PT Chandra Asri Petrochemical Tbk (CAP)

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 DECEMBER 31, 2018

On 28 March 2019, PT Chandra Asri Petrochemical Tbk (IDX: TPIA) released its consolidated financial statements for the twelve months of 2018 recording Net Revenues of US$2,543.2 million. This is 5.2% higher year-on-year, attributable to higher average selling prices, and partially offset by lower sales volume due to scheduled maintenance activities, tie-in works for Butadiene capacity expansion, and a revamp of Naphtha Cracker furnaces.

The Company's President Director, Erwin Ciputra, commented:

"2018 was a challenging year amidst global economic uncertainties from rising interest rates, the China-US trade war, geo-political tensions, and volatile crude and feedstock prices, resulting in moderating petrochemical margins. We continue to deliver on our expansion plans to increase our annual production capacity to 3,458KT from 3,301KT, with the successful startup of the synthetic rubber plant joint venture with Michelin with a capacity of 120KT in August 2018; and a 37% increase in our Butadiene plant to 137KT.

We achieved a 2018 EBITDA of US$401.7 million, reflecting above mid-cycle industry margins of 16%. We continue to maintain strong liquidity and financial flexibility, with a cash balance of US$726.7 million at year end. We raised Rp1 trillion from our IDR Shelf Bond Programme that was favourably oversubscribed; and also secured new financing from the Japan Bank for International Cooperation (JBIC) in recognition of our strong track-record.

The Company's market position remains strong and we continue to deliver best-in-class safety performance and high plant utilization rates.

Going forward, we remain optimistic about the long-term outlook of Indonesia's growing domestic demand. Currently, more than 50% of demand is still being fulfilled by imports. In 2019 we are focused on completing our new 400KT/year Polyethylene plant and expanding our Polypropylene plant by 23% to 590KT/year, by the end of the year. This is fully in line with our strategy to support the government's objective to reduce imports, and further integrate downstream".

FY2018 FINANCIAL HIGHLIGHTS:

- Net Revenues increased by 5.2% to US$2,543.2 million from US$2,418.5 million in FY2017 as a result of higher average sales prices, primarily for Ethylene, Polyethylene and Polypropylene, partially offset by lower sales volumes mainly due to planned operational activities (Butadiene debottlenecking, Cracker furnace revamp and Turnaround Maintenance (TAM) of the Styrene Monomer plant).
- Cost of Revenues increased by 14.9% to US$2,152.7 million from US$1,873.5 million in FY2017 largely due to higher feedstock cost, primarily Naphtha which increased to an average price of US$650/MT from US$500/MT across the year, reflecting higher Brent crude oil prices which rose to an average of US$72/bbl in FY2018 compared to US$54/bbl in FY2017.
- EBITDA declined by 27% to US$401.7 million from US$550.3 million for FY2017 largely due to lower sales volume coupled with lower petrochemical margins, driven by moderating chemical margins and rising crude oil prices.
- As a result, Net Profit After Tax amounted to US$182.3 million, lower by 42.9% from the FY2017 figure of US$319.2 million.

Financial Performance

US$ million, unless otherwise stated	FY2018	FY2017	% change
Net Revenues	2,543.2	2,418.5	5.2
Cost of Revenues	2,152.7	1,873.5	14.9
Gross Profit	390.5	545.0	(28.4)
Net Profit After Tax	182.3	319.2	(42.9)
EBITDA	401.7	550.3	(27.0)
Cash Flows from Operating Activities	403.5	394.4	2.3
Capital Investments	354.0	226.0	56.6
Dividends Paid	81.7	161.8	(49.5)
Earnings per share (US$)	0.0102	0.0186	(45.2)
US$ million, unless otherwise stated	**FY2018**	**FY2017**	**% change**
Total Assets	3,173.5	2,987.3	6.2
Total Liabilities	1,403.4	1,318.5	6.4
Shareholders' Equity	1,770.1	1,668.8	6.1
Interest Bearing Debt	618.2	632.3	(2.2)
Cash & Cash Equivalents	726.7	842.5	(13.7)
Net Debt / (Cash)	(108.5)	(210.2)	(48.4)

