

**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.

## **CHANDRA ASRI PETROCHEMICAL ANNOUNCED RESULTS FOR THE PERIOD ENDED SEPTEMBER 30, 2018**

On 31 October 2018, PT Chandra Asri Petrochemical Tbk (IDX: TPIA) released its consolidated financial statement for the nine months of 2018 recording a Net Profit after Tax of US\$174.5 million, 30.4% lower y-o-y, largely attributed to lower chemical margins coupled with lower sales volumes mainly due to scheduled maintenance activities and tie-in works for capacity expansion, partly offset by higher revenues due to higher average sales prices somewhat mitigating the higher feedstock cost.

The Company's Director, Suryandi, explains:

**"In 9M 2018, despite rising Naphtha cost on the back of crude oil prices hike and global trade war, CAP continued to deliver solid operational and financial performance.**

**In general, amid increasing feedstock prices we were able to realize higher average selling prices y-o-y somewhat mitigating our cost of revenues. We also achieved optimal (above 90%) operating rates for all our plant facilities except for Butadiene plant due to planned shutdown for tie-in works and scheduled Turn-Around Maintenance (TAM) for 90 days and Styrene Monomer plant (30 days). The Butadiene plant resumed operations on 3 June 2018 with an expanded capacity of 137KTA (+37%) and the Synthetic Butadiene Rubber plant, our joint venture with Michelin, was successfully started up on 31 Aug 2018.**

**Overall, our financial performance remains strong with EBITDA margin around 17% 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\$98 million. We remain optimistic in the long-term outlook of the industry and will stay on track with our expansion plans".**

### **9M2018 FINANCIAL HIGHLIGHTS:**

- Net Revenues increased by 9.1% to US\$1,962.3 million from US\$1,798.0 million in 9M2017 as a result of higher average sales prices, primarily Ethylene and Polyethylene, partially offset by lower sales volumes mainly due to planned operational activities (capacity expansions, TAM).
- Cost of Revenues increased by 17.9% to US\$1,617.1 million from US\$1,372.0 million in 9M2017 largely due to higher feedstock cost, primarily Naphtha which increased to an average price of US\$646/MT from US\$479/MT, reflecting higher crude oil prices which rose to an average of US\$73/bbl in 9M2018 compared to US\$52/bbl in 9M2017.
- EBITDA declined by 21.6% to US\$337.4 million from US\$430.5 million for 9M2017 largely due to lower chemical margins and lower sales volume due to scheduled maintenance and capacity expansion activities (Butadiene debottlenecking, Cracker furnace revamp and TAM of Styrene Monomer plant).
- As a result, Net Profit After Tax amounted to US\$174.5 million, lower by 30.4% from 9M2017 of US\$250.6 million.

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## Financial Performance

| US\$ million, unless otherwise stated | 9M2018  | 9M2017  | % change |
|---------------------------------------|---------|---------|----------|
| Net Revenues                          | 1,962.3 | 1,798.0 | 9.1      |
| Cost of Revenues                      | 1,617.1 | 1,372.0 | 17.9     |
| Gross Profit                          | 345.2   | 426.0   | (19.0)   |
| Net Profit After Tax                  | 174.5   | 250.6   | (30.4)   |
| EBITDA                                | 337.4   | 430.5   | (21.6)   |
| Cash Flows from Operating Activities  | 164.9   | 295.3   | (44.2)   |
| Capital Investments                   | 208.7   | 125.7   | 66.1     |
| Dividends Paid                        | 52.1    | 117.4   | (55.6)   |
| Earnings per share (US\$)             | 0.0098  | 0.0150  | (34.7)   |
| US\$ million, unless otherwise stated | 9M2018  | FY2017  | % change |
| Total Assets                          | 3,061.2 | 2,987.3 | 2.5      |
| Total Liabilities                     | 1,270.1 | 1,318.5 | (3.7)    |
| Shareholders' Equity                  | 1,791.2 | 1,668.8 | 7.3      |
| Interest Bearing Debt                 | 589.8   | 632.3   | (6.7)    |
| Cash & Cash Equivalents               | 687.6   | 842.5   | (18.4)   |
| Net Debt / (Cash)                     | (97.9)  | (210.2) | (53.5)   |

