

INDOFOOD AGRI RESOURCES Ltd.

Company Presentation 4Q 2018 Results

28 Feb 2019



a subsidiary of:

Indofood
THE SYMBOL OF QUALITY FOODS

Presentation Outline

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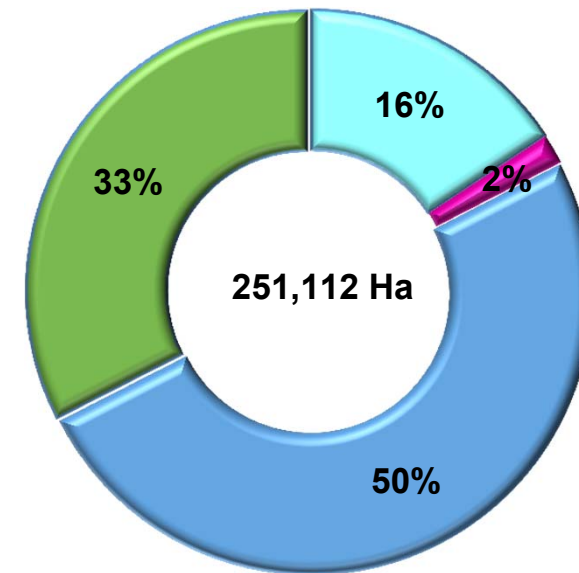
Plantation Highlights



Planted Area

In Ha	31 Dec 2018	31 Dec 2017
<u>Indonesia - Inti</u>		
Planted Area	301,721	300,387
Planted Oil Palm	251,112	247,630
- SIMP	155,073	152,008
- Lonsum	96,039	95,622
Planted Other crops	50,609	52,757
Rubber	16,678	19,869
- SIMP	851	3,634
- Lonsum	15,827	16,235
Sugar cane - SIMP	13,595	12,618
Others - timber, cocoa, tea	20,336	20,270
<u>Indonesia - Plasma</u>		
Oil Palm	86,403	86,182
<u>Brazil</u>		
Sugar cane - CMAA	79,268	49,204
- Vale do Tijuco (UVT)	50,686	49,204
- Vale do Pontal (UVP)	28,582	-

Oil Palm Average Age ≈ 15 years



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

* CMAA acquired UVP in July 2018. Of the 79,268 Ha planted sugar cane, 44% owned by CMAA and 56% contracted 3rd party farmers

