

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

Pholavit Thiebpattama – Chief Operations Officer

Good afternoon to all our valued attendees. Welcome to the Full Year 2023 Earnings Call for PT Chandra Asri Pacific Tbk.

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

We are pleased to extend a heartfelt welcome to each of you who have joined this Earnings Call, where we will be presenting Chandra Asri's financial and operational performance for the full year of 2023.

On behalf of the Board of Chandra Asri, we would like to extend our gratitude to our committed team members, valued shareholders, analysts, and all stakeholders who have contributed to our positive results. Your steadfast dedication and ongoing support drive us forward and give us the confidence to navigate the complexities of the market.

Please be aware that during this call, management may offer **Forward-looking Statements**, which encompass projections of our future results, business operations, and strategies. These statements are grounded in our current expectations and may involve inherent risks and uncertainties that could significantly differ from actual events or descriptions outlined in these forward-looking statements.

In today's **Agenda**, we will begin with an overview of Chandra Asri's Highlights and Performance, will proceed with the latest updates on Strategy & Growth, and then conclude with the Q&A session towards the end of the call.

In 2023 Chandra Asri encountered both challenges and notable opportunities within the global business landscape. Overall, economic growth persisted cautiously amidst elevated inflation and increasing interest rates. Notably, China's higher than expected economy surpassed expectations in the last quarter

of the year, signalling stabilization as stimulus measures take effect. This could buoy positive sentiment across Southeast Asian markets, including Indonesia. At Chandra Asri, we sought to proactively address these challenges by being agile in our operations and strategic decision-making, ensuring the continuation of a favorable growth trajectory. Our focus remains on implementing efficient measures to optimize operational rates and manage working capital, including cost-saving strategies. We have also focussed on the production and sale of high-value-added products to meet the evolving demands of the Indonesian market.

Against that backdrop, I am pleased to **highlight key achievements** that underscore the hard work and dedication of the Chandra Asri team.

Firstly, we are pleased to announce a positive Earnings Before Interest, Tax, Depreciation, and Amortization (EBITDA) of US\$130 million – marking a significant turnaround of 2352% from FY 2022. This reflects improving market conditions and our consistent performance with discipline, maintaining best-in-class standards for safety and performance compared to industry peers.

Secondly, we take pride in maintaining a strong Balance Sheet, boasting a robust liquidity pool of US\$2.67 billion. This financial reserve provides ample resources to fortify financial stability, laying a solid groundwork for future growth and investment endeavors.

We have upheld our strong balance sheet and competitive edge by leveraging two growth engines: chemicals and infrastructure solutions, which complement and synergize with each other. Our recent successful M&A transactions in this domain validate our execution track record and signify significant enhancements to Chandra Asri's foundational business model.

Thirdly, in line with Chandra Asri's commitment to its growth trajectory, we have made significant progress in the development of our world-scale caustic soda and ethylene dichloride plant (CA-EDC), which is part of the strategic reconfiguration of CAP-2, i.e. our plans to expand to a second complex. In 2023, Chandra Asri signed a Letter of Interest (LoI) with INALUM aimed at supporting the development of the downstream aluminum sector and accelerating the sustainable national Electric Vehicles (EV) ecosystem. This collaboration entails potential caustic soda solution supply to INALUM of up to 120,000

MT per year. Chandra Asri also signed an MoU with INA for a potential equity contribution by INA in PT Chandra Asri Alkali, the special purpose vehicle holding the CA-EDC assets.

We have also signed a binding offtake agreement with Australian-based Salt Supplier, BCI Minerals Pty Ltd that will provide competitive salt feedstock, advantaged freight logistics to boost the competitiveness of our project. This offtake agreement will be valid for 3 years for an option to renew for another 3 years. The initial year's offtake is for 300,000 tonnes and increases to up to 600,000 tonnes of salt in the subsequent years.

Fourthly on the Environmental, Social, and Governance (ESG) initiatives, Chandra Asri made tremendous strides to win many industry accolades, which underscore our Company's strong commitment to addressing plastic waste challenges in Indonesia, supporting our communities, and maintaining international standards governance. We extend our gratitude for the recognition of our collective efforts and dedication from our outstanding team, partners, and stakeholders.

