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Confirmation of Your Representation: By accepting the email and accessing the attached Offering Memorandum you will be deemed to have represented to us, BNP Paribas, Citigroup Global Markets Singapore Pte. Ltd., and CIMB Bank (L) Limited (collectively, the “**Joint Lead Managers**”) that (i) you are not in the United States and, to the extent you purchase the securities described in the attached Offering Memorandum, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and (ii) that you consent to delivery of the attached Offering Memorandum and any amendments or supplements thereto by electronic transmission.

This Offering Memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Guarantors (as defined in the Offering Memorandum), the Joint Lead Managers or any person who controls, or is a director, officer, employee, agent, representative or affiliate of, any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic form and the hard copy version available to you on request from the Joint Lead Managers.

Restrictions: The attached Offering Memorandum is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in the Offering Memorandum. Any investment decision should be made on the basis of a complete Offering Memorandum.

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THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MIFID II**”); or (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “**Insurance Mediation Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “**Prospectus Directive**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPS Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPS Regulation.

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SSMS Plantation Holdings Pte. Ltd.

(incorporated in the Republic of Singapore with limited liability)

U.S.\$300,000,000

7.750% SENIOR NOTES DUE 2023

UNCONDITIONALLY AND IRREVOCABLY GUARANTEED BY



PT SAWIT SUMBERMAS SARANA TBK

(incorporated in the Republic of Indonesia with limited liability)

AND BY THE OTHER GUARANTORS DESCRIBED HEREIN

The U.S.\$300,000,000 7.750% Senior Notes due 2023 (the “**Notes**”) to be issued by SSMS Plantation Holdings Pte. Ltd. (the “**Issuer**”) will bear interest from and including January 23, 2018 at the rate of 7.750% per annum, payable semi-annually in arrears on January 23 and July 23 of each year (each, an “**Interest Payment Date**”), commencing on July 23, 2018. The due and punctual payment of all amounts at any time becoming due and payable in respect of the Notes will be unconditionally and irrevocably guaranteed (the “**Guarantees**”) by the Issuer’s parent company, PT Sawit Sumbermas Sarana Tbk. (the “**Company**”), by PT Citra Borneo Indah (“**CBI**”), which became the controlling shareholder of the Company following the corporate reorganization consummated on October 16, 2017 and described herein under “*The CBI Reorganization*,” and by the Subsidiary Guarantors (as defined herein). CBI and the Company are each referred to herein as a “**Parent Guarantor**” and each of their Guarantees as a “**Parent Guarantee**.” The Parent Guarantors and the Subsidiary Guarantors are referred to herein as the “**Guarantors**.” References herein to “we,” “us,” “our” and “ourselves” are to the Company and its subsidiaries as a group or as members of such group, and, where the context so requires (for example in relation to the Guarantees), shall also include CBI and its subsidiaries.

The Issuer is a wholly-owned subsidiary of the Company. The Issuer will contribute the net proceeds of the offering of the Notes to SSMS Plantation International Pte. Ltd. (“**SPIPL**”), a company incorporated in the Republic of Singapore (“**Singapore**”) with limited liability and a wholly-owned subsidiary of the Issuer, by way of subscription of additional shares in the capital of SPIPL and/or perpetual securities issued by SPIPL (the “**Capital Securities**”). SPIPL will use the funds obtained from the Issuer to fund the corporate purposes of the Company by granting one or more intercompany loans to the Company (the “**Intercompany Loans**”). See “*Use of Proceeds*,” “*The Issuer*” and “*SSMS Plantation International Pte. Ltd.*”

Unless previously redeemed or purchased and cancelled, the Notes will be redeemed at their principal amount on January 23, 2023 (the “**Maturity Date**”). At any time on or after January 23, 2021, the Issuer may redeem the Notes, in whole or in part, at the redemption prices specified under “*Description of the Notes — Optional Redemption*,” plus accrued and unpaid interest, if any, to but not including the redemption date. At any time prior to January 23, 2021, the Issuer may at its option redeem all or any portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium (as defined herein) and accrued and unpaid interest, if any, to but not including the redemption date. At any time and from time to time prior to January 23, 2021, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with proceeds from certain equity offerings at a redemption price of 107.750% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to but not including the redemption date. Not later than 30 days following a Change of Control (as defined in the Indenture governing the Notes), the Issuer or either of the Parent Guarantors will make an offer to purchase all Notes then outstanding at a purchase price equal to 101% of the principal amount plus accrued and unpaid interest, if any, to but not including the Offer to Purchase Payment Date (as defined herein).

The Notes are subject to redemption in whole, but not in part, at 100% of their principal amount, together with accrued and unpaid interest to but not including the redemption date, at the option of the Issuer at any time in the event of certain changes in tax law. See “*Description of the Notes — Redemption for Taxation Reasons*.” Payments on the Notes will be made in US dollars without deduction for or on account of taxes imposed or levied by Indonesia or Singapore (and certain other jurisdictions) to the extent described under “*Description of the Notes — Additional Amounts*.”

The obligations of the Issuer and the Company under the Notes and the Company’s Parent Guarantee, respectively, will be secured by first priority interests in the Collateral (as defined herein), which is comprised of a pledge by the Issuer of the shares of SPIPL, a pledge by the Company of the shares of the Issuer, an assignment by SPIPL of all its interest in, and rights under, the relevant Intercompany Loans and a pledge by the Issuer of the Capital Securities. The Notes and the Guarantees will be unsubordinated obligations of the Issuer and the Guarantors, respectively, and will rank at least *pari passu* in right of payment with all their other unsecured, unsubordinated indebtedness. For a more detailed description of the Notes and the Guarantees, see “*Description of the Notes*” beginning on page 176.

The Notes are expected to be rated “B1” by Moody’s Investors Service, Inc. (“**Moody’s**”) and “B+” by Fitch Ratings Ltd (“**Fitch**”). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in the Notes involves certain risks. See “*Risk Factors*” beginning on page 21 for a discussion of certain factors to be considered in connection with an investment in the Notes.

The Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and subject to certain exceptions, may not be offered or sold within the United States (as defined in Regulation S under the Securities Act). The Notes and the Guarantees are being offered and sold outside the United States in reliance on Regulation S of the Securities Act.

Approval in-principle has been obtained from the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing and quotation of the Notes on the SGX-ST. The SGX-ST takes no responsibility for the correctness of any of the statements made or opinions or reports contained in this Offering Memorandum. Approval in-principle granted for the listing and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of either us, this offering or the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of U.S.\$200,000 as long as any of the Notes are listed on the SGX-ST and the rules thereof so require. Currently, there is no market for the Notes.

Issue Price: 98.986%

The Notes will initially be represented by a global certificate (“**Global Certificate**”), in registered form, which will be registered in the name of a nominee of a common depository for Clearstream Banking S.A. (“**Clearstream**”) and Euroclear Bank SA/NV (“**Euroclear**”) on or about January 23, 2018 (the “**Issue Date**”). Except as described herein, definitive certificates evidencing holdings of Notes will not be issued in exchange for beneficial interests in the Global Certificate.

Joint Bookrunners

BNP PARIBAS

CITIGROUP

Joint Lead Managers

BNP PARIBAS

CITIGROUP

CIMB

The date of this Offering Memorandum is January 16, 2018.

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We accept responsibility for the information contained in this Offering Memorandum (“**Offering Memorandum**”). Having made all reasonable enquiries, we confirm that this Offering Memorandum contains all information with respect to us, the Notes and the Guarantees that is material in the context of the issue and the offering of the Notes, that the information in this Offering Memorandum is true and accurate in all material respects, that the opinions and intentions expressed in this Offering Memorandum are honestly held, are not misleading in any material respect and have been reached after considering all relevant circumstances and are based on reasonable assumptions, that we are not aware of any other facts the omission of which in our reasonable opinion might make this Offering Memorandum as a whole or any of such information or the expression of any such opinions or intentions materially misleading, that all reasonable inquiries have been made by us to verify the accuracy of such information, and that this Offering Memorandum does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or that is necessary in order to make the statements herein, in the light of the circumstances under which they are made, not misleading.

This Offering Memorandum is confidential and has been prepared by us solely for use in connection with the issue and offering of the Notes described herein. BNP Paribas and Citigroup Global Markets Singapore Pte. Ltd. (collectively, the “**Joint Bookrunners**” and together with CIMB Bank (L) Limited, the “**Joint Lead Managers**”) reserve the right to reject any offer to subscribe for the Notes, in whole or in part, for any reason. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Any disclosure of any of the contents of this Offering Memorandum, without our prior written consent, is prohibited. Each prospective purchaser, by accepting delivery of this Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents attached hereto.

The distribution of this Offering Memorandum and the offering, sale or delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by us and the Joint Lead Managers to inform themselves about and to observe any such restrictions. See “*Plan of Distribution.*” No action is being taken to permit a public offering of the Notes or the distribution of this Offering Memorandum in any jurisdiction where action would be required for such purposes. No representation or warranty, express or implied, is made by the Joint Lead Managers as to the accuracy or completeness of the information set forth herein, and nothing contained in this Offering Memorandum is, or shall be relied upon as a promise or representation, whether as to the past or the future. None of the Joint Lead Managers, the Trustee, the Paying Agent, Registrar, the Transfer Agent and the Collateral Agent (each as defined herein) has independently verified any of such information. None of the Joint Lead Managers, the Trustee, the Paying Agent, the Registrar, the Transfer Agent and the Collateral Agent assumes any responsibility for its accuracy or completeness. To the fullest extent permitted by law, none of the Joint Lead Managers accepts any responsibility for the contents of this Offering Memorandum or for any statement made or purported to be made by such Joint Lead Managers or on its behalf in connection with the Company or the Guarantors or the issue and offering of the Notes. Each of the Joint Lead Managers accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Memorandum or any such statement.

No person has been authorized to give any information or to make any representation other than those contained in this Offering Memorandum in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by us or the Joint Lead Managers. Neither the delivery of this Offering Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in our affairs since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented or that there has been no adverse change in our financial position since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Joint Lead Managers, the Trustee, Paying Agent, Registrar, Transfer Agent and the Collateral Agent do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum. Each person receiving this Offering Memorandum acknowledges that such person has not relied on the Joint Lead Managers, the Trustee, Paying Agent, Registrar, Transfer Agent, Collateral Agent or any person affiliated with any of them in connection with its investigation of the accuracy of such information or its investment decision. Each person contemplating making an investment in the Notes must make its own investigation and analysis of our creditworthiness and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. No person should construe the contents of this Offering Memorandum as legal, business or tax advice and each person should be aware that it may be required to bear the financial risks of any investment in the Notes for an indefinite period of time. Each person should consult its own counsel, accountant and other advisers as to legal, tax, business, financial and related aspects of an investment in the Notes.

This Offering Memorandum does not constitute an offer of, or an invitation by or on behalf of us, the Joint Lead Managers or any affiliate or representative of any of us or the Joint Lead Managers to subscribe for or purchase, any Notes in any jurisdiction or in any circumstances in which such offer, invitation or solicitation is not authorized or to any person to whom it is unlawful to make such offer, invitation or solicitation.

Neither we nor any Joint Lead Managers nor any affiliate or representative of us or any of the Joint Lead Managers is making any representation to any investor regarding the legality of an investment by such investor under applicable laws.

Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Notes or possesses or distributes this Offering Memorandum and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of such Notes under the laws and regulations in force in any jurisdictions to which it is subject or in which it makes such purchases, offers or sales and neither we nor any Joint Lead Managers shall have any responsibility therefor. For the avoidance of doubt, any disclosure of the contents of this Offering Memorandum, without our prior written consent, is prohibited.

IN CONNECTION WITH THE ISSUE OF THE NOTES, BNP PARIBAS (THE “**STABILIZING MANAGER**”) (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) WILL UNDERTAKE STABILIZATION ACTIVITIES. ANY STABILIZATION ACTIVITIES MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTIVITIES OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZING MANAGER (OR PERSONS ACTING ON BEHALF OF THE STABILIZING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

NOTICE TO INVESTORS IN INDONESIA

The Notes have not been offered or sold and will not be offered or sold in Indonesia or to any Indonesian nationals, corporations or residents, including by way of invitation, offering or advertisement, and this Offering Memorandum and any other offering material relating to the Notes has not been distributed, and will not be distributed, in Indonesia or to any Indonesian nationals, corporations or residents in a manner which would constitute a public offering in Indonesia under Law No. 8 of 1995 on Capital Markets. The Indonesian Financial Service Authority (*Otoritas Jasa*

Keuangan or “**OJK**”) (formerly known as Bapepam-LK) does not review or declare its approval or disapproval of the issue of the Notes, nor does it make any determination as to the accuracy or adequacy of this Offering Memorandum. Any statement to the contrary is a violation of Indonesian law.

CERTAIN DEFINED TERMS AND CONVENTIONS

In this Offering Memorandum, unless otherwise specified or the context otherwise requires, all references to “**Indonesia**” are references to the Republic of Indonesia. All references to the “**Government**” herein are references to the Government of the Republic of Indonesia. All references to “**United States**,” “**U.S.**” or “**US**” herein are to the United States of America. All references to “**Singapore**” herein are to the Republic of Singapore.

For convenience, certain Rupiah amounts have been translated into US dollar amounts, based on the prevailing exchange rate on September 30, 2017 of Rp.13,492.00 = U.S.\$1.00, being the average of buying and selling rates of exchange for Rupiah against US dollars quoted by Bank Indonesia on that date. Such translations should not be construed as representations that the Rupiah or US dollar amounts referred to could have been, or could be, converted into Rupiah or US dollars, as the case may be, at that or any other rate or at all. See “*Exchange Rates and Exchange Controls*” for further information regarding rates of exchange between the Rupiah and US dollar.

All references in this Offering Memorandum to “tons” are to metric tons, representing 1,000 kilograms, or 2,204.6 pounds. Production capacity figures quoted in tons indicate the number of tons of products that our facilities are rated by manufacturers to produce. Capacity utilization figures are calculated by dividing actual production figures for a particular period by production capacity (annual or prorated for a period less than one year).

All references in this Offering Memorandum to “immature” trees are to oil palm trees aged one to three years, references to “mature” trees are to oil palm trees aged four years and older, references to “young mature” trees are to oil palm trees aged four to seven years, references to “prime” trees are to oil palm trees aged eight to 20 years and references to “old” trees are to oil palm trees aged 21 years and older. In this Offering Memorandum, the ages of oil palm trees are based on the time that the oil palm trees are transplanted from nurseries into the field, and in accordance with convention in the palm oil industry, any decimals in age are rounded up to the next whole year.

In this Offering Memorandum, the following key terms have the following meanings:

Unless otherwise indicated or otherwise required by the context, all references in this Offering Memorandum to.

- “**CBI**” refers to PT Citra Borneo Indah;
- “**Company**” refers to PT Sawit Sumbermas Sarana Tbk.;
- “**Issuer**” refers to SSMS Plantation Holdings Pte. Ltd.;
- “**Joint Bookrunners**” refers to BNP Paribas and Citigroup Global Markets Singapore Pte. Ltd.;
- “**Joint Lead Managers**” or “**Initial Purchasers**” refers to the Joint Bookrunners and CIMB Bank (L) Limited;
- “**OJK**” refers to *Otoritas Jasa Keuangan* or the Financial Services Authority of Indonesia (formerly known as Bapepam-LK);
- “**Rupiah**” or “**Rp**” refer to the lawful currency of Indonesia;

- “S\$” refers to Singapore dollars, the lawful currency of Singapore;
- “SPIPL” refers to SSMS Plantation International Pte. Ltd.;
- “U.S. dollars,” “US dollars” and “U.S.\$” refer to United States dollars, the lawful currency of the United States; and
- “we,” “us” and “our” refer to the Company and its subsidiaries as a group, and, where the context so requires (for example in relation to the Guarantees), shall also include CBI and its subsidiaries.

PRESENTATION OF FINANCIAL INFORMATION

The consolidated financial information of PT Sawit Sumbermas Sarana Tbk included in this Offering Memorandum has been extracted or derived from (i) the Company’s audited consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016 (which have been audited by Purwantono, Sungkoro & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants (“IICPA”), as stated in their audit report appearing elsewhere in this Offering Memorandum) and (ii) the Company’s unaudited interim consolidated financial statements as of September 30, 2017 and for the nine-month periods ended September 30, 2016 and 2017 (which have been reviewed by Purwantono, Sungkoro & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with Standard on Review Engagements 2410 established by the IICPA, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” (“SRE 2410”), as stated in their review report appearing elsewhere in this Offering Memorandum (presented combined with the audit report mentioned above)). Such financial statements are collectively referred to as the “**SSMS Consolidated Financial Statements**” and are included elsewhere in this Offering Memorandum. A review conducted in accordance with SRE 2410 established by the IICPA is substantially less in scope than an audit conducted in accordance with Standards on Auditing established by the IICPA and, as stated in their review report appearing in this Offering Memorandum (presented combined with the audit report mentioned above), Purwantono, Sungkoro & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, did not audit and do not express any opinion on such unaudited interim consolidated financial statements included elsewhere in this Offering Memorandum.

The consolidated financial information of PT Citra Borneo Indah included in this Offering Memorandum has been extracted or derived from: (i) CBI’s audited consolidated financial statements as of and for the year ended December 31, 2016 (which have been audited by Paul Hadiwinata, Hidajat, Arsono, Retno, Palilingan & Rekan, (the Indonesian member firm of PKF International Limited), independent certified public accountants, in accordance with Standards on Auditing established by the IICPA, as stated in their audit report appearing elsewhere in this Offering Memorandum), and (ii) CBI’s unaudited interim consolidated financial statements as of September 30, 2017 and for the nine-month periods ended September 30, 2016 and 2017 (which have been reviewed by Paul Hadiwinata, Hidajat, Arsono, Retno, Palilingan & Rekan, (the Indonesian member firm of PKF International Limited), independent certified public accountants, in accordance with SRE 2410, as stated in their review report appearing elsewhere in this Offering Memorandum). Such financial statements are collectively referred to as the “**CBI Consolidated Financial Statements,**” which are included elsewhere in this Offering Memorandum. A review conducted in accordance with the aforementioned standards is substantially less in scope than an audit conducted in accordance with Standards on Auditing established by the IICPA and, as stated in their review report appearing in this Offering Memorandum (presented combined with the audit report mentioned above), Paul Hadiwinata, Hidajat, Arsono, Retno, Palilingan & Rekan, (the Indonesian member firm of PKF International Limited), independent certified public accountants, did not audit and do not express any opinion on such unaudited interim consolidated financial statements included elsewhere in this Offering Memorandum.

The unaudited pro forma financial information of PT Citra Borneo Indah included in this Offering Memorandum reflects the CBI corporate reorganization described in “The CBI Reorganization” and has been extracted or derived from CBI’s unaudited pro forma condensed and consolidated financial statements as of and for the year ended December 31, 2016 and as of and for the nine-month period ended September 30, 2017 (the “**CBI Unaudited Condensed and Consolidated Pro Forma Financial Statements**”), which are included elsewhere in this Offering Memorandum and which have been reviewed by Paul Hadiwinata, Hidajat, Arsono, Retno, Palilingan & Rekan, (the Indonesian member firm of PKF International Limited), independent certified public accountants, in accordance with attestation standards established by the IICPA, based on management’s assumptions as described in Note 2 to the CBI Unaudited Condensed and Consolidated Pro Forma Financial Statements, as stated in their report appearing elsewhere in this Offering Memorandum.

Unless otherwise indicated, financial information in this Offering Memorandum has been prepared in accordance with Indonesian Financial Accounting Standards (“**Indonesian FAS**”), which differs in certain respects from International Financial Reporting Standards (“**IFRS**”). For a summary of certain differences between Indonesian FAS and IFRS, see “*Summary of Certain Principal Differences Between Indonesian FAS and IFRS*” included elsewhere in this Offering Memorandum.

Rounding adjustments have been made in calculating some of the financial or operational information included in this Offering Memorandum. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

NON-GAAP FINANCIAL MEASURES

The term “**EBITDA**” refers to total comprehensive income before interest expenses, income taxes, depreciation expense and amortization expense. EBITDA and related ratios presented in this Offering Memorandum are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with, Indonesian FAS or IFRS. Further, EBITDA is not a measurement of our financial performance or liquidity under Indonesian FAS or IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with Indonesian FAS or IFRS or as an alternative to cash flow from operations or as a measure of our liquidity.

We believe EBITDA facilitates operating performance comparisons from period to period and from company to company by eliminating potential differences caused by variations in capital structures (affecting finance costs), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), impairment and the age and book depreciation and amortization of tangible assets (including our mature plantations) and intangible assets (affecting relative depreciation and amortization expense). We also believe that EBITDA is a supplemental measure of our ability to meet debt service requirements. Finally, we present EBITDA and related ratios because we believe these measures are frequently used by securities analysts and investors in evaluating similar issuers.

See “*Summary Consolidated Financial Information*” of the Company for a reconciliation of EBITDA to comprehensive income for the year/period after entities’ income adjustment, the Indonesian FAS measure from which it is derived.

INDUSTRY AND MARKET DATA

This Offering Memorandum includes market share and industry data and forecasts that we have obtained from industry publications and surveys, including data prepared by OIL WORLD (ISTA Mielke GmbH). We commissioned OIL WORLD to provide the section “*Industry*” for this Offering Memorandum. In compiling and calculating the data for this Offering Memorandum, OIL WORLD relied on industry sources, published materials, its own private databanks and direct contacts with the industry. Certain industry publications and surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance

as to the accuracy or completeness of included information. While we have taken reasonable actions to ensure that the information is extracted accurately and in its proper context, neither we nor the Joint Lead Managers have independently verified any of the data from third-party sources or ascertained the underlying economic assumptions relied upon therein. As a result, you are cautioned against undue reliance on such information.

ENFORCEABILITY

Enforceability of Foreign Judgments in Indonesia and Singapore

The Notes, the Guarantees and the agreements entered into with respect to the issue of the Notes, including the Indenture (as defined herein) (except for the Deeds of Corporate Guarantees and the Deeds of Acknowledgement and Undertaking which are governed by the laws of Indonesia and the Intercompany Loans and Security Documents (as defined herein) which are governed by the laws of Singapore), are governed by the laws of the State of New York.

The Issuer is incorporated as a private company with limited liability under the laws of Singapore. The Issuer is a special-purpose company with limited assets and the Issuer's directors reside outside the United States. Judgments of United States courts obtained against the Issuer or its directors and officers predicated upon the civil liability provisions of the United States federal or state securities laws are not enforceable in Singapore and there is doubt as to whether Singapore courts will enter judgments in original actions brought in Singapore against the Issuer or its directors and officers, based only upon the civil liability provisions of the United States federal and state securities laws. As a result, it may be difficult for you to enforce judgments obtained in United States courts against the Issuer's assets located outside the United States, and it may be difficult for you to enforce judgments obtained in United States courts against the Issuer or its directors and officers.

Each of the Guarantors are incorporated in Indonesia. All of the Guarantors' respective commissioners and directors reside in Indonesia, and substantially all of the respective assets of the Guarantors are located in Indonesia. As a result, it may not be possible for investors to effect service of process outside of Indonesia upon the Guarantors or such persons or to enforce against the Guarantors, or such persons outside of Indonesia in an Indonesian court, judgments obtained in courts outside of Indonesia, including judgments based upon the civil liability provisions of the securities laws outside the United States or any state or territory within the United States.

We have been advised by our Indonesian counsel that judgments of non-Indonesian courts are not enforceable in Indonesian courts. A foreign court judgment could be offered and accepted as evidence in a proceeding of the underlying claim in an Indonesian court and may be given such evidentiary weight as the Indonesian court may deem appropriate in its sole discretion. A claimant may be required to pursue claims in Indonesian courts on the basis of Indonesian law. Re-examination of the underlying claim de novo would be required before the Indonesian court. There can be no assurance that the claims or remedies available under Indonesian law will be the same, or as extensive, as those available in other jurisdictions.

We have been advised by our Singapore counsel that foreign court judgments are not automatically enforceable as if they were judgments of the Singapore court unless that foreign country and Singapore are parties to a treaty providing for reciprocal recognition and enforcement of judgments, and an application is made to register the foreign court judgment in the Singapore court. As Indonesia and Singapore do not currently have a treaty providing for reciprocal recognition and enforcement of judgments in civil and commercial matters, and Indonesia is not listed as a country under the Reciprocal Enforcement of Commonwealth Judgments Act, Chapter 264 of Singapore, or Reciprocal Enforcement of Foreign Judgments Act, Chapter 265 of Singapore, a final and conclusive judgment for the payment of money rendered by any courts in Indonesia based on civil liability cannot be registered in Singapore and enforced as if it was a judgment of the Singapore court. However, if the party in whose favor such final and conclusive judgment is rendered by an Indonesian court brings a

new suit in a court of competent jurisdiction in Singapore and makes a fresh claim on the final and conclusive money judgment rendered by the Indonesian courts, such party may submit to the Singapore court the final and conclusive judgment that has been rendered in Indonesia as evidence of fact in relation to the claim for the money judgment.

If and to the extent the Singapore court finds that the jurisdiction of the court in Indonesia is an *in personam* final and conclusive judgment, which is also judgment for a definite sum of money, the Singapore court will, in principle, grant a Singapore judgment for the sum under the foreign judgment, without substantive re-examination or re-litigation on the merits of the subject matter thereof, unless such judgment was procured by fraud, or its enforcement would be contrary to public policy in Singapore or would result in the direct or indirect enforcement of foreign penal, revenue or public laws, or that the proceedings in which it was obtained were contrary to natural justice.

Enforceability of the Guarantees in Indonesia

Under the Indonesian Civil Code, a guarantor may waive its right to require the obligee to exhaust its legal remedies against the obligor's assets on a guaranteed obligation prior to the obligee exercising its rights under the related guarantee. The Guarantees contain a waiver of this obligation. The Guarantors have been advised by their Indonesian legal advisor that they may successfully argue that, even though a guarantee contains such waivers, the Guarantors may nevertheless require that the obligee must first prove that all available legal remedies against the obligor have in fact, been exhausted. Accordingly, if such request is granted, the Guarantors may not be required to comply with their obligations under the Guarantees provided in respect of the Notes until all remedies against the Issuer have been exhausted. Paragraph 1 of Article 1832 of the Indonesian Civil Code stipulates that once a guarantor has waived its rights to require a lender to exhaust its legal remedy against the obligor, such guarantor may no longer claim otherwise. However, the outcome of specific cases in the Indonesian legal system is subject to considerable discretion and uncertainty. See *“Risk Factors — Risks Relating to the Notes, the Guarantees and the Collateral — Through the purchase of the Notes and Guarantees, noteholders may be exposed to a legal system subject to considerable discretion and uncertainty; it may be difficult or impossible for holders of the Notes to pursue claims under the Notes or the Guarantees because of considerable discretion and uncertainty of the Indonesian legal system.”*

In several court cases in Indonesia, Indonesian companies that had defaulted on debt incurred through offshore financing entities (using structures involving a guarantee issued by an Indonesian company) have sued their creditors to, among other things, invalidate their debt obligations and have sought damages from creditors exceeding the original proceeds of the debt issued. In one case, which was subsequently settled, an Indonesian court annulled the transaction documents in a structure involving a guarantee issued by an Indonesian company for debt of an offshore subsidiary. In another case, an Indonesian court declared a loan agreement between an offshore entity and its creditors null and void, awarding damages to the defaulting borrower. The courts' reports of these decisions do not provide a clear factual basis or legal rationale for the judgments. See *“Risk Factors — Risks Relating to the Notes, the Guarantees and the Collateral — Indonesian companies have filed suits in Indonesian courts to invalidate transactions involving offshore offering structures and succeeded in claims against lenders and other transaction participants to invalidate borrowing obligations and win damages in excess of the amounts borrowed.”*

Indonesian Regulation of Offshore Borrowings

Under Presidential Decree No. 59 of 1972 dated October 12, 1972 (“**PD 59/1972**”), and Presidential Decree No. 120 of 1998 dated August 12, 1998 (“**PD 120/1998**”), we are required to, and, if any of the Guarantors receives proceeds from the offering of the Notes through Intercompany Loans, the Guarantors are also required to report the particulars of their offshore borrowings to the Minister of Finance of Indonesia and Bank Indonesia on the acceptance, implementation, and repayment of principal and interest. The Minister of Finance Decree No. KEP-261/MK/IV/5/73 dated May 3, 1973, as amended by the Minister of Finance Decree No. 417/KMK.013/1989 dated May 1, 1989 and the Minister of Finance Decree No. 279/KMK.01/1991 dated March 18, 1991, as the implementing

regulation of PD 59/1972, further set forth the requirement to submit periodic reports to the Minister of Finance of Indonesia and Bank Indonesia on the effective date of the contract and each subsequent three-month period. In addition, under Presidential Decree No. 39 of 1991 dated September 4, 1991 (“**PD 39/1991**”), all offshore commercial borrowers must submit periodic reports to the Offshore Commercial Borrowings Team (*Tim Pinjaman Komersial Luar Negeri* or the PKLN Team) upon the implementation of their offshore commercial borrowing. PD 39/1991 does not stipulate either the time frame or the format and the content of the periodic reports that must be submitted.

On December 29, 2014, Bank Indonesia issued Bank Indonesia Regulation No. 16/21/PBI/2014 on Application of Prudential Principles in Management of Offshore Loan of Non-Bank Corporations, as lastly amended by Bank Indonesia Regulation No. 18/4/PBI/2016 (“**PBI 16/21/2014**”), which applies to non-bank corporations that obtain offshore loans in foreign currencies. Further to PBI 16/21/2014, Bank Indonesia also issued Circular Letter No. 16/24/DKEM dated December 30, 2014 as amended by Circular Letter No. 17/18/DKEM dated June 30, 2015 and Circular Letter No. 18/6/DKEM dated April 22, 2016 (“**CL 16/24/2014**”). PBI 16/21/2014 requires non-bank corporations that have offshore loans in foreign currencies to fulfill three prudential principles: (i) hedging ratios, (ii) liquidity ratios and (iii) credit ratings.

The minimum hedging ratio for non-bank corporations that have offshore loans in foreign currency is set at 25% of (i) the “negative difference” between the foreign exchange assets and the foreign exchange liabilities that will become due within three months from the end of the relevant quarter, and (ii) the “negative difference” between the foreign exchange assets and the foreign exchange liabilities that will become due in the period of more than three months up to six months after the end of the relevant quarter.

CL 16/24/2014 determines that only corporations that have “negative difference” of more than U.S.\$100,000 are obliged to fulfill the minimum hedging ratio. In addition, with effect from January 1, 2017, for the purpose of calculating the fulfillment of the minimum hedging ratio requirements, PBI 16/21/2014 requires that such hedging transactions shall be conducted only with banks in Indonesia.

On the liquidity ratio requirement, non-bank corporations that have offshore loans in foreign currency are also required to comply with the minimum liquidity ratio of at least 70% liquidity by providing sufficient foreign exchange assets against foreign exchange liabilities that will become due within three months from the end of the relevant quarter.

In addition, on the credit rating requirement, non-bank corporations that obtain offshore loans signed or issued after January 1, 2016 in a foreign currency must have a minimum two years credit rating of “BB-,” from the rating agency, for offshore borrowings issued by a rating agency recognized by Bank Indonesia, which currently includes the domestic rating agencies PT Pemeringkat Efek Indonesia (with equivalent rating of idBB) and PT Fitch Ratings Indonesia BB-(Idn); and the following foreign rating agencies: Moody’s Investors Service (Ba3), Standard & Poor’s (BB-), Fitch Ratings (BB-), Japan Credit Rating Agency (BB-) and Rating and Investment Information Inc. (BB-). Such credit rating, which has to be valid for two years, will be in the form of a rating over the relevant corporation and/or bonds. However, pursuant to PBI 16/21/2014 corporations may use their parent company’s credit rating if (i) such corporation enters into offshore debt in foreign currency with its parent company, or the offshore debt is guaranteed by the parent company (such exemption is limited to refinancing which does not increase the outstanding amount of the previous debt or if it increases, such increase shall not exceed (a) U.S.\$2,000,000 or its equivalent or (b) 5% of the outstanding of such refinanced debt if such 5% figure is higher than U.S.\$2,000,000 or its equivalent), or (ii) such corporation has been in existence for less than three years since it began its commercial operations. The obligation to have a minimum credit rating does not apply to offshore loans in foreign currency that are in the form of trade credit, which refers to debt arising from credit that is granted by offshore suppliers over transactions relating to goods and/or services. Exemptions from the requirement to satisfy the minimum credit rating are available for (i) the refinancing of offshore loans in foreign currency, (ii) offshore loans in foreign currency that finance infrastructure projects from (a) international bilateral/multilateral institutions and (b) syndicated loans with the contribution of

international bilateral/ multilateral institutions exceeding 50%, (iii) offshore loans in foreign currency in relation to government (central and regional) infrastructure projects, (iv) offshore loans in foreign currency that are guaranteed by international bilateral/multilateral institutions, (v) offshore loans in foreign currency in the form of trade credit, (vi) offshore loans in foreign currency in the form of other loans (i.e., any other loan than loan agreements, debt securities and trade credit that are, among others, payments of insurance claims and unpaid dividends), (vii) offshore loans in foreign currency of finance companies, provided that, when OJK last determined the “soundness” level of the relevant finance company, the finance company had a minimum “soundness” level (*tingkat kesehatan*) and fulfilled the maximum gearing ratio as regulated by OJK, or (viii) offshore loans in foreign currency of the Indonesian Export Financing Institution (*Lembaga Pembiayaan Ekspor Indonesia* or (“**Indonesia Eximbank**”)).

Finally, PBI 16/21/2014 requires non-bank corporations that have offshore loans in foreign currencies to submit a report to Bank Indonesia, containing the implementation of prudential principles and the applicability of any exemptions, including the relevant supporting documents. In case of violation of PBI 16/21/2014, Bank Indonesia may impose administrative sanctions in the form of warning letters. Beside warning letter, PBI 16/21/2014 does not provide other applicable specific sanction but Bank Indonesia may inform related parties, such as the relevant offshore creditors, the Minister of State-Owned Companies (for state-owned non-bank corporations), the Minister of Finance on behalf of Directorate General of Tax, OJK and/or the Indonesian Stock Exchange (the “**IDX**”) (for publicly listed non-bank corporation) on the implementation of administrative sanctions.

Bank Indonesia issued Bank Indonesia Regulation No. 16/22/PBI/2014 dated December 31, 2014 on Reporting of Foreign Exchange Activity and Reporting of Application of Prudential Principles in relation to an Offshore Loan Management for Non-Bank Corporation (“**PBI 16/22/2014**”). PBI 16/22/2014 stipulates that banking institutions, non-bank financial institutions, non-financial institutions, state/regional-owned companies, private companies, business entities and individuals performing activities that cause a movement in financial assets and liabilities between an Indonesian citizen and non-Indonesian citizen, including the movement of offshore financial assets and liabilities between Indonesian citizens, must submit a foreign exchange activities report with respect to any foreign exchange activities to Bank Indonesia. The foreign exchange activities report is required to cover: (i) trade activities in goods, services and other transactions between residents and nonresidents of Indonesia, (ii) the position and changes in the balance of foreign financial assets and/or foreign financial liabilities, and/or (iii) any plan to incur foreign debt and/or implementation of such plan. In addition, PBI 16/22/2014 requires any non-bank entity which applies prudential principles to submit reports which cover (i) the implementation prudential principles, which have complied with an attestation procedure; (ii) notification of compliance of credit ratings; (iii) financial statements; and (iv) an initial report on the implementation of prudential principles (“Implementation of Prudential Principles Report”). Bank Indonesia requires foreign exchange activities reports to be submitted monthly. The Implementation of Prudential Principles Report must be submitted quarterly, unless another submission deadline is required under PBI 16/22/2014.

The reporting obligations under PBI 16/22/2014 are implemented under the following Circular Letter of Bank Indonesia as follows:

- i. According to Bank Indonesia Circular No. 15/16/DInt dated April 29, 2013 on Reporting of Foreign Exchange Activities in the form of Offshore Loan Realization and Position (“**CL 15/16/DInt**”), any person, legal entity or other entity domiciled in Indonesia or planning to be domiciled in Indonesia for at least one year, that obtains offshore commercial borrowings in foreign currency and/or Rupiah (of any amount) pursuant to loan agreements, debt securities, trade credits and other debts must submit reports to Bank Indonesia. The reports must consist of the main data report and the monthly recapitulation data report. The main data report must be submitted to Bank Indonesia no later than the 15th day of the following month after the signing of the loan agreement or the issuance of the debt securities and/or the debt acknowledgement over the trade credits and/or other loans and a monthly recapitulation data report must be

submitted to Bank Indonesia no later than the 15th day of the following month. Such reports must be filed until the offshore commercial borrowing has been repaid in full. Any failure to submit the required reports may result in administrative sanctions in the form of fines; however, such failure will not invalidate obligations under the debt instrument.

- ii. According to Bank Indonesia Circular No. 17/4/DSta dated March 6, 2015 on the Reporting of Foreign Exchange Activities on the form of Offshore Loan Plan and the Amendment of Offshore Loan, an Indonesian company that intends to obtain a long-term offshore loan in a foreign currency and/or Rupiah is required to submit a report to Bank Indonesia by no later than March 15 of each year in relation to such loan including its annual offshore borrowing plans, which must include, among others, (a) the status and amount of the offshore loan; (b) currency of the offshore loan; (c) the lender and the borrower's relationship with such lender and (d) the source of payments. Any amendment to such report must be submitted to Bank Indonesia by no later than July 1 of the year of such change.
- iii. According to Bank Indonesia Circular No. 17/26/DSta dated October 15, 2015 on the Reporting of Foreign Exchange Activities Other than Offshore Loan, an Indonesian company engaged in foreign exchange activities other than offshore loan which includes guarantees made by an Indonesian party in favor of an offshore party is required to submit monthly reports with respect to such foreign exchange activities (other than with respect to any borrowing of offshore loans) to Bank Indonesia no later than the 15th day each month.
- iv. According to Bank Indonesia Circular No. 17/3/DSta dated March 6, 2015 as amended by Bank Indonesia Circular No. 17/24/DSta dated October 12, 2015 on the Reporting Application of Prudential Principles in relation to an Offshore Loan Management for Non-Bank Corporation, a non-bank corporation must submit the following reports: (i) the implementation of the prudential principles on a quarterly basis; (ii) a report regarding the implementation of the prudential principles report that have undergone an attestation procedure no later than the end of June of each year; (iii) a report with respect to credit ratings no later than the end of following relevant month; and (iv) financial statements, consisting of quarterly financial statements (unaudited) to be submitted on a quarterly basis and annual financial statements (audited) to be submitted no later than the end of June of each year.

Any delay in submitting foreign exchange reports as mentioned above (other than the offshore loan plan report) is punishable by a fine of Rp500,000 for each business day of delay, subject to a maximum fine of Rp5,000,000. Furthermore, any failure to submit such foreign exchange report (other than the offshore loan plan report) is punishable by a fine of Rp10,000,000 per reporting period. Failure to submit the offshore loan plan report and the financial information report will be subject to administrative sanctions in the form of warning letters and/or notices to the relevant authorities.

Bank Indonesia issued Bank Indonesia Regulation No. 16/10/PBI/2014 dated May 14, 2014 on The Receipt of Foreign Exchange Proceeds from Export and Withdrawal of Foreign Exchange Offshore Loan, as amended by Bank Indonesia Regulation No. 17/23/PBI/2015 dated December 23, 2015 ("**PBI 16/10/2014**"), as implemented by Bank Indonesia Circular No. 18/5/DSta dated April 6, 2016 on Withdrawal of Foreign Exchange Offshore Loan ("**CL 18/5/DSta**"). Based on PBI 16/10/2014, Indonesian debtors of an offshore loan may only receive loan proceeds through an Indonesian foreign exchange bank (*Bank Devisa*). This obligation applies to every loan that is derived from:

- a. a non-revolving loan agreement for purpose other than financing;
- b. offshore debt securities; or
- c. the margin between the new foreign loan for refinancing purposes and the initial foreign loan.

The accumulated amount of foreign exchange received from an offshore loan should be equal to the total commitment. If the accumulated amount of foreign exchange received from an offshore loan is less than the committed amount under the offshore loan, with a difference of more than the equivalent of Rp50,000,000, a debtor must submit a written explanation and supporting documents to Bank Indonesia prior to expiry of the loan term. An Indonesian debtor must report the receipt of proceeds from the offshore loan to Bank Indonesia monthly using the recapitulation data report as regulated under PBI 16/10/2014, CL 18/5/DSta, and CL 15/16/DInt. Every submission of a report must be supported with any document evidencing that the proceeds from the relevant offshore loan are received through an Indonesian foreign exchange bank. Any Indonesian debtor failing to comply with the obligation may be imposed with an administrative sanction in the form of fine of 0.25% of the amount of every withdrawal that is not withdrawn through an Indonesian foreign exchange bank, with maximum sanction of Rp50,000,000. PBI 16/10/2014 does not specifically require the foreign currency brought into Indonesia to be converted into Rupiah and kept in Indonesia for a specified period of time. Aside from imposing fine on the debtor, Bank Indonesia may impose an administrative sanction in the form of, among others: (i) a written warning to the debtor and/or (ii) a notification to the concerned offshore creditor and/or the relevant authority.

Language of the Transaction Documents

Pursuant to Law No. 24 of 2009 on Flag, Language, Coat of Arms and National Anthem enacted on July 9, 2009 (“**Law No. 24/2009**”), agreements to which Indonesian parties are a party are required to be executed in Bahasa Indonesia, although, when a foreign entity is a party, dual language documents in English or the national language of the foreign party are permitted. Article 31 of Law No. 24/2009 provides that: (i) Bahasa Indonesia must be used in a memorandum of understanding or an agreement which involves the State, government agencies of the Republic of Indonesia, private entity or individuals having Indonesian nationality; and (ii) with regard to a memorandum of understanding or an agreement referred to in (i) which involves a foreign party, the memorandum of understanding or agreement may also be made in the national language of such foreign party and/or in English.

There exists substantial uncertainty regarding how Law No. 24/2009 will be interpreted and applied, and it is not certain that an Indonesian court would permit the English version to prevail or even consider the English version. See “*Risk Factors — Risks Relating to Indonesia Notes, Guarantees and Collateral — An Indonesian law requiring agreements involving Indonesian parties to be written in the Indonesian language as required under the law may raise issues as to the enforceability of agreements entered into in connection with the offer and sale of the Notes and the Guarantees.*” The Indenture and certain other documents entered into in connection with the issuance of the Notes have been or will also be prepared in Bahasa Indonesia as required under Law No. 24/2009 and the English version will prevail for all purposes, including in the event of a discrepancy or an inconsistency between the English version and the Bahasa Indonesia version. However, there can be no assurance that, in the event of inconsistencies between the Bahasa Indonesia and English language versions of these documents, an Indonesian court would hold that the English language versions of such documents would prevail.

Although Law No. 24/2009 came into effect on July 9, 2009 a detailed implementing Presidential Regulation has not yet been issued. In connection with the provisions of Article 31 of Law No. 24/2009, the Minister of Law and Human Rights of the Republic of Indonesia issued Letter No. M.HH.UM 01-01-35 Tahun 2009, dated December 28, 2009, regarding Clarification for Implication and Implementation of Law No. 24/2009 (the “**MOLHR Clarification Letter**”), which clarifies the use of Bahasa Indonesia pursuant to Law No. 24/2009. The MOLHR Clarification Letter stipulates that even though an agreement between Indonesian private entities (*lembaga swasta Indonesia*) is executed in English, it should not violate the provisions of Article 31 of Law No. 24/2009. As basis for this analysis, the MOLHR Clarification Letter makes a reference to Article 40 of Law No. 24/2009, which states that the use of Bahasa Indonesia, including for the purposes of Article 31 of Law No. 24/2009, shall be further regulated by Presidential Regulations. Pursuant to the MOLHR Clarification Letter, until further implementing regulations of Article 31 of Law No. 24/2009 have been issued, an

agreement between Indonesian private entities that is executed in English should not be deemed to have violated the provisions of Article 31 of Law No. 24/2009. However, until now, no implementing regulations have been issued. Hence, pursuant to the MOLHR Clarification Letter, any agreement that is executed in English without a Bahasa Indonesia version is still legal and valid, and does not violate the provisions of Article 31 of Law No. 24/2009. However, this letter is issued only as an opinion and does not fall within the types and hierarchy stipulated in Article 7 of Law No. 12 of 2011 regarding Formation of Laws and Regulations to be considered a law or regulation and therefore has no legal force.

In addition, on June 20, 2013, the District Court of West Jakarta ruled in decision No. 451/Pdt.G/2012/PN.Jkt Bar (the “**June 2013 Decision**”) that a loan agreement entered into between an Indonesian borrower, PT Bangun Karya Pratama Lestari, as plaintiff, and a non-Indonesian lender, Nine AM Ltd., as defendant, is null and void under Indonesian law. The governing law of such agreement was Indonesian law and the agreement was written in the English language. The court ruled that the agreement had contravened Article 31(1) of Law No. 24/2009 and declared it to be invalid. In arriving at this conclusion, the court relied on Articles 1320, 1335 and 1337 of the Indonesian Civil Code, which taken together render an agreement void if, inter alia, it is tainted by illegality. The court held that as the agreement had not been drafted in the Indonesian language, as required by Article 31(1), it therefore failed to satisfy the “lawful cause” (*causa yang halal*) requirement and was void from the outset, meaning that a valid and binding agreement had never existed. In addition, the court reaffirmed that the MOLHR Clarification Letter is not a law or regulation and has no legal force. On May 7, 2014, the Jakarta High Court rejected the appeal submitted by Nine AM Ltd. and affirmed the June 2013 Decision in its entirety. In its judgment, the Jakarta High Court was of the opinion that the District Court of West Jakarta’s judgment was correct and accurate. Further, on October 23, 2015, the Supreme Court again affirmed the lower court’s decision. Indonesian court decisions are generally not binding precedents and do not constitute a source of law at any level of the judicial hierarchy, as would be typically be the case in common law jurisdictions such as the United States and the United Kingdom. However, there can be no assurance that an Indonesian court will not, in the future, issue a similar decision to the June 2013 Decision in relation to the validity and enforceability of agreements which are made in the English language.

On July 7, 2014, the Government issued Government Regulation No. 57 of 2014 on Development Fostering, and Protection of Language and Literature and Enhancement of the Function of the Indonesian Language to implement certain provisions of Law No. 24/2009. While this regulation focuses on the promotion and protection of the Indonesian language and literature and is silent on the question of contractual language, it reiterates that contracts involving Indonesian parties must be executed in the Indonesian language (although versions in other languages are also permitted). As Law No. 24/2009 does not specify any sanctions for non-compliance, we cannot predict how the implementation of Law No. 24/2009 (including its implementing regulation) will impact the validity and enforceability of the Notes and the Guarantees in Indonesia, which creates uncertainty as to the ability of noteholders to enforce the Notes and the Guarantees in Indonesia.

In addition, Law No. 2 of 2014 on the Amendment to the Law No. 30 of 2004 on Notary Profession provides that a notarial deed made after January 15, 2014 must be drawn up in Bahasa Indonesia. If the parties require, the notarial deed can be made in foreign language and in such event the notary must translate the deed into Bahasa Indonesia. In the event of different interpretation as to the contents of the foreign language deed, the Bahasa Indonesia version of the deed shall prevail.

Each of the Indonesian Guarantors will execute dual English and Bahasa Indonesia versions of all transaction agreements to which it is party. Save for the Deeds of Corporate Guarantees, certain transaction documents will provide that in the event of a discrepancy or inconsistency, the English versions of the transaction documents will prevail.

While the agreement in the transaction documents to have the English version prevail does not violate the principles of freedom of contract subject to the good faith of the parties against whom the agreement shall be exercised and enforced, there can be no assurance that the Indonesian courts would hold that the English version of the transaction documents will prevail. Moreover, some concepts in the English language may not have a corresponding term in the Indonesian language and the exact meaning of the English text may not be fully captured by the Indonesian language version. If this occurs, there can be no assurance that the terms of the Notes and Guarantees, including the Indenture, will be as described in the Offering Memorandum, or will be interpreted and enforced by the Indonesian courts as intended.

FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS

Certain statements in this Offering Memorandum are not historical facts and constitute “forward looking statements.” All statements other than statements of historical facts included in this Offering Memorandum, including those regarding our financial position and results, business strategies, plans and objectives of management for future operations (including development plans and dividends), followed by or that include the words “believe,” “expect,” “aim,” “intend,” “will,” “may,” “project,” “estimate,” “anticipate,” “predict,” “seek,” “should” or similar words or expressions, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future.

Forward-looking statements involve inherent risks and uncertainties. The forward-looking statements included in this Offering Memorandum reflect our current views with respect to future events and are not a guarantee of future performance. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. These factors include, but are not limited to, the following:

- our ability to increase the hectareage of our plantations in accordance with our plans;
- uncertainty regarding Government spatial planning and forestry regulations and the validity of certain of our land rights;
- our ability to renew or expand our current Indonesian land rights because of Government restrictions;
- our ability to complete on time or within budget, or derive the expected benefits from new mills and other projects that we are planning to construct;
- competition from other producers in the palm oil industry and other substitute oils;
- our ability to successfully implement our sustainability and other environmental policies;
- adverse weather conditions or other operational risks could have a material adverse effect on our business;
- our holdings of certain uncertified land, the title to which may be the subject of claims and disputes;
- macroeconomic factors, in particular interest rates, unemployment rates, disposable income, availability of adequate credit and affordable financing and consumer confidence in Indonesia;

- changes in our needs for capital and the availability and cost of financing and capital to fund these needs;
- war or acts of international or domestic terrorism;
- occurrences of catastrophic events, outbreaks of communicable diseases, natural disasters and acts of God that affect our business;
- changes in our senior management team or loss of key employees; and
- changes relating to and our relations with our principal shareholders.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed under “*Risk Factors*,” “*The CBI Reorganization*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*,” and “*Business*.” You should not unduly rely on forward-looking statements and you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. These forward-looking statements speak only as of the date of this Offering Memorandum. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We do not intend to update any of the forward-looking statements after the date of this Offering Memorandum to conform those statements to actual results, subject to compliance with all applicable laws including the rules of the SGX-ST.

SUMMARY

This summary highlights information contained elsewhere in this Offering Memorandum. This summary is qualified by, and must be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this Offering Memorandum. We urge you to read this entire Offering Memorandum carefully, including our consolidated financial statements and related notes and “Risk Factors.”

Overview

We are a highly efficient oil palm plantation company with an attractive age profile which we believe will continue to deliver strong production growth in the next few years. Our fresh fruit bunches (“FFB”) yield per mature hectare and oil extraction rate were 14.6 tons and 23.1%, respectively, for the nine-months ended September 30, 2017, giving us a CPO yield per mature hectare of 3.4 tons, despite the low average age of our planted areas of 8.3 years as of September 30, 2017. As of December 31, 2016, our FFB yield per mature hectare and oil extraction rate were 19.4 tons and 23.4%, respectively, and our CPO yield per mature hectare was 4.5 tons. Our primary business activities are cultivating oil palm trees, harvesting the FFB from those trees and processing FFB to produce CPO, palm kernel and crude palm kernel oil, which we currently sell in both the domestic Indonesian market and to overseas customers primarily based in India and Pakistan through trading houses in Singapore.

As of September 30, 2017, we owned and operated 19 oil palm estates, covering 70,984 hectares of planted area, which included six palm oil mills and one kernel crushing plant. For the nine-months ended September 30, 2017, we produced 262,356 tons of CPO and 46,707 tons of palm kernel, compared with 192,207 tons of CPO and 37,210 tons of palm kernel for the nine-months ended September 30, 2016. For the year ended December 31, 2016 we produced 289,653 tons of CPO and 54,005 tons of palm kernel.

Oil palm trees reach maturity approximately four years after planting and are classified as young mature during year four through year seven. During year eight to year 20, oil palm trees are classified as prime, having reached the years of peak FFB production. From year 21 onwards, oil palm trees are classified as old and their FFB yield gradually declines. As of September 30, 2017, our planted area of mature oil palm trees consisted of 17,863 hectares of young mature trees with ages four to seven years old and 46,209 hectares of prime trees with ages eight to 18 years old. None of our oil palm trees are classified as old by industry standards.

As a result of increases in mature trees and higher yield from planted areas moving into prime age, our FFB production increased from 1,019,156 tons in 2014 to 1,094,463 tons in 2015, decreasing slightly to 1,074,050 tons in 2016 primarily due to adverse weather conditions, and was 938,025 tons in the nine-months ended September 30, 2017 compared to 684,321 tons in the nine-months ended September 30, 2016. In addition, our mature plantations yielded on average 14.6 tons of FFB per hectare and 3.4 tons of CPO per hectare for the nine-months ended September 30, 2017, despite the young average age of our oil palm trees. Over the next several years, we expect that our plantations will continue to improve in FFB yield and our CPO production will increase as more of our trees reach peak production.

We currently own six palm oil mills in operation which have an aggregate processing capacity of 375 tons of FFB per hour, or 2,250,000 tons per annum. We are currently constructing three more palm oil mills which we expect to complete by 2020. We expect that the construction of these new palm oil mills in the aggregate to add a processing capacity of 180 tons of FFB per hour, or 1,080,000 tons per annum. We also intend to increase the processing capacity of our existing palm oil mills, from 375 tons of FFB per hour to 440 tons of FFB per hour, which are expected to bring our total processing capacity to 620 tons of FFB per hour, or 3,720,000 tons per annum, by 2020. In addition, we have one kernel crushing plant in operation which has a processing capacity of 150 tons of palm kernel per day or approximately 45,000 tons per annum.

Our primary product is CPO, which accounted for 91.4%, 89.4%, 76.9% and 85.5% of our sales in the years ended December 31, 2014, 2015 and 2016 and the nine-months ended September 30, 2017, respectively. Our CPO production increased from 296,329 tons in 2014 to 321,238 tons in 2015, which decreased to 289,653 tons in 2016, primarily due to a decrease in FFB production resulting from adverse weather conditions, and was 262,356 tons in the nine-months ended September 30, 2017. Our average CPO extraction rate by weight (i.e. percentage of a ton of CPO extracted per ton of FFB processed) was 23.4% in 2016 and 23.1% in the nine-months ended September 30, 2017. We also produce palm kernel and crude palm kernel oil. Our production of palm kernel increased from 53,533 tons in 2014 to 60,861 tons in 2015, and then decreased to 54,005 tons in 2016, and was 46,707 tons in the nine-months ended September 30, 2017. Our average palm kernel extraction rate by weight (i.e. percentage of a ton of palm kernel extracted per ton of FFB processed) was 4.4% in 2016 and 4.1% in the nine-months ended September 30, 2017. We started producing crude palm kernel oil in December 2011 and our production of crude palm kernel oil was 6,826 tons in 2016 and 6,758 tons in the nine-months ended September 30, 2017. Our crude palm kernel oil extraction rate by weight (i.e. percentage of a ton of crude palm kernel oil extracted per ton of palm kernel processed) was 40.2% in 2016 and 39.5% in the nine-months ended September 30, 2017. We currently sell our products in the Indonesian domestic market and to overseas customers primarily based in India and Pakistan through trading houses in Singapore.

For the year ended December 31, 2016, our sales amounted to Rp.2,722.7 billion (U.S.\$201.8 million), our gross profit amounted to Rp.1,466.1 billion (U.S.\$108.7 million) and our total comprehensive income after the effect of merging entities' income adjustment amounted to Rp.601.5 billion (U.S.\$44.6 million). For the nine-months ended September 30, 2017, our sales amounted to Rp.2,381.0 billion (U.S.\$176.5 million), our gross profit amounted to Rp.1,290.7 billion (U.S.\$95.7 million) and our total comprehensive income after the effect of merging entities' income adjustment amounted to Rp.624.3 billion (U.S.\$46.3 million). Our EBITDA was Rp.1,276.0 billion (U.S.\$94.6 million) for the year ended December 31, 2016 and Rp.1,254.0 billion (U.S.\$92.9 million) for the nine-months ended September 30, 2017.

Competitive Strengths

Young maturity profile of our oil palm trees providing visibility for future production growth

Oil palm trees require approximately four years to mature. The yield of newly matured oil palm trees is relatively low at an average yield of only seven to eight tons per hectare. The yields continue to improve as the trees mature to the peak production age, which is between eight to 20 years after planting, reaching approximately 25 to 30 tons per hectare. The economic life span of an oil palm tree is typically approximately 25 years and can extend up to approximately 35 years for compact hybrid varieties.

As of September 30, 2017, approximately 25.2% of our total planted area, or 17,863 hectares consisted of young mature oil palm trees with ages four to seven years old. A further 9.6% or 6,912 hectares of our plantation consisted of immature trees with ages one to three years old. Trees from the age of six years and onwards show increases in production yield as they move from young mature to their prime production stage. Approximately 65.1% of our planted area or 46,209 hectares are currently in the prime production age of eight or more years old with the oldest trees being not more than 18 years old. As of September 30, 2017, the average age of our planted areas was approximately 8.3 years which is just entering peak production age. As a significant portion of our trees will enter their peak production years in the next three to five years, we believe that the age profile of our trees will support a continued increased in production of FFB over the next several years with minimal increases in production costs or capital expenditures.

High yielding and efficient plantation operations supporting low cost operations

Our FFB yield was 19.4 tons per hectare of mature oil palm trees, our oil extraction rate (OER) was 23.4% and our CPO yield per hectare of mature oil palm trees was 4.5 tons for the year ended December 31, 2016. We believe these to be amongst the highest in the industry in Indonesia based on data provided by publicly listed Indonesian palm oil companies in their 2016 annual reports. Our average cash cost per ton of CPO produced (calculated as total production costs for the period or year, consisting of fertilizer and maintenance costs, labor costs, harvesting costs and overhead costs, divided by quantity production of FFB in tons and oil extraction rate plus milling cost divided by quantity production of CPO in tons) was Rp.3.1 million (U.S.\$229) per ton for the year ended December 31, 2016 and Rp.3.1 million (U.S.\$231) per ton for the nine-months ended September 30, 2017, which we believe was among the lowest in the palm oil industry in Indonesia.