Financial Ratios

	FY2018	FY2017	% change
Gross Profit Margin (%)	15.4	22.5	(31.9)
EBITDA Margin (%)	15.8	22.8	(30.6)
Interest service coverage (x)	8.3	11.3	(26.5)
Debt to Capitalization (%)	26.0	27.0	(3.7)
Debt to EBITDA (x) - LTM	1.5	1.1	33.9
Net Debt/ (Cash) to EBITDA (x) – LTM	(0.3)	(0.4)	N/A

Business Segments

In US$ million	Revenues		
	FY2018	FY2017	% change
Olefins	733.7	783.5	(6.3)
Polyolefins	1,184.2	942.8	25.6
Styrene Monomer	411.0	432.8	(5.0)
Butadiene	205.7	252.1	(18.4)
Tanks and Jetty Rental	8.6	7.4	16.7
Consolidated	**2,543.2**	**2,418.5**	**5.2**

In US$ million	Gross Profit		
	FY2018	FY2017	% change
Olefins	145.4	212.5	(31.6)
Polyolefins	189.9	249.1	(23.8)
Styrene Monomer	41.7	42.7	(2.3)
Butadiene	7.3	35.8	(79.6)
Tanks and Jetty Rental	6.2	4.8	29.2
Consolidated	**390.5**	**545.0**	**(28.3)**

FINANCIAL PERFORMANCE ANALYSIS

Net Revenues

Net Revenues increased by US$125 million, 5.2% higher from US$2,418.5 million in FY2017 to US$2,543.2 million in FY2018, reflecting higher realized average sales prices, primarily for Ethylene, Polyethylene and Polypropylene, partially offset by lower sales volumes mainly due to lower production volumes due to planned shutdown of the Butadiene plant (90 days for TAM and tie-in works for debottlenecking to increase plant capacity by 37% to 137 KTA), scheduled operational activities of furnace revamp (capacity creep, 2 furnaces) and TAM of Styrene Monomer plant (2 trains). As a result, the Cracker operating rate was 96%, lower compared to the same period last year of 99%; the Butadiene plant operated at 79% compared with 117% in FY2017; and the Styrene Monomer plant operated at 89% against 105% in FY2017. Meanwhile, Polyolefins plant were operated at full rates.

Cost of Revenues

Cost of Revenues increased by US$280 million, 14.9% higher from US$1,873.5 million in FY2017 to US$2,152.7 million in FY2018, mainly due to higher feedstock costs, primarily Naphtha, which increased by some 30% from US$500/ton to US$650/ton in FY2018 on the back of higher Brent crude oil prices by 31% year-on-year.

As a result, Gross Profit was lower by US$155 million, 28.4% lower than 2017.

EBITDA

EBITDA declined by 27.0% to US$401.7 million from US$550.3 million for FY2017 largely due to the lower Gross Profit.

Net Profit After Tax

The Company recorded US$182.3 million of Net Profit After Tax in FY2018, 42.9% lower from US$319.2 million in FY2017 largely due to lower gross profit, higher finance costs, differences in exchange, and share in the net loss of an associate, partially offset by a lower income tax expense.

Total Assets

Total Assets increased by 6.2% from US$2,987.3 million in FY2017 to $3,173.5 million in FY2018 largely due to higher capital investments for our expansion and plant improvements such as New Polyethylene Plant, MTBE/ B1, 2nd Cracker Complex and others, partially offset by lower cash and cash equivalents.

Total Liabilities

Total Liabilities increased by 6.4% from US$1,318.5 million in FY2017 to US$1,403.4 million in FY2018 mainly due to increase in trade accounts payable, higher bonds payable due to the issuance of new bonds in 2018 of IDR Shelf Registration Bonds I-Phase II Year 2018 equivalent to US$34.7 million and IDR Shelf Registration Bonds II-Phase I Year 2018 equivalent to US$34.3 million, partially offset the principal repayment of bank loans.

As of December 31, 2018, the Company is in a net cash position of US$108.5 million.