Next, let's take a closer look at our **Performance Overview**.

Firstly – on the **Market Product Prices**. Petrochemical product prices, especially ethylene, rebounded from supply constraints while the naphtha feedstock price also decreases, primarily due to reduced production. The market sentiment for petrochemicals remained pessimistic due to prolonged bearish economic indicators, abundant supply, and subdued demand for end products. Downstream margins remained slim, prompting market players to make purchases only when necessary. However, styrene and butadiene prices showed strength in the fourth quarter, supported by limited regional supply.

On overall **Production and Sales** in the full year of 2023, we sustained our production volume at an optimal level to reliably meet market demand. Our total production volume reached 3,415KT, with a sales volume of 1,843KT. Market sentiment in Indonesia remained positive and is expected to continue its stable growth trajectory.

Regarding our **Operating Rates**, Chandra Asri demonstrated resilience by strategically sustaining a high operating rate of 81% despite challenging market conditions. We maintained high running rates of our

cracker and polyolefins plants at 80-90% to fulfill domestic demand. We remain optimistic about the promising outlook for the petrochemical market in Indonesia and anticipate continued growth potential.

In our commitment to Environmental, Social, and Governance (**ESG**) principles, we remain dedicated to effectively implementing our comprehensive ESG Framework, RESPONSIBLE. I deeply value our team's commitment to actively contributing to the betterment of our communities as we continually advance our ESG initiatives.

Through this ESG framework, we are doing some initiatives that prioritize sustainability across all facets of our operations, focusing on environmental stewardship, social responsibility, and governance integrity. Here are some activities that stems from our commitment to environmental, social, and governance practices as shown in slide 11.

We are particularly proud that our ESG initiatives in 2023 has been acknowledged with **various market-leading accolades**. We have been included as top 3 of the commodity chemical sub-industry ESG risk rating by Sustainalytics. Based on the score from Sustainalytics, Chandra Asri was incorporated into the IDX ESG Leaders' Index. We are also delighted 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 by introducing a community-based end-to-end plastic waste management initiative. Chandra Asri has also received recognition in the PROPER rating, awarded Gold predicate for the Ciwandan site and Green predicate by Pulo Ampel site. Lastly, Chandra Asri has achieved recognition with a B Score in climate change disclosure by the Carbon Disclosure Project (CDP).

With these ESG achievements, Chandra Asri remains dedicated to pursuing diverse initiatives and collaborations with numerous stakeholders to enhance the company's ESG dedication. We will persist in our unwavering pursuit of continual enhancements and endeavors to promote a sustainable business ecosystem.

Finally, in the area of **Digital Transformation**, which is a strategic focus for the Group, Chandra Asri was just recognized as an industry leader, being awarded the prestigious National Lighthouse Industry 4.0 prize by Indonesia's Minister of Trade and Industry, for being a pioneer for digital transformation. This

recognition underscores Chandra Asri's commitment to embracing digital innovation and leveraging Industry 4.0 technologies to drive operational efficiency and competitiveness. As a pioneer in digital transformation within our sector, we continue to invest in cutting-edge digital solutions to optimize processes, enhance decision-making capabilities, and unlock new opportunities for growth. We remain steadfast in our journey towards digital excellence, aiming to set new benchmarks for industry standards and inspire other players in the sector to embark on their own digital transformation initiatives.

In the upcoming segment, Andre will provide further insights into Chandra Asri's financial performance and growth strategies.

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 maintained resilience in sustaining robust **revenue** performance. In FY 2023, our net revenue reached US\$ 2,160 million, with a Polyolefins leading the majority of our total sales portfolio mix by 59%.

As a key element of our strategic approach, we have consistently prioritized meeting domestic demand and reducing reliance on imports. Consequently, 70% of our revenues were derived from serving the domestic market, while the remaining 30% originated from exports of specific grades like Butadiene, Pygas, and MTBE, which surpassed local demand.

