shareholder to PPC and share of loss in associates and JVs. This was partially offset by higher finance income arising from adjustment of timing of payment of trade payables at PPC.

Ladies and gentlemen, next, I will have Azli to take you through the details of our financial performance.

Mohd Azli Ishak:
Thank you, Mr. Mazuin. Ladies and gentlemen, thank you for joining us this evening. Let's delve into the fiscal highlights, starting with Olefins and Derivatives (O&D) segment on page 3 of the deck, where we will compare the result of fourth quarter 2024 against third quarter 2024.

As Mr. Mazuin mentioned, the global PMI in fourth quarter 2024 showed limited growth compared to third quarter 2024, reflecting stagnant performance in the manufacturing sector. Despite supportive policy measures, particularly in China, this effort were unable to fully offset the weakened demand, including demand in the downstream sector. Consequently, O&D product prices were impacted and average product prices in PCG's O&D segment was down by 7% against preceding quarter.

On the operational front, our plant utilization rate for the segment was lower quarter on quarter at 89%, mainly due to the scheduled plant turnaround at PC Ethylene and PC Polyethylene as Mr. Mazuin has mentioned earlier. As a result, our production and sales volume were lower by 8% and 6% respectively.

On the financial performance, the segment revenue decreased by 40% quarter on quarter, mainly due to lower sales volume and lower product prices. EBITDA for the segment was at MYR100 million, reversing the loss before interest tax deposition and amortization in the preceding quarter. This is mainly due to higher contribution from PPC, which is largely coming from the unrealized Forex gain from revaluation of payables. As such, the O&D segment posted a lower loss after tax at MYR86 million.

Moving on to Fertilisers and Methanol (F&M) segment on page 4. This quarter saw positive development in the F&M segment, particularly for urea and ammonia. The ammonia prices increased by 12%, driven by tighter supply on plant outages stemming from scheduled maintenance in the Middle East, as well as supply constraint in the Caribbean, US Gulf, and

North America due to gas curtailment. Meanwhile, urea saw a slight price improvement of 2% due to tighter supply after Indian tender concluded in the fourth quarter amidst Middle East tension, while China maintained its no export policy.

On the operational front, plant utilization rate increased to 99% due to better plant performance, particularly at PC Fertiliser Sabah. Our sales volume improved by 14% to 1.6 million tonnes, contributed by higher volumes of methanol and urea.

Revenue increase contributed by higher sales volume and higher revenue from strategic sourcing, particularly offset by the strengthening of ringgit in Asia against the US dollar. As a result, EBITDA for the segment rose by 21% to MYR733 million due to higher sales volume, particularly for methanol and urea. EBITDA margin of slight improvement at 30% compared to 29% in the previous quarter, in line with higher EBITDA, PAT for the segment increased by 41% quarter on quarter to MYR492 million.

Moving on to Specialties segment on page 5 of the deck. On fourth quarter 2024, the Specialties segment recorded lower EBITDA, mainly attributable to lower sales volume following unfavourable market dynamics. Other than lower sales volume, contribution margins were also lower for most segments. For Resins and Coating, it was mainly hit by lower demand, resulting from slow recovery in the construction industry.

For Advanced Material, it was mainly impacted by lower demand for PVB films as well as PVC polymer additives due to higher availability of products in the market. For Engineering Fluid, Silicon, and Animal Nutrition, they were influenced by lower demand for key products from all regions. However, overall lower product contributions are partially offset against higher contributions margin from lube oil additive, as well as chemical.

Next, let's look at the fourth quarter performance for the group against third quarter 2024 on page 6. Against the preceding quarter, our Malaysian operation plant utilization rate improved to 95% from 92%, and this is mainly due to better plant performance, particularly at PC MTBE and PC Fertiliser Sabah despite the scheduled plan turnaround at PC Ethylene and PC Polyethylene.