Cash Flows from Operating Activities

Cash Flows from Operating activities increased by 2.3% from US$394.4 million in FY2017 to US$403.5 million in FY2018 mainly due to a tax restitution received of US$52.6 million, coupled with lower EBITDA, leading to less cash generated from operations by US$84.0 million partially offset with lower payment of income taxes by US$40.5 million.

Cash Flows from Investing Activities

Net cash used in Investing activities increased by 60.1% from US$229.1 million in FY2017 to US$366.9 million in FY2018, largely due to capital expenditures related to downstream projects expansions for the New Polyethylene plant, Butadiene plant expansion, and plant improvements.

Cash Flows from Financing Activities

Net cash used in Financing activities was US$152.5 million in FY2018 against Net cash provided by Financing of US$378.5 million in FY2017 due to lower fundraising activities, in particular from the proceeds of limited public offering of US$377 million and US$300 million Senior Unsecured Guaranteed Notes in 2017, partially offset by lower dividend payment by US$81.7 million and lower principal repayment of bank loans by US$36.5 million.

MARKET UPDATES

In 4Q2018, Brent crude price decreased to US$69/bbl from US$76/bbl in 3Q2018 due to higher supply from the Middle East, US and Russia, as well as weaker demand and economic outlook.

In line with lower crude price, Naphtha price in 4Q2018 decreased from average US$666/MT in 3Q2018 to US$575/MT on the back of rising supply with more arbitrage cargoes, weak gasoline blending demand and declining downstream margin.

Ethylene price decreased from US$1,219/MT in 3Q2018 to US$890/MT in 4Q2018 driven by weaker upstream energy prices and ample supply in the region.

Polymers price declined in 4Q2018 to US$1,227/MT for Polyethylene and US$1,235/MT for Polypropylene. Declining Polymer prices was driven by bearish market sentiment, coupled with arrival of deep sea cargoes and year-end holiday season.

Butadiene price declined from US$1,604/MT in 3Q2018 to US$1,093/MT in 4Q2018 amid dampened demand from automotive outlook and stagnant synthetic rubber markets.

Styrene monomer price decreased from US$1,433/MT in 3Q2018 to US$1,127/MT in 4Q2018, due to weaker demand from China.

CORPORATE NEWS

CAP Takes Part in "Our Ocean Conference 2018"

On 29-30 October 2018, the Company participated in "Our Ocean Conference 2018" in Bali Nusa Dua Convention Center. The Company shared information regarding plastic roads: one of its key sustainability programs and a viable alternative towards tackling plastic waste.

CAP Wins Gold Award in OPEXCON 2018

On 7 November 2018, the Company won a Gold Award for the Manufacturing category, in the Operational Excellence Conference & Award 2018 (OPEXCON18) held in Ritz Carlton Pacific Place, Jakarta. This year's award marks the 6th time of Chandra Asri's success in OPEXCON after winning Gold Awards (2016 and 2013), Silver Awards (2015 and 2017) and Bronze Award (2014) in the same category.

CAP Issues Shelf Registration Bonds II CAP Phase I Year 2018

On 16 November 2018, the Company held an Investor Gathering to announce its plans for IDR bonds issuance through the Shelf Registration programme II, with an approved limit of Rp 2 trillion. For phase I, the Company successfully raised funding of Rp 500 billion with tenor of 3 (three) years.

Inauguration of PT Synthetic Rubber Indonesia's Plant

On 29 November 2018, PT Synthetic Rubber Indonesia (SRI), a joint venture between PT Chandra Asri Petrochemical Tbk and Michelin, successfully inaugurated its plant located in Cilegon, West Java. The JV benefits from Chandra Asri's competitive feedstock and operational excellence, with Michelin's proprietary technology to produce semi-finished products used in the key components of environmentally-friendly tires.

CAP and SMI Bring Home Medals in TKMPN XXII & IQPC 2018

On 27-30 November 2018, the Company and Styrindo Mono Indonesia (SMI) took part in the National Quality & Productivity Convention (TKMPN) XXII and International Quality & Productivity Convention (IQPC) 2018 in Batam. The Company and SMI's Small Group Activity (SGA) managed to bring home 1 Platinum award and 3 Gold awards.

