

INDOFOOD AGRI RESOURCES Ltd.

Company Presentation 2Q 2018 Results

26 July 2018



a subsidiary of:

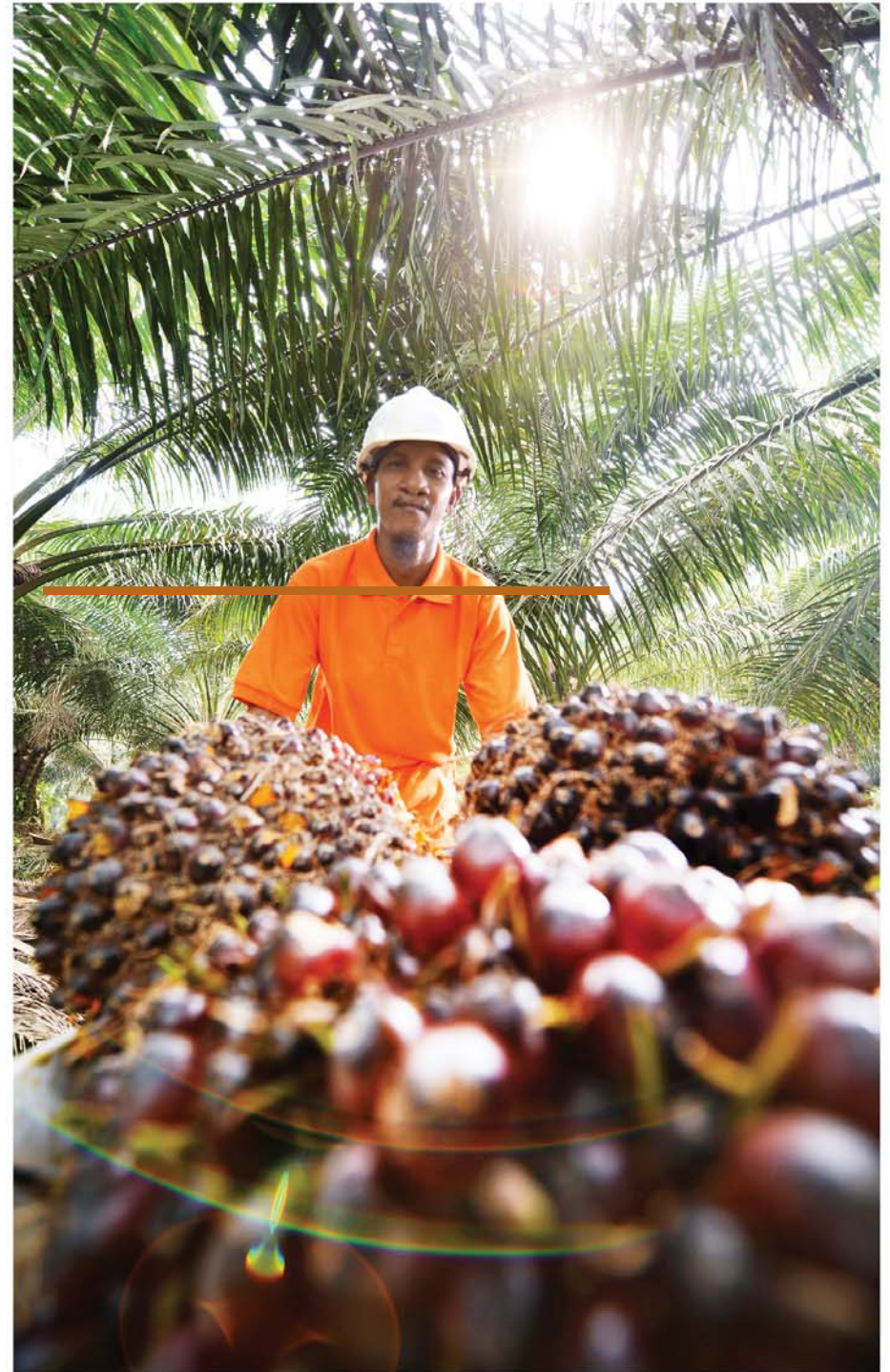
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Presentation Outline

