

**By Krit Bunnag, Vice President Director and Chief Operations Officer &
Andre Khor, Director of Finance and Chief Financial Officer**

Krit Bunnag – Chief Operations Officer

Good afternoon, ladies and gentlemen. Welcome to Chandra Asri Petrochemical's third quarter 2022 earnings conference call. Thank you for joining us today.

In this call we will cover the Company performance over the nine months of year to date 2022.

I am Krit Bunnag, Vice President Director and Chief Operations Officer of Chandra Asri. I have with me today our Chief Financial Officer, Andre Khor.

Before we begin today, please note that today's presentation may contain forward-looking statements, which are based on management's current expectations and are subject to changes in uncertain circumstances. Actual results may differ materially from these statements.

I will start the call this afternoon with YTD Q3 2022 Summary Highlights, before we move on to the Performance Overview. Andre will then cover Financial Performance and share the latest updates on Chandra Asri's Strategy and Growth Plans. We will wrap up with a Q and A session.

During these 9 months of 2022, we have faced challenging market conditions with tight petrochemical spreads due to high oil prices arising from the Ukraine-Russia war, recession fears, and the ongoing COVID-related restrictions in China. However, Chandra Asri continues to maintain our financial and operational resilience.

Our revenues from January to September 2022 came in at US\$2 billion, representing a 3.5% year-on-year growth, with positive EBITDA that stood at US\$11 million supported by higher Average Selling Price of US\$1,292/MT. However, net income came in at negative US\$111 million with higher average feedstock prices on the back of a 51% year-on-year increase in Brent Crude oil price, coupled with compressed margins with COVID-related lockdowns in China, and Lebaran seasonal effects.

We continue to maintain our strong balance sheet position, that enables us to have a robust financial footing with liquidity pool at US\$2.3 billion in this YTD Q3 of 2022, including US\$1.1 billion of Cash and Cash Equivalents. These indicate the Company's robust financial health and successful continuity of Chandra Asri's financial resilience.

The Company also made tremendous strides in ESG, with a rating from Sustainalytics which places Chandra Asri in the top 1 percentile in the Global Commodity Chemical sub-industry. As part of our commitment in promoting circular economy, Chandra Asri continues to proactively encourage partnerships in the deployment of plastic asphalt road – a solution to waste management issue in Indonesia.

Now, let's move on to the **Performance Overview**.

On **Market Product Prices**, we saw a decrease in Ethylene and Polyethylene prices, touching US\$944/T and US\$1,193/T, respectively. The price drop was mainly due to heightened feedstock costs, besides the lower offers from suppliers, fears of broader economic slowdown and bleak finished goods demand. Another factor that further pressured Ethylene prices was more export cargoes arriving from Middle East and the US. Moreover, Propylene and Polypropylene prices also gradually trended lower due to lack of import demand from strengthened USD and competitive prices from China and South Korea, and a substantial number of new capacity additions during Q2 2022. At the same time, Styrene Monomer price also went down caused by similar reasons, i.e. weak demand and downtrend in feedstock Ethylene and Benzene prices. Butadiene's price also fell again following weak demand and higher export volumes from China because of lackluster domestic consumption.

Meanwhile, **Production & Sales** volumes were lower compared to the same period last year. Chandra Asri attained a 2,804KT total production volume during nine-months of 2022 with 1,568KT level of sales, after considering self-consumed Ethylene and B1 which are the feedstocks for our own Polyethylene and Styrene Monomer plants. Our volume performance reflects softening margin in petrochemical products. However, domestic demand remains healthy, with domestic premiums being retained in view of the security of supply and the logistic advantages that Chandra Asri provides.

In terms of **Operating Rates**, the overall Asian petrochemical market has been bearish with subdued demand. Therefore, Chandra Asri has deployed various optimization initiatives, reflecting market economics and dynamics to yield an 86% operating rate for the period ending 30th September 2022. Polypropylene has the highest operating level at 97%, but it has been gradually moving lower toward end of Q3 2022 due to softening demand with substantial new capacity additions.

As part of our **ESG Initiative**, we are pleased to have launched Chandra Asri's holistic ESG and Sustainability Framework to underpin our various programs. The Framework was developed, taking into consideration the global megatrends which includes demographic shifts, accelerating technologies, shifting economic condition, geopolitical changes, as well as climate change and resources scarcity issue. These aspects are then weaved together to form Chandra Asri's ESG Framework and Strategic Direction, to manage and integrate ESG aspects across our daily operations and long-term strategy.

