THIRD QUARTER 2019 EARNINGS UPDATE – PRESENTATION TO MEDIA & ANALYSTS

Jakarta, 23 December 2019

By Andre Khor, Director of Finance and Chief Financial Officer of PT Chandra Asri Petrochemical Tbk

Good afternoon ladies and gentlemen.

Welcome to Chandra Asri's third quarter 2019 earnings call. Thank you for joining us today.

I look forward to updating you on our latest results and continued focus on growth, integration, and operational excellence.

Before we start, let me highlight the Disclaimer Statement.

I will first take you through Summary Highlights and an overview of our performance, followed by an update of our Strategic and Growth projects, and finally share our Outlook and Priorities, before addressing Questions and Answers you may have.

The **Key Summary Highlight** I'd like to point out is Chandra Asri's new safety record of 44 million work hours without any Lost Time Accident as of end September 2019. Safety is core and critical to everything we do, every day at Chandra Asri. In particular over Q3 2019 we executed a really successful Turn-around Maintenance ("TAM") of our plant complex in Cilegon, tied in with our new 400 KTA Polyethylene ("PE") and Polypropylene ("PP") Debottlenecking projects coming on stream. At its peak we had close to 8000 workers on site. Therefore, this new safety record heralds another remarkable safety performance milestone we are particularly proud of.

Our **Year to Date Operating Rates** was largely shaped by the TAM held over August and September of Q3 2019. Our TAM is a regular activity, scheduled every 4-5 years to maintain reliability and performance, for the plants to continue running optimally and safely. As a result, our 9-month average operating rates for all plants were lower at 87%, against 98% in same period last year. However, we have completed TAM Safely as shared earlier, Smoothly with a vertical start-up, Swiftly ahead of schedule (51 days vs 55 days target), and Prudently under budget (US$4 million below plan).

Correspondingly, **Year to Date Production and Sales Volume** were also lower than 2018 due to the planned TAM, with about 1.4 million tons of sales from 2.1 million tons production in the first 9 months of 2019, vs 1.6 million tons of sales from 2.3 million tons of production in the corresponding period in 2018.

Moving on to our financial performance, the **Product Spreads** of the first three quarters of 2019 reflect softening global petrochemical with additional supply capacity coming on line; but partially mitigated by lower feedstock costs. The US-China trade war has created uncertainties and additional pressure to overall demand. As of Q3 2019, PP price was US$1173/Ton, PE price was US$1045/Ton, against naphtha price of US$525/Ton, reflecting lower Brent crude oil prices which contracted to an average of US$65/bbl in 9M2019 compared to US$73/bbl in the first 9 months of 2018.

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We recorded **Year to Date Net Revenues** of US$1,388 million compared to US$1,962 million in 9M 2018, mainly due to lower sales volume with TAM. We realized total sales volume of 1,394KT against 1,619KT in same period last year, coupled with lower average sales prices, particularly for Ethylene and PE, with average sales prices of US$996 vs US$1,212 per Ton for the first 9 months of 2018, which is 17.8% lower year-on-year.

Our resultant **Key Financials** for the 9 months of 2019 is as follows: Gross Profit of US$167 million, EBITDA of US$155 million, Net Profit of US$32 million, and Net Cash Used in Operations of $18million due to lower cash receipt from customers attributable to lower sales volume coupled with lower realized sales prices, and inventory build-up over TAM.

Our strategic intent to maintain strong liquidity and financial flexibility remains well on track, with Net Debt to EBITDA at 1.2x and cash balance of US$569 million as of September 30th, 2019. This also translates into a Debt Capitalization ratio of 32% which still gives us much head room.

For nine months 2019, we have spent **Capital Expenditure** totaling US$273 million where mainly US$114 million or ~42% is for TAM and other plant improvements. We have completed the New PE plant and Debottlenecking PP project. Our 2019 Last Estimate is expected to increase by another US$89 million to US$362 million. For 2020, we have allocated budget for capital expenditure totaling US$430 million with the bulk of spending for CAP2-initial spend by US$333 million or ~77% of total budget. This allocation is mainly used for land purchase and FEED. The remaining US$97 million is for the MTBE and Butene-1 plant, standard maintenance and other asset improvements.

