

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

Chatri Eamsobhana – Chief Operations Officer

Good afternoon everyone. Thank you for joining us. Welcome to Chandra Asri's second quarter 2021 Earnings Call. Today, Andre and I will be sharing an update of Chandra Asri's Summary Highlights, provide a Performance Overview of our robust results, and talk about our continued progress executing our Strategy & Growth plans.

Let me kick-off by sharing the **Management Overview** and **Financial Highlights**.

We are Performing by Day. Our business and people have shown tremendous resilience and strength to achieve a Revenue of US\$1,262 million, up 50% year on year as overall market conditions remains strong, and we leverage the quality of our assets and competitive advantages as the leading petrochemical company in Indonesia.

Once again, we delivered strongly to yield an EBITDA of US\$275 million Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) and Net Income After Tax (NIAT) of US\$165 million. Operating rates was up to 93%, versus 89% over the same period last year.

We retained a strong liquidity pool of US\$1.2 billion. Contrasting between the period of YTD June 2021 versus YTD June 2020:

1. We have increased our cash and cash equivalents from US\$649 million to US\$762 million.
2. We have reduced our debt from US\$945 million to US\$899 million.
3. Our Net Debt to EBITDA on a 12-months rolling basis is down from 5.1 times, to 0.3 times.

We have also actively streamlined our Debt Capital Structure with new financing facilities that are Lower, Longer and Better, that Andre will share more about, in just a moment.

We are Transforming by Night. Our Digital Transformation Program is on track, and we continue to make progress delivering on the ESG front. In later slides, I will share some snapshots of our partnership success stories (1) with Siemens and Bentley in the implementation of the first petrochemical Digital Twin system in Indonesia; and (2) with Ecolab to optimize our water footprint and opex. We have taken out more than US\$30 million of structural cost on an annualized basis with our SPEED program. We have continued to realize our strategy of growth in High Value Added (HVA) Grades as the economy sustains its resilience, across diverse grades such as HD Pipe, LL Cable, LL Rotomolding and PP Block Copolymer.

And most recently – after a robust, broad and comprehensive strategic investor selection process, we have selected Thailoil, the flagship refiner of PTT Public Company Limited (PTT), Thailand’s premier multinational energy company, to be Chandra Asri’s partner to develop our second petrochemical complex, CAP2.

Let me now turn to **Market Product Prices**. Overall, this quarter saw firm chemical spreads. PP – Naphtha spreads remained beyond the US\$800/Ton level, while PE – Naphtha spreads have sustained performance over US\$650/Ton. We also saw a growing sense of optimism for Styrene Monomer and Butadiene, with spreads in the areas of US\$645/Ton and US\$480/Ton, respectively, in view of robust demand for consumer goods and the automotive sector.

Despite higher crude oil values, demand for petrochemicals have been relatively strong during the first half of the year, as we saw Chinese and regional economic strength, resilient domestic Indonesian demand especially for packaging products, and with support from a heightened focus on domestic supply security, in view of the tight global container market. We are cautiously optimistic for this trend to continue, as economic rebound continues, but rising cases of the highly infectious Delta Variant of COVID-19 may present headwinds in the event where countries have to go through sustained periods of lockdown, thus dampening global economic recovery.

Our year-to-date total **Production Volume** grew by 159 KT compared to the same period last year to 1,933 KT, while total **Sales Volume** raised to 1,101 KT. The growth was supported by improved Styrene Monomer and Butadiene netbacks, as well as the growing contribution from our new MTBE and B1 plants. As we shared in the first quarter Earnings Call, improvement in the Styrene Monomer market, as

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buttressed by stronger demand seen in the downstream industry such as house appliances and electronics, have underpinned market prices.