- 1 Plantation Highlights**
- 2 Financial Highlights**
- 3 Strategies and Expansion**
- 4 Appendix**



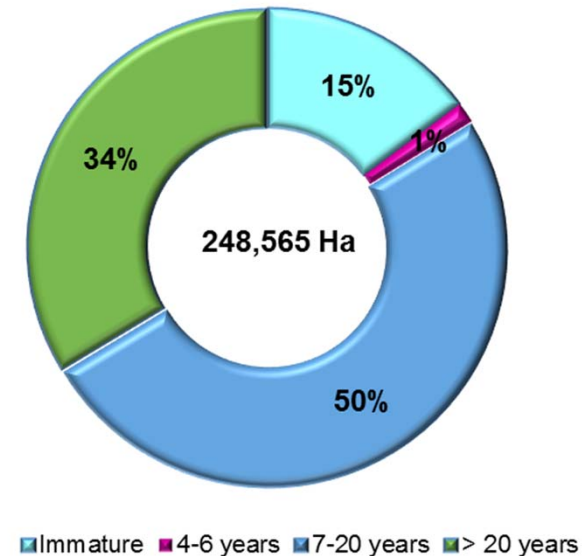
Plantation Highlights



Planted Area

In Ha	30 Jun 2018	31 Dec 2017
<u>Indonesia - Inti</u>		
Planted Area	301,624	300,387
Planted Oil Palm	248,565	247,630
- SIMP	153,131	152,008
- Lonsum	95,434	95,622
Planted Other crops	53,059	52,757
Rubber	19,729	19,869
- SIMP	3,634	3,634
- Lonsum	16,095	16,235
Sugar cane - SIMP	12,977	12,618
Others - timber, cocoa, tea	20,353	20,270
<u>Indonesia - Plasma</u>		
Oil Palm	86,313	86,182
<u>Brazil</u>		
Sugar cane - CMAA	54,227	49,204
- Company-owned	25,465	22,070
- Third party	28,762	27,134

