

**FIRST HALF OF 2023 EARNINGS UPDATE  
PRESENTATION TO ANALYSTS & INVESTORS**

Jakarta, 07 August 2023



**By Pholavit Thiebpattama, Vice President Director and Chief Operations Officers &  
Andre Khor, Finance Director and Chief Financial Officer**

**Pholavit Thiebpattama – Vice President Director and Chief Operations Officers**

Good afternoon, ladies and gentlemen. Thank you for joining us today for the first half of the year 2023 Earnings Call of PT Chandra Asri Petrochemical Tbk.

My name is **Pholavit Thiebpattama**, I am the new Vice President Director and Chief Operations Officer of Chandra Asri, replacing Khun Krit Bunnag. Joining me on this call is Pak Andre Khor, the Finance Director and Chief Financial Officer of Chandra Asri.

It is my privilege to welcome you all to this earnings call session, outlining Chandra Asri's financial and business performance for the first half of 2023.

Before we delve into the details of our results, I would like to express my gratitude to our dedicated team members, valued shareholders, esteemed analysts, and all stakeholders who have contributed to our positive results. It is your commitment and support that propels us forward and helps us to navigate the complexities of the market with confidence.

Kindly note that during this call, management may make **Forward-looking Statements**, including statements regarding our future results, business operations and strategies. These statements are based on our current expectations which involve risks and uncertainties that could differ materially from actual events or those described in these forward-looking statements.

In today's **agenda**, we will start off with Chandra Asri's Highlights and Performance Overview, followed by the latest updates on Strategy & Growth at Chandra Asri before we wrap up with the Q&A session at the end of the call.

The first half of 2023 has been a period of immense challenges and incredible opportunities for the global business landscape. The global economy uncertainties, changing consumer behaviours, and geopolitical

crisis have tested the resilience of companies across industries. At Chandra Asri, we have confronted these challenges head-on, employing agility, resilience, and strategic decision-making to sustain our positive growth trajectory.

Taking the prevailing circumstances into account, we took proactive measures to optimise operating rates and manage working capital efficiently by implementing operational mitigation plans and cost-saving measures. We prioritised higher-value products targeted specifically at the Indonesian market, where demand continued to demonstrate resilience.

I am delighted to present the summary highlights showcasing the Chandra Asri team's collective dedication, hard work, and strength.

First of all, we are thrilled to report a significant milestone that underscores our commitment to excellence and best-in-class financial strength. We continue to focus our attention on being a best-in-class operator, with leading safety and performance standards, delivering competitive results ahead of comparable peers. We delivered solidly to realise a positive Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of US\$95 million in the first half of 2023 and book a net income of US\$0.3 million.

Secondly – The Company continues to leverage its competitive strengths and robust balance sheet to grow in the infrastructure space, via a programmatic M&A strategy that complements its petrochemical core. Our recent successful M&A transaction stands as a testament to our strategic vision. We raised our stake in Krakatau Posco Energy ("KPE") from 10% to 45%, held via our energy and electricity subsidiary, Krakatau Daya Listrik ("KDL"). We are delighted to welcome and include Posco, the world-leading steel manufacturing Company from Korea, into Chandra Asri's list of world-class partners. Together, we are poised to thrive and drive further growth. This milestone marks another significant enhancement to Chandra Asri's business model fundamentals, yielding numerous appealing synergies to bolster our plans for developing our second petrochemical complex CAP2 and associated downstream.

On that point, we continue to make progress towards developing a world-scale Caustic Soda – Ethylene Dichloride plant in Cilegon, as a reconfigured CAP 2 downstream. We are pleased to have signed an MoU with Indonesia's sovereign wealth fund, Indonesia Investment Authority ("INA"), for joint for them

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to take an equity stake in the project, and to have appointed Asahi Kasei as CA licensor and leading vinyl technology licensor from USA to develop a world-scale EDC plant. These developments underpin our commitment to clean and efficient energy, towards providing crucial chemicals to support Indonesia's growing EV industry.

Fourth – Our commitment to sustainability has earned us a prestigious place in the Indonesia Stock Exchange ("IDX") ESG Leaders Index, where Chandra Asri's shares (ticker: TPIA) now stand among the top 6 companies. The recognition by the IDX exemplifies our unwavering dedication to Environmental, Social, and Governance (ESG) principles, in tandem with our resilient financial performance.

Lastly – as part of our ongoing Digital Transformation Programme we have fortified our IT infrastructure and prioritised cybersecurity enhancement. We have launched a market-leading, real time Security Operations Centre (SOC) in collaboration with DXC Technology, a prominent NYSE-listed IT company, to enhance our security posture and protect the investments we have deployed being an industry leader in the Digital Transformation space.

