PT Chandra Asri Petrochemical Tbk

About CAP:
CAP, a subsidiary of PT Barito Pacific Tbk as the majority shareholders, is Indonesia's largest integrated petrochemical company producing olefins and polyolefins. CAP incorporates state-of-the-art technologies and supporting facilities located in Cilegon and Serang of Banten province. CAP is the only producer who operates a naphtha cracker, and is the sole producer of ethylene, styrene monomer and butadiene. In addition, CAP is also the largest polypropylene producers in Indonesia. CAP produces plastic raw materials and chemicals used for packaging products, pipes, automotive, electronics, etc.

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NEWS RELEASE

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CHANDRA ASRI PETROCHEMICAL ANNOUNCED RESULTS FOR THE PERIOD ENDED JUNE 30, 2018

On 6 September 2018, PT Chandra Asri Petrochemical Tbk (IDX: TPIA) released its consolidated financial statement for the six months of 2018 recording a Net Profit after Tax of US$115.5 million, 33.7% lower y-o-y, largely attributed to adverse impact from higher Cost of Revenues, primarily Naphtha cost, lower sales volumes mainly due to planned shutdown of the Butadiene plant for 95 days and seasonal effect of Lebaran holidays in June, partly offset by higher revenues due to higher average sales prices somewhat mitigating the higher feedstock cost.

The Company's Corporate Secretary, Suryandi, explains:
"In 1H 2018, amid lackluster economic conditions and rising Naphtha cost on the back of rising crude oil prices, CAP continued to deliver strong operational and financial performance with relatively healthy product spreads, partially offset by lower sales volumes due to planned maintenance activities and seasonal effect of Lebaran curtailing our delivery to customers. In general, with the current supply-demand dynamics we were able to realise higher average selling prices somewhat mitigating the higher Naphtha cost. Operating rates were sustained at an optimal level except for Butadiene production due to scheduled turnaround maintenance/ tie-in works for debottlenecking from 1 March 2018 for 95-days to increase the capacity by 37% to 137 KTPA. The expanded Butadiene plant has successfully resumed production on 3 June 2018.

Overall, our financial performance remains healthy with EBITDA margin around 18% reflecting above mid-cycle margins for the petrochemical industry. In addition, our financial metrics are robust with a strengthened balance sheet and strong liquidity with net cash of some US$100 million as of 30th June 2018. We remain optimistic in the long-term outlook of the industry and will stay on track with our expansion plans."

1H2018 FINANCIAL HIGHLIGHTS:

- Net Revenues increased by 7.6% to US$1,286.1 million from US$1,195.3 million in 1H2017 as a result of higher average sales prices, primarily Ethylene and Polyethylene, partially offset by lower sales volumes mainly due to planned operational activities and seasonal effect of Lebaran.
- Cost of Revenues increased by 16.1% to US$1,048.3 million from US$903.1 million in 1H2017 largely due to higher feedstock cost, primarily Naphtha, reflecting higher crude oil prices which rose to an average of US$71/bbl in 1H2018 compared to US$52/bbl in 1H2017.
- EBITDA declined by 21.0% to US$232.8 million from US$294.7 million for 1H2017 largely due to some 18.6% lower gross profit as a result of higher feedstock costs, seasonal effect due to Lebaran (June 2018) constraining delivery/sales to customers and lower contribution from Butadiene which experienced cyclical high margins in 1H2017 (supply disruption) and a planned shutdown for TAM and tie-in works of 95-days from 1 March 2018.
- As a result, Net Profit After Tax registered at US$115.5 million, dropped by 33.7% from 1H2017 of US$174.2 million.

Financial Performance

US$ million, unless otherwise stated	1H2017	1H2018	% change
Net Revenues	1,195.3	1,286.1	7.6
Cost of Revenues	903.1	1,048.3	16.1
Gross Profit	292.2	237.8	(18.6)
Net Profit After Tax	174.2	115.5	(33.7)
EBITDA	294.7	233.0	(21.0)
Cash Flows from Operating Activities	180.0	122.4	(32.0)
Capital Investments	69.1	158.5	129.4
Dividends Paid	117.3	52.1	(55.6)
Earnings per share (US$)	0.0104	0.0065	(37.5)
US$ million, unless otherwise stated	**FY2017**	**1H2018**	**% change**
Total Assets	2,987.3	2,997.0	0.3
Total Liabilities	1,318.5	1,262.8	(4.2)
Shareholders' Equity	1,668.8	1,734.2	3.9
Interest Bearing Debt	632.3	615.1	(2.7)
Cash & Cash Equivalents	842.5	715.4	(15.1)
Net Debt / (Cash)	(210.2)	(100.3)	(52.3)

