

INDOFOOD AGRI RESOURCES Ltd.

Company Presentation 3Q 2018 Results

31 Oct 2018



a subsidiary of:

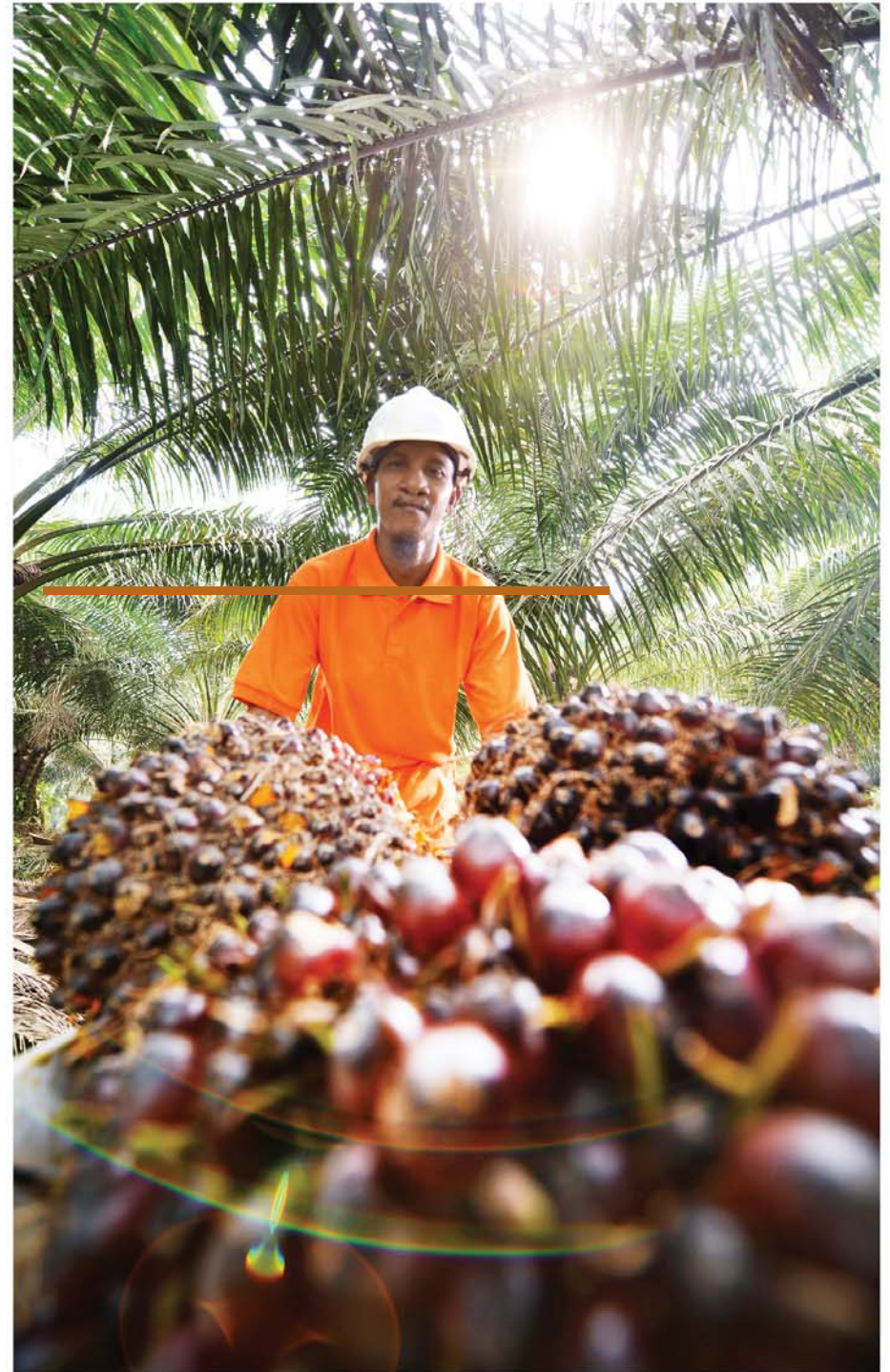
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Presentation Outline

