

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, butadiene and MTBE/B1 in Indonesia. In addition, CAP is also the largest polyolefins 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.

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# NEWS RELEASE

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## CHANDRA ASRI PETROCHEMICAL ANNOUNCES RESULTS FOR THE PERIOD ENDING SEPTEMBER 30, 2020

On 26 October 2020, PT Chandra Asri Petrochemical Tbk (IDX: TPIA) released its unaudited consolidated financial statements for the nine months of 2020. The Company recorded Net Revenues of US\$1,268.0 million.

The Company's Director, Suryandi, commented:

**"We are pleased to report a solid financial performance in Q3 2020, where we achieved an EBITDA of US\$61 million and a net profit of US\$21 million over the 3 months of July to September 2020. This brings us to a year-to-date 2020 EBITDA of US\$66 million and a reduced net loss of US\$19 million. We continue to be able to sell our production volumes stably with no drop in demand, to serve the vibrant needs of our customers and the domestic market.**

**This turnaround in the second half of 2020 occurs against a backdrop of demand recovery arising from China and North East Asia, business strength due to demand for plastic packaging as a low cost and hygienic product, and our continuous focus on operational excellence to deliver smooth and safe operations. Our balance sheet position remains solid with liquidity pool of US\$797 million as of 30 September 2020 including US\$516 million cash and cash equivalents. Chandra Asri proactively prepaid US\$125 million of our last secured term loan in July 2020 (originally maturing in 2023), repurchased US\$20 million of our USD bonds in the open markets, and issued domestic IDR bonds of US\$68 million to proactively manage our capital structure and reduce overall costs of financing.**

**We are delighted with the successful start-up of our MTBE plant, with a capacity of 128 Kilo Tons per annum and Butene-1 plant, with a capacity of 43 Kilo Tons per annum in September. These projects which costs US\$130.5 million finished on time, within budget and fully met specifications notwithstanding the challenging pandemic situation. It marks the successful execution and completion of Chandra Asri's Integration Master Plan 2015-2020. These sole plants in Indonesia helps further develop the country's petrochemical industry, improve Indonesia's balance of payments, and grows Chandra Asri's total production capacity to be more than 4.2 Million Tons Per Annum. Our new Enclosed Ground Flare with investment value of US\$14 million was also completed on time to underpin our solid commitment towards Environmental, Social and Governance (ESG) factors.**

### 9M 2020 FINANCIAL HIGHLIGHTS:

- Net Revenues decreased by 8.6% to US\$1,268.0 million from US\$1,387.6 million in YTD Q3 2019 as a result of lower average selling prices, particularly for Olefins and Polyolefins, but with continued healthy demand resulting in increased sales volume (1,626 KT from 1,394 KT in YTD Q3 2019 vs YTD Q3 2020)
- Cost of Revenues was US\$1,221 million in YTD Q3 2020, reflecting lower Naphtha prices (average of US\$414/MT in YTD Q3 2020 vs US\$543/MT in YTD Q3 2019), caused by lower Brent crude oil prices which contracted to an average of US\$41/bbl compared to US\$65/bbl in YTD Q3 2019. However this was partially offset by higher Naphtha consumption due to increased capacity and production.
- EBITDA decreased by 57.9% to US\$65.5 million, from US\$155.4 million in YTD Q3 2019 due to the global petrochemical industry trough in Q1 2020, where soft demand for petrochemical products due to the US trade war, additional capacity and slowing global economy due to the rising pandemic in China and NEA regions at that point in time led to record industry-low petrochemical margin spreads. However,

underlying macro conditions have turned around since June as demonstrated by a very robust Q3 2020 financial performance.

- Net Profit After Tax amounted to -US\$19.0 million as compared to a YTD Q3 2019 figure of US\$32.1 million. The US\$51 million reduction is largely attributable to compressed product margins in Q1 2020, offset by tighter cost control over opex and lower tax; but with a clear rebound in H2 2020 well on track.
- Strong liquidity pool of US\$797 million consisting of US\$516 million in cash and cash equivalents, US\$228 million of available Revolving Credit Facility, and US\$53 million in marketable securities after the prepayment of the long-term secured loan and USD bond buyback to reduce Chandra Asri's interest bearing debt from US\$945 million as of 30 June 2020 to US\$836 million as of 30 September 2020.