An important development in Chandra Asri was the acquisition of Krakatau Chandra Energi, formerly known as Krakatau Daya Listrik, an energy company, in February 2023, which expanded our revenue streams to include electricity sales and other electrical services. This diversification of income sources is expected to experience substantial growth in the years ahead, given the identified pipeline of both organic and inorganic growth opportunities including the development of mounted and floating solar panels. This overall performance underscores our unwavering commitment to growth and adaptability, reinforcing our position as a resilient and competitive player in the market.

Transitioning to our **Balance Sheet highlights**, we have been actively overseeing and strengthening Chandra Asri's financial position. Maintaining a Debt-to-Capital employed ratio of 37%, we remain aligned

with our growth and expansion strategies. This achievement is attributed to the successful execution of various long-term financing options throughout the year, which support our strategic M&A initiatives.

In our commitment to lenders and investors, we continue to maintain a diverse and extensive range of financing sources. Our portfolio composition consists of 36% IDR bonds, 61% onshore bank financing, and 3% offshore bank loans.

We uphold a steadfast commitment to maintaining a resilient total Liquidity Pool, currently standing at US\$2.67 billion. This pool includes US\$201 million of available committed revolving credit facilities, US\$1,029 billion in marketable securities, and US\$1,440 billion in cash and cash equivalents. With this robust liquidity position, we are empowered to pursue our business objectives confidently and seize opportunities for sustained growth.

I would like to also highlight our Financial Programme where the Company continues its 4th IDR Bonds Shelf Programme with the listing of Phase III and Phase IV with the total of IDR 2.5 trillion. This decision to access the bond market underscores not just our financial robustness but also our steadfast commitment to driving growth and advancement within the nation, showcasing our dedication to financial excellence and market leadership.

A notable highlight of this listing is the prestigious investment grade bond status, boasting an idAA- rating from PEFINDO. This rating serves as validation of our firm financial footing, prudent management practices, and our unwavering commitment to creating value for our stakeholders. It recognizes our adeptness in navigating the intricacies of the financial landscape while upholding a steadfast focus on sustainability and resilience.

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

Alongside the business transformation in 2023, Chandra Asri underwent **changes in its name, vision, and mission**. Formerly known as PT Chandra Asri Petrochemical Tbk, it is known as PT Chandra Asri Pacific Tbk. Previously envisioned as Indonesia's Leading Petrochemical Company, the vision shifted to becoming **Indonesia's leading Chemical and Infrastructure Solutions Company**. Additionally, the Company's mission underwent changes, dedicating to enhancing lives, communities and environmental well-being

through innovative solutions and strong partnerships, with a solid commitment to sustainability, safety, and best practices.

As we continue to make progress in executing our strategy to realise our Vision, **Chandra Asri's latest portfolio** is clearly demarcated into two core business segments: chemicals and infrastructure.

Within the chemicals stream, we encompass both upstream and downstream assets. Looking forward, the construction and start-up of our world-scale caustic soda and ethylene dichloride plant marks another significant milestone in our journey.

On the infrastructure front, we are dedicated to delivering long-term, stable, and sustainable shareholder returns. We aim to enhance the value of our infrastructure assets portfolio through three key avenues: operational excellence, realizing cross-entity synergies, and integrating ESG best practices. Presently, our infrastructure business spans energy, water, and jetty and tank facilities.

In summary, Chandra Asri's dual portfolio in chemicals and infrastructure underscores our commitment to excellence, growth, and sustainability. We play a crucial role as a national asset in the chemical sector and are poised for substantial expansion and value creation through our infrastructure initiatives.

Chandra Asri's growth trajectory is closely linked to **partnerships with world-class companies**, including its shareholders such as Barito Pacific Group, Siam Cement Group, and Thai Oil Group, as well as subsidiary-level partners like Salim Group at PT Redeco Petrolin Utama, Michelin Group at PT Synthetic Rubber Indonesia, Krakatau Steel at Krakatau Chandra Energi and Krakatau Tirta Industri, Posco Corporation at PT Krakatau Posco Energy, and Chandra Asri's newest partner, EGCO Group at PT Chandra Daya Investasi (CDI).