Our **ESG Initiatives** is part of Chandra Asri's continuous commitment to improve as we implement our ESG pillars under the mnemonics of being '**RESPONSIBLE**'. The pillars are being monitored and evaluated periodically to formulate appropriate strategies for continuous improvements.

Currently, **our track record of progress** includes:

1. A reduction to 0.629 ton CO₂e/ton emission intensity, compared to 0.633 ton CO₂e/ton in 2021
2. An increase in non-hazardous waste utilization, up to 76% from 50% in last year
3. 62.1km asphalt plastic road deployed to date in 2022
4. Water intensity of 1.16 ton water/tonne of product, compared to 1.25 ton water/tonne of product in 2021
5. Zero lost time accident, which shows our seriousness in caring for our people
6. Zero cases of code of conduct or business ethics violations
7. No major IT security incidents
8. Sustainable supply chain management through maximizing local suppliers' contribution to 42.5%, with no major supplier complaints

Some **Key Highlight Projects** include the following:

- During the nine months of 2022, Chandra Asri has partnered with Yayasan Relawan Kampung and the Lebak Regency Government to build a bridge in Ciodeng, a remote village in Lebak Regency. The bridge is essential in connecting the people to other areas and to help develop the community's economy.
- We have also provided organic waste crushing machines to PT Putri Banten Progressive with 100kg/hour capacity. The machine is used to process organic waste especially from leftover food by using Black Soldier Fly method, turning them into animal feeds, and consequently reducing methane hazards.
- Chandra Asri has also facilitated COVID-19 vaccination programs for more than 11,000 people, including the first, second, and booster doses to support the country's goal in achieving herd immunity.
- The latest ESG initiative was a collaboration with Bank Sampah Digital in holding a Beach Clean Up event at Paku and Pangandaran Beaches in Anyer. We successfully accumulated more than 500 kg of waste, totaling to 1,500 kg of waste managed and recycled if combined with *Kampung Bersih* activity.

Moving on to **Sustainable Growth** we are also pleased to announce our success in obtaining SNI 8887:2020 certification, a standard for gas pipe application raw materials for High Density Polypropylene (HDPE) products, Asrene® SP4808.

This supports the Government of Indonesia's target to build natural gas distribution lines for 4 million households by 2024. The application of Asrene® SP4808 for gas pipeline can boost domestic content level in the material (TKDN), given that the current raw materials used for gas grid projects are 100% imported. Therefore, we hope that Asrene® SP4808 can be a solution from both technical and commercial perspectives to support national strategic program (jargas) for natural gas distribution network for households.

The unceasing drive for continuous improvement by Chandra Asri is also proven by the achievement of notable awards. From *Bisnis Indonesia Award 2022*, Chandra Asri won as The Best Company in Raw Material Sector for our success in delivering 13% increase in net revenues in Q1-2022. The company's performance of course is supported by our top performing team, proven by the achievement of The Best CEO of the Year, awarded to Mr. Erwin Ciputra, for his outstanding performance in business development, implementation of GCG, and disclosure of the company information. The Best Indonesian Director for CSR 2022 was also awarded to Mr. Edi Rivai in Indonesia's 2022 CSR Awards, by Economic Review, alongside awards in two other categories: 1st Best Indonesia Public Company; and The Best Environmental Social Governance – Overall Champion.

As I have mentioned earlier in the beginning that we are proud to share with you that Chandra Asri has received an overall ESG Risk Rating score of 17.7 from *Sustainalytics*, categorized as “Low Risk” of experiencing material financial impact from ESG factors, which places Chandra Asri in the Top 1 Percentile in the Global Commodity Chemical Sub-Industry. This clearly demonstrates that Chandra Asri is on the right track on our continuous improvements journey for world-class operational excellence.

With that, I will hand over the session to **Andre**, to walk us through the topic of **Financial Performance and Strategy & Growth**.

Andre Khor – Chief Financial Officer

Thank you Khun Krit. Moving on to financial overview, within the nine months of 2022, Chandra Asri delivered US\$2 billion Net **Revenues**, up 3.5% year-on-year. The largest revenue stream continues to be from Polyolefins, with a contribution of 61%, followed by Olefins at 19%, and Styrene Monomer with 11% of revenue contribution.

