FOURTH QUARTER 2019 EARNINGS UPDATE – PRESENTATION TO MEDIA & ANALYSTS

Jakarta, 17 March 2020

By Chatri Eamsobhana, Vice President Director and Chief Operations Officer, &
Andre Khor, Director of Finance and Chief Financial Officer

Andre

Good afternoon ladies and gentlemen. Welcome to Chandra Asri's fourth quarter and full year 2019 Earnings Call. Thank you for joining us today.

We look forward to updating you on our 2019 fourth quarter and full year results, and continuous journey of sustainable growth, integration, and operational excellence.

You should have access to the presentation materials.

Before we start, let me highlight the Disclaimer Statement which outlines the implications and caveats of Forward-Looking Statements contained in the presentation we will be sharing throughout this session. I am sure we can all appreciate it, when I say that this Statement is more pertinent then ever in light of the present high volatility and uncertainties observed in oil prices, capital markets, and trade and people flows with the evolving global coronavirus pandemic situation.

Let me now first take you through Summary Highlights and Performance Overview for full year 2019. Chatri will then provide an update of our Strategic and Growth projects, and finally share our Outlook and Priorities, before we collectively address Questions and Answers you may have.

Summary Highlights. In 2019, Chandra Asri performed competitively to generate EBITDA of US$180 million and Cash Flow from Operating Activities of $238m, notwithstanding a very challenging external macroeconomic environment and reduced volumes and operating capacity due to a planned turnaround maintenance in August and September.

However, we continue to focus on strong Operational Excellence and commercial delivery. We started up our new 400KTA Polyethylene Plant and 110KTA Polypropylene debottlenecking, to expand our total capacity by 17% to 4061 KTA. The new capacity expansion was tied in with a very smooth Turnaround Maintenance, that was done smoothly ahead of time in 51 days vs a targeted 55, under budget by US$4 million, and safely with zero LTA with close to 8,000 workers on our plant site at its peak.

We have maintained, and will continue to sustain, robust financial prudence with a strong balance with low levels of leverage and a cash balance of US$660 million. We made progress to achieve many key milestones for our second petrochemical complex, which Chatri will share more about in a bit.

Our **Year to Date Operating Rates** was largely shaped by the TAM held over August-September 2019 where we need to temporarily shut down the main complex in Cilegon. 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 12-month average operating rates for all plants were lower at 93% against 98% in same period last year. Post TAM our Naphtha Cracker performed very well at 104% operating rate, exceeding the average quarterly operating rate prior to TAM. Our SM plant, which was not part of the scheduled TAM, was run full to maximise margins.

Correspondingly, **Year to Date Production and Sales Volume** were also lower than 2018 due to the planned TAM, with about 1.9 million tons of sales from 3.0 million tons production during 2019, vs 2.1 million tons of sales from 3.1 million tons of production in the corresponding period in 2018.

Moving on to our financial performance, the **Product Spreads** throughout 2019 reflect softening global petrochemical with additional supply capacity coming on-line and sluggish demand due to global economic slowdown; but partially mitigated by lower feedstock costs. The Trade War created uncertainties and dampened the average petrochemical product prices. For 2019, Ethylene price was US$861/Ton, PE price was US$1,047/Ton, PP price was US$1,192/Ton, against Naphtha price of US$542/Ton, reflecting lower Brent crude oil prices which contracted to an average of US$64/bbl in 2019 compared to US$72/bbl in 2018.

The covid-19 pandemic has invariably further weakened market sentiment, and hit global chemicals demand following an extension of manufacturing plant shutdowns and the economic slump in the last quarter of 2019.

However, we are now seeing pick up of manufacturing activity in China as manufacturing activities recommence after the virus disruption and also margin expansion with the dramatic fall in crude oil, and correspondingly, naphtha prices.