- 1 Plantation Highlights**
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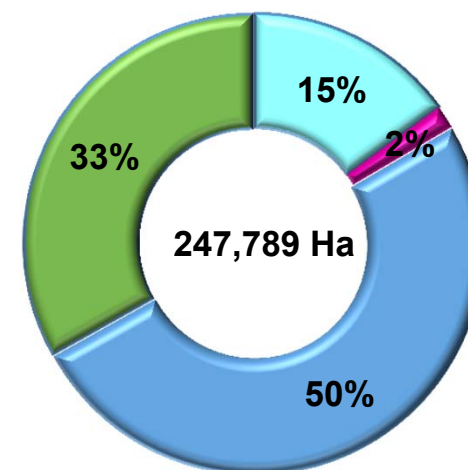
Plantation Highlights



Planted Area

In Ha	30 Sep 2018	31 Dec 2017
<u>Indonesia - Inti</u>		
Planted Area	298,633	300,387
Planted Oil Palm	247,789	247,630
- SIMP	152,453	152,008
- Lonsum	95,336	95,622
Planted Other crops	50,844	52,757
Rubber	17,519	19,869
- SIMP	1,510	3,634
- Lonsum	16,009	16,235
Sugar cane - SIMP	13,146	12,618
Others - timber, cocoa, tea	20,179	20,270
<u>Indonesia - Plasma</u>		
Oil Palm	86,382	86,182
<u>Brazil</u>		
Sugar cane - CMAA	83,710	49,204
- Vale do Tijuco (UVT)	55,269	49,204
- Vale do Pontal (UVP)	28,441	-

Oil Palm Average Age ≈ 16 years



■ Immature ■ 4-6 years ■ 7-20 years ■ > 20 years

* CMAA acquired UVP in July 2018. Of the 83,710 Ha planted sugar cane, 45% owned by CMAA and 55% contracted 3rd party farmers