Favorable location enabling higher efficiency and stronger cost competitive position

We believe that our favorable location provides various benefits. All of our plantations, palm oil mills and other facilities are located in Central Kalimantan Province, Indonesia. This region has soil with high mineral content and favorable climate conditions with high rainfall levels (at approximately 2,800 to 3,000 millimeters per annum), ideal for rapid growth of oil palm trees and high FFB production. Substantially all of our landbank consists of mineral soil, the optimum soil for growing oil palm trees with a small proportion of shallow peat soil. Substantially all of our plantations are located on flat or mildly undulating terrain, which reduces planting, maintenance and harvesting costs.

Our plantations are in close proximity to each other and to our mills and are all covered by a dense network of “all weather” roads built to ensure that every part of the plantations is easily accessible at all times. This reduces our transportation costs and ensures that our FFB arrive at our mills in a timely and efficient manner to minimize quality deterioration during transport. Consequently, we are able to produce higher quality CPO compared to many of our peers, which allows us to charge a premium over the prevailing domestic CPO price. The FFA content of substantially all of our CPO is consistently at approximately 3.5% or below, compared to the generally accepted industry standard of 5.0%. Also, the proximity of our mills to the Trans-Borneo highway and the Kumai port allows us to minimize delays in shipments and reduce transportation and logistics costs.

Strong CPO fundamentals and outlook

We believe strong market fundamentals, including growing demand, cost advantages and room for further growth, point to a positive outlook for the global palm oil market. There is a growing demand for palm oil based food in Asia and in particular, in China and India, as well as for oleochemical products. This demand was partially driven by an increased awareness of health benefits of palm oils as compared to other traditional seed oils. In addition to rapidly growing consumer use, the increasing use of palm oil in biodiesel products from around the world has driven demand for palm oil to higher levels. According to OIL WORLD, global CPO consumption increased at a CAGR of 5.6% between 2006 and 2016. We believe there is significant room for further growth in the key palm oil consuming countries such as in Indonesia, Pakistan, China and India, as compared to more developed countries such as the U.S. and the E.U. member states. According to OIL WORLD, palm oil is the the most productive crop among all vegetable oils and oilseeds with by far the highest yields per hectare and the lowest production costs per ton, giving it a greater scope for further growth in terms of market share.

As one of the largest producers of palm oil, Indonesia has also seen a significant growth in its market share in the world CPO production and exports. Between 2006 and 2016, Indonesia’s share of global production of CPO grew from 27.8% to 54.5% and share of global exports grew from 17.2% to 53.2%, according to OIL WORLD.

Strong operating profile leading to resilient financial profile

Our revenue from the year ended December 31, 2014 to December 31, 2016 increased from Rp.2,616.4 billion to Rp.2,722.7 billion (U.S.\$201.8 million) due to increased production as our plantations matured and entered into their prime production age. Our EBITDA for the year ended December 31, 2014, December 31, 2015 and December 31, 2016 was Rp.1,300.9 billion (U.S.\$96.4 million), Rp.1,192.6 billion (U.S.\$88.4 million) and Rp.1,276.0 billion (U.S.\$94.6 million), respectively. We believe that we have been able to achieve a high EBITDA due to our high yield of CPO per mature hectare and low production costs, which we believe are directly attributable to our strategic location, logistical efficiencies and best practices in plantation management and agronomy practices. Our CPO yield per mature hectare was 5.8 tons, 5.1 tons, and 4.5 tons for the years ended December 31, 2014, 2015 and 2016, respectively. In 2016, our plantations yielded on average 19.4 tons of FFB per hectare of mature oil palm trees despite our plantations having an average age of only approximately 7.8 years and we had a high average CPO extraction rate of 23.4%.

Well experienced management team with proven track record

We have an experienced and highly qualified management team who have successful track records in managing oil palm plantation businesses and who actively explore ways to improve on standard industry practices. Our management team has on average approximately 33 years of experience in the oil palm plantation industry and over 164 years of combined industry experience. Mr. Nicholas Justin Whittle, our Independent Director and CFO, has over 25 years of experience in the finance industry, Mr. Ramzi Sastra, our Director, has 18 years of experience in the plantation industry, while Mr. Vallauthan Subraminam, our President Director and CEO, has over 40 years of experience in the palm oil industry. In addition, the members of our Board of Commissioners have wide experience in the field. Mr. Bungaran Saragih, our President Commissioner, previously served as Minister of Agriculture of the Republic of Indonesia, Mr. Marzuki Usman, our Independent Commissioner, previously served as Minister of Forestry of the Republic of Indonesia and as President Commissioner of a number of Indonesian oil palm plantation companies and Mr. Rimbun Situmorang, our Commissioner, has 16 years of experience in the plantation industry and currently serves as Director of CBI.

Our dedicated operations team, comprising experienced agronomists, plant engineers and senior management, constantly seeks to maintain and improve our performance by applying industry best practices in plantation management, agronomy practices and mills operations to achieve high yields of fresh FFB per mature hectare and high CPO extraction rates. We use only high yielding and high quality seeds for cultivating our seedlings and high quality fertilizer from reputable suppliers with long and established track records. We supplement the use of inorganic fertilizer with organic fertilizer from the by-products of our mills to ensure that our oil palm trees have the proper nutrients. We seek to ensure that all our oil palm trees produce high yields of FFB throughout their productive lives by culling the unhealthy seedlings while still in the nursery. We also use sustainable and natural methods for plantings and pest control such as cover crops to minimize soil erosion, increase soil aeration and enrichment and natural predators such as owls to control our mice population and host plants which attract insects which are natural predators of caterpillars. Furthermore, our harvesting practices are designed to maximize production rates by ensuring that our FFB are harvested at the point of their maximum oil content and processed within 12 hours of harvesting to minimize spoilage. Our research and development personnel also frequently conduct yield gap analysis to provide quantitative estimates of our production to allow us to stay competitive among our key competitors.

Our Strategy

Our vision is to become a leading world-class oil palm plantation company and to be an agent of economic and social development in Central Kalimantan Province as well as greater Indonesia. We plan to achieve this vision using the following strategies:

Commitment to international standards of sustainability

Our strong commitment to plantation management in accordance with the international standards of the Roundtable on Sustainable Palm Oil (“**RSPO**”) and Indonesian Sustainable Palm Oil (“**ISPO**”) certification supports the Company’s sustainable growth. Our responsibility toward the living environment has become a critically important characteristic of our natural resources business, and maintaining ecological balance is a crucial aspect of our corporate sustainability. As of December 31, 2016, we are RSPO certified through our Sulung Mill, Selangkun Mill and Suayap Mill and ISPO certified through our Kenambui, Sulung, Rangda, Kondang, Pulau, Selangkun and Rungun Estates, as well as through our Sulung Mill. Currently, three of our subsidiaries are undergoing RSPO certification and we expect our plantations to be fully RSPO certified by 2020. Following negative publicity and allegations around our clearance practices and sustainability practices, in 2017 we engaged Daemeter Consulting (“**Daemeter**”), a firm providing sustainability advisory services, and The Forest Trust (“**TFT**”), a renowned international non-profit organization dedicated to optimizing natural resources through corporate supply chains, to develop and refine our sustainability policy. We recently implemented a new corporate sustainability policy pursuant to Daemeter’s recommendations and continue to take steps toward fully implementing our commitment to sustainability as of the date of this Offering Memorandum. See “*Sustainability*” on page 138 of this Offering Memorandum for further details of our commitment to sustainability.

Selectively pursue inorganic and organic growth opportunities and strategic partnership

As of September 30, 2017, 74.1% or 70,984 hectares of our landbank had been planted. While we plan to expand our oil palm plantations by developing our existing unplanted landbank, we also continue to seek opportunities to acquire further landbank and plantations that meet our acquisition criteria such as size, location, suitability of soil and topography, availability of local labor and receptivity of local communities, focusing on acquisition targets adjacent or near to our existing operations. As of September 30, 2017, we had 95,770 hectares of landbank, including (i) 46,276 hectares under Right of Cultivation (*Hak Guna Usaha* or “**HGU**”) certificates and/or ministerial decree issued by the Minister of Agrarian Affairs or Head of the National Land Agency (*Badan Pertanahan Nasional* or “**BPN**”), (ii) 8,992 hectares which have gone through cadastral process but have yet to obtain HGU certificates, (iii) 3,919 hectares of relinquished land area from previous owners which have not been submitted for cadastral process, and (iv) 36,583 hectares held under Location Permits. During the next three years, we aim to plant approximately 5,000 hectares per year and expand our existing mill capacity to 620 MT/hour by 2020 to support our growth in FFB production and in connection with our strategy to expand our downstream capability as described below.

Enhance operational efficiency through application of best agronomy practices and low cash cost of production

We intend to seek continuous improvement in our cost efficiency and productivity by implementing effective and efficient operational techniques, including mechanization of the cultivation and harvesting process. We endeavor to collect all loose fruit separated from the FFB during harvesting, in order to minimize fruit loss during harvesting and to secure high yields of our palm oil products. We strive to maintain operational excellence by regularly updating our standard operating procedures related to the development of science and technology, providing technical training to operational staff to enhance their knowledge and skills and working closely with various leading universities in Indonesia to develop our human resources and technology for oil palm plantations. Furthermore, we intend to continue strictly implementing our internal control system under which experienced in-house planting advisors are employed on a full-time basis to examine and audit our plantations and operational techniques every three months. Our planting advisors have on average approximately 30 years of industry experience. These practices allow us to apply best practices and state-of-the art technology to our plantations and ensure continued operational excellence.

In addition, we intend to maximize the utilization of feeds, land and workforce through the integration of cattle in our oil palm plantation. Studies on cattle-oil palm plantation integration have shown reductions in weeding and labor costs and improved biological and agroecosystem impact by reducing herbicide use and improving the pH level of the soil. We have partnered with local cattle enterprises to promote this synergistic, cost effective and sustainable agriculture which has helped us optimize our available resources.

Develop marketing channels and downstream capabilities

We continue to pursue opportunities to acquire new sales channels with the purpose of strengthening and diversifying our revenue stream. The favorable locations of our plantations afforded by their close proximity to the Trans-Borneo highway and the Kumai port provide us with an opportunity to expand our sales channels base in the domestic and international markets. CBI, through its subsidiary PT Surya Borneo Industri (“**SBI**”), is in the process of constructing an infrastructure platform, comprising a bulking facility and a jetty, for the export market. Through a different subsidiary, PT Citra Borneo Utama (“**CBU**”), CBI is also developing a palm oil refinery with a total annual refining capacity of 750,000 tons in Kumai. We own 19% of the share capital of each of SBI and CBU, and CBI directly holds the remaining 81% of the share capital of the respective companies. Once the infrastructure platform and the refinery are constructed, we expect our and CBI’s joint strategy will be for CBU to purchase FFB from third parties, which we will then process at our mills in exchange for a milling fee from CBU. CBU will subsequently produce refined oil palm products from the CPO at the refinery. In light of our ability to charge a premium for our high quality CPO over the prevailing domestic CPO price, as described above, we do not expect to refine our CPO at the CBU refinery in the ordinary course and instead intend to continue to sell it directly to domestic and overseas customers, including via priority access to the SBI bulking terminal and jetty facilities.

SUMMARY OF THE OFFERING

The following is a brief summary of the terms of this offering and is qualified in its entirety by the remainder of this Offering Memorandum. For a detailed description of the Notes, see the section entitled “Description of the Notes.” The terms and conditions of the Notes prevail to the extent of any inconsistency with the summary set forth in this section. This summary is not intended to be complete and does not contain all of the information that is important to an investor. Phrases used in this summary and not otherwise defined shall have the meanings given to them in “Description of the Notes.”

Issuer	SSMS Plantation Holdings Pte. Ltd.
Parent Guarantors	PT Sawit Sumbermas Sarana Tbk. and PT Citra Borneo Indah.
Subsidiary Guarantors	PT Kalimantan Sawit Abadi, PT Tanjung Sawit Abadi, PT Sawit Multi Utama, PT Mirza Pratama Putra, PT Menteng Kencana Mas, PT Natai Sawit Perkasa, PT Mendawai Putra, PT Intrado Jaya Intiga, PT Borneo Industri Terpadu, PT Surya Borneo Energi, PT Citra Borneo Chemical, PT Borneo Industri Nusantara and PT Borneo Sawit Gemilang.
Notes Offered	U.S.\$300,000,000 aggregate principal amount of 7.750% Senior Notes due 2023 (the “Notes”).
Issue Price	98.986% of the principal amount of the Notes.
Maturity Date	January 23, 2023.
Interest	The Notes will bear interest from and including January 23, 2018 at the rate of 7.750% per annum, payable semi-annually in arrears.
Interest Payment Dates	January 23 and July 23 of each year, commencing July 23, 2018.
Ranking of the Notes	<p>The Notes will:</p> <ul style="list-style-type: none"> • be general obligations of the Issuer; • be senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes; • rank at least <i>pari passu</i> in right of payment with all unsecured, unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); • be guaranteed by the Guarantors on an unsubordinated basis, subject to the limitations described under “Description of the Notes — Parent Guarantees” and “Description of the Notes — Subsidiary Guarantees;” • be effectively subordinated to the secured obligations of the Issuer and the Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral);

	<ul style="list-style-type: none"> • be effectively subordinated to all existing and future obligations of any Non-Guarantor Subsidiary; and • be secured by the Collateral (subject to Permitted Liens).
Parent Guarantees	<p>Each of the Parent Guarantors will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes.</p> <p>The Parent Guarantees may be released in certain circumstances. See “<i>Description of the Notes — The Parent Guarantees — Release of the Parent Guarantees.</i>”</p>
Ranking of the Parent Guarantees	<p>The Parent Guarantee of each Parent Guarantor will:</p> <ul style="list-style-type: none"> • be a general obligation of such Parent Guarantor; • be senior in right of payment to all future obligations of such Parent Guarantor expressly subordinated in right of payment to such Parent Guarantee; • rank at least <i>pari passu</i> with all other unsecured, unsubordinated Indebtedness of such Parent Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); • be effectively subordinated to secured obligations of such Parent Guarantor, to the extent of the value of the assets serving as security therefor (other than the Collateral to the extent applicable); • be effectively subordinated to all existing and future obligations of any Subsidiary of such Parent Guarantor that is not a Guarantor; and • with respect to the Parent Guarantee of the Company, be secured by the Collateral (subject to Permitted Liens).
Subsidiary Guarantees	<p>The Subsidiary Guarantors will guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes. Subject to certain exceptions as described in more details in “<i>Description of the Notes — The Subsidiary Guarantees,</i>” CBI will cause each of its future Restricted Subsidiaries, immediately upon becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes. Furthermore, CBI will also undertake to cause each of SBI and CBU, as soon as practicable following the completion of the offering of the Notes and in any event prior to July 31, 2018, to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which SBI and CBU will provide Subsidiary Guarantees of payment of the Notes.</p>

The Subsidiary Guarantees may be released in certain circumstances. See “*Description of the Notes — The Subsidiary Guarantees — Release of the Subsidiary Guarantees.*”

Ranking of the Subsidiary
Guarantees

The Subsidiary Guarantees of each Subsidiary Guarantor will:

- be a general obligation of such Subsidiary Guarantor;
- be senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- rank at least *pari passu* with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and
- be effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor (other than the Collateral to the extent applicable).

Collateral

The obligations of the Issuer and the Company under the Notes and its Parent Guarantee will be secured by first priority interests in the Collateral, which is comprised of a pledge by the Issuer of the shares of SPIPL, a pledge by the Company of the shares of the Issuer, an assignment by SPIPL of all its interest in and rights under the relevant Intercompany Loans and a pledge by the Issuer of the Capital Securities.

Use of Proceeds

The aggregate net proceeds from the offering of the Notes will be approximately U.S.\$291.5 million, after deducting underwriting fees and commissions and other estimated transaction expenses relating to the offering of the Notes. The Issuer will contribute the net proceeds of this offering of the Notes to SPIPL by way of subscription of additional ordinary shares and/or Capital Securities of SPIPL, which will use such net proceeds to grant one or more Intercompany Loans to the Company.

The Company intends to use the net proceeds of the offering of the Notes for the repayment of existing bank facilities, investing in forest conservation in Indonesia and its general corporate purposes. See “*Use of Proceeds.*”

Optional Redemption	At any time on or after January 23, 2021, the Issuer may redeem the Notes, in whole or in part, at the redemption prices set forth under “ <i>Description of the Notes — Optional Redemption</i> ,” plus accrued and unpaid interest, if any, to but not including the redemption date. At any time and from time to time prior to January 23, 2021, the Issuer may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of their principal amount plus the Applicable Premium as of, and accrued and unpaid interest, if any, to but not including, the redemption date. In addition, at any time prior to January 23, 2021, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the proceeds from certain equity offerings at a redemption price of 107.750% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to but not including the redemption date; <i>provided</i> that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days of the closing of such equity offering. See “ <i>Description of the Notes — Optional Redemption</i> .”
Repurchase of Notes upon a Change of Control	Not later than 30 days following a Change of Control, the Issuer or either of the Parent Guarantors will make an offer to repurchase all outstanding Notes at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to but not including the Offer to Purchase Payment Date. See “ <i>Description of the Notes — Repurchase of Notes Upon a Change of Control</i> .”
Withholding Tax; Additional Amounts	Payments with respect to the Notes, either of the Parent Guarantees and any Subsidiary Guarantee will be made without withholding or deduction for taxes imposed by the jurisdictions in which any of the Issuer, the Parent Guarantors or any future Subsidiary Guarantors are incorporated or resident for tax purposes, or through which payment is made except as required by law. Where such withholding or deduction is required by law, the Issuer or the applicable Guarantor will make such deduction or withholding and will, subject to certain exceptions, pay such additional amounts as will result in receipt by the Holder of such amounts as would have been received by such Holder had no such withholding or deduction been required. See “ <i>Description of the Notes — Additional Amounts</i> .”

Redemption for Taxation Reasons	Subject to certain exceptions and as more fully described herein, the Issuer may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to but not including the date fixed by the Issuer for redemption, if, as a result of certain changes in tax law, the Issuer or a Guarantor (as the case may be) would be required to pay certain additional amounts; <i>provided</i> that where the additional amounts are payable as a result of changes affecting Indonesian taxes, the Notes may be redeemed only in the event that the withholding tax rate exceeds 20%. See “ <i>Description of the Notes — Redemption for Taxation Reasons.</i> ”
Covenants	<p>The Indenture will limit the ability of the Issuer, the Parent Guarantors and the Restricted Subsidiaries to, among other things:</p> <ul style="list-style-type: none"> • incur additional Indebtedness and issue preferred stock; • make investments or other specified Restricted Payments; • enter into agreements that restrict the Restricted Subsidiaries’ ability to pay dividends and transfer assets or make inter-company loans; • issue or sell Capital Stock of Restricted Subsidiaries; • issue guarantees by Restricted Subsidiaries; • enter into transactions with equity holders or affiliates; • create Liens; • enter into Sale and Leaseback Transactions; • sell assets; • engage in different business activities; or • effect a consolidation or merger. <p>These covenants are subject to a number of important qualifications and exceptions described in “<i>Description of the Notes — Certain Covenants.</i>”</p>
Selling and Transfer Restrictions .	The Notes and Guarantees will not be registered under the Securities Act or under any state securities law of the United States, are being offered and sold outside the United States in reliance on Regulation S of the Securities Act and will be subject to customary restrictions on transfer and resale. See “ <i>Transfer Restrictions.</i> ”

Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof and will be initially represented by one or more Global Notes deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.
Book-Entry Only	The Notes will be issued in book-entry form through the facilities of Euroclear and Clearstream for the accounts of their respective participants. For a description of certain factors relating to clearance and settlement, see “ <i>Description of the Notes — Book-Entry; Delivery and Form.</i> ”
Delivery of the Notes.	The Issuer expects to make delivery of the Notes, against payment in same-day funds, on or about January 23, 2018, which is expected to be the fifth business day following the date of this Offering Memorandum, referred to as “T+5.” You should note that initial trading of the Notes may be affected by the T+5 settlement. See “Plan of Distribution.”
Trustee and Paying Agent	The Bank of New York Mellon, London Branch.
Transfer Agent and Registrar	The Bank of New York Mellon SA/NV, Luxembourg Branch.
Collateral Agent.	The Bank of New York Mellon, Singapore Branch.
ISIN/Common Code.	ISIN Number: XS1712553418 Common Code: 171255341
Listing.	Approval-in-principle has been received for the listing and quotation of the Notes on the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of U.S.\$200,000 for so long as the Notes are listed on the SGX-ST and the rules thereof so require.
Governing Law	The Notes and the Indenture will be governed by and construed in accordance with the laws of the State of New York. The Deeds of Corporate Guarantees and the Deeds of Acknowledgement and Undertaking will be governed by and construed in accordance with the laws of the Republic of Indonesia. The Intercompany Loans and Security Documents will be governed by and construed in accordance with the laws of Singapore.
Ratings	The Notes are expected to be rated “B1” by Moody’s and “B+” by Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Risk Factors.	For a discussion of certain factors that should be considered in evaluating an investment in the Notes, see “ <i>Risk Factors.</i> ”

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF THE COMPANY

You should read the Company's summary financial information presented below in conjunction with the SSMS Consolidated Financial Statements and the notes thereto included elsewhere in this Offering Memorandum. You should also read the section of this Offering Memorandum entitled "The CBI Reorganization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

We have derived our summary consolidated financial information from our audited consolidated financial statements as of and for the years ended December 31, 2014, 2015, and 2016, which were prepared in accordance with Indonesian FAS, and included elsewhere in this Offering Memorandum. Our summary interim consolidated financial data as of and for the nine-month periods ended September 30, 2016 and 2017 has been derived from our unaudited interim consolidated financial statements contained elsewhere in this Offering Memorandum. The unaudited interim consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of our results of operations and financial condition. Our results for any interim period may not be indicative of our results for the full year or for any period.

The Company's audited consolidated financial statements as of and for the years ended December 31, 2014, 2015, and 2016 have been audited by Purwantono, Sungkoro & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with Standards on Auditing established by the IICPA, as stated in their audit report appearing elsewhere in this Offering Memorandum. The Company's unaudited interim consolidated financial statements as of September 30, 2017 and for the nine-month periods ended September 30, 2016 and 2017 included elsewhere in this Offering Memorandum have been reviewed by Purwantono, Sungkoro & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with SRE 2410, as stated in their review report appearing elsewhere in this Offering Memorandum (presented combined with the audit report mentioned above). A review conducted in accordance with SRE 2410 established by the IICPA is substantially less in scope than an audit conducted in accordance with Standards on Auditing established by the IICPA and, as stated in their review report appearing in this Offering Memorandum (presented combined with the audit report mentioned above), Purwantono, Sungkoro & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, did not audit and do not express any opinion on such unaudited interim consolidated financial statements included elsewhere in this Offering Memorandum.

We have prepared and presented the SSMS Consolidated Financial Statements in accordance with Indonesian FAS, which differs in certain material respects from IFRS. You should read the section of this Offering Memorandum entitled "*Summary of Certain Principal Differences Between Indonesian FAS and IFRS*" for a description of certain principal differences between Indonesian FAS and IFRS.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,				Nine-month period ended September 30,		
	2014	2015	2016		2016	2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)
	(Unaudited)						
SALES	2,616,365	2,371,878	2,722,678	202	1,739,490	2,380,989	176
COST OF SALES	(1,296,794)	(1,124,690)	(1,256,619)	(93)	(970,378)	(1,090,322)	(81)
GROSS PROFIT	1,319,571	1,247,188	1,466,059	109	769,112	1,290,667	96
Selling expenses	(47,844)	(79,949)	(166,484)	(12)	(92,083)	(156,266)	(12)
General and administrative expenses	(280,217)	(287,941)	(315,218)	(23)	(245,947)	(259,704)	(19)
Loss from impairment of goodwill	—	—	(93,709)	7	—	—	—
Other income, net	(15,183)	5,487	4,164	0	111,857	4,513	0
OPERATING PROFIT	976,326	884,785	894,811	66	542,938	879,210	65
Finance income, net	146,352	96,031	135,001	10	91,056	188,337	14
Finance costs	(203,851)	(206,091)	(182,425)	(14)	(154,247)	(249,940)	(19)
PROFIT BEFORE CORPORATE INCOME TAX	918,827	774,725	847,388	63	479,747	817,607	61
CORPORATE INCOME TAX	(253,502)	(204,843)	(255,729)	(19)	(144,619)	(186,142)	(14)
PROFIT FOR THE PERIOD/YEAR AFTER THE EFFECT OF MERGING ENTITIES' INCOME ADJUSTMENT	665,326	569,882	591,659	44	335,129	631,466	47
OTHER COMPREHENSIVE INCOME, NET OF TAX							
Item that will not be reclassified to profit or loss							
Remeasurements (loss)/gain on liability for employee benefits	(13,129)	12,479	9,797	1	3,711	(7,190)	(1)
COMPREHENSIVE INCOME FOR THE PERIOD/YEAR AFTER ENTITIES' INCOME ADJUSTMENT	652,197	582,361	601,455	45	338,840	624,275	46

	Year ended December 31,				Nine-month period ended September 30,		
	2014	2015	2016		2016	2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)
					(Unaudited)		
Adjustment of merging entities income							
Equity holder	66,035	(26,231)	—	—	—	—	—
Non-controlling interest	4,891	(1,943)	—	—	—	—	—
	70,926	(28,174)	—	—	—	—	—
PROFIT FOR THE PERIOD/YEAR BEFORE THE EFFECT OF MERGING ENTITIES' INCOME ADJUSTMENT . .	736,252	541,708	591,659	44	335,129	631,466	47
Adjustment of merging entities income comprehensive							
Equity holder	72,407	(26,578)	—	—	—	—	—
Non-controlling interest	5,306	(1,969)	—	—	—	—	—
	77,713	(28,547)	—	—	—	—	—
COMPREHENSIVE INCOME FOR THE PERIOD/YEAR BEFORE THE EFFECT OF MERGING ENTITIES' INCOME ADJUSTMENT . .	729,910	553,814	601,455	45	338,840	624,275	46
Profit for the period/year before the effect of entities' income merging adjustment attributable to:							
Owners of the parent entity	722,683	543,651	591,659	44	335,129	628,152	47
Non-controlling interests	13,569	(1,943)	—	—	—	3,314	0
	736,252	541,708	591,659	44	335,129	631,466	47
Comprehensive income for the period/year before effect of entities' income merging adjustments attributable to:							
Owners of the parent entity	711,035	557,726	601,455	45	338,840	621,101	46
Non-controlling interests	18,875	(3,912)	—	—	—	3,174	0
	729,910	553,814	601,455	45	338,840	624,275	46
Earnings per share (full amount)	75.87	57.08	62.12	0	35	66	0

Other Financial Information (Unaudited)

	Year ended December 31,				Nine-month period ended September 30,		
	2014	2015	2016		2016	2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)
	(Unaudited)						
EBITDA ⁽¹⁾	1,300,864	1,192,591	1,275,960	95	811,739	1,253,978	93
EBITDA Margin (%) ⁽²⁾	49.7	50.3	46.9	—	46.7	52.7	—

Notes:

- (1) EBITDA refers to total comprehensive income before interest expenses, income taxes, depreciation expense and amortization expense. EBITDA and related ratios presented in this Offering Memorandum are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with, Indonesian FAS or IFRS. Further, EBITDA is not a measurement of our financial performance or liquidity under Indonesian FAS or IFRS and should not be considered as an alternative to net income, operating income or any other performance measures derived in accordance with Indonesian FAS or IFRS or as an alternative to cash flow from operations or as a measure of our liquidity. We believe EBITDA facilitates operating performance comparisons from period to period and from company to company by eliminating potential differences caused by variations in capital structures (affecting finance costs), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), impairment and the age and book depreciation and amortization of tangible (including our mature plantations) and intangible assets (affecting relative depreciation and amortization expense). We also believe that EBITDA is a supplemental measure of our ability to meet debt service requirements. Finally, we present EBITDA and related ratios because we believe these measures are frequently used by securities analysts and investors in evaluating similar issuers.
- (2) EBITDA margin represents EBITDA as a percentage of sales.

The following table shows our EBITDA as derived from our total comprehensive income:

	Year ended December 31,				Nine-month period ended September 30,		
	2014	2015	2016		2016	2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)
Comprehensive income for the year/period after entities' income adjustment	<u>652,197</u>	<u>582,361</u>	<u>601,455</u>	<u>45</u>	<u>338,840</u>	<u>624,275</u>	<u>46</u>
Plus:							
Finance costs	203,851	206,091	182,425	14	154,247	249,940	19
Corporate income tax	253,502	204,843	255,729	19	144,619	186,142	14
Depreciation of fixed assets ⁽¹⁾	107,687	105,039	123,729	9	75,165	87,871	7
Amortization of mature oil palm plantation	<u>83,627</u>	<u>94,257</u>	<u>112,621</u>	<u>8</u>	<u>98,868</u>	<u>105,750</u>	<u>8</u>
EBITDA (Unaudited)	<u>1,300,864</u>	<u>1,192,591</u>	<u>1,275,960</u>	<u>95</u>	<u>811,739</u>	<u>1,253,978</u>	<u>93</u>

Note:

- (1) This consists of depreciation of fixed assets included under cost of sales and general and administration expenses

Consolidated Statements of Financial Position

	As of December 31,				As of September 30,	
	2014	2015	2016		2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions) (Unaudited)	(U.S.\$ millions)
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	473,335	521,783	162,461	12	1,007,876	75
Time deposits	1,359,642	—	—	—	—	—
Trade receivables — third parties . . .	36,379	273,239	238,780	18	130,524	10
Other receivables						
Third parties	45,693	390,518	2,488	0	9,079	1
Related parties	180,810	224,767	260,155	19	403,096	30
Inventories	90,609	164,189	121,834	9	257,517	19
Loans to related parties	519,238	188,568	960,618	71	2,076,957	154
Prepayments	2,447	1,766	2,021	0	3,422	0
Advances third parties	33,939	11,660	4,976	0	20,567	2
Prepaid tax	—	22,029	43,511	3	56,606	4
Other current asset	285	285	—	—	—	—
TOTAL CURRENT ASSETS	2,742,376	1,798,803	1,796,842	133	3,965,644	294
NON-CURRENT ASSETS						
Estimated claims for tax refund	559	63,736	142,406	11	76,659	6
Plantation assets						
Mature plantations, net	1,413,688	1,818,991	1,810,868	134	2,213,883	164
Immature plantations	462,584	566,401	706,061	52	259,710	19
Fixed assets, net	1,613,017	1,756,356	1,749,108	130	1,860,298	138
Intangible assets, net	2,918	96,995	3,545	0	3,304	0
Investment in shares of stock	95,000	95,000	95,000	7	95,000	7
Deferred tax assets, net	57,587	32,191	23,187	2	29,451	2
Business development project	89,106	7,949	7,949	1	8,280	1
Other receivables third parties						
non-current	—	543,968	626,706	46	671,750	50
Plasma receivables	36,813	150,846	199,882	15	236,140	18
Other non-current assets	251,586	48,678	1,414	0	24,797	2
TOTAL NON-CURRENT ASSETS	4,022,859	5,181,110	5,366,128	398	5,479,271	406
TOTAL ASSETS	6,765,234	6,979,913	7,162,970	531	9,444,915	700

	As of December 31,				As of September 30,	
	2014	2015	2016		2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions) (Unaudited)	(U.S.\$ millions)
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term bank loan	348,428	16,554	—	—	—	—
Trade payables						
Third parties	44,584	47,517	56,772	4	44,052	3
Related parties	—	—	452	0	452	0
Unearned revenue	68,359	677	33,850	3	39,288	3
Taxes payable	67,426	14,291	75,476	6	54,312	4
Accrued expenses	13,054	22,205	13,637	1	39,086	3
Other payables						
Related parties	1,537,076	378,317	127,312	9	120,791	9
Third parties	218,681	133,011	120,639	9	208,877	15
Short-term employee benefit liabilities.	70,939	62,847	71,840	5	74,460	6
Current maturities of consumer finance liabilities	10,022	3,688	2,203	0	700	0
Current maturities of finance lease liabilities	2,271	1,556	168	0	168	0
Current maturities of long-term bank loan	230,993	621,970	812,230	60	357,183	26
TOTAL CURRENT LIABILITIES . .	2,611,834	1,302,633	1,314,578	97	939,370	70
NON-CURRENT LIABILITIES						
Consumer finance liabilities — net of current maturities	6,040	2,511	257	0	—	—
Finance lease liabilities — net of current maturities	1,070	—	265	0	140	0
Long-term bank loan — net of current maturities	1,266,159	2,536,041	2,219,636	165	4,389,432	325
Long-term employee benefit liabilities	88,548	95,898	109,287	8	150,478	11
Deferred tax liabilities, net	3,069	26,039	65,150	5	59,924	4
TOTAL NON-CURRENT LIABILITIES	1,364,886	2,660,490	2,394,595	177	4,599,974	341
TOTAL LIABILITIES	3,976,720	3,963,123	3,709,173	275	5,539,344	411
EQUITY						
Equity attributable to owners equity of the parent entity — net.	2,740,275	3,016,790	3,453,797	256	3,888,335	288
Non-controlling interests	48,239	—	—	—	17,236	1
TOTAL EQUITY	2,788,514	3,016,790	3,453,797	256	3,905,571	289
TOTAL LIABILITIES AND EQUITY	6,765,234	6,979,913	7,162,970	531	9,444,915	700

Consolidated Statements of Cash Flows

	Year ended December 31,				Nine-month period ended September 30,		
	2014	2015	2016	2016	2016	2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)
	(Unaudited)						
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	2,876,589	2,319,478	2,803,632	208	2,171,486	2,738,090	203
Cash paid to suppliers . .	(1,278,151)	(1,645,237)	(1,421,198)	(105)	(651,500)	(1,218,667)	(90)
Cash paid to employees . .	(321,312)	(284,652)	(351,212)	(26)	(159,300)	(316,329)	(23)
Cash resulting from operations	1,277,126	389,589	1,031,221	76	1,360,686	1,203,094	89
Interest income received .	146,352	90,602	48,251	4	26,386	6,259	0
Payments of corporate income tax	(274,569)	(252,128)	(183,689)	(14)	(144,858)	(228,610)	(17)
Finance cost paid	(187,419)	(166,874)	(236,701)	(18)	(154,247)	(250,232)	(19)
Cash received from tax restitution	—	—	—	—	—	78,787	6
Net cash provided by operating activities . .	961,491	61,188	659,083	49	1,087,967	809,298	60
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipt/(payments) on loan settlement from related parties	(128,622)	330,669	—	—	—	(1,116,339)	(83)
Additions to immature plantations	(259,123)	(283,434)	(235,080)	(17)	(174,524)	(58,592)	(4)
Acquisitions of fixed assets	(335,743)	(256,071)	(108,558)	(8)	(56,648)	(203,883)	(15)
Additional development cost of plasma	(16,689)	(114,033)	(49,036)	(4)	(37,807)	(36,257)	(3)
Payment for other receivables third parties non-current . . .	—	(543,968)	(23,584)	(2)	—	—	—
Acquisition of intangible assets	(2,918)	(90,792)	(397)	(0)	(397)	—	—
Settlement of receivables from disposal of subsidiaries	—	—	288,902	21	—	—	—
Cash received from compensation of fire accident of plantations .	—	—	65,835	5	—	—	—
Settlement of advance for share capital in an associate company . . .	—	—	34,950	3	—	—	—
Time deposits withdrawal/(placement).	(993,667)	1,359,642	—	—	0	—	—

	Year ended December 31,				Nine-month period ended September 30,		
	2014	2015	2016	2016	2016	2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)
	(Unaudited)						
Acquisition of subsidiary net off cash and cash equivalent received . . .	—	(284,064)	—	—	—	—	—
Net cash (used in)/ provided by investing activities	(1,736,762)	117,950	(26,969)	(2)	(269,376)	(1,415,072)	(105)
CASH FLOWS FROM FINANCING ACTIVITIES							
Loan received/(provided) to/from related parties .	399,348	(1,202,716)	(742,668)	(55)	(703,696)	(84,128)	(6)
Payments of bank loan . .	(53,920)	(150,000)	(2,150,845)	(159)	(193,654)	(577,585)	(43)
Proceeds cash received from bank loan	—	1,478,986	2,075,212	154	—	2,292,334	170
Repayments of lease . . . liabilities	(13,461)	(2,614)	(1,123)	(0)	(57)	(265)	(0)
Repayments of consumer finance liabilities	(8,372)	(14,256)	(3,739)	(0)	(3,878)	(1,620)	(0)
Payment of cash dividend	(49,501)	(215,741)	(168,274)	(12)	(168,271)	(177,546)	(13)
Increase in shares of ownership in subsidiaries from non-controlling entities	—	(24,348)	—	—	—	—	—
Net cash used in financing activities . .	274,095	(130,690)	(991,437)	(73)	(1,069,556)	1,451,189	108
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(501,176)	48,448	(359,322)	(27)	(250,965)	845,416	63
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	974,511	473,335	521,783	39	521,783	162,461	12
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	473,335	521,783	162,461	12	270,818	1,007,876	75

RISK FACTORS

An investment in the Notes is subject to significant risks. You should carefully consider all of the information in this Offering Memorandum and, in particular, the risks described below before deciding to invest in the Notes. The following describes some of the significant risks that could affect us and the value of the Notes. Additionally, some risks may be unknown to us and other risks, currently believed to be immaterial, could turn out to be material. All of these could materially and adversely affect our business, financial condition, results of operations and prospects. The market price of the Notes could decline due to any of these risks and you may lose all or part of your investment. This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Offering Memorandum.

Risks Relating to our Business

Unfavorable climate and weather conditions may impact our plantations and crop yields.

Our plantations and crop yields are affected by the annual drought in the Kalimantan region as well as global weather patterns and phenomena such as *El Niño*. The agriculture industry is seasonal and cyclical in nature and is subject to unfavorable climate and weather conditions, including low or excessive rainfall, frost or natural disasters. Our results of operations are significantly affected by weather conditions and our revenue relates directly to the volume of crops harvested. If climate and weather conditions are less favorable than expected, the quantity of FFB harvested from our plantations may be reduced, which could severely impact our business, results of operations, financial condition or prospects. Adverse conditions early in the season, especially drought conditions, can result in significantly lower than normal plantings of crops and can result in our revenue fluctuating from year to year. Adverse weather conditions can also affect the presence of diseases and pest infestations in the short term, which may affect our crops. In addition, global warming and other changes in climate make it more difficult for us to rely on weather forecasts and our actual results of operations may become relatively unpredictable from period-to-period and may be different than our projections. See “*Risks Relating to the Palm Oil Industry — Climate change, and/or the related legal, regulatory or market measures to address climate change, may negatively affect our business and operations.*”

Our plans to increase the hectareage of our plantations could be delayed or fail, which could have a material adverse effect on our future growth prospects and profitability.

We are currently pursuing, and in the future will consider, additional potential opportunities for growth. These opportunities include developing and acquiring new planted areas, and expanding the size and diversifying the locations of our oil palm plantations. Any opportunities that we are currently considering to increase the hectareage of our plantations are at preliminary stages and we may ultimately not proceed with any of them. Moreover, in respect of any current or future growth opportunity, there are a number of significant risks, including planting, engineering, construction and regulatory risks that may delay or prevent the successful completion or operation of our expansion projects or significantly increase our expansion costs.

It is possible that our hectareage expansion plans could be adversely affected and/or unsuccessful for a variety of reasons, including:

- Government policies and prevailing regulations may restrict or limit our ability to obtain land rights on additional land suitable for plantations;

- we may not be able to convert our Location Permits (or *Ijin Lokasi*) to HGU and hence may not be able to use all of our new land for our planned expansion;
- we may not be able to obtain Government approvals for proposed acquisitions, joint ventures or investments;
- we may not be able to complete our plantation projects on time or within budget;
- our new or expanded plantations may not be able to produce crops at expected production levels or may cost more to cultivate and harvest than we expect;
- there may be insufficient availability of planting material;
- we may not be able to integrate our palm oil operations into neighboring communities or obtain the support from residents in the communities surrounding our palm oil operations as necessary for successful operations;
- we may not be able to integrate new operations, whether organically grown or acquired, with our existing operations;
- we may not be able to obtain all the necessary permits for our palm oil operations;
- unforeseen circumstances and problems relating to our expansion plans may arise, which may distract our management from focusing on existing operations;
- environmental concerns, principles or regulations may restrict or limit our ability to expand into the geographic areas or at the speed that we have planned; and
- we may not be able to sell our additional production volumes at profitable prices.

Our ability to successfully complete expansion projects on time is also subject to financing risks. It may be necessary for us to raise additional funds by incurring indebtedness, which could significantly increase our interest expenses, leverage and debt service requirements, and could require us to pledge certain assets to secure such debt or impose certain restrictions on our business. If we are unable to obtain the necessary funding on commercially acceptable terms or at all we may have to delay or forego growth opportunities, which would have a material adverse effect on our future growth prospects and profitability.

Uncertainty regarding Government spatial planning and forestry regulations and the validity of certain of our land rights may lead to claims against us or adversely affect our business.

Land in Indonesia is subject to Government spatial planning regulations. The Government controls the issuance of land rights and assigns undeveloped land for particular uses, including use for oil palm plantations. An entity intending to utilize unused land for a plantation business shall obtain HGU rights, which are land rights that allow an entity to use land for plantation, fisheries or farming activities, in accordance with spatial planning regulations, for a period of 35 years with a possible extension of a maximum 25 years. After the extension period has expired, HGU can be renewed for an additional period of 35 years, subject to certain conditions, among others, the relevant land remains cultivated for purposes in accordance with its nature and condition as well as the local spatial plan. See “*Regulation — Land Titles*” for further discussion on land rights under Indonesian law.

See “*Business — Oil Palm — Plantations Land Rights*” for a description of the land rights we hold. In July 2017, the Minister for Agrarian Affairs Spatial Planning or Head of the BPN issued Regulation No. 7 of 2017 on Provisions and Procedures for Stipulation of HGU (“**Regulation No. 7/2017**”) that provides a set of guidelines for stipulation of HGU. In April 2015, the Minister for Agrarian Affairs and Spatial Planning, and Head of BPN issued Regulation No. 5 of 2015 on Location Permit

(“**Regulation No. 5/2015**”), which sets forth the procedures for obtaining location permits and land titles. Pursuant to Article 9(1) of Government Regulation No. 40 of 1996 on the Right to Cultivate, Right to Build and Right to Use Land (“**GR No. 40/1996**”), a holder of HGU is guaranteed an extension of those rights so long as the utilization of the land covered by those rights complies with the approved usage of the land when the rights were initially granted to the holder. Under GR No. 40/1996, an application for extension of the HGU must be made at least two years prior to expiration. Although we believe that we are in compliance with all material provisions relating to the approved usage of the land covered by our HGU, we cannot guarantee that we will be able to obtain or extend HGU or any or all other requisite approvals for all of our land without undue delay, protracted regulatory or legal proceedings for their maximum periods or at all.

Regulation No. 7/2017 also stipulates that a company applying for the first HGU with an area of 250 hectares or more is required to develop plasma plantations program in form of partnership with local communities. The plantation program shall cover an area accounting for at least 20% of the proposed HGU area in accordance with its business license. Before the enactment of Regulation No. 7/2017, in 2014, BPN already issued a circular letter to the Regional Land Agency and Land Office in Indonesia which required a plantation company applying for the first HGU with an area of 250 hectares or more (including renewal and extension of expired HGU) to develop partnership and plasma plantations programs covering an area accounting for at least 20% of its IUP or IUP-B areas, and engage in corporate social responsibility activities. We have established a Plasma Program and have signed plasma agreements with several farmer cooperatives between 2009 and 2015. As of September 30, 2017, the total planted area that we are managing under the Plasma Program is 9,126 hectares, which comprises 12.9% of our total planted area. In the event that any of our HGU expires and the total planted area that we manage under the Plasma Program does not reach 20% of our total planted area, we may not be able to apply for renewal of our expired HGU. See “*Business — Oil Palm Plantations — Land Rights — Plasma Program.*” Any such failure or delay could lead to a *de facto* or *de jure* decrease in the size of our landbank, which could have a material adverse effect on our ability to use the land for our business purposes or to operate or expand our business.

The Location Permits that we currently hold will expire between 2018 and 2019. We cannot guarantee that we will be able to renew or extend Location Permits or any or all other requisite approvals for our land without undue delay, protracted regulatory or legal proceedings for their maximum periods or at all. Also, we cannot guarantee that we will be able to renew the Location Permits we currently possess upon their expiration nor fully convert the Location Permits to HGU before expiration. Any such failure or delay could decrease in the size of our landbank, which could have a material adverse effect on our ability to use the land for our business purposes or to operate or expand our business.

In addition, regional governments in Indonesia are authorized to allocate undeveloped land and grant other concessions in consultation with government agencies including the Ministry of Environment and Forestry (the (“**MOEF**”)) and the Ministry of Energy and Mineral Resources. Due to the lack of accurate maps or otherwise incomplete record-keeping, regional governments may assign overlapping or competing Location Permits for different uses over the same area of land or over areas of undeveloped land without taking into account the existence of protected areas such as woodlands or peatlands.

In 2004, we obtained Location Permits for an aggregate area of 7,500 hectares followed by the issuance of a Plantation Business License (*Izin Usaha Perkebunan*, or (“**IUP**”)) for the area under such Location Permits. We completed the land acquisition process and the entire area was planted. Due to the lack of accurate maps and uncertainties in prevailing forestry and spatial planning regulations, 3,013.6 of these hectares were deemed to be located in the production forest and lake area without specifying which map was referenced in this determination. Consequently, our HGU application for these 3,013.6 hectares has been put on hold until the MOEF relinquishes such production forest area. Since 2007, we have submitted applications for such forest relinquishment without being able to reach a clear resolution mainly due to discrepancies between local government spatial planning regulations and policies and national forest designation regulations and policies.

In July 2012, the Government issued Government Regulation No. 60 of 2012 (“**GR No. 60/2012**”) on Amendment of Government Regulation No. 10 of 2010 on the Procedures of Change of Use and Function of Forest Area (“**GR No. 10/2010**”) to resolve such discrepancies throughout Indonesia. These regulations were revoked by Government Regulation No. 104 of 2015 (“**GR No. 104/2015**”) enacted on December 28, 2015. Under GR No. 104/2015, a plantation company which received an IUP pursuant to prevailing local spatial plan regulations prior to Law No. 26 of 2007 on Spatial Plan but based on Law No. 41 of 1999 on Forestry as lastly amended by Law No. 19 of 2004 (“**Forestry Law**”), may submit an application for, among others, an exchange of forest area to the Minister of Environment and Forestry by December 28, 2016.

Prior to making such application to MOEF, a plantation company must obtain a consideration (*pertimbangan*) (previously a recommendation under GR No. 60/2012) from the relevant Governor on the information of replacement area. Accordingly, in July 2012 before the enactment of GR No. 104/2015, we initiated the exchange process by submitting a request to the local government for a recommendation in relation to the exchange of the production forest area in accordance with GR No. 60/2012. We have obtained a recommendation from the Governor of Central Kalimantan to perform the exchange process in 2013, and in early 2017 the MOEF has formed an integrated team (*tim terpadu*) to assess and make recommendations on the exchange process, which is still ongoing. Our subsidiaries PT Tanjung Sawit Abadi and PT Sawit Multi Utama, have submitted the forest exchange application to the MOEF in 2012, in relation to respective areas of 5,101 hectares and 150 hectares. The applications are currently being reviewed by the MOEF.

In 2016, our subsidiary, PT Mirza Pratama Putra obtained a Location Permit for an aggregate area of 4,800 hectares, which according to the map of forest relinquishment boundaries plan (*peta rencana tata batas pelepasan kawasan hutan*) of Central Kalimantan, is deemed located in the production forest area. To obtain the HGU for such area, we must obtain the forest relinquishment from the MOEF. In early 2017, we submitted the forest relinquishment application and currently such application is being reviewed by the MOEF. Further, PT Tanjung Sawit Abadi and PT Sawit Multi Utama, have also applied for the forest relinquishment to the MOEF in 2012 for the area of 1,118 hectares and 5,875 hectares, respectively. For more information, see “*Regulation — Cultivation of Forest Area.*”

We cannot assure you that we will obtain the approval from the MOEF for such exchange of production forest area. Should the MOEF refuse to approve the exchange of production forest area, the land must be returned to its original usage, and we will not be able to apply for HGU upon such land. Furthermore, any other similar conflict could prevent us from fully utilizing the land, requiring us to seek additional regulatory approvals that we cannot guarantee will be granted or may expose us to potentially costly and drawn out proceedings to determine the appropriate use of the land. Any such developments would restrict our ability to cultivate land that we have acquired, which could materially and adversely affect our business, financial condition and results of operations.

We may not be able to continue to renew or expand our current Indonesian land rights because of Government restrictions on plantation sizes in Central Kalimantan province.

A company is required to obtain a Location Permit in order to acquire a plot of land. The purpose of this requirement is to give direction to, as well as to control, such companies’ land acquisition. The holder of a Location Permit is permitted to arrange for the acquisition of the land from third parties who have interests over such land, in accordance with prevailing regulations. After completion, the holder of the Location Permit may be given a right over such land (as evidenced by a land certificate), which authorizes the holder to use the land.

In April 2015, the Minister for Agrarian Affairs Spatial Planning and BPN issued Regulation No. 5/2015 which limits the aggregate size of plantations (including oil palm plantations), held by any person or company or any group of related persons or companies. Under Regulation No. 5/2015, the maximum aggregate sizes for oil palm plantations for a company or a group of companies under the same shareholding are 20,000 hectares for each province in Indonesia (except for the province of

Papua, where the maximum area is 40,000 hectares) and 100,000 hectares nationally. Regulation No. 5/2015 provides various exceptions to the hectare limitations, including exceptions for companies that are majority-owned by the Government (i.e., state-owned enterprises) and public companies that are majority-owned by the public. Regulation No. 5/2015 does not, however, provide definition of “public,” nor stipulate the qualifications of majority shareholding such that a company is exempted from the above limitations.

In October 2014, the Government enacted Law No. 39 of 2014 (revoking Law No. 18 of 2004) on Plantation (“**Law No. 39/2014**”), which provides, among other things, that the central government in charge of and responsible for managing the plantation sector, shall stipulate the maximum area and minimum areas of land being acquired for plantation businesses, while the agency in charge of land affairs shall issue the land titles. Law No. 39/2014 further provides that in determining such maximum and minimum areas, the central government shall be guided by, among other things, the types of plants, the land availability in view of the agro-climatic conditions, the capital, the factory’s capacity, the population density, the business development pattern, the geographical condition and technological development.

As part of the implementing regulation of Law No. 39/2014 and pursuant to guidelines for plantation business licensing, on May 31, 2016, the Minister of Agriculture issued Regulation No. 29/Permentan/KB.410/5/2016 on the Amendment of the Minister of Agriculture Regulation No. 98/Permentan/OT.140/9/2013 on the Plantation Business License Guidance (“**Regulation No. 29/2016**”), amending several provisions of Regulation No. 98/Permentan/OT.140/9/2013 (“**Regulation No. 98/2013**”). Regulation No. 98/2013 was further amended by Minister of Agriculture Regulation No. 21/Permentan/KB.410/6/2017 on the Second Amendment of the Minister of Agriculture Regulation No. 98/Permentan/OT.140/9/2013 on the Plantation Business License Guidance (“**Regulation No. 21/2017**”) issued on June 7, 2017. Under Regulation No.98/2013, the maximum area for each palm oil plantation company or palm plantation business group in Indonesia is limited to 100,000 hectares (except for the provinces of Papua and West Papua, where the maximum area is limited to 200,000 hectares). Although Regulation No. 98/2013 also stipulates several exceptions to such limitation of area similar to those governed under Regulation No. 5/2015, Regulation No. 98/2013 does not clarify the definition of “public,” thus it is unclear whether we qualify under the exemptions provided under these regulations. Further, in contrast to Regulation No. 5/2015, Regulation No. 98/2013 does not place any limitation of provincial areas towards palm oil plantation companies as opposed to what is stated in Regulation No. 5/2015.

Though Regulation No. 5/2015 was enacted on April 28, 2015, there has not been any revocation or amendment made to Regulation No. 98/2013 with regards to the conflicting provisions on the limitation on area governed under both regulations. As mentioned above, Regulation No. 98/2013 allows each palm oil plantation company or palm oil plantation business group to own plantations of up to 100,000 hectares in Indonesia, without limitation to the maximum area of palm oil plantation per province, and thus appears to be in conflict with Regulation No. 5/2015. Further, the Governor of Central Kalimantan issued Regional Regulation No. 5 of 2011 on Management of Sustainable Plantation Business (“**Regional Regulation No. 5/2011**”), which has a conflicting provision on the limitation of plantation area in Central Kalimantan. Based on Schedule III of Regional Regulation No. 5/2011, the maximum area for a palm oil plantation company is 30,000 hectares, while a palm oil plantation business group is allowed plantation area of up to 120,000 hectares in Central Kalimantan. Hence, it is unclear how the BPN or the Central Kalimantan governments may respond to these discrepancies.

As of September 30, 2017, we and our subsidiaries have been granted a total plantation area of approximately 96,432 hectares based on each of the plantation business licenses granted to us and our subsidiaries. Hence, our plantation area exceeded the maximum provincial plantation area as governed under Regulation No. 5/2015. Should the Government apply size limitations contained in Regulation No. 5/2015, or if any further regulatory limitations on ownership of land for oil palm plantations are applied in Indonesia, our ability to continue to operate our business or to expand our oil palm plantations could be adversely affected.

Negative publicity or negative findings about us or persons associated with us could adversely affect our commercial relationships and limit the number of potential buyers of our products.

Negative publicity or negative findings about us or individuals associated with us could damage the value of our brand and our business. Historically and in recent months, we and our founder have been the target of campaigns by certain environmental groups and non-governmental organizations who allege instances of illegal forest clearance and other environmental concerns. We, our founder, or other individuals associated with us may face investigation, litigation, regulatory inquiries or additional negative publicity relating to these past allegations or to allegations relating to our present and future business, and we cannot assure you that these developments will not materially harm our reputation and our business. Such reputational damage may lead to loss of customers and decreased customer base, delayed production activities or expansion plans, reduced income and higher operating costs and may have a material adverse effect on our business, financial condition and results of operations.

We also could be the target of negative publicity as a result of various factors, including campaigns by environmental groups against us and our actual or alleged production methods as well as against palm oil producers in Central Kalimantan and elsewhere in Indonesia in general. In addition, any actual or perceived deficiencies in our production methods, environmental practices or our relationships with respect to our plasma program and other stakeholders in Central Kalimantan could lead to adverse publicity against us, which could undermine our relationship with our customers, suppliers and other partners. For example, in June 2015, Greenomics-Indonesia (“**Greenomics**”), a policy development institute promoting good natural resources governance, published a report alleging that one of our subsidiaries was in breach of its “no-deforestation commitments” as a result of clearing forest peatlands and orangutan habitat. The report alleged that Wilmar and Golden Agri Resources, at the time two of our largest customers, were not complying with the Indonesian Palm Oil Pledge by continuing to purchase from us. As a result, Wilmar and Golden Agri Resources stopped purchasing from us. Following publication of the Greenomics report, we continued to be the subject of negative publicity and allegations around our clearance practices and sustainability practices by other environmental groups. As a result of such negative publicity, Unilever, another major customer, stopped purchasing our products and ceased being a customer after our engagement of Daemeter and presentation to Unilever of Daemeter’s preliminary findings. See “*Sustainability*.”

We may not complete on time or within budget, or derive the expected benefits from new mills and other projects that we are planning to construct.

To the extent permitted by law, we are targeting to expand our plantation by 5,000 hectares in 2018. We also plan to construct three more palm oil mills which we expect to complete by 2020. We expect these new palm oil mills in the aggregate to add processing capacity of 180 tons of FFB per hour, or 1,080,000 tons per annum. We also intend to add processing capacity of our existing mills from previously 375 tons of FFB per hour to 440 tons of FFB per hour, thus bringing our total processing capacity to 620 tons of FFB per hour, or 3,720,000 tons per annum, by 2020. The infrastructure platform that SBI is developing and the palm oil refinery that CBU is currently constructing are expected to be in operation in 2018. These projects face a number of risks, such as delays in construction or cost overrun, and new or expanded mills might not be able to process FFB or CPO at expected production levels or production costs. We will be required to obtain capacity expansion permits for expansion of our mills, which include building and other government permits and authorizations required for the construction of such mills, including construction permits. As such, we may be subject to delays in connection with our existing or future applications for such permits and authorizations and we cannot assure you that we will ultimately be able to obtain these permits or authorizations. Any of these factors may affect the success of the expansion of our operations and have a material adverse effect on our business, financial condition and results of operations.

We face competition from other producers in the palm oil industry and other substitute oils.

We operate in an industry which is highly competitive and we face competition from other producers in the palm oil industry. Some of these producers have similar capabilities and compete with each other on key attributes such as quality of products, pricing, time-to-market and available production capacity. There can be no assurance that we can compete successfully in the future and maintain or increase our market share.

In addition, the palm oil industry faces competition from other vegetable oils, including soybean oil, rapeseed oil and sunflower oil. The United States, Europe, China, India, Brazil and Argentina are all large producers of oils and fats. An overabundance in supply of these vegetable oils or a change in consumer preferences due to health trends that result in a decrease in demand for such palm oil may cause a decline in their price. Health trends may also cause consumers of oils and fats to substitute other vegetable oils for palm oil, and may result in a corresponding decline in the price of palm oil and CPO.