Oil Palm Average Age ≈ 16 years



Oil Palm Plantation Highlights

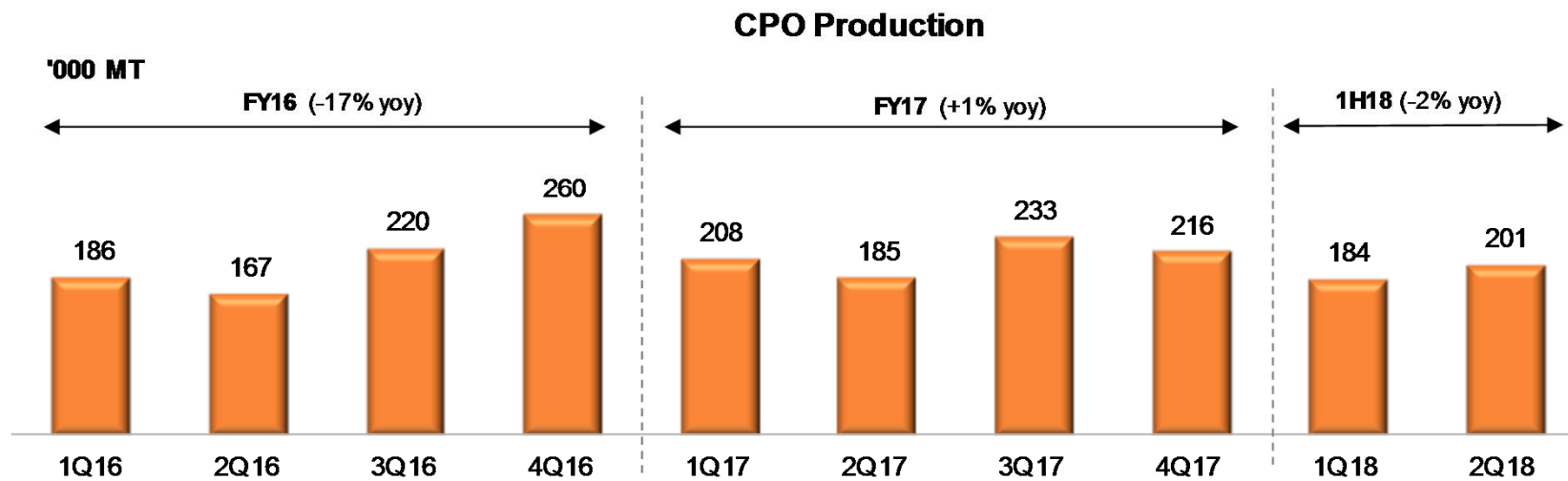
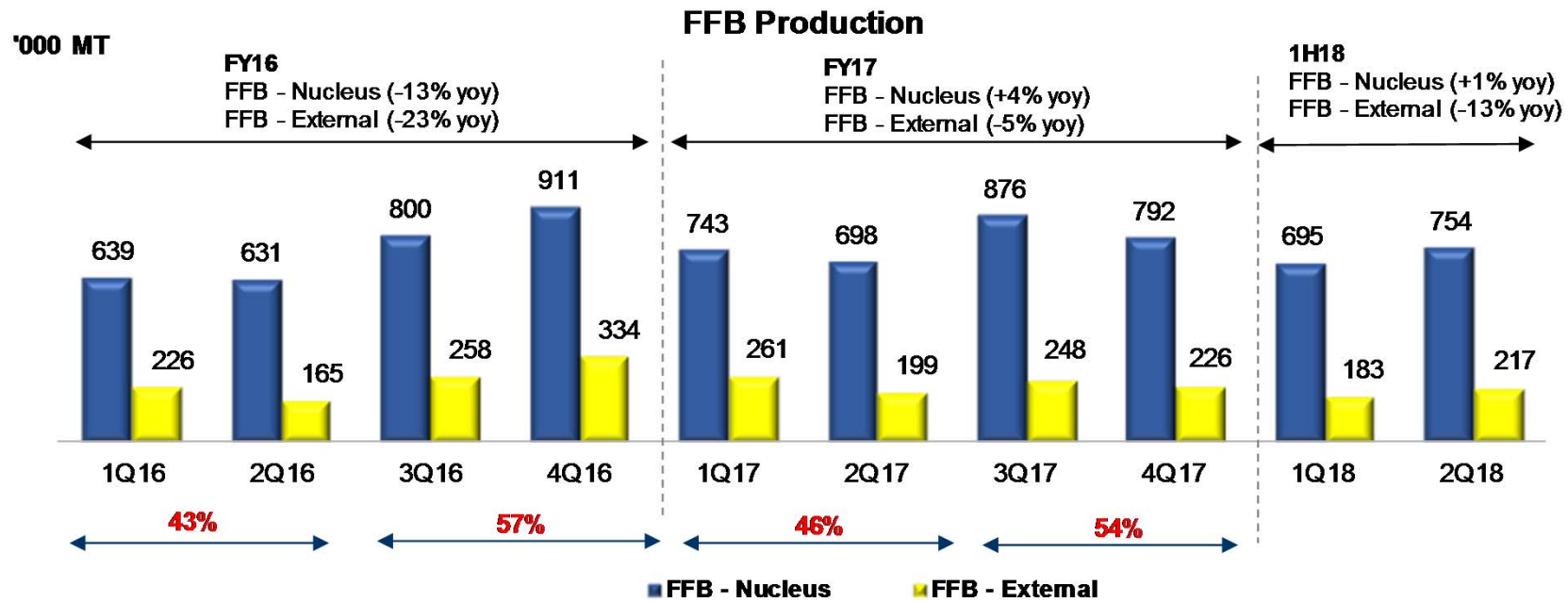
		1H18	1H17	YoY Growth	2Q18	2Q17	YoY Growth	FY17
PRODUCTION								
Mature Area	(Ha)	211,865	209,623	1%	211,865	209,623	1%	209,817
FFB	('000 MT)	1,849	1,901	(3%)	971	898	8%	4,043
- Nucleus	('000 MT)	1,449	1,441	1%	754	698	8%	3,109
- External	('000 MT)	400	460	(13%)	217	199	10%	934
CPO	('000 MT)	385	393	(2%)	201	185	9%	842
PK	('000 MT)	93	94	(2%)	48	44	11%	205