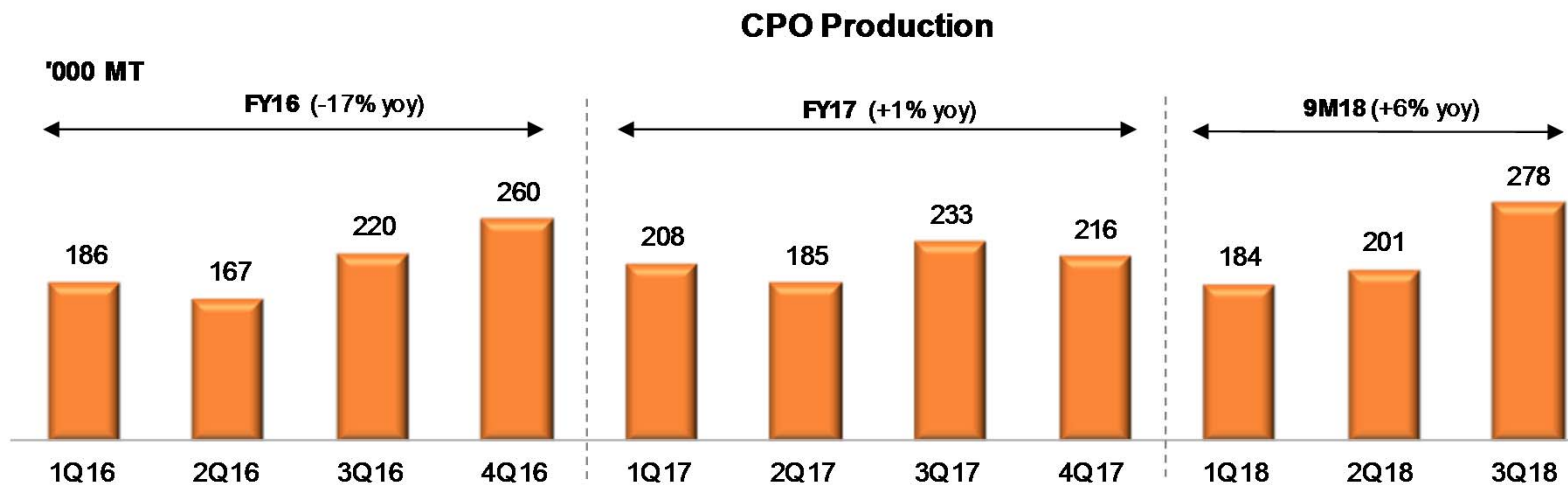
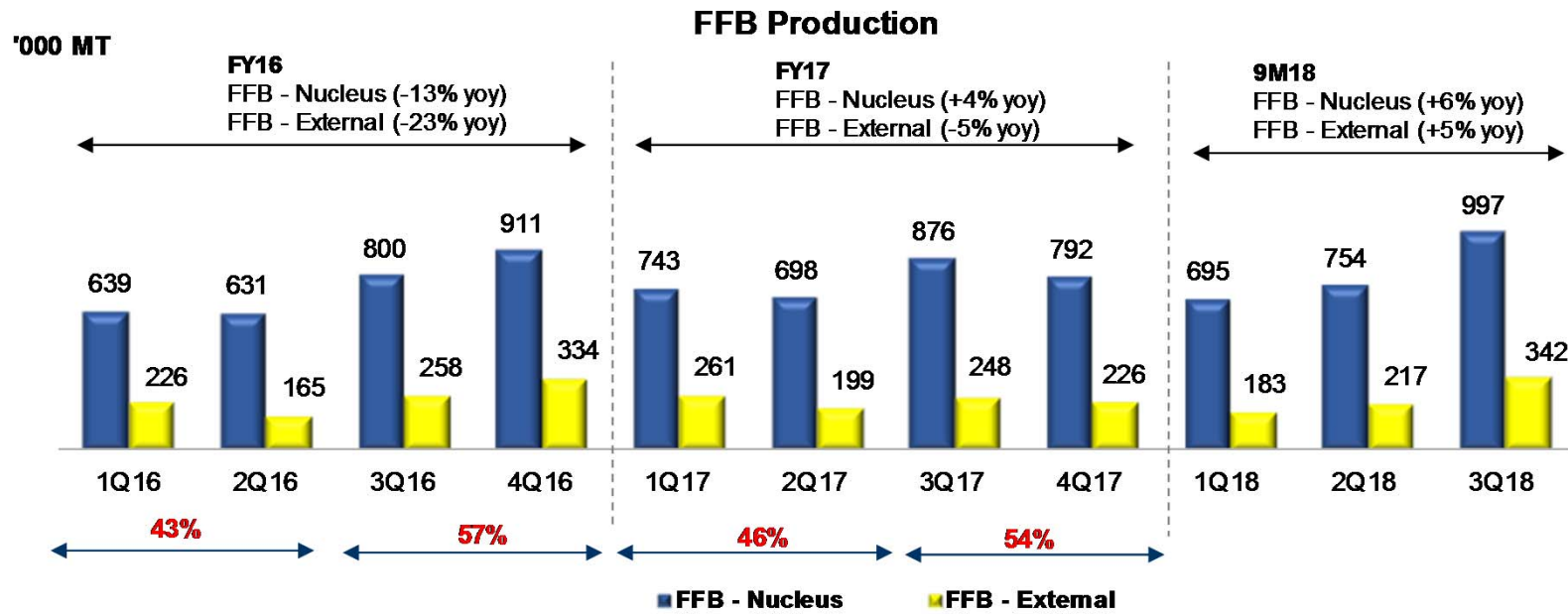
Oil Palm Plantation Highlights

		9M18	9M17	YoY Growth	3Q18	3Q17	YoY Growth	FY17
PRODUCTION								
Mature Area	(Ha)	210,825	209,211		210,825	209,211		209,817
FFB	('000 MT)	3,188	3,025	5%	1,340	1,124	19%	4,043
- Nucleus	('000 MT)	2,446	2,317	6%	997	876	14%	3,109
- External	('000 MT)	742	708	5%	342	248	38%	934
CPO	('000 MT)	663	626	6%	278	233	20%	842
PK	('000 MT)	160	151	6%	67	57	18%	205

