

**About CAP:**

CAP, a subsidiary of PT Barito Pacific Tbk, is Indonesia's largest integrated petrochemical company producing olefins and polyolefins. CAP's state-of-the-art facility and infrastructure are located in Cilegon and Serang, in Banten province on Java. CAP operates the country's only naphtha cracker, and is the sole producer of ethylene, styrene monomer and butadiene in Indonesia. In addition, CAP is also the largest polypropylene producer in Indonesia, producing raw materials and base petrochemical products used for packaging products, pipes, automotive, electronics, and consumer goods in support of Indonesia's growth and industrialization ambitions.

For more information, please contact:

**Suryandi, HR & Corp. Affairs Director  
– Corporate Secretary**  
suryandi@capcx.com

**Investor Relations**  
investor-relations@capcx.com

**www.chandra-asri.com**

# NEWS RELEASE

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## CHANDRA ASRI PETROCHEMICAL ANNOUNCES RESULTS FOR THE PERIOD ENDED JUNE 30, 2019

On 24 September 2019, PT Chandra Asri Petrochemical Tbk (IDX: TPIA) released its audited consolidated financial statements for the six months of 2019, reflecting the requirement timelines of corporate actions. The Company recorded Net Revenues of US\$1,053.7 million. This is 18.1% lower year-on-year, mostly attributable to lower average selling prices. The Company maintained a stable overall sales volume year-on-year.

The Company's Director, Suryandi, commented:

**"Our financial performance over the first half of 2019 reflects moderating global petrochemical margins due to capacity additions, softening demand and uncertainties brought about by the US-China trade tension. Domestically, we continue to observe robust demand supported by steady growth of the Indonesian economy. Our operating rates are satisfactory at 100% across upstream and downstream plants.**

**We achieved a year-to-date June 2019 EBITDA of US\$125 million, reflecting mid-cycle industry margins of 12%. We continue to maintain strong liquidity and financial flexibility, with a cash balance of US\$649 million as of June 30<sup>th</sup>, 2019. We successfully raised Rp750 billion (~ US\$52 million) from our IDR Shelf Bond Programme; obtained an S&P credit rating upgrade to BB- with a stable outlook from the previous rating of B+; and received a tax holiday for our new Polyethylene plant.**

**We are well positioned to continue sustaining profitable growth. Our CAP 2 expansion plans to effectively double our capacity is on track, with the focus on selecting a Strategic Investor to partner with for long-term success. Currently, we are undertaking the regular Turn-Around Maintenance (TAM) which is scheduled for 55 days commencing 1 August 2019, to tie in with our new 400 KTA Polyethylene plant and 110 KTA Polypropylene plant expansion. We will continue to focus on best-in-class safety performance".**

### 6M2019 FINANCIAL HIGHLIGHTS:

- Net Revenues decreased by 18.1% to US\$1,053.7 million from US\$1,286.1 million in 6M2018 as a result of lower average sales prices of all products, primarily for Ethylene and Polyethylene.
- Cost of Revenues decreased by 12.4% to US\$918.8 million from US\$1,048.3 million in 6M2018 largely due to lower feedstock cost, primarily Naphtha which reduced to an average of US\$547/MT from US\$627/MT in 6M2018, reflecting lower Brent crude oil prices which contracted to an average of US\$66/bbl in 6M2019 compared to US\$71/bbl in 6M2018.
- EBITDA declined by 46.3% to US\$125.0 million from US\$232.8 million for 6M2018 largely due to lower petrochemical margins, driven by moderating chemical margins.
- As a result, Net Profit After Tax amounted to US\$33.3 million, lower by 71.1% from the 6M2018 figure of US\$115.5 million. Net Profit After Tax also reflected the share in net loss of an associate of US\$8.5 million, arising from the joint venture in PT Synthetic Rubber Indonesia (SRI) as operations ramp up.