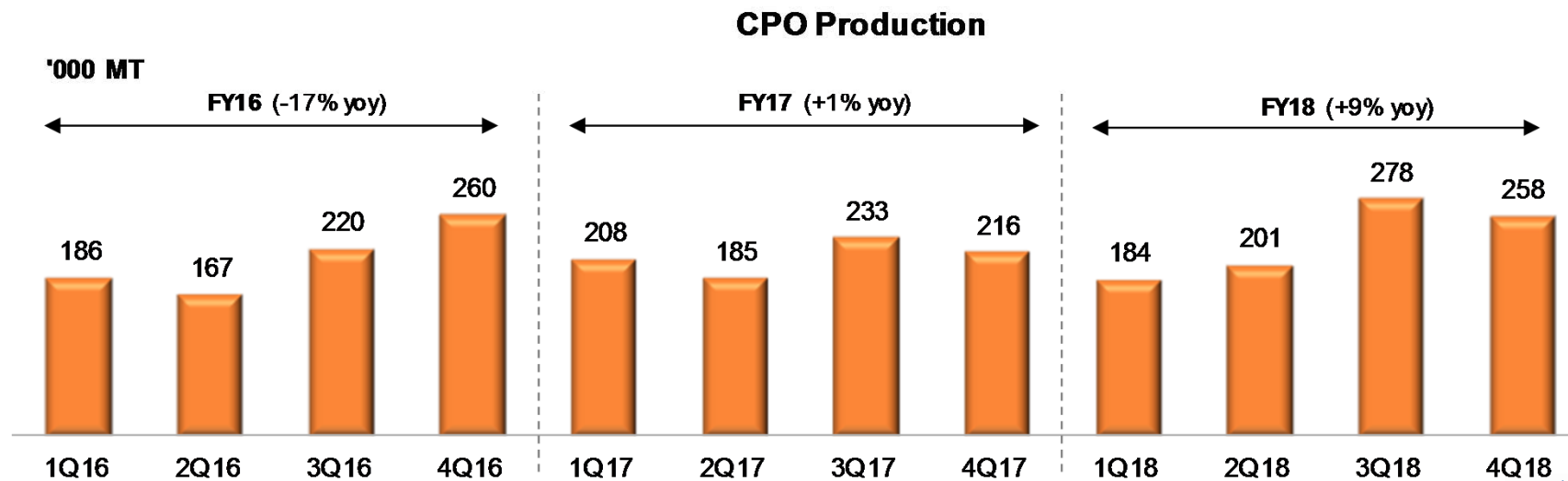
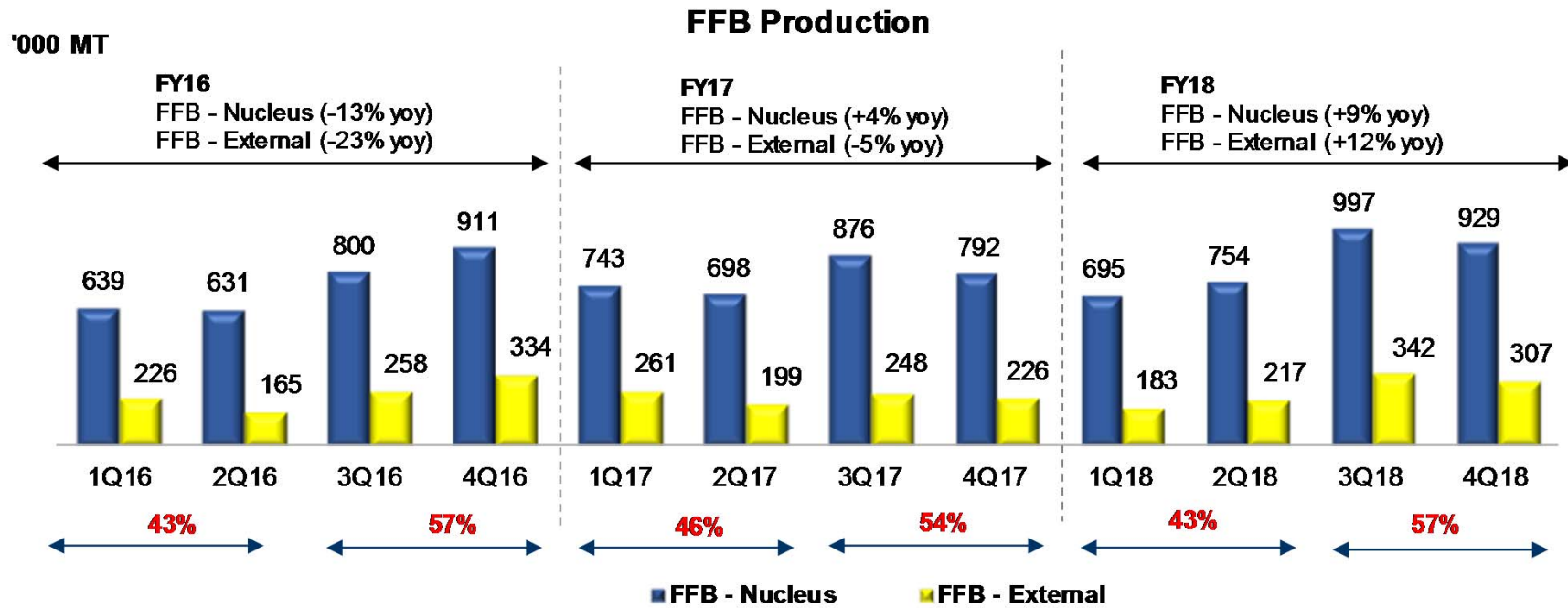
Oil Palm Plantation Highlights