As a substantial amount of biofuel is produced from vegetable oils, including palm oil, rapeseed oil and soy oil, the palm oil industry also faces competition from other vegetable oils in the biofuel segment. While palm oil is typically the least expensive vegetable oil, with other major vegetable oils commanding a significant premium over palm oil, a decline in price of other major vegetable oils may cause biofuel producers to use such alternative vegetable oils in the production of biofuel instead of palm oil, leading to a decrease in demand and price for palm oil.

If any of the above events were to occur, our business, financial condition, results of operations and prospects would be materially and adversely affected.

Adverse environmental conditions or other operational risks could have a material adverse effect on our business.

We face a number of operational risks at our mills and our plantations. Outages or extended down-time at our mills could prevent us from harvesting or processing our FFB for extended periods of time, which could lead to a loss of product or diminished product quality. Our processing facilities and plantations are also subject to a number of risks, such as supply shortages, fires, explosions, natural disasters, third-party interference, war or terrorism, communal unrest and mechanical failures of equipment. These hazards could also result in environmental pollution, personal injury or wrongful death claims and other damage to our properties or the properties of others.

In particular, risks that could affect our operations or those of our contractors, suppliers and customers include:

- *crop pests and diseases and plantation mismanagement* — our yields of FFB are affected by the prevalence or severity of pests and diseases in our oil palms as well as by factors such as the timing and application of fertilizers and other inputs, pruning standards and the maintenance of inspection paths;
- *forest fires* — although we operate a zero-burning policy for land clearing activities in our plantations, forest fires in neighboring plantations or by small landowners clearing underbrush can result in haze or lead to fire spreading onto our property from adjacent land;
- *natural disasters, including earthquakes* — Indonesia is located in one of the most volcanically active regions in the world and is subject to significant seismic activity that can lead to destructive earthquakes and tsunamis;
- *mechanical failures* — breakdowns and other mechanical failures at our mills or transport systems and ruptures and spills from product carriers or storage tanks;

- *unfavorable local and global weather patterns* — our plantations and crop yields are affected by the annual drought in the Kalimantan region as well as global weather patterns and phenomena such as *El Niño*;
- *labor strikes or other disturbances* — laws and regulations facilitate the forming of labor unions in Indonesia and, combined with weak economic conditions, have resulted in and may continue to result in labor unrest and activism; and
- *contagious disease outbreaks* — outbreaks of avian flu, as have occurred in recent years in Asian countries, or other contagious diseases.

Any of these factors affecting our operations could undermine our production levels or otherwise adversely affect our business, results of operations and financial condition.

We hold certain uncertified land, the title to which may be the subject of claims and disputes.

As of September 30, 2017, we hold Location Permits in respect of 36,583 hectares. The Location Permits grant us the right to acquire the rights of land from its owners. However, many occupants occupied the land without land title. Compensation was given to the previous owners of the land to have those individuals relinquish their title of the land to the Government to enable us to obtain HGU to the land. Such land is mainly vacant or cultivated as small holdings by the community surrounding our plantation areas, and we intend to use it for our future expansion. Since we physically possess the land based only on the deeds of relinquishment of rights upon lands signed by the previous landowners, we must apply for a HGU title to obtain valid title to the land.

We believe that we have a basis to submit such applications and obtain HGU over such land as there are currently no disputes over such land. However, due to the developing nature of Indonesian land law and the lack of a uniform title system in Indonesia, disputes over our purchases of titles from previous landowners may occur. In particular, rights to plantation lands that have been consolidated from the land of multiple small holders or lands belonging to indigenous people commonly give rise to disputes with former or purported landowners. We have paid, and from time to time may have to pay, compensation to settle those claims where appropriate. In addition, such claims could prevent us from planting the disputed land or delay or prevent our receipt of HGU title over the land. Any such event may materially and adversely affect our business, financial condition and results of operations.

Furthermore, our Location Permits for 27,687 hectares have expired. We are in the process of extending these Location Permits; however there can be no assurance that these Location Permits will be extended. The loss of Location Permits could impair our ability to acquire additional land rights and would affect our hecterage expansion plan, which in turn would have a material adverse effect on our ability to generate revenues and maintain profitability.

We also have approximately 3,919 hectares that we acquired by relinquishment of land rights from the previous land owners which have not been submitted for cadastral process and therefore have not obtained HGU.

We are not in compliance with our obligations under the Plasma Program.

In accordance with Regulation No. 98/2013, plantation companies holding IUP-B or IUP for a total area of 250 hectares or more are required to facilitate the development of community plantations for plasma farmers covering at least 20% of the land cultivated by such plantation companies. Such community plantations are to be developed concurrently with the companies' plantations and are to be completed within three years from the issuance date of the relevant HGU. Regulation No. 98/2013 further stipulates that such plasma plantation which is facilitated by such plantation companies are to be located outside the IUP-B and IUP areas. Once the development of the plasma plantation is completed, such plasma plantation is to be assigned to plasma farmers who will then cultivate such land. This development is financed by way of a credit, grant or profit-sharing scheme agreed between

the plasma farmers and plantation companies, subject to the prevailing law. In some cases, the plantation companies continue to cultivate the plasma plantation with the profits shared with the plasma farmers. Such form of assistance to plasma farmers is generally known as the “Plasma Program.”

In accordance with Regulation No. 98/2013, a plantation company that fails to fulfill the obligation to enter into such partnership may be subject to a written warning of up to three times in four months. If such obligation is still not fulfilled after the third written warning, the IUP-B, IUP-P or IUP will be revoked and a recommendation will be submitted to the authorized National Land Agency for the cancellation of the HGU. As of September 30, 2017, we have not received any written warnings for failing to fulfill obligations to enter into such partnerships.

Most of the plantation licenses of PT Sawit Sumbermas Sarana Tbk, PT Kalimantan Sawit Abadi and PT Mitra Mendawai Sejati were obtained before February 28, 2007 and do not specifically state the area designated for plasma. To date, we are yet to fully meet the plasma requirement as a result of, among other reasons, the lack of available or geographically suitable land for us to acquire for the cultivation of plasma plantations and the lack of cooperation from certain local communities to enter into a Plasma Program with us.

On the other hand, we have established a partnership program with farmers, employees, and the surrounding community of the plantation. Partnership programs include assisting the local small landholders in the development of their own plantations by giving them free advisory services, seedlings and fertilizer and purchasing the FFB produced by the local small landholders and converting it into CPO and palm kernel at our mills. Such partnership programs may be in the form of provision of a production facility, production cooperation, processing and marketing, the distribution of seedlings, operational cooperation, share ownership and other supporting services. However, under Regulation 98/2013, the establishment of partnership programs shall not diminish the obligation to establish a Plasma Program.

For the future development of our plantations and those of our subsidiaries, we and our subsidiaries intend to fully comply with the Plasma Program requirement. To date, 8,765 hectares of area have already been specifically allocated for the Plasma Program. We and our subsidiaries intend to enter into an agreement with the plasma farmers’ representatives in relation to the management of plantations controlled by us and our subsidiaries in which we and our subsidiaries will provide funds to cover the initial development costs in the form of loans to the land owners.

We will also be required to purchase all the FFB cultivated by local small landowners under the Plasma Program at a price stipulated in the relevant regional regulation. Although the formula price has historically been lower than the market price and will enable us to purchase FFB at a price lower than market price, we cannot assure you that the stipulated price will always continue to be lower than the market price. We also cannot assure you that the Indonesian or provincial government will not change the rule or policies of its Plasma Program in a manner that will be adverse to us.

In addition, we may also need to allocate some of our existing nucleus planted areas to the Plasma Program, which will reduce our nucleus planted area and could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our business may be disrupted if there is a change in our relationship with our founder or we lose the services of our key executives.

Our success depends on our existing beneficial shareholders, key employees and members of our senior management and our founder who, through his familial ties to our existing beneficial shareholders, provides guidance in relation to our operations. There can be no assurance that our relationship with our existing beneficial shareholders, key employees, members of our senior management and founder will not change or deteriorate. For additional information relating to these individuals, see “Principal Shareholders” and “Management.” There can also be no assurance that we

will be able to retain our key executives. If one or more of our key executives are unable or unwilling to continue in their present positions, or if they join a competitor or form a competing company, we may not be able to replace them easily and may incur additional expenses to recruit and train new personnel. Our business may be significantly disrupted and our financial condition and results of operations may be materially and adversely affected as a result. Furthermore, since our industry is characterized by high demand and intense competition for skilled employees, we may need to offer compensation and other benefits that may be substantially higher than what we currently offer in order to attract and retain key executives in the future. We cannot assure you that we will be able to attract or retain the key executives that we have or will need to achieve our business objectives.

Our insurance coverage may be insufficient to cover our losses.

We maintain insurance for our mills, inventories, vehicles, heavy equipment, furniture and fixtures and property (including buildings and mills). In addition, we are covered for losses from plantation fires. This insurance provides for the replacement cost of the assets covered but does not cover business interruption (except those involving our palm oil mills) or losses from volcanic eruption or governmental expropriation. We seek to maintain a comprehensive insurance coverage at commercially reasonable rates, although premiums charged by insurance companies tend to fluctuate in response to market events over which we have no control. We believe that our current coverage is adequate to protect against most of the accident-related risks involved in the conduct of our business. Generally, all of our operational activities are covered by insurance, but we do not maintain third-party liability insurance or general insurance coverage protecting against all lawsuits brought against us, and we may not be covered for certain types of claims, depending on their subject matter. See “*Business — Insurance.*”

There can be no assurance that all risks are fully insured against, that any particular claim will be fully paid or that we will be able to procure adequate insurance coverage at commercially reasonable rates in the future. If we were to sustain significant losses in the future, our ability to obtain insurance coverage or coverage at commercially reasonable rates could be materially adversely affected.

We are dependent on the availability of high quality germinated seeds.

In order to achieve high FFB yields, we use only high quality germinated seeds procured from established seed producers. We do not possess seed production capabilities and are dependent on external suppliers for such high quality germinated seeds. In the event of a shortage of high quality germinated seeds arising from factors such as strong demand for such seeds in the industry or from the occurrence of natural disasters that may affect the global supply or pricing of such seeds, we may not be able to seek alternative sources of supply in a timely manner or on commercially acceptable terms. This could adversely affect our ability to achieve our planting target under our expansion plan and may have a material adverse effect on our business, financial condition, results of operations and prospects.

Our operations are labor intensive and we rely on our ability to attract workers.

Our operations are highly labor intensive. The wages of our employees and our total labor costs have increased in recent years and we expect that our total labor costs will continue to increase as we continue with our planting program and as more trees become mature, which would require us to hire additional workers in anticipation of increased harvesting. If we are unable to hire sufficient workers to maintain our labor force or if there is any significant inflation of wages or further increase of the minimum wage rate or if we experience labor strikes or other disturbances, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Our consolidated financial statements are prepared in accordance with Indonesian FAS, which differ in certain significant respects from IFRS and any possible future adoption of IFRS could have a material adverse effect on the price of the Notes.

Our consolidated financial statements are prepared in accordance with Indonesian FAS, which differs in certain significant respects from IFRS. See “*Summary of Certain Principal Differences Between*

Indonesian Fas and IFRS.” We have not quantified or identified the effects of the differences between Indonesian FAS and IFRS in this Offering Memorandum. This Offering Memorandum does not contain a reconciliation of our consolidated financial statements to IFRS, and such reconciliation may reveal material differences. Accordingly, there can be no assurance, for example, that profit after taxation distributable by us and share capital and reserves reported in accordance with Indonesian FAS would not be significantly different from those that would be reported under IFRS.

Potential investors should consult their own professional advisors if they want to understand the differences between Indonesian FAS and IFRS and how such differences might affect the information contained in this Offering Memorandum.

In addition, the IICPA has announced plans to converge Indonesian GAAP with IFRS. While the ultimate intent is to have a full convergence, certain differences remain as of the date of this Offering Memorandum because IFRS 1 — First-time Adoption of IFRS is not yet adopted. Indonesia has also not yet adopted IAS 41—Agriculture, which requires recognition of gain or loss arising from the change in fair value less costs to sell of biological assets and agricultural produce for each reporting period. Biological assets fair value adjustment is the difference between the deemed cost of the agricultural produce and the plantation expenditure we incurred to cultivate the produce to the point of harvest. There is substantial uncertainty as to when full IFRS convergence and/or the adoption of IAS 41 will be required in Indonesia and, as we have not attempted to quantify or measure the potential impact of such changes, what their impact will be on our reported results of operations if and when such changes are implemented.

The CBI Unaudited Condensed and Consolidated Pro Forma Financial Statements may not be an indication of CBI’s consolidated financial condition or results of operations following the CBI Reorganization.

The CBI Unaudited Condensed and Consolidated Pro Forma Financial Statements contained in this Offering Memorandum are presented for illustrative and informational purposes only, are based on various adjustments, assumptions and preliminary estimates made by management, and may not be an indication of CBI’s consolidated financial condition or results of operations following the CBI Reorganization for several reasons. The CBI Unaudited Condensed and Consolidated Pro Forma Financial Statements also should not be considered an indication of CBI’s future financial condition or results of operations, which may not be consistent with, or evident from, these pro forma financial statements. In addition, the assumptions used in preparing the CBI consolidated pro forma financial information may not prove to be accurate, and other factors may affect CBI’s consolidated financial condition or results of operations following the transactions described in the CBI Unaudited Condensed and Consolidated Pro Forma Financial Statements. As such, no undue reliance should be placed on such financial statements. See “*The CBI Reorganization*” and also the CBI Unaudited Condensed and Consolidated Pro Forma Financial Statements and the notes thereto.

Our transactions with our affiliates may be subject to the OJK regulation on affiliate transactions and conflicts of interest.

In order to protect the rights of minority shareholders, the Bapepam-LK Regulation No. IX.E.1 concerning Transaction with Affiliated Parties and Conflict of Interest on Certain Transaction (“**Regulation IX.E.1**”) contains provisions as to how a company may enter into a transaction with its affiliates. There are two types of transactions under Regulation IX.E.1, namely, affiliate transactions and conflicts of interest transactions. An affiliate transaction is defined as a transaction entered into between a public company (or a controlled entity of such company) and its affiliates or affiliates of a member of the board of directors, a member of the board of commissioners or a substantial shareholder who owns at least 20.0% of total issued and paid up capital of the public company. An affiliate transaction does not require prior approval by a company’s independent shareholders. Generally, an information disclosure of such transactions including detailed information and a summary of an appraisal report regarding the transaction, must be announced to the public within two business days from the date of the transaction, unless such transaction is exempted by prevailing

regulations. An affiliate transaction may, however, be a conflict of interest transaction if such transaction creates an economic loss for a company. If the transaction is considered to be a conflict of interest transaction, then, subject to certain exemptions, it must be approved in advance by a resolution of independent shareholders, who do not have a conflict of interest with the transaction plan and not affiliated with the board of directors, board of commissioners or a substantial shareholder who may have a conflict of interest.

We have entered into a number of transactions with our affiliates, which include entities for whom certain of our Directors and Commissioners are also serving in management capacities, or which we control, control us, or with whom we are under common control. Such transactions are described in “*Related Party Transactions*” and in the notes to our consolidated financial statements appearing elsewhere in this Offering Memorandum and were all conducted on an arm’s length basis.

Our internal policy requires compliance with Indonesian capital markets laws and regulations with respect to our affiliated party transactions and since these continuing transactions are not contrary to our interests, obtaining advance approval from our independent shareholders was not required. We cannot guarantee that these continuing transactions would continue to be in compliance with and/or subject to the exemptions as currently provided under Regulation IX.E.1. If Regulation IX.E.1 changes in the future, we may be obligated to make public disclosure or report to the OJK, or obtain approval from our independent shareholders. We also expect that in the future, we will enter into other transactions with related parties. The negotiation and conduct of transactions with related parties may lead to potential conflicts of interest resulting in transactions on less favorable terms than those that could be obtained in arm’s length transactions. Such transactions, if entered into, could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks Relating to the Palm Oil Industry

The prices of our products fluctuate depending primarily on international prices.

The prices for our palm oil are based upon or affected by international prices for our products, primarily CPO and crude palm kernel oil. International prices for our products are affected by a number of factors outside our control, including changes in:

- the supply and demand levels for our products, primarily CPO and crude palm kernel oil;
- world production levels of CPO and other vegetable oils (which tend to be affected principally by global weather conditions);
- world consumption and stock levels of these products;
- taxes and tariffs;
- government policies and programs;
- weather conditions;
- political instability; and
- the world economy generally.

As in the case of many commodity prices, CPO prices have in the past been characterized by a high degree of volatility and cyclical. CPO prices generally follow the price trends of other vegetable oils, particularly soybean oil. According to Bloomberg, in the last five years, CPO prices (CIF Rotterdam) on the Rotterdam market have ranged from a high of \$961.00 per ton in March 2014 to

a low of U.S.\$538.00 per ton at the end of September 2015. Downward fluctuations in the international prices for these products could adversely affect our results of operations and financial condition. Taxes and other factors, such as Indonesian export taxes and other Government regulations, also affect the prices at which we can sell our products domestically.

An over-supply of palm oil in the future may adversely affect our results of operations.

During the past several years, there have been significant new plantings of palm oil plantations in Indonesia and Malaysia. As these trees reach maturity, there may be a significant increase in the production and availability of CPO, particularly in Indonesia. If there is no corresponding rise in demand for this increased supply, our pricing and thus our results of operations may be adversely affected by a decrease in prices of CPO resulting from an over-supply. Similarly, a decrease in demand due to consumer preference, competition from other oils and fats or other reasons could have a material adverse effect on our results of operations.

Current and future health and consumer trends and preferences may reduce the demand for palm oil, and this may adversely affect the price and demand for our products.

Palm oil is currently one of the most consumed vegetable oils worldwide, followed by soybean oil and rapeseed oil. Changes in consumer preferences and eating habits may decrease demand for vegetable oils, including palm oil, and increase demand for other types of edible oils and fats. In addition, there have been continuing efforts by health professionals and others to encourage lower daily consumption of oils and fats, which may have the effect of reducing consumption of all vegetable oils and fats, including palm oil.

Further, demand for palm oil products has in the past been affected, and may in the future be affected, by campaigns led by producers of substitute oils or by consumer perceptions of the environmental sustainability of tropical oils. For example, producers of other vegetable oils, particularly soybean oil, including those in the United States, have in the past conducted campaigns against palm oil based on nutritional claims. Additionally, some environmental organizations such as Greenpeace International and the World Wide Fund for Nature (formerly, the World Wildlife Fund) have at times attempted to limit the use of palm oil in their products because of concerns that oil palm plantations result in the destruction of large areas of tropical forests and wildlife habitats, and have campaigned to promote sustainable palm oil cultivation and environmentally friendly practices on oil palm plantations.

Should changes in consumer preferences and eating habits significantly decrease demand for palm oil products, whether as a result of health, environmental or other concerns, our business, financial condition and results of operations may be materially and adversely affected.

Climate change, and/or the related legal, regulatory or market measures to address climate change, may negatively affect our business and operations.

There is growing concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. In the event that such climate change has a negative effect on agricultural productivity, we may be subject to a decrease in production of CPO.

The increasing concern over climate change also may result in more regional, domestic and/or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases. In the event that such regulation is enacted and is more aggressive than the sustainability measures that we are currently undertaking, we may experience significant increases in our costs of operation and delivery. Accordingly, there can be no assurance that restrictions, such as government regulations, on the expansion of the palm oil industry will not be imposed or that the demand for palm oil will not be materially and adversely affected by climate change concerns and the demand for biofuels.

Government export taxes limit our ability to export our products profitably, lower domestic prices of our products and may impede our customer diversification and expansion plans.

The depreciation of the Indonesian Rupiah in 1997 and early 1998 caused significant increases in the domestic price of RBD palm olein, making the export of palm oil products comparatively more profitable. As a result, the Government imposed an export ban on these products. This ban was lifted in April 1998 and replaced with an export tax and subsequently by an export duty that is currently based on the tonnage of export. High export tax rate and export restrictions discouraged Indonesian palm oil companies from exporting their products, resulting in increased domestic supply and lower domestic prices for these products.

We are currently attempting to expand our customer base overseas, including in Pakistan and India, where most of our overseas customers are based. To the extent that Indonesia's palm oil export duty remains at its current level, it may be against our economic interest to pursue these objectives and we may be forced to continue to sell our products mainly inside Indonesia at lower domestic prices. Moreover, if the Government increases the rate of the export duty, reintroduces an export ban on palm oil products or takes other similar actions, our export sales and the prices we can charge in the Indonesian market may also be adversely affected.

We may be adversely affected by the imposition and enforcement of more stringent environmental regulations and policies.

We are subject to environmental regulations in Indonesia. In 2009, a new environmental law was passed which imposes several new obligations such as an environmental license, environmental audit and risk analysis and environmental compliance bonds. See "*Regulation — Environmental Management.*" Non-compliance with or changes in these environmental regulations could adversely affect us. Indonesian government environmental agencies have the power to examine and control our compliance with their environmental regulations, which includes the power to impose fines and revoke licenses and land rights. We believe that our operations are currently in compliance in all material respects with applicable Indonesian environmental regulations and standards. However, it is possible that Indonesian governmental agencies will adopt additional regulations that require us to spend additional funds on environmental matters. For example, on May 13, 2015, the Indonesian President signed a presidential instruction for the implementation of a two-year moratorium on issuing new permits for conversion of natural forest and peatland. This moratorium was first announced in May 2011 as part of a U.S.\$1 billion Indonesia-Norway partnership agreement on reducing emissions from deforestation and degradation (known as ("**REDD+**")). The moratorium was extended by another two years in July 2017.

On February 23, 2012, the Government issued a significant new ancillary or implementing instrument in the form of Government Regulation No. 27 of 2012 ("**GR No. 27/2012**"). Under GR No. 27/2012, an environmental license ("**Environmental License**") is a compulsory requirement for many companies in order to obtain a business or operations license. Under GR No. 27/2012, the requirement to obtain an Environmental License applies to all enterprises whose "activities/operations" require the preparation and approval of an environmental impact analysis ("**AMDAL**"), or environmental monitoring and management plans ("**UKL-UPL**"). Further, GR No. 27/2012 stipulates that any environmental document which has been approved prior to February 23, 2012, shall be declared as a valid document and deemed to be an Environmental License. Hence, each of our AMDAL and/or UKL-UPL documents which were approved before February 23, 2012 are considered as a valid Environmental License, together with those that were approved following such date. See "*Regulation — Environmental License.*"

Certain environmental groups have also alleged that various oil palm plantations, including ours, in Indonesia are engaged in detrimental environmental activities. See "*Sustainability.*" There is a risk that these groups could become increasingly active in our plantation areas and influence change to and enforcement of current environmental regulations. This may restrict the use of our landbank as intended or require us to increase spending on land preparation, thus affecting our business and results

of operations. Further, certain of our customers may implement internal policies in relation to environmental considerations and sustainability that are more stringent than applicable law and may require us to meet the standards in such internal policies, which may result in significant costs, including compliance costs and/or additional capital expenditures to our operations. Such liabilities and costs may have an adverse effect on our business, financial condition, results of operations and prospects.

Environmental regulations in Indonesia are currently less detailed and less stringently applied than in the United States and other developed countries. However, there is increasing pressure internationally to promote environmental sustainability. For example, in March 2017, the European Parliament passed a resolution to introduce a single certification scheme for palm oil to ensure only sustainable palm oil is imported to the European Union. There is no assurance that legislative or regulatory authorities or other institutions in other jurisdictions will not take similar or even more stringent measures. It is possible that such international pressure could affect the environmental regulations in Indonesia to become more stringent in the future, which consequently could have an adverse effect on our business and results of operations.

European Parliament's resolution on stricter measures against palm oil imports may adversely affect our business.

In March 2017, the European Parliament agreed on a resolution to place stricter measures against palm oil and palm oil-containing products entering the EU market which, if and when passed into law, would eliminate the use of palm oil in biofuels in the EU by 2020. The European Parliament also plans to use a single "sustainable palm oil certification" standard that calls for, among others, a minimum sustainability criteria, customs duty reforms and anti-deforestation articles in all future trade agreements for the import of palm oil. If and when enforced, this resolution could affect our export of palm oils and ability to expand our sales channels in the international markets which may adversely affect our business, financial condition, results of operations and prospects.

Fluctuation in the price and supply of raw materials may affect our business.

Fluctuation in the price and supply of raw materials which include fertilizer and fuel may affect our business. The prices and availability of raw materials may be affected by factors such as changes in their global demand and supply, the state of the global economy, inflationary pressure, environmental regulations, tariffs, natural disasters, forest fires, weather conditions and labor unrest. Any significant fluctuation in the prices and availability of such materials may significantly increase our cost of sales, which in turn may adversely affect our business, financial condition, results of operations and prospects.

Risks Relating to Indonesia

Emerging markets such as Indonesia are subject to greater risks than more developed markets, and if those risks were to materialize, their consequences could disrupt our business and you could suffer a significant loss to your investment.

We have historically derived substantially all of our revenue from operations in Indonesia and we anticipate that we will continue to derive substantially all of our revenue from Indonesia and other markets in Asia. These markets have historically been characterized by significant volatility, and their political, social and economic conditions can differ significantly from those in more developed economies. Specific risks that could have a material impact on our business, results of operations, cash flows and financial condition include:

- political, social and economic instability;
- acts of warfare, terrorism and civil conflicts;

- state intervention, including tariffs, protectionism and subsidies;
- regulatory, taxation and legal structure changes;
- difficulties and delays in obtaining or renewing licenses, permits and authorizations;
- arbitrary or inconsistent governmental action;
- deficiencies in transportation, energy and other infrastructure; and
- expropriation of assets.

Generally, investing in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in investing in such markets. You should note that political and related social developments in Indonesia have been unpredictable in the past, are subject to rapid change and, consequently, that the information set out in this Offering Memorandum may become outdated relatively quickly. If any of the risks associated with investing in emerging markets, and in Indonesia in particular, were to materialize, our business, results of operations and financial condition could be materially adversely affected, and the value of your investment could decline significantly.

Political and social instability in Indonesia may adversely affect us.

Since 1998, Indonesia has undergone significant political and social changes that have highlighted the unpredictable nature of Indonesia's changing political landscape. As a newly democratic country, Indonesia continues to face various socio-political issues and has, from time to time, experienced political instability and social and civil unrest. Indonesia also has many political parties, without any one party winning a clear majority to date.

Since 2000, thousands of Indonesians have participated in demonstrations in Jakarta and other Indonesian cities both for and against former President Wahid, former President Megawati, President Yudhoyono and current President Widodo as well as in response to specific issues, including fuel subsidy reductions, privatization of state assets, anti-corruption measures, decentralization and provincial autonomy, potential increases in electricity charges and the American-led military campaigns in Afghanistan and Iraq. Although these demonstrations were generally peaceful, some turned violent.

In June 2001, demonstrations and strikes affected at least 19 cities after the Government of Indonesia mandated a 30% increase in fuel prices. In October 2005, the Government of Indonesia terminated fuel subsidies on premium and regular gasoline and decreased fuel subsidies on diesel which resulted in increases in fuel prices of approximately 87.5%, 104.8% and 185.7% for premium gasoline, regular gasoline and diesel fuel, respectively. In response, several non-violent mass protests were organized in opposition to the increases in domestic fuel prices. In March 2012, thousands of protesters marched peacefully along Jakarta's main thoroughfare to the presidential palace, to oppose the government's plans to increase subsidized fuel prices by 33%. On June 21, 2013, the Minister for Energy and Mineral Resources announced that the price of subsidized gasoline had increased from Rp.4,500 per liter to Rp.6,500 per liter and the price of subsidized diesel had increased from Rp.4,500 per liter to Rp.5,500 per liter. There can be no assurance that the recent increase in subsidized fuel prices, or cuts in fuel subsidies in the future, will not result in political and social instability.

There have also been clashes between religious and ethnic groups which have resulted in social and civil unrest in parts of Indonesia. In the provinces of Aceh and Papua (formerly Irian Jaya), there have been clashes between supporters of separatist movements and the Indonesian military. In Papua, continued activity by separatist rebels has led to violent incidents. In recent years, the Government of

Indonesia has made progress in negotiations with these troubled regions with limited success, except in the province of Aceh in which an agreement between the Government of Indonesia and the Aceh separatists were reached and peaceful local elections were held with some former separatists as candidates.

In 2004, Indonesians directly elected the President, Vice-President and representatives to the Indonesian parliament for the first time in its history through proportional voting with an open list of candidates. In 2009, President Yudhoyono was elected. In 2014, Joko Widodo was elected President. The losing candidate in the 2014 presidential election subsequently brought a challenge, which delayed the conclusion of the election result. In August 2014, the Constitutional Court of the Republic of Indonesia decided in favor of the elected president, based on the Decision No. 1/PHPU.PRES-XII/2014 dated August 8, 2014. Increased political activity can be expected in Indonesia. Any resurgence of political instability could lead to extended disruptions in our operations and/or adversely affect the Indonesian economy, which could adversely affect our business. Social and civil disturbances could occur in the future and on a wider scale, directly or indirectly, have a material adverse effect on our business, financial condition, results of operations and prospects, and on the Notes.

Increases in the cost of essential items or commodity prices in Indonesia may reduce our customers' purchasing power.

In 2016, the annualized inflation rate in Indonesia was 3.0%, while gross domestic product per capita was Rp.48.0 million, according to BPS. According to the Ministry of Finance, the Government's official targets for GDP growth and inflation in 2017 are 5.1% and 4.0%, respectively. Any increases in the cost of essential items or rise in commodity prices could reduce the discretionary purchasing power of our customers and lead to decreased spending on our products, which may lower our sales. Any potential increase in the cost of essential items or commodity prices may reduce the discretionary spending power of our customers, and in turn, have a material adverse effect on our business, cash flows, operational results, financial condition and prospects.

Indonesia is located in an earthquake zone and is subject to significant geological and meteorological risk that could lead to social and economic instability.

The Indonesian archipelago is one of the most volcanically active regions in the world. It is located in the convergence zone of three major lithospheric plates and accordingly, it is subject to significant seismic activity that can lead to destructive earthquakes and tsunamis, or tidal waves that could lead to substantial economic loss and social unrest. On December 26, 2004, an underwater earthquake off the coast of Sumatra released a tsunami that devastated coastal communities in Indonesia, Thailand and Sri Lanka. In Indonesia, more than 220,000 people died or were recorded as missing in the disaster and damages were estimated to be in billions of U.S. dollars. Aftershocks from the December 2004 tsunami have also claimed casualties. In September 2009, two major earthquakes struck West Java and West Sumatra, with magnitudes of 7.0 and 7.6 respectively, leading to the death of more than 600 people. On October 25, 2010, a 7.7 magnitude earthquake struck Mentawai Island, just off West Sumatra, and on October 26, 2010, Mount Merapi, located in Java, erupted.

In addition to these geological events, seasonal downpours have resulted in frequent landslides and flash floods in Indonesia, including Jakarta, Sumatra and Sulawesi, displacing a large number of people and killing others. In August 2012, flash floods and a landslide triggered by torrential rains in eastern Indonesia killed at least eight people and left three others missing in Sirimau village and in the capital of Maluku province, Ambon.

While recent seismic events and meteorological occurrences have not had a significant economic impact on Indonesian capital markets, the Government of Indonesia has had to spend significant amounts of resources on emergency aid and resettlement efforts. However, there can be no assurance that such aid will be sufficient to aid all victims, or that it will be delivered to recipients on a timely basis. If the Government of Indonesia is unable to deliver aid to affected communities in a timely

fashion, political and social unrest could result. Additionally, recovery and relief efforts may strain the Government of Indonesia's finances and may affect its ability to meet its obligations on its sovereign debt. Any such failure on the part of the Government of Indonesia, or declaration by it of a moratorium on its sovereign debt, could potentially trigger an event of default under numerous private-sector borrowings, which may have a material adverse effect on our business, cash flows, operational results, financial condition and prospects.

In addition, there can be no assurance that future geological occurrences or other natural disasters will not significantly affect the Indonesian economy. A significant earthquake or other geological disturbance in any of Indonesia's more populated cities and financial centers could severely disrupt the Indonesian economy and undermine investor confidence, which may adversely affect our business, cash flows, operational results, financial condition and prospects.

Labor activism could adversely affect Indonesian companies, including us, which in turn could adversely affect our business, financial condition, results of operations and prospects.

Laws and regulations which facilitate the forming of labor unions, combined with weak economic conditions, have resulted and may continue to result in labor unrest and activism in Indonesia. In 2000, the Government issued Law No. 21 of 2000 on Labor Union (the "**Labor Union Law**"). The Labor Union Law permits employees to form unions without employer intervention. In March 2003, the Government enacted Law No. 13 of 2003 on Labor (the "**Labor Law**") which, among other things, increased the amount of severance, service and compensation payments payable to employees upon termination of employment. The Labor Law requires further implementation of regulations that may substantively affect labor relations in Indonesia. The Labor Law requires bipartite forums with participation from employers and employees and the participation of more than 50.0% of the employees of a company in order for a collective labor agreement to be negotiated and creates procedures that are more permissive to the staging of strikes. Under the Labor Law, employees who voluntarily resign are also entitled to payments for, among other things, (i) unclaimed annual leave and (ii) relocation expenses. Following the enactment, several labor unions urged the Indonesian Constitutional Court to declare the Labor Law unconstitutional and order the Government to revoke it. The Indonesian Constitutional Court declared the Labor Law valid except for certain provisions including (i) the right of an employer to terminate its employee who committed a serious mistake, (ii) criminal sanctions against an employee who instigates or participates in an illegal labor strike whether in the form of imprisonment of, or imposition of a monetary penalty, (iii) for labor unions in companies which have more than one labor union, the need for 50% employee representation before such labor unions are eligible to conduct negotiations with the employer, and (iv) the ability to have outsourcing arrangements with definite period employment contracts that do not contain provisions that protect outsourced employees upon the replacement of the outsourcing company. The law also set up more permissive procedures for staging strikes. As a result, we may not be able to rely on certain provisions of the Labor Law. These labor laws and regulations may make it more difficult for businesses, including our business, to maintain flexible labor policies.

Labor unrest and activism in Indonesia could disrupt our operations, our suppliers or contractors and could adversely affect the financial condition of Indonesian companies in general, depressing the prices of Indonesian securities on the Indonesian stock exchanges and the value of the Rupiah relative to other currencies. There can be no assurance that labor unrest and activism in Indonesia will not occur in the future, or that any such unrest or activism will not have a material adverse effect on investment and confidence in, and the performance of, the Indonesian economy, which, in turn, could materially and adversely affect our business, financial condition, results of operations and prospects.

In addition, any national or regional inflation of wages could directly and indirectly increase operating costs of our business and thus decrease our profit margin. The Labor Law also prohibits an employer from paying an employee below the minimum wage stipulated annually by the provincial or regional/city government. The minimum wage is generally determined according to the need for a decent living standard and taking into consideration the productivity and growth of the economy. However, there are no specific provisions as to how to determine the amount of the yearly minimum

wage increase, and implementation varies from region to region making compliance cumbersome. For example, in January 2016, the provincial government of Central Kalimantan, through the Governor of Central Kalimantan Province Regulation No. 39 of 2015, increased the minimum wage of Central Kalimantan province for 2016 from Rp1,896,367 per month to Rp2,057,558 per month, an 8.5% increase, which was increased to Rp2,227,307 per month starting from January 1, 2017, a further 8.2% increase, under the Governor of Central Kalimantan Province Regulation No. 23 of 2016. In addition to directly increasing wages for lower level employees, these minimum wage increases indirectly apply upward pressure on the wages of higher level employees over time. Any increase in minimum wage in Indonesia could have a material adverse effect on our business, cash flows, financial condition and prospects.

An appreciation in the value of the Rupiah may adversely affect our financial condition and results of operations.

Changes in exchange rates have affected and may continue to affect our results of operations and cash flows. Substantially all of our sales are denominated in Rupiah with reference to U.S. dollar prices. The majority of our operating costs are denominated in Rupiah, although a significant portion of our costs, relating primarily to fertilizer and fuel, is linked to international U.S. dollar prices for the relevant products. As a result, any increase in the value of the Rupiah against the U.S. dollar may have an adverse effect on our business, results of operations and financial condition.

The interpretation and implementation of legislation on regional governance in Indonesia is uncertain and may adversely affect us.

During the administration of former President Soeharto, the central government controlled almost all aspects of national and regional administration. Following the end of his administration, the Government enacted a number of laws to increase regional autonomy. Under these laws, regional governments have greater powers and responsibilities over the use of national assets to create a more balanced and equitable financial relationship with the central government. The regional governments where our operations are located could adopt regulations, or interpret or implement the regional autonomy laws in a manner that adversely affects our operations. Any new regulations, and the interpretation and implementation of those new regulations, may differ materially from the current legislative and regulatory framework and its current interpretation and implementation. We may also face conflicting claims between the central government and regional governments regarding, among other things, jurisdiction over our operations and new or increased local taxes. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Terrorist activities in Indonesia have led to substantial and continuing economic and social volatility.

In recent years, there have been various bombing incidents directed toward the Government and foreign governments, as well as public and commercial buildings frequented by foreigners. In October 2002, over 200 people were killed in a bombing in Bali. In August 2003, a bomb exploded at the JW Marriott Hotel in Jakarta, killing at least 13 people and injuring 149 others. In September 2004, a car bomb exploded in front of the Australian Embassy in Jakarta, killing more than six people. In May 2005, bomb blasts in Sulawesi killed at least 21 people and injured at least 60 people. In October 2005, bomb blasts in Bali killed at least 23 people and injured at least 101 others. In July 2009, bomb blasts at the JW Marriott Hotel and Ritz-Carlton Hotel in Jakarta killed a total of nine people and wounded 53 people. In April 2011, a suspected suicide bomber attacked a mosque in Cirebon, West Java, killing himself and wounding 28 people. In September 2011, a bomb exploded in a church in Central Java, killing at least one and injuring 20 others. Most recently, on January 14, 2016, multiple explosions and gunfire took place near the Sarinah shopping mall, killing eight people and injuring 23 people. The Islamic State of Iraq and the Levant claimed responsibility. While in response to the terrorist attacks, the Government has institutionalized certain security improvements and undertaken certain legal reforms which seek to better implement anti-terrorism measures and some suspected key terrorist

figures have been arrested and tried, there can be no assurance that further terrorist acts will not occur in the future. Further terrorist acts could destabilize Indonesia and increase internal divisions within the Government as it considers responses to such instability and unrest, thereby adversely affecting investor confidence in Indonesia and the Indonesian economy, which could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, future terrorist acts may target our assets or those of our customers and our insurance policies generally do not cover terrorist attacks. Any terrorist attack, including damage to our infrastructure or that of our customers, could interrupt parts of our businesses and materially and adversely affect our financial condition, results of operations and prospects.

Regional or global economic changes could materially and adversely affect the Indonesian economy and our business.

The economic crisis that affected Southeast Asia, including Indonesia, from mid-1997 was characterized in Indonesia by, among other things, currency depreciation, negative economic growth, high interest rates, social unrest and extraordinary political events. These conditions had a material adverse effect on Indonesian businesses, including the failure of many Indonesian companies to meet their debt obligations. More recently, the global financial crisis, which was triggered in part by the subprime mortgage crisis in the United States, caused failures of large U.S. financial institutions and rapidly evolved into a global credit crisis. U.S. bank failures were followed by failures of a number of European banks and declines in various stock indices, as well as large reductions in the market value of equities and commodities worldwide, including in Indonesia. The world economic downturn has adversely affected the economic performance of Indonesia, resulting in declining economic growth, slowing household consumption and weakening investment due to loss of external demand and increased uncertainty in the world economy. These conditions have had a negative impact on Indonesian businesses and consumers.

Volatility in oil prices and potential food shortages may also cause an economic slowdown in many countries, including Indonesia. An economic downturn in Indonesia could also lead to additional defaults by Indonesian borrowers and could have a material adverse effect on our business, financial condition, results of operations and prospects.

As a result of the economic crisis in 1997, the Government has had to rely on the support of international agencies and governments to prevent sovereign debt defaults. The Government continues to have a large fiscal deficit and a high level of sovereign debt, its foreign currency reserves are modest, the Rupiah continues to be volatile and has poor liquidity, and the banking sector is weak and suffers from high levels of non-performing loans. Government funding requirements to areas affected by natural disasters may increase the Government's fiscal deficits. The inflation rate (measured by the year on year change in the consumer price index) remains volatile with an annual inflation rate of 6.4% in 2013, 6.4% in 2014 and 6.4% in 2015. Interest rates in Indonesia have also been volatile in recent years, which have had a material adverse impact on the ability of many Indonesian companies to service their existing indebtedness. The economic difficulties Indonesia faced during the 1997 Asian economic crisis resulted in, among other things, significant volatility in interest rates, which had a material adverse impact on the ability of many Indonesian companies to service their existing indebtedness. Although the policy rate set by Bank Indonesia was 6.5% as of June 2016, as compared to a peak of 70.8% in late July 1998 for one-month Bank Indonesia certificates, there can be no assurance that the recent improvement in economic conditions will continue or the previous adverse economic condition in Indonesia and the rest of the Asia Pacific region will not occur in the future. In particular, a loss of investor confidence in the financial systems of emerging and other markets, or other factors, may cause increased volatility in the international and Indonesian financial markets and inhibit or reverse the growth of the global economy and the Indonesian economy.

A loss of investor confidence in the financial systems of emerging and other markets or other factors, including a further deterioration of the global economic situation, may cause increased volatility in the Indonesian financial markets and a slowdown in economic growth or negative economic growth in Indonesia. Any such increased volatility or slowdown or negative growth could have a material adverse effect on our business, financial condition, results of operations and prospects.

Any outbreak of infectious disease, or fear of an outbreak, or any other serious public health concerns in Indonesia or elsewhere may have an adverse effect on the Indonesian economy and may adversely affect us.

An outbreak of infectious diseases (including avian flu, SARS, swine flu, the H7N9 virus) or another contagious disease or the measures taken by the governments of affected countries, including Indonesia, against such potential outbreaks, could seriously interrupt our operations or the services or operations of our suppliers and customers, which could have a material adverse effect on our business, financial condition, results of operations and prospects. The perception that an outbreak of infectious diseases or another contagious disease may occur may also have an adverse effect on the economic conditions of countries in Asia, including Indonesia.

There may be less company information available, and corporate governance standards may differ, for public companies listed on the Indonesian securities markets as compared with those listed on securities markets in other countries.

The IDX and OJK have different reporting standards than securities exchanges and regulatory regimes in other countries. There is a difference between the level of regulation and monitoring of the Indonesian securities markets and the activities of investors, brokers and other participants than that of markets in other developed economies. Although we are currently a public company in Indonesia, there may be less publicly available information about us than may be the case for public companies in other countries. There is also no guarantee that we will continue to be a public company. As a result, there may not be the same amount or frequency of information about us as there would be in other markets.

Corporate governance standards in Indonesia differ from those applicable in other jurisdictions in significant ways including the independence of the Board of Directors, the Board of Commissioners and the audit committee, and internal and external reporting standards. Accordingly, the directors and commissioners of Indonesian companies may be more likely to have interests that conflict with the interests of shareholders in general, which may result in them taking actions that are contrary to the interests of shareholders and the company. To the extent corporate governance standards in Indonesia are not effective in preventing conflicts of interest from arising, your interests as an investor in the Company may be negatively affected.

Downgrades of the credit ratings of Indonesia or Indonesian companies could materially and adversely affect us.

In 1997, certain recognized statistical rating organizations, including Moody's and S&P, downgraded Indonesia's sovereign rating and the credit ratings of various credit instruments of the Government and a large number of Indonesian banks and other companies. Currently, Indonesia's sovereign foreign currency long-term debt is rated "Baa3 positive outlook" by Moody's, "BBB- stable outlook" by S&P and "BBB- positive outlook" by Fitch. These ratings reflect an assessment of the Government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due. Even though the recent trend in Indonesian sovereign ratings has been positive, no assurance can be given that Moody's, S&P, Fitch or any other statistical rating organization will not downgrade the credit ratings of Indonesia or Indonesian companies in general. Any such downgrade could have an adverse impact on liquidity in the Indonesian financial

markets, the ability of the Government and Indonesian companies, including us, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available to us, which could materially and adversely affect our business, financial condition, results of operations and prospects.

Risks Relating to the Notes, the Guarantees and the Collateral

The Indenture and the other documentation relating to the Notes and the Guarantees will contain covenants limiting our financial and operating flexibility.

Covenants contained in the Indenture and other documentation relating to the Notes and the Guarantees will restrict the ability of the Issuer, the Parent Guarantors, and any Restricted Subsidiaries to, among other things:

- incur or guarantee additional indebtedness and issue certain redeemable or preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of the Parent Guarantors, or the Restricted Subsidiaries;
- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Parent Guarantors or any of the restricted subsidiaries; sell, lease or transfer certain assets, including stock of Restricted Subsidiaries;
- enter into sale and leaseback transactions;
- engage in certain transactions with affiliates;
- enter into unrelated businesses; and
- consolidate or merge with other entities.

All of these covenants are subject to the limitations, exceptions and qualifications described in “*Description of the Notes — Certain Covenants*.” These covenants could limit our ability to pursue our growth plan, restrict our flexibility in planning for, or reacting to, changes in our business and industry, and increase our vulnerability to general adverse economic and industry conditions. We may also enter into additional financing arrangements in the future, which could further restrict our flexibility.

Any defaults of covenants contained in the Notes may lead to an event of default under the Notes and the Indenture and may lead to cross-defaults under our other indebtedness. Acceleration or certain defaults under our other indebtedness may also result in an event of default under the Indenture and all outstanding obligations under such indebtedness or the Notes may immediately become due and payable. No assurance can be given that the Issuer, the Parent Guarantors or the Subsidiary Guarantors will be able to pay any amounts due to the lenders under such indebtedness or to holders of the Notes in the event of such acceleration, and any such acceleration may significantly impair the Issuer’s ability to pay, when due, the interest of and principal on the Notes and either Parent Guarantor’s, and any Subsidiary Guarantor’s, ability to satisfy its respective obligations under the applicable Guarantee and we could be forced into bankruptcy or liquidation.

Substantial leverage and debt service obligations could adversely affect our business and prevent the Issuer and the Guarantors from fulfilling obligations under the Notes and the Guarantees.

Although the Indenture governing the Notes contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and any indebtedness incurred in compliance with these restrictions could be substantial. For a summary of our existing indebtedness as at the date of this offering, see “*Description of Material Indebtedness*.” The degree to which we will be leveraged in the future, on a consolidated basis, could have important consequences for the noteholders, including, but not limited to:

- making it more difficult for the Issuer or the Guarantors to satisfy its or their respective obligations with respect to the Notes or the Guarantees, as applicable;
- increasing vulnerability to, and reducing our flexibility to respond to, general adverse economic and industry conditions;
- requiring the dedication of a substantial portion of cash flow from operations to the payment of principal of, and interest on, our consolidated indebtedness, thereby reducing the availability of such cash flow to fund working capital, capital expenditures, acquisitions, joint ventures or other general corporate purposes;
- limiting flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industries in which we operate;
- placing us at a competitive disadvantage compared to our competitors that are not as highly leveraged; and
- limiting our ability to borrow additional funds and increasing the cost of any such borrowing.

Any of these or other consequences or events could materially and adversely affect the Issuer’s or the Guarantors’ ability to satisfy debt obligations, including the Notes and the Guarantees.

We may incur additional indebtedness, which could further exacerbate the risks under “The Indenture and other documentation relating to the Notes and the Guarantees will contain covenants limiting our financial and operating flexibility.”

As of September 30, 2017, the Company had total current and non-current liabilities of Rp.5,539.3 billion. As of September 30, 2017, CBI and its consolidated subsidiaries, on a combined and *pro forma* basis, had total current and non-current liabilities of Rp.6,493 billion. Subject to restrictions in the Indenture governing the Notes, we may incur additional indebtedness, which could increase the risks associated with our existing indebtedness. If we incur any additional indebtedness that ranks equally with the Notes, the relevant creditors will be entitled to share ratably with the holders of the Notes in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of the Issuer or a Guarantor. This may have the effect of reducing the amount of proceeds paid to the holders of the Notes. Covenants in agreements governing debt that we may incur in the future may also materially restrict our operations, including our ability to incur debt, pay dividends, make certain investments and payments, and encumber or dispose of assets. In addition, we could be in default of financial covenants contained in agreements relating to our future debt in the event that our results of operations do not meet any of the terms in the covenants, including the financial thresholds or ratios. A default under one debt instrument may also trigger cross-defaults under other debt instruments. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on us.

We may not be able to generate sufficient cash flows to meet our debt service obligations.

Our ability to make scheduled payments on, or to refinance our obligations with respect to, our current and future indebtedness, including the Notes and the Intercompany Loans, will depend on our financial and operating performance, which in turn will be affected by general economic conditions and by financial, competitive, regulatory and other factors beyond our control. We may not generate sufficient cash flow from operations and future sources of capital may not be available to us in an amount sufficient to enable us to service our indebtedness, including the Notes, or to fund our other liquidity needs. If we are unable to generate sufficient cash flow and capital resources to satisfy our debt obligations or other liquidity needs, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. In particular, we are not required to maintain a sinking fund or otherwise accumulate cash for the purpose of repaying the Notes and we anticipate that we will be required to incur additional indebtedness to repay the Notes due at maturity. There is no assurance that any refinancing would be possible, that any assets could be sold or, if sold, of the timing of the sales and the amount of proceeds that may be realized from those sales, or that additional financing could be obtained on acceptable terms, if at all. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Other credit facilities and the Indenture governing the Notes will restrict our ability to dispose of assets and use the proceeds from the disposition. We may not be able to consummate those dispositions or to obtain the proceeds which we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms and in a timely manner, would materially and adversely affect our financial condition and results of operations and the Issuer's ability to satisfy its obligations under the Notes. See *"Managements Discussion and Analysis of Financial Condition and Results of Operation — Liquidity and Capital Resources"* and *"Description of the Notes."*

Moreover, our offering structure may be deemed to be non-compliant with the Singapore-Indonesia tax treaty and applicable Indonesian tax regulations. Under these circumstances, Indonesian tax authorities may apply a 20% withholding tax rate upon us. This would effectively increase our debt servicing obligations with respect to the Notes, which would increase our funding costs and potentially affect our ability to make coupon and/or principal payment of the Notes.

The interest of our principal shareholders may conflict with the interest of noteholders, and they may take actions that are not in, or may conflict with, the interest of the noteholders.

As of the date of this Offering Memorandum, a majority of the Company's and CBI's respective share capital is controlled by certain family members of our founder. Subject to applicable law in Indonesia, our principal shareholders effectively exert control over our affairs and matters requiring approval by our shareholders. Circumstances may arise in which the interests of our principal shareholders or the interests of their associated companies may conflict with your interest as a noteholder. From time to time, we enter into, and we may enter into, transactions with entities controlled by any of our principal shareholders and other related parties. Although any transaction that the Company undertakes with related parties, which involves a conflict of interest, must be approved by independent shareholders and must comply with the rules of Indonesian Financial Services Authority or OJK and the IDX, we cannot assure you that any amounts we may pay in these transactions would necessarily reflect the prices that would be paid by a third-party on an arm's length basis. See *"Related Party Transactions"* and *"Principal Shareholders."*

Enforcing the rights of noteholders under the Notes or the Guarantees across multiple jurisdictions may prove difficult.

The Notes will be issued by the Issuer and guaranteed by the Parent Guarantors and the Subsidiary Guarantors. The Issuer is incorporated in Singapore. The Parent Guarantors and the Subsidiary Guarantors are incorporated under the laws of Indonesia. The Notes and the Indenture will be governed by the laws of the State of New York, the Deeds of Corporate Guarantees and Deeds of Acknowledgement and Undertaking will be governed by Indonesian laws, and the Intercompany Loans and Security Documents will be governed by Singapore law. In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in Indonesia, Singapore and the United States. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. The rights of noteholders under the Notes and the Guarantees will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that you will be able to effectively enforce your rights in such complex multiple bankruptcy, insolvency or similar proceedings. In addition, the bankruptcy, insolvency, administrative and other laws of Indonesia, Singapore and the United States may be materially different from, or be in conflict with, each other and those with which may be familiar, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the Notes and the Guarantees in the relevant jurisdictions or limit any amounts that you may receive.

It may not be possible for you to effect service of process or to enforce judgment of a foreign court on the Guarantors in Indonesia.

The Issuer is a limited liability company incorporated in Singapore. Each of the Parent Guarantors and the Subsidiary Guarantors is a limited liability company incorporated in Indonesia operating within the framework of Indonesian laws relating to investment and all of its significant assets are located in Indonesia. In addition, one of the Issuer's directors and all of the Parent Guarantors' and each of the Subsidiary Guarantor's commissioners and directors reside in Indonesia. As a result, it may be difficult for investors to effect service of process, including judgments, on the Issuer, the Parent Guarantors and a Subsidiary Guarantor or their respective commissioners and directors outside Indonesia, or to enforce judgments obtained in non-Indonesian courts against the Issuer, the Parent Guarantor, a Subsidiary Guarantors or their respective commissioners and directors in Indonesia.

We have been advised by our Indonesian legal advisor, Suhardiman Kardono Swadiri Hazwar, that judgments of non-Indonesian courts are not enforceable in Indonesian courts, although such judgments could be admissible as non-conclusive evidence in a proceeding on the underlying claim in an Indonesian court. We were also advised that there is doubt as to whether Indonesian courts will recognize judgments in original actions brought in Indonesian courts based only upon the civil liability provisions of the securities laws of other countries. In addition, an Indonesian court may refuse to hear an original action based on securities laws of other countries. As a result, holders of the Notes would be required to pursue claims against the Parent Guarantors or a Subsidiary Guarantor or their respective commissioners, directors and executive officers in Indonesian courts.

The claims and remedies available under Indonesian law may not be as extensive as those available in other jurisdictions. No assurance can be given that the Indonesian courts will protect the interests of holders of the Notes in the same manner or to the same extent as would courts in more developed countries outside of Indonesia.

Through the purchase of the Notes and Guarantees, noteholders may be exposed to a legal system subject to considerable discretion and uncertainty; it may be difficult or impossible for holders of the Notes to pursue claims under the Notes or the Guarantees because of considerable discretion and uncertainty of the Indonesian legal system.

Indonesian legal principles relating to the rights of debtors and creditors, or their practical implementation by Indonesian courts, may differ materially from those that would apply within the jurisdictions of the United States, the European Union or other jurisdictions. Neither the rights of debtors nor the rights of creditors under Indonesian law are as clearly established or recognized as under legislation or judicial precedent in the United States and most European Union member states. In addition, under Indonesian law, debtors may have rights and defenses to actions filed by creditors that these debtors would not have in jurisdictions with more established legal regimes such as those in the United States and the European Union member states.

Indonesia's legal system is a civil law system based on written statutes in which judicial and administrative decisions do not constitute binding precedent and are not systematically published. Indonesia's commercial and civil laws, as well as rules on judicial process, were historically based on Dutch law as in effect prior to Indonesia's independence in 1945, and some have not been revised to reflect the complexities of modern financial transactions and instruments. Indonesian courts may be unfamiliar with sophisticated commercial or financial transactions, leading in practice to uncertainty in the interpretation and application of Indonesian legal principles. The application of Indonesian law depends upon subjective criteria such as the good faith of the parties to the transaction and principles of public policy, the practical effect of which is difficult or impossible to predict. Indonesian judges operate in an inquisitorial legal system, have very broad fact-finding powers and a high level of discretion in relation to the manner in which those powers are exercised. In practice, Indonesian court decisions may omit, or may not be decided upon, a legal and factual analysis of the issues presented in a case, and as a result, the administration and enforcement of laws and regulations by Indonesian courts and Indonesian governmental agencies may be subject to considerable discretion and uncertainty. Furthermore, corruption in the court system in Indonesia has been widely reported in publicly available sources.

In addition, under the Indonesian Civil Code, although a guarantor may waive its right to require the obligee to exhaust its legal remedies against the obligor's assets prior to the obligee exercising its rights under the related guarantee, a guarantor may be able to argue successfully that the guarantor can nonetheless require the obligee to exhaust such remedies before acting against the guarantor. No assurance can be given that an Indonesian court would not side with a Parent Guarantor or a Subsidiary Guarantor on this matter, despite the express waiver by Parent Guarantor and a Subsidiary Guarantor of this obligation in the Guarantees.

Furthermore, on September 2, 2013 the holders of notes issued by BLD Investments Pte. Ltd. and guaranteed by PT Bakrieland Development Tbk ("**Bakrieland**"), under a trust deed governed under English law, filed a suspension of debt payment (*Penundaan Kewajiban Pembayaran Utang* or "**PKPU**") petition with the Commercial Court on certain grounds, including that Bakrieland had failed to comply with its obligation to repay the principal amount of the notes when noteholders exercised their put option under the terms of the notes. In its decision dated September 23, 2013, the Commercial Court ruled, among other things, that the trust deed relating to the notes is governed by English law, all disputes arising out of or in connection with the trust deed must be settled by English courts and, accordingly, that the Commercial Court does not have authority to examine and adjudicate this case.

As a result, it may be difficult for holders of the Notes to pursue a claim against the Issuer, the Parent Guarantors or any of the Subsidiary Guarantors in Indonesia, which may adversely affect or eliminate entirely the ability of the noteholders to obtain and enforce a judgment against the Issuer, the Parent Guarantors or any of the Subsidiary Guarantors in Indonesia or increase the costs incurred by holders of the Notes in pursuing, and the time required to pursue, claims against the Issuer, the Parent Guarantors or any of the Subsidiary Guarantors.