PRODUCTIVITY

FFB Yield – Nucleus	(MT/Ha)	6.8	6.9	↓	3.6	3.3	↑	14.8
CPO Yield – Nucleus	(MT/Ha)	1.5	1.5	↔	0.8	0.7	↑	3.2
CPO Extraction Rate	(%)	22.1	21.9	↑	22.0	21.9	↑	21.9
PK Extraction Rate	(%)	5.3	5.3	↔	5.3	5.2	↑	5.3

- Despite shorter harvesting period due to Lebaran holiday, FFB nucleus and CPO recovered with a 8% growth in 2Q18.
- 1H18 CPO was 2% decline on lower FFB external.

Oil Palm Production Trends



Sugar Plantation Highlights

INDONESIA	1H18	1H17	YoY Growth	FY17
Planted Area (Ha)	12,977	12,718	2%	12,618
Sugar Cane Harvested ('000 MT)⁽¹⁾	188	244	(23%)	639
Sugar Production ('000 MT)	16	20	(20%)	54
- South Sumatra Plantation	11	16	(32%)	44
- Java (LPI's share)	5	4	23%	10
BRAZIL	Apr 18- Jun 18	Apr 17- Jun 17	YoY Growth	
Planted Area (Ha)⁽²⁾	54,227	54,503	(1%)	
Sugar Cane Harvested ('000 MT)	1,820	1,659	10%	
Raw Sugar Production ('000 MT)	108	118	(8%)	
Ethanol ('000 M³)	71	53	33%	

(1)Harvested cane related to Komering sugar cane plantation

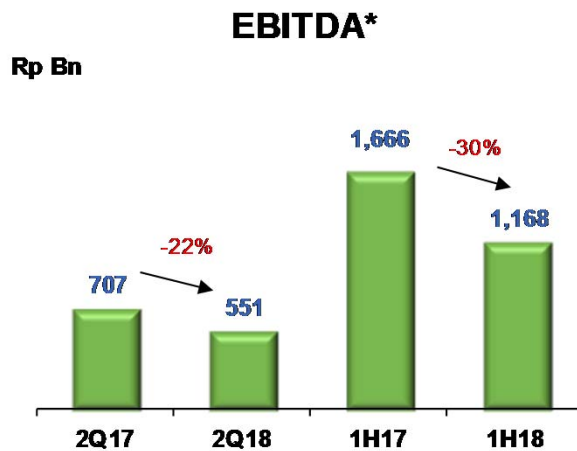
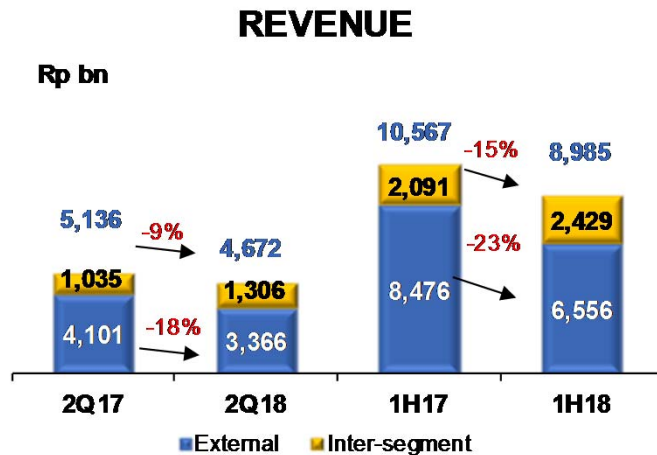
(2)Of the 54,227 Ha planted sugar cane, 47% owned by CMAA and 53% contracted 3rd party farmers



Financial Highlights



Results Summary



* 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 2Q18 and 1H18 on lower sales from both Plantation and EOF Division.
- Weak plantation result due to timing in CPO stock realisation (~29,000 MT build-up in 1H18 vs. ~36,000 MT drawdown in 1H17) and soft commodity prices.
- EBITDA down 22% in 2Q18 and 30% in 1H18 reflecting mainly lower contribution from Plantation Division.