		FY18	FY17	YoY Growth	4Q18	4Q17	YoY Growth
PRODUCTION							
Mature Area	(Ha)	211,707	209,817		211,707	209,817	
FFB	('000 MT)	4,424	4,043	9%	1,236	1,019	21%
- Nucleus	('000 MT)	3,375	3,109	9%	929	792	17%
- External	('000 MT)	1,049	934	12%	307	226	36%
CPO	('000 MT)	921	842	9%	258	216	20%
PK	('000 MT)	221	205	8%	62	54	14%

PRODUCTIVITY

FFB Yield – Nucleus	(MT/Ha)	15.9	14.8	↑	4.4	3.8	↑
CPO Yield – Nucleus	(MT/Ha)	3.5	3.2	↑	1.0	0.8	↑
CPO Extraction Rate	(%)	22.0	21.9	↑	21.9	22.0	↓
PK Extraction Rate	(%)	5.3	5.3	↔	5.2	5.5	↓

Oil Palm Production Trends



Sugar Plantation Highlights

INDONESIA	FY18	FY17	YoY Growth	4Q18	4Q17	YoY Growth
Planted Area (Ha)	13,595	12,618		13,595	12,618	
Sugar Cane Harvested ('000 MT)⁽¹⁾	649	639	2%	43	21	105%
Sugar Production ('000 MT)	56	54	4%	4	2	86%
- South Sumatra Plantation	46	44	5%	4	2	86%
- Java (LPI's share)	10	10	0%	-	-	-

BRAZIL	Apr 18- Dec 18	Apr 17- Dec 17	YoY Growth
Planted Area (Ha)⁽²⁾	79,268	49,204	
Sugar Cane Harvested ('000 MT)	5,618	4,092	37%
Raw Sugar Production ('000 MT)	291	316	(8%)
Ethanol ('000 M³)	290	154	88%

(1) Harvested cane related to Komering sugar cane plantation

(2) CMAA acquired UVP in July 2018. Of the 79,268 Ha planted sugar cane, 44% owned by CMAA and 56% contracted 3rd party farmers