| US\$ million, unless otherwise stated          | 9M2020   | 9M2019  | % change |
|------------------------------------------------|----------|---------|----------|
| Net Revenues                                   | 1,268.0  | 1,387.6 | (8.6)    |
| Cost of Revenues                               | 1,220.9  | 1,220.3 | 0.0      |
| Gross Profit                                   | 47.1     | 167.3   | (71.8)   |
| Net Profit After Tax                           | (19.0)   | 32.1    | (159.3)  |
| EBITDA                                         | 65.5     | 155.4   | (57.9)   |
| Cash Flows from (used in) Operating Activities | (63.4)   | (17.8)  | 256.7    |
| Capital Investments                            | 102.9    | 272.8   | (62.3)   |
| Earnings per share (US\$)                      | (0.0011) | 0.0018  | (162.4)  |
| US\$ million, unless otherwise stated          | 9M2020   | FY2019  | % change |
| Total Assets                                   | 3,259.9  | 3,451.2 | (5.5)    |
| Total Liabilities                              | 1,521.6  | 1,690.2 | (10.0)   |
| Shareholders' Equity                           | 1,738.3  | 1,761.0 | (1.3)    |
| Interest Bearing Debt                          | 835.8    | 787.9   | 6.1      |
| Cash & Cash Equivalents                        | 516.2    | 660.2   | (21.8)   |
| Net Debt / (Cash)                              | 319.5    | 127.7   | 150.2    |

#### Financial Ratios

|                                      | 9M2020 | 9M2019 |
|--------------------------------------|--------|--------|
| Gross Profit Margin                  | 3.7%   | 12.1%  |
| EBITDA Margin                        | 5.2%   | 11.2%  |
| Interest service coverage (x)        | 3.2    | 3.7    |
| Debt to Capitalization               | 33%    | 32%    |
| Debt to EBITDA (x) - LTM             | 9.4    | 3.7    |
| Net Debt/ (Cash) to EBITDA (x) – LTM | 3.7    | 1.2    |

## Business Segments

| In US\$ million        | Revenues       |                |              |
|------------------------|----------------|----------------|--------------|
|                        | 9M2020         | 9M2019         | % change     |
| Olefins                | 173.3          | 315.9          | (45.1)       |
| Polyolefins            | 869.3          | 644.9          | 34.8         |
| Styrene Monomer        | 136.0          | 286.0          | (52.5)       |
| Butadiene              | 80.8           | 133.2          | (39.3)       |
| Tanks and Jetty Rental | 8.6            | 7.7            | 11.9         |
| <b>Consolidated</b>    | <b>1,268.0</b> | <b>1,387.6</b> | <b>(8.6)</b> |

| In US\$ million        | Gross Profit |              |               |
|------------------------|--------------|--------------|---------------|
|                        | 9M2020       | 9M2019       | % change      |
| Olefins                | 16.9         | 28.6         | (41.0)        |
| Polyolefins            | 45.4         | 89.3         | (49.1)        |
| Styrene Monomer        | (15.3)       | 35.1         | (143.5)       |
| Butadiene              | (7.1)        | 8.7          | (181.9)       |
| Tanks and Jetty Rental | 7.2          | 5.7          | 27.1          |
| <b>Consolidated</b>    | <b>47.1</b>  | <b>167.3</b> | <b>(71.8)</b> |

## FINANCIAL PERFORMANCE ANALYSIS

### Net Revenues

Net Revenues decreased by US\$120 million, i.e. 8.6% lower to US\$1,268.0 million from US\$1,387.6 million in YTD Q3 2019, mainly reflecting lower average selling prices to US\$780/T from US\$996/T in YTD Q3 2019 in view of Ethylene and Polyethylene global market prices dropping sharply to US\$682/T and US\$860/T, from US\$881/T and US\$1,137/T respectively over the corresponding period in 2020. Conversely our sales volume increased by 17% to 1,626KT in YTD Q3 2020, up from 1,394KT in YTD Q3 2019.

### Cost of Revenues

Cost of Revenues was relatively flat comparing US\$1,220.9 million in YTD Q3 2020, vs US\$1,220.3 million in YTD Q3 2019 largely due to lower Naphtha price that was US\$543/MT in YTD Q3 2019 as compared to an average of US\$414/MT in YTD Q3 2020, largely due to lower Brent crude oil prices (37% decline year-on-year to an average of US\$41/bbl against US\$65/bbl in YTD Q3 2019).

As a result of the above, Gross Profit for nine months of 2020 was US\$47.1 million, 71.8% lower than YTD Q3 2019.