Operational Highlights

- Despite short harvesting period due to Lebaran holiday in June 2018, FFB nucleus and CPO production recovered in 2Q18, up 8% yoy.
- 1H18 FFB nucleus up 1%, but CPO production declined 2% on lower FFB from external.

Sales Volume Plantation

In '000 MT	1H18	1H17	YoY Growth	2Q18	2Q17	YoY Growth	FY17
CPO	355	431	(18%)	184	203	(10%)	880
PK, PKO, PKE	79	102	(23%)	35	45	(22%)	211
Sugar	20.4	20.3	1%	18.9	17.8	6%	49.9
Rubber	4.3	6.4	(32%)	1.7	3.2	(48%)	12.4
Oil Palm Seeds ('million)	5.4	4.3	23%	2.7	2.0	36%	11.3

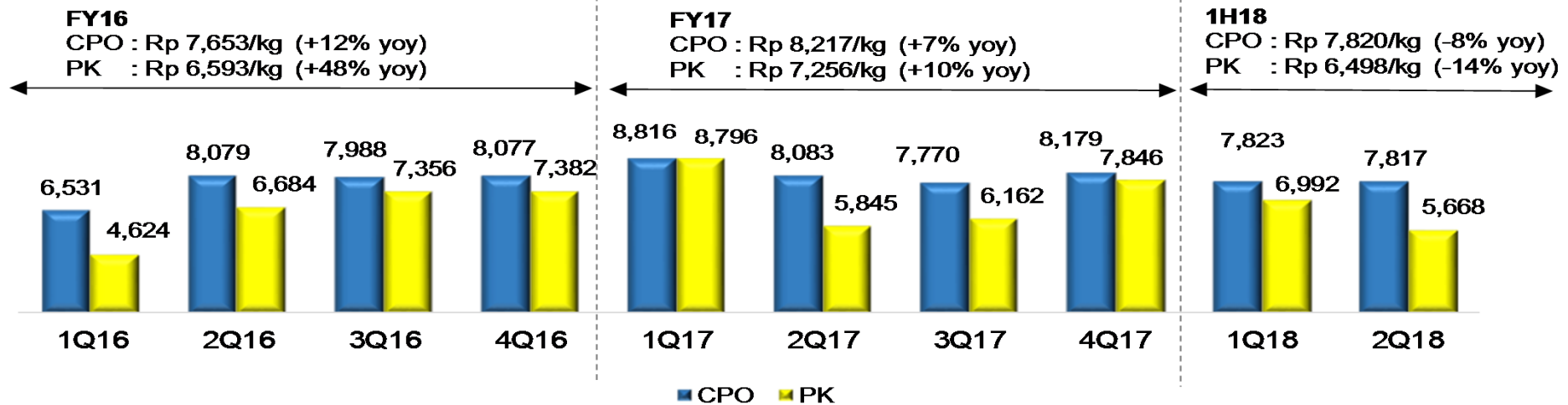
- CPO sales volume were affected by the timing in CPO stock realisation. There were ~29,000 MT of CPO stock build-up in 1H18 vs. ~36,000 MT of drawdown in 1H17