PRODUCTIVITY

FFB Yield – Nucleus	(MT/Ha)	11.6	11.1	↑	4.7	4.2	↑	14.8
CPO Yield – Nucleus	(MT/Ha)	2.6	2.4	↑	1.0	0.9	↑	3.2
CPO Extraction Rate	(%)	22.0	21.8	↑	21.9	21.7	↑	21.9
PK Extraction Rate	(%)	5.3	5.3	↔	5.3	5.3	↔	5.3

Oil Palm Production Trends



Sugar Plantation Highlights

INDONESIA	9M18	9M17	YoY	3Q18	3Q17	YoY	FY17
			Growth			Growth	
Planted Area (Ha)	13,146	11,751		13,146	11,751		12,618
Sugar Cane Harvested ('000 MT) ⁽¹⁾	606	618	(2%)	417	374	12%	639
Sugar Production ('000 MT)	52	51	1%	36	31	15%	54
- South Sumatra Plantation	42	41	2%	31	26	22%	44
- Java (LPI's share)	10	10	0%	4	5	(19%)	10

BRAZIL	Apr 18-	Apr 17-	YoY
	Sep 18	Sep 17	Growth
Planted Area (Ha) ⁽²⁾	83,710	53,635	
Sugar Cane Harvested ('000 MT)	4,854	3,443	41%
Raw Sugar Production ('000 MT)	247	270	(9%)
Ethanol ('000 M ³)	253	120	111%

(1) Harvested cane related to Komering sugar cane plantation

(2) CMAA acquired UVP in July 2018. Of the 83,710 Ha planted sugar cane, 45% owned by CMAA and 55% contracted 3rd party farmers



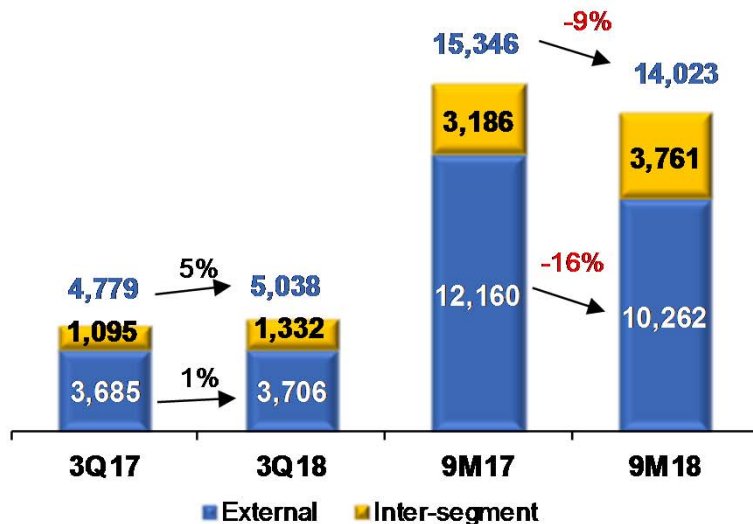
Financial Highlights



Results Summary

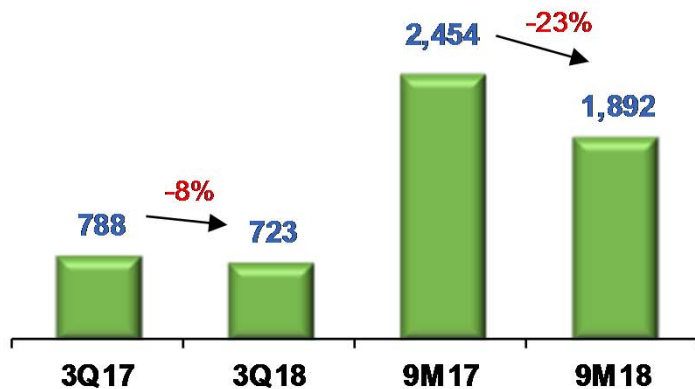
Rp bn

REVENUE



EBITDA*

Rp Bn



* Earnings before interests and tax expense, depreciation and amortisation, the effects of forex and changes in FV of biological assets