US\$ million, unless otherwise stated	6M2019	6M2018	% change
Net Revenues	1,053.7	1,286.1	(18.1)
Cost of Revenues	918.8	1,048.3	(12.4)
Gross Profit	134.9	237.8	(43.3)
Net Profit After Tax	33.3	115.5	(71.1)
EBITDA	125.0	232.8	(46.3)
Cash Flows from (used in) Operating Activities	(42.1)	122.4	(134.4)
Capital Investments	152.0	158.5	(4.1)
Dividends Paid	26.6	52.1	(49.0)
Earnings per share (US\$)	0.0018	0.0065	(71.4)
US\$ million, unless otherwise stated	6M2019	FY2018	% change
Total Assets	3,193.5	3,173.5	0.6
Total Liabilities	1,416.7	1,403.4	0.9
Shareholders' Equity	1,776.8	1,770.1	0.4
Interest Bearing Debt	785.4	618.2	27.1
Cash & Cash Equivalents	649.0	726.7	(10.7)
Net Debt / (Cash)	136.5	(108.5)	(225.8)

#### Financial Ratios

	6M2019	6M2018	% change
Gross Profit Margin (%)	12.8	18.5	(30.8)
EBITDA Margin (%)	11.9	18.1	(34.5)
Interest service coverage (x)	4.5	8.0	(43.3)
Debt to Capitalization (%)	30.6	26.2	16.8
Debt to EBITDA (x) - LTM	2.7	1.3	112.2
Net Debt/ (Cash) to EBITDA (x) – LTM	0.5	(0.2)	N/A

#### Business Segments

In US\$ million	Revenues		
	6M2019	6M2018	% change
Olefins	257.9	412.9	(37.5)
Polyolefins	486.2	582.4	(16.5)
Styrene Monomer	192.2	222.2	(13.5)
Butadiene	111.3	63.1	76.6
Tanks and Jetty Rental	6.0	5.5	8.4
<b>Consolidated</b>	<b>1,053.7</b>	<b>1,286.1</b>	<b>(18.1)</b>

In US\$ million	Gross Profit		
	6M2019	6M2018	% change
Olefins	24.0	98.7	(75.6)
Polyolefins	73.5	105.9	(30.7)
Styrene Monomer	25.9	22.6	14.5
Butadiene	6.8	6.3	8.8
Tanks and Jetty Rental	4.7	4.3	8.0
<b>Consolidated</b>	<b>134.9</b>	<b>237.8</b>	<b>(43.3)</b>

## FINANCIAL PERFORMANCE ANALYSIS

### Net Revenues

Net Revenues decreased by US\$232 million, 18.1% lower from US\$1,286.1 million in 6M2018 to US\$1,053.7 million in 6M2019, reflecting lower realized average sales prices, primarily for Ethylene and Polyethylene. Overall, sales volumes are stable at 1,059KT (6M2019) vs 1,067KT (6M2018). Plant operating capacities are satisfactory at 100% across upstream and downstream plants (95% Naphtha Cracker, 103% Polyethylene plant, 107% Polypropylene plant, 106% Styrene Monomer plant, 87% Butadiene plant).

### Cost of Revenues

Cost of Revenues decreased by US\$130 million, 12.4% lower from US\$1,048.3 million in 6M2018 to US\$918.8 million in 6M2019, mainly due to lower feedstock costs, primarily Naphtha, which declined by some 13% from US\$627/ton to US\$547/ton in 6M2019 on the back of lower Brent crude oil prices by 7% year-on-year.

As a result of Net Revenues decreasing by a larger percentage than the reduction in cost of revenues, Gross Profit was lower by US\$103.0 million, 43.3% lower than 6M2018.

### EBITDA

EBITDA declined by US\$108 million, from US\$232.8 million in 6M2018 to US\$125.0 million in 6M 2019 largely due to the lower Gross Profit reflecting moderating petrochemical industry margins.