These achievements are a result of the collective efforts and dedication of our remarkable team, partners, and stakeholders. We are committed to remain steadfast in our commitment to driving sustainable growth, innovation, and positive impacts.

Now, let's proceed to delve deeper into our **Performance Overview**.

Firstly – on the **Market Product Prices**. In the first half of 2023, the petrochemical market witnessed an overall sustained downtrend. The persistent weak oil prices resulted in abundant supplies in Asian market. Bearish sentiment lingered due to lukewarm market demand and narrow downstream margins. Market players adopted a cautious stance and only purchase on an in-need basis. The outlook for demand recovery remains uncertain and challenging as inflation and recession fears in key global economies continue to exert pressure on overall market sentiment.

Regarding our **Production and Sales**, amidst the challenging market situation, Chandra Asri remained resilient as by maintaining optimum production volumes with notable growth observed in some plants.

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We achieved a total production of 1,115KT with sales volume amounting to 912KT. Despite the market uncertainties, Indonesia's domestic demand for petrochemical products remains encouraging and is projected to continue growing.

Moving on to our **Operating Rates** in 2023, Chandra Asri has strategically maintained robust running rates at our plants with an average of 78% in the first half of this year, taking into account the prevailing bleak market sentiment. However, our cracker and polyolefins plants were kept running at high rates of 80-90%, to effectively cater to domestic demand. This was also made possible by our advantaged economics, positioning us ahead of other comparable producers. Furthermore, we believe that market sentiment should improve in the second semester supported by the seasonal manufacturing season in Q3 2023. In China, demand should also improve after the Chinese government announced financial stimulus.

On the **ESG** front, we continue to efficiently implement our holistic **ESG Framework** named *RESPONSIBLE*. I take pride in the consistent efforts of our team at Chandra Asri, not only in serving our customers but also in actively supporting our communities as we advance steadily in our ESG agenda.

Our commitment to environmental, social, and governance practices has earned us notable **ESG recognitions**, reinforcing our position as a responsible and sustainable industry leader and here are some key highlights as shown in slide 11, from mangrove conservation through to platinum-level health and safety standards, through to reduced emissions.

Lastly, adding on to our **significant accomplishments in ESG efforts** in 2022, when Chandra Asri was ranked in the Top 1 percentile among the global commodity chemical companies, this year we proudly secured our place as the Top 6 in the IDX ESG Leaders Index. IDX selected the constituents of this index by evaluating various factors, including the ESG risk score provided by Morningstar's Sustainalytics. The strong ESG rating from a reputable rating agency and the inclusion in a prominent index serve as validation of the Company's steadfast commitment to sustainability.

With these achievements and initiatives, Chandra Asri will continue to establish various development programs and collaborate with multiple stakeholders, including the government, associations, industry

partners, and local communities, in our pursuit to elevate the Company's ESG commitment. We are committed to continue improving and ensuring the sustainable business environment.

Now, I shall pass the floor to Andre, who will explain further about Chandra Asri's financial performance and growth strategies.

**Andre Khor – Finance Director and Chief Financial Officer**

Thank you, Khun Pholavit for the highlights of Chandra Asri's performance in operational and ESG excellence.

Moving on to the financial overview, Chandra Asri has demonstrated continuous resilience in maintaining a strong **Revenue** performance. In the first half of 2023, our net revenue reached US\$ 1,074 million, with the most significant contribution coming from Polyolefins, which accounted for 58% of our total sales portfolio mix.

As part of our strategic approach, we have been dedicated to meeting domestic demand and reducing imports. As a result, 71% of our revenues were generated from serving the domestic market. The remaining 29% came from exports of specific grades, which were surplus to local demand, such as Butadiene, Pygas, and MTBE.

Notably, our revenue stream has expanded following the acquisition of KDL in February 2023. We have now incorporated the sales of electricity and other electrical services, adding to our diversified sources of revenue.

This overall performance showcases our commitment to growth and adaptability, enabling us to remain a strong and competitive player in the market.

Continuing to our **Balance Sheet** highlights, we have been actively managing and strengthening our Company's balance sheet position.

As part of our commitment to our lenders and investors, we have continued to maintain a diverse and broad range of financing sources. Our portfolio mix includes 36% IDR bonds, 61% onshore bank financing, and 3% offshore bank loans.

In addition, we also prioritise the maintenance of a robust total Liquidity Pool, which currently stands at US\$ 2,282 million. This pool includes US\$ 923 million in cash and cash equivalents, US\$ 954 million in marketable securities and US\$ 405 million of available committed revolving credit facilities. This strong liquidity position allows us to confidently pursue our business objectives and seize opportunities for further growth.