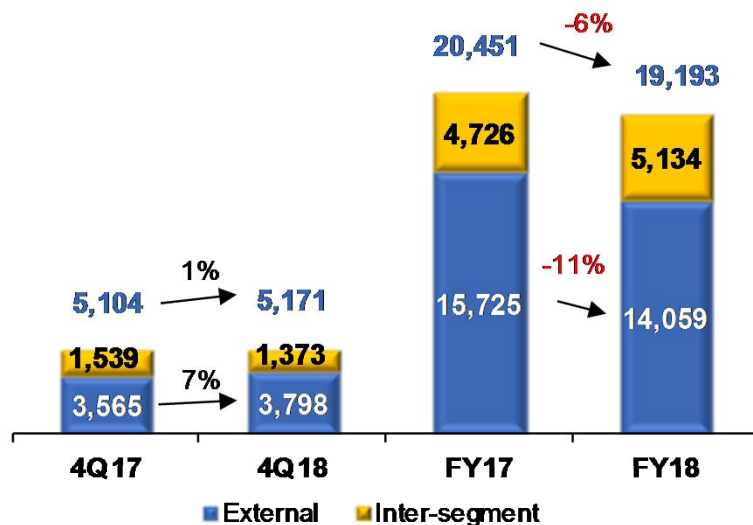
Financial Highlights



Results Summary

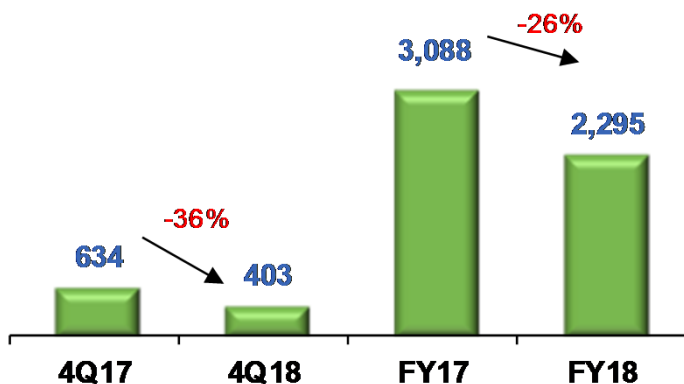
Rp bn

REVENUE



EBITDA*

Rp Bn



* Earnings before interests and tax expense, depreciation and amortisation, the effects of forex, fair value gain/(loss) on biological assets and one-off item

Financial Highlights

- 4Q18 revenue up 7% on higher external sales from both Plantation and EOF Divisions. FY18 revenue down 11% on lower sales in Plantation Division, but this was partly offset by sales growth in EOF Division.
- Despite higher palm production and higher volume of edible products by our EOF division, the Group posted significantly lower profitability in 4Q18 and FY18 mainly due to weak commodity prices.
- EBITDA declined 36% in 4Q18 and 26% in FY18 mainly due to significantly lower profit in Plantation Division.
- The Group incurred net losses in 4Q18 and FY18 mainly due to weak plantation results, one-off impact from the acquisition of a JV. Lower commodity prices also affected our JV results and fair value of biological assets. FY18 result further affected by forex impacts.

Operational Highlights

- Strong production recovery in 4Q18 with FFB nucleus and CPO increasing 17% and 20% over 4Q last year.
- FY18 FFB nucleus and CPO production grew 9% respectively to 3,375,000 MT and 921,000 MT.