## Financial Ratios

|                                      | 9M2018 | 9M2017 | % change |
|--------------------------------------|--------|--------|----------|
| Gross Profit Margin (%)              | 17.6   | 23.7   | (25.7)   |
| EBITDA Margin (%)                    | 17.2   | 23.9   | (28.2)   |
| Interest service coverage (x)        | 5.7    | 10.6   | (46.8)   |
| Debt to Capitalization (%)           | 24.8   | 17.8   | 39.1     |
| Debt to EBITDA (x) - LTM             | 1.3    | 0.6    | 106.2    |
| Net Debt/ (Cash) to EBITDA (x) – LTM | (0.2)  | (0.5)  | N/A      |

## Business Segments

| In US\$ million        | Revenues       |                |            |
|------------------------|----------------|----------------|------------|
|                        | 9M2018         | 9M2017         | % change   |
| Olefins                | 596.4          | 566.5          | 5.3        |
| Polyolefins            | 902.7          | 706.4          | 27.8       |
| Styrene Monomer        | 315.7          | 322.9          | (2.2)      |
| Butadiene              | 139.4          | 195.9          | (28.8)     |
| Tanks and Jetty Rental | 8.1            | 6.3            | 27.7       |
| <b>Consolidated</b>    | <b>1,962.3</b> | <b>1,798.0</b> | <b>9.1</b> |

| In US\$ million        | Gross Profit |              |               |
|------------------------|--------------|--------------|---------------|
|                        | 9M2018       | 9M2017       | % change      |
| Olefins                | 140.1        | 167.8        | (16.5)        |
| Polyolefins            | 157.1        | 195.3        | (19.6)        |
| Styrene Monomer        | 33.4         | 26.9         | 24.0          |
| Butadiene              | 7.7          | 31.5         | (75.5)        |
| Tanks and Jetty Rental | 7.0          | 4.4          | 57.6          |
| <b>Consolidated</b>    | <b>345.2</b> | <b>426.0</b> | <b>(19.0)</b> |

## FINANCIAL PERFORMANCE ANALYSIS

### Net Revenues

Net Revenues increased by 9.1% from US\$1,798.0 million in 9M2017 to US\$1,962.3 million in 9M2018 reflecting higher realized average sales prices, primarily for Ethylene and Polyethylene, partially offset by lower sales volumes mainly due to planned shutdown of the Butadiene plant (debottlenecking and 90-days TAM), some scheduled operational activities of furnace revamp (capacity creep, 1 furnace in 3Q18) and TAM of Styrene Monomer plant (1 train completed).

### Cost of Revenues

Cost of Revenues increased by 17.9% from US\$1,372.0 million in 9M2017 to US\$1,617.1 million in 9M2018 mainly due to higher Naphtha cost which increased by some 35% from US\$479/ton to US\$646/ton in 9M2018 on the back of the crude oil prices hike by 40% yoy. Cracker operating rate was maintained at 97%, lower compared to the same period last year of 99% due to one furnace revamp. Butadiene plant operated at 71% compared with 116% in 9M2017 due to planned shutdown for 90 days (March-June) for TAM and tie-in works for debottlenecking to increase the plant capacity by 37% to 137 KTA. Styrene Monomer plant operating level 9M2018 was at 88% against 104% in 9M2017 because of TAM of 1 train. Meanwhile, Polyolefins plant were operated at full rates.

### EBITDA

EBITDA declined by 21.6% to US\$337.4 million from US\$430.5 million for 9M2017 largely due to some 19.0% lower Gross Profit as a result of higher feedstock costs, lower sales volume especially from Butadiene plant, furnace revamp of our Cracker plant, and also TAM of Styrene Monomer plant.

### Net Profit After Tax

The Company recorded US\$174.5 million Net Profit After Tax in 9M2018, 30.4% lower from US\$250.6 million in 9M2017.