We recorded **Year to Date Net Revenues** of US$1,881 million compared to US$2,543 million in FY 2018, mainly due to lower sales volume with TAM. We realized total sales volume of 1,942KT against 2,141KT in same period last year, coupled with lower average sales prices, particularly for Ethylene and PE, with all products average sales prices of US$968 vs US$1,570 per Ton in full year 2018, which is 38% lower year-on-year.

Our **Key Financials** for the 12 months of 2019 is as follows: Gross Profit of US$171 million, EBITDA of US$180 million, Net Profit of US$24 million, and Net Cash Provided from Operations of $238 million due to lower cash receipt from customers attributable to lower sales volume coupled with lower realized sales prices.

Our strategic intent to maintain strong liquidity and financial flexibility remains well on track, with Net Debt to EBITDA at 0.7x and cash balance of US$660 million as of December 31st, 2019. This translates into a Debt Capitalization ratio of 31%.

For twelve months 2019, we have spent **Capital Expenditure** totaling US$385 million mainly for the New PE plant, the Debottlenecking PP project, Turnaround Maintenance and other plant improvements to enhance throughput and productivity.

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. Our capital expenditure until 2020 is fully funded.

With that, let me now handover to Chatri.

Chatri

Hello everyone. Let me move on to share our **Strategic & Growth Updates.**

Organic growth through **Expansion and Debottlenecking** has been a key strategic pillar for us. Specifically after we succeed in bringing up our Naphtha Cracker production capacity by some 43% in 2015, we then expanded more capacity with a new 120KTA SBR plant and New 400KTA PE Plant. As a result in the last 5 years, we have increased our total production capacity by 760KT to 4,061MTA.

So we are well on track and close to completion of our strategy to scale up capacity with vertical integration within our product chain, with the completion of our B1 MTBE plant in 2020. The 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. The project is expected to have a start-up by Q3 this year. So, we should see its full impact to our annual revenues by next year, 2021.

As shared by Andre earlier, we have achieved many key milestones for the **CAP 2 Project** that will deliver our next phase of exponential and transformational growth.

1. Confirmation from the Government of Indonesia for a 20-year Tax Holiday for 100% of Corporate Income Tax + a further 2 years at 50%
2. Acquired materially most of the land required for the plot plan.
3. Advanced stage of FEED award within estimated budget.
4. Approval from existing Shareholders for a Pre-Emptive Rights Issue via an Extraordinary General Meeting of Shareholders.
5. Independent third-party confirmation by Wood of the Total Investment Cost (TIC) for CAP 2 being US$5B +/- 30%.

However, it is fact that the unprecedented volatility we have seen in recent days in the capital markets and globally with the coronavirus situation may impact timelines. Travel bans and restrictions due to the coronavirus have had an impact on our potential contractors, management, staff, strategic investors, advisors and bankers. As a result, our target FID date for CAP 2 may be re-phased.

What we will do is to maintain our continuous focus on Capital Discipline with Stage-Gated Approach. Our intention to expand and develop our second petrochemical complex remains fully unchanged, and the pace will be subject to the stage-gated approach we have consistently adopted to ensure prudent and effective deployment of capital, underpinned by a strong equity base in our Balance Sheet.

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Now let me touch upon on **Outlook and Priorities** before moving to QnA.

We see petrochemical margins are moderating along with new capacity additions, softening demand, and global Covid-19 uncertainties.

However, with Brent trending down to $30/barrel, naphtha is around $300/T, significantly lowering Cost of Goods Sold and improving spreads.

We also see China demand coming back as the coronavirus situation abates.

We will maintain our robust track record of execution, to complete the MTBE-B1 project in time.

As mentioned we will look to deliver transformational, exponential growth via our CAP 2 project, by commencing FEED, start EPC bidding and finalizing a Strategic partner for the long-term continued success of Chandra Asri, to serve Indonesia's markets and demand.

Subject to prevailing market conditions, we will look to conduct capital raising through Pre-emptive Rights in order to support the Company's expansion plans. Lastly, to increase exposure to domestic bond investors, we shall issue a series of IDR bonds and simultaneously rebalance financing.

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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