Moreover, Chandra Asri has maintained a sustainable and conservative 39% Debt-to-Capital employed ratio, which is in line with our growth and expansion plans.

Now, let me move on to the highlights for **Strategy & Growth**.

First of all, I would like to re-emphasise **Chandra Asri's Three Key Strategic Focus Areas**. At the core of this approach lies a comprehensive focus on three crucial pillars: Exponential Growth, Sustainability & ESG, and Digital Transformation.

Under the First Pillar of exponential growth, we have twin-engines of organic expansion and programmatic M&A. We continue to progress our plans for our second petrochemical complex and reconfigured downstream in the Caustic Soda-Ethylene Dichloride product channel, supporting the EV Value Chain, with Caustic Soda being a crucial chemical for nickel and alumina refining.

The programmatic M&A strategy bolsters and fortifies these plans. PT Chandra Daya Investasi ("CDI") is the strategic infrastructure investment arm of Chandra Asri Group. It now holds diverse core infrastructure assets worth more than US\$300 million, spread across electricity generation and distribution, water treatment, and tank and jetty management. CDI is focused on generating long-term, stable, and sustainable shareholder returns. It provides further growth upside to the assets under its portfolio through (i) value enhancement via operational excellence, (ii) realisation of cross-entity synergies, and (iii) integrating ESG best practices.

On the Second Pillar, the Company continues to move ahead to embed sustainable practices throughout our operations, emphasising environmental responsibility, social impact, and strong governance. We have broadened our partnerships and are grateful for the public-private partnership and recognition, culminating with our inclusion into the ESG Leaders Index on the IDX.

On Digital Transformation, the Third Pillar, Chandra Asri continues to prioritise efforts to stay ahead in the digital landscape and maintain our leadership position as a prize-winner in the Indonesia Ministry of Industry's INDI 4.0 awards, through fostering innovation and leveraging technology to enhance our operational efficiency and customer experience.

Let me now share a vignette of the progress we have made for our Programmatic M&A strategy. Fresh from closing Krakatau Tirta Industri ("KTI") and KDL acquisitions, we are delighted to have increased our equity stake in KPE from 10% to 45%. KPE has been well-established since 2011 and supplies electricity to the iron and steel making plant of PT Krakatau Posco ("KP"), a company led by Posco in partnership with PT Krakatau Steel, located in the heart of Indonesia's "Steel City," Cilegon.

KPE currently has an existing power plant and supporting infrastructure utilities with capacity of 200 MW that operates using off-gas from KP and is backed by a long-term contractual full offtake agreement that runs until 2038.

This move demonstrates our clear commitment to deepening strategic partnerships and reinforces our position as a key investor in the energy sector. We are delighted to be unlocking clear synergies identified with the successful acquisition of KDL in February 2023, to grow and develop the industrial powerbase of Indonesia in Cilegon.

The investment is split into 2 phases amounting up to US\$200 million. Firstly, KDL will increase its stake in KPE, a joint venture (JV) with Posco the global leading steelmaker, to 45%. Secondly, KDL will co-invest in accordance with its equity stake to support KPE's planned expansion to construct a new 200-megawatt (MW) power plant once the Final Investment Decision (FID) is taken. With this growth trajectory, KDL's total power generation capacity will increase to 300MW, consisting of 120 MW from its existing wholly owned combined cycle power plant plus 180 MW from its equity stake in KPE after the planned investment expansion (which is 45% of 400MW).

Let me wrap up by fleshing out our **2023 Priorities** that have been underpinned by Chandra Asri's strong record of execution, delivering across our Core Business, Major Projects and Sustainable Pathways.

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We have taken substantial strides to expand our petrochemical and infrastructure business through successful strategic acquisitions executed by our core-infrastructure SPV, PT Chandra Daya Investasi. These ventures, alongside the ongoing development of our CA-EDC plant, have strengthened our position in the market and unlocked new growth opportunities.

We remain steadfastly committed to cost leadership and operational excellence, to maintain our competitiveness in the industry, augmented by digital transformation and automation.

We are focussed on taking Final Investment Decision for our world-scale Caustic Soda and EDC plant as part of a reconfigured CAP 2 downstream. Integration of our newly acquired companies is well on track, with the swift expansion of our stake in KPE and the expansion of our partnership list with Posco.

We are proud to sustain our industry leadership in ESG and will progress partnership discussions in renewable materials plastic products such as Hydrogenated Vegetable Oil to produce Bio Naphtha and Bio Polymers as an effort to steer Chandra Asri towards sustainable growth within the new Circular Economy.

In conclusion - Our goals are clear, the direction well established, and the Chandra team is committed to execution.

Thank you for your attention. We are now open for any questions you may have.