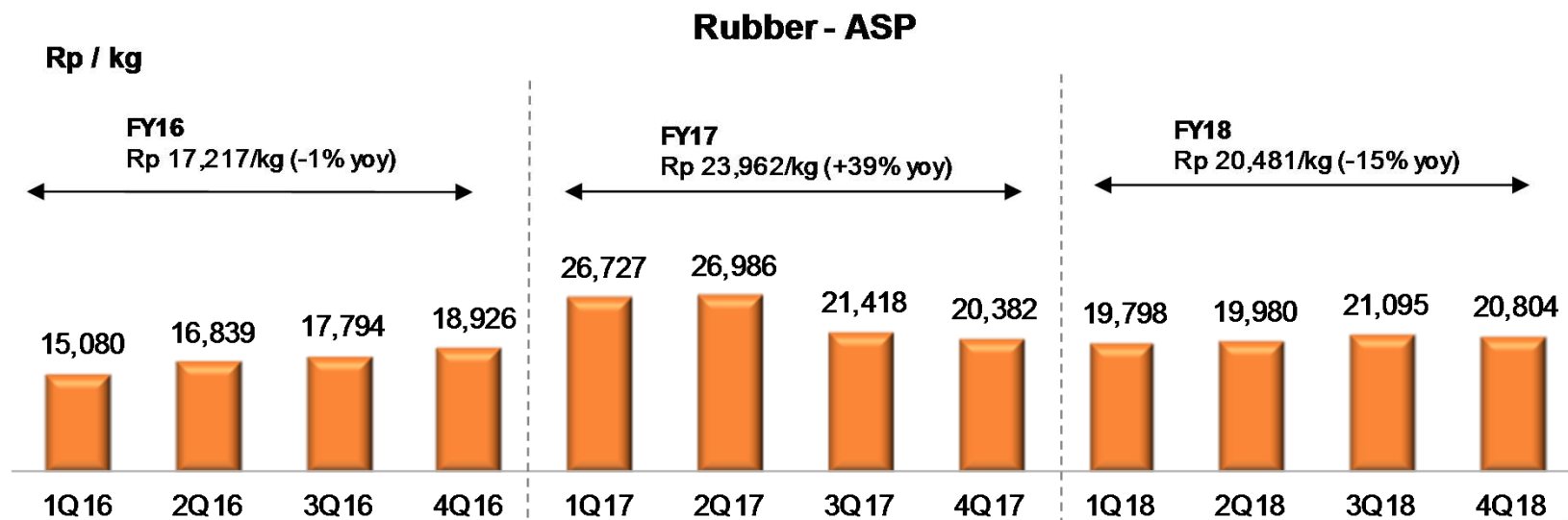
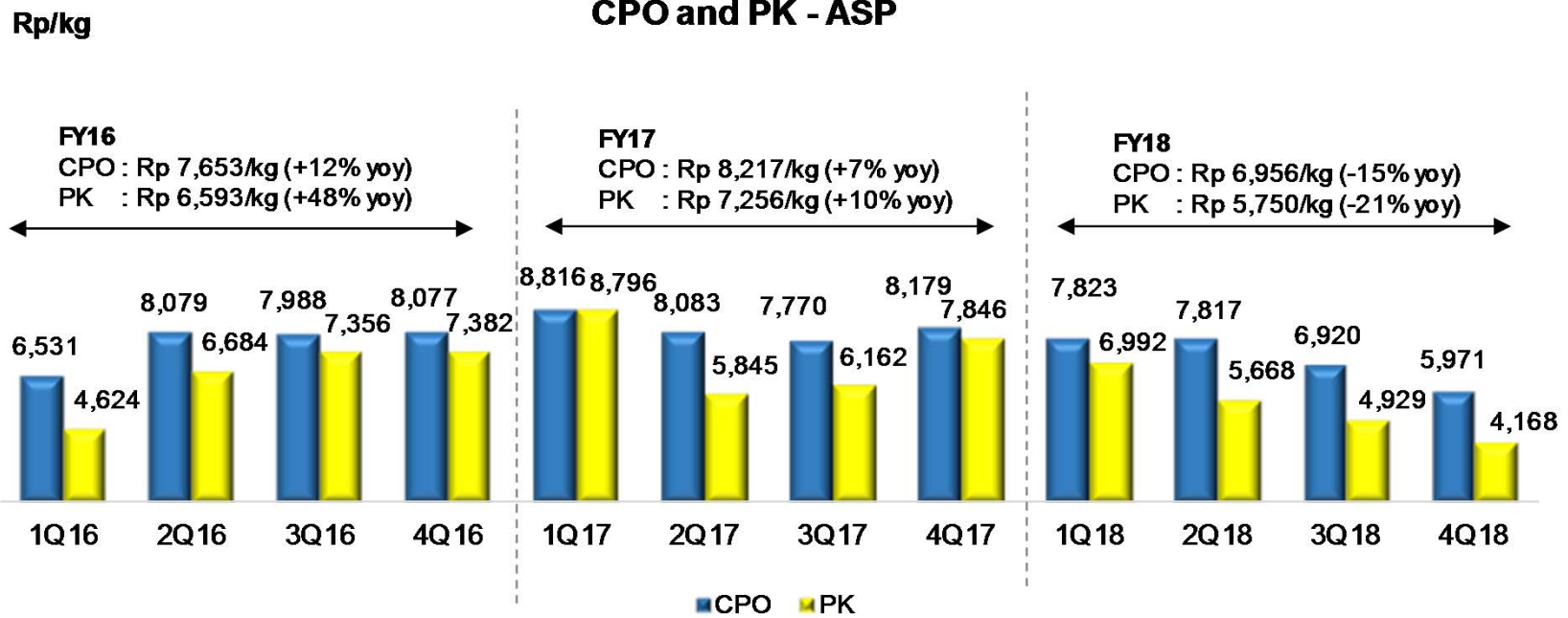
Sales Volume Plantation