### Net Profit After Tax

The Company recorded US\$33.3 million of Net Profit After Tax in 6M2019, compared to US\$115.5 million in same period last year. The US\$82.2 million reduction in Net Profit After Tax is largely attributable to lower gross profit (-US\$103.0 million), share in the net loss of an associate (-US\$3.1 million), offset by a lower tax expense (+US\$21.6 million) and general and administrative expenses (+US\$2.0 million).

### Total Assets

Total Assets grew to US\$3,193.5 million as of 30 June 2019, compared to US\$3,173.5 million on 31 December 2018, with continued growth of investment in fixed assets for the projects due to come onstream to support continued expansion.

## **Total Liabilities**

Total Liabilities increased slightly from US\$1,403.4 million in FY2018 to US\$1,416.7 million in 6M2019 mainly due to lower trade accounts payable, partially offset by higher interest bearing debt of US\$167.2 million in 6M2019 mostly contributed by the drawdown of the export credit facility from the Japan Bank for International Cooperation (JBIC) and issuance of new IDR Bonds - Shelf Registration Bonds II Phase II-2019.

As of June 30, 2019, the Company had a total debt position of US\$785.4 million, against a cash and cash equivalents balance of US\$649.0 million, resulting in an overall net debt position of US\$136.5 million. The Net Debt to Adjusted EBITDA ratio continues to be very favorable at 0.5x.

## **Cash Flows from Operating Activities**

Net cash used in Operating activities was US\$42.1 million in 6M2019 against Net cash provided from Operating of US\$122.4 million in 6M2018 mainly due to lower cash receipt from customers due to lower realized sales prices, higher cash used for operations and lower payment for income tax, partially offset with higher tax restitution.

## **Cash Flows from Investing Activities**

Net cash used in Investing activities increased by 4.3% from US\$153.5 million in 6M2018 to US\$160.2 million in 6M2019, largely due to capital expenditures related to downstream projects expansions for the New Polyethylene plant and plant improvements where most of the spending have been spent in previous periods. We are expecting the completion of our new Polyethylene plant and Polypropylene expansion this year.

## **Cash Flows from Financing Activities**

Net cash provided from Financing activities was US\$124.6 million in 6M2019 against Net cash used in Financing of US\$96.0 million in 6M2018 due to higher proceeds from bank loans – export credit facility from JBIC of US\$150 million and IDR Bonds-Shelf Registration Bonds II Phase II-2019 issuance of US\$52 million, coupled with lower payment of bank loans and lower dividend payment.

## **MARKET UPDATES**

Brent crude price increased to US\$70/bbl in Q2-2019 from to US\$64/bbl in Q1-2019 on the back of OPEC supply cut, lower supply from Venezuela and Iran amid US sanctions, as well as geopolitical issues in Libya, Saudi Arabia and Oman.

Naphtha price in Q2-2019 increased from average US\$519/MT in Q1-2019 to US\$568/MT due to firmer gasoline blending demand in Asia during election period and Ramadhan month, as well as unplanned outage in June.

Ethylene price declined from US\$930/MT in Q1-2019 to US\$828/MT in Q2-2019 driven by quiet market due to holidays in China, Japan and Eid in SEA, amidst overall weaker demand and ample supply with several outages of downstream units.

Polymer price decreased in Q2-2019 to US\$1,094/MT for Polyethylene and US\$1,141/MT for Polypropylene. Weaker Polyethylene prices were driven by thin trading activities during holiday season, uncertainties due to US – China trade tensions and ample inventories. Polypropylene prices slight decline was driven by weaker re-export market, resulting in ample product supply in the regional market.

Butadiene price declined from US\$1,073/MT in Q1-2019 to US\$975/MT in Q2-2019 on the back of persistently weak demand for synthetic rubber amidst declining automotive sales and ample supply following crackers restart.

Styrene monomer price increased from US\$1,042/MT in Q1-2019 to US\$1,061/MT in Q2-2019, due to tight supply following strike in South Korea.