Our total sales volume was higher by 4% at 2.8 million metric tons, contributed by higher sales volume from the commodity segment, including volumes from PPC. Group revenue decreased by 7% to MYR7.5 billion due to lower product prices, lower revenue contribution from Perstorp, as well as the strengthening of ringgit against the US dollar. Nevertheless, EBITDA was higher by MYR156 million or 28% at MYR710 million, contributed by net unrealised Forex gain on the revaluation of payables at PPC.

In line with EBITDA, we recorded profit after tax of MYR539 million due to unrealised Forex gain on revaluation of shareholder loan to PPC, as compared to unrealised Forex loss in the preceding quarter. Additionally, there was also a finance income arising from adjustment of timing for payment of trade payables at PPC in the fourth quarter.

Now let's proceed with the cash flow and balance sheet on page 7 and 8. In 2024, we generated cash flow from operation at MYR4.6 billion, and most of our cash used for investing are incurred for Capex investment as well as growth projects. Most of our cash outflow for financing is dedicated to payment of dividends to our shareholders.

On the balance sheet at page 8 of the deck. Our total asset was lower by MYR186 million at MYR60 billion mainly due from decrease in intangible asset due to the strengthening of Ringgit against Euro and the Swedish Krona. The decrease also resulted from decrease in investment in JV and associates, mainly due to redemption of preference shares as well as the share of loss incurred by the associates and our JVs. Total equity was lowered by MYR2.1 billion, mainly due to certainty of ringgit against the dollar, as well as the payment of the second interim dividend and first interim dividend for 2024.

That's all for the financial breakdown. I'm handing back the session to Mr. Mazuin for the way forward.

Mazuin Ismail:
Thank you, Azli. Ladies and gentlemen now let's have a look at the market outlook. The global market conditions are expected to remain unchanged in 2025, as the changing geoeconomic policies, product overcapacities, as well as geopolitical events continue to influence the market dynamics.

In the immediate term, demand in the chemicals sector is expected to be stable. For O&D segment, ethylene prices are expected to be stable on modest recovery in the downstream sector and several plant cracker outages in Southeast Asia and South Korea. MEG prices are forecasted to be stable despite fluctuating polyester demand, as supply is expected to be short due to the turnarounds in US, China, and also the Middle East.

For polyethylene, prices are expected to be stable following the end of Lunar New Year celebration and commencement of inventory replenishment in preparation for the upcoming festive seasons of Ramadan and Eid in March and April. For paraxylene, prices will be supported by increased PTA demand from the polyester fiber industry, new PTA capacities, and improving gasoline market.

Ladies and gentlemen now let's have a look at the F&M market. We expect that product prices for the F&M segment will be firm, supported by improved demand and limited regional supply. Urea price is anticipated to be stable, driven by limited availability amidst supply cuts in Iran, coupled with emerging seasonal demand from India and Southeast Asia. Ammonia is expected to be stable despite rising natural gas prices, as most producers, including those in the Middle East and Indonesia, are fulfilling their term commitments and domestic demand.

Methanol prices are expected to remain stable despite new capacities entering the market. This stability is driven by active restocking after the festive season, while Middle Eastern suppliers redirect their volumes to regions with higher netback such as India and Europe, and therefore, limiting supply of availability in Southeast Asia as well as Northeast Asia. Methanol spot market demand is expected to increase to support the production of acetic acid, for which China alone, new facilities with a total annual capacity of 6 million tonnes have been built.

Moving on to Specialties segment. The performance of our Specialties segment ties back to the variations of the end market demand that largely track the macroeconomic environment. As we start the year 2025, specialty chemicals market is not spared from the overall prolonged slowdown demand growth that we see in the chemicals industry. Demand recovery will be fragmented across major economies like the US, China, and Europe, remains a factor impacting the specialty chemicals demand across target end markets.