### Total Assets

Total Assets were slightly increased by 2.5% from US\$2,987.3 million in FY2017 to \$3,061.2 million in 9M2018 largely due to higher fixed assets offset by lower cash and cash equivalents for investment activities.

### Total Liabilities

Total Liabilities decreased by 3.7% from US\$1,318.5 million in FY2017 to US\$1,270.1 million in 9M2018 mainly due to lower interest bearing debt by 6.7% from US\$632.3 million in FY2017 to US\$589.8 million in 9M2018 which reflected the

scheduled loan principal repayments, partially offset by the issuance of IDR Shelf Registration Bonds I-Phase II Year 2018 equivalent to US\$34.7 million.

As of September 30, 2018, the Company is in a net cash position of US\$97.9 million.

#### **Cash Flows from Operating Activities**

Cash Flows from Operating activities declined by 44.2% from US\$295.3 million in 9M2017 to US\$164.9 million in 9M2018 mainly due to working capital movements resulting in an increase in payment to suppliers, directors, employees of US\$439.5 million, partially offset by higher receipts from customers US\$239.2 million and higher tax restitution received of US\$38.9 million.

#### **Cash Flows from Investing Activities**

Net cash used in Investing activities increased by 58.4% from US\$121.2 million in 9M2017 to US\$192.0 million in 9M2018, 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\$127.8 million in 9M2018 against Net cash provided by Financing of US\$160.6 million in 9M2017 largely due to the proceeds of US\$377 million from the rights issue last year. In 9M2018, the Company received proceeds of US\$34.7 million from IDR Shelf Registration Bonds I-Phase II Year 2018 issuance, off-set by dividend payment of US\$52.1 million, repayment of term loans totaling US\$81.9 million as well as interest and financial charges of US\$28.2 million.

### **MARKET UPDATES**

In 3Q2018, Brent crude price remained stable at US\$76/bbl from US\$75/bbl in 2Q2018 amid lingering market conditions on OPEC production cut and geopolitical tensions in the Middle East.

Naphtha price in 3Q2018 increased further from average US\$640/MT in 2Q2018 to US\$666/MT on the back of stronger demand from Northeast Asia after completion of TAM season.

Ethylene price decreased to US\$1,219/MT in 3Q2018 from US\$1,223/MT in 2Q2018 due to ample supply from Europe, Taiwan and Thailand coupled with bearish market sentiment.

Polymers price declined in 3Q2018, down to US\$1,335/MT for Polyethylene and US\$1,292/MT for Polypropylene. Declining Polyethylene price level was driven by weak market demand, coupled with ample US-origin Polyethylene offers following US-China trade war escalation. Polypropylene prices were on a downtrend due to depreciating Chinese Yuan, lackluster buying activity, and increased supply from the Middle East and India.

Butadiene price continued to increase from US\$1,533/MT in 2Q2018 to US\$1,604/MT in 3Q2018 amid relatively tight regional supply.

Styrene monomer price increased from US\$1,420/MT in 2Q2018 to US\$1,433/MT in 3Q2018, supported by improving demand and tight supply.

## CORPORATE NEWS

### **S&P Global Ratings Revises Outlook to Stable on CAP US\$300mn Notes**

Standard & Poor's Global Ratings (S&P) revised its outlook on the Company's US\$300 million Senior Unsecured Notes from developing to stable. In addition, S&P also affirmed its "B+" long-term issuer credit rating on the Company and on its Senior Unsecured Notes. *(published on September 14<sup>th</sup>, 2018)*

### **Fitch Ratings Affirms CAP at "BB-"/"AA-(idn)"/Stable**

Fitch Ratings affirmed the Company's long-term issuer default rating at "BB-" with stable outlook. The rating on US\$300 million Senior Unsecured Notes was also affirmed by Fitch Ratings at "BB-". In addition, CAP's National Long-Term Rating was affirmed at "AA-(idn)" with stable outlook. *(published on October 18<sup>th</sup>, 2018)*

### **PEFINDO Affirms "idAA-" Ratings to CAP & its Bonds**

PEFINDO affirmed its "idAA-" ratings to CAP, CAP Bonds I Year 2016, and Shelf Registration Bonds I CAP Phase I Year 2017-2018. In addition, PEFINDO also gave a stable outlook for the Company's corporate rating. *(published on October 12<sup>th</sup>, 2018)*