Financial Ratios

	1H2017	1H2018	% change
Gross Profit Margin (%)	24.4	18.5	(24.4)
EBITDA Margin (%)	24.7	18.1	(26.6)
Interest Service Coverage (x)	13.1	8.0	(39.1)
Debt to Capitalization (%)	23.8	26.2	10.1
Debt to EBITDA (x) - LTM	0.6	1.3	95.0
Net Debt/ (Cash) to EBITDA (x) – LTM	0.3	(0.2)	N/A

Business Segments

In US$ million	Revenues		
	1H2017	1H2018	% change
Olefins	370.4	412.9	11.5
Polyolefins	455.9	582.4	27.7
Styrene Monomer	216.6	222.2	2.6
Butadiene	147.4	63.1	(57.2)
Tanks and Jetty Rental	5.0	5.5	11.3
Consolidated	**1,195.3**	**1,286.1**	**7.6**

In US$ million	Gross Profit		
	1H2017	1H2018	% change
Olefins	119.3	98.7	(17.2)
Polyolefins	128.7	105.9	(17.7)
Styrene Monomer	15.4	22.6	46.3
Butadiene	24.8	6.3	(74.8)
Tanks and Jetty Rental	4.0	4.3	8.2
Consolidated	**292.2**	**237.8**	**(18.6)**

FINANCIAL PERFORMANCE ANALYSIS

Net Revenues

Net Revenues increased by 7.6% from US$1,195.3 million in 1H2017 to US$1,286.1 million in 1H2018 reflecting higher realized average sales prices, primarily Ethylene and Polyethylene, partially offset by lower sales volumes mainly due to planned shutdown of the Butadiene plant (debottlenecking and maintenance for 95 days from 1 March 2018) and seasonal effect of Lebaran as we were unable to deliver for 2 weeks in June 2018.

Cost of Revenues

Cost of Revenues increased by 16.1% from US$903.1 million in 1H2017 to US$1,048.3 million in 1H2018 mainly due to higher Naphtha cost which increased by some 29% from US$486/ton to US$627/ton in 1H2018 on the back of the increase in crude oil prices. Cracker operating rate was maintained at 97%, slightly lower compared to the same period last year of 98%. However, the Butadiene plant operated at 54% compared with 116% in 1H2017 due to planned shutdown for 95 days from 1 March 2018 for scheduled Turnaround Maintenance and tie-in works for Debottlenecking to increase the plant capacity by 37% to 137 KTPA. The plant successfully resumed operations on 3 June 2018.

EBITDA

EBITDA declined by 21.0% to US$232.8 million from US$294.7 million for 1H2017 largely due to some 18.6% lower Gross Profit as a result of higher feedstock costs, seasonal effect due to Lebaran (June 2018) constraining delivery/ sales to customers and lower contribution from Butadiene which experienced cyclical high margins in 1H2017 (supply disruption) and a planned shutdown for TAM and tie-in works of 95-days from 1 March 2018.

Net Profit After Tax

The Company recorded US$115.5 million Net Profit After Tax in 1H2018, 33.7% lower from US$174.2 million in 1H2017.

Total Assets

Total Assets were relatively stable, with a slight decline by 0.3% from US$2,987.3 million in FY2017 to $2,997.0 million in 1H2018 largely due to lower cash and cash equivalents for investment activities.

Total Liabilities

Total Liabilities decreased by 4.2% from US$1,318.5 million in FY2017 to US$1,262.8 million in 1H2018 mainly due to lower trade accounts payable due to working capital movements. Interest bearing debt decreased by 2.7% from US$632.3 million in FY2017 to US$615.1 million in 1H2018 which reflected the issuance of IDR Shelf Registration Bonds-Phase II Year 2018 equivalent to US$34.7 million, partially offset by loan principal repayments.

As of June 30, 2018, combined with cash balance position of US$715.4 million, the Company is in net cash position of US$100.3 million.

Cash Flows from Operating Activities

Cash Flows from Operating Activities declined by 32.0% from US$180.0 million in 1H2017 to US$122.4 million in 1H2018 mainly due to working capital movements resulting in an increase in payment to suppliers of US$230.9 million, partially offset by higher receipts from customers of US$144.1 million and higher tax restitution received of US$19.9 million.

Cash Flows from Investing Activities

Net cash used in Investing activities increased by 88.6% from US$80.1 million in 1H2017 to US$150.1 million in 1H2018, largely due to capital expenditures related to downstream projects expansions, in particular the new Polyethylene plant, Butadiene plant expansion, and land acquisition for the second Petrochemical complex.