In '000 MT	FY18	FY17	YoY Growth	4Q18	4Q17	YoY Growth
CPO	881	880	0%	303	226	34%
PK, PKO, PKE	194	211	(8%)	56	51	10%
Sugar	57	50	15%	23	6	289%
Rubber	9.7	12.4	(22%)	2.3	3.3	(29%)
Oil Palm Seeds ('million)	11.3	11.3	0%	3.2	3.7	(13%)

- 4Q18 reported strong CPO sales volume on higher production and realisation of stock from previous quarter. 4Q18 PK related products sales volume was in line with higher production.
- Despite higher production, FY18 CPO sales volume was flat to last year partly due to timing in stock realisation.
- Sugar sales volume up 15% from high production in FY18 and realisation of last year end stock.
- 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

	FY18	FY17	YoY Growth	4Q18	4Q17	YoY Growth
Sales	14,059	15,725	(11%)	3,798	3,565	7%
Gross Profit	2,198	3,061	(28%)	397	668	(41%)
EBITDA ⁽¹⁾	2,295	3,088	(26%)	403	634	(36%)
Net (loss)/profit after tax	(427)	653	n/m	(362)	131	n/m
Core (loss) / profit ⁽²⁾	(186)	657	n/m	(281)	85	n/m
Attributable (loss)/profit	(222)	447	n/m	(212)	77	n/m
EPS (fully diluted) - Rp	(159)	320	n/m	(152)	55	n/m
Gross profit margin	16%	20%	↓	10%	19%	↓
EBITDA margin	16%	20%	↓	11%	18%	↓
Net profit margin	(3%)	4%	↓	(10%)	4%	↓
Attributable profit margin	(2%)	3%	↓	(6%)	2%	↓

- Net losses in 4Q18 and FY18 were mainly due to soft plantation results, one-off impact from the acquisition of a JV, lower JV results and fair value of biological assets. FY18 result further affected by forex impacts.
- Core loss was Rp186 billion in FY18 versus a core profit of Rp657 billion in last year.

⁽¹⁾ Earnings before interests and tax expense, depreciation and amortisation, the effects of forex, fair value gain/(loss) on biological assets and one-off item

⁽²⁾ Earnings before the effects of forex, fair value gain/(loss) on biological assets, changes in amortised cost of plasma receivables and one-off item

Segmental Results

In Rp Bn	FY18	FY17	YoY Growth	4Q18	4Q17	YoY Growth
<u>Sales</u>						
Plantations	8,585	10,138	(15%)	2,505	2,528	(1%)
Edible Oil & Fats	10,609	10,313	3%	2,666	2,577	3%
Elimination & Adjustments	(5,134)	(4,726)	9%	(1,373)	(1,540)	(11%)
Total	14,059	15,725	(11%)	3,798	3,565	7%
<u>EBITDA</u>						
Plantations	1,562	2,859	(45%)	93	635	(85%)
<i>EBITDA %</i>	18%	28%		4%	25%	
Edible Oil & Fats	528	238	122%	272	78	247%
<i>EBITDA %</i>	5%	2%		10%	3%	
Share of results of associate companies & JV	21	121	(83%)	(44)	20	n/m
Elimination & Adjustments ⁽¹⁾	184	(131)	n/m	82	(101)	n/m
Total	2,295	3,088	(26%)	403	634	(36%)

(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)	31-Dec-18	31-Dec-17
TOTAL ASSETS	37,514	37,415
Cash	2,229	2,930
TOTAL LIABILITIES	16,661	15,992
Interest Bearing Debt	11,190	10,530
TOTAL EQUITY*	20,853	21,423
Net Debt / EBITDA Ratio	3.91x	2.46x
Net Debt / Total Equity Ratio	0.43x	0.35x
Net Assets Value per Share (in Rupiah)	8,444	8,671
Net Assets Value per Share (in SGD) **	0.80	0.82