The surge in plant production volume was also in-line with Chandra Asri's realization of 93% **Operating Rates** in the first half 2021, as compared to 89% in the six months period ending 30 June 2020. Our naphtha cracker operating rate is up to 96%, and the same for PE. Our PP plant operating rate was 97%, SM 88%, and BD 86% respectively. Whilst our new B1 and MTBE plants are already fully operational meeting full specifications, as previously shared the operating rates are subject to fulfilling long-term raffinate off-take agreements that will run until 2023, which was considered as part of the Final Investment Decision economics.

In the **Digital Transformation** space which pertains to Operating Rates, I am pleased to update that that our partnership with Siemens and Bentley is well on track to deliver a step-change in maintenance performance. The Digital Twin enables our engineers to easily visualize our plant assets and engineering data, digitally. To date, we have successfully digitized our Ethylene Plant, comprising more than 30,000 equipment tags notwithstanding the challenges of operating under strict COVID-19 health and safety protocols to protect the safety of our staff and contractors. With this improvement, we have seen a 70% improvement in Operational Efficiency and 90% in Maintenance Decisions, which we believe will continue to contribute positively to us maintaining our health and safety track record, to run the plant safely, effectively, and efficiently.

We recognized **Revenues** of US\$1.26 billion, up by US\$423 million or 50% on a year-on-year basis. The rapid progress of mass vaccination roll-out via the Indonesian Gotong-Royong program, the regional and domestic economic rebound that we saw post recent Covid-19 lockdowns, coupled with Chandra Asri's sustained focus on product development to establish new High-Value Added grades, alongside robust operational excellence to keep the plant running throughout the pandemic, have all contributed to the strong top-line growth in Chandra Asri. In aggregate, we realized double-digit growth compared to 2020 across all product grades, with substantial revenue contribution from Polyolefin, and additional revenue stream from B1-MTBE.

On our **SPEED Structural Cost Reduction Program**, we are pleased to highlight our partnership with Ecolab, where we have significantly boosted our cost and sustainability performance through the

implementation of Ecolab’s Green Chemistry and 3D TRASAR Cooling Water Technology. The 3D TRASAR system enables remote and digitized monitoring of water operations. The impressive co-created partnership performance was so significant, Chandra Asri was profiled as one of 6 leading Ecolab Customers in its latest Global Corporate Sustainability Report, entitled “Partners for Greater Purpose: Leading in a Changing World”. It details how Chandra Asri achieved savings of 92 million gallons of water; 6 million kWh of energy; 125 million gallons of waste and 2100 metric tons of CO₂. Feel free to access the Ecolab link to find out more.

Thank you. With that, I would now like to hand over to Andre.

[Andre Khor – Chief Financial Officer](#)

Thank you Khun Chatri. Good afternoon ladies and gentlemen, and thank you for joining us on our Second Quarter 2021 Earnings Call. Today I will share with you more about our financials, strategy and growth outlook.

Let me start off with sharing some vignettes from our **Key Balance Sheet Highlights**. Chandra Asri retains a healthy and robust Balance Sheet with debt to capital employed at 33%, and a total liquidity pool of US\$1.2 billion, comprising US\$762 million Cash & Cash Equivalents, US\$341 million available Committed Revolving Credit Facility, and USD\$59 million Marketable Securities in form of highly secure and liquid government bonds and money market funds.

Our financing sources are broadly diversified across the USD bond, IDR bond and Bank Loan market as we stay the course on our Lower, Longer, Better Financing Strategy; with solid recognition of Chandra Asri’s strong credit quality, track record, and success in completing our Integration Master Plan.

On a like-for-like basis, we are on track to reduce our debt portfolio’s weighted average interest rates by about 25%, extend the weighted average maturity life by 39%, and realize better terms and conditions with more flexibility to meet business needs: All our new facilities raised have been on a

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fully unsecured basis with only about US\$60 million of legacy Rupiah Bonds (last issued in 2018) remaining as secured, amounting approximately only to 2% of our US\$3 billion asset footprint.

We have also recently renewed, expanded and extended our Trade and Revolving Credit Facilities to be on a fully unsecured basis, a new milestone for our partnership with our long-term and strategic banking partners.