The construction sector ended 2024 on a soft note and is not expected to improve drastically given the persistent headwinds as seen with the persistently low construction confidence indicator in Europe, while China's stimulus package and policy easing is still finding its ways to improve the local situation. The automotive sector is expecting a softer start as OEMs are reporting slower demand recovery in most geographies besides China, which is further supported by renewed trade-in programs introduced back in last year, 2024.

Consumer goods and retail, on the other hand, are expected to maintain the positive momentum from the fourth quarter of 2024 with moderately robust consumer spending across most geographies led by the US as well as Europe. As such, first half of 2025 is expected to remain challenging for Specialties segment, and we retain our cautiously optimistic view for the demand recovery in specific end markets while navigating the evolving business landscape.

Ladies and gentlemen, moving on to our sustainability updates. We are improving our data collection across all our plans to enhance our GHG reporting accuracy with an in-depth focus on data quality.

Our carbon reduction initiatives continue to be supported by operational optimization such as energy efficiency enhancement, flare reduction measures, and the subscription to Tenaga Nasional Berhad's Green Electricity Tariff, as well as Sarawak Energy Berhad's Renewable Energy Certificate. As a result, we recorded GHG emission reduction of more than 295,000 tonne of CO2 equivalent at our Malaysian operations. We have enhanced our GHG accounting and have begun Scope 3 disclosures in line with the International Financial Reporting Standard or IFRS framework.

On social and governance, PCG Board has approved the adoption of PETRONAS human rights policy, reinforcing our commitment to a structured and consistent human right, as PCG adopts PETRONAS human rights policy. At this time we are finalizing our sustainability report for the year 2024, and this will be made available to you on our website in about a month's time with more details of our sustainability progress and journey.

Ladies and gentlemen, before we move on to Q&A session, I would like to briefly touch on our key priorities and focus areas going into 2025. In 2024, we saw several challenges such as operational hurdles, foreign exchange fluctuation, and persistent inflationary pressures. Despite these obstacles, we effectively navigated these challenges, reinforcing our steadfast commitment to long-term growth and diversification.

We have maintained our commitment to operational excellence, which resulted in improved plant utilization of 91% while successfully executing our planned maintenance and turnaround activities in 2024. Into 2025, we aim to maintain at least this level of performance despite the higher maintenance schedule. Our focus, as always, is to execute the turnaround effectively and ensure the safety of all our employees and contractors.

On growth delivery, our penta and calcium formate plant in Sayakha, India was inaugurated in February 2024. The plant is currently commissioning and to date, first samples has been dispatched to our customers in December 2024. In fact, the first batches of penta are scheduled for delivery from Sayakha site in the first quarter of this year.

At the end of 2024 through Perstorp, we fully acquired 100% of shares in OQ Chemicals in Nederland B.V. and this acquisition allows us the option to manufacture a new range of synthetic esters, strengthening the Engineering Fluid segment within our Specialties segment.

On the commercial side, we continue to focus on commercial excellence initiatives and improve our agility and response to market dynamics while leveraging our market knowledge to expand the market reach in line with our growth strategy.

Ladies and gentlemen, we remain committed to optimize our value chain and maintain competitive cost management to navigate the challenging economic landscape and anticipated slow market recovery.

Ladies and gentlemen, that concludes my update for today. And now let's open the floor for the questions and answers. Thank you.

Zaida Alia Shaari:

(Operator Instructions)

Raymond, please go ahead.

Raymond Yap:
Yes, good evening, everybody. Okay, so my question, first and foremost some housekeeping matters addressed to Azli. So, on the MYR748 million net Forex gain, can you help us split up between the gain on the payables of Pengerang and the gain on the revaluation of the shareholder loan and also the gain from other operations not related to those two. Thank you.

Mohd Azli Ishak:
You're referring to the BURSA report, right?

Raymond Yap:
Yeah.

Mohd Azli Ishak:
I mean just for the benefit of the rest in the call, right?

Raymond Yap:
Yes, the MYR748 million is the net gain that is reported in the notes to the accounts.