Financial Highlights

- Revenue declined in 9M18 on lower sales contributions from Plantation Division. This was partly offset by a solid 3Q sales growth of 24% at EOF Division.
- Weak plantation results were due to lower sales volume of CPO and PK products resulted from timing in shipment and soft commodity prices.
- EBITDA declined 8% in 3Q18 and 23% in 9M18 mainly due to lower contribution from Plantation Division.
- The Group incurred net losses in 3Q18 and 9M18 mainly due to weak plantation results and forex impacts.

Operational Highlights

- The Group reported 2nd consecutive quarter of strong production recovery with FFB nucleus and CPO increasing 14% and 20% over 3Q last year.
- On year-to-date basis, both FFB nucleus and CPO production grew 6% yoy to 2,446,000 tonnes and 663,000 tonnes, respectively.

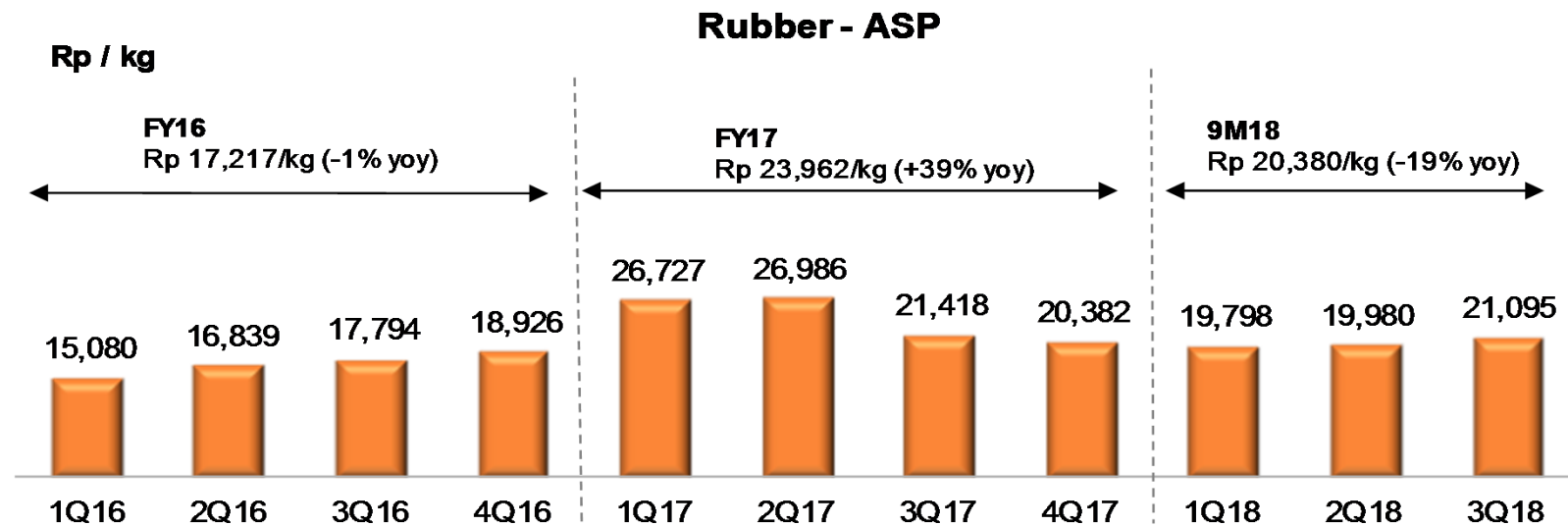
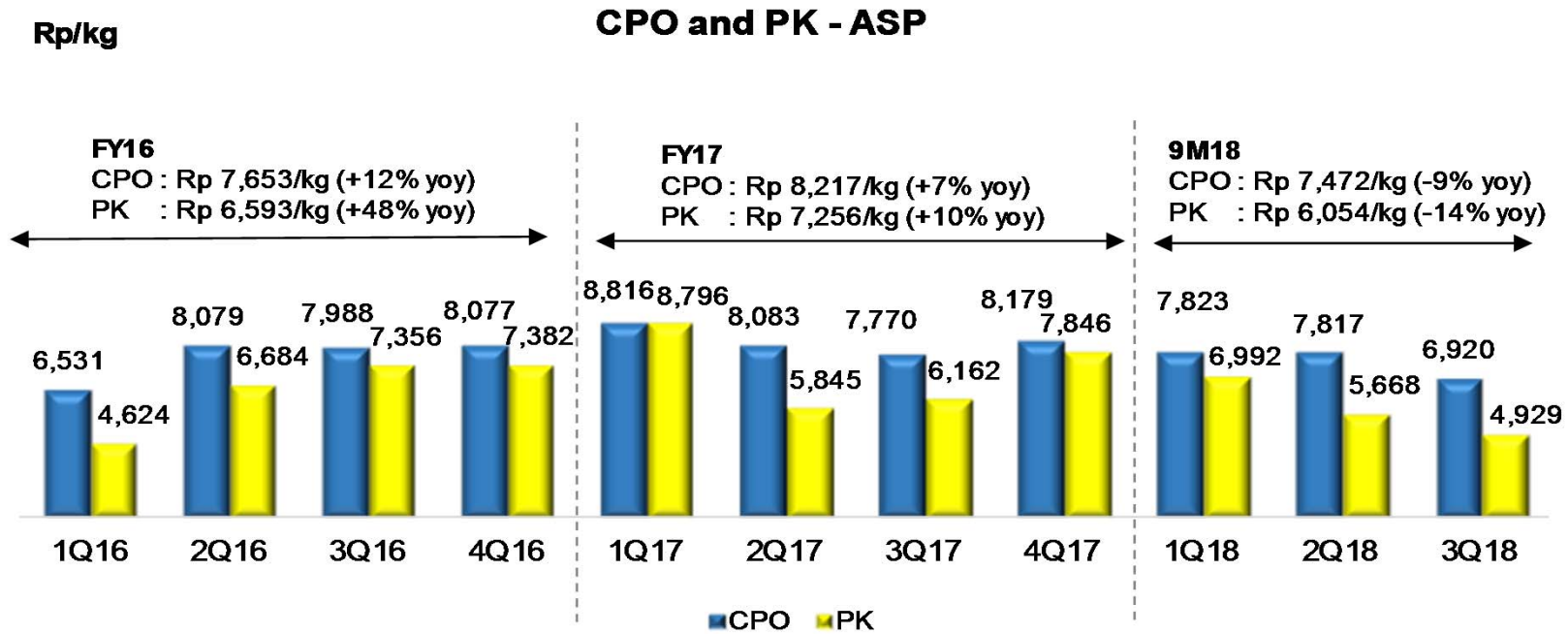
Sales Volume Plantation

In '000 MT	9M18	9M17	YoY Growth	3Q18	3Q17	YoY Growth	FY17
CPO	578	654	(12%)	224	224	0%	880
PK, PKO, PKE	137	160	(14%)	59	58	1%	211
Sugar	34	44	(22%)	14	24	(42%)	50
Rubber	7.4	9.1	(18%)	3.1	2.7	15%	12.4
Oil Palm Seeds ('million)	8.0	7.6	6%	2.7	3.3	(18%)	11.3

- Despite higher production, CPO and PK related sales volume came in lower mainly due to stock build-up in Plantation Division resulted from timing in shipment (~84,000 MT of CPO inventory build-up in 9M18 vs. drawdown of ~27,000 MT in 9M17).
- Likewise sugar sales volume was affected by timing in sales.
- Lower rubber sales volume was due to conversion of rubber trees to palm in East Kalimantan.