Indonesian companies have filed suits in Indonesian courts to invalidate transactions involving offshore offering structures and succeeded in claims against lenders and other transaction participants to invalidate borrowing obligations and win damages in excess of the amounts borrowed.

In several cases in Indonesian courts, Indonesian companies which had defaulted on notes and other debt incurred through offshore financing entities using a structure involving a guarantee granted by an Indonesian company, have successfully sued creditors and other transaction participants obtaining, among other relief:

- a declaration that the entire debt obligation is null and void;
- disgorgement of prior payments made to noteholders on the notes;
- damages from lenders and other transaction participants in amounts exceeding the original proceeds of the debt issued; and
- injunctions prohibiting holders of the notes from enforcing rights under the transaction documents and trading in the notes.

Publicly available reports, including decisions of Indonesian courts, do not provide a clear factual basis or legal rationale for these judgments. In reaching these decisions, however, the Indonesian courts have not followed the contractual selection of non-Indonesian law as the governing law. These courts have in certain instances barred the exercise of any remedies available to investors anywhere in the world.

In a June 2006 decision that was released in November 2006, the Indonesian Supreme Court affirmed a lower court judgment that invalidated U.S.\$500 million of notes (the “**Indah Kiat Notes**”) issued by Indah Kiat International Finance Company B.V., a Dutch subsidiary of Indah Kiat that were guaranteed by Indah Kiat. The Indonesian courts nullified the Indah Kiat Notes and ruled that the defendants (including the trustee, underwriter and security agent for the issuance of the notes) committed an unlawful act (*perbuatan melawan hukum*) on the basis that the contracts made in relation to the notes were signed without any legal cause, and thus did not meet the provision of Article 1320 of the Indonesian Civil Code that requires a legal cause (*cause yang halal*) as one of the elements for a valid agreement. The Indonesian courts also ruled that the establishment of Indah Kiat BV was unlawful as it was intended to avoid Indonesian withholding tax payments. However, the June 2006 Decision was further annulled by the Indonesian Supreme Court on a civil review (*peninjauan kembali*) under the August 2008 Decision on the basis that the claim should have been brought in the courts of New York and not a District Court of Indonesia, as the agreements were governed by New York law.

Despite the decision described above, the Indonesian Supreme Court has taken a contrary view with respect to PT Lontar Papyrus Pulp & Paper Industry (“**Lontar Papyrus**”), a sister corporation of Indah Kiat, which was the plaintiff in the case relating to the June 2006 Decision. In a March 2009 decision, the Indonesian Supreme Court refused a civil review of a judgment by the District Court of Kuala Tungkal, which invalidated U.S.\$550 million of notes issued by APP International Finance Company B.V. (“**APPC**”), a Dutch subsidiary of Lontar Papyrus, and guaranteed by Lontar Papyrus, by reasoning that the loan agreement between APPC and Lontar Papyrus and the indenture must conform to the prevailing laws and regulations in Indonesia. In addition, the fact that the loan had been paid in full by Lontar Papyrus to APPC under the relevant loan agreement resulted in Lontar Papyrus having no continuing outstanding legal obligation, either as debtor under the relevant loan agreement or as guarantor under the indenture.

In September 2011, the Indonesian Supreme Court, whose judgment has not been made publicly available, refused a civil review of a decision by the District Court of Bengkalis (whose judgment was the subject of the Indonesian Supreme Court's June 2006 Decision and August 2008 Decision), which invalidated the notes issued by Indah Kiat International Finance Company B.V. (the "**September 2011 Decision**"). The facts and legal claims presented by Indah Kiat International Finance Company B.V. were substantially the same as those made by Indah Kiat in the lower court cases that were the subject of the June 2006 Decision. The September 2011 Decision specifically noted that the Indonesian Supreme Court chose to not consider its August 2008 Decision despite such substantially similar facts and legal claims.

The Indonesian Supreme Court's refusal to grant civil reviews of the lower court decisions in the March 2009 Decision and September 2011 Decision effectively affirmed the lower courts' decisions to invalidate the relevant notes and the issuers' and guarantors' obligations under such notes, and such lower court decisions are now final and not subject to further review.

Further, Indonesian law does not recognize equitable principles in general including, without limitation, the relationship of trustee and beneficiary or other fiduciary relationships as would be the case in common law jurisdictions. In several court-supervised debt restructuring proceeding in Indonesia, known as a PKPU proceeding, the PKPU administrator and the Supervisory Judges at the Commercial Court had failed to acknowledge the noteholders or the trustee as creditors of the parent guarantors under the guarantee arrangement in a financing scheme similar to this offering, and gave no effect to the guarantee.

On December 8, 2014, the Supervisory Judge in proceedings before the Commercial Court, whose determination has not been made publicly available, determined that noteholders were not creditors of PT Bakrie Telecom Tbk ("**Bakrie Tel**") for purposes of its court-supervised debt restructuring, known as a PKPU (the "**Bakrie Tel PKPU**"). Bakrie Tel, an Indonesian telecommunications company, was the guarantor of U.S.\$380 million of senior notes issued in 2010 and 2011 by a Singapore-incorporated special purpose vehicle that is a subsidiary of Bakrie Tel. The proceeds from the offering of the notes were on-lent to Bakrie Tel pursuant to an intercompany loan agreement, which was guaranteed by Bakrie Tel and assigned to the noteholders as collateral. In its decision affirming the debt restructuring composition plan, the Commercial Court accepted the Supervisory Judge's determination that the relevant creditor of Bakrie Tel in respect of the U.S.\$380 million notes was the issuer's subsidiary, rather than the noteholders or the trustee, and gave no effect to the guarantee. As such, only the intercompany loan was recognized by the Commercial Court as indebtedness on which Bakrie Tel was liable for purposes of the Bakrie Tel PKPU. As a result, only the issuer's subsidiary had standing as a Bakrie Tel creditor to vote in the Bakrie Tel PKPU proceedings, whereby the terms of the US dollar bonds and the guarantee were substantially altered.

Similar to the Bakrie Tel PKPU case, the Indonesian court, through a PKPU mechanism of the Indonesian company PT Trikonsel Oke Tbk ("**Trikonsel**"), failed to acknowledge the right of the trustees of Trikonsel two Singaporean Dollar notes to make claims on behalf of the noteholders, therefore denying any voting rights in the creditors meeting. The PKPU process was settled on September 28, 2016, through the ratification of a composition plan (*rencana perdamaian*) by the Commercial Court. In such composition plan, the noteholders may be required to convert their notes into new shares to be issued by Trikonsel, thereby extinguishing the notes.

The Indonesian legal system does not recognize the concept of "precedent" which is recognized in the common law system, but does acknowledge the concept of jurisprudence. This means that Indonesian court decisions are not binding precedents and do not constitute a source of law at any level of the judicial hierarchy as would be the case in common law jurisdictions such as the United States and the United Kingdom. While lower courts are not bound by the Supreme Court decision, such decisions have persuasive force. Accordingly, an Indonesian court could take a similar approach in any dispute regarding the Guarantees and declare them unenforceable. The outcome of specific cases in the Indonesian legal system is subject to considerable discretion and uncertainty. Therefore, there can be no assurance that in the future a court will not issue a similar decision to the June 2006 Decision,

March 2009 Decision or PKPU decisions relating to Trikonsel and Bakrie Tel mentioned above in relation to the validity and enforceability of the Notes and the Guarantees or grant additional relief to the detriment of holders of the Notes, if the Issuer were to contest efforts made by holders of the Notes to enforce these obligations.

Furthermore, there can be no assurance that any similar cases currently on appeal will be resolved in favor of the creditors nor that a successful appeal would constitute a legal precedent disabling future cases on the same basis from being brought at the district court level.

Therefore, the holders of the Notes may have difficulty in enforcing any rights under the Notes, the Guarantees or the other transaction documents in Indonesia, where most of the Guarantors' assets are located. Moreover, depending on the recognition which non-Indonesian courts may grant to such Indonesian decisions, the holders of the Notes may also be disabled from enforcing any rights under the Notes, the Guarantees or the other transaction documents, or collecting on the Issuer's, a Parent Guarantor's or a Subsidiary Guarantor's assets, anywhere else in the world. In sum, the holders of the Notes may have no effective or practical recourse or any assets or legal process in Indonesia to enforce any rights against us or the Issuer.

In addition, the participation of a holder of a Note as a creditor in this transaction may expose it to affirmative judgments by Indonesian courts against it (beyond the value of the Notes such holder of a Note purchased). Moreover, affirmative relief granted against the holders of the Notes by Indonesian courts may be enforced by non-Indonesian courts against the assets of the holders of the Notes (or other transaction participants) located outside of Indonesia (and each holder of a Note should consult its own lawyer in that regard).

The Guarantees may be challenged under applicable financial assistance, insolvency or fraudulent transfer laws, which could impair the enforceability of the Guarantees.

Under bankruptcy laws, fraudulent transfer laws, financial assistance, insolvency or unfair preference or similar laws in Indonesia, where the Parent Guarantors and the Subsidiary Guarantors are incorporated and where all of their significant assets are currently located (as well as under the law of certain other jurisdictions to which in certain circumstances a Parent Guarantor or a Subsidiary Guarantor may be subject), the enforceability of the Guarantees may be impaired if certain statutory conditions are met. In particular, the Guarantees given by a Guarantor may be voided, or claims in respect of the Guarantees could be subordinated to all other debts of such Guarantor, if at the time that such Guarantor incurred the indebtedness evidenced by, or when it gives, its Guarantees, it:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the Guarantees in a position which, in the event of such Guarantor's insolvency, would be better than the position the beneficiary would have been in had the Guarantees not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such Guarantees;
- received no commercial benefit;
- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which such Guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The test for insolvency, the other particular requirements for the enforcement of fraudulent transfer law, and the nature of the remedy in the event of a fraudulent transfer, may vary depending on the law of the jurisdiction which is being applied. Under the laws of Indonesia, a director has the authority to exercise the day to-day management of a company and must always act in the best interests of the company, and as such it would also be necessary for the directors to ensure that such Guarantor is solvent immediately after entry into, and performance of any obligation under, the transaction, that:

- it will be able to satisfy its liabilities as they become due in the ordinary course of its business; and
- the realizable value of the assets of such Guarantor will not be less than the sum of its total liabilities other than deferred taxes, as shown in the books of account, and its capital.

The directors are required to ensure that the issued capital of such Guarantor is maintained and that, after the giving of the Guarantees, such Guarantor would have sufficient net assets to cover the nominal value of its issued share capital.

If a court voided the Guarantees, or held the Guarantees unenforceable for any other reason, then the holders of the Notes would cease to have a claim against such Guarantor based upon such Guarantees, and would solely be creditors of the Issuer. If a court subordinated the Guarantees to other indebtedness of such Guarantor, then claims under the Guarantees would be subject to the prior payment of all liabilities (including trade payables). We cannot assure you that there would be sufficient assets to satisfy the claims of holders of the Notes after providing for all such prior claims.

Claims of the secured creditors of the Guarantors will have priority with respect to their security over the claims of unsecured creditors, such as the holders of the Notes, to the extent of the value of the assets securing such indebtedness (other than the Collateral if applicable).

As of September 30, 2017, CBI and its consolidated subsidiaries, on a combined and *pro forma* basis for the CBI Reorganization, had Rp.5,191.1 billion of secured indebtedness outstanding under our credit facilities. We may also be able to borrow substantial additional indebtedness, including senior debt, in the future under the terms of the Indenture. Claims of the secured creditors of the Guarantors will have priority with respect to the assets securing their indebtedness over the claims of holders of the Notes. Therefore, the Guarantees will be effectively subordinated to any secured indebtedness and other secured obligations of the Guarantors to the extent of the value of the assets securing such indebtedness or other obligations (other than the Collateral if applicable). In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of the Guarantors that has secured obligations, holders of secured indebtedness will have prior claims to the assets of the Guarantors that constitute their collateral (other than the Collateral if applicable). The holders of the Notes will participate ratably with all holders of the unsecured indebtedness of the Guarantors, and potentially with all of their other general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the Guarantors. In the event that any of the secured indebtedness of the Guarantors becomes due or the creditors thereunder proceed against the assets that secure such indebtedness, the Guarantors' assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the Guarantees. As a result, holders of the Notes may receive less than holders of secured indebtedness of the Guarantors.

We may be subject to future bankruptcy, insolvency and similar proceedings in Indonesia or other jurisdictions, which may delay or prevent payment on the Notes.

Any future defaults in amounts of interest, on principal of, and premium or additional amounts, if any, due on the Notes may, under the terms of the Notes and the Indenture, only be waived with the consent of each holder of the Notes. Should we launch an exchange offer and/or consent solicitation in the future to obtain such waiver, we cannot assure you that all holders of the Notes will waive such future defaults in amounts of interest on, principal of, and premium or additional amounts, if any, due on the Notes.

Although we expect that, upon consummation of any exchange offer and/or consent solicitation, any composition plan that we enter into will bar holders of the Notes from bringing future bankruptcy, insolvency or similar proceedings in Indonesia, Indonesian principles of law relating to the rights of creditors have not been clearly or consistently applied by the Indonesian courts. In addition, we have not sought court protection from our creditors in Indonesia or where we have significant contractual obligations. As a result of the foregoing, there can be no assurance that holders of the Notes will not in the future seek to file a petition for bankruptcy, insolvency or similar proceeding against us in Indonesia or other jurisdictions.

Under the Indonesian Bankruptcy Law, a creditor that foresees its debtor would not be able to continue to pay its debts when they become due and payable, or a debtor which is unable, or predicts that it would be unable, to pay its debts when they become due and payable, may file a petition for bankruptcy or PKPU with the Commercial Court. In addition, a debtor who has two or more creditors and who is unable to pay any of its debt may be declared bankrupt by virtue of a Commercial Court decision. Under the Indonesian Bankruptcy Law, a PKPU proceeding takes priority over a bankruptcy proceeding and must be decided first. As such, a PKPU proceeding will effectively postpone the bankruptcy proceeding. As a result, creditors are unlikely to receive any payment during the course of the bankruptcy or PKPU proceeding (with the exception of secured creditors subject to certain conditions) and the bankruptcy estate is likely to be insufficient to fully settle their claims. We cannot assure you that the Guarantors will not be involved in a bankruptcy or PKPU proceeding, which may delay payment on the Notes and enforcement on the Guarantees.

In addition, during the PKPU proceeding, the debtor may propose a composition plan to its creditors. Such composition, if approved at a creditors' meeting and ratified by the Commercial Court, will be binding on all unsecured creditors and on secured creditors that voted for the composition plan, and the PKPU proceeding ends. The debtor can then continue its business and service its debt in accordance with the composition plan proposed by the debtor and approved at the creditors' meeting and ratified by the court. The secured creditors that did not attend the creditors' meeting or vote on the plan are not bound by the plan and are entitled to enforce their security interests. As a composition plan, if approved, is approved by majority of the creditors on a collective basis, it may not be in the best interests of any particular creditor. If the Guarantor becomes a debtor in a bankruptcy proceeding or a PKPU proceeding in Indonesia, we may file for PKPU with a proposed composition plan which may not be satisfactory to you. If such composition plan is approved, it will be binding on you.

The Issuer and the Parent Guarantors may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture governing the Notes.

Upon a Change of Control (as defined in the Indenture governing the Notes), the Issuer or either of the Parent Guarantors must make an offer to repurchase all outstanding Notes. Pursuant to this offer, the Issuer or the applicable Parent Guarantor must repurchase the outstanding Notes at 101% of their principal amount plus accrued and unpaid interest, if any, up to the date of repurchase. See *"Description of the Notes — Repurchase of Notes Upon a Change of Control."* However, the Issuer and the Parent Guarantors may not have enough available funds at the time of any Change of Control to pay the purchase price of the tendered outstanding Notes. The Issuer's and the Parent Guarantors' failure to make the offer to repurchase or repurchase tendered Notes would constitute an Event of Default (as defined in the Indenture). This Event of Default may, in turn, constitute an event of default under other indebtedness, any of which could cause such other indebtedness to be accelerated after any applicable notice or grace periods. If such other debt were accelerated, we may not have sufficient funds to repurchase the Notes and repay the debt.

In addition, the definition of Change of Control for purposes of the Indenture governing the Notes does not necessarily afford protection for the holders of the Notes in the event of some highly-leveraged transactions, including certain acquisitions, mergers, refinancings, restructurings or other recapitalizations, although these types of transactions could increase our indebtedness or otherwise affect our capital structure or credit ratings and the holders of the Notes. The definition of Change of Control for purposes of the Indenture also includes a phrase relating to the sale of “all or substantially all” of our properties or assets and our subsidiaries taken as a whole. Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition under applicable law. Accordingly, the Issuer’s and the Parent Guarantors’ obligation to make an offer to repurchase the Notes, and the ability of a holder of Notes to require us to repurchase the Notes pursuant to the offer, as a result of a highly leveraged transaction or a sale of less than all of our assets, may be uncertain.

The Trustee may request holders of the Notes to provide an indemnity and/or security and/or pre-funding to its satisfaction.

Where the Trustee is bound under the provisions of the Indenture and the Notes to act at the request or direction of the noteholders, the Trustee shall nevertheless not be so bound unless first indemnified and/or provided with security and/or pre-funded to its satisfaction against all actions, proceedings, claims and demands to which it may render itself liable and all costs, charges, damages, expenses and liabilities which it may incur by so doing. Negotiating and agreeing to an indemnity and/or security and/or pre-funding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or pre-funding, in breach of the terms of the Indenture or the Notes and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Notes to take such actions directly.

Only the Subsidiaries of the Parent Guarantors, including the Issuer, which are designated as restricted subsidiaries (“Restricted Subsidiaries”) will be subject to the restrictive covenants contained in the Indenture. Furthermore, certain of the Parent Guarantors’ Restricted Subsidiaries will not guarantee the Notes.

After the Original Issue Date, subject to certain conditions, we may designate certain Restricted Subsidiaries (other than the Issuer or SPIPL) as “Unrestricted Subsidiaries.” The Unrestricted Subsidiaries will generally not be subject to the restrictive covenants in the Indenture and will not guarantee the Notes. There will be no limitation in the Indenture on the amount of indebtedness that the Unrestricted Subsidiaries may incur in the future and there can be no assurance that we will not operate or dispose of such subsidiaries in a manner less beneficial to the Holders of the Notes than the methods permitted under the Indenture with respect to our Restricted Subsidiaries.

Furthermore, on the Original Issue Date, not all of the Parent Guarantors’ Restricted Subsidiaries will provide a Guarantee. PT Kalimantan Sawit Abadi, PT Tanjung Sawit Abadi, PT Sawit Multi Utama, PT Mirza Pratama Putra, PT Menteng Kencana Mas, PT Natai Sawit Perkasa, PT Mendawai Putra, PT Intrado Jaya Intiga, PT Borneo Industri Terpadu, PT Surya Borneo Energi, PT Citra Borneo Chemical, PT Borneo Industri Nusantara and PT Borneo Sawit Gemilang will each provide a Guarantee on the Original Issue Date. PT Mitra Mendawai Sejati (“MMS”) and certain subsidiaries of CBI are not expected to provide any Guarantee while each of SBI and CBU is expected to provide a Guarantee as soon as practicable following the completion of the offering of the Notes and in any event prior to July 31, 2018. See “—Payments under the Notes and the Guarantees will be structurally subordinated to liabilities and obligations of certain of our the Parent Guarantors’ subsidiaries.” As of September 30, 2017, MMS and the non-guarantor subsidiaries of CBI had no indebtedness outstanding, other than indebtedness owed by MMS to Lembaga Pembiayaan Ekspor Indonesia and term loans from PT Bank Perkreditan Rakyat Lingga Sejahtera to each of PT Central Kalimantan Abadi and PT Amprah Mitra Jaya, and the other indebtedness as stated in SSMS Consolidated Financial Statements and CBI Consolidated Financial Statements. The Notes will be effectively subordinated to existing and future obligations of the subsidiaries that are not Guarantors. See “Description of the Notes.”

The ratings assigned to the Notes may be lowered or withdrawn.

The ratings assigned to the Notes may be lowered or withdrawn entirely in the future. The Notes are expected to be rated “B1” by Moody’s, and “B+” by Fitch. The ratings represent the opinions of the ratings agencies and their assessment of the ability of each of the Issuer and the Parent Guarantors to perform its respective obligations under the terms of the Notes and the Guarantees and credit risks in determining the likelihood that payments will be made when due under the Notes. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. No assurances can be given that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Notes of any such revision, downgrade or withdrawal. In addition, we cannot assure you that rating agencies other than Moody’s and Fitch would not rate the Notes differently. A suspension, reduction or withdrawal at any time of the rating assigned to the Notes or the assignment by a rating agency other than Moody’s and Fitch of a rating of the Notes lower than those provided may adversely affect the market price of the Notes.

An active trading market for the Notes may not develop and the trading price of the Notes could be materially and adversely affected.

Although the Joint Lead Managers have advised us that they intend to make a market in the Notes, they are not obligated to do so and may discontinue such market making activity at any time without notice. We cannot predict whether an active trading market for the Notes will develop or be sustained. If an active trading market were to develop, the Notes could trade at prices that may be lower than their initial offering price. The liquidity of any market for the Notes depends on many factors, including:

- the number of holders of Notes;
- the interest of securities dealers in making a market in the Notes;
- prevailing interest rates and the markets for similar securities;
- general economic conditions; and
- our financial condition, historical financial performance and future prospects.

If an active market for the Notes fails to develop or be sustained, the trading price of the Notes could be materially and adversely affected. Approval-in-principle has been received for the listing and quotation of the Notes on the SGX-ST. However, no assurance can be given that we will be able to obtain or maintain such listing or that, if listed, a trading market will develop. We do not intend to apply for listing of the Notes on any securities exchange other than the SGX-ST. Lack of a liquid, active trading market for the Notes may adversely affect the price of the Notes or may otherwise impede a holder’s ability to dispose of the Notes.

The transfer of the Notes is restricted which may adversely affect their liquidity and the price at which they may be sold.

The Notes and the Guarantees have not been registered under, and we are not obligated to register the Notes or the Guarantees under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. We have not agreed to or otherwise undertaken to register the Notes and the Guarantees, and we have no intention to do so.

Investment in the Notes may subject noteholders to foreign exchange risks.

The Notes are denominated and payable in US dollars. If you measure your investment returns by reference to a currency other than US dollars, an investment in the Notes entails foreign exchange-related risks, including possible significant changes in the value of the US dollars relative to the currency by reference to which you measure your returns, due to, among other things, economic, political and other factors over which we have no control. Depreciation of the US dollar against the currency by reference to which you measure your investment returns could cause a decrease in the effective yield of the Notes below their stated coupon rates and could result in a loss to you when the return on the Notes is translated into the currency by reference to which you measure your investment returns. In addition, there may be tax consequences for you as a result of any foreign exchange gains resulting from any investment in the Notes.

The value of the Collateral may not be sufficient to satisfy our obligations under the Notes.

The obligations of the Issuer and the Company under the Notes and the Company's Parent Guarantee, respectively, are secured by the Collateral (as defined in "*Description of the Notes*") which on the Original Issue Date will consist of an assignment by SPIPL of all its interest in, and rights under, the Intercompany Loan, a pledge by the Issuer of the Capital Securities, a pledge by the Company of the shares of the Issuer and a pledge by the Issuer of the shares of SPIPL. The amount of proceeds that would ultimately be realized from the Collateral upon any enforcement action may not be sufficient to satisfy our obligations under the Notes. The value of the Collateral and any amount to be recovered upon enforcement action against the Collateral will depend upon many factors including, among others, the jurisdiction in which the enforcement action or sale is completed, the ability to sell the Collateral in an orderly sale, the availability of buyers and the condition of the Collateral. The sale of certain Collateral, including pledged shares, may violate provisions of certain of our operating agreements and may result in the termination of such agreements. An appraisal of the Collateral has not been prepared in connection with this offering of the Notes. Accordingly, we cannot assure you that the proceeds of any sale of the Collateral following an acceleration of the Notes or otherwise would be sufficient to satisfy, or would not be substantially less than, our obligations under the Notes. Each of these factors could reduce the likelihood of an enforcement action as well as reduce the amount of any proceeds in the event of an enforcement action.

The Pari Passu Collateral (as defined herein) will be shared on a *pari passu* basis with any other Permitted Pari Passu Secured Indebtedness (as defined in the Indenture) that may be issued in the future. Accordingly, in the event of a default on the Notes or the other secured indebtedness and a foreclosure on the Collateral, any foreclosure proceeds would be shared by the holders of secured indebtedness in proportion to the outstanding amounts of each class of such secured indebtedness.

The ability of the Collateral Agent to foreclose on the Collateral, upon the occurrence of an Event of Default or otherwise, will be subject in certain instances to perfection and priority issues. Although procedures will be undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Trustee or holders of the Notes will be able to enforce any of the security interests. The value of the Collateral in the event of a liquidation will depend upon market and economic conditions, the availability of buyers and similar factors. By its nature, some or all of the Collateral may be illiquid and may have no readily ascertainable market value. We cannot assure you that the Collateral will be saleable or, if saleable, that there will not be substantial delays in its liquidation.

The rights over the Collateral will not be granted directly to holders of the Notes.

The rights over the Collateral securing the obligations of the Issuer and the Parent Guarantors under the Notes and the Indenture have not been and will not be granted directly to holders of the Notes, but will be granted only in favor of the Collateral Agent. The Pari Passu Collateral will be shared on a *pari passu* basis with any other Permitted Pari Passu Secured Indebtedness that may be issued in the future. As a consequence, holders of the Notes will not have direct security and will not be entitled

to take enforcement action in respect of the security for the Notes and the Guarantees, except through the Collateral Agent, which has agreed to apply any proceeds of enforcement on such security towards such obligations and in the case of the Collateral and any Permitted Pari Passu Secured Indebtedness. Other than the concept of trustee (*wali amanat*) as stipulated under Law No. 8 of 1995 on Capital Markets and Law No 19 of 2008 on Sovereign *Sukuk* (*Surat Berharga Syariah Negara*), Indonesian law does not recognize the concept of trust including, without limitation, the relationship of trustee and beneficiary or other fiduciary relationships. Accordingly, enforcement of the provisions granting security in favor of third-party beneficiaries and otherwise relating to the nature of the relationship between a trustee (in its capacity as such) and the beneficiaries of a trust in Indonesia will be subject to an Indonesian court accepting the concept of trustee under New York law and Singapore law and accepting proof of the application of equitable principles under such security documents.

The pledge of certain Collateral may in certain circumstances be voidable.

The pledge of the Collateral securing the Notes may be voidable under insolvency, bankruptcy, fraudulent transfer or similar laws of Singapore and other jurisdictions, if and to the extent applicable. In the case of the Collateral being voidable under such laws in Singapore, the relevant time period during which such security is voidable could be within six months of the date of the pledge or, under some circumstances, it could be voidable within longer periods. If the pledges of the Collateral were to be voided for any reason, holders of the Notes would have only an unsecured claim against us. In addition, if the pledge of certain Collateral is voided or challenged under such laws, this could impair the enforceability of the Guarantees.

Noteholders are exposed to risks relating to Singapore taxation.

The Notes to be issued are intended to be “qualifying debt securities” for the purposes of the Income Tax Act, Chapter 134 of Singapore (“ITA”), subject to the fulfillment of certain conditions more particularly described in the section “*Taxation — Singapore Taxation.*”

However, there is no assurance that the Notes will continue to be “qualifying debt securities” or that the tax concessions in connection therewith will apply throughout the tenure of the Notes should the relevant tax laws be amended or revoked at any time.

Current Bapepam-LK regulations may restrict our ability to issue the Notes and any additional debt securities.

On November 28, 2011, Bapepam-LK Regulation IX.E.2 on Material Transactions and Change of Main Business Activities was issued, which replaced the previous regulation issued in 2009 (the “**Material Transactions Regulation**”). This regulation is applicable to publicly listed companies in Indonesia and their unlisted consolidated subsidiaries.

Subject to certain exceptions under the Material Transactions Regulation, a material transaction (which includes borrowing and lending activities such as the issuance of the Notes) with a value in excess of 50% of a company’s equity as determined by the latest audited annual financial statements, semi-annual limited reviewed financial statements or audited interim financial statements (whichever is the latest), must be approved by shareholders holding more than half of all shares with valid voting rights who are present or represented, and more than half of such shareholders present or represented approve the transaction. The plan of a material transaction must be announced the public in at least through one Indonesian language daily newspaper having a national circulation at the same time as when the shareholders meeting plan announcement is made. The announcement is required to include a summary of the transaction, an explanation of the considerations and reasons for such material transaction and the effect of the transaction on the company’s financial condition, a summary of the appraisal report (including its purpose, the object, the parties involved, the assumptions, qualifications

and methodology used in the appraisal report, the conclusion on the value of the transaction). We are also required to obtain a fairness opinion which will need to be announced along with the final terms and conditions of the transaction at the latest by the end of the second business day after the Notes issuance.

The aggregate transaction value of the offering of the Notes and the lending of the proceeds of the Notes from SPIPL to us fall above the 50% threshold. Accordingly, in connection with the offering, we are required to obtain and submit to OJK (i) an evidence of disclosure announcement (ii) an evidence that we have obtained our shareholders' approval (which we have obtained and reported to OJK on July 19, 2017), and (iii) an appraisal report from an independent appraiser (registered with OJK), a summary of which is required to be published in a newspaper announcement along with the final terms and conditions of the Notes by the end of the second business day after the date of the Notes issuance. We have appointed an independent appraiser, *Kantor Jasa Penilai Publik* (KJPP) Jennywati, Kusnanto & Rekan (the “**Independent Appraiser**”), to prepare this appraisal report, which we expect to be completed on or about the original issue date of the Notes.

Subject to certain exceptions under the Material Transactions Regulation, if we decide to issue additional debt securities other than through a public offering in Indonesia, and the amount issued exceeds the 50% threshold, we would be required to obtain shareholders' approval, as well as a new appraisal report. There is no assurance that we would be able to obtain the approval of our shareholders or a favorable appraisal report in order to issue such additional debt securities. This requirement could limit our ability to finance our future operations and capital needs, or pursue business opportunities or activities that may be in our interest. Any limitation on our ability to raise funds to finance our operations could materially and adversely affect our business, financial condition, results of operations and prospects.

The appraisal report may not be accurate or complete, and you will not have access to it.

The Independent Appraiser is relying upon the accuracy and completeness of the information, including certain projections that we provide to it. The appraisal report that is submitted to OJK pursuant to Indonesian regulations will be based on certain assumptions, including certain assumptions with respect to the terms of the Notes and the Guarantees and projections, which, by their nature, are subjective and uncertain and may differ from actual results. The Independent Appraiser has not independently verified such information, and assumes no responsibility for and expresses no view as to any, such information, projections or the assumptions on which they were based. The Joint Lead Managers and our independent auditors have not examined, reviewed or compiled the projections and accordingly, do not express an opinion or any other form of assurance with respect thereto. Unanticipated results of, or changes in, our business or the residential and/or commercial property industry, or changes in global or local economic conditions or other relevant factors, could affect such projections and the conclusions in the appraisal report. After the issuance of the Notes, we expressly disclaim any duty to, and neither we nor the Independent Appraiser will, provide an update to the report of the differences between the projections or the assumptions made in the appraisal report.

Accordingly, the appraisal report is not a prediction or an indication of the Issuer's or the Guarantors' actual ability to perform their obligations under the Notes and Guarantees. Investors should not rely on the requirement of the Parent Guarantors to obtain an appraisal report when making an investment decision.

The full appraisal report, including the detailed projections underlying the analysis and the assumptions on which the appraiser's conclusions are based, is confidentially submitted to OJK and not available to shareholders or to you for review. The summary of the appraisal report will only be published in Bahasa Indonesia in a local newspaper at the latest by the end of the second business day after the date of the execution of the agreements related to the material transaction, and will not include a full statement of all of the relevant facts, information and assumptions on which the appraiser bases its conclusions.

The Singapore-Indonesia tax treaty may be applied in a manner adverse to the interests of the Company.

The Indonesian tax laws and regulations generally require a 20.0% tax to be withheld on the payment of interest from an Indonesian taxpayer to an offshore tax resident. On June 19, 2017, the Indonesian Directorate General of Taxation issued PER 10/PJ/2017 on The Implementation Procedure of Agreement for The Avoidance of Double Taxation ("**PER-10/2017**"), which came into effect on August 1, 2017. PER-10/2017 relates, among other things, to the application of tax treaty benefits. Under PER-10/2017, if it is determined that, among other things:

- a foreign tax resident submits its Certificate of Residence (ie Form DGT-1 and Form DGT-2) that meets administrative requirements and other certain requirements;
- abuse of a tax treaty does not take place; and
- the recipient of the income is the beneficial owner in the case it is required by the tax treaty,

then a taxpayer's entitlement to withholding tax benefits under an applicable tax treaty will be secured. See "*Taxation—Indonesian Taxation—Agreements for the Avoidance of Double Taxation.*"

Under the double tax treaty between Singapore and Indonesia (the "**Singapore-Indonesia Tax Treaty**"), the rate of withholding tax is reduced to 10% on the payment of interest to a Singapore tax resident which is the beneficial owner of this interest.

The reduced rate is available to a Singapore company only if the company is able to comply with the requirements stipulated in the PER-10/2017. Pursuant to these regulations, a Singapore company is required to provide to the Indonesian taxpayer a completed form (Form DGT-1), duly signed by the company and endorsed by the Inland Revenue Authority of Singapore ("**IRAS**") which states that:

- the structure and/or transactions are not created merely for the purpose of accessing the benefits under the Singapore-Indonesia Tax Treaty;
- there are relevant economic motives or other varied reasons for the establishment of the foreign entity;
- the company has its own management that has sufficient authority to make decisions;
- the entity has sufficient assets to conduct business other than the assets generating income from Indonesia;
- the entity has sufficient qualified employees;
- the entity has business activities other than receiving dividend, interest, royalty sourced from Indonesia;

- not more than 50.0% of the total income earned by the company is used to settle its obligations to other parties; and
- not having obligations either written or not to provide half or the entire income received from Indonesia to other parties.

If the IRAS is not able to endorse the Form DGT-1, a Singapore company must obtain a Certificate of Residence (“CoR”) from the IRAS and submit the certificate together with the Form DGT-1 to the Indonesian taxpayer. The CoR application from IRAS requires an undertaking by the Singapore company that the foreign income will be remitted to Singapore and declared for Singapore income tax purposes.

Under Singapore income tax law, the Issuer and SPIPL would be considered tax residents in Singapore if the control and management of their business is exercised in Singapore. As a general rule, the place where a company’s control and management is exercised, and hence its tax residence is the place where the directors of the company hold their meetings. The board of directors of both the Issuer and SPIPL will endeavor to ensure that the control and management of each of the Issuer and SPIPL is exercised in Singapore so that each would be considered a tax resident of Singapore. For this offering, the Issuer will contribute the net proceeds of this offering of Notes to SPIPL pursuant to a share subscription agreement as a share subscription for equity capital of SPIPL and pursuant to a subscription agreement to be entered into between the Issuer and SPIPL for perpetual capital securities to be issued by SPIPL. SPIPL then plans to on-lend the proceeds of such contribution to the Company pursuant to an intercompany loan agreement. SPIPL acts as an active group financing company for which purpose it intends to employ a number of qualified staff members to run its operations. SPIPL may in the future undertake a wide range of group financing activities and other activities for the benefit of the Parent Guarantors and the Subsidiary Guarantors. The Issuer is the beneficial owner of the shares in SPIPL. However, as PER-10/2017 is a newly issued regulation and has not yet been widely utilized, it remains uncertain as to whether the Indonesian tax authorities will view SPIPL as the beneficial owner of the interest under the Intercompany Loan. In the event that SPIPL is not so classified or SPIPL is not able to provide the completed Form DGT-1 (and, if required, Certificate of Domicile/Tax Residence as described below under “*Taxation — Indonesian Taxation — Agreements for the Avoidance of Double Taxation — Certificate of Domicile*”), payments of interest under the Intercompany Loan may not have the benefit of the Singapore-Indonesia Tax Treaty, and the Indonesian tax authorities may challenge whether such interest payments qualify for the withholding reduction provided by the Singapore-Indonesia Tax Treaty. As a result, any such interest payment may be subject to a 20.0% withholding tax in accordance with the applicable Indonesian tax law. Any late payment of tax will be subject to an interest penalty of 2.0% per month.

In the event that the 10.0% withholding tax rate does not apply, or in the event that the Guarantors make interest payments under the Guarantees, the statutory 20.0% withholding tax rate would apply. In such a scenario, under the terms of the Notes, the Issuer or the applicable Guarantor would, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by the Holder of such amounts as would have been received by such Holder had no such withholding or deduction been required. The requirement to pay additional amounts will increase the cost of servicing interest payments on the Notes, could impose a significant burden on the Parent Guarantors’ cash flows and could have a material adverse effect on the Parent Guarantors’ financial condition and results of operations, and the Issuer’s ability to pay interest on, and repay the principal amount of, the Notes.

The Issuer is a finance company whose only material asset is the share capital and/or Capital Securities of SPIPL.

The Indenture governing the Notes will prohibit the Issuer from engaging in any activities other than certain limited activities described in “*Description of the Notes — Certain Covenants — Limitation on the Activities of the Issuer.*” There is no direct contractual claim or obligation between the Issuer and the Company and/or the Subsidiary Guarantors in relation to any Intercompany Loan or through any other funding method granted by SPIPL to the Company and/or the Subsidiary Guarantors.

The Issuer is a financing entity wholly-owned by the Company with limited assets and has no business operations other than issuing the Notes and engaging in related transactions and future issuances of debt securities upon and with terms substantially similar to the Notes. The proceeds from the Notes issuance will be used by the Issuer to provide additional financing to the Company through one or more intercompany loans to the Company. The Issuer's ability to make payments on the Notes is dependent directly on payments made to SPIPL by the Company under the intercompany loans. The Company's ability to make payments to SPIPL under the intercompany loans will depend on a number of factors, some of which may be beyond our control, including those identified elsewhere in this "Risk Factors" section. If the Company fails to make scheduled payments under any of the intercompany loans, the Issuer will not have any other source of funds to meet its payment obligations under the Notes.

As of the date of this Offering Memorandum, SPIPL has no material assets other than any Intercompany Loans granted by SPIPL to the Company. SPIPL is a restricted subsidiary and is subject to all of the covenants applicable to restricted subsidiaries. In addition it is subject to certain additional restrictions under the Indenture. However, unlike the Issuer, SPIPL is permitted to engage in certain activities that could give rise to other obligations that may cause it to be unable to make payments to the Issuer in amounts sufficient for the Issuer to make payments due on the Notes, even if the Company made the required payments to SPIPL under an Intercompany Loan. Furthermore, there is no contractual requirement obligating SPIPL to pay dividends or any distributions to the Issuer in order for the Issuer to service payments on the Notes and there can be no assurance that SPIPL will make such payments to the Issuer in the ordinary course of business. In any event, payment of dividends by SPIPL may only be made out of its profits and there can be no assurance that this condition will be met to allow SPIPL to make such dividend payments to the Issuer in the future. In the event that the Issuer does not receive any dividend payments and/or other payments or distributions from SPIPL, the Issuer will need to enter into other agreements or loans from the Company, CBI and/or the Subsidiary Guarantors to meet its payment obligations under the Notes.

Payments under the Notes and the Guarantees will be structurally subordinated to liabilities and obligations of certain of the Parent Guarantors' subsidiaries.

The Parent Guarantors have only a shareholder's claim on the assets of any subsidiary in their group. This shareholder's claim is junior to the claims that creditors of any such subsidiary have against it. The noteholders will only be creditors of the Parent Guarantors, the Issuer and the Subsidiary Guarantors, and not of our other subsidiaries. Initially ten of the subsidiaries of the Parent Guarantors will not provide any Guarantee, although CBI will undertake to cause each of SBI and CBU, as soon as practicable following the completion of the offering of the Notes and in any event prior to July 31, 2018, to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which SBI and CBU will provide Subsidiary Guarantees of payment of the Notes. In addition, the noteholders will not have the benefit of any security interest over the shares of the Subsidiary Guarantors or any of the Parent Guarantors' other subsidiaries or any security interest over the assets of the Subsidiary Guarantors or any of the Parent Guarantors' other subsidiaries. As a result, liabilities of any of the Parent Guarantors' non-Guarantor subsidiaries, including any claims of trade creditors and preferred stockholders, and any secured obligations of the Subsidiary Guarantors, will be effectively senior to the Notes and the Guarantees. Any of the Parent Guarantors' non-Guarantor subsidiaries may in the future have other liabilities, including contingent liabilities that may be significant. Although the Indenture contains limitations on the amount of additional debt that the Parent Guarantors and the restricted subsidiaries may incur, the amounts of such debt could be substantial. As of September 30, 2017, CBI's Restricted Subsidiaries, excluding the Company, the Issuer and the Subsidiary Guarantors, had U.S.\$32.9 million of total current and non-current liabilities outstanding, and the Company's Restricted Subsidiaries, excluding the Issuer and the Subsidiary Guarantors, had U.S.\$33.6 million of total current and non-current liabilities outstanding. See "Description of the Notes — Certain Covenants — Limitation on Indebtedness and Preferred Stock."

The Notes will initially be held in book entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be represented by one or more Global Notes in registered form and deposited with a common depositary for the accounts of Euroclear and Clearstream. Interests in the Global Notes (as defined in “*Description of the Notes*”) will trade in book entry form only, and Notes in definitive registered form, or definitive registered Notes, will be issued in exchange for book entry interests only in very limited circumstances. Owners of book entry interests will not be considered owners of the Notes or noteholders. The common depositary for Euroclear and Clearstream will be considered the sole holder of the Global Notes representing the Notes. Payments of principal, interest and other amounts owing on or in respect of the Global Notes representing the Notes will be made to the Principal Paying Agent which will make payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with the procedures of Euroclear and Clearstream, respectively. After payment to the common depositary for Euroclear and Clearstream, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book entry interests. Accordingly, if you own a book entry interest, you must rely on the procedures of Euroclear and Clearstream, and if you are not a participant in Euroclear or Clearstream, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a noteholder under the Indenture.

Unlike the noteholders themselves, owners of book entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from the noteholders. Instead, if you own a book entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from Euroclear or Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book entry interests, if you own a book entry interest, you will be restricted to acting through Euroclear and Clearstream. The procedures to be implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes.

An Indonesian law requiring agreements involving Indonesian parties to be written in the Indonesian language and the fact that the Indenture and certain documents entered into in connection with the issuance of the Notes will be made and prepared in the Indonesian language as required under the law may raise issues as to the enforceability of agreements entered into in connection with the offer and sale of the Notes and the Guarantees.

Pursuant to Law No. 24/2009, agreements to which Indonesian entities are a party are required to be executed in Bahasa Indonesia, although, when a foreign entity is a party, an execution of the document also in English or the national language of the relevant foreign entity is permitted. However, there exists substantial uncertainty regarding how Law No. 24/2009 will be interpreted and applied, and it is not certain that an Indonesian court would permit the English version of an agreement to prevail or even consider the English version.

On June 20, 2013, the West Jakarta District Court ruled Decision No. 451/Pdt.G/2012/PN.Jkt.Bar (the “**June 2013 Decision**”), which annulled a loan agreement between an Indonesian borrower, namely PT Bangun Karya Pratama Lestari as plaintiff, and a non-Indonesian lender, Nine AM Ltd as defendant. The loan agreement was governed by Indonesian law and was drafted only in the English language. In the June 2013 Decision, the court held that as the agreement had not been drafted in the Indonesian language, as required by Article 31(1) of Law No. 24/2009, it therefore failed to satisfy the “lawful cause” requirement and was void from the outset, meaning that a valid and binding agreement had never existed. The June 2013 Decision was affirmed by the Jakarta High Court (in other jurisdictions, the Court of Appeal) in its decision issued on May 7, 2014 and further affirmed by the Supreme Court under its decision issued on October 23, 2015 that upheld two lower court decisions reached by the

Jakarta High Court and West Jakarta District Court. Indonesian court decisions are generally not binding precedents, as would typically be the case in common law jurisdictions. However, we cannot assure you that an Indonesian court will not, in the future, issue similar decisions to the foregoing.

The Indenture, which will govern the Notes, and certain other agreements in connection with this offer and sale of the Notes and the Guarantees will be prepared in dual language English and Bahasa Indonesia. Save for the Deeds of Corporate Guarantees, certain transaction documents will provide that in the event of a discrepancy or inconsistency, the English versions of the transaction documents will prevail; however, we cannot assure you that an Indonesian court would hold that the English language version would prevail. In addition, concepts in the English language may not have a corresponding term in Bahasa Indonesian and the exact meaning of the English text or may not be fully captured by such Bahasa Indonesian version. If this occurs, we cannot assure you that the terms of the Notes, including the Indenture, will be as described in this Offering Memorandum, or will be interpreted and enforced by the Indonesian courts as intended.

On July 7, 2014, the Government issued GR No.57/2014 to implement certain provisions of Law No. 24/2009. While this GR No.57/2014 focuses on the promotion and protection of the Bahasa Indonesia and literature and is silent on the question of contractual language, it reiterates that contracts involving Indonesian parties must be executed in the Indonesian language (although versions in other languages are also permitted). As Law No. 24/2009 does not specify any sanctions for non-compliance, we cannot predict how the implementation of Law No. 24/2009 (including its implementing regulation) will impact the validity and enforceability of the Notes in Indonesia, which creates uncertainty as to the ability of the holders of the Notes to enforce the Notes in Indonesia.

USE OF PROCEEDS

The Issuer will contribute the net proceeds of the offering of Notes to SPIPL by way of subscription of additional shares and/or perpetual securities issued by SPIPL. SPIPL, in turn, will use the funds obtained from the Issuer to fund an Intercompany Loan (as defined in “*Description of the Notes*”) to the Company.

We estimate that the aggregate net proceeds we will receive from the offering of the Notes will be approximately U.S.\$291.5 million, after deducting underwriting fees and commissions and other estimated expenses relating to the offering of the Notes. We intend to use such proceeds as follows: approximately U.S.\$280.0 million for the repayment of existing bank facilities, up to U.S.\$10 million to invest in forest conservation in Indonesia to initially be managed by TFT as a Forest Conservation Fund (see “*Sustainability*”), and the remainder for our general corporate purposes.

EXCHANGE RATES AND EXCHANGE CONTROLS

Bank Indonesia is the sole issuer of Rupiah and is responsible for maintaining the stability of the Rupiah. Since 1970, Indonesia has implemented three exchange rate systems: (i) a fixed rate between 1970 and 1978, (ii) a managed floating exchange rate system between 1978 and 1997 and (iii) a free floating exchange rate system since August 14, 1997. Under the second system, Bank Indonesia maintained stability of the Rupiah through a trading band policy, pursuant to which Bank Indonesia would enter the foreign currency market and buy or sell Rupiah, as required, when trading in the Rupiah exceeded bid and offer prices announced by Bank Indonesia on a daily basis. On August 14, 1997, Bank Indonesia terminated the trading band policy and permitted the exchange rate of the Rupiah to float without an announced level at which it would intervene, which resulted in a substantial subsequent decrease in the value of the Rupiah relative to the US dollar. Under the current system, the exchange rate of the Rupiah is determined by the interaction of supply and demand in the market. Bank Indonesia may take measures, however, to maintain a stable exchange rate.

The following table sets forth information on the exchange rates between the Rupiah and US dollars for the periods indicated based on the middle exchange rate on the last day of each month during the year indicated. The Rupiah middle exchange rate is calculated based on Bank Indonesia's buying and selling rates.

	Middle Exchange Rates			
	High	Low	Average	Period End
	(Rp per U.S.\$)			
2013	12,270	9,634	10,451	12,189
2014	12,900	11,271	11,864	12,440
2015	14,728	12,444	13,458	13,795
2016	13,946	12,926	13,307	13,436
2017	13,630	13,154	13,384	13,548
2018 (through January 12, 2018)	13,542	13,362	13,442	13,362

Source: Statistik Ekonomi dan Keuangan Indonesia (Indonesian Financial Statistics) published monthly by Bank Indonesia and available on the website of Bank Indonesia (www.bi.go.id).

The Federal Reserve Bank of New York does not certify for customs purposes a noon buying rate for cable transfers in Rupiah.

Exchange Controls

Indonesia has limited foreign exchange controls. The Indonesian Rupiah has been, and in general is, freely convertible within or from Indonesia. However, to maintain the stability of the Rupiah and to prevent the utilization of the Rupiah for speculative purposes by non-residents, Bank Indonesia has introduced regulations to restrict the movement of Indonesian Rupiah from banks within Indonesia to offshore banks, an offshore branch of an Indonesian bank, or any investment denominated in Rupiah with foreign parties and/or Indonesian parties domiciled or permanently residing outside Indonesia (without underlying trade or investment reasons), thereby limiting offshore trading to existing sources of liquidity. In addition, Bank Indonesia has the authority to request information and data concerning the foreign exchange activities of all persons and legal entities that are domiciled, or who plan to be domiciled, in Indonesia for at least one year.

PBI 16/22/2014 requires banks, non-bank financial institutions, non-financial institutions, state-owned companies, private companies, business entities and individuals to submit a report to Bank Indonesia on their foreign exchange activities. The report must include: (i) trade activities in goods, services and other transactions between residents and non-residents of Indonesia; (ii) the position and changes in the balance of foreign financial assets and foreign financial liabilities; and (iii) any plan to incur foreign debt and/or implementation of such plan.

Indonesian Law on Currency and the Mandatory Use of Rupiah

On June 28, 2011, the Indonesian House of Representatives (the Indonesian parliament) passed Law No. 7 of 2011 (the “**Currency Law**”) concerning the use of Rupiah. The Currency Law requires the use of and prohibits the rejection of Rupiah in certain transactions.

Article 21(1) of the Currency Law requires the use of Rupiah in certain transactions conducted in Indonesia including: (i) all payment transactions, (ii) any settlement of obligations which must be satisfied in cash, and/or (iii) any other financial transactions. However, Article 21(2) provides exemptions for (a) certain transactions relating to the implementation of state revenues and expenditures, (b) the receipt or provision of grants either from or to overseas, (c) international trade transactions, (d) bank deposits in foreign currency and (e) international financing transactions.

Article 23 of the Currency Law prohibits the rejection of Rupiah offered as a means of payment, or to settle obligations and/or in other financial transactions within Indonesia unless there is uncertainty regarding the authenticity of the Rupiah bills offered. The prohibition does not apply to transactions in which the payment or settlement of obligations in a foreign currency has been agreed in writing. Failure to comply with the Currency Law may result in imprisonment of up to one year and fines of up to Rp.200 million, and if the violation is committed by a company, the fines will be increased by one-third.

As the implementation of the Currency Law, on March 31, 2015, Bank Indonesia issued Bank Indonesia Regulation No. 17/3/PBI/2015 on Mandatory Use of Rupiah within the Territory of the Republic of Indonesia (“**PBI 17/2015**”) and further enacted Circular Letter of Bank Indonesia No. 17/11/DKSP dated June 1, 2015 (“**CL 17/2015**”), which requires any party to use Rupiah for any transaction conducted within Indonesia.

PBI 17/2015 and CL 17/2015 require the use of Rupiah for cash or non-cash transactions conducted in Indonesia, including (i) each transaction which has the purpose of payment; (ii) settlement of other obligations which must be satisfied with money; and/or (iii) other financial transactions (including deposits of Rupiah in various amount and types of Rupiah denomination from customers to banks). Subject to further requirements under PBI 17/2015, the obligation to use Rupiah does not apply to (i) certain transactions relating to the implementation of state revenues and expenditures; (ii) the receipt or provision of grants either from or to overseas; (iii) international trade transactions, which include (a) export and/or import of goods to or from outside Indonesian territory and (b) activities relating to cross-border trade in services; (iv) bank deposits denominated in foreign currencies; (v) international financing transactions; and (vi) transactions in foreign currency which are conducted in accordance with applicable laws, including, among others (a) a bank’s business activities in foreign currency conducted based on applicable laws regarding conventional and sharia banks, (b) securities in foreign currency issued by the Government in primary or secondary markets based on applicable laws, and (c) other transactions in foreign currency conducted based on applicable laws, including the relevant laws regarding Bank Indonesia, investments, and Indonesia Eximbank. However, any additional activities related to export or import of goods in Indonesia customs jurisdiction (including activities using vessels, airplanes, or other transportation means such as berthing of ships at ports, loading and unloading of containers, temporary storage containers at ports, and parking of airplanes at airports) are not categorized as “international trade transactions” and, therefore, are subject to the mandatory use of Rupiah. According to CL 17/2015, businesses in Indonesia must only quote prices of goods and/or services in Rupiah and are prohibited from quoting prices of goods and/or services in both Rupiah and foreign currency (dual quotation). This restriction applies to, among others, (i) price tags,

(ii) service fees, such as agent fees in property sale and purchase, tourism services fees or consultancy services fees, (iii) leasing fees, (iv) tariffs, such as loading/unloading tariff for cargos at the seaport or airplane ticket tariff, (v) price lists, such as restaurant menus, (vi) contracts, such as for the clauses on pricing or fee, (vii) documents of offer, order, invoice, such as the price clause in an invoice, purchase order or delivery order, and/or (viii) payment evidence, such as the price listed in a receipt.

PBI 17/2015 sets forth that a recipient is prohibited from refusing to receive Rupiah as a means of payment or for the settlement of Rupiah obligations or other financial transactions within Indonesia, unless, (a) there is doubt as to the authenticity of the Rupiah paid in a cash transaction; or (b) an obligation to settle in a foreign currency is agreed in writing by the parties. Article 10(3) of PBI 17/2015 further clarifies that the exemption under (b) applies only to:

- agreements relating to transactions exempted from the mandatory use of Rupiah as referred to in PBI 17/2015 (for example, international financing transactions); or
- agreements for “Strategic Infrastructure Projects” that have been approved by Bank Indonesia. “Strategic Infrastructure Projects,” as declared by the central or regional government and evidenced with a statement letter from the relevant ministries/ institutions to the project owner, includes transportation infrastructure (including airport services, port services, and railways facilities and infrastructure), roads, irrigation, drinking water infrastructure, sanitation infrastructure, telecommunication and information infrastructure, power infrastructure, and oil and gas infrastructure, funded by offshore borrowings from bilateral and multilateral agencies (such as the International Finance Corporation, the Japan Bank for International Cooperation, the Japan International Cooperation Agency, the Asian Development Bank, the Inter-American Development Bank).

PBI 17/2015 took effect on March 31, 2015, and the requirement to use Rupiah for non-cash transactions has been effective since July 1, 2015. Written agreements which were signed prior to July 1, 2015 that contain provisions for the payment or settlement of obligations in foreign currency for non-cash transaction will remain effective until the expiry of such agreements. However, any extension and/or amendment of such agreements must comply with PBI 17/2015. A breach of the requirements of PBI 17/2015 will be subject to (i) administrative, criminal or monetary sanctions up to Rp1 billion and (ii) loss of business licenses and/or interruption of business activities, if Bank Indonesia recommends so to the relevant authorities.

Purchasing of Foreign Currencies against Rupiah through Banks

Bank Indonesia Regulation No. 18/18/PBI/2016 dated September 5, 2016 on Foreign Exchange Transaction to Rupiah between Banks and Domestic Parties (“**PBI 18/18/2016**”), any conversion of Rupiah into foreign currency of spot and derivative (plain vanilla) transactions that exceeds a specific threshold is required to have an underlying transaction and be supported by underlying transaction documents. The underlying transaction requirement, including the underlying transaction documents, also applies to any transaction of foreign currency structured products in the form of call and spread option in any amount. Further, the maximum amount of such foreign exchange conversion cannot exceed the value of the underlying transaction. As the implementation of PBI 18/18/2016, on December 13, 2016, Bank Indonesia issued Circular Letter of Bank Indonesia No. 18/34/DPPK which further provides detailed underlying transaction requirements and examples for the implementation of PBI 18/18/2016 (“**CL 18/34**”).

The underlying transaction must consist of: (a) domestic and international trade of goods and services; (b) an investment in the form of direct investment, portfolio investment, loans, capital and other investment inside and outside Indonesia; and/or (c) the granting of a facility or financing from a Bank in foreign currencies and/or Rupiah for trade and investment activities. The underlying transaction must not include: (a) a placement of funds in banks in the form of a, among others, saving account, demand deposit account, time deposit, or negotiable certificate deposit; (b) money transfers by a remittance company; (c) an undrawn credit facilities, including standby loans and undisbursed loans;

and (d) the usage of Bank Indonesia securities in foreign currencies. Indonesian companies purchasing foreign currencies from banks by way of (i) spot transactions and (ii) derivative transactions, forward transactions and option transactions in excess of U.S.\$25,000, U.S.\$100,000, U.S.\$5,000,000, and U.S.\$1,000,000, respectively, will be required to submit certain supporting documents to the selling bank, including, among others, a duly stamped statement confirming that the underlying transaction document agreement is valid and that the amount of foreign currency purchased is or will not exceed the amount stated in the underlying transaction document agreement. For purchases of foreign currencies not exceeding such threshold, such company must declare in a duly stamped letter that its aggregate foreign currency purchases do not exceed the thresholds in the Indonesian banking system.

Bank Indonesia also issued Bank Indonesia Regulation No. 18/19/PBI/2016 dated September 5, 2016 on Foreign Exchange Transaction to Rupiah between Banks and Foreign Parties (“**PBI 18/19/2016**”). Similar to PBI 18/18/2016, PBI 18/19/2016 is intended to govern foreign exchange transactions against Rupiah in Indonesia. However, unlike PBI 18/18/2016, which targets Indonesian bank customers, PBI 18/19/2016 governs foreign exchange transactions by banks and foreign parties.