Mohd Azli Ishak:
Yeah. Okay, thank you for the question. For everyone's benefit, if you refer to page 18 of the quarterly report, in the B4, there's a MYR748 million net gain on Forex exchange, almost 90% of this gain relates to Pengerang.

So, in terms of exact details, almost half of this gain basically relates to the unrealized gain for PPC payable and the other half is basically the unrealized Forex gain on revaluation of shareholders loan to PPC. So, it's about 50/50. I hope that that answers your question, Raymond.

Raymond Yap:
So, I take MYR748 million minus 10% and divide by 2, is it?

Mohd Azli Ishak:
Yes.

Raymond Yap:
Okay. And there was also another gain from the deferment of the payables as well that's amounted to about MYR240 million?

Mohd Azli Ishak:
Yes.

Raymond Yap:
Okay, sure, thanks. I'll just stop here for now.

Mohd Azli Ishak:
Thank you, Raymond.

Zaida Alia Shaari:
Next, we have Sumedh from JPMorgan.

Sumedh Samant:
Yeah hi, thank you. This is Sumedh from JPMorgan, and thanks for the presentation. Perhaps I have a couple of questions. So firstly, and correct me if I'm wrong, but I understand that, some

of your gas contracts for F&M business are going to have a revaluation this year. Let me know if that's correct and if that's the case, how is the negotiation going? Is there going to be any change in the structure formula? It would be great to know that.

Secondly, my other question is, I read on, I think one of the consultants news that Pengerang complex is indefinitely shut. Is that correct? And, if that's the case, do you have any strategy as to when to start it again? Thank you.

Mohd Azli Ishak:
Okay. Thank you, Sumedh. The first question, gas contract for F&M, maybe perhaps you're asking whether as opposed to reevaluating it or whether it's coming to expiry, is it?

Sumedh Samant:
Yeah, coming to expiry, sorry that was the correct one, yeah.

Mohd Azli Ishak:
Yes, there's one contract for ABF, that will expire end of this year, but we expect that contract will be renewed on the same terms, just like our other contracts.

Sumedh Samant:
I understand.

Mohd Azli Ishak:
Okay, on the second question, I think this is maybe a rumor but for us, the project in Pengerang is progressing, ramping up, if you refer to our media release, refer to our analyst briefing, and what En Mazuin has mentioned earlier, I think we are in the process of ramping up the production. So, I think that that's basically the status as we speak right now.

Sumedh Samant:
Got it. Just a follow-up then, would you be able to tell us what's the utilization rate currently on the Pengerang complex?

Mohd Azli Ishak:
It is currently very low, because there's a feedstock disruption at the refinery. There are issues at the refinery and cracker, in which we don't own, but it provides ethylene and propylene into our Petchem plant. So, there are some maintenance activities currently undergoing and we expect that maintenance activities to be completed soon. And it will be, for Petchem plant to be up and running, by end of quarter one. And post running, then we expect the plant utilization rate to hover around 60% to 70% for 2025.

Sumedh Samant:
Okay, so 60% to 70% for second quarter to fourth quarter '25 or the full year '25?

Mohd Azli Ishak:
Full year '25.

Sumedh Samant:
Full year '25. Okay, so basically you can go up to 80%?

Mohd Azli Ishak:
Yeah. I mean, as we mentioned earlier in our previous analyst briefing, there is this requirement for the integrated complex to achieve reliability tests required by the project financing arrangement. And they are gearing up for that. So, part of the requirement is they need to achieve a certain level, which is a high level of utilization rate for a certain number of days. So, they are gearing up for that. So, once we do that, then you will see the plant utilization rate for the Petchem will go up.

Sumedh Samant:
Got it, but in the fourth quarter, did you face that problem that the cracker is facing or did the fourth quarter was okay, it's just the first quarter where there are issues?

Mohd Azli Ishak:
The fourth quarter is okay.

Sumedh Samant:
So, what was the utilization in fourth quarter, if I may ask?