### EBITDA

EBITDA decreased by 57.9% to US\$65.5 million from US\$155.4 million in YTD Q3 2019 driven by the challenging Q1 2020, where soft demand for petrochemical products due to the US trade war, additional capacity and slowing global economy due to the rising pandemic in China and NEA regions at that point in time led to record industry-low petrochemical margin spreads. However, things have rebounded robustly since June 2020 and a turnaround is well on track.

### **Net Profit After Tax**

The Company realized a US\$19.0 million Loss After Tax in YTD Q3 2020 compared to US\$32.1 million in the same period last year. The US\$51 million reduction is largely attributable to weaker gross profits, offset by reduced opex due to increased vigilance on cost and a lower tax bill.

### **Total Assets**

Total Assets decreased by 5.5% to US\$3,259.9 million as of 30 September 2020, against US\$3,451.2 million on 31 December 2019 largely due to the full prepayment in July 2020 of US\$125 million of Chandra Asri's last secured Term Loan with an original principal of US\$199.8 million (maturing in 2023), that lowered cash and cash equivalents. This was also coupled with lower account receivables as part of the Company's focus on cash to optimize working capital.

### **Total Liabilities**

Total Liabilities reduced to US\$1,521.6 million from US\$1,690.2 in FY 2019 mainly due to lower account payables at US\$478.5 million, coupled with lower deferred tax liabilities at US\$103.4 million. As of September 30, 2020, the Company had a total debt position of US\$835.8 million, against a cash and cash equivalents balance of US\$516.2 million, resulting in an overall net debt position of US\$319.5 million.

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

Net cash used in Operating activities was US\$63.4 million in YTD Q3 2020 against US\$17.8 million in YTD Q3 2019, due to lower cash receipts from customers in line with lower gross profit levels, coupled with lower tax restitution received (but has been subsequently received in Q4 2020 to materially improve Cash Flows from Operating Activities).

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

Net cash used in Investing activities decreased by 62.7% to US\$108.3 million in YTD Q3 2020 from US\$290.6 million in YTD Q3 2019, in line with Management strategy to re-phase capex to maintain a robust balance sheet, and with most capex projects largely completed and only channeled towards the ongoing MTBE and B1 plant expansion.

### **Cash Flows from Financing Activities**

Net cash provided from Financing activities was US\$27.7 million in YTD Q3 2020 against US\$150.9 million in YTD Q3 2019 due to working capital credit facility US\$115 million, higher proceeds from IDR Bond issuance of IDR1.75tn from two issuances, no final dividend declared, and offset by repayment of short term bank loans US\$65 million, full prepayment of outstanding principal US\$125 million from a Term Loan facility, and USD bond repurchase of US\$20.4 million.

## MARKET CONDITIONS Q3 2020

Brent crude price increased to US\$43/bbl in Q3-2020 from US\$33/bbl in Q2-2020 on the back of fuel demand recovery as more containment measures eased globally, added by concerns on a second wave of COVID-19 outbreak, persisting US-China trade tensions, possible return of Libyan supply, weak refining margins and high inventories accumulated in H1 2020.

Naphtha price in Q3-2020 increased from an average of US\$276/MT in Q2-2020 to US\$391/MT in Q3-2020 due to limited supply due to reduced arbitrage from the West into Asia, and also healthier petrochemical demand with some Asian crackers commencing Turnaround Maintenance in late August.

Ethylene price increased from US\$556/MT in Q2-2020 to US\$748/MT in Q3-2020 due to tighter supply amid outages & limited deep-sea cargo arrivals due to closed arbitrage window from the US in September. This was also caused by firmer feedstock costs and healthier NEA spot demand ahead of long holiday in China and NEA.

Polymer price increased in Q3-2020 to US\$939/MT for Polyethylene and US\$968/MT for Polypropylene. Stronger Polyethylene prices were driven by tighter supply from disrupted US plants due to hurricanes, and firmer China domestic prices on improving domestic demand amid low inventory due to TAMs and appreciation of RMB against the USD. Polypropylene prices strengthened due to improved demand from consumer goods sectors in September, firmer feedstock costs and higher offers from regional producers.

Butadiene price increased from US\$328/MT in Q2-2020 to US\$533/MT in Q3-2020 on the back of tighter NEA supply due to outages in South Korea and Taiwan, firmer downstream ABS, SBR and BR demands in line with gradual revival of automotive sectors. Also supported with bullish sentiment on recovering global economy & firmer buying interest ahead of the holiday season in NEA (China's Golden Week).