PBI 18/19/2016 also requires the presence an underlying transaction if a foreign exchange transaction exceeds certain threshold amounts. The thresholds set forth by PBI 18/19/2016, which are similar to the threshold amounts under PBI 18/18/2014, are: (i) for spot transactions, a purchase of foreign exchange against the Rupiah equivalent of U.S.\$25,000 per month per foreign party, or its equivalent; and (ii) for derivative transactions, the sale and purchase of foreign exchange against the Rupiah equivalent of U.S.\$1 million per transaction per foreign party or per outstanding amount of each of the derivative transaction per bank, or its equivalent. Bank Indonesia also issued Circular Letter of Bank Indonesia No. 18/35/DPPK on December 13, 2016, as the implementation of PBI 18/19/2016, which further provides detailed underlying transaction requirements and its examples (“**CL 18/35**”).

The underlying transaction under PBI 18/19/2016 may consist of: (a) the domestic and international trade of goods and services; and/or (b) an investment in the form of direct investment, portfolio investment, loans, capital and other investment inside and outside Indonesia.

The following transactions are not considered underlying transactions: (i) Bank Indonesia Certificates for derivative transactions, (ii) saving accounts, demand deposit accounts, time deposit, or negotiable certificate deposit, (iii) undrawn loan facilities, and (iv) Bank Indonesia securities in foreign currencies.

Moreover, CL 18/34 and CL 18/35 provide that the relevant underlying transaction documents must be accompanied by a written authenticated statement letter certifying that the relevant purchase of foreign currency does not exceed the relevant monthly threshold. This statement may be in the form of an official e-mail, SWIFT message, negative confirmation or business internet banking.

CAPITALIZATION AND INDEBTEDNESS OF THE COMPANY

The following table shows our cash and cash equivalents and our capitalization and long-term indebtedness as of September 30, 2017 on an actual and as adjusted basis for the offering of the Notes and repayment of existing debt with the net proceeds therefrom.

You should read this information in conjunction with the SSMS Consolidated Financial Statements and the related notes included elsewhere in this Offering Memorandum and the sections in this Offering Memorandum entitled “*Selected Consolidated Financial Information of the Company*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations.*”

	As of September 30, 2017			
	Actual		As adjusted	
	(Rp. millions)	(U.S.\$ millions)	(Rp. millions)	(U.S.\$ millions)
	(Unaudited)			
Indebtedness				
Current maturities of long-term bank loans	357,183	26	—	—
Long-term bank loans - net of current maturities	4,389,432	325	968,855	72
Notes offered hereby ¹	—	—	3,932,918	292
Total indebtedness	4,746,615	352	4,901,773	363
Equity				
Issued and fully paid shares capital	952,500	71	952,500	71
Additional paid-in capital	540,919	40	540,919	40
Difference in transactions with non-controlling parties	89,114	7	89,114	7
Retained earnings.	2,297,871	170	2,297,871	170
Other comprehensive income	7,932	1	7,932	1
Non-controlling interest	17,236	1	17,236	1
Total equity	3,905,571	289	3,905,571	289
Total capitalization and indebtedness . .	8,652,186	641	8,807,345	653

1. In accordance with our accounting policies, the estimated issuance cost of the Notes and discount from the face value of the Notes have been netted against the principal amount of the Notes.

Except as disclosed or contemplated in this Offering Memorandum, there has been no material change in our capitalization and indebtedness since September 30, 2017.

SELECTED CONSOLIDATED FINANCIAL INFORMATION OF THE COMPANY

You should read the Company's financial information presented below in conjunction with the SSMS Consolidated Financial Statements and the notes thereto included elsewhere in this Offering Memorandum. You should also read the section of this Offering Memorandum entitled "The CBI Reorganization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

We have derived our summary consolidated financial information from our audited consolidated financial statements as of and for the years ended December 31, 2014, 2015, and 2016, which were prepared in accordance with Indonesian FAS, and included elsewhere in this Offering Memorandum. Our summary interim consolidated financial data as of and for the nine-month periods ended September 30, 2016 and 2017 has been derived from our unaudited interim consolidated financial statements contained elsewhere in this Offering Memorandum. The unaudited interim consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of our results of operations and financial condition. Our results for any interim period may not be indicative of our results for the full year or for any period.

Our audited consolidated financial statements as of and for the years ended December 31, 2014, 2015, and 2016 have been audited by Purwantono, Sungkoro & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with Standards on Auditing established by the IICPA, as stated in their audit report appearing elsewhere in this Offering Memorandum. Our unaudited interim consolidated financial statements as of September 30, 2017 and for the nine-month periods ended September 30, 2016 and 2017 included elsewhere in this Offering Memorandum have been reviewed by Purwantono, Sungkoro & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with SRE 2410, as stated in their review report appearing elsewhere in this Offering Memorandum (presented combined with the audit report mentioned above). A review conducted in accordance with SRE 2410 established by the IICPA is substantially less in scope than an audit conducted in accordance with Standards on Auditing established by the IICPA and, as stated in their review report appearing in this Offering Memorandum (presented combined with the audit report mentioned above), Purwantono, Sungkoro & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, did not audit and do not express any opinion on such unaudited interim consolidated financial statements included elsewhere in this Offering Memorandum.

We have prepared and presented our consolidated financial statements in accordance with Indonesian FAS, which differs in certain material respects from IFRS. You should read the section of this Offering Memorandum entitled "*Summary of Certain Principal Differences Between Indonesian FAS and IFRS*" for a description of certain principal differences between Indonesian FAS and IFRS.

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31,				Nine-month period ended September 30,		
	2014	2015	2016		2016	2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)
	(Unaudited)						
SALES	2,616,365	2,371,878	2,722,678	202	1,739,490	2,380,989	176
COST OF SALES	(1,296,794)	(1,124,690)	(1,256,619)	(93)	(970,378)	(1,090,322)	(81)
GROSS PROFIT	1,319,571	1,247,188	1,466,059	109	769,112	1,290,667	96
Selling expenses	(47,844)	(79,949)	(166,484)	(12)	(92,083)	(156,266)	(12)
General and administrative expenses	(280,217)	(287,941)	(315,218)	(23)	(245,947)	(259,704)	(19)
Loss from impairment of goodwill	—	—	(93,709)	7	—	—	—
Other income, net	(15,183)	5,487	4,164	0	111,857	4,513	0
OPERATING PROFIT	976,326	884,785	894,811	66	542,938	879,210	65
Finance income, net	146,352	96,031	135,001	10	91,056	188,337	14
Finance costs	(203,851)	(206,091)	(182,425)	(14)	(154,247)	(249,940)	(19)
PROFIT BEFORE CORPORATE INCOME TAX	918,827	774,725	847,388	63	479,747	817,607	61
CORPORATE INCOME TAX	(253,502)	(204,843)	(255,729)	(19)	(144,619)	(186,142)	(14)
PROFIT FOR THE PERIOD/YEAR AFTER THE EFFECT OF MERGING ENTITIES' INCOME ADJUSTMENT	665,326	569,882	591,659	44	335,129	631,466	47
OTHER COMPREHENSIVE INCOME, NET OF TAX							
Item that will not be reclassified to profit or loss							
Remeasurements (loss)/gain on liability for employee benefits	(13,129)	12,479	9,797	1	3,711	(7,190)	(1)
COMPREHENSIVE INCOME FOR THE PERIOD/YEAR AFTER ENTITIES' INCOME ADJUSTMENT	652,197	582,361	601,455	45	338,840	624,275	46
Adjustment of merging entities income							
Equity holder	66,035	(26,231)	—	—	—	—	—
Non-controlling interest	4,891	(1,943)	—	—	—	—	—
	70,926	(28,174)	—	—	—	—	—

	Year ended December 31,				Nine-month period ended September 30,		
	2014	2015	2016		2016	2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)
	(Unaudited)						
PROFIT FOR THE PERIOD/YEAR BEFORE THE EFFECT OF MERGING ENTITIES' INCOME ADJUSTMENT . .	736,252	541,708	591,659	44	335,129	631,466	47
Adjustment of merging entities income comprehensive							
Equity holder	72,407	(26,578)	—	—	—	—	—
Non-controlling interest	5,306	(1,969)	—	—	—	—	—
	<u>77,713</u>	<u>(28,547)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
COMPREHENSIVE INCOME FOR THE PERIOD/YEAR BEFORE THE EFFECT OF MERGING ENTITIES' INCOME ADJUSTMENT . .	729,910	553,814	601,455	45	338,840	624,275	46
Profit for the period/year before the effect of entities' income merging adjustment attributable to:							
Owners of the parent entity . .	722,683	543,651	591,659	44	335,129	628,152	47
Non-controlling interests . . .	13,569	(1,943)	—	—	—	3,314	0
	<u>736,252</u>	<u>541,708</u>	<u>591,659</u>	<u>44</u>	<u>335,129</u>	<u>631,466</u>	<u>47</u>
Comprehensive income for the year before effect of entities' income merging adjustments attributable to:							
Owners of the parent entity . .	711,035	557,726	601,455	45	338,840	621,101	46
Non-controlling interests . . .	18,875	(3,912)	—	—	—	3,174	0
	<u>729,910</u>	<u>553,814</u>	<u>601,455</u>	<u>45</u>	<u>338,840</u>	<u>624,275</u>	<u>46</u>
Earnings per share (full amount)	<u>75.87</u>	<u>57.08</u>	<u>62.12</u>	<u>0</u>	<u>35</u>	<u>66</u>	<u>0</u>

Consolidated Statements of Financial Position

	As of December 31,				As of September 30,	
	2014	2015	2016		2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions) (Unaudited)	(U.S.\$ millions)
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	473,335	521,783	162,461	12	1,007,876	75
Time deposits	1,359,642	—	—	—	—	—
Trade receivables -third parties	36,379	273,239	238,780	18	130,524	10
Other receivables						
Third parties	45,693	390,518	2,488	0	9,079	1
Related parties	180,810	224,767	260,155	19	403,096	30
Inventories	90,609	164,189	121,834	9	257,517	19
Loans to related parties	519,238	188,568	960,618	71	2,076,957	154
Prepayments	2,447	1,766	2,021	0	3,422	0
Advances third parties	33,939	11,660	4,976	0	20,567	2
Prepaid tax	—	22,029	43,511	3	56,606	4
Other current asset	285	285	—	—	—	—
TOTAL CURRENT ASSETS	2,742,376	1,798,803	1,796,842	133	3,965,644	294
NON-CURRENT ASSETS						
Estimated claims for tax refund	559	63,736	142,406	11	76,659	6
Plantation assets						
Mature plantations, net	1,413,688	1,818,991	1,810,868	134	2,213,883	164
Immature plantations	462,584	566,401	706,061	52	259,710	19
Fixed assets, net	1,613,017	1,756,356	1,749,108	130	1,860,298	138
Intangible assets, net	2,918	96,995	3,545	0	3,304	0
Investment in shares of stock	95,000	95,000	95,000	7	95,000	7
Deferred tax assets, net	57,587	32,191	23,187	2	29,451	2
Business development project	89,106	7,949	7,949	1	8,280	1
Other receivables third parties						
non-current	—	543,968	626,706	46	671,750	50
Plasma receivables	36,813	150,846	199,882	15	236,140	18
Other non-current assets	251,586	48,678	1,414	0	24,797	2
TOTAL NON-CURRENT ASSETS	4,022,859	5,181,110	5,366,128	398	5,479,271	406
TOTAL ASSETS.	6,765,234	6,979,913	7,162,970	531	9,444,915	700

	As of December 31,				As of September 30,	
	2014	2015	2016		2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions) (Unaudited)	(U.S.\$ millions)
LIABILITIES AND EQUITY						
CURRENT LIABILITIES						
Short-term bank loan	348,428	16,554	—	—	—	—
Trade payables						
Third parties	44,584	47,517	56,772	4	44,052	3
Related parties	—	—	452	0	452	0
Unearned revenue	68,359	677	33,850	3	39,288	3
Taxes payable	67,426	14,291	75,476	6	54,312	4
Accrued expenses	13,054	22,205	13,637	1	39,086	3
Other payables						
Related parties	1,537,076	378,317	127,312	9	120,791	9
Third parties	218,681	133,011	120,639	9	208,877	15
Short-term employee benefit liabilities.	70,939	62,847	71,840	5	74,460	6
Current maturities of consumer finance liabilities	10,022	3,688	2,203	0	700	0
Current maturities of finance lease liabilities	2,271	1,556	168	0	168	0
Current maturities of long-term bank loan.	230,993	621,970	812,230	60	357,183	26
TOTAL CURRENT LIABILITIES . .	2,611,834	1,302,633	1,314,578	97	939,370	70
NON-CURRENT LIABILITIES						
Consumer finance liabilities — net of current maturities	6,040	2,511	257	0	—	—
Finance lease liabilities — net of current maturities	1,070	—	265	0	140	0
Long-term bank loan — net of current maturities	1,266,159	2,536,041	2,219,636	165	4,389,432	325
Long-term employee benefit liabilities	88,548	95,898	109,287	8	150,478	11
Deferred tax liabilities, net	3,069	26,039	65,150	5	59,924	4
TOTAL NON-CURRENT LIABILITIES	1,364,886	2,660,490	2,394,595	177	4,599,974	341
TOTAL LIABILITIES	3,976,720	3,963,123	3,709,173	275	5,539,344	411
EQUITY						
Equity attributable to owners equity of the parent entity — net.	2,740,275	3,016,790	3,453,797	256	3,888,335	288
Non-controlling interests	48,239	—	—	—	17,236	1
TOTAL EQUITY	2,788,514	3,016,790	3,453,797	256	3,905,571	289
TOTAL LIABILITIES AND EQUITY	6,765,234	6,979,913	7,162,970	531	9,444,915	700

Consolidated Statements of Cash Flows

	Year ended December 31,				Nine-month period ended September 30,		
	2014	2015	2016		2016	2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)
	(Unaudited)						
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash received from customers	2,876,589	2,319,478	2,803,632	208	2,171,486	2,738,090	203
Cash paid to suppliers.	(1,278,151)	(1,645,237)	(1,421,198)	(105)	(651,500)	(1,218,667)	(90)
Cash paid to employees.	(321,312)	(284,652)	(351,212)	(26)	(159,300)	(316,329)	(23)
Cash resulting from operations	1,277,126	389,589	1,031,221	76	1,360,686	1,203,094	89
Interest income received	146,352	90,602	48,251	4	26,386	6,259	0
Payments of corporate income tax	(274,569)	(252,128)	(183,689)	(14)	(144,858)	(228,610)	(17)
Finance cost paid	(187,419)	(166,874)	(236,701)	(18)	(154,247)	(250,232)	(19)
Cash received from tax restitution	—	—	—	—	—	78,787	6
Net cash provided by operating activities	961,491	61,188	659,083	49	1,087,967	809,298	60
CASH FLOWS FROM INVESTING ACTIVITIES							
Receipt/(payments) on loan settlement from related parties	(128,622)	330,699	—	—	—	(1,116,339)	(83)
Additions to immature plantations	(259,123)	(283,434)	(235,080)	(17)	(174,524)	(58,592)	(4)
Acquisitions of fixed assets	(335,743)	(256,071)	(108,558)	(8)	(56,648)	(203,883)	(15)
Additional development cost of plasma	(16,689)	(114,033)	(49,036)	(4)	(37,807)	(36,257)	(3)
Payment for other receivables third parties non-current.	—	(543,968)	(23,584)	(2)	—	—	—
Acquisition of intangible assets	(2,918)	(90,792)	(397)	(0)	(397)	—	—
Settlement of receivables from disposal of subsidiaries	—	—	288,902	21	—	—	—
Cash received from compensation of fire accident of plantations	—	—	65,835	5	—	—	—
Settlement of advance for share capital in an associate company	—	—	34,950	3	—	—	—
Time deposits withdrawal/(placement)	(993,667)	1,359,642	—	—	0	—	—
Acquisition of subsidiary net off cash and cash equivalent received	—	(284,064)	—	—	—	—	—
Net cash (used in)/provided by investing activities	(1,736,762)	117,950	(26,969)	(2)	(269,376)	(1,415,072)	(105)

	Year ended December 31,				Nine-month period ended September 30,		
	2014	2015	2016		2016	2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)
	(Unaudited)						
CASH FLOWS FROM FINANCING ACTIVITIES .							
Loan received/(provided) to/from related parties	399,348	(1,202,716)	(742,668)	(55)	(703,696)	(84,128)	(6)
Payments of bank loan	(53,920)	(150,000)	(2,150,845)	(159)	(193,654)	(577,585)	(43)
Proceeds cash received from bank loan.	—	1,478,986	2,075,212	154	—	2,292,334	170
Repayments of lease liabilities . .	(13,461)	(2,614)	(1,123)	(0)	(57)	(265)	(0)
Repayments of consumer finance liabilities	(8,372)	(14,256)	(3,739)	(0)	(3,878)	(1,620)	(0)
Payment of cash dividend	(49,501)	(215,741)	(168,274)	(12)	(168,271)	(177,546)	(13)
Increase in shares of ownership in subsidiaries from non-controlling entities	—	(24,348)	—	—	—	—	—
Net cash used in financing activities	<u>274,095</u>	<u>(130,690)</u>	<u>(991,437)</u>	<u>(73)</u>	<u>(1,069,556)</u>	<u>1,451,189</u>	<u>108</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(501,176)	48,448	(359,322)	(27)	(250,965)	845,416	63
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	<u>974,511</u>	<u>473,335</u>	<u>521,783</u>	<u>39</u>	<u>521,783</u>	<u>162,461</u>	<u>12</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	<u><u>473,335</u></u>	<u><u>521,783</u></u>	<u><u>162,461</u></u>	<u><u>12</u></u>	<u><u>270,818</u></u>	<u><u>1,007,876</u></u>	<u><u>75</u></u>

THE ISSUER

General

The Issuer of the Notes, SSMS Plantation Holdings Pte. Ltd., was incorporated on July 12, 2017 under the laws of Singapore as a private company with limited liability and its company registration number is 201719617K. The registered office of the Issuer is located at One Marina Boulevard, #28-00, Singapore 018989. The Issuer is a wholly-owned subsidiary of the Company.

Business Activity

Under Regulation 4 of its constitution, subject to the provisions of the Companies Act, Chapter 50 of Singapore, any business may be undertaken by the directors of the Issuer at such time or times as they shall think fit, and further may be suffered by them to be in abeyance, whether such business may have been actually commenced or not, so long as the directors of the Issuer may deem it expedient not to commence or proceed with such business.

As such, the Issuer is, inter alia, authorized to issue the Notes and to finance the business of the Company, including entering into the Indenture and any other transaction documents to which it is or will be a party. The Issuer has not engaged, since its incorporation, in any business activities other than the proposed issue of the Notes and the authorization of documents and agreements referred to in this Offering Memorandum to which it is or will be a party.

The issuance of the Notes was approved by the Board of Directors on behalf of the Issuer on November 2, 2017.

Directors

The directors of the Issuer and each of their addresses for the purpose of their directorships as at the date of this Offering Memorandum are:

Name	Address
Nicholas J. Whittle	One Marina Boulevard, #28-00, Singapore 018989
Ngoo Sin Hung Justin	One Marina Boulevard, #28-00, Singapore 018989

Capitalization

The Issuer has an issued and paid-up share capital of S\$1.00 comprising one ordinary share. As of the date of this Offering Memorandum, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unused), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities, except as otherwise described in this Offering Memorandum.

SSMS PLANTATION INTERNATIONAL PTE. LTD.

General

SPIPL was incorporated on July 12, 2017 under the laws of Singapore as a private company with limited liability and its company registration number is 201719629E. The registered office of SPIPL is located at One Marina Boulevard, #28-00, Singapore 018989. SPIPL is a wholly-owned subsidiary of the Issuer.

Business Activity

Under Regulation 4 of its constitution, subject to the provisions of the Companies Act, Chapter 50 of Singapore, any business may be undertaken by the directors of SPIPL at such time or times as they shall think fit, and further may be suffered by them to be in abeyance, whether such business may have been actually commenced or not, so long as the directors of SPIPL may deem it expedient not to commence or proceed with such business.

As such, SPIPL is, *inter alia*, authorized to use the funds obtained from the Issuer to fund our corporate purposes by granting one or more intercompany loans or through other funding methods to the Company or the Subsidiary Guarantors.

Directors

The directors of SPIPL and each of their addresses for the purpose of their directorships as at the date of this Offering Memorandum are:

Name	Address
Nicholas J. Whittle	One Marina Boulevard, #28-00, Singapore 018989
Ngoo Sin Hung Justin	One Marina Boulevard, #28-00, Singapore 018989

Capitalization

SPIPL has an issued and paid-up share capital of S\$1.00 comprising one ordinary share. As of the date of this Offering Memorandum, SPIPL has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unused), term loans, liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities, except as otherwise described in this Offering Memorandum.

THE CBI REORGANIZATION

The following discussion should be supplemented by your review of “*Corporate Structure*,” “*Principal Shareholders*” and the CBI Consolidated Financial Statements and CBI Unaudited Condensed and Consolidated Pro Forma Financial Statements, including the respective notes thereto appearing elsewhere in this Offering Memorandum.

PT Citra Borneo Indah was incorporated on May 6, 1999 in Pangkalan Bun, Central Kalimantan Province, as a limited liability company under the laws of Indonesia.

Relationship with the Company

Prior to the initial public offering of the Company being contemplated, in 2011, CBI held a direct controlling interest in the Company (99.5%) and also in, among other entities, PT Mitra Mendawai Sejati (99.0%) and PT Kalimantan Sawit Abadi (99.0%), which are currently direct subsidiaries of the Company. At the time, CBI also held a 99.3% direct interest in PT Sawit Mandiri Lestari, which the Company divested in 2015.

In 2012, in preparation for the Company’s IPO the following year, a restructuring exercise was undertaken whereby the Company acquired 60.00%, 60.40%, 60.16% and 60.24% ownership interest of PT Kalimantan Sawit Abadi, PT Mitra Mendawai Sejati, PT Sawit Mandiri Lestari and PT Ahmad Saleh Perkasa, respectively, through subscription of newly issued shares of those entities, and CBI ceased to own a direct controlling interest in the Company. See “*Business — Corporate History and Development*.”

Immediately following the consummation of the Company’s IPO, CBI held 26.4% of the Company’s outstanding share capital. CBI was then and is now beneficially owned by the children of our founder, and through CBI and other entities controlled by his offspring, our founder retained and retains the power to direct our management and policies. The assets that formed part of the Company’s IPO comprised substantially all of the oil palm business that previously had been under CBI. Excluded from the IPO were certain legacy, non-core businesses undertaken through associated entities of CBI other than the Company and its subsidiaries. As a result, following the reorganization for the Company’s IPO, CBI no longer consolidated the Company in its financial results and ceased to generate revenue or engage in operations directly.

Reorganization in October 2017

On October 16, 2017, in connection with this Offering, CBI and two other shareholders of the Company agreed to reorganize their interests in the Company’s share capital. Specifically, PT Prima Sawit Borneo and PT Mandiri Indah Lestari each agreed to contribute their shares in the Company to CBI, resulting in CBI’s ownership in the Company increasing from 31.19% to 58.48% immediately upon consummation of those transactions. Accordingly, CBI will consolidate the Company in its financial statements in future periods. See “*Corporate Structure*,” “*Principal Shareholders*,” and also note 2b of the CBI Unaudited Condensed and Consolidated Pro Forma Financial Statements included elsewhere in this Offering Memorandum.

As part of the reorganization described above and in line with our sustainability initiatives and business strategies as discussed in this Offering Memorandum, CBI, through its subsidiaries SBI and CBU, is currently constructing an infrastructure platform, comprising a bulking facility and a jetty, and developing a palm oil refinery with a total annual refining capacity of 750,000 tons in Kumai.

Unaudited Condensed and Consolidated Pro Forma Financial Information of CBI

The CBI Unaudited Condensed and Consolidated Pro Forma Financial Statements have been prepared to illustrate the effect of the CBI Reorganization as if it occurred on January 1, 2016. The CBI Unaudited Condensed and Consolidated Pro Forma Financial Statements have been developed by applying pro forma adjustments to the historical audited consolidated financial statements of CBI included elsewhere in this Offering Memorandum. Assumptions underlying the pro forma adjustments are described in the accompanying note to the CBI Unaudited Condensed and Consolidated Pro Forma Financial Statements, which should be read in conjunction with the information below. Following the IPO of the Company and the de-consolidation of the subsidiaries engaged in the palm oil business from CBI, the business transactions, activities, assets or liabilities of CBI up until the CBI Reorganization were substantially diminished and, therefore, the CBI Consolidated Statements are not separately summarized in this “CBI Reorganization” section but they are included elsewhere in this Offering Memorandum.

*The pro forma adjustments related to the CBI Reorganization are described in greater detail in the notes to the CBI Unaudited Condensed and Consolidated Pro Forma Financial Statements. The pro forma adjustments are estimates and have been prepared for informational and illustrative purposes only. The estimates are subject to material change and may not be indicative of what the results of operations or financial position of CBI would have been had the CBI Reorganization taken place on the dates indicated, or that may be expected to occur in the future. **Potential investors are cautioned not to place undue reliance on this financial information, as it is unlikely to be representative of CBI’s financial performance or financial condition after the CBI Reorganization, which will depend to a significant extent on our and CBI’s ability to successfully implement the business strategies described in this Offering Memorandum and other factors.** The pro forma financial information below should be read in conjunction with “Risks Factors—Relating to our Business—The unaudited pro forma financial statements included in this Offering memorandum may not be an indication of the CBI’s consolidated financial condition or results of operations following the CBI Reorganization,” “Selected Consolidated Financial Information of the Company,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Description of Material Indebtedness” and the other financial information included elsewhere in this Offering Memorandum.*

Unaudited Pro Forma Financial Information of CBI

Pro Forma Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Year ended December 31, 2016				Nine-months period ended September 30, 2017			
	CBI Adjusted Historical ¹	SSMS		Pro forma	CBI Historical	SSMS		Pro forma
		Historical	Adjustment ²			Historical	Adjustment ²	
				(Rp. millions)				
REVENUE	204,269	2,722,678 ^G	—	2,926,947	110,548	2,380,989 ^G	—	2,491,537
COST OF REVENUE	(250,506)	(1,256,619) ^H	(724)	(1,507,849)	(123,197)	(1,090,322) ^H	—	(1,213,519)
GROSS PROFIT (LOSS)	(46,237)	1,466,059	(724)	1,419,098	(12,649)	1,290,667	—	1,278,018
Selling expenses	(17,160)	(166,484)	—	(183,644)	(13,852)	(156,266)	—	(170,118)
General and administrative expenses	(126,026)	(315,218)	—	(441,244)	(109,348)	(259,704)	—	(369,052)
Loss on impairment of goodwill.	—	(93,709)	93,709	—	—	—	—	—
Other income - net.	—	4,164	(4,164)	—	—	4,513	—	4,513
OPERATING (LOSS) PROFIT	(189,423)	894,812	88,821	794,210	(135,849)	879,210	—	743,361
OTHER INCOME (EXPENSES)								
Finance income	5,829	135,001	(66,738)	74,092	4,376	188,337	(137,034)	55,679
Loss on impairment of goodwill.	—	—	(93,709)	(93,709)	—	—	—	—
Finance costs	(97,114)	(182,425)	66,740	(212,799)	(160,812)	(249,940)	137,034	(273,718)
Share in net profit of associates.	164,078	—	(174,773)	(10,695)	194,430	—	(194,431)	—
Miscellaneous — net	59,473	—	(41,769)	17,704	12,023	—	(50,887)	(38,864)
Total Other Income (expense) — Net.	132,266	(47,424)	(310,249)	(225,407)	50,017	(61,603)	(245,318)	(256,903)
(LOSS) PROFIT BEFORE INCOME TAX	(57,157)	847,388	(221,428)	568,803	(85,832)	817,607	245,318	486,458

G. These amounts are presented as “SALES” in the SSMS Consolidated Financial Statements.

H. These amounts are presented as “COST OF SALES” in the SSMS Consolidated Financial Statements.

Pro Forma Consolidated Statements of Financial Position

	Year ended December 31, 2016			Nine-months period ended September 30, 2017				
	CBI Adjusted Historical ¹	SSMS Historical	Adjustment ²	Pro forma	CBI Historical	SSMS Historical	Adjustment ²	Pro forma
				(Rp. millions)				
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	96,140	162,461	—	258,601	120,296	1,007,876	—	1,128,172
Trade receivables								
Related parties	12,655	—	(9,009)	3,646	17,160	—	(8,492)	8,668
Third parties	13,955	238,780	—	252,735	9,717	130,524	(8,053)	148,294
Other receivables — current								
Related parties	869,403	260,155	(273,270)	856,288	1,087,770	403,096	(430,055)	1,060,811
Third parties	606,775	2,488	10,447	619,708	541,839	9,079	—	550,918
Inventories	72,304	121,834	—	194,138	62,485	257,517	—	320,002
Loans to related parties	—	960,618	(960,618)	—	—	2,076,957	(2,076,957)	—
Prepaid taxes	34,476	43,511	—	77,987	49,877	56,606	—	106,483
Prepayments	2,401	2,021	—	4,422	2,064	3,422	—	5,486
Advances	2,740	4,976 ^A	—	7,716	5,532	20,567 ^A	—	26,099
Total Current Assets	1,710,849	1,796,842	(1,232,450)	2,275,241	1,896,740	3,965,644	(2,507,451)	3,354,933
NON-CURRENT ASSETS								
Estimated claim for tax refund	5,085	142,406	—	147,491	5,844	76,659	—	82,503
Other receivables — non-current								
Third party	—	626,706 ^B	—	626,706	—	671,750 ^B	—	671,750
Plasma receivables	261	199,882	—	200,143	315	236,140	—	236,455
Available-for-sale financial assets	14,400	95,000 ^C	(95,000)	14,400	14,400	95,000 ^C	(95,000)	14,400
Investment in associates.	1,512,460	—	(1,512,460)	—	1,798,782	—	(1,773,332)	25,450
Tax amnesty assets.	5,097	—	—	5,097	4,367	—	—	4,367
Nursery	13,172	—	—	13,172	—	—	—	—
Plantations								
Mature plantations — net	21,185	1,810,868	—	1,832,053	27,628	2,213,883	—	2,241,511
Immature plantations	—	706,061	—	706,061	16,578	259,710	—	276,288

A. These amounts are presented as “Advances third parties” in the SSMS Consolidated Financial Statements.

B. These amounts are presented as “Other receivables third parties non-current” in the SSMS Consolidated Financial Statements.

C. These amounts are presented as “Investment in shares of stock” in the SSMS Consolidated Financial Statements.

	Year ended December 31, 2016				Nine-month period ended September 30, 2017			
	CBI Adjusted Historical ¹	SSMS		Pro forma	CBI Historical	SSMS		Pro forma
		Historical	Adjustment ²			Historical	Adjustment ²	
				(Rp. millions)				
Intangible assets	—	3,545 ^D	—	3,545	—	3,304 ^D	—	3,304
Property, plant and equipments — net	838,599	1,749,108 ^E	—	2,587,707	1,071,537	1,860,298 ^E	—	2,931,835
Deferred tax assets — net	6,811	23,187	—	29,998	7,011	29,451	—	36,462
Business development project	—	7,949	—	7,949	—	8,280	—	8,280
Other non-current assets	43,075	1,414	—	44,489	46,203	24,797	—	71,000
Total Non-Current Assets	2,460,145	5,366,128	(1,607,460)	6,218,811	2,992,665	5,479,271	1,868,332	6,603,605
TOTAL ASSETS	4,170,994	7,162,970	(2,839,910)	8,494,052	4,889,405	9,444,915	(4,375,783)	9,958,538
LIABILITIES AND EQUITY								
CURRENT LIABILITIES								
Short-term bank loan	—	—	—	—	7,267	—	—	7,267
Short-term loan — third party	97,363	—	—	97,363	—	—	—	—
Trade payables	—	—	—	—	—	—	—	—
Related parties	10,121	452	—	452	—	452	—	452
Third parties	—	56,772	—	66,893	20,602	44,052	—	64,654
Other payables — current	—	—	—	—	—	—	—	—
Related parties	2,055,553	127,312	(1,232,453)	950,412	2,761,220	120,791	(2,507,449)	374,562
Third parties	132,932	120,639	—	253,571	161,941	208,877	—	370,818
Taxes payable	13,576	75,476	—	89,052	25,017	54,312	—	79,329
Accrued expenses	5,132	13,637	—	18,769	8,023	39,086	—	47,109
Unearned revenue	—	33,850	—	33,850	8,136	39,288	—	47,424
Current portion of long-term liabilities:								
Bank loan	42,014	812,230	—	854,244	57,805	357,183	—	414,988
Finance lease payable	5,534	168	—	5,702	—	168	—	168
Consumer financing payable	—	2,203	(1)	2,202	—	700	—	700
Short-term employee benefit liabilities	—	71,840	—	71,840	—	74,460	—	74,460
Total Current Liabilities	2,362,225	1,314,578	(1,232,454)	2,444,350	3,050,011	939,370	(2,507,449)	1,481,931

D. These amounts are presented as “Intangible assets, net” in the SSMS Consolidated Financial Statements.

E. These amounts are presented as “Fixed assets, net” in the SSMS Consolidated Financial Statements.

	Year ended December 31, 2016			Nine-month period ended September 30, 2017				
	CBI Adjusted Historical ¹	SSMS Historical	Adjustment ²	Pro forma	CBI Historical	SSMS Historical	Adjustment ²	Pro forma
				(Rp. millions)				
NON-CURRENT LIABILITIES								
Long-term liabilities net of current portion:								
Bank loan	268,810	2,219,636	—	2,488,446	379,408	4,389,432	—	4,768,840
Finance lease payable	—	265	—	265	—	140	—	140
Consumer financing payable	—	257	—	257	—	—	—	—
Deferred tax liability	40	65,150	—	65,190	159	59,924	—	60,083
Allowance for post-employment benefits	30,679	109,287 ^F	—	139,966	31,364	150,478 ^F	—	181,842
Total Non-Current Liabilities	299,529	2,394,595	—	2,694,124	410,931	4,599,974	—	5,010,905
TOTAL LIABILITIES	2,661,754	3,709,173	(1,232,454)	5,138,474	3,460,942	5,539,344	(2,507,449)	6,492,836
EQUITY								
Equity attributable to owners equity of the Company								
Share capital	200,000	952,500	2,921,500	4,074,000	200,000	952,500	2,921,500	4,074,000
Additional paid-in capital	360,711	540,919	(4,064,385)	(3,162,755)	436,134	540,919	(4,162,636)	(3,185,583)
Difference in transactions with non-controlling parties	—	79,279	(79,279)	—	—	89,114	(89,114)	—
Retained earnings	—	256,002	—	256,002	—	374,334	—	374,334
Unappropriated	661,697	1,609,975	(1,764,390)	507,282	588,717	1,923,537	(2,098,319)	413,935
Other equity component	136,890	—	—	136,890	149,768	—	17,249	167,017
Merging entities' equity	75,673	—	—	75,673	—	—	—	—
Other comprehensive income	854	15,122	(6,897)	8,225	—	7,932	(12,321)	(4,389)
Sub-total	1,434,971	3,453,797	(2,993,451)	1,895,317	1,374,619	3,888,335	(3,423,641)	1,839,314
Non-controlling Interest	74,269	—	1,385,992	1,460,261	53,844	17,236	1,555,308	1,626,388
Total Equity — Net	1,509,240	3,453,797	(1,607,459)	3,355,578	1,428,463	3,905,571	(1,868,333)	3,465,702
TOTAL LIABILITIES AND EQUITY — NET	4,170,994	7,162,970	(2,839,913)	8,494,052	4,889,405	9,444,915	(4,375,782)	9,958,538

¹

Adjusted in relation to the application of SFAS No. 38 (Revised 2012) “Accounting for Restructuring Transactions Between Entities Under Common Control” with respect to the Company’s participation in Tax Amnesty Program in 2016. For more information please see Note 2a to the CBI Unaudited Condensed and Consolidated Pro Forma Financial Statements.

²

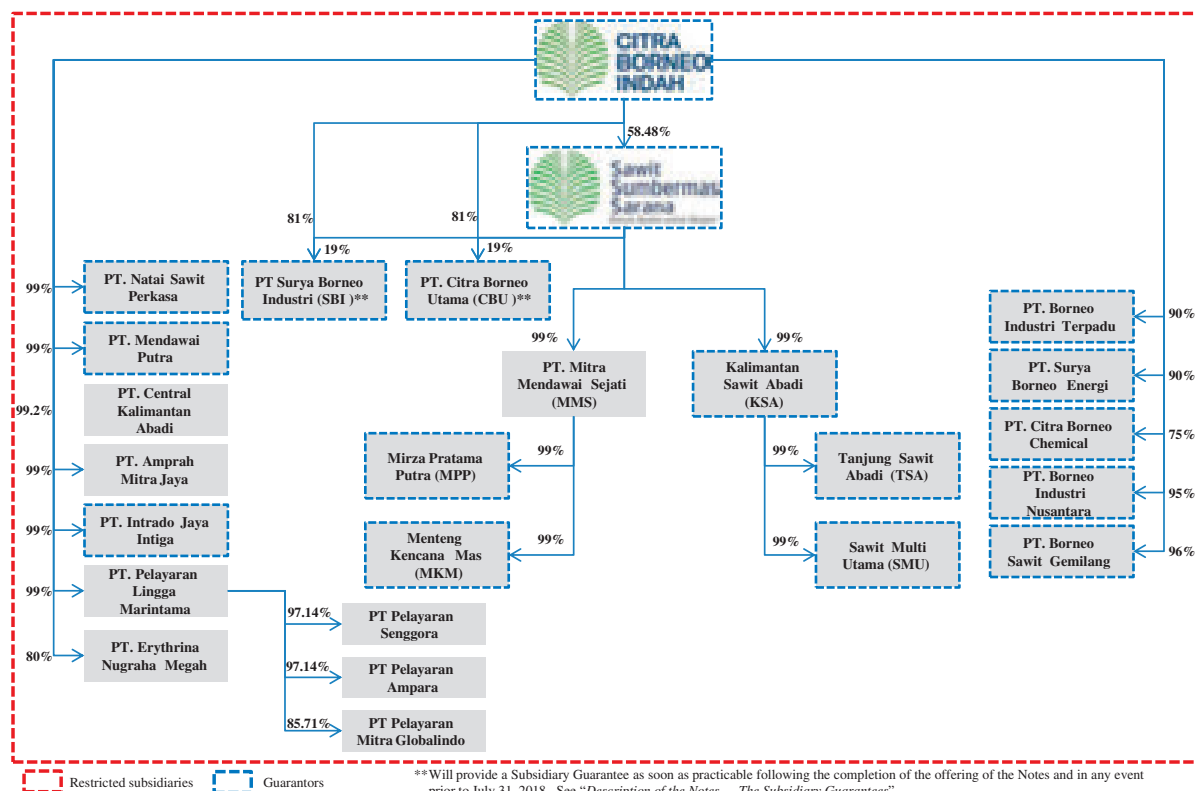
Adjusted in relation to the CBI Reorganization as described in this section. For more information please see Note 2b to the CBI Unaudited Condensed and Consolidated Pro Forma Financial Statements.

^F

These amounts are presented as “Long-term employee benefit liabilities” in the SSMS’ Consolidated Financial Statements.

CORPORATE STRUCTURE

Set forth below is our corporate structure after giving effect to the CBI Reorganization and as of the date of this Offering Memorandum.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is based upon information contained in the SSMS Consolidated Financial Statements, including the notes thereto, appearing elsewhere in this Offering Memorandum. You should read the following discussion and analysis in conjunction with the SSMS Consolidated Financial Statements, including the notes thereto. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. See "Forward-Looking Statements and Associated Risks" for a discussion of the risks relating to such forward-looking statements. The Company's actual results may differ materially from those anticipated in these forward looking statements as a result of factors such as those set forth under "Risk Factors" and elsewhere in this Offering Memorandum. The SSMS Consolidated Financial Statements have been prepared in accordance with Indonesian FAS. Indonesian FAS differs in certain material respects from IFRS. For a summary of certain differences between Indonesian FAS and IFRS, see "Summary of Certain Principal Differences Between Indonesian FAS and IFRS."

Overview

We are a highly efficient oil palm plantation company with an attractive age profile which we believe will continue to deliver strong production growth in the next few years. Our FFB yield per mature hectare and oil extraction rate were 14.6 tons and 23.1%, respectively, for the nine-months ended September 30, 2017, giving us a CPO yield per mature hectare of 3.4 tons, despite the low average age of our planted areas of 8.3 years as of September 30, 2017. As of December 31, 2016, our FFB yield per mature hectare and oil extraction rate were 19.4 tons and 23.4%, respectively, and our CPO yield per mature hectare was 4.5 tons. Our primary business activities are cultivating oil palm trees, harvesting the FFB from those trees and processing FFB to produce CPO, palm kernel and crude palm kernel oil, which we currently sell in both the domestic Indonesian market and to overseas customers primarily based in India and Pakistan through trading houses in Singapore.

As of September 30, 2017, we owned and operated 19 oil palm estates, covering 70,984 hectares of planted area, which included six palm oil mills and one kernel crushing plant. For the nine-months ended September 30, 2017, we produced 262,356 tons of CPO and 46,707 tons of palm kernel, compared with 192,207 tons of CPO and 37,210 tons of palm kernel for the nine-months ended September 30, 2016. For the year ended December 31, 2016 we produced 289,653 tons of CPO and 54,005 tons of palm kernel.

Oil palm trees reach maturity approximately four years after planting and are classified as young mature during year four through year seven. During year eight to year 20, oil palm trees are classified as prime, having reached the years of peak FFB production. From year 21 onwards, oil palm trees are classified as old and their FFB yield gradually declines. As of September 30, 2017, our planted area of mature oil palm trees consisted of 17,863 hectares of young mature trees with ages four to seven years old and 46,209 hectares of prime trees with ages eight to 18 years old. None of our oil palm trees are classified as old by industry standards.

As a result of increases in mature trees and higher yield from planted areas moving into prime age, our FFB production increased from 1,019,156 tons in 2014 to 1,094,463 tons in 2015, decreasing slightly to 1,074,050 tons in 2016 primarily due to adverse weather conditions, and was 938,025 tons in the nine-months ended September 30, 2017 compared to 684,321 tons in the nine-months ended September 30, 2016. In addition, our mature plantations yielded on average 14.6 tons of FFB per hectare and 3.4 tons of CPO per hectare for the nine-months ended September 30, 2017, despite the young average age of our oil palm trees. Over the next several years, we expect that our plantations will continue to improve in FFB yield and our CPO production will increase as more of our trees reach peak production.

We currently own six palm oil mills in operation which have an aggregate processing capacity of 375 tons of FFB per hour, or 2,250,000 tons per annum. We are currently constructing three more palm oil mills which we expect to complete by 2020. We expect that the construction of these new palm oil mills in the aggregate to add a processing capacity of 180 tons of FFB per hour, or 1,080,000 tons per annum. We also intend to increase the processing capacity of our existing palm oil mills, from 375 tons of FFB per hour to 440 tons of FFB per hour, which are expected to bring our total processing capacity to 620 tons of FFB per hour, or 3,720,000 tons per annum, by 2020. In addition, we have one kernel crushing plant in operation which has a processing capacity of 150 tons of palm kernel per day or approximately 45,000 tons per annum.

Our primary product is CPO, which accounted for 91.4%, 89.4%, 76.9% and 85.5% of our sales in the years ended December 31, 2014, 2015 and 2016 and the nine-months ended September 30, 2017, respectively. Our CPO production increased from 296,329 tons in 2014 to 321,238 tons in 2015, which decreased to 289,653 tons in 2016, primarily due to a decrease in FFB production resulting from adverse weather conditions, and was 262,356 tons in the nine-months ended September 30, 2017. Our average CPO extraction rate by weight (i.e. percentage of a ton of CPO extracted per ton of FFB processed) was 23.4% in 2016 and 23.1% in the nine-months ended September 30, 2017. We also produce palm kernel and crude palm kernel oil. Our production of palm kernel increased from 53,533 tons in 2014 to 60,861 tons in 2015, and then decreased to 54,005 tons in 2016, and was 46,707 tons in the nine-months ended September 30, 2017. Our average palm kernel extraction rate by weight (i.e. percentage of a ton of palm kernel extracted per ton of FFB processed) was 4.4% in 2016 and 4.1% in the nine-months ended September 30, 2017. We started producing crude palm kernel oil in December 2011 and our production of crude palm kernel oil was 6,826 tons in 2016 and 6,758 tons in the nine-months ended September 30, 2017. Our crude palm kernel oil extraction rate by weight (i.e. percentage of a ton of crude palm kernel oil extracted per ton of palm kernel processed) was 40.2% in 2016 and 39.5% in the nine-months ended September 30, 2017. We currently sell our products in the Indonesian domestic market and to overseas customers primarily based in India and Pakistan through trading houses in Singapore.

For the year ended December 31, 2016, our sales amounted to Rp.2,722.7 billion (U.S.\$201.8 million), our gross profit amounted to Rp.1,466.1 billion (U.S.\$108.7 million) and our total comprehensive income after the effect of merging entities' income adjustment amounted to Rp.601.5 billion (U.S.\$44.6 million). For the nine-months ended September 30, 2017, our sales amounted to Rp.2,381.0 billion (U.S.\$176.4 million), our gross profit amounted to Rp.1,290.7 billion (U.S.\$95.6 million) and our total comprehensive income after the effect of merging entities' income adjustment amounted to Rp.624.3 billion (U.S.\$46.3 million). Our EBITDA was Rp.1,276.0 billion (U.S.\$94.6 million) for the year ended December 31, 2016 and Rp.1,254.0 billion (U.S.\$92.9 million) for the nine-months ended September 30, 2017.

Basis of Preparation

The business combination of entities under common control transactions, such as transfers of business conducted within the framework of the reorganization of the entities that are in the same group, is not a change of ownership in terms of economic substance, and as a result, the transaction does not result in a gain or loss for the group as a whole or for individual entities within the group. As such, the transaction is recognized in the carrying amount based on the pooling of interest method.

In applying the pooling-of-interests method, the components of the financial statements for the period during which the business combination occurred and for other periods presented for comparison purposes, are presented in such a manner as if the combination has already occurred since the beginning of the period in which the entities were under common control. The difference between the consideration transferred and the carrying amount of any business combination under common control transactions in equity is presented as additional paid in capital.

Factors Affecting Our Results of Operations

Our results of operations are affected primarily by the following factors:

Prices for our products

Substantially all of our sales are generated from the sale of CPO, with the remainder of sales coming from the sale of palm kernel, crude palm kernel oil and FFB. CPO is traded globally on international commodities markets and its price is generally affected by its worldwide demand and supply as well as weather conditions, government trade policies, shifts in consumption patterns, the availability and price of substitute commodities, political instability and other unforeseen circumstances.

The average price of CPO has fluctuated significantly and exhibited a high degree of volatility. For example, in the last five years, average monthly CPO prices (CIF Rotterdam) on the Rotterdam market have ranged from a high of U.S.\$961.0 per ton in March 2014 to a low of U.S.\$538.0 per ton at the end of September 2015. Since then, monthly CPO prices (CIF Rotterdam) have traded between U.S.\$583.0 and U.S.\$677.0 per ton from October 2015 to the end of June 2017, delivering an average monthly price per ton of U.S.\$691.0. During the first six months of 2017, monthly CPO prices (CIF Rotterdam) have ranged from a high of US\$809.0 in January to a low of US\$677.0 at the end of June.

We sell our CPO to customers in Indonesia and internationally through trading houses in Singapore, mostly under spot arrangements. These sales are predominantly denominated in Rupiah with reference to U.S. Dollar prices, and are priced with reference to spot market prices set at the daily PT Astra Agro Lestari auction sale conducted in Kumai, Central Kalimantan Province plus a premium for lower FFA content. Due to the high quality of our products, we are able to charge a premium above the Kumai auction price in the range of Rp.50.0 to Rp.75.0 per kilogram for CPO with a FFA content below 3.5%. Prices prevailing in the Indonesian market and our sales prices may vary from international prices due primarily to local supply and demand conditions, freight delivery costs from Indonesia to international markets and the level of export taxes in Indonesia. However, despite these factors, our prices have historically tracked the price trends in the international market.

Our customers' purchases of our products are on a non-exclusive and mostly spot contracts basis.

Area of mature oil palm plantations and maturity profile of our plantations

We begin harvesting oil palm trees only when they reach maturity, approximately four years after planting. When harvesting begins, the yield of newly-mature oil palm trees is relatively low. Oil palm trees generally are most productive between years eight and 20. Once the trees are past the peak production ages, they continue to produce FFB at slowly declining yields. The economic life span of an oil palm tree is typically approximately 25 years. Therefore, both the area of mature oil palm plantations and the maturity profile of our plantations materially affect our production and yields of FFB.

As of September 30, 2017, the average age of our oil palm trees was 8.3 years. The percentage of our oil palm trees at commercial production age has increased from approximately 77% as of December 31, 2014 to approximately 90.3% as of September 30, 2017. As of September 30, 2017, approximately 9.7% of our producing oil palm trees were still young and have yet to reach prime age. As these trees reach the early stages of peak production over the next several years, we believe that our production of FFB and FFB yield per mature hectare will continue to increase with minimal increases in production costs or capital expenditure, barring external factors such as adverse weather changes.

We plan to cultivate approximately 5,000 hectares this year, and to continue to expand our planted area by cultivating approximately 5,000 hectares in 2019 using our existing unplanted landbank. Additionally, we plan to selectively examine other plantation areas for potential external acquisition should these meet our strategic and operational criteria, to increase our total planted area accordingly.

Yields from our plantations and extraction rates from our mills

Our sales volume is primarily driven by our production volume and demand for our products. Our production volume is dependent on our FFB yield and our CPO, and to a lesser extent our palm kernel and palm kernel oil extraction rate, as well as the size of our planted areas and maturity of profile of our oil palm trees.

The yield of FFB per hectare is influenced by a variety of factors, including the quality of the oil palm seed, the soil and climatic conditions (including soil composition, fertilizing techniques, and levels of sunlight and rainfall), and the quality of the management of the plantation. Yield is also significantly influenced by the maturity of the trees, with peak production of FFB occurring during ages eight to 20 years old. Mature oil palm trees of prime age generally produce 25 to 30 tons of FFB per hectare per annum. See “*Business — Oil Palm Plantations*” for further information on the maturity profile of our oil palm trees.

The yield of FFB from our mature plantations has decreased from 21.0 tons per hectare in 2014 to 19.4 tons per hectare in 2016, primarily from adverse weather conditions, while our production of FFB increased from 1,019,156 tons in 2014 to 1,074,050 tons in 2016, due mainly to an increase in planted areas and more trees entering peak production. For the nine-months ended September 30, 2017, our plantations yielded 20.9 tons (annualized) of FFB per mature hectare and we produced 938,025 tons of FFB, compared to a yield of 19.2 tons (annualized) per mature hectare and 684,321 tons of FFB produced for the nine-months ended September 30, 2016.

The extraction rate of CPO and palm kernel per ton of FFB is influenced primarily by the quality of seeds used, maturity of the oil palm trees (and consequently the quality of the fruit they produce) and the time of harvesting and efficiency of the mill processing of the FFB. FFB must be harvested at the proper time of ripeness, and afterwards transported quickly to the mill for processing in order to maximize CPO extraction rates. Our CPO extraction rates by weight (i.e. percentage of a ton of CPO extracted per ton of FFB processed) have increased from 23.5% in 2014 to 23.7% in 2015 due to our efforts to improve our harvesting process, minimizing oil loss at our mills and an improvement in quality of FFB sourced from third parties. Our average CPO extraction rate reduced slightly to 23.4% in 2016 due to increased processing of lower-yielding third-party FFB, and this trend continued to the nine-months ended September 30, 2017 with an average CPO extraction rate of 23.1%, as we added further smallholder’s FFB production to our mills’ production in order to maximize mill operation and meet customer demand. Our FFB typically have a higher CPO extraction rate compared to third-party FFB from smallholders and other smaller plantations due to the high standard of our agronomy practices. We expect our reliance on third parties FFB to reduce in the future as more of our oil palm trees reach prime production age, increasing our own FFB production. See “*Business — Oil Palm Plantations — CPO and palm kernel processing.*”

Production costs

Significant components of our cost of sales include our costs of purchase of FFB, the costs of fertilizer and maintenance of our planted areas, direct labor costs in producing FFB at our plantations, harvesting costs, milling costs and overhead costs. Our cost of purchase of FFB from third parties was Rp.380.1 billion, Rp.323.4 billion, Rp.199.9 billion and Rp.305.4 billion for the years ended December 31, 2014, 2015 and 2016 and the nine-months ended September 30, 2017, respectively. These costs are driven by the market prices of FFB in the domestic market. See “— *Quantitative and Qualitative Disclosure About Market Risk — Commodity price risk.*” Our fertilizer and maintenance costs include the cost of fertilizer purchased and deployed in our plantation and other costs of maintaining our planted areas such as weeding and pruning. These costs were Rp.153.0 billion, Rp.200.6 billion, Rp.224.3 billion and Rp.252.7 billion for the years ended December 31, 2014, 2015 and 2016 and the nine-months ended September 30, 2017, respectively. These costs are driven by the size of our matured areas and the market prices of fertilizer. See “— *Quantitative and Qualitative Disclosure About Market Risk — Commodity price risk.*” Our labor cost includes wages for daily plantation workers and harvesters, and wages of our employees at the mills, and was Rp.303.4 billion,

Rp.205.6 billion, Rp.162.3 billion and Rp.198.9 billion in the years ended December 31, 2014, 2015 and 2016 and the nine-months ended September 30, 2017, respectively. Our harvesting costs include the cost of transporting our FFB harvested and other harvesting costs with the exception of the wages of harvesters. These costs depend on the amount of FFB harvested from our plantation and were Rp.86.6 billion, Rp.99.2 billion, Rp.178.3 billion and Rp.42.9 billion for the years ended December 31, 2014, 2015 and 2016 and the nine-months ended September 30, 2017, respectively. Our milling cost includes the costs of materials used in the milling of FFB and other costs incurred at our mills. These costs depend primarily on the amount of FFB processed at our mills and were Rp.44.1 billion, Rp.72.1 billion, Rp.100.8 billion and Rp.63.3 billion for the years ended December 31, 2014, 2015 and 2016 and the nine-months ended September 30, 2017, respectively. Our overhead costs include indirect labor costs associated with field supervision and estate administration and was Rp.181.3 billion, Rp.105.7 billion, Rp.124.8 billion and Rp.127.9 billion in the years ended December 31, 2014, 2015 and 2016 and the nine-months ended September 30, 2017, respectively. These costs are driven by wage rates in Indonesia which have been generally trending upward in line with inflation. Our cost of labor is also affected by the number of our employees; as we expand our business, we expect to employ additional workers on our plantations. Along with the average sales prices of our products (which are based primarily on international market prices) and our sales volume, cost of sales is the primary factor that determines our gross margin.

Finance costs

Our finance costs are dependent on the amount of debt we have outstanding and the applicable interest rates. Our bank borrowings, which comprise term loan facilities in the aggregate principal amount of Rp.2,560 billion and U.S.\$163.5 million, consist of fixed rate debt obligations bearing interest of 9.75% per annum for Rupiah loan facilities and between 5.50% and 6.10% per annum for U.S. Dollar loan facilities as of September 30, 2017. The short-term lending rate in Indonesia is calculated based on the benchmark set by Bank Indonesia. While Bank Indonesia has reduced its benchmark reference rate from 7.25% in September 2013 to 4.25% in September 2017, rate increases may occur. All of our existing credit facilities with PT Bank Negara Indonesia 46 (Persero) Tbk (“**BNI**”), except for certain of our investment credit facilities received by PT Sawit Sumbermas Sarana Tbk, PT Kalimantan Sawit Abadi, PT Sawit Multi Utama and PT Tanjung Sawit Abadi from BNI, include a provision that entitles BNI to reset the annual fixed interest rate from time to time based on Bank Indonesia’s benchmark lending rate and the prevailing regulations applicable to BNI. These loan facilities have been and will continue to be a significant source of our funding for our capital expenditures relating to our new plantations, mills and other facilities. See “*Description of Material Indebtedness*” for a description of our loan facilities.

Foreign exchange movements, in particular movements of the Rupiah against the U.S. Dollar

Substantially all of our sales are denominated in Rupiah with reference to U.S. Dollar prices. The majority of our operating costs are denominated in Rupiah, although a significant portion of our costs, relating primarily to fertilizer and fuel, is linked to international U.S. Dollar prices for the relevant products. As we prepare our consolidated statements of comprehensive income in Rupiah, we therefore generally benefit when the U.S. Dollar appreciates against the Rupiah and, conversely, record lower sales when the U.S. Dollar depreciates against the Rupiah. See also “*Risk Factors — Risks Relating to Indonesia — An appreciation in the value of the Rupiah may adversely affect our financial condition and results of operations.*”

Capital expenditures

We make significant investments to maintain our plantations, acquire landbank, cultivate new areas and increase our processing capacity for the production of CPO, palm kernel and crude palm kernel oil. We will need sufficient capital resources to (i) increase our planted hectareage through acquisitions and (ii) expand our milling capacity with the construction of new mills and capacity expansion at existing facilities commensurate with our production of FFB. Any additional future capital

expenditures, if funded from future financing arrangements, may increase our indebtedness and financing costs. In addition, any significant increase in capital expenditures may also result in a higher level of depreciation, which may also affect our financial performance. See “— *Capital expenditures* — *Planned capital expenditures*.”

Critical Accounting Policies

In preparing our consolidated financial statements, we make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various assumptions that we believe to be reasonable under the circumstances, the results of which form our basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our results of operations may differ if prepared under different assumptions or conditions. For additional information, see notes 2 and 3 to our consolidated financial statements included elsewhere in this Offering Memorandum.