Mohd Azli Ishak:
I don't have the number with me, but if you compare in terms of volume, it was, from Petchem plant in Pengerang, it was higher in quarter four compared to quarter three. So that is basically a higher utilization rate in quarter four versus quarter three.

Sumedh Samant:
That's very helpful. And just one last thing, can you please remind me again the fixed cost, the depreciation and interest expenses on PPC? Thank you.

Mohd Azli Ishak:
Sure. As a guidance, our 50% interest in PPC, the depreciation for 2025, our guidance is about MYR400 million. And for the interest expense, our guidance will be around MYR280 million for the full year.

Sumedh Samant:
Got it. Thank you so much.

Mohd Azli Ishak:
Thank you Sumedh.

Zaida Alia Shaari:
Thank you. We have a question since we're talking about PIC, we have a question from the box. Is the PIC product spread positive in the fourth quarter '24?

Mohd Azli Ishak:
I think in terms of the market for the PIC product spreads, if you were to look at the selling price versus the direct variable cost, it's still positive. In terms of contribution margin, it's still positive. Yeah, maybe I will argue that in terms of certain selected products, for example, MEG, that contribution margin could be lower or even negative.

Zaida Alia Shaari:
Vivek, Morgan Stanley.

Vivek Rajamani:
Thank you so much. Just with respect to, you mentioned there's going to be a higher level of maintenance turnarounds for 2025. Would it be possible to give some color with respect to the key units and over the four quarters, how would the maintenance being spread out? Thank you.

Mazuin Ismail:
Right, for the plant maintenance for 2025, we will have turnarounds for our PC Fertiliser, in Sabah, for our PC LDPE, PC Olefins and PC Glycols. On top of that, we have some other pit stops in some of our other plants as well. So, four turnarounds.

Mohd Azli Ishak:
Yeah, and then maybe to add the first turnaround will happen in quarter three, and that will be for PC Fertiliser Sabah and the other three is in quarter four, because they are integrated with one another.

Mazuin Ismail:
That's around November, December this year.

Vivek Rajamani:
Okay, super helpful. So basically, the first half barring any issues should be normal, and both of the -- I mean, all four of them would happen in the second half, correct?

Mohd Azli Ishak:
Yes, like what Mr. Mazuin mentioned, there's no planned turnaround we expect in the first half, but that also does not preclude that we do have some scheduled maintenance and pit stop at other plants.

Vivek Rajamani:
Sure, and I think just to clarify, you mentioned you'll be maintaining the same level of operating rate vis a vis 2024, correct? Even though you have these turnarounds in 2025.

Mazuin Ismail:
That's the aim.

Vivek Rajamani:
Okay, got it. Thank you so much.

Zaida Alia Shaari:
Raymond, CGS International.

Raymond Yap:
Yeah, hi, okay, question on the O&D, I think, because O&D benefited from the Forex gain on the translation of PPC payables, as well as the deferment of the trade payables, which also gave rise to a finance income. So, if I total up those two, it will amount to more than MYR500 million. And it seems that the EBITDA for O&D is negative for the fourth quarter.

Mohd Azli Ishak:
No. The one that in the fair value deferment, it doesn't hit the EBITDA. It basically hits the PAT.

Raymond Yap:
Yeah. Okay, so the EBITDA was disclosed at MYR100 million for O&D in the fourth quarter and the Forex gain from the translation of the PPC payables, based on what we discussed just now it amounted to about MYR300 over million. So, if I take MYR100 million EBITDA, minus MYR300 over a million, that implies a loss.

Mohd Azli Ishak:
Yes, I mean, for O&D, if we were to exclude, I think for EBITDA purposes, if you were to exclude the impact on the Forex, it will be the impact of Forex on PPC payables, which is around maybe MYR350 million. So MYR350 ringgit minus the MYR100 million EBITDA, so it will be around MYR250 million.

Raymond Yap:
Around MYR250 million. MYR250 million loss.