Here are our **Balance Sheet Highlights**. Chandra Asri continues to have diversified financing sources consisting of 57% onshore bank loans, 38% IDR bonds, and 5% offshore bank loans. Apart from that, we also possess a robust liquidity pool position amounting to US\$2.3 billion; with US\$343 million Available Committed Revolving Credit Facilities, US\$799 million Marketable Securities, and US\$1,144 million of Cash and Cash Equivalents. We maintain sizeable head room with Debt to Capital Employed at 34%. Overall,

our Balance Sheet and cash position reflect our continued focus and strength in operational and financial execution.

Chandra Asri continues to have **Strong Support from Leading Bank Partners**, reflecting high confidence in the long-term credit quality of Chandra Asri, as well as our ESG governance standards. We closed a US\$100 million, 10-year balloon facility with OCBC NISP. This loan facility is a part of Bank OCBC NISP's commitment to support the growth of the Indonesian petrochemical industry business as well as Chandra Asri's position as the largest integrated petrochemical producer in Indonesia.

We also closed the first Sustainability-Linked Trade facility in Indonesia from UOB. The US\$100 million facility was granted in view of Chandra Asri's proven strong commitment and progress in improving our sustainability performance standards, and dovetails nicely with the ambitious sustainability targets we have established under Chandra Asri's Corporate Sustainability Framework.

We are excited to partner with OCBC NISP and UOB Bank as the leading financial institutions in providing comprehensive banking solutions to their customers. We believe this strategic cooperation is a good start for both parties in reducing Indonesia's dependence on imports, developing the local petrochemical downstream industry, supporting the government's vision for Industry 4.0, and creating a long term, high-value career opportunities.

On top of financing from our long-term relationship banks, as part of Chandra Asri's wide range of financing sources, we are proud to deliver the successful launch of our 4th IDR Bond Shelf Programme in 2022 with target totaling IDR8 trillion or US\$550 million equivalent; after 3 prior fully subscribed Shelf Programmes.

The Phase 1 issuance of our AA- rated bond recorded the biggest ever order book and a new record high at IDR2 trillion, equivalent to US\$137 million, recently in August 2022. We are grateful for the trust and confidence given to the Company. Other key financial highlights include the following:

1. Full early prepayment of our unsecured export credit facility by Japan Bank for International Cooperation or JBIC. This decision was taken to streamline Chandra Asri's financial commitment and harmonize the terms of our existing financing facilities, as we continue to work towards the Final Investment Decision of CAP2.
2. Chandra Asri's corporate action of stock split with a ratio of 1:4, which has made it more affordable and subsequently increased the number of investors. We have seen some improved numbers across the board to achieve our strategic objectives, with average volumes rising by 315%, average frequency rising by 80%, and average number of retail shareholders climbing by 13% following the stock split.

Now let me take you to our **Strategy & Growth** plans. We remain committed to our 3 key Strategic Focus Areas to achieve the Company's goals.

1. Exponential growth via the CAP2 project by completing FEED and taking Final Investment Decision within 2022;
2. Sustainability and ESG by crystalizing ESG framework and broaden ESG partnerships; and
3. Digital transformation through various value-add initiatives and a digital plant.

On **CAP2 Progress Overview**, the team continues to make good progress toward the process of selecting the Engineering, Procurement, and Construction (EPC) contractors. On previous calls, we talked about the four appointed contractors namely Toyo Engineering Corporation, Samsung Engineering Co., Ltd., Wood, and PT Haskoning Indonesia continuing to work on the Front-End Engineering Design (FEED) for our second world-scale petrochemical complex in Indonesia.

A Final Investment Decision (FID) will be taken by shareholders after EPC bidding is complete. Needless to say, the industry is facing a challenging environment and very dynamic conditions. Hence, we shall continue our progress for CAP 2 with balanced prudent pragmatism, in light of the observed volatility of commodity prices.

**THIRD QUARTER 2022 EARNINGS UPDATE –
PRESENTATION TO ANALYSTS & INVESTORS**
Jakarta, 3 November 2022



To conclude:

Chandra Asri continues to move forward with our Balance Sheet resilience and operational excellence.

We will continue to maintain financial discipline and cost leadership to navigate the ongoing macro uncertainties.

We will continue investing and growing sustainably for the long-term, to support the continued growth of Indonesian industry.

Thank you for your time and attention. We are happy to answer any questions you may have.

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