



Our Reference:- WB—PCG /AGM 2018-MSWG-001-18

30 April 2018

Minority Shareholder Watch Group
Tingkat 11, Bangunan KWSP,
No. 3, Changkat Raja Chulan
Off Jalan Raja Chulan
50200 Kuala Lumpur

Attention: - Mr Devanesan Evanson
Chief Executive Officer

Dear Mr Devanesan Evanson,

TWENTIETH (20TH) ANNUAL GENERAL MEETING ("AGM") OF PETRONAS CHEMICALS GROUP BERHAD ("PCG" or "the Company") TO BE HELD ON 2 MAY 2018

In reference to your email dated 26 April 2018 on the above, please find below our response to your questions:

Strategic and Financial Matters

1. As disclosed on page 34 of the Annual Report, PC Fertiliser Sabah commenced its commercial operations in May 2017 and has achieved utilisation rate exceeding 90%.

(i) How significantly did PC Fertiliser Sabah contribute to the Group's revenue for FY2017?

Having commenced its operations in May 2017, PC Fertiliser Sabah Sdn Bhd ("PC Fertiliser") contributed approximately 6% to the Group's overall revenue FY2017.

(ii) What is the targeted plant utilisation rate for FY2018?

PCG consistently strives to maintain its operations at an optimum level of above 85% annually. For the FY2018, we will continue with our operational excellence initiatives, with the aim to sustain group average plant utilisation above 90%.

In line with the Group's target, plant utilisation in FY2018 for PC Fertiliser Sabah is expected to be around 90%.

2. It was stated on page 35 of the Annual Report that PRPC Polymers and PC INA are the two operating companies PCG has set up in Pengerang Integrated Complex ("PIC") to expand its basic and specialty chemicals portfolio.

How much of the current production volume comprised specialty chemicals?

Since inception, PCG is largely a basic chemicals producer. In FY2017, specialty chemicals made up less than 5% of our total production volume of 10.1 million tonnes.

3. On page 40 of the Annual Report, it was stated that PCG registered a record financial performance primarily driven by higher production and sales volume as well as higher average product prices.

Please share your views on PCG's production and sales volume for FY2018.

For FY2018, PCG is expecting production and sales volume on similar levels to FY2017. This takes into account several planned major statutory turnaround maintenance activities at selected plants which will affect production volume for the year. Nevertheless, with PC Fertiliser Sabah on board, we expect the volume impact to be cushioned by the additional volume from operating the plant for the entire twelve months.

4. It was disclosed on page 41 of the Annual Report that EBITDA had increased by 25.1% to RM6.62 billion. The Group's EBITDA margin remained strong at 38%.

Does the Board expect the Group to improve its EBITDA margin for FY2018?

PCG's EBITDA margin is affected by, among others, operational efficiencies, market conditions and foreign exchange rate. Historically, the Group's EBITDA margin has ranged between 31% to 38%. While we strive to continuously improve operational efficiencies, subject to market conditions, the Group expects EBITDA margin in FY2018 to remain within this range.

Corporate Governance Matters

1. The Company is seeking shareholders' approval for payment of Directors' Fees and Allowances to the Non-Executive Directors of up to RM2.6 million with effect from 1 January 2018 until the next Annual General Meeting of the Company.

Please provide the breakdown of the fees and allowances to be approved by shareholders.

The proposed fee/allowance structure is provided in detail on page 232 of the Company's 2017 Annual Report. The total estimated fees and allowances of RM2,600,000 was calculated based on the anticipated number of meetings to be held in 2018 and the first quarter of 2019.

2. The Company did not disclose the senior management's remuneration component in bands of RM50,000 as recommended under Practice 7.2 of MCCG and there was no explanation of a suitable alternative practice to meet the intended outcome.

Under Paragraph 3.2A (b), Practice Note 9 of the Main Market Listing Requirements, the Company is required to disclose the alternative practice it has adopted and how such alternative practice achieves the Intended Outcome as set out in the MCCG.

The Board acknowledges MSWG's abovementioned comments. The Senior Management staff of the Company are seconded from PETRONAS and their remuneration is based on the prevailing PETRONAS' Remuneration Philosophy and Guiding Principles which has been benchmarked against the industry. In line with this principle, the Company has, presently, opted not to disclose the components of the remuneration of the Senior Management. However, in keeping with corporate best practices, the Company will explore suitable disclosure practices in the future.

For your information, we are publishing these answers in our corporate website (www.petronaschemicals.com) for our shareholders' and public viewing. The answers will also be made available and displayed on the LED display screen located at the foyer area and Exhibition Hall 2, Kuala Lumpur Convention Centre, Jalan Ampang, 50088 Kuala Lumpur on the day of the AGM on Wednesday, 2 May 2018. For the benefit of minority shareholders, we seek MSWG's assistance to also publish the above response in MSWG's website prior to the AGM.

Thank you.

Yours faithfully

for **PETRONAS CHEMICALS GROUP BERHAD**



NOOR LILY ZURIATI ABDULLAH

Company Secretary

- c.c.
1. YBhg Datuk Md Arif Mahmood
Chairman
PETRONAS Chemicals Group Berhad
 2. YBhg Datuk Sazali Hamzah
Managing Director/Chief Executive Officer
PETRONAS Chemicals Group Berhad
 3. Mr. Kang Shew Meng
Joint Company Secretary
PETRONAS Chemicals Group Berhad