Let me now move on to share **Strategic & Growth Updates.**

Through **Expansion and Debottlenecking,** for the last 4 years, we have increased our annual production capacity by 667KT since completing the Naphtha Cracker expansion project in 2015. The new PE plant brings our total PE production capacity to 736KTA which will aid to reduce dependency on imports as domestic demand keeps growing. We also had our debottlenecking PP project completed and already started-up. After New PE plant and debottlenecking PP, now our total production capacity is close to ~4MTA (3,968 KTA).

Our **Projects** are all either on stream or on track. Besides the PE and PP expansion successfully done, we have completed the capacity creep of our Naphtha Cracker through furnace revamping in November 2019. We have only one ongoing project on the existing plant – which is the MTBE/Butene-1 facility, with an estimated capex of US$130.5 million, and an estimated start-up in Q3 2020. This plant facility will able to further process our Raffinate to create more added value of downstream products. MTBE is used for gasoline blending (as an octane booster) while Butene-1 is used for co-monomer feedstock of our PE production. So, by next year we will see the full impact of these additional capacities to our performance.

We are making good progress on our **CAP 2 Project**, that will deliver exponential growth and contribute towards improving the domestic supply of petrochemical products, to reduce imports and improve Indonesia's balance of payment. There are three key updates for CAP 2. First, we are currently finalizing the Strategic Investor who we will partner with to develop the project, basis 2 shortlisted parties after the completion of the first phase of the Selection Process. Second, we have also commenced a pre-emptive rights issuance that is fully in line with our plans and timelines for the CAP 2 project, alongside discussions with the potential Strategic Investors. Third, we will commence Front End Engineering and Design in Q1 2020, as part of the overall direction to move towards taking Final Investment Decision around end 2020.

The **Officiation** of our new 400KTA PE Plant by HE President Joko Widodo on 6 December 2019 is a key highlight and privilege for us. With strong support from the Government of Indonesia via the Tax Holiday incentive, we are strategically well positioned to further serve Indonesia's petrochemical product demand, through a wide range of diversification and expanding product mix.

I would like to reiterate our commitment to **Sustainability** and sound Environmental, Social and Governance practices. Our Company has been operational for more than 27 years, during which we have not only been building business as usual, but also increasingly placed greater effort in establishing ESG practices within our lines of business. Given the increasing focus on ESG from the investment community, we hope to provide the highlights of our activities in an ESG Deck, following our inaugural Sustainability Report which was released earlier this year. You may find our inaugural ESG Deck on our website and this will be updated regularly.

Now let me touch upon on **Outlook and Priorities**.

Our **Margin Outlook** is that the industry will stay in moderating mode in the upcoming quarters in an environment of softening global demand, geopolitical uncertainty, overlaid with the vagaries of the US-China trade war. However, as the leading player in the domestic market player, we remain confident in the resilient domestic demand that continues to grow robustly in line with GDP. Moreover, with higher production capacity and better performance post TAM, we aim to run the plant at an optimal rate, smoothly and safely, with strong operational excellence, capital discipline and cost leadership.

Before moving to QnA, let me summarise our **Key Priorities.** We will ramp up our new PE and PP capacities. We will maintain our robust track record of execution, to complete the MTBE-B1 project. We will also conclude the internal merger of our subsidiary, PBI by January 1 2020 to deliver operational, management and capital structure efficiency. And critically, we will look to deliver transformational, exponential growth via our CAP 2 project, by commencing FEED and finalizing a Strategic partner for the long-term continued success of Chandra Asri, to serve Indonesia's markets and demand, as the country continues its march to prosperity, development, and progress.

With that, we'd like to open the floor for questions.

Please state your name and institution. Kindly proceed with no more than two questions each, to ensure sufficient time for others.

Thank you for joining the call today.

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