## CORPORATE NEWS



**CAP Granted Land for the Construction of Petrochemical Polytechnic**  
On 27 May 2019, the Company officially granted land in Anyer for Research and Development Ministry of Industry (Ministry of Industry) for the construction of Petrochemical Polytechnic. The two-hectare granted land, which is approximately 3-4 kilometers from the location of the CAP plant, will be used for the construction of the Polytechnic with a special study program in the field of petrochemical.



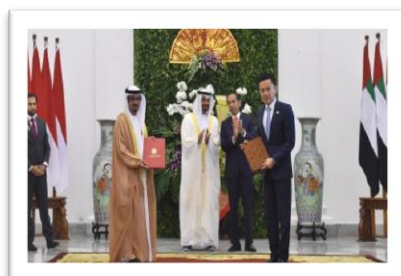
**CAP Obtained Tax Holiday for Investment in New Polyethylene Plant**  
On 10 June 2019, the Company obtained a tax holiday for its US\$380 million investment in a New Polyethylene Plant with the capacity of 400KT/annum. The tax holiday facility consists of a 100% reduction of corporate income tax for the first 10 years after the start of commercial production, and a 50% reduction for the following 2 years.



**CAP Obtained a Credit Rating Upgrade from Standard and Poor's Global Ratings (S&P)**  
On 26 June 2019, the Company obtained a credit rating upgrade to BB- with a stable outlook from the previous rating of B+. This rating upgrade occurred on the back of stronger credit quality of the parent company, PT Barito Pacific Tbk, which acquired Star Energy. In addition, the Company also obtained equal international credit ratings, namely Ba3 from Moody's, and BB- from Fitch.



**CAP Supported the Provision of Adequate Drinking Water Infrastructure Through Product Champion Asrene SP4808**  
On 17-19 July 2019, the Company participated in Indo Water 2019 in Jakarta Convention Center, highlighting our Asrene SP4808 grade. This High Density Polyethylene (HDPE) is used to produce high pressured drinking water pipes, where supply is currently dominated by imports.



**Mubadala, OMV, Chandra Asri Signed MoU for Collaboration in the Petrochemical Sector**  
On 24 July 2019, Mubadala, OMV, the Company signed a Memorandum of Understanding to explore opportunities for collaboration in the petrochemical sector in Indonesia. This collaboration is testament of the Company's commitment to serve the promising domestic market potential and support the country's growth, economic prosperity and industrialization.



#### **CAP Received SWA 100 Best Wealth Creator 2019 Awards**

On 25 July 2019, the Company received the 3rd place award of Indonesia Best Public Companies by SWA Magazine. This award has main indicator of Wealth Added Index (WAI), which is a benchmark of the success of issuers to generate more wealth than the minimum return expected by shareholders or investors.



#### **CAP Conducts 55 Days Scheduled Maintenance for Plant Optimization**

On 1 August 2019, the Company commenced a scheduled plant Turnaround Maintenance (TAM) for 55 days. The TAM was to be performed on the Cracker, Polyethylene, Polypropylene, and Butadiene plants while the Styrene Monomer plant continues to operate, tying in with the new Polyethylene plant and Polypropylene expansion. This maintenance is carried out to ensure plant reliability remains optimal.



#### **CAP Bond Investors Appreciation**

On 13-16 August 2019, the Company invited Chandra Asri VIP IDR Bondholders to Bangkok as a token of appreciation for their participation in the issuance of Shelf Registration Bonds II Chandra Asri Petrochemical Phase II Year 2019. This trip is part of Chandra Asri Bond Club's loyalty program to further strengthen direct relationship with the Company's VIP Bondholders.



#### **CAP Supports Banten Police in Building Construction**

On 29 August 2019, the Company signed a Memorandum of Understanding (MoU) with Banten Regional Police (Polda) on building construction for Banten Police Headquarter (Mapolda). This support is to help Banten Police enhance its public service, as part of CAP's commitment to be Banten Province's growth partner.