

**Q3 2023 EARNINGS UPDATE
PRESENTATION TO ANALYSTS & INVESTORS
Jakarta, 06 November 2023**



**By Pholavit Thiebpattama, Chief Operations Officers &
Andre Khor, Chief Financial Officer**

Pholavit Thiebpattama – Chief Operations Officer

Good afternoon to all our esteemed attendees. Thank you for your presence as we come together today for the Third Quarter of 2023 Earnings Call of PT Chandra Asri Petrochemical Tbk.

I am **Pholavit Thiebpattama**, the Chief Operations Officer of Chandra Asri. Together with me on this call is **Andre Khor**, our Chief Financial Officer.

We are delighted to extend a warm welcome to each of you as we delve into this Earnings Call session, providing insights into Chandra Asri's financial and operational performance of the third quarter of 2023.

Prior to commencing the session today, I would like to express my appreciation to our dedicated team members, esteemed shareholders and analysts and all stakeholders who have played a part in achieving our positive results. It is your unwavering dedication and continuous support that propels us to move forward and instil us with the confidence to navigate the market's intricacies.

Kindly note that during this call, management may provide **Forward-looking Statements**, including statements regarding our future results, business operations and strategies. These statements are based on our current expectations and many carries inherent risks and uncertainties that could deviate materially from actual events or descriptions in these forward-looking statements.

In today's agenda, we will commence with an overview of Chandra Asri's Highlights and Performance, followed by the most recent updates on Strategy & Growth, concluding with the Q&A session towards the end of the call.

Going into the third quarter of 2023, global economic growth remained tepid amid high inflation and rising interest rates. However, China's economy grew faster than expected at 4.9% in Q3 2023 year-on-year, showing signs of stabilisation as the stimulus is finally beginning to take effect. This could bring positive

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sentiment to Southeast Asian market, including Indonesia. Chandra Asri has faced various challenges as well as remarkable opportunities within the global business landscapes. We remained committed, optimistic, and resilient, navigating through the market volatility. We have addressed them proactively, by being agile in our operation and strategic decision making to uphold the favourable growth trajectory. We continue to implement efficient measures to optimise our operating rates and to manage working capital, which involved the cost-saving strategies. We have focused on producing and selling high value-added products, catering to the growing demands of the Indonesian market.

Today, I am delighted to **summarise the key highlights** that spotlight Chandra Asri team's hard work and dedication.

Firstly, we are pleased to report a positive Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of US\$108.9 million – up by 881% from YTD September 2022, reflecting improving market conditions and our continued performance with discipline, being the best-in-class with excellent safety and performance standards compared to our peers in the industry.

Second, we are proud of our achievement in maintaining a solid Balance Sheet with a robust liquidity pool of US\$2.34 billion. This financial reserve provides ample resources to support and enhance financial stability, ensuring a solid foundation for future growth and investment opportunities.

Third, as Chandra Asri remains committed to the growth trajectory, we took a significant step through our subsidiary, PT Chandra Asri Alkali ("CAA"). We have signed a Letter of Interest (LoI) with INALUM in October 2023. This is aimed to support the development of aluminium downstream and accelerate the sustainable national Electric Vehicles (EV) ecosystem. The collaboration includes potential supply of caustic soda solution to INALUM (of up to 120,000 MT per year), and potential equity contribution by INALUM in CAA of up to 10%.

We have maintained our strong balance sheet and competitive advantage by having two engines of growth, chemicals and infrastructure solutions, that complement and synergise with each other. Our recent successfully executed M&A transactions in this space serve as a validation of our track record of execution and represent yet another substantial improvement to Chandra Asri's foundational business

model, generating multiple attractive synergies that will reinforce our ambitions for the development of our second petrochemical complex, CAP2, and its associated downstream lines.

Finally, on Environmental, Social, and Governance (ESG) front, aside from the recognition by the IDX, we are proud to have won the First Prize of the Plastic Waste Circularity Award at 2023 ASEAN Business Awards, out of more than 700 submissions across the region. We appreciate the recognition of the Company's high commitment in providing solutions to the plastic waste issues in Indonesia. All these achievements have been made possible by collective endeavours and dedication of our exceptional team, partners, and stakeholders.

Moving on, let's delve deeper into our **Performance Overview**.

Firstly – on the **Market Product Prices**. Petrochemical product prices remained weak in general with firmer naphtha feedstock costs, mainly resulted from production cuts. Petrochemical market sentiment remained bleak following prolonged bearish economic indicators, ample supply, and tepid end-product demand. Downstream margins remained narrow and market players only purchase only on an in-need basis. However, styrene and butadiene prices were firmer in the third quarter, supported by limited regional supply.

On overall **Production and Sales** in the third quarter of 2023, we maintained our production volume at optimum level to ensure reliability in catering our market demand. Our total production volume was recorded at 2,518KT with 1,431KT of sales volume. Market sentiment in Indonesia remained healthy and is anticipated to maintain its stability and growth trajectory.