We believe the following principal accounting policies affect the more significant judgments and estimates used in the preparation of our consolidated financial statements.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined on the average cost method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

Allowance for inventory obsolescence is provided based on a review of the condition of inventories at the reporting dates.

Plantation assets

Plantation assets are classified as immature plantations and mature plantations.

Immature plantations

All costs relating to the development of the oil palm plantations for our own operations together with a portion of indirect overheads, including general and administration expenses and borrowing costs incurred in relation to loans used in financing for the development of immature plantations are capitalized until commercial production is achieved. These costs will be transferred to mature plantations starting from the commencement of commercial production.

Mature plantations

In general, an oil palm plantation takes about three to four years to reach maturity from the time the seedling is planted into the field. Actual time to maturity is dependent upon vegetative growth and is assessed by management.

Mature plantations are stated at cost and are amortized over the 20 years starting from the commencement of commercial production.

Fixed assets

All fixed assets are initially recognized at cost, which comprises its purchase price and any costs directly attributable in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent to initial recognition, fixed assets, except for land, are carried at cost less any subsequent accumulated depreciation and impairment losses.

Cost includes the cost of replacing part of the fixed assets when that cost is incurred, if the recognition criteria are met. Likewise, when a major replacement is performed, its cost is recognized in the carrying amount of the fixed assets as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs that do not meet the recognition criteria are recognized in the consolidated statement of profit or loss and other comprehensive income when incurred.

Land is stated at cost and is not depreciated.

Depreciation of an asset starts when it is available for use and is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Years	Rate
Buildings	10-20	5%-10%
Infrastructure	10	10%
Vehicles and heavy equipment	5	20%
Machinery and equipment	8	12.5%
Furniture and fixtures	5	20%

Construction in progress represents the accumulated cost of materials and other relevant costs up to date when the asset is complete and ready for service. These costs are classified to the respective fixed asset accounts when the asset has been made ready for use.

An item of fixed asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income in the year the asset is derecognized.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted prospectively if appropriate, at each financial year end.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as part of the cost of the related asset. Otherwise, borrowing costs are recognized as expenses when incurred. Borrowing costs consist of interests and other financing charges that we incur in connection with the borrowing of funds.

Capitalization of borrowing costs commences when the activities to prepare the qualifying asset for its intended use are in progress and the expenditures for the qualifying assets and the borrowing costs have been incurred. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets are substantially completed for their intended use.

Plasma receivables

Plasma receivables represents costs to develop plasma area, in which these we temporarily fund while waiting for realization of funding from bank.

Impairment of non-financial assets

We assess at each annual reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset (i.e., an intangible asset with an indefinite life, an intangible asset not yet available for use, or goodwill acquired in a business combination) is required, we make an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of the asset's or cash generating unit's fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations, if any, are recognized in the consolidated statement of comprehensive income in those expense categories consistent with the function of the impaired asset. In assessing the value in use, the estimated net future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets excluding goodwill, an assessment is made at each reporting dates as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss for an asset other than goodwill is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The reversal is limited so that the carrying amount of the assets does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Reversal of an impairment loss is recognized in the consolidated statement of profit or loss and other comprehensive income. After such a reversal, the depreciation charge on the said asset is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Corporate income tax

Current Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxaton authority.

Current tax expense is determined based on the taxable profit for the year computed using the prevailing tax rates.

Underpayment/overpayment of income tax are presented as part of "Tax Expense — Current" in the consolidated statements of profit or loss and other comprehensive income. We also presented interests penalties, if any, as part of "Tax Expense — Current."

Amendments to tax obligations are recorded when a tax assessment letter is received or, if appealed against, when the result of the appeal is determined.

Deferred Tax

Deferred tax assets and liabilities are recognized using the liability method for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the financial statements and their respective tax bases at each reporting date. Deferred tax liabilities are recognized and accumulated fiscal losses to the extent that it is probably that taxalb eprofit will be available in future years against which the deductible temporary differences and accumulated fiscal losses can be utilized.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilized. At the end of each reporting period, we reassess unrecognized deferred tax assets. We recognize a previously unrecognized deferred tax assets to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted at the reporting date. Changes in the carrying amount of deferred tax assets and liabilities due to a change in tax rates are charged to current period operations, except to the extent that they relate to items previously charged or credited to equity.

Deferred tax assets and liabilities are offset in the consolidated statements of financial position, except if they are for different legal entities, consistent with the presentation of current tax assets and liabilities.

Principal Income Statement Items

Sales

Substantially all of our sales are generated from the sale of CPO and, to a lesser extent, palm kernel, palm kernel crude oil and FFB.

We generally sell FFB surplus which exceeds our mills' capacity to third-party customers.

The following table sets forth our sales for the periods indicated, in absolute terms and expressed as a percentage of total sales:

	Year ended December 31,							Nine-month period ended September 30,				
	2014		2015		2016			2016		2017		
	(Rp. millions)	(%)	(Rp. millions)	(%)	(Rp. millions)	(U.S.\$ millions)	(%)	(Rp. millions)	(%)	(Rp. millions)	(U.S.\$ millions)	(%)
	(Unaudited)											
CPO	2,390,815	91.4	2,119,441	89.4	2,092,825	155	76.9	1,381,495	79.4	2,034,989	151	85.5
Palm kernel	173,647	6.6	179,312	7.6	369,317	27	13.6	266,152	15.3	184,857	14	7.8
Crude palm kernel oil	51,902	2.0	73,125	3.1	75,413	6	2.8	—	—	114,860	9	4.8
FFB	—	—	—	—	185,123	14	6.8	91,844	5.3	46,282	3	1.9
Total sales	<u>2,616,365</u>	<u>100.0</u>	<u>2,371,878</u>	<u>100.0</u>	<u>2,722,678</u>	<u>202</u>	<u>100.0</u>	<u>1,739,490</u>	<u>100.0</u>	<u>2,380,989</u>	<u>176</u>	<u>100.0</u>

The following table sets forth our sales volumes for the periods indicated:

	Year ended December 31,			Nine-month period ended September 30,	
	2014	2015	2016	2016	2017
	(tons)				
CPO	289,827	304,260	305,294	198,953	243,768
Palm kernel	36,012	42,789	38,011	28,214	30,141
Crude palm kernel oil	4,734	8,224	5,000	—	8,000
FFB	—	—	16,879	8,636	30,595

The following table sets forth our average sales prices for the periods indicated:

	Year ended December 31,			Nine-month period ended September 30,			
	2014	2015	2016	2016		2017	
	(Rp. millions per ton)			(Rp. millions per ton)	(U.S.\$ per ton)	(Rp. millions per ton)	(U.S.\$ per ton)
CPO ⁽¹⁾	8.2	7.0	6.9	6.9	515	8.3	619
Palm kernel ⁽²⁾	4.8	4.2	9.7	9.4	699	6.1	455
Crude palm kernel oil ⁽³⁾	11.0	8.9	15.1	—	—	14.4	1,064
FFB ⁽⁴⁾	—	—	1.4	1.4	101	1.5	112

Note:

- (1) Crude palm oil (CPO) average sales price per ton refer to sales amounts of CPO for the period or year divided by their sales volume in tons for the related period or year
- (2) Palm kernel (PK) average sales price per ton refer to sales amounts of PK for the period or year divided by their sales volume in tons for the related period or year
- (3) Crude palm kernel oil (CPKO) average sales price per ton refer to sales amounts of CPKO for the period or year divided by their sales volume in tons for the related period or year
- (4) Fresh fruit bunches (FFB) average sales price per ton refer to sales amounts of FFB for the period or year divided by their sales volume in tons for the related period or year

Cost of sales

Cost of sales consists of expenses incurred at our plantations, expenses related to the production of CPO, palm kernel at our mills, adjusted for changes in inventory of finished goods and expenses related to crude palm kernel oil at our kernel crushing facility. The principal components of our cost of sales are purchase of FFB, fertilizer and maintenance costs, harvesting costs, milling costs, labor cost, depreciation and amortization and overhead cost. Along with the average sales prices of our products (which are based primarily on international market prices) and our sales volume, cost of sales is the primary factor that determines our gross margin.

The following table sets forth the breakdown of our cost of sales for the periods indicated, in absolute terms and expressed as a percentage of total cost of sales:

	Year ended December 31,							Nine-month period ended September 30,				
	2014		2015		2016			2016		2017		
	(Rp. millions)	(%)	(Rp. millions)	(%)	(Rp. millions)	(U.S.\$ millions)	(%)	(Rp. millions)	(%)	(Rp. millions)	(U.S.\$ millions)	(%)
Purchase of FFB	380,094	28.6	323,372	27.1	199,896	15	16.4	242,498	25.1	305,393	23	25.9
Labor cost	303,393	22.8	205,617	17.2	162,270	12	13.3	41,044	4.2	198,866	15	16.9
Fertilizer and maintenance	152,982	11.5	200,604	16.8	224,283	17	18.4	337,185	34.9	252,735	19	21.5
Depreciation of fixed assets	97,775	7.4	93,620	7.8	113,693	8	9.3	67,134	6.9	81,038	6	6.9
Amortization of mature oil palm plantation	83,627	6.3	94,257	7.9	112,621	8	9.3	98,868	10.2	105,750	8	9.0
Milling cost	44,056	3.3	72,142	6.0	100,794	7	8.3	10,993	1.1	63,267	5	5.4
Harvesting cost	86,593	6.5	99,184	8.3	178,323	13	14.7	113,221	11.7	42,871	3	3.6
Overhead cost	181,324	13.6	105,725	8.9	124,782	9	10.3	55,367	5.7	127,976	9	10.9
Cost of production	1,329,845	100.0	1,194,520	100.0	1,216,662	90	100.0	966,111	100.0	1,177,839	87	100.0
CPO, palm kernel and crude palm kernel oil at beginning of the year	19,611		52,661		122,492	9		122,492		82,535	6	
CPO, palm kernel and crude palm kernel oil at end of the year	(52,661)		(122,492)		(82,535)	(6)		(118,224)		(170,052)	(13)	
Total cost of sales	1,296,794		1,124,690		1,256,619	93		970,378		1,090,322	81	

Selling expenses consist mainly of expenses related to the transportation of our products and other expenses related to local government duties and levies. The following table sets forth our selling expenses for the periods indicated, in absolute terms and expressed as a percentage of total selling expenses:

General and administrative expenses

The following table sets forth our general and administrative expenses for the periods indicated, in absolute terms and expressed as a percentage of total general and administrative expenses:

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Other income/(expense) — net

Other income/(expense) — net consists primarily of sales of nutshell and fiber, both by-products of our palm oil mills, and palm oil cake, a by-product of our kernel crushing plant, rent income, gain/loss on foreign exchange, bad debt expense and other operating expenses.

The following table sets forth the breakdown of our other income/(expense) — net for the periods indicated:

	Year ended December 31,				Nine-month period ended September 30,		
	2014	2015	2016		2016	2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)
	(Unaudited)						
Other income/(expense) — net							
Sales of nutshell, fiber and palm oil cake	7,514	16,708	6,531	0	10,505	11,382	1
Rent income	537	1,809	764	0	—	—	—
Foreign exchange (loss)/income, net	(25,140)	(14,327)	7,049	1	118,379	(8,462)	(1)
Bad debt expense	—	—	(9,999)	(1)	—	—	—
Other income/(expense), net . . .	1,906	1,297	(180)	(0)	(17,027)	1,593	0
	<u>(15,183)</u>	<u>5,487</u>	<u>4,164</u>	<u>0</u>	<u>111,857</u>	<u>4,513</u>	<u>0</u>

Finance income

Finance income consists of interest earned on our cash deposits and loans to related parties. For the years ended December 31, 2014, 2015 and 2016 and the nine-months ended September 30, 2017, our finance income amounted to Rp.146.4 billion, Rp.96.0 billion, Rp.135.0 billion and Rp.188.3 billion, respectively.

Finance costs

Finance costs consist primarily of interest owed on our bank loans and finance leases.

The following table sets forth the breakdown of our finance costs for the periods indicated:

	Year ended December 31,							Nine-month period ended September 30,				
	2014		2015		2016			2016		2017		
	(Rp. millions)	(%)	(Rp. millions)	(%)	(Rp. millions)	(U.S.\$ millions)	(%)	(Rp. millions)	(%)	(Rp. millions)	(U.S.\$ millions)	(%)
	(Unaudited)											
Finance costs												
Bank loan interest	184,175	90.3	175,090	85.0	152,762	11	83.7	143,225	92.9	245,972	18	98.4
Interest expense from related parties	13,964	6.9	16,536	8.0	357	0	0.2	357	0.2	—	—	—
Finance lease interest	3,605	1.8	1,647	0.8	699	0	0.4	555	0.4	394	0	0.2
Provision fee	2,107	1.0	12,818	6.2	28,607	2	15.7	10,109	6.6	3,574	0	1.4
	<u>203,851</u>	<u>100.0</u>	<u>206,091</u>	<u>100.0</u>	<u>182,425</u>	<u>14</u>	<u>100.0</u>	<u>154,247</u>	<u>100.0</u>	<u>249,940</u>	<u>19</u>	<u>100.0</u>

Corporate income tax

Corporate income tax consists of current income tax expense and deferred income tax benefits/expenses. For the years ended December 31, 2014, 2015 and 2016 and the nine-months ended September 30, 2017, our total corporate income tax amounted to an expense of Rp.253.5 billion, Rp.204.8 billion, Rp.255.7 billion and Rp.186.1 billion, respectively.

Profit for the period/year after the effect of merging entities' income adjustment

Profit for the period/year after the effect of merging entities' income adjustment represents our consolidated net income for us and our subsidiaries for such periods as if the acquisitions had been completed as of January 1, 2014. The effect of the merging entities' income adjustment only impact the consolidated statements of profit or loss and other comprehensive income for the years ended December 31, 2014 and 2015.

Effect of merging entities' income adjustment

Effect of pro forma adjustment represents the net income of our subsidiaries in those periods prior to the acquisition. Under Indonesian FAS, this is deducted from our total comprehensive income after the effect of pro forma adjustment to derive our total comprehensive income before the effect of pro forma adjustment for those years/periods

Comprehensive income for the period/year before the effect of merging entities' income adjustment

Comprehensive income for the period/year before the effect of merging entities' income adjustment represents our net income that consolidates the net income of our subsidiaries from the date of the acquisition. The effect of the merging entities' income adjustment only impact the consolidated statements of profit or loss and other comprehensive income for the years ended December 31, 2014 and 2015.

Results of Operations

The following table sets forth, for the periods indicated, certain items derived from our consolidated statements of comprehensive income:

	Year ended December 31,				Nine-month period ended September 30,		
	2014	2015	2016		2016	2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)
	(Unaudited)						
SALES	2,616,365	2,371,878	2,722,678	202	1,739,490	2,380,989	176
COST OF SALES	(1,296,794)	(1,124,690)	(1,256,619)	(93)	(970,378)	(1,090,322)	(81)
GROSS PROFIT	1,319,571	1,247,188	1,466,059	109	769,112	1,290,667	96
Selling expenses	(47,844)	(79,949)	(166,484)	(12)	(92,083)	(156,266)	(12)
General and administrative expenses	(280,217)	(287,941)	(315,218)	(23)	(245,947)	(259,704)	(19)
Loss from impairment of goodwill	—	—	(93,709)	(7)	—	—	—
Other income, net	(15,183)	5,487	4,164	0	111,857	4,513	0
OPERATING PROFIT	976,326	884,785	894,811	66	542,938	879,210	65
Finance income, net	146,352	96,031	135,001	10	91,056	188,337	14
Finance costs	(203,851)	(206,091)	(182,425)	(14)	(154,247)	(249,940)	(19)
PROFIT BEFORE CORPORATE INCOME TAX	918,827	774,725	847,388	63	479,747	817,607	61
CORPORATE INCOME TAX	(253,502)	(204,843)	(255,729)	(19)	(144,619)	(186,142)	(14)
PROFIT FOR THE PERIOD/YEAR AFTER THE EFFECT OF MERGING ENTITIES' INCOME ADJUSTMENT	665,326	569,882	591,659	44	335,129	631,466	47
OTHER COMPREHENSIVE INCOME, NET OF TAX							
Item that will not be reclassified to profit or loss							
Remeasurements (loss)/gain on liability for employee benefits	(13,129)	12,479	9,797	1	3,711	(7,190)	(1)
COMPREHENSIVE INCOME FOR THE PERIOD/YEAR AFTER ENTITIES' INCOME ADJUSTMENT	652,197	582,361	601,455	45	338,840	624,275	46
Adjustment of merging entities income							
Equity holder	66,035	(26,231)	—	—	—	—	—
Non-controlling interest	4,891	(1,943)	—	—	—	—	—
	70,926	(28,174)	—	—	—	—	—

	Year ended December 31,				Nine-month period ended September 30,		
	2014	2015	2016		2016	2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)
	(Unaudited)						
PROFIT FOR THE PERIOD/YEAR BEFORE THE EFFECT OF MERGING ENTITIES' INCOME ADJUSTMENT . .	736,252	541,708	591,659	44	335,129	631,466	47
Adjustment of merging entities income comprehensive							
Equity holder	72,407	(26,578)	—	—	—	—	—
Non-controlling interest	5,306	(1,969)	—	—	—	—	—
	77,713	(28,547)	—	—	—	—	—
COMPREHENSIVE INCOME FOR THE PERIOD/YEAR BEFORE THE EFFECT OF MERGING ENTITIES' INCOME ADJUSTMENT . .	729,910	553,814	601,455	45	338,840	624,275	46
Profit for the period/year before the effect of entities' income merging adjustment attributable to:							
Owners of the parent entity . .	722,683	543,651	591,659	44	335,129	628,152	47
Non-controlling interests . . .	13,569	(1,943)	—	—	—	3,314	0
	736,252	541,708	591,659	44	335,129	631,466	47
Comprehensive income for the year before effect of entities' income merging adjustments attributable to:							
Owners of the parent entity . .	711,035	557,726	601,455	45	338,840	621,101	46
Non-controlling interests . . .	18,875	(3,912)	—	—	—	3,174	0
	729,910	553,814	601,455	45	338,840	624,275	46
Earnings per share (full amount)	75.87	57.08	62.12	0	35	66	0

Nine-months ended September 30, 2017 compared to nine-months ended September 30, 2016

Sales

Our sales increased by 36.9%, to Rp.2,381.0 billion, for the nine-months ended September 30, 2017 compared to the prior period, as a result of the higher sales price of CPO and increased CPO production.

Cost of sales

Our cost of sales increased by 12.4%, to Rp.1,090.3 billion, for the nine-months ended September 30, 2017 compared to the prior period, due primarily to increased costs associated with our higher sales volume, such as higher purchases of FFB, fertilizer and maintenance costs, amortization of mature oil palm plantations, and harvesting, milling and overhead costs, in line with our increased sales volume and cost of production.

Gross profit

As a result of the foregoing, our gross profit increased by 67.8% from Rp.769.1 billion for the nine-months ended September 30, 2016 to Rp.1,290.7 billion for the nine-months ended September 30, 2017.

Selling expenses

Our selling expenses increased by 69.7% to Rp.156.3 billion for the nine-months ended September 30, 2017, primarily as a result of higher government duties on our higher sales as compared to the prior period.

General and administrative expenses

Our general and administrative expenses were roughly flat for the nine-months ended September 30, 2017 as compared to the prior period, with higher salaries, wages and employee benefits, property and vehicle tax being offset by declines in other expenses such as maintenance expenses.

Other income/(expense) — net

Our other income decreased by 96.0% from Rp.111.9 billion for the nine-months ended September 30, 2016 to Rp.4.5 billion for the nine-months ended September 30, 2017, among other reasons owing to a loss on foreign exchange (compared to foreign exchange gain in the prior period) and lower sales of nutshell, fiber and palm oil cake.

Operating profit

As a result of the foregoing, our operating profit increased by 61.9% compared to the prior period, to Rp.879.2 billion for the nine-months ended September 30, 2017.

Finance income

Our finance income increased by 106.8%, to Rp.188.3 billion for the nine-months ended September 30, 2017 as a result of higher amounts of cash and cash equivalents accruing interest as compared to the prior period.

Finance costs

Our finance costs increased by 62.0% to Rp.249.9 billion for the nine-months ended September 30, 2017, due to higher borrowings as compared to the prior period.

Corporate income tax

Our corporate income tax increased by 28.7% to Rp.186.1 billion for the nine-months ended September 30, 2017, due to higher revenue and improved margins.

Total comprehensive income for the period after the effect of merging entities' income adjustment

As a result of the foregoing, total comprehensive income for the period after the effect of merging entities' income adjustment increased by 84.2% to Rp.624.3 billion for the nine-months ended September 30, 2017.

Year ended December 31, 2016 compared to year ended December 31, 2015

Sales

Our sales increased by 14.8% from Rp.2,371.9 billion in 2015 to Rp.2,722.7 billion in 2016, due to increases in sales of palm kernel and FFB, partially offset by a decrease in sales of CPO. Our sales of palm kernel increased by 106.0% from Rp.179.3 billion in 2015 to Rp.369.3 billion in 2016, and our sales of FFB increased by 153.2% from Rp.73.1 billion in 2015 to Rp.185.1 billion in 2016 while our sales of CPO decreased slightly by 1.3% from Rp.2,119.4 billion in 2015 to Rp.2,092.8 billion in 2016.

The increase in sales of palm kernel was primarily a result of a higher sales volume due to increased demand. Our sales quantity of palm kernel decreased by 11.3% to 54,005 tons in 2016 as compared to 60,861 tons in 2015. In addition, our average sales price of palm kernel increased from Rp.4.2 million per ton in 2015 to Rp.9.7 million per ton in 2016. The increase in sales of FFB was primarily due to increased demand.

The decrease in sales of CPO was primarily a result of the decline in production of CPO during the year, in particular due to adverse weather conditions as well as a governmental moratorium on land clearance.

Cost of sales

Our cost of sales increased by 11.7% from Rp.1,124.7 billion in 2015 to Rp.1,256.6 billion in 2016 due primarily to higher milling, harvesting and overhead costs and an increase in depreciation of fixed assets. Our purchase of FFB decreased by 38.2% from Rp.323.4 billion in 2015 to Rp.199.9 billion in 2016 as a result of lower production by third parties.

Gross profit

As a result of the foregoing, our gross profit increased by 17.6% from Rp.1,247.2 billion in 2015 to Rp.1,466.1 billion in 2016. Our gross profit margin in 2015 was 52.6%, compared to 53.8% in 2016.

Selling expenses

Our selling expenses increased by 108.2% from Rp.79.9 billion in 2015 to Rp.166.5 billion in 2016, due primarily to an increase in per unit and aggregate transportation expenses resulting primarily from higher sales volume.

General and administrative expenses

Our general and administrative expenses increased by 9.5% from Rp.287.9 billion in 2015 to Rp.315.2 billion in 2016, due primarily to an increase in salaries, wages and bonus, maintenance expenses, telephone, water and electricity expenses, an increase in property and vehicle tax paid from Rp.13.5 billion in 2015 to Rp.21.0 billion in 2016, and an increase in insurance and permits expense.

Other income/(expense) — net

Our other operating income decreased from Rp.5.5 billion in 2015 to Rp.4.2 billion in 2016, due primarily to a decrease in sales of nut shells, fiber and palm oil cake from Rp.16.7 billion in 2015 to Rp.6.5 billion in 2016, partially offset by gains in foreign exchange income.

Operating profit

As a result of the foregoing, our operating profit increased by 1.1% from Rp.884.8 billion in 2015 to Rp.894.8 billion in 2016.

Finance income

Our finance income increased by 40.6% from Rp.96.0 billion in 2015 to Rp.135.0 billion in 2016, primarily due to an increase in interest from loans to affiliated parties and third parties, partially offset by a decrease in interest from deposits.

Finance costs

Our finance costs decreased by 11.5% from Rp.206.1 billion in 2015 to Rp.182.4 billion in 2016, due primarily to a decrease in interest on bank loans and finance lease, partially offset by an increase in provision fees.

Corporate income tax

Our corporate income tax increased by 24.8% from Rp.204.8 billion in 2015 to Rp.255.7 billion in 2016, due primarily to an increase in current tax expenses as a result of increased income and an increase in deferred tax liabilities due to higher revenue.

Total comprehensive income for the year after the effect of merging entities' income adjustment

As a result of the foregoing, our total comprehensive income for the year after the effect of merging entities' income adjustment increased by 3.3% from Rp.582.4 billion in 2015 to Rp.601.5 billion in 2016.

Year ended December 31, 2015 compared to year ended December 31, 2014

Sales

Our sales decreased by 9.3% from Rp.2,616.4 billion in 2014 to Rp.2,371.9 billion in 2015, due primarily to decreases in the average selling price of CPO and other products, partially offset by increases in the volume of palm kernel sold. Our sales of CPO decreased by 11.4% from Rp.2,390.8 billion in 2014 to Rp.2,119.4 billion in 2015 while our sales of palm kernel increased by 3.3% from Rp.173.6 billion in 2014 to Rp.179.3 billion in 2015.

The decrease in sales of CPO was primarily a result of a decrease in our average sales price of CPO from Rp.8.2 million per ton in 2014 to Rp.7.0 million per ton in 2015, and a decrease in our average sales price of palm kernel from Rp.4.8 million per ton in 2014 to Rp.4.2 million per ton in 2015. Our sales quantity of CPO increased by 5.0% to 289,828 tons in 2014 compared to 304,260 tons in 2015 and our sales quantity of palm kernel increased by 19.4% to 36,012 tons in 2014 as compared to 42,789 tons in 2015.

Cost of sales

Our cost of sales decreased by 13.3% from Rp.1,296.8 billion in 2014 to Rp.1,124.7 billion in 2015 primarily as a result of a decrease in unit price of FFB that we purchased from third and related parties and a decrease in the volume of FFB purchased, a decrease of labor costs in relation to our cost efficiency initiatives and decrease of overhead costs, partially offset by an increase in harvesting and milling costs.

Gross profit

As a result of the foregoing, our gross profit decreased by 5.5% from Rp.1,319.6 billion in 2014 to Rp.1,247.2 billion in 2015. Our gross profit margin in 2014 was 50.4%, compared to 52.6% in 2015.

Selling expenses

Our selling expenses increased by 67.1% from Rp.47.8 billion in 2014 to Rp.79.9 billion in 2015, due primarily to an increase in per unit and aggregate transportation expenses resulting primarily from higher sales volumes.

General and administrative expenses

Our general and administrative expenses increased by 2.8% from Rp.280.2 billion in 2014 to Rp.287.9 billion in 2015, primarily attributable to increases in salaries, wages and bonus, maintenance expenses, telephone, water and electricity expenses.

Other income/(expense) — net

Our other income/(expense) — net changed from an expense of Rp.15.2 billion in 2014 to an income of Rp.5.5 billion in 2015, primarily attributable to an increase in sales of nutshells, fiber and palm oil cake, a decrease in foreign exchange losses and an increase in rent income.

Operating income

As a result of the foregoing, our operating income decreased by 9.4% from Rp.976.3 billion in 2014 to Rp.884.8 billion in 2015.

Finance income

Our finance income decreased from Rp.146.4 billion in 2014 to Rp.96.0 billion in 2015, due primarily to decreased interest income earned on cash deposits and loans made to affiliated parties.

Finance costs

Our finance costs increased by 1.1% from Rp.203.9 billion in 2014 to Rp.206.1 billion in 2015, due primarily to an increase in interest expense from related parties and in provision fees.

Corporate income tax

Corporate income tax decreased by 19.2% from Rp.253.5 billion in 2014 to Rp.204.8 billion in 2015, due primarily to a decrease in current tax expenses as a result of decreased taxable income, partially offset by an increase in deferred tax liabilities.

Total comprehensive income for the year after the effect of merging entities' income adjustment

As a result of the foregoing, our total comprehensive income for the year after the effect of merging entities' income adjustment decreased by 10.7% from Rp.652.2 billion in 2014 to Rp.582.4 billion in 2015.

Liquidity and Capital Resources

In the years ended December 31, 2014, 2015 and 2016 and the nine-months ended September 30, 2017, we have financed our capital requirements through cash flows from our operations and long-term debt from bank loans.

Cash flows

As of September 30, 2017 our cash and cash equivalents amounted to Rp.1,007.9 billion, and, as of the date of this Offering Memorandum, we believe we have sufficient liquidity and capital resources to meet our working capital needs.

The following table sets forth certain information about our cash flows during the years ended December 31, 2014, 2015 and 2016 and the nine-months ended September 30, 2016 and 2017:

	Years ended December 31,				Nine-month period ended September 30,		
	2014	2015	2016		2016	2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)
	(Audited)				(Unaudited)		
Net cash provided by operating activities	961,491	61,188	659,083	49	1,087,967	809,298	60
Net cash (used in)/provided by investing activities	(1,736,762)	117,950	(26,969)	(2)	(269,376)	(1,415,072)	(105)
Net cash (used in) financing activities	274,095	(130,690)	(991,437)	(73)	(1,069,556)	1,451,189	108
Net increase/(decrease) in cash and cash equivalents	(501,176)	48,448	(359,322)	(27)	(250,965)	845,416	63
Cash and cash equivalents at beginning of period/year . . .	974,511	473,335	521,783	39	521,783	162,461	12
Cash and cash equivalents at end of period/year	473,335	521,783	162,461	12	270,818	1,007,876	75

Cash from operating activities and proceeds from bank loans have been our primary sources of liquidity over the past three financial years. Our main uses of funds have been to make capital expenditures relating to our new plantations, mills and other facilities.

Nine-months ended September 30, 2017

As of September 30, 2017 we had cash and cash equivalents of Rp.1,007.9 billion, an increase of Rp.845.4 billion, from Rp.162.5 billion as of December 31, 2016.

Our net cash provided by operating activities decreased by 25.6% to Rp.809.3 billion for the nine-months ended September 30, 2017 compared to the nine-months ended September 30, 2016. This decrease was primarily due to an increase in cash paid to suppliers and employees as compared to the prior period.

Our net cash used in investing activities increased materially, to Rp.1,415.1 billion for the nine-months ended September 30, 2017, compared to Rp.269.4 billion for the nine-months ended September 30, 2016. This increase was attributable to a disbursement under the loan from us and our subsidiary PT Tanjung Sawit Abadi to CBI, as discussed in “*Related Party Transactions—Loan Agreements*,” in connection with CBI’s development of downstream refining and distribution capabilities.

Whereas our financing activities used cash in the nine-months ended September 30, 2016 as we repaid loans to from related parties and bank loans in excess of additional amounts borrowed during that period, our financing activities in the nine-months ended September 30, 2017 provided cash since we received proceeds from additional bank loans in excess of amounts repaid.

Year ended December 31, 2016

As of December 31, 2016, we had cash and cash equivalents of Rp.162.5 billion, a decrease of Rp.359.3 billion, or 68.9%, from Rp.521.8 billion at the beginning of the year.

Our net cash provided by operating activities increased by Rp.597.9 billion, or 977.1%, to Rp.659.1 billion in 2016, compared to Rp.61.2 billion in 2015. This increase was primarily due to an increase in cash received from customers of Rp.484.2 billion, or 20.9%, from Rp.2,319.5 billion in 2015 to Rp.2,803.6 billion in 2016, which was attributable to increased sales volume, a decrease in cash paid to suppliers of Rp.224.0 billion, or 13.6% from Rp.1,645.2 billion in 2015 to Rp.1,421.2 billion in 2016, partially offset by a decrease in interest income received of Rp. 42.4 billion, from Rp.90.6 billion in 2015 to Rp.48.3 billion in 2016.

Our net cash (used in)/provided by investing activities changed from a provision of Rp.118 billion in 2015 to a use of Rp.27.0 billion in 2016. This change was primarily attributable to receipts of a loan settlement from related parties which was paid in 2015.

Our net cash used in financing activities increased from Rp.130.7 billion of cash used in 2015 to Rp.991.4 billion of cash used in 2016. This increase was primarily attributable to a decrease in proceeds from bank loan net of repayment which changed from an inflow of Rp.1,329.0 billion in 2015 to an outflow of Rp.75.6 billion in 2016.

Year ended December 31, 2015

As of December 31, 2015, we had cash and cash equivalents of Rp.521.8 billion, an increase of Rp.48.5 billion, or 10.2%, from Rp.473.3 billion at the beginning of the year.

Our net cash provided by operating activities decreased by Rp.900.3 billion, or 93.6%, to Rp.61.2 billion in 2015, compared to Rp.961.5 billion in 2014, primarily due to a decrease in cash received from customers of Rp.557.1 billion, or 19.4%, from Rp.2,876.6 billion in 2014 to Rp.2,319.5 billion in 2015, which was attributable to lower sales volume as a result of unfavorable growing conditions, while cash paid to suppliers increased by 28.7%, from Rp.1,278.2 billion in 2014 to Rp.1,645.2 billion in 2015. Interest income received decreased by 38.1%, from Rp.146.4 billion in 2014 to Rp.90.6 billion in 2015.

Our net cash used in/provided by investing activities changed from an outflow of Rp.1,736.8 billion in 2014 to a provision of Rp.118 billion in 2015, primarily attributable to withdrawal of time deposits of Rp.1,359.6 billion and receipts on loan settlement from related parties of Rp.330.7 billion in 2015.

Our net cash (used in)/provided by financing activities changed from Rp.274.1 billion of cash provided in 2014 to Rp.130.7 billion of cash used in 2015. This change was primarily attributable to an increase in cash provided to related parties of Rp.1,202.7 billion in 2015, compared to an inflow of cash from related parties of Rp.399.3 billion in 2014, an increase of 70.3% in repayments of consumer finance liabilities from Rp.8.4 billion in 2014 to Rp.14.3 billion in 2015, and increase of 335.8% in dividend payments of Rp.49.5 billion in 2014 to Rp.215.7 billion in 2015.

Indebtedness

As of September 30, 2017, we had Rp.4,746.6 billion of outstanding indebtedness as follows:

	As of September 30, 2017	
	(Rp. millions)	(U.S.\$ millions)
Indebtedness		
Current maturities of long-term bank loans	357,183	26
Long-term bank loans	<u>4,389,432</u>	<u>325</u>
Total	<u><u>4,746,615</u></u>	<u><u>352</u></u>

We plan to use the majority of the net proceeds from the offering of the Notes for repayment of the Company's existing indebtedness, and/or partial or full repayment of certain of our subsidiaries' debts. See "Use of Proceeds."

Our ability to obtain adequate financing, including new credit facilities, to satisfy our capital expenditures, contractual obligations and debt service requirements may be limited by our financial condition and results of operations and the liquidity of domestic and international financial markets. We cannot provide any assurance that we will be able to obtain such financing on terms acceptable to us, or at all.

Capital Expenditures

Historical capital expenditures

The majority of our capital expenditures during the last three financial years have been related to the development of our plantations, acquisition of landbank, construction of additional palm oil mills and a kernel crushing plant and other expenditure on heavy equipment for plantation operations and office equipment and machinery.

The table below summarizes our capital expenditures for the periods indicated.

	For the year ended December 31,				For the nine-months ended September 30,	
	2014	2015	2016		2017	
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ millions)	(Rp. millions)	(U.S.\$ millions)
					(Unaudited)	
Plantations — Immature	241,798	194,029	235,080	17	58,592	4
Lands	201,654	402	20,188	1	116,844	9
Infrastructure	1,959	—	9,160	1	3,525	0
Buildings	3,727	—	4,279	0	1,732	0
Machinery and equipment	2,714	2,463	1,931	0	3,581	0
Vehicles and heavy equipments	29,063	8,183	13,569	1	11,247	1
Furniture and fixtures	1,221	9,006	4,548	0	3,479	0
Construction in progress	94,752	143,798	67,141	5	63,475	5
Leased — Vehicle	—	—	630	0	—	—
Total	<u><u>576,888</u></u>	<u><u>357,881</u></u>	<u><u>356,526</u></u>	<u><u>26</u></u>	<u><u>262,475</u></u>	<u><u>19</u></u>

Planned capital expenditures

Our planned capital expenditures consist primarily of expenses relating to our plantations, specifically, expanding our planted area during 2018 by cultivating approximately 5,000 hectares of our existing land bank during the year. Our plantation capital expenditures also include our maintenance expenses for plantations until such time as the trees mature.

Our planned capital expenditures for the year ended December 31, 2018 is Rp.789.6 billion. We expect to fund these expenditures through cash generated from our operations, cash available on our balance sheet, part of the proceeds from this Offering and other capital-raising activities. See “*Use of Proceeds*” and “*Forward-Looking Statements and Associated Risks.*”

We plan to cultivate approximately 5,000 hectares of our existing land bank this year and to continue to expand our planted area by cultivating approximately 5,000 hectares in 2019 using our existing unplanted landbank. Additionally, we plan to selectively examine other plantation areas according to our strategic and operational criteria for potential acquisition, to increase our total planted area accordingly. See “*Business — Oil Palm Plantations.*” We expect that the aggregate capital expenditure for our plantation expansion program, including land acquisition, land clearing and nursery, plantation worker housing and infrastructure costs, will be approximately be between Rp.1 trillion and Rp.1.3 trillion over the next three years.

We are currently constructing three palm oil mills which we expect to complete by 2020 as well as developing ancillary facilities relating to logistics, road accessibility, infrastructure and storage. We expect the new palm oil mills to add total processing capacity of 180 tons of FFB per hour, or 1,080,000 tons per annum, thus bringing our total processing capacity to 620 tons of FFB per hour, or 3,720,000 tons per annum, by 2020. We expect the construction cost for each palm oil mill to be approximately U.S.\$12.8 million.

Material Contractual Obligations

The following table sets forth information regarding our material contractual obligations as of September 30, 2017. We expect to meet these obligations through cash generated from our operations, cash available on our balance sheet and cash made available to us from potential future capital-raising activities.

	Maturity Period as of September 30, 2017				
	Less than 1			More than 5	
	year	1-2 years	2-5 years	years	Total
(Rp. millions)					
Trade payables					
Third parties	44,052	—	—	—	44,052
Related parties	452	—	—	—	452
Accrued expenses	39,086	—	—	—	39,086
Other payables					
Related parties	120,791	—	—	—	120,791
Third parties	208,877	—	—	—	208,877
Current maturities of consumer financial liabilities	700	—	—	—	700
Current maturities of finance lease liabilities	168	—	—	—	168
Long-term bank loans — current maturities	357,183	—	—	—	357,183
Short-term employees benefit liabilities	74,460	—	—	—	74,460
Finance lease liabilities — net of current maturities	—	140	—	—	140
Long-term bank loan — net of current maturities	-	892,890	1,870,125	1,626,416	4,389,432
	845,769	892,030	1,870,125	1,626,416	5,235,341

Off-Balance Sheet Arrangements and Contingent Liabilities

As of September 30, 2017, we did not have any off-balance sheet arrangements or contingent liabilities.

Quantitative and Qualitative Disclosure About Market Risk

Our principal exposures to market risks are with respect to global CPO and palm kernel prices, as well as with respect to the prices we pay for FFB, fertilizer, pesticides and fuel (our commodity price risks) and to changes in the exchange rate between the Indonesian Rupiah and the U.S. Dollar, which is the currency in which global prices for CPO and palm kernel are quoted.

Commodity price risk

We are exposed to commodity price risk due to certain factors, such as weather, government policy, level of demand and supply in the market and the global economic environment. Such exposure mainly arises from our sales of oil palm products where the profit margin on the sale of palm products may be affected by international market price fluctuations as well as with respect to the prices we pay for FFB, fertilizer, pesticides and fuel as such purchases are made at market prices.

We do not hedge against commodity price risk through the financial futures markets, however we do from time to time enter into forward contracts with our customers under which we fix the price for a certain quantity of CPO to be delivered over a specified period of time.

Interest rate risk

Our interest rate risk mainly arises from our borrowings. There is no formal hedging policy with respect to interest rate exposures. Exposure to interest rate risk is monitored on an ongoing basis.

Foreign currency risk

Our reporting currency is the Rupiah. We face foreign exchange risk as our sales and the costs of certain purchases are either denominated in foreign currency (mainly the U.S. Dollar) or whose price is linked to, or significantly influenced by, movements in foreign currencies (mainly the U.S. Dollar). There is no formal hedging policy with respect to foreign exchange exposures. Exposure to exchange risk is monitored on an ongoing basis.

Liquidity risk

Liquidity risk is the risk that we will encounter difficulty in meeting financial obligations due to shortage of liquidity.

We manage our liquidity profile to be able to finance our capital expenditures and service our maturing debts by maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Seasonality

The peak harvest season for FFB is August through December. We typically produce approximately 60% of our CPO and palm kernel during July through December. Nevertheless, we do not believe that seasonality has a material impact on demand from our customers, our prices or our costs.

BUSINESS

Overview

We are a highly efficient oil palm plantation company with an attractive age profile which we believe will continue to deliver strong production growth in the next few years. Our FFB yield per mature hectare and oil extraction rate were 14.6 tons and 23.1%, respectively, for the nine-months ended September 30, 2017, giving us a CPO yield per mature hectare of 3.4 tons, despite the low average age of our planted areas of 8.3 years as of September 30, 2017. As of December 31, 2016, our FFB yield per mature hectare and oil extraction rate were 19.4 tons and 23.4%, respectively, and our CPO yield per mature hectare was 4.5 tons. Our primary business activities are cultivating oil palm trees, harvesting the FFB from those trees and processing FFB to produce CPO, palm kernel and crude palm kernel oil, which we currently sell in both the domestic Indonesian market and to overseas customers primarily based in India and Pakistan through trading houses in Singapore.

As of September 30, 2017, we owned and operated 19 oil palm estates, covering 70,984 hectares of planted area, which included six palm oil mills and one kernel crushing plant. For the nine-months ended September 30, 2017, we produced 262,356 tons of CPO and 46,707 tons of palm kernel, compared with 192,207 tons of CPO and 37,210 tons of palm kernel for the nine-months ended September 30, 2016. For the year ended December 31, 2016 we produced 289,653 tons of CPO and 54,005 tons of palm kernel.

Oil palm trees reach maturity approximately four years after planting and are classified as young mature during year four through year seven. During year eight to year 20, oil palm trees are classified as prime, having reached the years of peak FFB production. From year 21 onwards, oil palm trees are classified as old and their FFB yield gradually declines. As of September 30, 2017, our planted area of mature oil palm trees consisted of 17,863 hectares of young mature trees with ages four to seven years old and 46,209 hectares of prime trees with ages eight to 18 years old. None of our oil palm trees are classified as old by industry standards.

As a result of increases in mature trees and higher yield from planted areas moving into prime age, our FFB production increased from 1,019,156 tons in 2014 to 1,094,463 tons in 2015, decreasing slightly to 1,074,050 tons in 2016 primarily due to adverse weather conditions, and was 938,025 tons in the nine-months ended September 30, 2017 compared to 684,321 tons in the nine-months ended September 30, 2016. In addition, our mature plantations yielded on average 14.6 tons of FFB per hectare and 3.4 tons of CPO per hectare for the nine-months ended September 30, 2017, despite the young average age of our oil palm trees. Over the next several years, we expect that our plantations will continue to improve in FFB yield and our CPO production will increase as more of our trees reach peak production.

We currently own six palm oil mills in operation which have an aggregate processing capacity of 375 tons of FFB per hour, or 2,250,000 tons per annum. We are currently constructing three more palm oil mills which we expect to complete by 2020. We expect that the construction of these new palm oil mills in the aggregate to add a processing capacity of 180 tons of FFB per hour, or 1,080,000 tons per annum. We also intend to increase the processing capacity of our existing palm oil mills, from 375 tons of FFB per hour to 440 tons of FFB per hour, which are expected to bring our total processing capacity to 620 tons of FFB per hour, or 3,720,000 tons per annum, by 2020. In addition, we have one kernel crushing plant in operation which has a processing capacity of 150 tons of palm kernel per day or approximately 45,000 tons per annum.

Our primary product is CPO, which accounted for 91.4%, 89.4%, 76.9% and 85.5% of our sales in the years ended December 31, 2014, 2015 and 2016 and the nine-months ended September 30, 2017, respectively. Our CPO production increased from 296,329 tons in 2014 to 321,238 tons in 2015, which decreased to 289,653 tons in 2016, primarily due to a decrease in FFB production resulting from adverse weather conditions, and was 262,356 tons in the nine-months ended September 30, 2017. Our average CPO extraction rate by weight (i.e. percentage of a ton of CPO extracted per ton of FFB processed) was 23.4% in 2016 and 23.1% in the nine-months ended September 30, 2017. We also produce palm kernel and crude palm kernel oil. Our production of palm kernel increased from 53,533

tons in 2014 to 60,861 tons in 2015, and then decreased to 54,005 tons in 2016, and was 46,707 tons in the nine-months ended September 30, 2017. Our average palm kernel extraction rate by weight (i.e. percentage of a ton of palm kernel extracted per ton of FFB processed) was 4.4% in 2016 and 4.1% in the nine-months ended September 30, 2017. We started producing crude palm kernel oil in December 2011 and our production of crude palm kernel oil was 6,826 tons in 2016 and 6,758 tons in the nine-months ended September 30, 2017. Our crude palm kernel oil extraction rate by weight (i.e. percentage of a ton of crude palm kernel oil extracted per ton of palm kernel processed) was 40.2% in 2016 and 39.5% in the nine-months ended September 30, 2017. We currently sell our products in the Indonesian domestic market and to overseas customers primarily based in India and Pakistan through trading houses in Singapore.

For the year ended December 31, 2016, our sales amounted to Rp.2,722.7 billion (U.S.\$201.8 million), our gross profit amounted to Rp.1,466.1 billion (U.S.\$108.7 million) and our total comprehensive income after the effect of merging entities' income adjustment amounted to Rp.601.5 billion (U.S.\$44.6 million). For the nine-months ended September 30, 2017, our sales amounted to Rp.2,381.0 billion (U.S.\$176.5 million), our gross profit amounted to Rp.1,290.7 billion (U.S.\$95.7 million) and our total comprehensive income after the effect of merging entities' income adjustment amounted to Rp.624.3 billion (U.S.\$46.3 million). Our EBITDA was Rp.1,276.0 billion (U.S.\$94.6 million) for the year ended December 31, 2016 and Rp.1,254.0 billion (U.S.\$92.9 million) for the nine-months ended September 30, 2017.

Competitive Strengths

Young maturity profile of our oil palm trees providing visibility for future production growth

Oil palm trees require approximately four years to mature. The yield of newly matured oil palm trees is relatively low at an average yield of only seven to eight tons per hectare. The yields continue to improve as the trees mature to the peak production age, which is between eight to 20 years after planting, reaching approximately 25 to 30 tons per hectare. The economic life span of an oil palm tree is typically approximately 25 years and can extend up to approximately 35 years for compact hybrid varieties.

As of September 30, 2017, approximately 25.2% of our total planted area, or 17,863 hectares consisted of young mature oil palm trees with ages four to seven years old. A further 9.6% or 6,912 hectares of our plantation consisted of immature trees with ages one to three years old. Trees from the age of six years and onwards show increases in production yield as they move from young mature to their prime production stage. Approximately 65.1% of our planted area or 46,209 hectares are currently in the prime production age of eight or more years old with the oldest trees being not more than 18 years old. As of September 30, 2017, the average age of our planted areas was approximately 8.3 years which is just entering peak production age. As a significant portion of our trees will enter their peak production years in the next three to five years, we believe that the age profile of our trees will support a continued increased in production of FFB over the next several years with minimal increases in production costs or capital expenditures.

High yielding and efficient plantation operations supporting low cost operations

Our FFB yield was 19.4 tons per hectare of mature oil palm trees, our oil extraction rate was 23.4% and our CPO yield per hectare of mature oil palm trees was 4.5 tons for the year ended December 31, 2016. We believe these to be amongst the highest in the industry in Indonesia based on data provided by publicly listed Indonesian palm oil companies in their 2016 annual reports. Our average cash cost per ton of CPO produced (calculated as total production costs for the period or year, consisting of fertilizer and maintenance costs, labor costs, harvesting costs, and overhead costs, divided by quantity production of FFB in tons and oil extraction rate plus milling costs divided by quantity production of CPO in tons) was Rp.3.1 million (U.S.\$229) per ton for the year ended December 31, 2016 and Rp.3.1 million (U.S.\$231) per ton for the nine-months ended September 30, 2017, which we believe was among the lowest in the palm oil industry in Indonesia.

Favorable location enabling higher efficiency and stronger cost competitive position

We believe that our favorable location provides various benefits. All of our plantations, palm oil mills and other facilities are located in Central Kalimantan Province, Indonesia. This region has soil with high mineral content and favorable climate conditions with high rainfall levels (at approximately 2,800 to 3,000 millimeters per annum), ideal for rapid growth of oil palm trees and high FFB production. Substantially all of our landbank consists of mineral soil, the optimum soil for growing oil palm trees with a small proportion of shallow peat soil. Substantially all of our plantations are located on flat or mildly undulating terrain, which reduces planting, maintenance and harvesting costs.

Our plantations are in close proximity to each other and to our mills and are all covered by a dense network of “all weather” roads built to ensure that every part of the plantations is easily accessible at all times. This reduces our transportation costs and ensures that our FFB arrive at our mills in a timely and efficient manner to minimize quality deterioration during transport. Consequently, we are able to produce higher quality CPO compared to many of our peers, which allows us to charge a premium over the prevailing domestic CPO price. The FFA content of substantially all of our CPO is consistently at approximately 3.5% or below, compared to the generally accepted industry standard of 5.0%. Also, the proximity of our mills to the Trans-Borneo highway and the Kumai port allows us to minimize delays in shipments and reduce transportation and logistics costs.

Strong CPO fundamentals and outlook

We believe strong market fundamentals, including growing demand, cost advantages and room for further growth, point to a positive outlook for the global palm oil market. There is a growing demand for palm oil based food in Asia and in particular, in China and India, as well as for oleochemical products. This demand was partially driven by an increased awareness of health benefits of palm oil as compared to other traditional seed oils. In addition to rapidly growing consumer use, the increasing use of palm oil in biodiesel products from around the world has driven demand for the palm oil to higher levels. According to OIL WORLD, global CPO consumption increased at a CAGR of 5.6% between 2006 and 2016. We believe there is significant room for further growth in the key palm oil consuming countries such as in Indonesia, Pakistan, China and India, as compared to more developed countries such as the U.S. and the E.U. member states. According to OIL WORLD, palm oil is the most productive crop among all vegetable oils and oilseeds with by far the highest yields per hectare and the lowest production costs per ton, giving it a greater scope for further growth in terms of market share.

As one of the largest producers of palm oil, Indonesia has also seen a significant growth in its market share in the world CPO production and exports. Between 2006 and 2016, Indonesia’s share of global production of CPO grew from 27.8% to 54.5% and share of global exports grew from 17.2% to 53.2%, according to OIL WORLD.

Strong operating profile leading to resilient financial profile

Our revenue from the year ended December 31, 2014 to December 31, 2016 increased from Rp.2,616.4 billion to Rp.2,722.7 billion (U.S.\$201.8 million) due to increased production as our plantations matured and entered into their prime production age. Our EBITDA for the year ended December 31, 2014, December 31, 2015 and December 31, 2016 was Rp.1,300.9 billion (U.S.\$96.4 million), Rp.1,192.6 billion (U.S.\$88.4 million) and Rp.1,276.0 billion (U.S.\$94.6 million), respectively. We believe that we have been able to achieve a high EBITDA due to our high yield of CPO per mature hectare and low production costs, which we believe are directly attributable to our strategic location, logistical efficiencies and best practices in plantation management and agronomy practices. Our CPO yield per mature hectare was 5.8 tons, 5.1 tons, and 4.5 tons for the years ended December 31, 2014, 2015 and 2016, respectively. In 2016, our plantations yielded on average 19.4 tons of FFB per hectare of mature oil palm trees despite our plantations having an average age of only approximately 7.8 years, and we had a high average CPO extraction rate of 23.4%.

Well experienced management team with proven track record

We have an experienced and highly qualified management team who have successful track records in managing oil palm plantation businesses and who actively explore ways to improve on standard industry practices. Our management team has on average approximately 33 years of experience in the oil palm plantation industry and over 164 years of combined industry experience. Mr. Nicholas Justin Whittle, our Independent Director and CFO, has over 25 years of experience in the finance industry, Mr. Ramzi Sastra, our Director, has 18 years of experience in the plantation industry, while Mr. Vallauthan Subraminam, our President Director and CEO, has over 40 years of experience in the palm oil industry. In addition, the members of our Board of Commissioners have wide experience in the field. Mr. Bungaran Saragih, our President Commissioner, previously served as Minister of Agriculture of the Republic of Indonesia, Mr. Marzuki Usman, our Independent Commissioner, previously served as Minister of Forestry of the Republic of Indonesia and as President Commissioner of a number of Indonesian oil palm plantation companies and Mr. Rimbun Situmorang, our Commissioner, has 16 years of experience in the plantation industry and currently serves as Director of CBI.

Our dedicated operations team, comprising experienced agronomists, plant engineers and senior management, constantly seeks to maintain and improve our performance by applying industry best practices in plantation management, agronomy practices and mills operations to achieve high yields of fresh FFB per mature hectare and high CPO extraction rates. We use only high yielding and high quality seeds for cultivating our seedlings and high quality fertilizer from reputable suppliers with long and established track records. We supplement the use of inorganic fertilizer with organic fertilizer from the by-products of our mills to ensure that our oil palm trees have the proper nutrients. We seek to ensure that all our oil palm trees produce high yields of FFB throughout their productive lives by culling the unhealthy seedlings while still in the nursery. We also use sustainable and natural methods for plantings and pest control such as cover crops to minimize soil erosion, increase soil aeration and enrichment and natural predators such as owls to control our mice population and host plants which attract insects which are natural predators of caterpillars. Furthermore, our harvesting practices are designed to maximize production rates by ensuring that our FFB are harvested at the point of their maximum oil content and processed within 12 hours of harvesting to minimize spoilage. Our research and development personnel also frequently conduct yield gap analysis to provide quantitative estimates of our production to allow us to stay competitive among our key competitors.

Our Strategy

Our vision is to become a leading world-class oil palm plantation company and to be an agent of economic and social development in Central Kalimantan Province as well as greater Indonesia. We plan to achieve this vision using the following strategies:

Commitment to international standards of sustainability

Our strong commitment to plantation management in accordance with the international standards of the RSPO and ISPO certification supports the Company's sustainable growth. Our responsibility toward the living environment has become a critically important characteristic of our natural resources business, and maintaining ecological balance is a crucial aspect of our corporate sustainability. As of December 31, 2016, we are RSPO certified through our Sulung Mill, Selangkun Mill and Suayap Mill and ISPO certified through our Kenambui, Sulung, Rangda, Kondang, Pulau, Selangkun and Rungun Estates, as well as through our Sulung Mill. Currently, three of our subsidiaries are undergoing RSPO certification and we expect our plantations to be fully RSPO certified by 2020. Following negative publicity and allegations around our clearance practices and sustainability practices, in 2017 we engaged Daemeter, a firm providing sustainability advisory services, and TFT, a renowned international non-profit organization dedicated to optimizing natural resources through corporate supply chains, to develop and refine our sustainability policy. We recently implemented a

new corporate sustainability policy pursuant to Daemeter's recommendations and continue to take steps toward fully implementing our commitment to sustainability as of the date of this Offering Memorandum. See "*Sustainability*" on page 138 of this Offering Memorandum for further details of our commitment to sustainability.

Selectively pursue inorganic and organic growth opportunities and strategic partnership

As of September 30, 2017, 74.1% or 70,984 hectares of our landbank had been planted. While we plan to expand our oil palm plantations by developing our existing unplanted landbank, we also continue to seek opportunities to acquire further landbank and plantations that meet our acquisition criteria such as size, location, suitability of soil and topography, availability of local labor and receptivity of local communities, focusing on acquisition targets adjacent or near to our existing operations. As of September 30, 2017, we had 95,770 hectares of landbank, including (i) 46,276 hectares under HGU certificates and/or ministerial decree issued by the Minister of Agrarian Affairs or Head of BPN, (ii) 8,992 hectares which have gone through cadastral process but have yet to obtain HGU certificates, (iii) 3,919 hectares of relinquished land area from previous owners which have not been submitted for cadastral process, and (iv) 36,583 hectares held under Location Permits. During the next three years, we aim to plant approximately 5,000 hectares per year and expand our existing mill capacity to 620 MT/hour by 2020 to support our growth in FFB production and in connection with our strategy to expand our downstream capability as described below.

Enhance operational efficiency through application of best agronomy practices and low cash cost of production

We intend to seek continuous improvement in our cost efficiency and productivity by implementing effective and efficient operational techniques, including mechanization of the cultivation and harvesting process. We endeavor to collect all loose fruit separated from the FFB during harvesting, in order to minimize fruit loss during harvesting and to secure high yields of our palm oil products. We strive to maintain operational excellence by regularly updating our standard operating procedures related to the development of science and technology, providing technical training to operational staff to enhance their knowledge and skills and working closely with various leading universities in Indonesia to develop our human resources and technology for oil palm plantations. Furthermore, we intend to continue strictly implementing our internal control system under which experienced in-house planting advisors are employed on a full-time basis to examine and audit our plantations and operational techniques every three months. Our planting advisors have on average approximately 30 years of industry experience. These practices allow us to apply best practices and state-of-the art technology to our plantations and ensure continued operational excellence.

In addition, we intend to maximize the utilization of feeds, land and workforce through the integration of cattle in our oil palm plantation. Studies on cattle-oil palm plantation integration have shown reductions in weeding and labor costs and improved biological and agroecosystem impact by reducing herbicide use and improving the pH level of the soil. We have partnered with local cattle enterprises to promote this synergistic, cost effective and sustainable agriculture which has helped us optimize our available resources.