Note: Sales volume before elimination of inter-segment sales

Average Selling Price (ASP) Trend



Financial Summary

	9M18	9M17	YoY Growth	3Q18	3Q17	YoY Growth	FY17
Sales	10,262	12,160	(16%)	3,706	3,685	1%	15,717
Gross Profit	1,801	2,393	(25%)	624	718	(13%)	3,085
EBITDA ⁽¹⁾	1,892	2,454	(23%)	723	788	(8%)	3,088
Net (loss)/profit after tax	(65)	522	n/m	(18)	114	n/m	653
Core profit ⁽²⁾	96	572	(83%)	23	102	(77%)	623
Attributable (loss)/profit	(10)	370	n/m	9	101	(91%)	447
EPS (fully diluted) - Rp	(7)	265	n/m	6	72	(92%)	320
Gross profit margin	18%	20%	↓	17%	19%	↓	20%
EBITDA margin	18%	20%	↓	20%	21%	↓	20%
Net profit margin	(1%)	4%	↓	(0%)	3%	↓	4%
Attributable profit margin	(0%)	3%	↓	0%	3%	↓	3%

- Revenue down 16% in 9M18 mainly due to timing in CPO stock realization and soft commodity prices (CPO -9%, PK -14%, rubber -19%).
- Gross profit declined in 3Q18 and 9M18 on the combined effects of lower sales volume and selling prices of palm products, and higher palm production cost arising from wage inflation and fertiliser application.
- Net losses in 3Q18 and 9M18 were mainly due to soft plantation results. YTD results were further affected by forex impacts. Core profit was Rp96 billion in 9M18, declining 83% over 9M17.

(1) Earnings before interests and tax expense, depreciation and amortisation, the effects of forex and changes in FV of biological assets.

(2) Earnings before the effects of forex, changes in FV of biological assets, changes in amortised cost of plasma receivables and one-off gain.

Segmental Results

In Rp Bn	YoY			YoY			FY17
	9M18	9M17	Growth	3Q18	3Q17	Growth	
<u>Sales</u>							
Plantations	6,080	7,610	(20%)	2,243	2,521	(11%)	10,138
Edible Oil & Fats	7,943	7,736	3%	2,795	2,258	24%	10,305
Elimination & Adjustments	(3,761)	(3,186)	18%	(1,332)	(1,095)	22%	(4,726)
Total	10,262	12,160	(16%)	3,706	3,685	1%	15,717

EBITDA

Plantations	1,468	2,224	(34%)	525	712	(26%)	2,859
<i>EBITDA %</i>	24%	29%		23%	28%		28%
Edible Oil & Fats	256	159	61%	128	12	955%	238
<i>EBITDA %</i>	3%	2%		5%	1%		2%
Share of results of associate companies & JV	64	101	(36%)	42	68	(37%)	121
Elimination & Adjustments ⁽¹⁾	103	(30)	n/m	29	(4)	n/m	(131)
Sub-total	1,892	2,454	(23%)	723	788	(8%)	3,087
Net Forex Loss	(138)	(2)	n/m	(39)	(21)	83%	(14)
Total	1,754	2,452	(28%)	684	766	(11%)	3,073

(1) Net effects arising from elimination of unrealised profit of inter-division inventories, SFRS adjustment and regional office costs.

Financial Position

Balance Sheet (In Rp Bn)	30-Sep-18	31-Dec-17
TOTAL ASSETS	38,528	37,415
Cash	2,374	2,930
TOTAL LIABILITIES	17,482	15,992
Interest Bearing Debt	11,424	10,530
TOTAL EQUITY*	21,046	21,423
Net Debt / EBITDA Ratio	3.59x	2.46x
Net Debt / Total Equity Ratio	0.43x	0.35x
Net Assets Value per Share (in Rupiah)	8,549	8,671
Net Assets Value per Share (in SGD) **	0.78	0.79