Mohd Azli Ishak:
Of course there's other adjustment as well, so, it will be around minus MYR200 million negative EBITDA for O&D, yeah. But then again, I think the reason for this is because we have a scheduled plant turnaround at PC Ethylene and PC Polyethylene. They were down for close to two months in quarter four. And as you know, our Ethylene cracker is one of our cash generating outfit. So, they were down for close to two months. That is basically the reason for the lower EBITDA in O&D, excluding the Forex impact.

Raymond Yap:
So, in the third quarter, you told us before that Pengerang generated EBITDA loss of MYR130 million. What was it in the fourth quarter?

Mohd Azli Ishak:
MYR140 million, in the third quarter for Pengerang excluding Forex. So, if you were to use that same basis for the fourth quarter, it generates around negative EBITDA of MYR100 million.

Raymond Yap:
So, it narrowed a little bit. Okay, but just talking about what you say about the turnaround for PC Ethylene and PC Polyethylene. I mean, in the end of the day, O&D still generated a fourth quarter plant utilization of 89%, and that's actually higher than your first quarter utilization of 87%, and you did actually manage to make a good profit in the first quarter.

Mohd Azli Ishak:
Yes. Other than the scheduled turnaround at PC Polyethylene and PC Ethylene, the other market driven impact is because of our aromatics product. If you track the prices for paraxylene and benzene, they are pretty much down around 10% compared to the third quarter while you see the heavy naphtha prices remain flattish. So, that is basically a very low spread for aromatics product. That really hits the O&D.

Raymond Yap:
Okay, so given that in the first half of this year, you'll be not performing any turnarounds, do you think that the O&D will go back to normal, as in, we've never seen before a loss like this for O&D in a single quarter.

Mohd Azli Ishak:
I mean, if you look at similar quarter in 2023, there's also a negative EBITDA, but small. But I think what we see now is that, in the first half of the year, there will be no scheduled turnaround.

Right now, we are seeing the spread for aromatics slightly improved compared to quarter four. So, we are hopeful that the spread for O&D is improving, but then again, so is what our other peers are experiencing. So, our result is basically, if I could compare much better than our other O&D peers.

Raymond Yap:
Okay, thank you for your comments.

Mohd Azli Ishak:
Thank you, Raymond.

Zaida Alia Shaari:
We have a question from Hakimi of KWAP. Would the ongoing discussion between Petros and PETRONAS have an impact to Pechem's gas price arrangement? And does Pechem feedstock price or does it has impact on Pechem gas price arrangement with Petronas and also Pechem feedstock price with Saudi Aramco?

Mazuin Ismail:
Okay, so the first part of the question is actually between Petros and PETRONAS would have any impact to PCG. In this area, the only plant impacted is actually ABF, and currently we are still having our GSA ongoing between PCG and PETRONAS, and that will continue. As discussed earlier, it may be extended as well. So that's the status. For gas arrangement with Aramco, we don't believe there's any impact. Thank you.

Zaida Alia Shaari:
Yong-Liang Por.

Yong-Liang Por:
Hi, thank you. Just, two questions. First question is, looking at your selling expense, fourth quarter was up quite a lot, I think year on year, and then, administration expenses as well. Is this the new level of expenses or is this like just high in fourth quarter? That's my question.

Mohd Azli Ishak:
Yeah, thank you, Liang Por for the question. I think moving forward, this will be our guidance for our S&D expenses. It's higher in line with higher sales volume, not just we have higher volumes for O&D, but we also have higher volumes for our strategic sourcing. And higher volumes from -- we're starting to take methanol from Sarawak Petchem in Bintulu. So, for that particular arrangement, we will also incur S&D cost to deliver those methanol.

Yong-Liang Por:
Okay, so like MYR570 million per quarter is about the right level now for this year?

Mohd Azli Ishak:
Yeah, that could be the right guidance.