As part of our proactive management of our cash pool, debt maturity profile and overall capital structure, we continued our open market repurchase program for our REG S/144A USD Bond, and successfully executed a cash tender offer in May, to reduce the US\$300 million outstanding to US\$229 million on our Balance Sheet as at 30 June 2021. Looking ahead we expect to continue to be active in this space, subject to prevailing market conditions.

Most recently, to further bolster our **Robust Capital Structure**, we have secured and signed a new Term Loan and Account Receivables Financing Facility agreement with Bank Mandiri for a total value of IDR 5 trillion, or US\$ 350 million. The financing package consists of a 7-year bullet term Loan facility amounting to USD 280 million, or approximately IDR 4 trillion, and an Account Receivables Financing Facility, for up to IDR 1 trillion with a tenor of 2 years. Apart from providing these new credit facilities, Bank Mandiri also extended the tenor of the Committed and Unsecured Revolving Credit Facility worth US\$ 50 million, and renewed the term of the Trust Receipt facility for Chandra Asri from the original US\$ 50 million to US\$ 75 million. These steps are part and parcel of Bank Mandiri's clear commitments to deepen the relationship with Chandra Asri, to support the domestic industry in line with the aspirations of the government to promote import substitution.

Overall – We are pleased with the progress we are making in our financial strategy, as all these key progress milestones help us to reduce our cost of capital, enhance our capital structure resilience, and lay the relationship foundations for further partnership, thus positioning Chandra Asri strongly for future expansion via CAP 2.

Let me now move on to the exciting updates we have in the areas of **Strategy and Growth**, for our CAP 2 project.

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We are delighted to finalize the selection of our Strategic Investor to unlock stage 3 of CAP 2's **Stage Gate Process**. CAP and Thaipol have signed definitive agreements on 29 July 2021 to proceed with a capital increase in CAP via a Pre-Emptive Rights Issue, to be filed with the Financial Services Authority of Indonesia (OJK). The investment in CAP will be made via Thaipol's designated subsidiary that will act as the standby buyer to underwrite a successful transaction. CAP's major shareholders, Barito Pacific and SCG Chemicals Co., Ltd. (SCG Chemicals), fully support this corporate action to inject equity into CAP.

The total estimated investment from Thaipol obtaining a 15% shareholding stake in CAP after the rights issue, and SCG Chemicals retaining approximately 30.57% of its shareholding stake in CAP, is up to US\$ 1.3 billion. The transaction is still subject to requisite regulatory approvals, including from the OJK and is expected to complete no later than 30 September 2021. It will be one of the largest rights issue ever done on the Indonesia Stock Exchange (IDX).

Subject to a successful Final Investment Decision (FID) on CAP 2 targeted for 2022, Thaipol and SCG Chemicals may further collectively invest up to US\$ 0.4 billion. The methods of the subsequent investment will be determined by the parties at a later stage and remain subject to the approval of CAP shareholders and relevant governmental authorities in the Republic of Indonesia.

With this, we are now proceeding expeditiously to the next steps of Front End Engineering and Design (FEED) Execution; Engineering, Procurement and Construction (EPC) Bidding; Final Total Investment Cost (TIC), Investment Return Report, Firmed Funding Plan and remaining relevant Permits, with a goal of taking CAP 2 Final Investment Decision (FID) in 2022. Basis this timeline, commissioning and start up will happen around 2025-2026.

The finalization of Thaipol as the chosen Strategic Investor marks another key milestone for **CAP 2 Progress**. The project now has sufficient landbank to proceed. The Tax Holiday is confirmed for 100% of Corporate Income Tax for the first 20 years post start-up, plus a further 2 years at 50% off Corporate Income Tax i.e. for years 21 and 22 of operations. The Licenses and Technology have been selected, and FEED contracts are ready to go. The Capex plan and design has been firmed up to a range of +/- 30%, and we have a clear financing plan in place with strong expressed bank support. The Government of Indonesia consistently and continuously renders its support for the project, as reiterated by President Jokowi

himself. CAP 2 has also secured its environmental permits, AMDAL and we have LOIs in place with world-class utility partners.