Cash Flow (In Rp Bn)	FY18	FY17	Change
Net Cash Flow generated from Operating Activities	1,148	1,949	(801)
Net Cash Flow used in Investing Activities	(2,217)	(1,726)	(491)
Net Cash Flow generated from Financing Activities	338	295	43
Net (Decrease)/ Increase in Cash & Cash	(731)	518	(1,249)
Net Effect of Changes in Forex	30	7	23
Sub-total	(701)	525	(1,226)
Cash & Cash Equivalent - Beginning	2,930	2,405	525
Cash & Cash Equivalent - Ending	2,229	2,930	(701)

* Total equity includes shareholders funds and minority interests

** Converted at Rp10,603/S\$1



Strategies and Expansion



Achievements in 2018

Plantation

- Replanted around 4,000 ha of older palms in North Sumatra and Riau.
- Started the construction of a 45MT FFB/ hour mill in Kalimantan.
- Started the construction of a chocolate factory in November 2017.
- 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

- Expanded Surabaya refinery with CPO refinery capacity up 300,000 MT per annum.
- Achieved strong sales volume growth for edible oil products on competitive pricing and tactical promotion campaign.

Key Strategies in 2019

Plantation

- Replanting 4,000 ha of older palms in North Sumatra and Riau.
- Expansion of milling facilities - target completion of a 45MT FFB/ hour mill in Kalimantan in 4Q 2019.
- The construction of the chocolate factory is expected to complete and start commercial production in 2Q 2019.

Edible Oils & Fats

- Maintain competitive pricing strategy for Bimoli and expand Delima as 2nd brand to capture potential more affordable segment.
- Adding direct distribution network through e-commerce platforms



Appendix



Production Breakdown

		FY18	FY17	YoY Growth	4Q18	4Q17	YoY Growth
PRODUCTION							
Mature Area	(Ha)	211,707	209,817		211,707	209,817	
- SIMP	(Ha)	124,430	124,100		124,430	124,100	
- Lonsum	(Ha)	87,277	85,717		87,277	85,717	
FFB	('000 MT)	4,424	4,043	9%	1,236	1,019	21%
- Nucleus	('000 MT)	3,375	3,109	9%	929	792	17%
- SIMP	('000 MT)	1,859	1,830	2%	498	460	8%
- Lonsum	('000 MT)	1,516	1,279	19%	431	332	30%
- External	('000 MT)	1,049	934	12%	307	226	36%
- SIMP	('000 MT)	584	512	14%	172	121	43%
- Lonsum	('000 MT)	465	425	10%	134	107	26%
CPO	('000 MT)	921	842	9%	258	216	20%
- SIMP	('000 MT)	468	452	4%	128	115	11%
- Lonsum	('000 MT)	453	389	16%	130	101	29%
PK	('000 MT)	221	205	8%	62	54	14%
- SIMP	('000 MT)	100	99	1%	27	26	2%
- Lonsum	('000 MT)	121	106	14%	35	28	25%
PRODUCTIVITY							
FFB Yield – Nucleus	(MT/Ha)	15.9	14.8	↑	4.4	3.8	↑
- SIMP	(MT/Ha)	14.9	14.7	↑	4.0	3.7	↑
- Lonsum	(MT/Ha)	17.4	14.9	↑	4.9	3.9	↑
CPO Yield – Nucleus	(MT/Ha)	3.5	3.2	↑	1.0	0.8	↑
- SIMP	(MT/Ha)	3.1	3.1	↔	0.8	0.8	↔
- Lonsum	(MT/Ha)	4.0	3.4	↑	1.1	0.9	↑
CPO Extraction Rate	(%)	22.0	21.9	↑	21.9	22.0	↓
- SIMP	(%)	21.0	21.0	↔	20.7	21.1	↓
- Lonsum	(%)	23.0	22.9	↑	23.1	23.1	↔
PK Extraction Rate	(%)	5.3	5.3	↔	5.2	5.5	↓
- SIMP	(%)	4.5	4.6	↓	4.4	4.9	↓
- Lonsum	(%)	6.2	6.3	↓	6.1	6.3	↓

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