Note: Sales volume before elimination of inter-segment sales

Average Selling Price (ASP) Trend

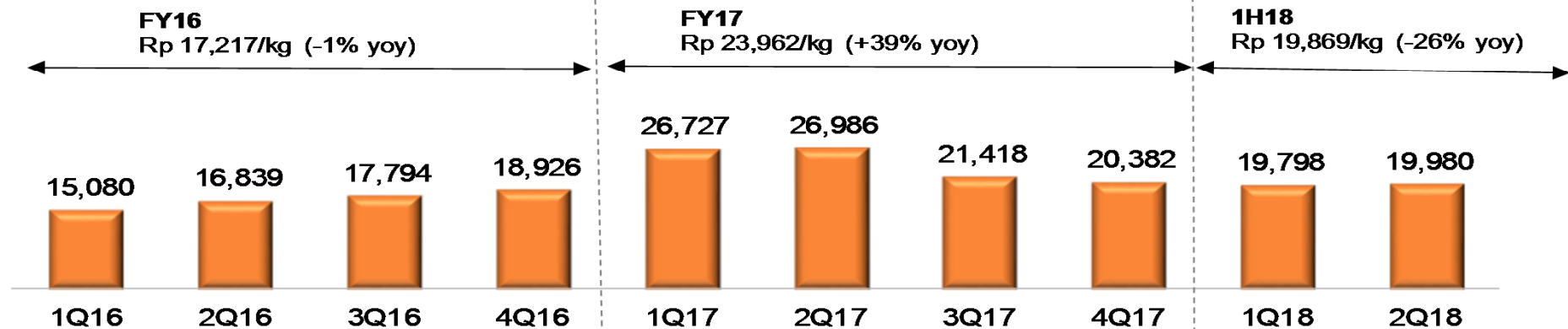
Rp/kg

CPO and PK - ASP



Rp / kg

Rubber - ASP



Financial Summary

	1H18	1H17	YoY Growth	2Q18	2Q17	YoY Growth	FY17
Sales	6,556	8,476	(23%)	3,366	4,101	(18%)	15,717
Gross Profit	1,176	1,675	(30%)	518	645	(20%)	3,085
EBITDA ⁽¹⁾	1,168	1,666	(30%)	551	707	(22%)	3,088
Net (loss)/profit after tax	(46)	408	n/m	(99)	79	n/m	653
Core profit/ (loss) ⁽²⁾	54	456	(88%)	(27)	111	n/m	640
Attributable (loss)/profit	(19)	270	n/m	(69)	99	n/m	447
EPS (fully diluted) - Rp	(13)	193	n/m	(49)	71	n/m	320
Gross profit margin	18%	20%	↓	15%	16%	↓	20%
EBITDA margin	18%	20%	↓	16%	17%	↓	20%
Net profit margin	(1%)	5%	↓	(3%)	2%	↓	4%
Attributable profit margin	(0%)	3%	↓	(2%)	2%	↓	3%

- Revenue down 23% vs. 1H17 mainly due to timing in CPO stock realisation, higher internal sales and soft commodity prices (CPO -8%, PK -14%, rubber -26%).
- Gross profit declined on effects of lower sales volume and ASP of palm products, and higher palm production cost
- Incurred net loss in 2Q18 and 1H18 on soft plantation result and forex impacts. 1H18 Core profit was at Rp 54bn, down 88% vs. 1H17.

(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 and one-off gain.

Segmental Results

In Rp Bn	1H18	1H17	YoY Growth	2Q18	2Q17	YoY Growth	FY17
<u>Sales</u>							
Plantations	3,838	5,089	(25%)	2,013	2,314	(13%)	10,138
Edible Oil & Fats	5,147	5,478	(6%)	2,659	2,821	(6%)	10,305
Elimination & Adjustments	(2,429)	(2,091)	16%	(1,306)	(1,034)	26%	(4,726)
Total	6,556	8,476	(23%)	3,366	4,101	(18%)	15,717

EBITDA

Plantations	944	1,512	(38%)	452	544	(17%)	2,859
<i>EBITDA %</i>	25%	30%		22%	24%		28%
Edible Oil & Fats	129	147	(13%)	77	66	17%	238
<i>EBITDA %</i>	2%	3%		3%	2%		2%
Share of results of associate companies & JV	22	34	(34%)	31	77	(60%)	121
Elimination & Adjustments ⁽¹⁾	74	(26)	n/m	(9)	20	n/m	(131)
Sub-total	1,168	1,666	(30%)	551	707	(22%)	3,087
Net Forex (Losses)/ Gains	(99)	20	n/m	(77)	(4)	n/m	(14)
Total	1,070	1,686	(37%)	474	703	(33%)	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-Jun-18	31-Dec-17
TOTAL ASSETS	38,737	37,415
Cash	2,817	2,930
TOTAL LIABILITIES	17,692	15,992
Interest Bearing Debt	11,524	10,530
TOTAL EQUITY*	21,046	21,423
Net Debt / EBITDA Ratio	3.73x	2.46x
Net Debt / Total Equity Ratio	0.41x	0.35x
Net Assets Value per Share (in Rupiah)	8,532	8,671
Net Assets Value per Share (in SGD) **	0.81	0.82