Styrene Monomer price increased from US\$626/MT in Q2-2020 to US\$667/MT in Q3-2020, due to stronger Naphtha & Benzene feedstock prices amid healthy consumptions from Polymer and ABS sectors. In addition, the increased price was also caused by tighter supply from South Korea and Japan in September due to TAMs and reduced operating rates.

## CORPORATE NEWS



### **Chandra Asri Distributes Plastic Container to MUI Banten Province as the Qurban Meat Packaging**

On 22 July 2020, the Company collaborated with PT Dadap Plasindo to distribute 65,250 pieces of thin-wall plastic containers that can be used as a container in the distribution of qurban meat. This collaboration with MUI Banten Province was carried out to introduce innovative food containers that can be reused, recycled, is hygienic, and also halal-certified. The donation was distributed by MUI to eight districts and cities in Banten.



### **Chandra Asri Holds a Socialization of Clean and Healthy Behaviors to Prevent COVID-19 Transmission**

On 29 July 2020, the Company held a socialization about Clean and Healthy Behaviors as part of efforts to tackle COVID-19 spread in the communities of Kampung Cilodan, Gunung Sugih Sub-District, Ciwandan District. In addition, spraying disinfectant was also carried out in the areas of the Kampung Cilodan area, both at public facilities, as well as in the houses of the local community.



### **Chandra Asri Held an Annual General Meeting of Shareholders (AGMS) 2020**

On 5 August 2020, the Company held its AGMS for the financial year of 2019 by implementing strict health protocols. The AGMS was held at Wisma Barito Pacific, Jakarta, and the shareholders approved all the agendas.



### **Chandra Asri and Pertamina Signs Head of Agreement**

On 25 August 2020, the Company together with PT Kilang Pertamina Internasional, a subsidiary of PT Pertamina (Persero), signed a Head of Agreement (HoA) as a form of cooperation in developing the petrochemical business in Indonesia. This cooperation refers to President Joko Widodo's direction to encourage the construction of factories that produce petrochemical import substitutions and expected to develop the petrochemical business in the country.



### **Chandra Asri Successfully Issues 1 Trillion Rupiah Bond**

On 26 August 2020, the Company successfully completed the issuance of a 1 Trillion Rupiah Bond which was 100% fully subscribed. The bond issuance with a rating of idAA- from Pefindo is considered to meet the very strong long-term financial commitment of debt securities, relative to other Indonesian obligors. The issuance will be used to fund its working capital requirements.



### **Chandra Asri's MTBE and Butene-1 Plants Commenced Operations**

On 8 September 2020, the Company has commenced operations of its new 128 KTA MTBE and 43 KTA B1 plants, first of their kinds in Indonesia. The MTBE plant is tapping into the octane booster market that is still reliant on import, while the B1 plant will be absorbed 33 KTA by Chandra Asri's own operations and targeted for the domestic market. Both plants are using Lummus Technology, one of the most advanced petrochemical processing technology in the world.



#### **Chandra Asri Distributes Medical Equipment to the City Government of Cilegon For Handling COVID-19**

On 10 September 2020, the Company donated medical equipment to the Cilegon City Government and Cilegon Regional Hospital. This donation included protective bodysuit, KN95 mask, surgical mask, rapid test kit, and gloves. The donation was also handed over to the Cilegon Police and the Banten Military Resort Commander.



#### **Chandra Asri Constructs the Banten Regional Police Connecting Building**

On 16 September 2020, the Company inaugurated the 2,000m<sup>2</sup> Banten Regional Police connecting building which has been built since 2019. This connecting building grant is hoped to increase work performance of the entire Banten police in carrying out the task of providing the best service to the community.



#### **Chandra Asri Operates Enclosed Ground Flare, Reduces Environmental and Social Impacts**

On 29 September 2020, the Company continues its commitment to sustainability by operating Enclosed Ground Flare (EGF), a smokeless flare technology at its petrochemical complex in Cilegon, Banten. With a total investment of US\$14 million, the EGF was built to minimize the social and environmental impacts of Chandra Asri's operations.



#### **Chandra Asri and Vopak Sign LOI for Partnership in Industrial Terminal in Indonesia**

On 5 October 2020, the Company and Royal Vopak (Vopak), the world's leading independent tank storage company, signed a Letter of Intent (LOI) to set up a joint venture company for collaboration in the industrial infrastructure business in Cilegon, Banten, Indonesia. It is expected to help growing existing petrochemical value chains and lay the foundations for an expanded industrial cluster.