CAP Awards Lummus Technology for the Furnace Design of Its Second Cracker

On 7 December 2018, the Company awarded the detailed heater design of its second cracker, Chandra Asri Perkasa (CAP 2) to Lummus Technology. CAP 2 will adopt Lummus' Short Residence Time (SRT®) Ethylene heater design. This new world-scale petrochemical complex is projected to be commercially operational by 2024 in Cilegon, Indonesia adjacent to the existing CAP complex.

CAP Wins in Indonesian Institute for Corporate Directorship (IICD) Award 2018

On 10 December 2018, the Company received the Good Corporate Governance (GCG) Award in The 10th IICD Corporate Governance Award 2018, within the category of *Top 50 Big Capitalization Public Listed Company*.

Innovative Polyethylene for Rotomolding and Wire-Cable

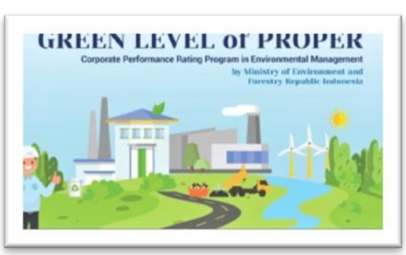
On 11 December 2018, the Company held a seminar entitled "Innovative Polyethylene for Rotomolding and Wire-Cable to Support Indonesia's Infrastructure Sector" in Ayana Midplaza, Jakarta. This seminar also served as product launch of the Company's Asrene UR3840V (Rotomolding) & Asrene UC1827 (Wire-Cable) high value added grades.

SMI Receives Green Industry Award 2018

On 12 December 2018, PT Styrindo Mono Indonesia (SMI), subsidiary of the Company, received a Green Industry 2018 award from the Ministry of Industry of the Republic of Indonesia. The award aimed to motivate the manufacturing industry to increase activities relating to circular economy. For the last three years in a row, SMI has received the level 5 award, which is the highest level accorded.

Signing Ceremony of Export Credit Facility

On 17 December 2018, the Company signed an Export Credit Facility agreement with Japan Bank for International Cooperation (JBIC) and BNP Paribas (Tokyo Branch) with a tenor of 8 years. Nippon Export and Investment Insurance (NEXI) will provide insurance protection for tranches from BNP Paribas (Tokyo Branch).



SMI Obtained Green Category of PROPER 2018

On 27 December 2018, PT Styrindo Mono Indonesia (SMI), a subsidiary of the Company, received Green rating, under the Corporate Performance Rating Programme in Environmental Management (PROPER). This event was held in Bidakara, Jakarta.

CAP Provides Donation to Anyer and Banten Tsunami Victims
On 22 December 2018, tsunami hit the coastal region of Anyer and Banten. In response to the disaster, the Company's employees swiftly collected donations that were matched by the Company, to support pressing humanitarian needs in the impacted areas.

CAP Distributes Humanitarian Aid for Sunda Strait Tsunami Survivors through Cilegon City Government and Indonesian Red Cross
On 8 January 2019, the Company distributed humanitarian aid to Cilegon City Government and Indonesian Red Cross (PMI) for Kabupaten Pandeglang following the Sunda Strait tsunami in December 2018.

CAP Partners with Total to Generate Renewable Energy, Affirms its Commitment to Sustainability
On 18 January 2019, the Company announced it was partnering with Total, the global integrated energy major, to install solar panels to power its laboratory, warehouse, and office buildings in Cilegon, Indonesia. This investment is part of the Company's Green Manufacturing Principles Roadmap to enhance energy efficiency, reduce carbon emissions and maintain zero waste across its value chain.

Chandra Asri Supports City Government of Cilegon for Plastic Road Implementation
On 14 February 2019, the Company and City Government of Cilegon, signed an MoU to build a 10km road in Cilegon, Banten with mixture of 30 tonnes of used plastic bags with asphalt. This cooperation reaffirms the Company's commitment on supporting the government's goal to reduce 70% of plastic waste in the ocean by 2025.