Cash Flow (In Rp Bn)	1H18	1H17	Change
Net Cash Flow generated from Operating Activities	105	510	(405)
Net Cash Flow used in Investing Activities	(1,067)	(760)	(307)
Net Cash Flow generated from Financing Activities	815	372	443
Net (Decrease)/ Increase in Cash & Cash	(147)	122	(269)
Net Effect of Changes in Forex	34	(5)	39
Sub-total	(113)	117	(229)
Cash & Cash Equivalent - Beginning	2,930	2,405	525
Cash & Cash Equivalent - Ending	2,817	2,521	296

* Total equity includes shareholders funds and minority interests

** Converted at Rp10,530/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 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 UVP mill with 2.5m MT of cane crushing capacity.
 - CMAA's 3 sugar and ethanol mills have a combined annual cane crushing capacity 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 is now completed and in operation, increasing CPO refinery capacity by 300,000 MT per annum.



Appendix



Production Breakdown

		1H18	1H17	YoY Growth	2Q18	2Q17	YoY Growth	FY17
PRODUCTION								
Mature Area	(Ha)	211,865	209,623	1%	211,865	209,623	1%	209,817
- SIMP	(Ha)	124,753	124,745	0%	124,753	124,745	0%	124,100
- Lonsum	(Ha)	87,112	84,877	3%	87,112	84,877	3%	85,717
FFB	('000)	1,849	1,901	(3%)	971	898	8%	4,043
- Nucleus	('000)	1,449	1,441	1%	754	698	8%	3,109
- SIMP	('000 MT)	813	855	(5%)	425	414	3%	1,830
- Lonsum	('000 MT)	637	586	9%	329	284	16%	1,279
- External	('000)	400	460	(13%)	217	199	10%	934
- SIMP	('000 MT)	220	251	(12%)	114	109	5%	512
- Lonsum	('000 MT)	181	210	(14%)	104	90	15%	425
CPO	('000)	385	393	(2%)	201	185	9%	842
- SIMP	('000 MT)	198	212	(7%)	103	100	4%	452
- Lonsum	('000 MT)	187	181	3%	98	85	15%	389
PK	('000)	93	94	(2%)	48	44	11%	205
- SIMP	('000 MT)	43	45	(4%)	22	21	8%	99
- Lonsum	('000 MT)	50	50	1%	26	23	14%	106
PRODUCTIVITY								
FFB Yield – Nucleus	(MT/Ha)	6.8	6.9		3.6	3.3		14.8
- SIMP	(MT/Ha)	6.5	6.9		3.4	3.3		14.7
- Lonsum	(MT/Ha)	7.3	6.9		3.8	3.3		14.9
CPO Yield – Nucleus	(MT/Ha)	1.5	1.5		0.8	0.7		3.2
- SIMP	(MT/Ha)	1.4	1.5		0.7	0.7		3.1
- Lonsum	(MT/Ha)	1.7	1.6		0.9	0.8		3.4
CPO Extraction Rate	(%)	22.1	21.9		22.0	21.9		21.9
- SIMP	(%)	21.3	21.2		21.2	21.1		21.0
- Lonsum	(%)	23.1	22.7		22.9	22.9		22.9
PK Extraction Rate	(%)	5.3	5.3		5.3	5.2		5.3
- SIMP	(%)	4.6	4.5		4.6	4.3		4.6
- Lonsum	(%)	6.2	6.3		6.2	6.2		6.3

Contact Us

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