Thaioil was chosen as the strategic investor, over many qualified, compelling, and competitive bidding parties and consortiums, after a robust and comprehensive selection process. This culminated in the signing ceremony on 29 July 2021, with respective company leaders, including our CEO Pak Erwin Ciputra, connecting by a virtual conference witnessed by all the key partners and contributors who have contributed to this exceptional moment in the history of Chandra Asri.

The Strategic Investor Selection Process Considerations included key elements across the meta themes of Strategic Alignment and Partnership Synergies.

Strategic Alignment included all-inclusive and wide-ranging engagements and assessments of key partnership aspects which we believe to be critical for the long-term success of mega projects such as CAP2, including (i) ownership participation interest, (ii) the operating model, (iii) planned route-to-market, (iv) construction philosophy and principles, (v) financing structure, (vi) technology capacities.

Partnership Synergies encompassed an assessment of the tangible and direct synergistic value to be unleashed to produce combined value greater than the sum of parts, through the interaction and cooperation of Chandra Asri, its existing shareholders SCG and Barito, and the new Strategic Investor Thaioil. This includes vital elements such as the following:

1. The technical competences Thaioil will be bringing to the table, through its recent experiences in executing its mega Clean Fuels Project for the increase in its refining capacity in Sriracha Thailand, with an aim of further optimising and lowering the Total Investment Cost of CAP 2.
2. Security of feedstock supply, where Thaioil will have the ability and willingness to supply up to 1,050,000 metric tons of naphtha and LPG to meet about 20% of CAP1 plus CAP2 needs.
3. Product distribution agreement via Thaioil to further expand CAP's distribution network and reach, to maximise the value of the total pie for Chandra Asri and its shareholders.
4. Knowledge and expertise transfer between organizations, across diverse areas such as management, financial and technical competences.

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5. And lastly, a pipeline of identified future additional collaboration opportunities between CAP, SCG Chemicals and Thaipol, with the aligned strategic partnership values and culture.

CAP 2 Plant Configuration: With that, we are pleased to forge ahead with CAP 2 to double our capacity to more than 8 million tons per annum. The plant will be constructed above approximately 200 hectares of land adjacent to our existing Chandra Asri site in Cilegon. Key aspects of CAP 2 include the following: Naphtha will be the main feedstock to be supplied by Thaipol and other traders, International or National Oil Companies. Pygas will be sourced from CAP1 to reduce logistics and transportation cost. The flexible-feed cracker will be able to consume a mix of naphtha and LPG as feedstock.

CAP2 has been designed to primarily meet the growing domestic demand in olefins and aromatics in Indonesia. New product grades include the targeted 300KTA LDPE, the first in Indonesia, and incremental Aromatics Unit capability to derive further economic value from py-gas. The overall design configuration combines proven technologies to ensure high product quality and cost competitiveness.

In Conclusion: Chandra Asri has delivered a strong operational and financial performance during the first six month of 2021, sustaining the upward trend from the beginning of the year, through effective execution and the strength and resilience of our business, asset and people.

We are pleased to have Thaipol, Thailand's largest refinery on board as our growth partner, and look forward to making CAP 2 a reality together with Thaipol's strong track-record, exceptional qualities and deep capabilities. The project fits perfectly with Thaipol's long term strategy, and will enable them to diversify, de-risk, accelerate and tap into the growing and vibrant petrochemical market in Indonesia.

Through import substitution and meeting the growth in domestic demand, we will help build businesses, create jobs, uplift people, develop communities, and support the industrialization of Indonesia; and we will do this profitably and sustainably together. Thank you for your time and attention. With that, let's open the call to QnA.

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