In **2023, Chandra Asri's strategic framework** consists of three key components: Firstly, within our core business, we aim to strengthen and expand our chemical and infrastructure operations organically, while prioritizing cost leadership and operational excellence. Secondly, we are preparing for significant milestones, including the construction of the CA-EDC Plant as part of the reconfigured CAP2, and diligently execute programmatic M&A and integrate acquisitions to grow infrastructure business. Lastly, on our Sustainable Pathways journey, we remain committed to maintaining industry leadership in ESG, actively exploring partnerships in renewables, particularly in Hydrogenated Vegetable Oil (HVO) and Bio Products.

In essence, our overarching objective is to optimize value and enhance shareholder returns, ultimately fostering a smoother value curve for all our stakeholders.

Chandra Asri's **CA-EDC development** plans are progressing well as we gear up to meet the rising 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 over 400 KTA of caustic soda and 500 KTA of ethylene dichloride (EDC), addressing the region's tight market.

Notably, as touched on by Khun Pholavit earlier, significant progress has been made through potential strategic partnerships with INA, Indonesia's sovereign wealth fund, and world-class licensors like Asahi Kasei Corporation (AKC) from Japan for chlor-alkali technology, as well as partnering with a leading vinyl technology licensor from the United States. Additionally, steps have been taken towards potential collaboration with INALUM for the supply of caustic soda solution and equity contribution in CAA. These initiatives underscore our dedication to supporting the dynamic electric vehicle industry and expanding our market presence.

For the finalised binding offtake contract for salt, BCI was seeking an investment grade off-taker. We are delighted to note that post detailed due diligence of credit quality and ESG credentials, Chandra Asri was deemed an Acceptable Counterparty for BCI Mineral's Project Finance provided by the Northern Australian Infrastructure Facility (NAIF), Export Finance Australia (EFA), Export Development Canada (EDC), Westpac and Industrial and Commercial Bank of China (ICBC).

I also want to **highlight key achievements of Chandra Asri's Programmatic M&A strategy** in 2023.

1. Firstly, Chandra Asri completed acquisitions of Krakatau Steel's subsidiaries in February 2023, acquiring a 70% stake in Krakatau Chandra Energi (formerly Krakatau Daya Listrik) and a 49% stake in Krakatau Tirta Industri. These acquisitions were made to support the development of Chandra Asri's second global-scale petrochemical complex (CAP2).
2. Through Chandra Daya Investasi, Chandra Asri made additional investments in PT Krakatau Posco Energy. This potential investment of US\$200 million is divided into two stages, with the first stage of US\$50 million used to increase ownership from 10% to 45%, and the second stage aimed at

expanding capacity from 200MW to 400MW, with the power plant utilizing exhaust gas from Krakatau Posco supported by a full long-term off-take until 2038.

3. We also made an investment in Bayfront Infrastructure Capital II Pte. Ltd. (BIC II). BIC II is the Issuer and special purpose vehicle which was established to raise capital by the issue of Notes and Preference Shares which offers exposure to a portfolio of 27 project and infrastructure loans, diversified across 13 countries and 8 industry sub-sectors. BIC II was the world's first publicly issued securitisation to feature a dedicated sustainability tranche.
4. Towards the end of 2023, Chandra Asri secured a US\$194 million investment from Electric Generating Public Company Limited or EGCO Group, an independent energy producer in Thailand, for a 30% stake in its infrastructure solutions subsidiary, PT Chandra Daya Investasi (CDI). Chandra Asri Group retains a majority stake of 70% in CDI. The net proceeds will be used for the development of infrastructure businesses within Chandra Asri Group and EGCO, including energy, water, and jetty & tank facilities.

At Chandra Asri, our steadfast dedication to **achieving sustainable and profitable growth** is evident in our strategic plans. By 2026, the CA-EDC plant will increase our plant capacity from 4,232 KTA to 5,132 KTA, marking a significant milestone. Looking forward, we anticipate doubling our capacity in the coming years with the upcoming CAP2 development.

In conclusion, we are thrilled about the progress we've made and the journey ahead. Our unwavering commitment to excellence, sustainability, and value creation continues to drive our efforts. We appreciate your ongoing support as we navigate the opportunities and challenges ahead. Thank you for your confidence in Chandra Asri.

Now, we are ready to address any **Questions** you may have. Thank you.