Develop marketing channels and downstream capabilities

We continue to pursue opportunities to acquire new sales channels with the purpose of strengthening and diversifying our revenue stream. The favorable locations of our plantations afforded by their close proximity to the Trans-Borneo highway and the Kumai port provide us with an opportunity to expand our sales channels base in the domestic and international markets. CBI, through its subsidiary SBI, is in the process of constructing an infrastructure platform, comprising a bulking facility and a jetty, for the export market. Through a different subsidiary, CBU, CBI is also developing a palm oil refinery with a total annual refining capacity of 750,000 tons in Kumai. We own 19% of the share capital of each of SBI and CBU, and CBI directly holds the remaining 81% of the share capital of the respective companies. Once the infrastructure platform and the refinery are constructed, we expect our and CBI's

joint strategy will be for CBU to purchase FFB from third parties, which we will then process at our mills in exchange for a milling fee from CBU. CBU will subsequently produce refined oil palm products from the CPO at the refinery. In light of our ability to charge a premium for our high quality CPO over the prevailing domestic CPO price, we do not expect to refine our CPO at the CBU refinery in the ordinary course and instead intend to continue to sell it directly to domestic and overseas customers, including via priority access to the the SBI bulking terminal and jetty facilities.

Corporate History and Development

The Company was incorporated on November 22, 1995, under the name PT Sawit Sumbermas Sarana in Pangkalan Bun, Central Kalimantan Province, as a limited liability company under the laws of Indonesia.

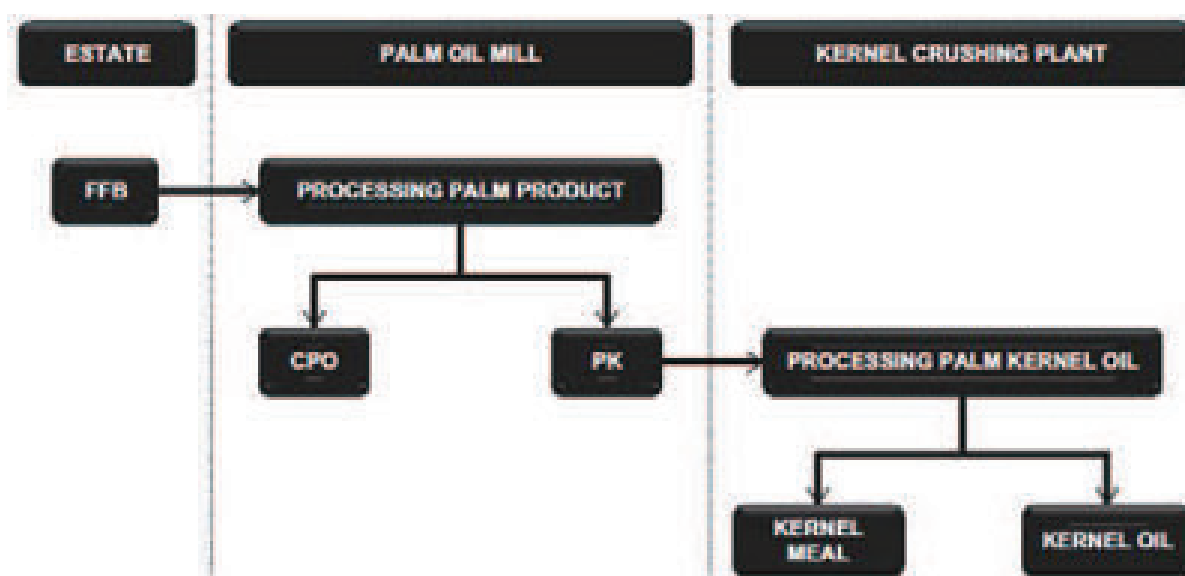
The following are our selected key milestones:

- In May 1999, PT Mitra Mendawai Sejati was incorporated in Pangkalan Bun, Central Kalimantan.
- In 2000, we started first planting of oil palm in the Company with total planting of 103 hectares by the end of the year.
- In July 2002, PT Sawit Mandiri Lestari was incorporated in Pangkalan Bun, Central Kalimantan.
- In December 2003, PT Tanjung Sawit Abadi was incorporated in Pangkalan Bun, Central Kalimantan.
- In February 2004, PT Sawit Multi Utama was incorporated in Pangkalan Bun, Central Kalimantan.
- In March 2004, PT Kalimantan Sawit Abadi was incorporated in Pangkalan Bun, Central Kalimantan.
- In June 2004, PT Mirza Pratama Putra was incorporated in Pangkalan Bun, Central Kalimantan.
- In March 2005, PT Ahmad Saleh Perkasa was incorporated in Pangkalan Bun, Central Kalimantan by our current shareholders' affiliates.
- In June 2005, the Company, together with PT Mitra Mendawai Sejati, PT Sawit Mandiri Lestari, and PT Kalimantan Sawit Abadi, were acquired by our current shareholders and become part of the same group.
- In November 2005, PT Menteng Kencana Mas was incorporated in Palangkaraya, Central Kalimantan.
- In March 2006, we commenced operation of our first palm oil mill.
- In April 2009, we commenced operation of our second palm oil mill.
- In August 2009, PT Sawit Multi Utama and PT Tanjung Sawit Abadi were acquired by CBI.
- In 2010, our total production of CPO surpassed 100,000 tons for the first time.
- In September 2011, PT Ahmad Saleh Perkasa was acquired by our current shareholders and their affiliates.

- In November 2011, we commenced operation of our third palm oil mill and in December 2011, we commenced operation of our first kernel crushing plant.
- In 2012, in preparation for our initial public offering, we underwent a restructuring exercise whereby we acquired control of PT Kalimantan Sawit Abadi, PT Mitra Mendawai Sejati, PT Sawit Mandiri Lestari and PT Ahmad Saleh Perkasa. Our total production of CPO surpassed 200,000 tons for the first time.
- In March 2013, we commenced operation of our fourth palm oil mill.
- In December 2013, we issued 1.5 billion new shares through the initial public offering of our shares and obtained listing on the Indonesia Stock Exchange.
- In 2014, our total annual production of FFB surpassed 1,000,000 tons for the first time.
- In 2015, we acquired PT Tanjung Sawit Abadi and PT Sawit Multi Utama through our subsidiary, PT Kalimantan Sawit Abadi, and acquired PT Menteng Kencana Mas and PT Mirza Pratama Putra through our subsidiary, PT Mitra Mendawai Sejati; as a result of these acquisitions, our total planted area reached 66,201 hectares at the end of 2015. In the same year, we divested our ownership interest in PT Ahmad Saleh Perkasa to PT Agro Jaya Gemilang, and our ownership interest in PT Sawit Mandiri Lestari to PT Metro Jaya Lestari; as a result of these divestments, PT Ahmad Saleh Perkasa and PT Sawit Mandiri Lestari ceased to be our subsidiaries.
- As of September 30, 2017, our total planted area reached 70,984 hectares and the total installed capacity of our palm oil mills reached 375 tons per hour.
- In October 2017, the CBI Reorganization was consummated and we became majority owned by CBI. See “*The CBI Reorganization.*”

Overview of our operations

As of September 30, 2017, we had 19 oil palm plantations, covering 70,984 hectares of planted area, which includes six palm oil mills and one kernel crushing plant. The following flowchart sets forth the production process of our products:



The following map shows the locations and relative distance of our plantations, palm oil mills and other assets in Central Kalimantan Province as of September 30, 2017:



Oil Palm Plantations

Plantation land use

All of our oil palm plantations are located in Central Kalimantan Province, Indonesia. The following table shows details of land use of the plantation based on the area as of September 30, 2017.

Details	PT Sawit Sumbermas Sarana	PT Kalimantan Sawit Abadi	PT Mitra Mendawai Sejati	PT Mirza Pratama Putra	PT Menteng Kencana Mas	PT Tanjung Sawit Abadi	PT Sawit Multi Utama	Total
Planted Area								
Matured Area	20,102	5,667	8,388	978	3,614	10,462	14,861	64,072
Immature Area	47	319	—	2,568	2,805	425	747	6,912
Total Planted Area	20,149	5,986	8,388	3,546	6,420	10,886	15,608	70,984
Essential Infrastructure								
Townships, roads, reservoirs and housing, etc	772	211	229	186	768	330	342	2,838
Palm Oil Mill	37	10	21	—	—	20	19	106
Total Essential Infrastructure	809	221	250	186	768	350	361	2,945
Conservation Area	1,777	141	1,659	54	489	1,182	502	5,804
Other Undeveloped Area	14	929	50	2,639	8,851	2,543	1,014	16,040
Total Hectarages	22,748	7,276	10,347	6,425	16,528	14,961	17,485	95,770

The following table sets forth our plantation profile as of September 30, 2017.

	Mature Areas (4 or more years)		Immature Areas (1 to 3 years)	
	(hectares)	(%)	(hectares)	(%)
Year of Planting				
2000	103	0%	—	—
2001	174	0%	—	—
2002	336	0%	—	—
2003	2,796	4%	—	—
2004	5,009	7%	—	—
2005	6,978	10%	—	—
2006	2,556	4%	—	—
2007	6,765	10%	—	—
2008	6,002	8%	—	—
2009	7,060	10%	—	—
2010	8,432	12%	—	—
2011	5,445	8%	—	—
2012	2,677	4%	—	—
2013	1,042	1%	—	—
2014 ⁽¹⁾	8,699	12%	—	—
2015 ⁽¹⁾	—	—	2,129	3%
2016	—	—	4,057	6%
2017 (up to September 30)	—	—	728	1%
Total	<u>64,072</u>	<u>90%</u>	<u>6,912</u>	<u>10%</u>

Note:

- (1) For comparability, data includes 2014 and 2015 data (as applicable) of PT Tanjung Sawit Abadi, PT Sawit Multi Utama, PT Menteng Kencana Mas and PT Mirza Pratama Putra, which the Company acquired in 2015.

We plan to cultivate approximately 5,000 hectares in 2018, and to continue to expand our planted area by cultivating approximately 5,000 hectares in 2019 using our existing unplanted landbank. Additionally, we plan to selectively evaluate other plantation areas according to our strategic and operational criteria for potential acquisition, to increase our total planted area.

The following table sets forth the planted area of mature and immature trees and their average age across all our plantations as of December 31, 2014, 2015 and 2016 and September 30, 2016 and 2017.

Plantation Profile and Average Age

	As of December 31,			As of September 30,	
	2014 ⁽¹⁾	2015 ⁽¹⁾	2016	2016	2017
Planted Areas					
Mature area (hectares)	48,598	54,332	55,373	55,373	64,072
Immature area (hectares)	10,881	11,869	14,751	13,221	6,912
Total planted area (hectares)	<u>59,479</u>	<u>66,201</u>	<u>70,124</u>	<u>68,594</u>	<u>70,984</u>
Average age (years)	7.7	7.0	7.8	7.5	8.3

Note:

- (1) For comparability, data includes 2014 and 2015 data (as applicable) of PT Tanjung Sawit Abadi, PT Sawit Multi Utama, PT Menteng Kencana Mas and PT Mirza Pratama Putra, which the Company acquired in 2015.

Land Rights

Pursuant to Law No. 5 of 1960 on the Basic Agrarian Law (“**Basic Agrarian Law**”) and its implementing regulation, the Government holds title to all land in Indonesia. In order to establish a plantation, it is necessary to obtain land rights from the Government. The land rights granted by the Government have a fixed duration that may be extended. Land rights for plantations generally run for 25 to 35 years and may be extended for no more than 25 years. We hold a portion of our land rights in the form of HGU, which are land rights granted on land covering an area of at least five hectares that give the holder the right to use the land for plantation businesses. Only Indonesian nationals and legal entities can hold HGU titles. We can encumber or mortgage these land rights as security. HGU allows its holder to utilize the land and anything previously or thereafter cultivated upon the land on an exclusive basis for the duration of the rights. HGU is granted only by the State over State-owned land, and can be obtained by submitting an application to BPN.

An application for HGU involves a number of stages, the principal stages of which are:

- (1) Permission to conduct land survey (*Ijin Prinsip*);
- (2) Obtaining the Location Permit;
- (3) Obtaining a forest relinquishment from the MOEF (for land located within a forest area);
- (4) Land acquisition/relinquishment from previous land owners;
- (5) Kadastral Map;
- (6) HGU application submission containing documents requirements (among others, formulation of measurement letter (*Surat Ukur*), land-measurement application letter or cadastral process to obtain land map (*peta batas tanah*));
- (7) Land assessment including inspection, survey and verification of physical and legal data, followed by the recommendation of *Panitia B*;
- (8) Obtaining the Decision Letter of Granting HGU (*Surat Keputusan Pemberian HGU*); and
- (9) Obtaining the HGU certificate upon settlement of the land registration fee to the State’s account.

Once an entity receives a Location Permit, the entity may purchase the land from the current owner and, once it acquires the land, the entity may apply for HGU by obtaining the minutes of the cadastral survey by *Panitia B* and a recommendation from the relevant provincial, regency or municipal office of the BPN.

A holder of HGU can obtain these rights for a period of 35 years with a possible extension of a maximum 25 years, and further renewal for an another period of 35 years, subject to certain conditions. Most of our HGU for our old palm plantations are under the initial term of their issuance and therefore may be extended and further renewed for an additional term.

The following table sets forth the land rights held by us under the various states of ownership as of September 30, 2017.

Land Rights

Stage	Hectares	% of landbank
HGU	46,276	48.3
Location Permit	36,583 ⁽³⁾	38.2
Cadastral ⁽¹⁾	8,992	9.4
Relinquished Land ⁽²⁾	3,919	4.1
Total.	<u>95,770</u>	<u>100</u>

Notes:

- (1) Have gone through cadastral process but have yet to obtain HGU
- (2) Relinquished land area from previous owners which have not been submitted for cadastral process
- (3) The Location Permits for 27,687 hectares have expired and are in the process of being extended.

The following table sets forth certain information regarding the HGU titles held by each of our subsidiaries for our oil palm plantations as of September 30, 2017.

Hak Guna Usaha

Company	Land Rights	Year of Expiration
	(hectares)	
PT Sawit Sumbermas Sarana	16,984.8	2039 and 2042
PT Kalimantan Sawit Abadi	4,442.8	2042
PT Mitra Mendawai Sejati	8,921	2042
PT Tanjung Sawit Abadi	6,968.3	2052
PT Sawit Multi Utama	<u>8,959</u>	2052
Total.	<u>46,276.3</u>	

We hold Location Permits which will expire between 2018 and 2019, unless they are extended. Parts of the area granted under the Location Permits have been converted into HGU and the rest are still in the process of conversion into HGU. A Location Permit is granted for a certain period. A Location Permit of more than 50 hectares is granted for a period of three years with the possibility of a one year extension if more than 50% of the land acquisition is completed on the land granted under a Location Permit.

We also have approximately 3,919 hectares that we acquired by relinquishment upon land rights from the previous land owners which has not been submitted for cadastral process, and therefore have not obtained HGU. See “*Risk Factors — Risks Relating to our Business — We hold certain uncertified land, the title to which may be the subject of claims and disputes.*”

In addition to the land rights mentioned above, we currently have 11,793 hectares which are still in the process of forest relinquishment by the MOEF. We have obtained a recommendation from the Governor of Central Kalimantan to perform the exchange process of 8,812 hectares and such exchange process is now under review by the MOEF. See *“Risk Factors — Risks Relating to our Business — Uncertainty regarding Government spatial planning and forestry regulations and the validity of certain of our land rights may lead to claims against us or adversely affect our business.”*

Plasma Program

In accordance with Regulation No. 98/2013, plantation companies that have IUP-B or IUP for a total area of 250 hectares or more are required to facilitate the development of community plantations for plasma farmers covering at least 20% of the land cultivated by such plantation companies. Such community plantations are to be developed concurrently with the companies’ plantations and shall be completed within three years from the issuance of the relevant HGU. Such plasma plantations for development which are facilitated by such plantation companies are to be located outside the IUP-B and IUP areas. Once the development of the plasma plantations is completed, such plasma plantations are assigned to plasma farmers who will cultivate such land under the supervision of such plantation companies. Such development is to be financed by way of a credit, grant or profit-sharing scheme. In some cases, the plantation companies continue to cultivate the plasma land and share the profits with the plasma farmers. Such form of assistance to plasma farmers is generally known as the “Plasma Program.” The plasma farmers are then required to sell to and the oil palm plantation companies are committed to buy the FFB produced by the plasma farmers based on price formulas determined by the regional governments.

In 2014, BPN issued BPN Circular Letter No. 5/SE/VI/2014 dated June 18, 2014 (“**Circular Letter No. 5/2014**”) to all offices of the BPN across Indonesia, replacing Circular Letter No. 2/SE/XII/2012 dated December 27, 2012 (“**Circular Letter No. 2/2012**”), in response to the enactment of Regulation No. 98/2013.

Circular Letter No. 5/2014 stipulates, among other things, as follows:

- Every plantation company applying for the first HGU with an area of 250 hectares or more, shall develop partnership and plasma plantations programs covering an area that accounts for at least 20% of its IUP or IUP-B areas, and engage in corporate social responsibility endeavors;
- If the HGU application relates to a relinquished forest area, the company shall also develop a plasma plantation program covering at least 20% of the total forest relinquishment area; if, however, the relevant decree of forest relinquishment does not require such plasma program, the plantation company must still develop a plasma plantation program covering at least 20% of its IUP or IUP-B areas;
- The company remains obliged to develop the plasma plantations program even though there is no farming community in the vicinity of the plantation location and it shall be evidenced by a notarial deed setting out the plantation company’s intention to develop such plantations;
- The obligation to develop plasma plantations may be waived if the application is for renewal or extension of HGU. This exemption requirement does not apply, however, for corporate social responsibility obligations.

Therefore, in contrast with Circular Letter No. 2/2012 that requires the plantation company to develop plasma plantations program the moment it seeks to renew or extend its HGU, there is no timeline provided in the Circular Letter No. 5/2014. The obligation to comply with plasma program is subject to the timeline under Regulation No. 98/2013. The requirement to develop a partnership program (plasma) for the first HGU application with an area of 250 hectares or more is also stipulated under Regulation No. 7/2017.

Most of the plantation licenses of PT Sawit Sumbermas Sarana Tbk, PT Kalimantan Sawit Abadi and PT Mitra Mendawai Sejati were obtained before February 28, 2007 and do not specifically state the area designated for plasma. To date, we have yet to fully meet the plasma requirement as a result of, among other reasons, the lack of available or geographically suitable land for us to acquire for the cultivation of plasma plantations and the lack of cooperation from certain local communities to enter into a Plasma Program with us.

On the other hand, we have established a partnership program with farmers, employees, and the surrounding community of the plantation. Partnership programs include assisting the local small landholders in the development of their own plantations by giving them free advisory services, seedlings and fertilizer and purchasing the FFB produced by the local small landholders and converting it into CPO and palm kernel at our palm oil mills. Such partnership programs may be in the form of provision of a production facility, production cooperation, processing and marketing, the distribution of seedlings, operational cooperation, share ownership and other supporting services. However, under Regulation No. 98/2013, the establishment of partnership programs shall not diminish the obligation to establish a Plasma Program.

Although the licenses of PT Sawit Sumbermas Sarana, PT Mitra Mendawai Sejati and PT Kalimantan Sawit Abadi do not specifically determine the areas to be allocated as plasma plantations, PT Sawit Sumbermas Sarana Tbk, PT Mitra Mendawai Sejati and PT Kalimantan Sawit Abadi are still required to establish the Plasma Program. As of September 30, 2017, 9,126 hectares of area have already been specifically allocated for the Plasma Program and we plan to coordinate with the local government to meet the plasma requirement in accordance with the applicable laws and regulations.

Production

The yield of FFB and palm products from oil palm plantations depends on a variety of factors, including:

- the quality of the oil palm seeds and cultivation process;
- the soil conditions and climate;
- the quality of management and maintenance of the plantation, which includes agronomic inputs such as fertilizer and pest control; and
- the timely harvesting and processing of the FFB.

The typical commercial life of an oil palm tree is approximately 25 years. Oil palm trees first reach commercial maturity approximately four years after planting in the field. We begin harvesting oil palm trees when they reach maturity. However, when harvesting begins, the yield of FFB from the oil palm trees is relatively low. As the oil palm trees continue to mature, the yields of FFB increase, generally reaching peak production between years eight through 20. The yield of oil palm trees at peak production is usually approximately 25 to 30 tons of FFB per mature hectare per annum. The economic life span of an oil palm tree is typically approximately 25 years. We expect that our yields of FFB per mature hectare will increase as our young mature trees approach prime mature age. As of September 30, 2017, approximately 25.2% of our mature oil palm trees are still at a young mature age and have yet to reach prime production age.

The following table sets forth the area and age profile of our mature oil palm trees as of September 30, 2017. Immature trees are those one to three years old, before commercial maturity is reached. Young mature trees are four to seven years old, prime trees are eight to 20 years old, and old trees are aged 21 years or greater. In accordance with convention in the palm oil industry, any decimals in age are rounded up to the next whole year.

Age Profile of Oil Palm Trees

	Immature (1 to 3 years)	Young mature (4 to 7 years)	Prime (8 to 20 years)	Old (21 or more years)	Total
Average age (years)	1	5	12	—	8.3
Total area planted (hectares)	6,912	17,863	46,209	—	70,984
Percentage of total area planted (%) . . .	9.6%	25.2%	65.1%	—	100.0%

Climate and soil

The soil composition of our overall landbank is mostly mineral soil with only a small proportion of shallow peat area. Mineral soil is the optimum soil for the growing of oil palm trees. Substantially all of the terrain on our plantations is flat or mildly undulating, which typically results in a lower cost of operations than plantations located on hilly land.

According to the Department of Meteorology and Geophysics at Palangkaraya, the capital city of Central Kalimantan Province, the rainfall in the Central Kalimantan Province is approximately 2,800 to 3,000 millimeters per annum and the amount of sunshine is usually at least 4.5 to 5 hours per day.

Cultivation

We need approximately 170 seeds to have sufficient viable seedlings to plant one hectare of land. In 2016, we purchased the substantial majority of our seeds from PT Socfin Indonesia, PT Asian Agri, Dami Mas, PT PP London Sumatra Tbk and ASD-Costa Rica. Our experience and knowledge of seed suppliers in Indonesia lead us to believe that the seeds we purchase from our suppliers are genetically superior to most of the seeds commonly available, and as a result, produce trees with higher yields. We have developed good working relationships with our suppliers over the last several years and expect that we will continue to use our current suppliers' seeds to support our future cultivation initiatives. As of September 30, 2017, our inventory of approximately 1.1 million seedlings is sufficient to plant approximately 5,353 hectares of oil palm trees.

We plant germinated seeds in the pre-nurseries at our plantations. After approximately three months in the pre-nursery, we transfer the oil palm seedlings to our main nurseries. We grow the oil palm plants in the main nursery for approximately nine-months before planting them in the fields. The young oil palm trees are generally planted approximately nine meters apart, in lines, in a pattern of equilateral triangles, which results in approximately 136 to 142 trees per hectare. Oil palm trees generally begin to produce fruit two and a half years after being planted in the fields, but the trees only begin to produce commercial harvests approximately four years after planting. From planting in the fields to commercial maturity, effective maintenance of the young oil palm trees is essential. Through our plantation management systems, we try to ensure that:

- the immature oil palm trees are fertilized efficiently and effectively in a timely manner;
- the area surrounding each young oil palm tree is kept free from other vegetation which may compete with the oil palm tree for fertilizer, water and sunlight;
- all young trees will be productive;
- leguminous cover crop (*Mucuna bracteata*) is established to prevent the growth of competitive vegetation and encourage and promote the retention of moisture, accumulation of humus and fertility of the ground; and
- the young oil palm trees are protected from pests and disease.

We adopt an efficient best-practice fertilization system for our trees. We use inorganic fertilizers such as urea, rock phosphate, muriate of potash, borate and kieserite to replenish the large amounts of nutrients absorbed by mature oil palm trees. We carry out leaf and soil analysis on each 30 hectare block of mature oil palm trees to detect any nutrient deficiencies and monitor the overall nutrient balance status. The results of such analysis are used to tailor the fertilizer recommendations for each planted block, thus ensuring maximum returns from our fertilizer investments. For the manuring of immature oil palm trees, we use compound fertilizer, based on our soil management unit's recommendation, in order to enhance the growth rate through balanced nutrient application.

We also apply biomass, consisting of empty fruit bunches and effluent from our mills, as fertilizer substitutes in order to save costs and to implement an environmentally friendly process. Oil palm plantations and mills generally produce large quantities of palm oil mill effluent and empty fruit bunches. Approximately 0.6 tons of palm oil mill effluent and 0.2 tons of empty fruit bunches are produced for every ton of FFB processed. As this biomass is a good source of plant nutrients, we recycle it into our plantations as organic fertilizer. By re-using our mill biomass in this way, we save significant amounts on the cost of inorganic fertilizers, while maintaining a healthy and balanced environment for the vegetation.

Harvesting

Oil palm trees generally begin to produce commercial harvests approximately four years after planting in the fields. We harvest the FFB of the oil palm trees only when an appropriate quantity of fruit has become detached from the FFB, indicating peak ripeness. The fruit is ripe for harvesting when there is approximately one loose fruit per one kilogram bunch weight. The ripeness of FFB harvested is critical in maximizing the quality and quantity of palm oil extraction. We adopt a "zero loose fruit" policy under which we endeavor to collect all loose fruit separated from the FFB during harvesting, in order to ensure minimal fruit loss during harvesting and to secure high yields of our palm oil products. Our harvesters collect the loose fruit for processing together with the harvested FFB to increase our CPO and palm kernel extraction rates.

We transport harvested fruit bunches by truck to the processing facilities located at our plantations and aim to process 100% of the fruit within 12 hours after harvesting to minimize quality deterioration in the form of FFA build-up in the oil produced. The transport costs of FFB are roughly five times that of CPO, as FFB are bulky and heavy, while CPO is relatively lighter and easier to handle. Our mills are adjacent to our plantations and located less than 25 kilometers from where the FFB are harvested. Therefore, the proximity of our processing facilities to our plantations allows us to both reduce our transport costs and maintain the quality of our CPO. In line with the increase in our FFB production, we are constructing three more palm oil mills which we expect to complete by 2020. We expect that the construction of these new palm oil mills in the aggregate will add processing capacity of 180 tons of FFB per hour, or 1,080,000 tons per annum. We expect the construction cost for each palm oil mill to be approximately U.S.\$12.8 million. We also intend to increase the processing capacity of our existing palm oil mills from 375 tons of FFB per hour to 440 tons of FFB per hour, thus bringing our total processing capacity to 620 tons of FFB per hour, or 3,720,000 tons per annum, by 2020. In addition, we have one kernel crushing plant in operation which has a processing capacity of 150 tons of palm kernel per day or approximately 45,000 tons per annum.

The average yield of FFB per hectare of our oil palm trees depends in part on their age. The average yield of FFB from our mature plantations for the years ended December 31, 2014, 2015 and 2016 was 21.0 tons per mature hectare, 20.1 tons per mature hectare and 19.4 tons per mature hectare, respectively, and for the nine-months ended September 30, 2016 was 12.4 tons per mature hectare compared to 14.6 tons per mature hectare for the nine-months ended September 30, 2017. We expect yield per mature hectare to continue to rise as more of our palm trees enter into prime production age. As of September 30, 2017, our oldest trees were 18 years old and the average age of our oil palms was 8.3 years.

The following table sets out the average yield of FFB per mature hectare of our oil palm trees for each of the periods presented below:

Average Yield of FFB per Hectare (mature plantations)

	Year ended December 31			Nine-month period ended September 30	
	2014 ⁽¹⁾	2015 ⁽¹⁾	2016	2016	2017
	(tons per mature hectare)				
Average yield.	21.0	20.1	19.4	12.4	14.6
Young Mature (4 to 7 years)	15.1	12.3	12.6	7.7	5.3
Prime (8 to 20 years).	26.6	26.2	22.6	14.7	18.4
Old (21 or more years)	—	—	—	—	—

Note:

- (1) For comparability, data includes 2014 and 2015 data (as applicable) of PT Tanjung Sawit Abadi, PT Sawit Multi Utama, PT Menteng Kencana Mas and PT Mirza Pratama Putra, which the Company acquired in 2015.

CPO and palm kernel processing

We produce CPO and palm kernel at our six palm oil mills and one kernel crushing plant located adjacent to our plantations. As of September 30, 2017, we have an aggregate processing capacity of CPO of 375 tons of FFB per hour, or approximately 2,250,000 tons of FFB per year. We are planning to increase the processing capacity of our existing mills from 375 tons of FFB per hour to 440 tons of FFB per hour, thus bringing our total processing capacity to 620 tons of FFB per hour, or 3,720,000 tons per annum, by 2020. In addition, we have one kernel crushing plant in operation which has a processing capacity of 150 tons of palm kernel per day or approximately 45,000 tons per annum.

The following table sets forth our average extraction rates, by weight, of CPO and palm kernel extracted as a percentage of FFB processed and of crude palm kernel oil extracted as a percentage of palm kernel processed, for each of the periods presented below:

Average Extraction Rates

	Year ended December 31			Nine-month period ended September 30	
	2014 ⁽¹⁾	2015 ⁽¹⁾	2016	2016	2017
CPO.	23.5%	23.7%	23.4%	23.5%	23.1%
Palm kernel	4.3%	4.5%	4.4%	4.5%	4.1%
Crude palm kernel oil	39.4%	39.0%	40.2%	40.3%	39.5%

Note:

- (1) For comparability, data includes 2014 and 2015 data (as applicable) of PT Tanjung Sawit Abadi, PT Sawit Multi Utama, PT Menteng Kencana Mas and PT Mirza Pratama Putra, which the Company acquired in 2015.

We have sufficient capacity to process all of the FFB we harvest on our plantations during the peak harvesting period, which is normally in the third quarter of each year.

The following table sets forth our subsidiaries' production facilities and their volumes processed for the years ended December 31, 2014, 2015 and 2016 and for the nine-months ended September 30, 2017, and annual production capacities as of those dates:

Processing Mills

	Year ended December 31						Nine-month period ended September 30	
	2014		2015		2016		2017	
	Year of commissioning	Annual Capacity	Volume Processed	Annual Capacity	Volume Processed	Annual Capacity	Volume Processed	Capacity for Period
								Volume Processed
								(tons)
Palm oil mills:								
PKS Sulung	2006	540,000	323,693	540,000	362,232	540,000	268,335	540,000
PKS Selangkun	2013	360,000	239,273	360,000	264,076	360,000	236,241	360,000
PKS Natai Baru	2009	360,000	237,366	360,000	236,787	360,000	195,640	360,000
PKS Suayap	2011	270,000	237,856	270,000	210,138	270,000	191,584	360,000
PKS Melata	2013	360,000	220,934	360,000	272,678	360,000	162,510	360,000
PKS Nanga Kiu	2015	—	—	360,000	9,296	360,000	184,672	360,000
Total.		1,890,000	1,259,122	2,250,000	1,355,208	2,250,000	1,238,981	2,250,000
Kernel crushing plant:								
KCP Suayap	December 2011	45,000	15,796	45,000	17,227	45,000	16,965	45,000

We anticipate that the CPO production of our oil palm plantations and FFB yield per mature hectare will continue to increase as more of our young oil palm trees enter into the “prime” stage of maturity. In addition, we expect to further improve our overall oil extraction rates as we optimize our harvesting standards and operations. As our plantations expand and we construct additional mills in close proximity to our plantations, we expect that the turnaround time in handling, transporting and processing FFB will be reduced and losses in quantity and quality due to prolonged storage will be minimized. Process control in our mills is strictly implemented so that oil losses are minimized. Our goal is to optimize all areas of operation in the handling and transportation of FFB from the plantations to our mills and during the extraction process within the mills.

Transportation

We employ various means of transportation in our operations. We transport FFB from the various collection points to CPO processing mills within our plantations by truck. After processing, we deliver the CPO to the buyers. Palm kernel buyers collect the palm kernels from our mill stores. From time to time, we store the CPO in storage tanks at our palm oil mills, pending delivery. The biomass wastes which remain after processing is typically transported back to our plantations for use as fertilizer.

Indonesian palm oil producers usually accept a 0.5% loss of oil during transportation and shipping within Indonesia, which is typically attributable to condensation as well as other factors — our losses during transport are in line with the industry level.

Products

We produce primarily CPO and palm kernel in our six palm oil mills, using FFB from our plantations. We use all of the FFB produced by our oil palm plantations in our palm oil mills and we also process FFB purchased from other smallholder plantations close to our palm oil mills to fill up the capacity of our palm oil mills.

The following table sets forth the production volumes of our products for the years ended December 31, 2014, 2015 and 2016 and the nine-months ended September 30, 2016 and 2017.

Production Volumes

Product	Year ended December 31			Nine-month period ended	
				September 30	
	2014 ⁽¹⁾	2015 ⁽¹⁾	2016	2016	2017
	(tons)	(tons)	(tons)	(tons)	(tons)
FFB	1,019,156	1,094,463	1,074,050	684,321	938,025
FFB yield (tons per mature hectare) .	21.0	20.1	19.4	12.3	14.6
CPO	296,329	321,238	289,653	192,207	262,356
Palm kernel.	53,533	60,861	54,005	37,210	46,707
Crude palm kernel oil	6,227	6,715	6,826	4,629	6,758

Note:

- (1) For comparability, data includes 2014 and 2015 data (as applicable) of PT Tanjung Sawit Abadi, PT Sawit Multi Utama, PT Menteng Kencana Mas and PT Mirza Pratama Putra, which the Company acquired in 2015.

The following table sets forth the volumes of our FFB and palm kernel processed for the years ended December 31, 2014, 2015 and 2016 and for the nine-months ended September 30, 2016 and 2017.

FFB and Palm Kernel Processing Volumes

Product	Year ended December 31			Nine-month period ended	
				September 30	
	2014 ⁽¹⁾	2015 ⁽¹⁾	2016	2016	2017
			(tons)		
FFB					
Company production	1,019,156	1,094,463	1,074,050	684,321	938,025
Net purchase from third and related parties	239,966	260,745	164,930	135,234	198,228
Total FFB processed	<u>1,259,122</u>	<u>1,355,208</u>	<u>1,238,980</u>	<u>819,555</u>	<u>135,234</u>
Total palm kernel processed	<u>15,796</u>	<u>17,227</u>	<u>16,965</u>	<u>11,491</u>	<u>17,122</u>

Note:

- (1) For comparability, data includes 2014 and 2015 data (as applicable) of PT Tanjung Sawit Abadi, PT Sawit Multi Utama, PT Menteng Kencana Mas and PT Mirza Pratama Putra, which the Company acquired in 2015.

Our yield of FFB was 21.0 tons per mature hectare, 20.1 tons per mature hectare, 19.4 tons per mature hectare and 14.6 tons per mature hectare in the years ended December 31, 2014, 2015 and 2016 and for the nine-months ended September 30, 2017.

Between 2014 and 2016, our production of FFB, CPO and palm kernel increased significantly as more of our oil palm trees reached prime production age as well as the increase in the hectareage of mature oil palm trees on our plantations. Our mature areas increased from 48,598 hectares in 2014 to 54,332 hectares in 2015, 55,373 hectares in 2016 and 64,072 hectares in the nine-months ended September 30, 2017.

CPO

Our main product is CPO. CPO is extracted from the mesocarp portion of the fruitlets, which are separated from the FFB during the milling process. See “—*CPO and palm kernel processing*.” Our yield of CPO per mature hectare, calculated as extraction rate of CPO multiplied by the yield of FFB per mature hectare, was 5.8 tons per mature hectare, 5.1 tons per mature hectare, and 4.5 tons per mature hectare and 3.4 tons per mature hectare in the years ended December 31, 2014, 2015 and 2016 and for the nine-months ended September 30, 2017, respectively. In 2016 and for the nine-months ended September 30, 2017, CPO accounted for 76.9% and 85.5%, respectively, of our sales.

Palm kernel

In addition to CPO, we produce palm kernel from oil palm seeds collected during the milling process. We currently sell palm kernel solely in the domestic market. Previously, substantially all of the palm kernel we produced were sold to customers. However with the completion of our kernel crushing plant in December 2011, we now use some of our palm kernel to produce crude palm kernel oil. In 2016 and for the nine-months ended September 30, 2017, palm kernel accounted for 13.6% and 7.8%, respectively, of our sales.

Crude palm kernel oil

We have the capability to produce crude palm kernel oil, which is extracted from palm kernel at our kernel crushing plant. The kernel crushing plant has a processing capacity of 150 tons of palm kernels per day or 45,000 tons per annum. We only produce crude palm kernel oil when the sales price for crude palm kernel oil is in our opinion more favorable than that of palm kernel. In 2016 and for the nine-months ended September 30, 2017, crude palm kernel oil accounted for 2.8% and 4.8%, respectively, of our sales.

Quality Control

We have adopted quality control procedures at each stage of the production process to maintain the high quality of our palm oil. In our fields, we harvest FFB only when an appropriate quantity of fruitlet has become detached from the FFB, which indicates ripeness for harvesting. We have established procedures to ensure that, to the extent possible, our harvesters also collect all of the loose fruit. Our independent quality control team inspects the fruitlets and the FFB prior to being sent to our palm oil mills. Further, we promptly transport the fruitlets and FFB to the palm oil mills at our plantations to minimize the oxidation process which can deteriorate the quality of the CPO by building up FFAs. To ensure that we maintain operational efficiencies and quality standards at all times, we have implemented an internal control system under which experienced in-house planting advisors are employed on a full-time basis to examine and audit our plantations and operational techniques every three months.

The Malaysia Palm Oil Association requires that CPO contain not more than 5.0% FFAs. Our CPO exceeds these standards and, since 2011, the substantial majority of our CPO FFA levels have been approximately 3.5% or below. In addition, we maintain high quality standards relating to the deterioration of bleaching index (“**DOBI**”). The higher the DOBI, the more easily the CPO can be bleached by the palm oil refinery that purchases the CPO. Our prompt transport of FFB to our palm oil mills also helps to maintain the DOBI of the CPO we produce.

We also have historically kept within the Malaysia Palm Oil Board (“**MPOB**”) processing standards of 15 kg of oil losses per ton of FFB processed. To realize the consistency and sustainability of the performance parameters in our quality and process, experienced teams are stationed at each of our palm oil mills to monitor the quality of the production, the efficiency of the production process and the oil losses during the extraction process.

Customers

In recent years our customer concentration has declined and we currently sell our products mainly to independent agents and to trading houses. As we continue to our RSPO certification and sustainability initiatives we expect that international consumer goods companies will increase purchases from us and customer concentration to increase. Purchases of our products are on a non-exclusive and mostly on spot contracts basis.

The following table sets forth our customers who accounted for more than 10% of our total sales in any of the periods presented, in absolute terms and as a percentage of total sales:

	Year ended December 31,						Nine-month period ended September 30,	
	2014		2015		2016		2017	
	(Rp. millions)	(%)	(Rp. millions)	(%)	(Rp. millions)	(%)	(Rp. millions)	(%)
PT Karya Indah Alam Semesta	—	—	267,503	11.3	348,084	12.8	—	—
PT Synergy Oil Nusantara.	—	—	—	—	347,209	12.8	—	—
PT Panca Nabati Prakarsa.	—	—	5,534	0.2	327,495	12.0	278,300	11.7%
PT Royal Industries Indonesia	—	—	406,860	17.2	215,753	7.9	—	—
PT Sinar Mas Agro Resources and Technology Tbk	1,363,560	52.1	925,671	39.0	—	—	—	—
PT Asianagro Agungjaya	535,009	20	312,279	13.2	—	—	—	—
Just Oil & Grain Pte. Ltd.	—	—	—	—	—	—	445,891	18.7%

In the years ended December 31, 2014, 2015 and 2016 and the nine-months ended September 30, 2017, the average number of days taken for the settling of our accounts receivable by our customers (days sales outstanding) was 5.1 days, 23.8 days, 39.3 days and 27.9 days, respectively. Our days sales outstanding are calculated by dividing 365 days (or 182 days for the nine-months ended September 30, 2017) by the average sales turnover for each respective period. We calculated our average sales turnover as sales divided by the average of beginning and ending trade receivables balances for each period.

Major Suppliers

The following table sets forth our top suppliers by cost, all of which supply FFB and fertilizer for our processing plants, for the periods presented:

Major Suppliers							
Product(s)	Year ended December 31,				Nine-month period ended September 30,		
	2014	2015	2016		2017		
	(Rp. millions)	(Rp. millions)	(Rp. millions)	(U.S.\$ '000)	(Rp. millions)	(U.S.\$ '000)	
PT Banua Sarana Jaya FFB	6,646	15,023	15,020	1,113	15,020	1,113	
PT Multi Usaha Abadi FFB	—	13,239	18,727	1,388	12,365	916	
PT Menthobi Sawit Jaya. FFB	—	—	—	—	4,543	337	
PT Menthobi Mitra Lestari FFB	16,655	3,769	2,905	215	1,753	130	
PT Wilmar Chemical Indonesia . . . Fertilizer	—	—	5,279	391	—	—	
PT Agritama Multi Sarana FFB	—	2,935	3,127	232	—	—	
PT Lautan Luas Tbk Fertilizer	—	—	1,667	124	—	—	
PT Menthobi Makmur Lestari FFB	—	7,103	—	—	—	—	
PT Mest Indonesiy Fertilizer	—	4,068	—	—	—	—	
PT Gemareksa Mekarsari FFB	—	1,033	—	—	—	—	
PT Ferti Bross. Fertilizer	4,140	—	—	—	—	—	
PT Garindo Surya Makmur FFB	3,011	—	—	—	—	—	
PT Bumi Tani Subur Fertilizer	1,036	—	—	—	—	—	
Others (individually each below Rp.1,000,000) FFB	13,094	347	10,046	745	10,370	769	
	<u>44,584</u>	<u>47,517</u>	<u>56,772</u>	<u>4,208</u>	<u>44,052</u>	<u>3,265</u>	

In the years ended December 31, 2014, 2015 and 2016 and the nine-months ended September 30, 2017, the average number of days taken for the settling of accounts payable by us (days payable outstanding) was 74.1 days, 72 days, 52 days and 16.6 days, respectively. Our days payable outstanding are calculated by dividing 365 days (or 182 days for the nine-months ended September 30, 2017) by the average payable turnover for each respective period. We calculated our average payable turnover as cost of sales divided by the average of beginning and ending trade payables balances (third parties and related parties) for each period.

Sales, Marketing and Distribution

We sell CPO, palm kernel and crude palm kernel oil directly to our customers. As of December, 2017, 42% of our sales of CPO were made to the domestic market and 58% of our sales were made to the international market, which consists predominantly of India and Pakistan, where most of our overseas customers are based. We generally make these sales on both a spot and a forward basis and negotiate delivery terms at the time of each sale. In accordance with usual current practice for spot market sales in Indonesia, customers pay for our CPO and palm kernel within five business days after entering into contracts of sale with us and take delivery approximately two weeks after such contracts are concluded. We negotiate other delivery terms on a contract-by-contract basis.

Pricing

The prices of our CPO and palm kernel are principally dependent on the supply and demand of CPO and palm oil products, which may differ somewhat between Indonesian and international markets. Pricing of CPO in the domestic Indonesian market is also affected by the Indonesian export taxes and other Government restrictions discussed above.

Although we invoice our domestic sales of our CPO in Indonesian Rupiah, prices have generally been based on, or have been primarily affected by, international U.S. Dollar prices for CPO.

We enter into spot agreements with our customers. For spot contracts, our sales of CPO are priced by reference to the spot market prices set at the daily PT Astra Agro Lestari auction sale conducted in Kumai, Central Kalimantan Province. The prevailing market prices for CPO at the Kumai auction are set on a “free on board” basis from Kumai and have generally been based on, or principally affected by, international CPO prices prevailing at the MDEX (operated by Bursa Malaysia Derivatives Berhad) in Kuala Lumpur, Malaysia, and the Joint Asian Derivatives Exchange (a joint venture of CBOT Holdings, Inc. and the Singapore Exchange Securities Trading Limited) in Singapore. Although generally based on the prevailing market prices in Kuala Lumpur, the daily Kumai auction prices have generally been lower than the Kuala Lumpur market prices, due to the export tax on CPO and other palm oil-based products imposed by the Government and other export-related expenses. Our price for CPO has historically been approximately the same as the Kumai auction price. Our quality of CPO, which had FFA content below 3.5%, allows us to charge a premium above the Kumai auction price in the range of Rp.50.0 to Rp.75.0 per kilogram for CPO. In 2016, substantially all of our sales were on spot contracts.

Palm kernel prices are determined by tender in the Kumai market. Prices for palm kernel are subject to fluctuations depending upon the supply of and demand for this product and its derivatives.

Similar to CPO prices, Indonesian crude palm kernel oil prices also differ from international prices due to differences in applicable export tax. Generally, crude palm kernel oil prices are determined by reference to fob Malaysia price quoted by the MPOB, which can be negotiated. The quoted price is then deducted by the freight cost and applicable export tax, resulting in the local price, which is then marked up by a 10% VAT, resulting in the fob price.

Competition

CPO is freely traded in the local and international commodity markets. As such, all CPO producers and plantation owners (whether in Indonesia or in the region) are potentially our competitors. In particular, we view small upstream oil palm plantation companies (i.e. producers of 1,000,000 tons or less of FFB in 2016) as our primary competitors and large upstream oil palm plantation companies (i.e. producers of over 1,000,000 tons of FFB in 2016) as our secondary competitors.

The players in the Indonesian oil palm plantation industry comprise state-owned plantation companies as well as private plantation companies and smallholders. Some of the larger listed plantation companies which produce CPO products and which may potentially compete in the same industries as us are Indofood Agri Resources Ltd., First Resources Limited, PT Astra Agro Lestari, Tbk, PT Sampoerna Agro, Tbk and PT SMART Tbk.

Research and development

Oil palm plantations

Research and development (“**R&D**”) is an important part of our operations and has led to improvements in our agricultural techniques, yields and profitability. The goal of our R&D efforts is to maximize the economic yield potential of oil palm in a sustainable and scientifically sound manner through properly tested field experiments. Our research findings are incorporated into our management practices and planting policies. Our R&D unit implements and monitors best practices in agronomy, taking periodic and ad-hoc advice from agronomists on the application of environmentally sustainable and cost-efficient agronomic practices such as conducting site yield potential and yield gap analysis to maximize oil yield per hectare, monitoring nutrient levels in oil palms and soils to seek to achieve high productivity, using oil palm biomass and mill by-products as organic fertilizer to reduce the use of inorganic fertilizer, and pre-empting pest and disease occurrence at all stages of growth through an integrated pest management system to provide early warning.

The key areas of our R&D program are nutrient, soil, pest and disease (“**P&D**”) and oil palm biomass and palm oil mill by-products. Our R&D personnel provide technical assistance to our plantation such as the formulation of annual fertilizer recommendations, the conduct of foliar and soil sampling and the rendering of technical advice relating to planting practices.

Our current research and advisory efforts focus on the following:

- **Nutrient Management.** Balancing nutrition is a major requirement in oil palm cultivation. Site-specific nutrient management plans, along with the correct nutrient inputs, are necessary in order to ensure an optimum yield. In developing a site-specific plan, our R&D personnel conduct various experimental programs at trial sites to study the effects of different fertilizer dosages applied to the oil palm crop, the application of palm oil mill by-products and the methods of fertilizer application in order to monitor the effects of these programs on the growth and yield of the oil palms.
- **Soil Management.** Soil in our plantation is grouped and classified into several soil management groups for more efficient and effective cultivation of oil palms in a sustainable manner. Our R&D personnel conduct soil surveys and collect soil samples for analyzing and determining the applicable soil management groups. We also develop and tailor experimental programs to the respective soil management group. Currently, we are studying various experiments on marginal soil groups. In addition, one of our main policies to minimize soil erosion is through planting leguminous cover crop and minimizing chemical spraying on weeds.
- **Pest and Disease Management.** Implementation of an effective P&D management plan is key to maintaining the P&D level under the economic threshold at all times. In order to maintain the necessary P&D level, we develop site-specific integrated pest management plans and strategies

for better management and monitoring of pest and disease developments, which include experimental trials aimed at achieving a better understanding of the behavior of pests and diseases, curative and preventive treatments, as well as the effects of cropping techniques. We also use biocontrol agents (such as bacteria and fungus) and natural predators (such as owls and snakes) to keep the pest level under the economic threshold limit and to reduce the use of hazardous chemical, thereby also fulfilling RSPO's Principles and Criteria.

- ***Oil Palm Biomass and Palm Oil Mill By-Products Management.*** Utilization of oil palm biomass and palm oil mill by-products is one of our main practices in promoting sustainable oil palm cultivation. The usage of recycled biomass (such as oil palm fronds) and by-products (such as empty fruit bunches and treated effluent) are tailored for specific sites to be used as soil conditioners and sources of nutrients for oil palms without affecting the oil palms' yield. Our goal is to maximize the utilization of biomass and by-products, thus reducing our manuring cost and improving the soil structure of marginal areas. In addition, we continuously update and improve our application techniques and rates through collaboration with our internal research program and other institutions.

Insurance

We maintain insurance for our mills, inventories, vehicles, heavy equipment, furniture and fixtures and property (including buildings and mills). In addition, we are also covered for losses from plantation fires. This insurance provides for the replacement cost of the assets covered but does not cover business interruption (except for those involving our palm oil mills) or losses from volcanic eruption or governmental expropriation. In addition, we do not maintain third-party liability insurance. We do not insure our plantations against disease or pests.

All of our insurance is underwritten by local underwriters. We believe our insurance coverage is consistent with Indonesian oil palm and other plantation and refining industry standards.

Environmental considerations

Our cultivation of oil palm trees and processing of FFB at our plantations raises environmental considerations. At our oil palm plantations, we aim to replace pesticides with less expensive but more effective and environmentally friendly biological methods of controlling pests and preventing diseases. We recycle the empty fruit bunches as organic fertilizer and to aid in water retention for the soil. We have also implemented an effluent liquid waste-treatment program using physical and biological treatment to break down effluent so that the effluent can be used as liquid fertilizer in our oil palm plantations. In the future, we plan to construct a methane recovery facility to capture the methane released by the liquid effluent from our mills for power generation at our power stations. Also, as part of our corporate social responsibility program, we plan to sell our surplus power to local electricity authorities to enable them to provide electricity to certain villages in the neighborhood which are presently without electricity. We do not use fire as a method of land clearing in developing new plantation land. In addition, we have a solid waste-treatment program in which solid waste generated by oil palm processing in the form of empty bunches, fiber, shells and biosolids are used as mulch and organic fertilizer for our oil palm plantations.

The processing of CPO produces no polluting effluent.

The effluent produced by our CPO processing operations is monitored by *Badan Lingkungan Hidup* ("BLH"), the local government agency responsible for controlling the environmental impact in order to prevent pollution and environmental damage, recover and sustain environmental quality. The BLH also formulates and implements produce policy and programs to control environmental impact. This agency reports directly to the Governor of Central Kalimantan.

The BLH has the authority to take action against Indonesian companies, including us, for failure to comply with the Government's environmental regulations. Local Government inspectors visit our plantations and processing facilities from time to time to confirm compliance with the applicable standards.

Our commitment to the principle of sustainable palm oil includes our engagement of one or more environmental consultants to conduct assessments of our land and of the impact that additional planting of oil palms on our land would have on the environment. We are committed to implementing and adhering to the principles that the ISPO has enumerated, and have obtained the ISPO certificate in 2013, valid until 2018, under its certification program. Certain of these principles may prevent us from planting additional oil palms on parts of our unplanted landbank if those areas consist of "High Conservation Value Forest," which refers to certain types of forest that merit particular protection due to a number of factors, including the presence of endangered animal species and particular biodiversity concerns.

It is our policy not to purchase any land which we have reason to believe has been cleared using illegal practices such as burning.

We have our own standard operating procedures for the protection of the environment by building a conservation area in compliance with Law No. 32 of 2009 on Environmental Protection and Management of the Environment. We are committed to further developing our conservation area and are currently in the process of performing High Conservation Value Assessment on all our plantations. We and our operating subsidiaries have obtained required approvals such as the Analisis Mengenai Dampak Lingkungan (Environmental Impact Assessment certificate), and RKL-RPL (Environmental Monitoring and Management Plan) documentations.

We believe we are in compliance with all applicable national and local Indonesian environmental rules and regulations. However, it is possible that the Government, its environmental agency or other governmental authorities will impose additional regulations on us or on the palm oil production industry that would require us to spend additional funds on environmental matters.

We are a member of RSPO through PT Sawit Sumbermas Sarana Tbk and PT Mitra Mendawai Sejati, which are RSPO certified. RSPO certification is valid for a period of five years and we intend to renew our RSPO certifications prior to the expiry date. We intend to continue our existing membership with the RSPO and we have initiated the RSPO certification process for our subsidiaries, PT Kalimantan Sawit Abadi, PT Tanjung Sawit Abadi and PT Sawit Multi Utama. We expect these subsidiaries to achieve RSPO certification in 2018, and thereafter we will initiate the RSPO certification process for the remaining two subsidiaries, PT Menteng Kencana Mas and PT Mirza Pratama Putra, with the aim to have all of our estates and operations RSPO certified by 2020. The following is an indicative timeline for our RSPO 2020 compliance target.

Year	Milestone
2018	Obtain RSPO certificate for PT Kalimantan Sawit Abadi, PT Tanjung Sawit Abadi and PT Sawit Multi Utama; commence RSPO certification process for PT Menteng Kencana Mas and PT Mirza Pratama Putra
2019	Obtain RSPO certificate for PT Menteng Kencana Mas and PT Mirza Pratama Putra
2020	Initiation of RSPO certification process for our smallholders and supply chains

In addition, for the periods 2013-2014 and 2015-2016, we received a "Blue" certification through the MOEF's Corporate Environmental Impact Management Assessment program (*Penilaian Peringkat Kinerja Perusahaan dalam Pengelolaan Lingkungan Hidup* or PROPER), which indicate satisfactory assessment of our environmental management activities.

See also “*Sustainability*.”

Employees

As of September 30, 2017, we had 14,732 employees, 5,511 of which were permanent employees, and 9,221 of which were part-time workers (*pekerja harian lepas*). Of our permanent employees and part-time workers, approximately 79, or 3.9%, were engaged in management and administration, approximately 13,444, or 91.3%, were engaged in plantation activities and approximately 709, or 4.8%, were engaged in mill activities. Our employees are not members of any labor union. We comply with company regulations that have been approved by the regional manpower office. These company regulations cover terms of employment, such as working relations, working hours, payroll, employee development and competency, occupational safety and health, salary and compensation upon termination of employment under certain circumstances, such as retrenchment, employees’ welfare, social allowances, employees’ code of conduct and mechanisms for handling disputes. We have not experienced any strikes or disruptions due to labor disputes in the last three years and we consider our relationships with our employees to be good.

All of our employees are located in Indonesia.

We run training facilities on our plantations and training center facilities for our field assistants and other functional employees to ensure that consistent standards and a common style of management are maintained.

Approximately 80% of our regular employees on our plantations live in housing provided by us. We also provide other benefits to our plantation workers, including:

- performance bonuses;
- rice rations;
- accident insurance;
- medical facilities;
- schools; and
- religious and recreational facilities.

During the peak crop season, we encourage our plantation workers to earn more by working overtime, within the legal limit, so that we can maximize the FFB that can be harvested.

We are registered with, and make contributions to, the Employment Social Security Agency (*Badan Penyelenggara Jaminan Sosial Ketenagakerjaan*) and the Healthcare Social Security (*Badan Penyelenggara Jaminan Sosial Kesehatan*), the national workers social security scheme. In addition to these programs, our employees are also covered by health insurance provided by PT Asuransi Jiwa Mega Indonesia.

Property

Our main offices are located at Jln. H. Udan Said No.47 Pangkalan Bun, Central Kalimantan.