Regarding our **Operating Rates**, Chandra Asri remained steadfast and resilient as we strategically maintained high operating rate at 83% amidst challenging market environments. We maintained our cracker and polyolefins plants running rates high at 80-90% to ensure we could meet the domestic demand. We still believe that the petrochemical market in Indonesia remains promising and is expected to persist in its growth potential.

On the **ESG** front, we continue to efficiently implement our holistic **ESG Framework** named *RESPONSIBLE*. I highly appreciate our team's dedication in contributing actively to the well-being of our communities as we make continuous progress in our ESG initiatives.

Across the last three months, we have received **various recognitions** from our commitment to environmental, social, and governance practices. These have proven our stance as a sustainable industry leader in manufacturing sector. Here are some key highlights as shown in slide 11, from *Padmamitra Award*, through to *Katadata Award*.

As mentioned, we are also proud to have won the **First Prize** out of over 700 submissions for The Plastic Waste Circularity Award for the Large Enterprise Category. At the Asian Business Awards (ABA) 2023 event, Chandra Asri introduced a community-based end-to-end plastic waste management initiative.

With these accomplishments, Chandra Asri remains committed to undertaking various initiatives and collaboration with multiple stakeholders as part of our efforts in elevating the Company's ESG commitment. We will remain steadfast in our commitment for continuous improvements and efforts to ensure a sustainable business environment.

In the next session, Andre will elaborate in more details about Chandra Asri's financial performance and strategies for growth.

Andre Khor – Chief Financial Officer

Thank you, Khun Pholavit for the highlights of Chandra Asri's performance in operational and ESG excellence. Shifting our focus to the financial snapshot, Chandra Asri has shown impressive resilience in sustaining robust **revenue** performance. In the first nine months of 2023, our net revenue reached US\$ 1,662 million, with a noteworthy contribution from Polyolefins, constituting 58% of our total sales portfolio mix.

As an integral part of our strategic approach, we have consistently prioritised meeting domestic demand and reducing reliance on imports. As a result, 70% of our revenues were generated from serving the

domestic market. The remaining 30% came from exports of specific grades, such as Butadiene, Pygas, and MTBE, which exceeded local demand.

Notably, the acquisition of Krakatau Daya Listrik, the energy company, in February 2023 broadened our revenue stream to encompass the sales of electricity and other electrical services, contributing to the diversification of our income sources which we expect to grow exponentially in the years ahead, considering the identified pipeline of organic and inorganic growth opportunities.

This overall performance underscores our unwavering commitment to growth and adaptability, reinforcing our position as a resilient and competitive player in the market.

Moving on to our **Balance Sheet** highlights, we have been actively overseeing and fortifying our Company's balance sheet position. Chandra Asri has upheld a 39% Debt-to-Capital employed ratio, aligning with our growth and expansion strategies. This success is credited to the successful execution of various long-term financing options throughout the year, that supports our programmatic M&A strategy.

In dedication to our commitment to lenders and investors, we persist in maintaining a varied and extensive array of financing sources. Our portfolio composition comprises 36% IDR bonds, 61% onshore bank financing, and 3% offshore bank loans.

We continue to place a high priority in upholding a resilient total Liquidity Pool, which currently stands at US\$ 2.34 billion. This pool includes US\$ 415 million of available committed revolving credit facilities, US\$ 1.09 billion in marketable securities, and US\$ 823 million in cash and cash equivalents. This robust liquidity position empowers us to pursue our business objectives with confidence and capitalise on opportunities for continued growth.

I would like to also highlight our **Financial Programme** in which we got broad support for Chandra Asri's and stakeholder's funding. The first one is our partnership with *Bank Rakyat Indonesia (BRI)* which provides financing facility for Chandra Asri's domestic customers. This collaboration in offering financing facility marks the first financing scheme designed specifically by BRI for the national petrochemical industry.

This financing facility holds the promise of not only transforming the economic landscape but also contributing significantly to the growth and prosperity of Indonesia's downstream industry. One of the primary objectives of this collaboration is to boost wholesale transaction volume, fostering a more robust and dynamic petrochemical sector. By doing so, we are not only propelling economic growth but also aligning with Indonesia's strategic focus on enhancing the downstream industry through the optimization of domestic raw material processing.

In September 2023, the Company also proudly listed the Chandra Asri 4th IDR Bond Shelf Programme Phase III, a testament to our commitment for financial excellence and market leadership. The decision to tap into the bond market yet again reflects not only our financial strength but also our unwavering dedication to fueling growth and progress in the nation.

One of the key highlights of this listing is the coveted investment grade bond status, holding an idAA-rating from PEFINDO. This rating is a testament to the Company's solid financial standing, prudent management practices, and our commitment to delivering value to our stakeholders. It is a recognition of our ability to navigate the complexities of the financial landscape while maintaining a steadfast focus on sustainability and resilience.

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

Before we delve into the financial results and operational highlights, I would like to begin by sharing with you our **updated Vision and Mission at Chandra Asri**.

