

Jakarta, 3 January 2020

Number: 001/LGL-DOC/CAP/I/2020

To:

Otoritas Jasa Keuangan ("OJK")

Gedung Soemitro Djojohadikusumo Lantai 1

Jl. Lapangan Banteng Timur No. 2-4

Jakarta 10710

Attn. to: Mr. Ir. Hoesen, M.M.

Chief Executive Supervisor of Capital Market (*Kepala Eksekutif Pengawas Pasar Modal*)

Subject: Reporting on Affiliated Transaction and Result of Business Merger as well as Information Disclosure of PT Chandra Asri Petrochemical Tbk

Dear Sir,

Referring to the provisions of Article 2 letter b.5 of the Capital Market and Financial Institution Supervisory Agency Regulation ("**Bapepam dan LK**") No. IX.E.1, Attachment to Decision of the Chairman of Bapepam dan LK No. Kep-412/BL/2009 dated 25 November 2009 regarding Affiliated Transactions and Conflicts of Interest in Certain Transactions ("**Regulation No. IX.E.1**"), Article 22 of OJK Regulation No. 74/POJK.04/2016 concerning Business Merger or Consolidation of Public Companies ("**POJK 74/2016**"), and Article 2 paragraph (3) in conjunction with Article 6 letter (a) of OJK Regulation No. 31/POJK.04/2015 concerning Disclosure of Material Information or Facts by Issuers or Public Companies ("**POJK 31/2015**"), hereby we submit the following matters:

1. Issuer Data

Name of Issuer or Public Company : PT Chandra Asri Petrochemical Tbk ("**PT CAP**")
Business Line : Petrochemical
Telephone : +62 21 530 7950
Facsimile : +62 21 530 8930
E-mail address : investor-relations@capcx.com

2. Event Date (effective date) : 1 January 2020

3. Type of Information or Material Facts : Business Merger

4. Description of Information or Material Facts

The business merger is carried out between PT CAP and PT Petrokimia Butadiene Indonesia ("**PT PBI**") where PT PBI merges with PT CAP and PT CAP becomes the surviving company. After the merger becomes effective, PT CAP will remain a public company listed on the Indonesia Stock Exchange.

This business merger aims to create a more integrated petrochemical company in Indonesia, where its business activities cover most aspects of the petrochemical production chain. The business merger is carried out by taking into account and following the business merger procedures that are regulated by the prevailing laws and regulations in Indonesia and the merger of PT CAP and PT PBI:

- a) has been approved by the creditors of each participating company in which PT CAP and PT PBI have carried out the actions as required in agreements where PT CAP and PT PBI are a party to;
- b) has obtained an effective statement from OJK;

- c) has obtained approval from the Extraordinary General Meeting of Shareholders of PT CAP and PT PBI; and
- d) has been stated in the Deed of Merger No. 76 dated 15 November 2019, which was made before Jose Dima Satria, S.H., M., Kn., Notary in Jakarta.

This merger is carried out when PT CAP becomes the owner of all shares issued by PT PBI, therefore there is no conversion of shares for other PT PBI's shareholders in PT CAP as required in the applicable merger regulations.

5. **Business Impact on PT CAP's operational, legal, financial condition or business continuity**

a. Positive Impact of merger:

- i. merger of PT CAP with PT PBI will integrate the overall production processes, improve procurement synergies, synergize the financing aspect including accounting process, taxes, and capital structure which in the end will improve the operational and financing performances, and therefore will create a more synergistic, stronger and more efficient company;
- ii. the merger will create a more integrated petrochemical company with a more diverse product portfolio. This merger will create a company with stronger production capacity and assets that can compete with more stable profitability;
- iii. the existence of PT PBI as a separate legal entity leads to various inter-company transactions such as: (i) intercompany charges and (ii) placement of employees. The merger will eliminate duplication of activities and additional administrative expenses and increase efficiency.
The merger between PT CAP and PT PBI will eliminate all additional costs that are not needed to maintain compliance and eliminate all transactions between companies and integrate the overall production process, which will therefore result in a simpler production process thereby creating a stronger and more efficient company. The merger will improve the efficiency and effectiveness of daily business activities of PT CAP and will therefore benefit all stakeholders including public shareholders of PT CAP and that the Merger will not result in losses to the shareholders of PT CAP or to PT CAP. In addition, the merger of PT CAP and PT PBI is expected to create better efficiency in administrative activities related to inter-company transactions and reporting costs including auditing, actuarial and transfer pricing. The merger will also create more optimal utilization of resources related to management, employees and capital, especially for PT PBI. Regarding capital, the merger with PT CAP will give better access to fund for PT PBI in the form of capital and loans.
- iv. increment of efficiency and effectiveness of PT CAP's operations will benefit all stakeholders including the public shareholders of PT CAP.

b. Legal effect of merger:

- i. all assets and liabilities of PT PBI, including any rights and obligations of PT PBI under its contracts with any third parties, will legally be transferred to PT CAP; and
- ii. all employees of PT PBI will change their status to be the employees of PT CAP.

c. Business plan of PT CAP after the merger:

- i. conducting a butadiene production process integration from PT PBI with the production of PT CAP in order to increase operational activities synergy between both company;
- ii. accomplishing the development process of *MTBE/Butene-1* plant that has been carried out by PT PBI, either from the project execution and the capital side with the accomplishment target on Q3-2020. This development aims to strengthen product portfolio and increase added value. With the existence of *MTBE/Butene-1* plant, PT CAP can use *Raffinate-1* production that already exists to be further processed and generate better added value. Furthermore, PT CAP will integrate *Butene-1* production into *polyethylene* production process as *co-monomer*;

- iii. preparing and marketing MTBE to supply the needs of Indonesian market; and
 - iv. in general, PT CAP will continue the strategy to optimize production in all plants with a focus on production security while maintaining a strong financial position. In addition, PT CAP will continue capacity building efforts with a focus on the studies of the second naphtha cracker expansion project.
6. Affiliation relationship between PT CAP and PT PBI is an ownership relationship where PT PBI is a subsidiary of PT CAP which is 100% of its shares are owned by PT CAP and therefore the affiliated transaction between PT CAP and PT PBI is excluded from the obligation to obtain appraisal reports and must only be reported as referred to in item 2.b of Regulation No. b. IX.E.1. Furthermore, Erwin Ciputra, Somkoun Sriwattagaphong, Chatri Eamsobhana, Andre Khor Kah Hin, and Fransiskus Ruly Aryawan are members of the Board of Directors in PT CAP and PT PBI. Baritono Prajogo Pangestu, Vice President Director of PT CAP, also served as President Commissioner at PT PBI.
7. The Board of Directors and Board of Commissioners of PT CAP, individually and jointly, are fully responsible for the truth and completeness of the information as disclosed in this report and after conducting careful research, confirms that the information contained in this report is true and there are no material and relevant important facts that are not disclosed or omitted causing information provided in this report to be untrue and/ or misleading.

Thus this letter is made. Thank you for you kind attention.

Best regards,

PT Chandra Asri Petrochemical Tbk

[signed]

Erwin Ciputra

Presiden Director