Yong-Liang Por:
Got it. And administrative expense as well, MYR420 million is also about the right level per quarter?

Mohd Azli Ishak:
In quarter four, there are certain admin expenses that are specific to quarter four. So, I think in terms of administrative expense, you can't use quarter four as a basis. What I will guide you, if you can average out quarter three and quarter four, that will be guidance for the full year.

Yong-Liang Por:
Okay, so the second half is the level.

Mohd Azli Ishak:
Correct.

Yong-Liang Por:
Okay. And so, I think obviously, going through a pretty tough time right now, the gross profit level is pretty low and there are, I think, some products where you look at the global supply demand balances and then you do think that, oh, maybe something needs to be done. So, my question is, are you considering closing down any plants or any reducing capacity of any products today? Thank you.

Mazuin Ismail:
I think you're right. The market dynamics dictate the return, and we actually look at all our value chain keenly, and we continue to assess market dynamics. As to whether adjustment is needed, we continue to assess if adjustment is needed in as to how much of our molecules flow into certain products, we always assess that, and we will continue to assess that.

When it comes the time for us to actually stop certain production, we will do that. When it is time to actually call the shot to actually high grade our portfolio, we will also do that. We will continuously monitor, and at the end of the day it's about creating the best value out of all our molecules that we have.

Yong-Liang Por:
I mean, yeah, specifically I was looking at the PX and I've never in my life seen such low margins and I am concerned that, maybe, yeah, something has structurally changed there for instance.

Mazuin Ismail:
We will not push products just because we have to push product and suffer losses for sure. So, our financial discipline would have to be there. But at the same time, we are finding ways to actually look at our cost optimization, efficiency of our plants and of course, our folks at the commercial excellence would find ways to get the best position in the market. Thank you.

Zaida Alia Shaari:
Raymond, CGS.

Raymond Yap:
Yeah, En. Mazuin, can I ask you about the status of the special discount arrangement with the Pengerang Refining Company?

Mohd Azli Ishak:
Maybe I can answer that, Raymond. I think as we discussed earlier, in previous briefing, the special discount arrangement between PPC and PRC, it will be implemented upon the PRC making money.

So, as I alluded earlier, the PRC has challenges in terms of ramping up, and then they are also margin-wise affected, so, they are also not making money. So, because of that special discount has yet to be triggered, and we are hopeful that once the operation starts to ramp up, and then the PRC will generate enough sufficient money. And after meeting the relevant transfer pricing guideline by the IRB, they can provide that additional discount to PPC.

Raymond Yap:
Okay. So, there wasn't any contribution from that special fee discount in the fourth quarter?

Mohd Azli Ishak:
No.

Raymond Yap:
None at all, right? Okay. How about the outlook for specialties in the first quarter?

Mohd Azli Ishak:
I can defer to, Dr. Debbie who can provide you more color on that.

Debbie Chiu:
For the first quarter in '25, the general consensus, we expect a similar performance continuing from 2024, even though, there is a slight expectation, that the market may start picking up, but we're pessimistically optimistic, looking into the 2025.

Raymond Yap:
Okay, thanks very much, Debbie for that comment. Just going back to Azli, the special feedstock arrangement, that arrangement, has it been formalized already?

Mohd Azli Ishak:
There's already an agreement between PRC and PPC about the provision of this special discount. But in terms of how much, that will be determined between the two entities, once that discount is going to be triggered. So, in terms of principle, that's already there between the parties, but implementation of mechanics, it will be, once that can be triggered.

Raymond Yap:
I see. Okay, thanks.

Zaida Alia Shaari:
Thank you, Raymond. So, we don't have any more questions in the queue. That will be the end of our briefing today. Once again, thank you, ladies and gentlemen, for your time and participation. Please reach out to us if you have any follow-up questions. We look forward to receiving your reports once published. Good evening and have a great weekend ahead.

Mazuin Ismail:
Thank you, everyone.

Mohd Azli Ishak:
Thank you.

END