Cash Flow (In Rp Bn)	9M18	9M17	Change
Net Cash Flow generated from Operating Activities	506	1,802	(1,296)
Net Cash Flow used in Investing Activities	(1,606)	(1,338)	(267)
Net Cash Flow generated from Financing Activities	485	(280)	765
Net (Decrease)/ Increase in Cash & Cash Equivalentents	(615)	183	(798)
Net Effect of Changes in Forex	60	2	57
Sub-total	(555)	186	(741)
Cash & Cash Equivalent - Beginning	2,930	2,405	525
Cash & Cash Equivalent - Ending	2,374	2,590	(216)

* Total equity includes shareholders funds and minority interests

** Converted at Rp10,919/S\$1



Strategies and Expansion



Key Strategies in 2018

Plantation

- Expansion of milling facilities - target completion of a 45MT FFB/ hour mill in Kalimantan in 2019.
- Replanting of 3,000 ha of older palms in North Sumatra and Riau.
- Started the construction of the chocolate factory in November 2017, with commercial production scheduled for 2019.
- Expansion of sugar operations in Brazil
 - In Feb 2018 invested in 2nd Canapolis mill with 1.8m MT of cane crushing capacity, together with 6,048 hectares of land. Target to bring the new mill into operation in 2020, after completing the necessary cane plantings.
 - In July 2018 acquired 3rd UVP mill with 2.5m MT of cane crushing capacity.
 - The combined annual cane crushing capacity for our 3 sugar and ethanol mills is 8.3m MT. All mills are located in the state of Minas Gerais and in close proximity to each other, forming a strong cluster enabling operating and management synergies.

Edible Oils & Fats

























- Expansion of Surabaya refinery has been completed and is operational now, increasing CPO refinery capacity by 300,000 MT per annum.



Appendix



Production Breakdown

		YoY			YoY			
		9M18	9M17	Growth	3Q18	3Q17	Growth	FY17
PRODUCTION								
Mature Area	(Ha)	210,825	209,211		210,825	209,211		209,817
- SIMP	(Ha)	123,430	123,494		123,430	123,494		124,100
- Lonsum	(Ha)	87,395	85,717		87,395	85,717		85,717
FFB	('000)	3,188	3,025	5%	1,340	1,124	19%	4,043
- Nucleus	('000)	2,446	2,317	6%	997	876	14%	3,109
- SIMP	('000 MT)	1,361	1,370	(1%)	549	515	7%	1,830
- Lonsum	('000 MT)	1,085	946	15%	448	361	24%	1,279
- External	('000)	742	708	5%	342	248	39%	934
- SIMP	('000 MT)	414	391	6%	193	140	38%	512
- Lonsum	('000 MT)	331	318	4%	150	108	38%	425
CPO	('000)	663	626	6%	278	233	20%	842
- SIMP	('000 MT)	340	338	1%	142	125	13%	452
- Lonsum	('000 MT)	323	288	12%	136	108	26%	389
PK	('000)	160	151	6%	67	57	18%	205
- SIMP	('000 MT)	73	72	1%	31	28	11%	99
- Lonsum	('000 MT)	87	79	10%	37	29	26%	106
PRODUCTIVITY								
FFB Yield – Nucleus	(MT/Ha)	11.6	11.1		4.7	4.2		14.8
- SIMP	(MT/Ha)	11.0	11.1		4.4	4.2		14.7
- Lonsum	(MT/Ha)	12.4	11.0		5.1	4.2		14.9
CPO Yield – Nucleus	(MT/Ha)	2.6	2.4		1.0	0.9		3.2
- SIMP	(MT/Ha)	2.3	2.3		0.9	0.9		3.1
- Lonsum	(MT/Ha)	2.9	2.5		1.2	1.0		3.4
CPO Extraction Rate	(%)	22.0	21.8		21.9	21.7		21.9
- SIMP	(%)	21.2	21.0		21.0	20.7		21.0
- Lonsum	(%)	23.0	22.8		22.8	23.0		22.9
PK Extraction Rate	(%)	5.3	5.3		5.3	5.3		5.3
- SIMP	(%)	4.6	4.5		4.5	4.5		4.6
- Lonsum	(%)	6.2	6.2		6.1	6.2		6.3

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