### **The Joint Venture Plant of CAP & Michelin Completed**

On 20 August, 2018, the synthetic rubber plant of PT Synthetic Rubber Indonesia (SRI), a joint venture between CAP & Michelin was completed. The plant with a total investment of US\$435 million is the first plant in Indonesia to produce the feedstock of environmentally-friendly tire, using Michelin's proprietary technology. SRI will produce Polybutadiene Rubber with Neodymium Catalyst and Solution Styrene Butadiene Rubber.



### **CAP Supports World Clean Up Day 2018**

On 15 September 2018, the management and employees of the Company became part of world's largest clean-up movement that involve 350 million volunteers in 150 countries. The Company perceives this as an opportunity to emphasize the importance of trash-sorting, ranging from disposing trash properly, sorting out the trash, up to implementing the reuse and recycle concepts.



#### **SMI, a subsidiary of CAP, Empower Mangunreja Village**

On 20 September 2018, PT Styrimdo Mono Indonesia (SMI) handover supports taking form as 4 sewing machines for Maju Terus Mangunreja Coop, donation for Mangunreja Village's Community Center refinement, and socialization regarding the utilization of non-hazardous waste in Mangunreja Village Office Hall, Serang, Banten. These supports aimed to serve the development of dust cloth production business, empower the locals through Community Center and socialization as well as to lift up the living standards of the community around Mangunreja Village.



#### **CAP Shares Plastic Road in the 12<sup>th</sup> National Symposium on Polymer**

On 4 October 2018, the Company shares the story regarding the process of utilizing used plastic bag as an asphalt mixture material which according to the research of the Ministry of Public Works of Public Housing (PUPR), has a 40% higher resistance so that it is more durable and not easily cracked. The plastic road has been implemented in the Company's plant environment located in Cilegon, Banten. In addition, SNP XII which was held at Margo Hotel Depok raised the theme "Dealing Environmental Challenges with Plastic Technology".



#### **CAP Helps Palu to Recover**

On 11 October 2018, the Company sent assistance in the form of donations to the victims of the earthquake, tsunami, and liquefaction in Palu, Sigi, and Donggala, Central Sulawesi. The fundraising results collected from all employees and management of the Company was distributed to our employee's family who were also impacted and to a disaster response organization, Sekolah Relawan Foundation. The donation was intended for refugee logistics, compensation for those who lost family members, and damaged house repairs.



#### **CAP Appoints Independent Director**

On 24 October 2018, the Company held its Extraordinary General Meeting of Shareholders (EGMS) in Wisma Barito Pacific, Jakarta. The Meeting agreed to appoint Mr. Suryandi as Director and also acted as Independent Director. One month earlier, the Company also held an EGMS where Mr. Somkoun Sriwattagaphong was appointed as the new Director replacing Mr. Piboon Sirinantanakul and Mr. Thammasak Sethaudom was also appointed as a new Commissioner replacing Mr. Chaovalit Ekabut.





#### **Chandra Asri Obtains Medals in ICQCC 2018**

On 25 October 2018, the Company achieved 3 Gold Medals and 1 Silver Medals in Singapore, through International Convention on Quality Control Circle (ICQCC). The three gold medals were achieved by Chandra Asri Small Group Activity (SGA) in Ethylene, Electric Polymer and Utility, and as for the silver medal was achieved by Chandra Asri SGA in Ethylene Cold Section.



#### **Chandra Asri Receives Award in Padmamitra Awards 2018**

On 25 October 2018, the Company won the highest award in Padmamitra Awards 2018 for Social Problem Handling in the Field of Poverty. The Padmamitra Awards is an appreciation platform by the Ministry of Social Affairs Republic Indonesia with the Social Responsibility Forum in Organizing Social Welfare (Kessos CSR Forum), held at the Swiss-Belhotel Ballroom in Jakarta. This appreciation was awarded for the company's commitment in implementing a sustainable CSR program to improve the surrounding community quality of life.