Chandra Asri now has the Vision of being "Indonesia's leading chemical and infrastructure solutions company."

Our updated Mission is as follows: "At Chandra Asri, we are dedicated to enhancing lives, communities, and the environment. Our mission is built on the pillars of innovative solutions and strong partnerships, with a solid commitment to sustainability, safety, and best practices."

We understand the profound impact our operations have on the community around us, and we take our responsibility seriously.

Over the past year, we have worked to align our strategies with this vision and mission, and we will continue to do so. We believe that by staying true to these principles, we can deliver sustainable value to our stakeholders while contributing to the betterment of society and the preservation of our environment.

With that context in mind, I'm delighted to present **Chandra Asri's latest portfolio**, which is strategically divided into two core business segments: chemicals and infrastructure.

Chandra Asri's chemicals stream encompasses both upstream and downstream assets. Looking ahead, taking Final Investment Decision on our world-scale caustic soda and ethylene dichloride plant, represents another pivotal step on our journey.

On the infrastructure front, we are committed to generating long-term, stable, and sustainable shareholder returns. We will look to enhance the value of our infrastructure assets portfolio through three key avenues:

- 1) Value enhancement via operational excellence,
- 2) Realisation of cross-entity synergies, and
- 3) Integration of ESG best practices.

Currently, our infrastructure business has expanded to encompass energy, water, and jetty & tank facilities.

All in all, Chandra Asri's dual portfolio in chemicals and infrastructure is a testament to our commitment to excellence, growth, and sustainability. We serve as a vital national asset in the chemical sector and are poised for significant expansion and value creation through our infrastructure endeavours.

In **2023**, **Chandra Asri's strategic framework** is threefold: Firstly, within our core business, we aim to strengthen expand our chemical and infrastructure operations organically, while ensuring cost leadership and upholding operational excellence as our guiding principles. Secondly, we are gearing up for major sprints, specifically preparing for the upcoming FID of the CA-EDC Plant as part of the reconfigured CAP2, and diligently integrating the newly acquired companies to unlock identified synergies. Lastly, on our journey of Sustainable Pathways, we are committed to maintaining our industry leadership in ESG, and

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we're actively exploring partnerships in renewables, particularly in HVO and Bio Products. In sum, our overarching objective is to optimize value and enhance shareholder returns, ultimately uplifting and smoothing the value curve for all our stakeholders.

Chandra Asri's **CA-EDC expansion plans are well underway**, and we are gearing up to meet the growing demands of the electric vehicle industry by developing a world-scale CA-EDC plant. Through our wholly owned subsidiary, Chandra Asri Alkali ("CAA"), we are on track to produce more than 400 KTA of caustic soda and 500 KTA of ethylene dichloride (EDC), catering to the region's short market. Our caustic soda will be utilized domestically in various sectors including soap and detergent, alumina, and nickel (HPAL process), as well as exported for applications in the alumina and water treatment industries.

The EDC plant will be 100% export-oriented, primarily serving the VCM-PVC plant for applications in the construction and packaging industry. Notably, we have made substantial progress by forming a strategic partnership with INA, Indonesia's sovereign wealth fund, appointing world-class licensors like Asahi Kasei Corporation (AKC) from Japan for chlor-alkali technology, and partnering with a leading vinyl technology licensor from the United States. We have also taken steps toward potential collaboration with INALUM for the supply of caustic soda solution and equity contribution in CAA. These initiatives demonstrate our commitment to supporting the dynamic electric vehicle industry and expanding our presence in the market.

At Chandra Asri, our unwavering commitment to **delivering sustainable and profitable growth** is exemplified by our plans. By 2026, the CA-EDC plant will boost our plant capacity from 4,232 KTA to 5,132 KTA, marking a significant milestone. Looking ahead, we anticipate doubling our capacity in the years ahead with the upcoming CAP2 development.

Chandra Asri is also actively committed to advancing **renewable solutions**, in line with our sustainability initiatives. We've taken significant steps towards this goal through key partnerships and projects. Our collaboration with the Nippon Shokubai Group and PT Nippon Shokubai Indonesia, focusing on green chemical opportunities and sustainable biomaterials derived from renewable energy sources, aligns with Indonesia's sustainability objectives and domestic demand for eco-friendly bio-chemical products. Our potential partnership with Ecovance Co. Ltd., specializing in biodegradable plastic materials, paves the way for the development and application of PBAT and PBS, contributing to a more sustainable future.

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Through our subsidiary, Krakatau Daya Listrik (KDL), we are making strides in renewable energy with the installation of solar panels, and we have ambitious plans to expand our solar power projects to 3 MWp by 2023, offering a range of renewable energy solutions to meet the evolving demands of the market and promote a greener future.

In conclusion, we are excited about the progress we've made and the path ahead. Our unwavering commitment to excellence, sustainability, and value creation remains the driving force behind our endeavours. We look forward to your continued support as we navigate the opportunities and challenges that lie ahead. Thank you for your trust in Chandra Asri.

With that, we are now open to any **Questions** you may have. Thank you.