Cash Flows from Financing Activities

Net cash used in Financing activities was US$98.6 million in 1H2018, lower by US$87.8 million in 1H2017. In 1H2018, the Company received US$34.7 million proceeds from IDR Shelf Registration Bonds-Phase II Year 2018 issuance, off-set by dividend payment of US$52.1 million, repayment of term loans totaling US$57.7 million as well as interest and financial charges of US$23.1 million.

MARKET UPDATES

In 2Q18, Brent crude price climbed up US$8/bbl from 1Q2018 to US$75/bbl amid ongoing OPEC agreement to extend production cut to end of 2018 and geopolitical tensions in the Middle East.

Naphtha price in 2Q2018 increased from average US$582/MT in 1Q2018 to US$640/MT driven by firm petrochemical demand and tight supply during seasonal refinery turnaround maintenance.

Ethylene price decreased in 2Q2018 from average US$1,243/MT in 1Q2018 to US$1,223/MT due to weaker demand during holiday season and Lebaran, as well as longer supply from more deep sea-cargoes arrivals.

Polymers price remained strong in 2Q2018, maintaining at US$1,359/MT level for Polyethylene and increasing from US$1,292/MT in 1Q2018 to US$1,312/MT for Polypropylene, due to strong market sentiment in China and limited supply.

Butadiene price continued to increase from US$1,314/MT in 1Q2018 to US$1,533/MT in 2Q2018 amid tight regional supply and lower production in US.

Styrene monomer price increased from US$1,388/MT in 1Q2018 to US$1,417/MT in 2Q2018, supported by tighter inventories and robust market momentum in China.

CORPORATE NEWS

Chandra Asri Petrochemical Inaugurates Plastic Asphalt Road

On 3 July 2018, the Company supported the government's target to reduce plastic waste at sea as much as 70% until 2025 by implementing plastic asphalt in the Company's plant environment located in Cilegon, Banten, accompanied by the Ministry of Public Works and Public Housing (PUPR). Plastic asphalt that is held over an area of 6,372 m2 is made of ordinary asphalt material with a mixture of 5-6%, or 3 tons, plastic waste. According to the Ministry of PUPR research, the addition of plastic elements in the asphalt road can increase its resistance by 40% which increases its durability and make it less prone to cracking. This plastic asphalt road is part of the Company's sustainability program and is one solution for handling plastic waste in Indonesia.

CAP Completing Plant Expansion Project

On 23 July 2018, the Company has completed its Butadiene plant capacity expansion project by 37% from 100KTA to 137KTA. In addition, the construction of the new Polyethylene plant with a capacity of 400KTA has reached more than 50% after its groundbreaking in last February.

CAP signed US$120 million Working Capital Facility Agreements with Bank Mandiri

On 30 July 2018, the Company signed Committed Revolving Credit Facility, Trade Finance Facility, and Treasury Line Facility Agreements with Bank Mandiri with a total amount of US$120 million. This facility will be used to support working capital requirements, mainly feedstock purchase, other short-term working capital needs, and to mitigate the risks of foreign exchange fluctuation.

CAP Present in 6 Universities as a Form of Support in Education World

CAP is committed to support the education world through scholarship program for final-year students in the following 6 Universities; Universitas Gadjah Mada (UGM), Institut Teknologi Bandung (ITB), Institut Teknologi Sepuluh Nopember Surabaya (ITS), Universitas Sultan Ageng Tirtayasa (UNTIRTA), Politeknik Negeri Bandung (POLBAN) dan Politeknik Negeri Malang (POLINEMA).

CAP Enters SWA List for Best Corporate University

According to SWA magazine (SWA No. 11, 25 May – 5 June 2018 edition), the Company enters the list of Indonesia’s Best Practice of Corporate University 2018 for Manufacturing & Processing category. CAP is considered to have a learning & development system with ideal development methodology through the implementation of in-depth Learning Value Chain. CAP scored "Good" in the overall assessment, yet stand out for learning need analysis, learning design and learning delivery with "Very Good" score.

CAP Enters SWA List for 100 Indonesia’s Best Wealth Creator

According to SWA magazine (SWA No. 15, 26 July - 5 August 2018 edition), the Company is in the 8th place from 100 public listed companies as the "Best Wealth Creators" or issuers that can generate more wealth than the minimum return expected by shareholders or investors. The ranking is based on the Company's positive 2017 Wealth Added Index (WAI) as seen from changes in daily stock prices throughout 2013-2016.

CAP Dispatches Humanitarian Aid for Lombok Earthquake Survivors

On 8 August 2018, the Company dispatches humanitarian aid to Lombok earthquake survivors in the form of 300 blankets, 336 boxes of baby food and 960 pcs of diapers. This humanitarian aid is dispatched in Halim Perdana Kusuma Airport under Posko Bencana Gempa Lombok, a humanitarian movement initiated by Indonesia National Arm Forces.