The locations of our principal plantation estates and processing facilities are as follows:

No.	Name of Estate/ Processing Facility	Land Title/Period	Area	Province	Type of property
1.	Natai Baru Estate	HGU Certificate No.48 under PT Kalimantan Sawit Abadi	Kotawaringin Barat	Central Kalimantan	Plantation
2.	PKS Natai Baru	HGU Certificate No. 48 under PT Kalimantan Sawit Abadi	Kotawaringin Barat	Central Kalimantan	Palm oil mill
3.	Natai Raya Estate	HGU Certificate No. 30 under PT Sawit Sumbermas Sarana	Kotawaringin Barat	Central Kalimantan	Plantation
4.	Kondang Estate	HGU Certificate No. 36 under PT Sawit Sumbermas Sarana Tbk	Kotawaringin Barat	Central Kalimantan	Plantation
5.	HGU Certificate No. 49 under PT Kalimantan Sawit Abadi	Kotawaringin Barat	Central Kalimantan	Plantation	
6.	Rungun Estate	HGU Certificate No. 36 under PT Sawit Sumbermas Sarana Tbk	Kotawaringin Barat	Central Kalimantan	Plantation
7.	HGU Certificate No. 49 under PT Kalimantan Sawit Abadi	Kotawaringin Barat	Central Kalimantan	Plantation	
8.	PKS Selangkun	HGU Certificate No. 36 under PT Sawit Sumbermas Sarana Tbk	Kotawaringin Barat	Central Kalimantan	Palm oil mill
9.	Rangda Estate	HGU Certificate No. 36 under PT Sawit Sumbermas Sarana Tbk	Kotawaringin Barat	Central Kalimantan	Plantation
10.	Sulung Estate	HGU Certificate No. 47 under PT Sawit Sumbermas Sarana TbkHGU Certificate No. 36 under PT Sawit Sumbermas Sarana Tbk	Kotawaringin Barat	Central Kalimantan	Plantation
11.	PKS Sulung	HGU Certificate No. 47 under PT Sawit Sumbermas Sarana Tbk	Kotawaringin Barat	Central Kalimantan	Palm oil mill
12.	Sulung Kenambui Estate	HGU Certificate No. 47 under PT Sawit Sumbermas Sarana Tbk	Kotawaringin Barat	Central Kalimantan	Plantation
13.	PKS Suayap	HGU Certificate No. 45 under PT Mitra Mendawai Sejati	Kotawaringin Barat	Central Kalimantan	Palm oil mill
14.	KCP Suayap	HGU Certificate No. 45 under PT Mitra Mendawai Sejati	Kotawaringin Barat	Central Kalimantan	Palm Kernel Crushing Plant
15.	Runtu Estate	HGU Certificate No. 45 under PT Mitra Mendawai Sejati	Kotawaringin Barat	Central Kalimantan	Plantation
16.	Umpang Estate	HGU Certificates No. 45 and 46 under PT Mitra Mendawai Sejati	Kotawaringin Barat	Central Kalimantan	Plantation
17.	Nanga Mua Estate	HGU Certificate No. 46 under PT Mitra Mendawai Sejati	Kotawaringin Barat	Central Kalimantan	Plantation
18.	Nanga Koring Estate	HGU Certificates No. 61, 62, 63, 64, 65 and 66 under PT Tanjung Sawit Abadi	Lamandau	Central Kalimantan	Plantation
19.		HGU Certificates No. 67 and 68 under PT Sawit Multi Utama	Lamandau	Central Kalimantan	Plantation
20.	Sungkup Estate	HGU Certificates No. 61, 62, 63, 64, 65 and 66 under PT Tanjung Sawit Abadi	Lamandau	Central Kalimantan	Plantation
21.	Melata Estate	HGU Certificates No. 61, 62, 63, 64, 65 and 66 under PT Tanjung Sawit Abadi	Lamandau	Central Kalimantan	Plantation
22.	Nanuah Estate	HGU Certificates No. 61, 62, 63, 64, 65 and 66 under PT Tanjung Sawit Abadi	Lamandau	Central Kalimantan	Plantation
23.	Topalan Estate	HGU Certificates No. 61, 62, 63, 64, 65 and 66 under PT Tanjung Sawit Abadi	Lamandau	Central Kalimantan	Plantation

No.	Name of Estate/ Processing Facility	Land Title/Period	Area	Province	Type of property
24.	Toka Estate	HGU Certificates No. 67 and 68 under PT Sawit Multi Utama	Lamandau	Central Kalimantan	Plantation
25.	Sepondam Estate	HGU Certificates No. 67 and 68 under PT Sawit Multi Utama	Lamandau	Central Kalimantan	Plantation
26.	Merambang Estate	HGU Certificates No. 67 and 68 under PT Sawit Multi Utama	Lamandau	Central Kalimantan	Plantation
27.	Pedongatan Estate	HGU Certificates No. 67 and 68 under PT Sawit Multi Utama	Lamandau	Central Kalimantan	Plantation
28.	Batu Tunggal Estate	HGU Certificates No. 67 and 68 under PT Sawit Multi Utama	Lamandau	Central Kalimantan	Plantation

Corporate Social Responsibility

We believe in the close relationship between socially responsible management and our long-term growth and development. We take an active and leading role in community development by investing in the economic and general wellbeing of the community. We provide educational funds for scholarships, school facilities, school transportation and allowances for temporary teachers in villages. We also provide health services, such as free medical treatment, and welfare services, such as establishment of traditional markets in villages and provision of groceries at low prices, to improve the wellbeing of the community we operate in. We also carry out public works development and maintenance on the roads and bridges leading to and from our plantations, and create new access to previously inaccessible areas. We also encourage and support religious pursuits regardless of religion by contributing to the construction of mosques, churches and other places of worship.

In 2016, we continued our environmental conservation initiatives by collaborating with the Borneo Orangutan Survival Foundation through a protection and preservation program of the orangutan population in Salat Nusa Island, Kabupaten Pulang Pisau, and Pangkalan Bun in Central Kalimantan. We have specific allocations within our land concession areas for orangutan habitats.

For a discussion of our recent sustainability initiatives, see “*Sustainability*.”

Certifications and Associations

We are a member of *Gabungan Pengusaha Kelapa Sawit Indonesia* (the Indonesia Association of Palm Oil Producers). This organization collects and distributes information regarding the palm oil industry in Indonesia and lobbies the Government with respect to legislation and administrative regulations affecting Indonesian palm oil producers.

We are ISO 9001:2008 certified for quality management, ISO 14001:2004 certified for environment management and OHSAS 18001:2007 certified for occupational health and safety management. We received these certifications in October 2011, which we renewed in 2014.

Legal Proceedings

We are not a party to any legal proceedings, which we believe could, individually or taken as a whole, have a material adverse effect on our business, financial condition or results of operations if determined adversely against us.

SUSTAINABILITY

Our responsibility toward the living environment has become a critically important characteristic of our natural resources business, and maintaining ecological balance is a crucial aspect of our corporate sustainability. In this section we discuss allegations regarding our sustainability practices and the concrete steps we have taken and are taking to strengthen our commitment to sustainability.

Background

Following our initial public offering on the IDX in December 2013 and our increased visibility as a public company, our Company, our business and certain of our significant customers became the subject of attention by environmental and non-profit groups active in Indonesia and the palm oil industry generally. For example, in June 2015, Greenomics, a policy development institute promoting good natural resources governance, published a report alleging that one of our subsidiaries was in breach of its “no-deforestation commitments” as a result of clearing forest peatlands and orangutan habitat. The report was prepared to monitor the implementation of the Indonesian Palm Oil Pledge, a pledge by a coalition of large palm oil companies pledging deforestation-free practices. The report alleged that Wilmar and Golden Agri Resources, at the time two of our largest customers, were not complying with the Indonesian Palm Oil Pledge by continuing to purchase from us. As a result, Wilmar and Golden Agri Resources stopped purchasing from us. Although we were able to replace that demand quickly and in full, the loss of these substantial customers and the attendant publicity negatively affected our reputation. Around this time, our senior management was replaced with the current members of senior management, who were brought on with a clear remit of identifying and addressing any deficiencies in our sustainability practices.

Unilever’s Suspension of Purchases

Following publication of the Greenomics report, we continued to be the subject of negative publicity and allegations around our clearance practices and sustainability practices. At the beginning of 2017, articles in the Dutch media repeated allegations by environmental groups that the Company engaged in forest / peatland clearance practices. Furthermore, other environmental groups made further allegations in relation to our sustainability practices. These articles also singled out Unilever as one of our major customers. Unilever contacted us seeking clarification. After preliminary communications between us, concerned by the allegations and facing sustained criticism by various stakeholders, in June 2017 Unilever publicly stated that it was aware of the allegations and had urgently sought a response from us. Later that month, after our engagement of Daemeter (as discussed immediately below) and presentation to Unilever of Daemeter’s preliminary findings in advance of the finalization of its report in July, Unilever released a second statement announcing that it had suspended purchases of palm oil and palm oil products from us and that it intended not to resume purchases until clear progress on the implementation of a remedial action plan was seen.

The Specific Allegations and Daemeter’s Independent Investigation of Them

The allegations raised against us that our customers asked us to address were:

- our controlling shareholders continued to exert control over PT Sawit Mandiri Lestari, a former subsidiary that received an RSPO complaint in 2015 and allegedly deforested 3,425 hectares from June 2015 to April 2017 without complying with RSPO/legal requirements (the “**SML allegation**”);
- our subsidiary PT Kalimantan Sawit Abadi, which was one of the subjects of the Greenomics report, cleared peatland before its new planting procedure received the necessary regulatory approvals (the “**KSA allegation**”);
- our subsidiary PT Mirza Pratama Putra cleared forest area in 2016 before its new planting procedure received the necessary regulatory approvals (the “**MPP allegation**”); and

- our subsidiary PT Menteng Kencana Mas was imminently going to engage in peatland clearance (the “**MKM allegation**”).

In response, and to evidence our progress to Unilever and other interested parties, we engaged Daemeter, an independent consulting firm with a focus on sustainability practices, to investigate the allegations and issue a report with its findings. After a multi-week period of investigations that included site visits and other due diligence, Daemeter issued its report in July 2017.

In its report, with respect to the SML allegation, Daemeter found no evidence to support allegations that the sale of PT Sawit Mandiri Lestari to PT Metro Jaya Lestari in 2015 constituted a sale to affiliated or associated parties. We confirmed such sale and that the Company has not engaged in transactions with PT Sawit Mandiri Lestari since then, therefore the allegation cannot be confirmed.

With respect to the KSA allegation, Daemeter found that deforestation had occurred, but to a lesser extent than alleged. We discovered this improper forest clearance at the time we purchased the affected area and voluntarily reported this discovery to RSPO. KSA is currently undergoing RSPO certification, and the certification is subject to the Company’s submission of an adequate remedial compensation plan in relation to this prior forest clearance. This compensation plan has been submitted and was accepted by RSPO on October 2017, allowing KSA’s certification to proceed.

With respect to the MPP allegation, Daemeter found that deforestation had occurred, but to a lesser extent than alleged. We discovered forest clearance only after we had acquired the relevant area and are looking into options to rectify the situation.

With respect to the MKM allegation, Daemeter found that the greater part of the alleged deforestation activity did not occur within the boundaries of our estates.

We are committed to getting both PT Menteng Kencana Mas and PT Mirza Pratama Putra RSPO certified by 2019, and thus will ensure that we will find adequate and effective options to compensate any residual HCV losses that may not have been compensated.

The Daemeter report also made several general recommendations, which we are in various stages of adopting and implementing. These recommendations included revising our sustainability policy to align it with the industry’s No Deforestation, No Peat, No Exploitation Policy standard; developing a compensation plan in line with RSPO procedures; and clarifying the legal land boundaries for each of our subsidiaries’ estates.

Our Progress and Next Steps

On September 13, 2017, we implemented a new corporate sustainability policy as per Daemeter’s recommendation. The policy is available on our corporate website, at <http://www.ssms.co.id/Sustainability%20Policy%20ssms.pdf>, and is hereby incorporated by reference into this Offering Memorandum. The policy reflects our commitment to continuous improvement based on RSPO principles and criteria.

Separately, in August 2017, we engaged The Forest Trust (or TFT), a renowned group of social and environmental experts in commodity supply chains. TFT visited our estates in Pangkalan Bun and undertook a “scoping exercise” in relation to our Company and its operations between August 7, 2017 and August 16, 2017. During the site visit, TFT reviewed our: i) management systems and policy implementation, ii) progress in implementing our “no deforestation” policy within the FFB supply chain, iii) social community management, iv) commitment to labor rights, v) commitment to compliance of legal regulation and vi) sustainability practices and traceability within the FFB supply chain.

Following TFT’s visit, TFT produced a report identifying certain of our strengths, including our progress in implementing the High Conservation Value (“**HCV**”), a methodology designed to maintain

or enhance environmental and social values in production landscapes, which has now been included as one of the requirements of RSPO, our continuous development of internal training programs for our staff (currently consisting of 91 modules, inclusive of environmental management), the general understanding of our staff and plasma farmers of our policies, especially in the area of legal compliance, and our ISPO, RSPO, ISO 9001 and OHSAS certifications. TFT's report also identified certain of our weaknesses, including the lack of implementation of High Carbon Stock Approach ("HCSA") principles, a methodology to identify forest areas containing high carbon, which require conservation, from degraded areas, which may be developed, as an approach to halt deforestation, limited human resources, including the requisite knowledge to implement certain of our sustainability policies, the overlap of certain of the Company's land rights documentation with other permits (including industrial plant forest (*Hutan Tanaman Industri*)), the lack of HGU certification on some of our productive land and the fact that legal analysis on certain key regulations relating to sustainability are done manually and dispersed within each individual department.

TFT has also provided a set of recommendations in its report, specifically that we:

- integrate HCSA throughout our corporate policies and management systems to mitigate deforestation risk through the entire supply chain;
- develop an identification and risk categorization system for our entire supply chain;
- convey sustainability initiatives and goals to third parties;
- review and implement due diligence practices into the estate development and acquisition processes;
- convey the forestry conservation message to our former subsidiary, PT Sawit Mandiri Lestari;
- review labor and infrastructure requirements and assess KPIs for the optimal operation of our various departments;
- harmonize corporate processes and internal guidelines;
- take on additional initiatives on developing innovative ideas in line with the Company's vision and policies; and
- integrate input from external parties such as consultants into our corporate sustainability framework.

We continue to take steps toward fully implementing our commitment to sustainability as of the date of this Offering Memorandum. We have given full weight and proper regard to the recommendations in the TFT report and have already taken important measures to address the weaknesses identified by TFT. As a result, TFT has accepted us as their newest palm oil grower member.

Additionally, we plan to reopen dialogue with Unilever and other former customers and are working to develop a plan for deeper engagement with various environmental groups and other stakeholders. Separately, we have also issued a letter to our stakeholders on November 6, 2017, reaffirming our commitment towards continuous improvement in delivering sustainability. The letter to our stakeholders is available on our corporate website.

Forest Conservation Fund

Our vision for sustainable palm oil is one where the industry and forests thrive side-by-side. To that aim, we will invest up to U.S.\$10 million in forest conservation in Indonesia, to initially be managed by TFT as a Forest Conservation Fund, with the potential for future integration into an independent fund, as is currently being discussed in the HCS Approach Steering Group (a group established by key stakeholders in the palm oil sector dedicated to providing oversight and governance of HCSA principles). See "*Use of Proceeds*". The funds will be used by local communities and supplier companies to secure and protect forests at risk of conversion to oil palm or other commodities.

DESCRIPTION OF MATERIAL INDEBTEDNESS

The following is a summary only of the principal terms of our material indebtedness as of the date of this document and does not purport to be complete. Refer to our audited, consolidated financial statements and the notes thereto included elsewhere in this document for additional information with respect to our indebtedness.

The Company and our subsidiaries, PT Kalimantan Sawit Abadi, PT Tanjung Sawit Abadi, and PT Sawit Multi Utama entered into facility agreements with BNI, and our subsidiary, PT Mitra Mendawai Sejati, with Indonesia Eximbank, as described below:

Borrower	Lender	Particulars of agreements	Interest/ profit margin as of September 30, 2017	Maturity date
The Company	BNI	A master term loan and refinancing facility in the amount of Rp.2,150 trillion dated December 9, 2016, which was utilized pursuant to:		
		— a facility agreement (Tranche I) investment credit of Rp.1,025 billion, dated December 9, 2016;	9.75% per annum	December 25, 2024
		— a facility agreement (Tranche II) investment credit of Rp.264.8 billion, dated June 21, 2017; and	9.75% per annum	May 31, 2025
		— a facility agreement (Tranche III) investment credit of U.S.\$64,661,654, dated June 21, 2017;	5.50% per annum	May 31, 2025
PT Kalimantan Sawit Abadi	BNI	A term loan and refinancing facility in the amount of Rp.330 billion dated December 9, 2016	9.75% per annum	December 25, 2024
		A term loan and refinancing facility in the amount of U.S.\$16,541,353 dated December 9, 2016	5.50% per annum	December 25, 2024
PT Tanjung Sawit Abadi	BNI	A term loan and refinancing facility in the amount of Rp.465 billion dated December 9, 2016	9.75% per annum	December 25, 2025
		A term loan and refinancing facility in the amount of U.S.\$23,308,270 dated December 9, 2016	5.50% per annum	December 25, 2025
PT Sawit Multi Utama .	BNI	A term loan and refinancing facility in the amount of Rp.540 billion dated December 9, 2016	9.75% per annum	December 25, 2025
		A term loan and refinancing facility in the amount of U.S.\$27,067,669 dated December 9, 2016	5.50% per annum	December 25, 2025
PT Mitra Mendawai Sejati.	Indonesia Eximbank	An export investment financing facility based on <i>musyarakah mutanaqishah</i> principle in the total amount of U.S.\$55 million dated July 9, 2015	6.10% per annum	July 11, 2020

The Company's loan facilities with BNI are secured by the Company's land rights (under a cross-collateral and a cross default provision with PT Tanjung Sawit Abadi's loan facilities with BNI), inventory and trade receivables, a corporate guarantee from CBI, and PT Tanjung Sawit Abadi's and PT Sawit Multi Utama's land rights, up to the full amount borrowed under the Company's respective term loan facilities with BNI.

PT Tanjung Sawit Abadi's loan facilities with BNI are secured by the Company's and PT Tanjung Sawit Abadi's land rights (under a cross-collateral and a cross default provision with the Company's loan facilities with BNI), PT Tanjung Sawit Abadi's land rights and a corporate guarantee from the Company, up to the full amount borrowed under PT Tanjung Sawit Abadi's respective term loan facilities with BNI.

PT Kalimantan Sawit Abadi's loan facilities with BNI are secured by PT Kalimantan Sawit Abadi's and the Company's land rights and a corporate guarantee from the Company, up to the full amount borrowed under PT Kalimantan Sawit Abadi's respective term loan facilities with BNI.

PT Sawit Multi Utama's loan facilities with BNI are secured by the Company's land rights, PT Sawit Multi Utama's land rights and a corporate guarantee from the Company, up to the full amount borrowed under PT Sawit Multi Utama's respective term loan facilities with BNI.

All of the abovementioned loan facilities with BNI contain cross default terms, as well as negative and financial covenants, under which the Company, PT Tanjung Sawit Abadi, PT Sawit Multi Utama and PT Kalimantan Sawit Abadi are prohibited from performing the prescribed events under such covenants without obtaining prior written consent from BNI. The prohibited events under the negative covenants, include, among others: (i) conducting a merger or consolidation with other company, (ii) acquiring third-party assets with material value, except for supporting the main business, (iii) conducting investment, capital participation or acquisition outside the main business, except for supporting the main business, (iv) fully or partly repayment of the subordinated loan to the shareholders or affiliates, (v) receiving loan from other party (including to issue bonds), unless such loan is received with regard to the trading transaction directly related to the business, (vi) encumbering the asset in any forms to other party, except for the financing of nucleus-plasma program, (vii) utilizing the fund for the purposes outside the business financed by the facility from the bank, (viii) encumbering the shares to other party, and (ix) conducting inter-financing with affiliates, holding company and/or subsidiaries, unless such financing is conducted in relation to improve the business and finance of the group. Further, the abovementioned loan facilities with BNI also contain financial covenants, whereby each borrower must maintain: (i) a current ratio of 1x or greater; (ii) a debt to equity ratio of 2.6x or less; and (iii) a debt service coverage of 100% or greater. PT Sawit Sumbermas Sarana Tbk, PT Kalimantan Sawit Abadi, PT Tanjung Sawit Abadi and PT Sawit Multi Utama have obtained written approvals from BNI to carry out any actions necessary for the transactions contemplated under this Offering Memorandum.

Further, PT Mitra Mendawai Sejati's financing facilities with Indonesia Eximbank are currently secured by PT Mitra Mendawai Sejati's land rights. In addition, PT Mitra Mendawai Sejati has also secured its inventory up to the maximum amount of U.S.\$1,130,000.

PT Mitra Mendawai Sejati's financing facilities from Indonesia Eximbank contain cross default terms, as well as negative and financial covenants, under which PT Mitra Mendawai Sejati is prohibited from certain actions under such covenants without obtaining prior consent from Indonesia Eximbank. The prohibited events under the negative and financial covenants, include, among others: (i) utilizing the facility for other than the stipulated purposes, (ii) obtaining a new facility or new loan which will result in PT Mitra Mendawai Sejati having a payment obligation and/or indebtedness, whether directly or indirectly, more than Rp.250 billion and exceeding the prescribed debt to equity ratio, (iii) transferring the related collateral, (iv) acting as a guarantor for another party and or/encumbering its assets so long as the value of the collateral which has been encumbered to Indonesia Eximbank is not yet sufficient, (v) selling, transferring or disposing assets larger than 20% or all rights of its total assets other than in the ordinary course of business, except if required by the Government's policy,

(vi) applying and/or ordering another party to order the court to suspend debt payment obligations or declare bankruptcy, (vii) conducting any transaction that is not in the ordinary course of business, except for transactions with its subsidiaries or affiliated companies, and (viii) distributing dividends or business profits exceeding 1/3 (one-third) of its net profits. Further, the Indonesia Eximbank's facilities also contain a financial covenant, whereby PT Mitra Mendawai Sejati must maintain a debt to equity ratio of 3x or less. Indonesia Eximbank's prior consent is not required as PT Mitra Mendawai Sejati is not acting as a guarantor for the transactions contemplated under this Offering Memorandum.

As of September 30, 2017, the Company, PT Kalimantan Sawit Abadi, PT Tanjung Sawit Abadi, PT Sawit Multi Utama and PT Mitra Mendawai Sejati have fully utilized all of their respective facilities.

RELATED PARTY TRANSACTIONS

Overview

We and our subsidiaries enter into transactions with related parties principally involving financial transactions and the purchases of raw materials in our regular conduct of business pursuant to the agreed terms and conditions with related parties. Below is the summary of the key arrangements we have entered into with our related parties. For a full description of all related party transactions, see our consolidated financial statements as at and for the years ended December 31, 2014, 2015 and 2016 and as at and for the nine-months ended September 30, 2017 and the related notes thereto.

Under Regulation IX.E.1, related party transactions are divided into two categories, namely, affiliated transactions and conflict of interest transactions. Regulation IX.E.1 further provides the definition of a “transaction,” which includes activities related to: (a) providing and/or receiving loans; (b) acquiring, disposing or utilizing assets, including in the context of guarantees; (c) acquiring, disposing or utilizing services or securities of a company or controlled company; or (d) entering into contracts in relation to the activities mentioned in (a), (b) and (c) above, whether implemented as a one-time transaction or a series of transactions for a certain objective or activity.

Pursuant to Regulation IX.E.1, an “affiliated transaction” means a transaction conducted by a company or controlled company with its affiliates or affiliates of the members of the board of directors, members of the board of commissioners, or the substantial shareholders of the company. The Indonesian Capital Market Law defines substantial shareholders as shareholders that directly or indirectly own at least 20.0% of the shares of the company, while a “company” under Regulation IX.E.1 means an issuer that has conducted an equity public offering or a public company, and a “controlled company” means a company controlled either directly or indirectly by a company. An affiliated transaction must be disclosed to the public and evidence of such disclosure and its supporting documents must be submitted to the OJK no later than two business days after such affiliated transaction occurs. Furthermore, Regulation IX.E.1 requires a company to obtain fairness opinion from an independent appraisal on such transaction and included the same in the disclosure and evidence of such disclosure to OJK. The information required to be disclosed is regulated under Regulation IX.E.1. In addition, Regulation IX.E.1 also provides exemptions for certain affiliated transactions, which only need to be reported to the OJK by the end of the second business day after such affiliated transaction is conducted. The information required to be included in such report is regulated under Regulation IX.E.1. Aside from such exemptions, Regulation IX.E.1 also provides exemptions for certain affiliated transactions where the company is not required to make a disclosure to the public or a report to the OJK.

A conflict of interest transaction must be approved by a majority of independent shareholders or their authorized representatives at the general meeting of shareholders. Under Regulation IX.E.1, a “conflict of interest” is defined as a difference between the economic interests of a company and the personal economic interests of any member of the board of commissioners, board of directors or substantial shareholders which may cause losses to the company. Regulation IX.E.1 also provides exemptions for certain conflict of interest transactions, where the company is not required to obtain approval from the independent shareholders. The OJK has the power to enforce these rules, and our shareholders may also bring enforcement action based on these regulations.

It is our policy to comply with Indonesian capital market laws and regulations in connection with these transactions. Although we believe that we have been complying and will be able to comply with the regulations in connection with our related party transactions, we cannot assure you that the OJK will not inquire about our compliance with regard to the related party transaction requirements in the future.

Loan Agreements

The Company has made loans to SBI, a subsidiary of CBI, in the amounts of Rp.365 billion and U.S.\$5,000,000. The loans bear interest at rates ranging from 9.25% to 10.00% per annum and will be due on June 30, 2018.

On January 20, 2016, the Company and one of its subsidiaries, PT Tanjung Sawit Abadi, entered into a Rupiah and U.S. dollar-denominated loan in the amount of Rp.1,600 billion and US\$23,075,526 with CBI. The loans were drawn down in the six-months period ended June 30, 2017 in connection with CBI's development of downstream refining and distribution capabilities. The loans are unsecured and bear interest at a rate of 10.5% and 7% per annum, respectively. The loans were due to mature on December 23, 2017 and December 24, 2017, respectively, and their maturities were extended to December 23, 2018 and December 24, 2018, respectively.

The Company has also provided working capital loans to CBI and certain of its subsidiaries and entered into other related party transactions from time to time.

For additional details, refer to note 35 of the SSMS Consolidated Financial Statements included elsewhere in this Offering Memorandum. See also the CBI Consolidated Financial Statements and the the CBI Unaudited Condensed and Consolidated Pro Forma Financial Statements included elsewhere in this Offering Memorandum.

MANAGEMENT

The discussion in this section “Management” is exclusively in relation to the management of the Company and its consolidated subsidiaries and not to CBI or any of its consolidated subsidiaries other than the Company and its subsidiaries.

In accordance with Indonesian law, we have a Board of Commissioners and a Board of Directors. Our management and day-to-day operations are carried out by our Board of Directors under the supervision of the Board of Commissioners, the members of which are elected through a general meeting of shareholders. The two boards are separate and an individual may be a member of both boards.

Our Board of Commissioners and Board of Directors each consist of three members. Members of our Board of Commissioners and our Board of Directors are elected for five-year terms commencing as of the date of the general meeting of shareholders appointing such members. Such appointments are made without prejudice to the ability of shareholders to exercise their rights at a general meeting of shareholders to dismiss a Commissioner or a Director during their term of office or to reappoint a Commissioner or Director whose term of office has expired.

The rights and obligations of each member of the Board of Commissioners and the Board of Directors are regulated by our articles of association, the decisions of general meetings of our shareholders, the Company Law and, as a public company, OJK regulations and IDX regulations.

Board of Commissioners

Under our articles of association, our Board of Commissioners, which has the task of supervising our management, must consist of at least two members, including the Independent Commissioner. A company to be listed on the Indonesia Stock Exchange is also required to have independent commissioners as members of its Board of Commissioners. The number of independent commissioners must be in proportion to the number of shares owned by the non-controlling shareholders of the company, provided that the number of independent commissioners shall not be less than 30% of the total Commissioners. The principal functions of the Board of Commissioners are to give advice to and supervise the policies of the Board of Directors.

All meetings of the Board of Commissioners are chaired by the President Commissioner. In the event of the absence or inability of the President Commissioner, the impediment of which need not be evidenced to any third parties, a meeting of the Board of Commissioners may be chaired by another member of the Board of Commissioners specifically appointed by the members of the Board of Commissioners present at the meeting.

As of the date of this Offering Memorandum, our Board of Commissioners consisted of three members as follows:

Name	Age	Commissioner Since	Position
Bungaran Saragih	72	August 2013	President Commissioner
Marzuki Usman	73	August 2013	Independent Commissioner
Rimbun Situmorang	50	August 2016	Commissioner

Certain information with respect to our Commissioners is set out below:

Mr. Bungaran Saragih has served as President Commissioner since August 2013 and has 44 years of experience in the oil palm plantation industry. He has also served as Commissioner at PT Rea Kaltim Plantations since 2007, Chairman of the Board of Trustees at the Borneo Orangutan Survival Foundation since 2006 and Advisor to PT Japfa Comfeed Indonesia Tbk since 2006. He previously served as Chairman of Board of Governors at the International Fund for Agricultural Development and Minister of Agriculture of the Republic of Indonesia. Mr. Bungaran Saragih obtained his Master’s

Degree in Agricultural Economics from the Agricultural Institute of Bogor in Indonesia, Master of Arts in Economics, Statistics and Business from North Carolina State University in the United States and Doctorate in Philosophy on Economics from North Carolina State University in the United States.

Mr. Marzuki Usman has served as Independent Commissioner since August 2013 and has 46 years of experience in the oil palm plantation industry. He has also served as a member of the advisory board at the Duke University Islamic Studies Center since 2006. He previously served as Senior Advisor at Rama Assurance, Advisor at PT Moores Rowland Indonesia, Advisor at PT Grant Thornton Indonesia, President Commissioner at PT Bursa Berjangka Jakarta, President Commissioner at PT PP. London Sumatra Tbk., and President Commissioner of PT Piesta Dinamia Consult. He also served as Minister of Forestry of the Republic of Indonesia. Mr. Marzuki Usman obtained his Bachelor's Degree in Economics from Gajah Mada University in Indonesia and Master of Arts in Economics from Duke University in the United States.

Mr. Rimbun Situmorang has served as Commissioner since August 2016 and has 16 years of experience in the oil palm plantation industry. He previously served as Chief Executive Officer of the Company between 2013 and 2016. He currently holds a number of positions, including President Director of PT Citra Borneo Indah and President Commissioner of PT Sawit Multi Utama. He previously served as a Director of PT Ahmad Saleh Perkasa, Commissioner of PT Sawit Multi Utama, Director of PT Tanjung Sawit Abadi, Director of PT Sawit Mandiri Lestari, Director of PT Sawit Multi Utama, Director of PT Citra Borneo Indah, Director of PT Kalimantan Sawit Abadi, President Commissioner of PT Kalimantan Sawit Abadi, President Director of the Company, Director of PT Tanjung Sawit Abadi, Director of PT Mitra Mendawai Sejati, Commissioner of PT Citra Borneo Indah, Marketing Manager at PT Mendawai Putra, Head of Commerce at PT Barito Putra Nirwana, and Forestry & Shipping Staff at PT Rimba Karya Kalimantan. He received a Bachelor's Degree in Industrial Engineering from the Institut Teknologi Tumpal Dorianus Pardede in 1989.

Board of Directors

The Board of Directors manages the Company on a day-to-day basis. Under our articles of association, the Board of Directors shall consist of at least two members, one of whom is the President Director and, as required by the IDX Regulation, one of whom shall be appointed as the Unaffiliated Director. The Board of Directors is required to perform its duties in good faith and in the best interests of the Company.

All meetings of the Board of Directors are chaired by the President Director. In the event of the absence or inability of the President Director, the impediment of which need not be evidenced to any third parties, a meeting of the Board of Directors may be chaired by another member of the Board of Directors specifically appointed by the meeting of the Board of Directors.

As of the date of this Offering Memorandum, our Board of Directors consisted of three members as follows:

Name	Age	Director Since	Position
Vallauthan Subraminam	62	August 2016	President Director
Nicholas Justin Whittle	50	December 2016	Unaffiliated Director
Ramzi Sastra	45	August 2013	Director

Certain information with respect to our Directors is set out below:

Mr. Vallauthan Subraminam has served as President Director since August 2013. He has over 40 years of experience in the oil palm plantation industry, and was previously a Director and Chief Operating Officer of the Company between 2013 and 2016. He has held a number of positions, including Regional Head of PT Citra Borneo Indah, Senior Manager/Acting Plantations Controller at IJM Plantations Malaysia, Executive Director at Domba Mas Group, Senior Plantations Manager at

IJM Plantations Malaysia, Plantation Manager at Asian Agri GROUP, Plantation Manager at Hap Seng Consolidated Berhad, Sabah Malaysia, Plantation Manager at Kemayan Oil Palm Berhad, Sabah Malaysia and Assistant Manager at Kemayan Oil Palm Berhad, Sabah Malaysia. He received a Higher National Diploma in Management in 1986 from the Institute of Supervisory Management in the United Kingdom.

Mr. Nicholas Justin Whittle has served as Unaffiliated Director since December 2016. He possesses extensive background in corporate finance and financial management. Prior to joining the Company, between 2011 and 2016 he served as an Independent Consultant to: PT. Capital Inc. Tbk.; Siam Cement Consortium; CSG Boremaster; PT ODG Indonesia; Robust Resources Ltd.; and PT Surya Semesta Internusa Tbk. Between 2006 and 2011 he served as Chief Financial Officer of Hot-Hed International S.A., from 2001 to 2005 as a Technical Advisor to the Indonesian Bank Restructuring Agency, and as Senior Mergers & Acquisitions Advisor at PT Kim Eng Securities. He holds both a Bachelor's Degree and Master's Degree in Oriental Studies (Japanese) from the University of Cambridge and a Master of Business Administration from the Graduate School of Business at Columbia University in the United States.

Mr. Ramzi Sastra has served as Director since August 2013. He is also a Director of PT Kalimantan Sawit Abadi and a Commissioner of PT Tanjung Sawit Abadi since December 2013, and has been a Director of PT Citra Borneo Utama since March 2013 to the present. He has over 18 years of experience in the oil palm plantation industry, and previously served as Commercial Director of PT Citra Borneo Indah, Commercial Manager of Oleochemicals at PT Bakrie Plantation Tbk., Commercial Manager at PT Flora Sawita Chemindo, Sales & Marketing Superintendent at PT Flora Sawita Chemindo, Project Officer at PT Hamparan Pancaran Chemindo, Management Representative at PT Flora Sawita Chemindo, Senior Supervisor of Quality Assurance at PT Flora Sawita Chemindo, Supervisor of the Quality Assurance & Research Development at PT Sinar Oleochemical International and Laboratory QC Analyst at PT Inti Indorayon Utama. He received a Bachelor's Degree in Chemistry from Universitas Sumatera Utara and a Master of Science in Marketing from the Jakarta Institute of Management Studies in 1999.

Compensation

The total compensation paid to our Board of Directors and Board of Commissioners for the years ended December 31, 2014, 2015 and 2016 and for the nine-months ended September 30, 2017 was Rp.7.0 billion, Rp.23.3 billion, Rp.16.0 billion and Rp.7.1 billion, respectively.

Audit Committee

The Company's Audit Committee is appointed in accordance with OJK Regulation No.55/POJK.04/2015. The main duty of the Audit Committee is to assist the Board of Commissioners in its oversight function by monitoring and reviewing the Company's management and operational activities. In addition, the Company assigns the Audit Committee to study various issues related to the adequacy of internal control, including the effectiveness of risk management procedures, completeness of financial reporting, and conformity to current laws and regulation.

As of the date of this Offering Memorandum, our Audit Committee consisted of three members as follows:

Name	Age	Member Since	Position
Marzuki Usman	73	March 2014	Chairman
Wahyudi Susanto	45	March 2014	Member
Zulfitriy Ramdan.	34	March 2014	Member

Corporate Secretary

The Corporate Secretary's duties are in accordance with current regulations, specifically OJK Regulation No.35/POJK.04/2014 regarding Corporate Secretaries of Issuers or Public Companies. The function of a corporate secretary must be performed by one of the directors of the Company or an official of the Company who is specifically appointed to conduct such function. In the event the corporate secretary is not a director of the Company, the board of directors of the listed company must be responsible for any information submitted by the corporate secretary. The functions, obligations and requirements of the corporate secretary are regulated by the decisions of the Board of Directors, and OJK regulations and IDX regulations. The Corporate Secretary is appointed and dismissed by a decision of the Board of Directors. Effective on July 21, 2017, the Company appointed Swasti Kartikaningtyas.

Internal Audit

The Company created the Internal Audit department to strengthen oversight and the application of comprehensive internal control, as formalized in the Charter and Code of Ethics of Internal Audit signed by the Board of Directors on August 14, 2013, with the approval of the Board of Commissioners. This Internal Audit Charter also conforms to current regulation, specifically OJK Regulation No.56/POJK.04/2015 (previously Bapepam-LK Regulation No. IX.I.7, Attachment to the Decree of Chairman of Bapepam-LK No. Kep-496/BL/2008) regarding the Formation and Guidance on the Creation of Internal Audit Charters. The internal audit unit must consist of at least one internal auditor. Where the internal audit unit consists of one internal auditor, he or she must also act as the chief of the internal audit unit. The main duties and responsibilities of the Internal Audit department are as follows:

- to prepare and execute the Internal Audit department's annual work plan;
- to test and evaluate the implementation of internal control and risk management system according to the Company's policy;
- to perform inspection and assessment of the efficiency and effectiveness in the area of finance, accounting, operations, human resources, marketing, information technology and other activities;
- to provide suggestions for improvements and objective information about the activities examined at all levels of management;
- to prepare audit reports and submit such report to the President Director and the Board of Commissioners;
- to monitor, analyze and report the implementation of improvements that have been suggested;
- to cooperate with the Audit Committee;
- to develop programs to evaluate the quality of Internal Audit activities; and
- to undertake special inspections, if necessary.

As of the date of this Offering Memorandum, our Internal Audit department consisted of 14 members as follows:

Name	Age	Member Since	Position
Indra Marito Sinaga	46	January 2017	Chairman
Abdul Rozak	44	January 2009	Member
Muhammad Fahmi Arif	25	November 2015	Member
Yunay Evryllieno Sukendi	34	August 2014	Member
Herman Situmorang	32	February 2015	Member
Anjar Widiarso	45	April 2012	Member
Sadirin	33	January 2013	Member
Ahmad Taufiq	27	November 2015	Member
Besar Ardhi Nugraha	28	April 2016	Member
Mas Intan Manurung	22	April 2016	Member
Ramses Nelson Sitorus	41	September 2016	Member
Trisnawan Harefa	24	January 2017	Member
Oktarina Shilfia Anggrayni . . .	23	January 2017	Member
Ramadhani	29	April 2017	Member

Nominations and Remuneration Committee

The Nominations and Remuneration Committee is formed in accordance with the Company's business needs and in conformity with current laws and regulation, notably OJK Regulation No. 34/POJK.04/2014 regarding Nominations and Remuneration Committees of Issuers or Public Companies. The Nominations and Remuneration Committee is responsible for setting, implementing and upholding the principles of good corporate governance in relation to the selection of candidates to fill positions of strategic importance within the Company, as well as the level of remuneration to be received by the Directors. The Nominations and Remuneration Committee is directly accountable to the Board of Commissioners.

As of the date of this Offering Memorandum, our Nominations and Remuneration Committee consisted of three members as follows:

Name	Age	Member Since	Position
Marzuki Usman	73	December 2016	Chairman
Bungaran Saragih	72	December 2016	Member
Sunggu Situmorang	47	December 2016	Member

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information with respect to the Company's shareholders as of September 30, 2017 and, following the CBI Reorganization, as of December 31, 2017:

Name	As of September 30, 2017		As of December 31, 2017	
	No. of Shares Held	% of Total Outstanding	Number of Shares Held	% of Total Outstanding
PT Citra Borneo Indah ⁽¹⁾	2,970,430,600	31.18	5,570,430,600	58.48
PT Prima Sawit Borneo ⁽²⁾	1,300,000,000	13.65	—	—
PT Mandiri Indah Lestari ⁽³⁾	1,300,000,000	13.65	—	—
PT Putra Borneo Agro Lestari ⁽³⁾	773,682,900	8.13	773,682,900	8.13
Jemmy Adriyanor	216,499,900	2.27	216,499,900	2.27
Public (each below 5%)	<u>2,964,386,600</u>	<u>31.12</u>	<u>2,964,386,600</u>	<u>31.12</u>
Total	<u><u>9,525,000,000</u></u>	<u><u>100.00%</u></u>	<u><u>9,525,000,000</u></u>	<u><u>100.00%</u></u>

Notes:

- (1) PT Citra Borneo Indah is beneficially owned by Jemmy Adriyanor, Jery Borneo Putra, Monica Putri and Ernis Desidistrisna, all of whom are children of our founder.
- (2) PT Prima Sawit Borneo is beneficially owned by Monica Putri and Ernis Desidistrisna.
- (3) PT Putra Borneo Agro Lestari and PT Mandiri Indah Lestari are beneficially owned by Jemmy Adriyanor and Jery Borneo Putra.

INDUSTRY OVERVIEW

The information in this section has been extracted from an industry report that we have commissioned from OIL WORLD (Ista Mielke GmbH) in its capacity as expert regarding the palm oil industry. While we have taken reasonable actions to ensure that the information is extracted accurately and in its proper context, neither we nor the Joint Lead Managers have independently verified any of the data from third-party sources or ascertained the underlying economic assumptions relied upon therein. As a result, you are cautioned against undue reliance on such information.

Palm oil is the most important vegetable oil and together with palm kernel oil currently accounts for approximately 34% of world production and 59% of world exports of all 17 oils and fats, although it is produced on only 7% of the area. Palm oil is currently still the most productive crop among all vegetable oils and oilseeds with by far the highest yields per hectare and the lowest production costs per ton. However, a major challenge to the palm oil industry lies in the high intensity of labor required as well as in the rising labor costs, particularly over the past few years. The need for increased mechanization is evident but implementation is complicated and has been rather slow. Increasing shortage of labor for harvesting and loose fruit collection has recently resulted in crop losses, primarily in Malaysia.

Palm oil has increased its dominance among all vegetable oils and animal fats in the past 20 years. This is obvious from the statistics provided in this report, showing that the share of palm oil in world consumption of 17 oils and fats has increased significantly from 16.5% in 1996 to 24.6% in 2006 and 29.7% in 2016. Palm oil consumption almost quadrupled during the past 20 years, i.e. from 16.0 million tons in 1996 to 36.2 million tons in 2006 and a new high of 62.5 million tons in 2016.

In the years ahead global dependence on palm oil will continue to grow. However, it will be a big challenge for the palm oil industries in Indonesia, Malaysia and in the rest of the world to satisfy prospective demand. It is of utmost importance to considerably raise palm oil production per tree because additional land suitable for palm oil production is getting scarce. Sustainability criteria have to be met either along the requirements of the RSPO or along the guidelines of other sustainability criteria developed in Malaysia, Indonesia or other countries. Government policies for issuing new licenses for new palm oil plantings are getting stricter, which will contribute to a slowing-down of the growth in new oil palm plantings. At the same time, replanting requirements have already been increasing in the past five years in Malaysia and will be increasing in the years ahead in Indonesia. The age structure of the oil palms have deteriorated in Malaysia and have thus contributed to the declining trend of average yields at plantations as well as in the smallholder sector.

The outlook for the year 2025 is for global palm oil requirements of around 85 million tons, according to OIL WORLD. This is up steeply by 23 million tons from 2015 and requires that approximately 47.5 million tons of palm oil is produced in Indonesia and 23.7 million tons in Malaysia. For the rest of the world output is seen at 14 million tons in 2025. These production levels will be difficult to reach considering the limitation of land for sustainably produced palm oil. Increasing investments and more management efforts are required to achieve the increase in average yields.

For the year 2025 we at OIL WORLD are forecasting palm oil import requirements in India to rise to at least 13.5 million tons (against 9.25 million tons in Jan/Dec 2015), in China at 7.2 million tons (vs. 5.7) and Pakistan at 3.4 million tons (2.6). Considerable growth is also seen in other Asian countries as well as on the African continent. Rising requirements for biodiesel as well as for food are likely to boost total Indonesian consumption of palm oil to about 14 million tons in Jan/Dec 2025 compared with 7.1 million tons in 2015 and 3.6 million tons in Jan/Dec 2005.

PALM OIL: World Production by Major Countries (million tons)

Production	Projections		2016	2015	2010	2005	2000
	2025F	2020F					
Indonesia	47.50*	41.00*	32.10	33.40	22.50	14.10	7.05
Malaysia	23.70*	22.30*	17.32	19.96	16.99	14.96	10.84
Oth ctrs.	14.20*	11.70*	9.48	9.44	6.80	5.11	4.05
WORLD	85.40*	75.00*	58.90	62.80	46.29	34.17	21.94

PALM OIL: World Consumption with Breakdown by Major Countries (million tons)

	Projections		2016	2015	2010	2005	2000
	Jan / Dec						
	2025F	2020F					
Indonesia	13.90*	11.90*	9.18	7.06	5.46	3.55	2.96
Malaysia	3.65*	3.45*	2.66	2.92	2.18	1.97	1.50
EU-28	7.62*	7.40*	7.04	7.25	5.75	4.38	2.48
U.S.A.	1.60*	1.43*	1.23	1.07	0.86	0.38	0.14
India	13.50*	11.20*	9.22	9.25	6.72	3.31	3.62
China, PR	7.17*	6.15*	5.13	5.73	5.83	4.34	1.62
Pakistan	3.40*	3.00*	2.60	2.57	1.99	1.55	1.12
Oth ctrs	34.36*	30.17*	25.42	24.96	17.74	14.18	8.28
WORLD	85.20*	74.70*	62.48	60.81	46.53	33.66	21.72

Source: OIL WORLD Data Bank and publications of ISTA Mielke GmbH, Internet: www.oilworld.de

Palm oil prices reached their low in August 2015 with fob export prices in Indonesia quoted at US\$430 per ton. Prices recovered from that level and reached US\$768 for nearest forward shipment for the average of January 2017. Prices are fluctuating according to global supply and demand developments not only of palm oil but also of soya oil, other vegetable oils and crude mineral oils.

We expect palm oil prices to come under pressure in the course of 2017 and stay depressed throughout most of 2018 on the assumption of favorable weather conditions and trend yields to be achieved in the major producing areas of palm oil and other vegetable oils.

Prices of palm oil and soya oil are seen recovering, however, in 2019 and 2020, partly because of a slowing-down in the increase of the oil palm mature area in Indonesia and Malaysia. Already in 2015 and 2016 the expansion in new plantings of oil palms has slowed down in Southeast Asia. Considering that it takes 3-4 years until the planted oil palm seedlings reach maturity, the slowdown in the area will curb the growth rates in palm oil production in 2019 and 2020. This is going to have an effect on prices. If palm oil production cannot be expanded sufficiently, higher prices are needed to stimulate production of other vegetable oils. But prices will also depend on the development of global demand of oils & fats.

Swing factors on the demand side are coming from the food, from the oleochemical as well as the biodiesel industries. All categories are partly price elastic. Demand for food is reacting to changes in prices, particularly in the developing countries. In periods of supply shortage prices are appreciating until production is stimulated sufficiently and/or demand is rationed sufficiently.

Demand for palm oil and other vegetable oils for biodiesel, however, depends decisively on government mandates and whether and to what extent fulfillment of these mandates is enforced.

In Indonesia biodiesel production started to recover noticeably in Dec 2015 and production jumped from 1.2 million tons in Jan/Dec 2015 to 3.2 million tons in 2016. Targets of the Indonesian Government point to a further substantial increase in biodiesel production for domestic use in the years ahead.

The Latest Developments until 2016

During the past 20 years the outstanding feature on the world market for vegetable oils & animal fats is to be seen in the accelerating growth in production, trade and consumption. World consumption of 17 oils & fats more than doubled from 96.9 million tons in Jan/Dec 1996 to 210.6 million tons in 2016, thus establishing a new high. In the 10 years up to 2016 the compound average growth of world consumption reached 3.6 percent per annum.

Palm oil accounted for most of the increase in world consumption with an average annual growth of 5.6 percent in the 10 years ending 2016. World palm oil usage almost quadrupled from 16.0 million tons in 1996 to 62.5 million in 2016, thus accounting for almost 30 percent of world consumption of all 17 oils & fats in 2016 compared with 16.5 percent in 1996. Global dependence on palm oil will increase further in coming years due to insufficient production growth of other oils & fats.

The acceleration of consumption in the past 10 years was a combined result of 1) higher demand for food (primarily in Asia, above all in China and India), 2) further expansion of oleochemical requirements and 3) rapidly increasing consumption of oils & fats for energy, primarily for biodiesel, but also for the generation of electricity and heat.

Oils and fats are generally grouped into three main categories on the basis of their source: vegetable oils, animal fats and marine oils. Within each category, oils and fats can be categorized into either edible or inedible varieties, depending on their fatty acid composition and properties. Edible oils contain both saturated and unsaturated fats. Most industrial applications tend to use the solid fractions of palm oil, such as stearin, which have a higher content of saturated fats. Olein has a much lower proportion of saturated fats than stearin and is used principally for edible purposes. In edible applications vegetable, animal and marine oils are largely interchangeable.

Included in the analysis are the 13 major vegetable oils (soya oil, palm oil, palm kernel oil, coconut oil, rape oil, sunflower oil, cotton oil, groundnut oil, sesame oil, corn oil, olive oil, linseed oil and castor oil) and the 4 major animal fats (butter, fish oil, lard and tallow).

Supply and demand of palm kernel oil also showed significant increases during the past 20 years. Palm kernel oil has become the by far most important lauric oil with a consumption volume of 6.6 million tons worldwide in 2016, up steeply from 4.1 million tons 10 years and 2.0 million tons 20 years earlier. Palm kernels and palm kernel oil are by-products of palm oil production, with most of the supply growth occurring in Indonesia and Malaysia. A further growth in palm kernel oil will occur in line with the trend in palm oil.

As against this, the coconut oil industry is contracting. Production has been on a declining trend for most of the past 20 years. Coconut oil production dropped to a multi-year low of 2.6 million tons in 2016, thus accounting only for 29% of world production of lauric oils in contrast to 58% in 1996. Also world exports and consumption of coconut oil has been on a declining trend. As a result, coconut oil prices appreciated substantially and the price premium over palm kernel oil widened to historically high levels in Jan/June 2017.

World production of soya oil and sunflower oil accelerated during the past three years, benefiting from increasing plantings and considerable improvement in yields per hectare, making soybean and sunflower cultivation more attractive for farmers in North & South America as well as in the CIS countries.

On the other hand, world production of rapeseed & rapeseed oil contracted in 2015 and 2016 because profitability declined and farmers switched to other crops considered more lucrative.

17 Oils & Fats: World Consumption with Breakdown by Product (Million tons)

	1996	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Average annual increase in 10 years until
(Million Tons)													
Vegetable Oils													
Palm oil	16.0	36.2	37.8	42.6	45.0	46.6	48.9	52.7	58.0	59.5	60.8	62.5	5.6%
Palmkernel oil	2.0	4.1	4.4	4.7	5.3	5.1	5.3	5.7	6.4	6.5	6.8	6.6	5.0%
Coconut oil	3.0	3.2	3.2	3.2	3.2	3.6	3.1	3.2	3.4	3.0	2.9	2.6	-2.1%
Soya oil	20.4	34.3	36.8	37.6	35.8	38.9	41.7	41.5	42.8	45.3	47.7	51.9	4.2%
Sunflower oil	8.8	10.7	11.2	10.4	12.6	12.7	12.9	14.5	14.2	16.0	15.2	16.2	4.2%
Rapeseed oil	11.6	18.1	19.1	19.7	21.1	23.3	23.9	23.8	24.2	26.3	26.8	26.9	4.0%
Oth. Veg. Oils.	14.3	16.3	16.3	16.4	16.0	16.3	17.0	17.7	16.6	17.4	16.8	16.5	0.1%
Total Veg. Oils	76.3	123.1	128.9	134.6	138.9	146.6	152.6	158.8	166.1	173.8	177.1	183.6	4.1%
Animal fats	19.2	23.2	23.4	23.9	24.0	24.3	24.6	25.0	25.5	25.6	25.8	26.2	1.2%
Marine oils	1.4	1.1	1.1	1.0	1.1	1.0	1.0	1.0	0.8	0.9	0.9	0.9	-1.5%
Total Oils & Fats . .	96.9	147.4	153.3	159.5	164.0	171.9	178.3	184.8	192.4	200.3	203.8	210.6	3.6%

Source: OIL WORLD Data Bank and publications of ISTA Mielke GmbH, Internet: www.oilworld.de

Exports of 17 Oils and Fats

Also world exports of oils and fats as well as of oilseeds (primarily soybeans) expanded at a high annual rate over the past 10 years. Palm oil contributed to this development with a growing share of both trade and consumption, as it is and will continue to be the biggest and most dynamic product among all oils and fats. Approximately 75 percent of its annual output was exported in 2016, compared with 23 percent in the case of soybean oil, 55 percent of sun oil and 17 percent of rapeseed oil.

As the bulk of world palm oil production is concentrated in only a few countries (Malaysia and Indonesia), the enormous growth in output registered during the past decade was also accompanied by a similar increase in exports. In 1990 the share of palm oil of total exports of 17 oils and fats had been only 36 percent, but in the year 2006 it had increased to 52 percent and continued to rise to 58 percent in 2013 but then dropped marginally in 2014 & 2015 and dropped sizably to 54.7 percent in 2016. However, the share of soya oil of world exports declined from 18 percent in 2006 to 13 percent in 2014, but recovered to 15 percent in 2015 and stayed there in 2016. For sunflower oil and rapeseed oil there was some recovery in the export market share during the past ten years to 11 percent and 5 percent, respectively, in 2016.

An unusual development occurred in calendar year 2016 when palm oil trees suffered the lagged effects of the severe drought (which had been experienced in 2015 in many parts of Malaysia and Indonesia) and yields collapsed (with a time lag). As a result, world production of palm oil and of palm kernel oil dropped sharply by 3.9 and 0.5 million tons, respectively. This massive production shortfall reduced world exports and also initiated an unusually steep reduction of stocks. Production and exports, however, will recover pronouncedly in 2017 and 2018.

During most of the past 10-20 years the very strong and rapidly rising world import demand has been the driving factor behind the growth of palm oil production. Due to the rising global requirements (from the food industries as well as from the oleochemical sector and the expanding bio-fuels industries), the dependence on a further acceleration of the annual growth of palm oil production should continue to increase rapidly in the future as the production of the competing seed oils (derived from soybeans, rapeseed and other oilseeds) cannot be expanded sufficiently.

17 Oils and Fats: World Exports by Product (Million tons)

	1996	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Average annual increase in 10 years until 2016
(Million Tons)													
Vegetable Oils													
Palm oil	10.8	30.0	29.7	33.7	36.1	36.5	39.1	40.7	43.8	44.5	48.3	43.9	3.9%
Palmkernel oil	0.9	2.4	2.7	2.7	3.0	3.1	3.1	3.1	3.3	3.2	3.3	3.0	2.3%
Coconut oil	1.4	2.0	2.0	1.9	1.9	2.4	1.9	2.0	2.0	1.9	2.0	1.7	-1.8%
Soybean oil	4.8	10.4	11.2	10.1	9.3	10.2	9.5	9.4	9.7	9.9	12.6	12.0	1.4%
Sunflower oil	2.7	4.5	4.3	4.1	5.2	4.8	5.5	7.4	6.6	8.1	7.5	9.0	7.2%
Rapeseed oil	1.7	2.1	2.1	2.3	2.6	3.4	3.8	4.1	4.1	4.0	4.2	4.4	7.6%
Oth. Veg. Oils.	1.7	2.4	2.2	2.3	2.2	2.4	2.5	2.8	2.7	2.5	2.9	2.9	1.9%
Total Veg. Oils	24.0	53.8	54.2	57.1	60.3	62.8	65.4	69.5	72.2	74.1	80.8	76.9	3.6%
Animal Fats	2.8	3.0	3.1	3.0	2.9	3.0	2.7	2.5	2.5	2.6	2.5	2.5	-1.7%
Marine Oils	0.8	0.7	0.8	0.7	0.9	0.8	0.8	0.9	0.8	0.8	0.8	0.8	1.1%
Total Oils & Fats . . .	27.6	57.5	58.1	60.8	64.1	66.6	68.9	72.9	75.5	77.5	84.1	80.2	3.4%

Source: OIL WORLD Data Bank and publications of ISTA Mielke GmbH, Internet: www.oilworld.de

Supply of 17 Oils and Fats

World production of oils and fats has grown at a compound average rate of 3.15 percent per annum from 150.1 million tons in 2006 to 204.8 million tons in 2016. In these 10 years the production of vegetable oils increased the fastest at a compound annual growth rate of 3.5 percent, from 125.9 million tons in 2006 to 177.8 million tons in 2016. During that same period, animal fat output grew at a compound rate of only 1.2 percent per annum, from 23.2 million tons in 2006 to 26.2 million tons in 2016. Marine oil production in the same period declined.

17 Oils and Fats: World Production by Product (Million tons)

	1996	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Average increase in 10 years until 2016
(Million Tons)													
Vegetable Oils													
Palm oil	16.2	37.5	39.1	43.6	45.6	46.3	51.1	54.0	56.9	60.1	62.8	58.9	4.6%
Palmkernel oil	2.1	4.3	4.4	4.9	5.1	5.1	5.6	5.9	6.3	6.6	6.9	6.4	4.2%
Coconut oil	2.9	3.1	3.2	3.2	3.2	3.6	3.0	3.2	3.4	3.0	3.0	2.6	-2.1%
Soya oil	20.3	35.1	37.2	36.7	36.0	40.0	41.3	41.7	42.8	45.1	49.0	51.6	3.9%
Sunflower oil	9.0	11.1	10.8	10.7	13.0	12.5	13.2	15.1	14.0	16.2	15.3	16.5	4.0%
Rapeseed oil	11.5	18.5	18.8	20.0	21.8	24.3	24.1	24.9	25.6	27.0	26.2	25.3	3.2%
Oth. Veg. Oils.	14.4	16.4	16.3	16.4	16.1	16.4	17.2	17.6	16.8	17.3	17.0	16.6	0.1%
Total Veg. Oils	76.3	125.9	129.8	135.5	140.8	148.2	155.3	162.5	165.6	175.4	180.0	177.8	3.5%
Animal Fats	19.1	23.2	23.4	23.9	24.0	24.4	24.7	25.1	25.5	25.7	25.9	26.2	1.2%
Marine oils	1.4	1.0	1.1	1.1	1.1	0.9	1.1	0.9	0.9	0.9	0.9	0.8	-1.6%
GRAND TOTAL	96.8	150.1	154.3	160.5	165.8	173.4	181.1	188.5	192.0	202.0	206.8	204.8	3.2%

Source: OIL WORLD Data Bank and publications of ISTA Mielke GmbH, Internet: www.oilworld.de

Among the vegetable oils, palm oil has become the world's leading oil in respect of production and consumption, while soybean oil has fallen to second place. The production pattern shown in the table over the last ten years clearly confirms palm oil and palm kernel oil as having the highest growth rate of all oils and fats — a trend which we believe will continue in the next 10 years. For example, the compound average growth rate of palm oil production for the 10 years ending 2016 is 4.6 percent per annum, compared to 3.9 percent for soybean oil.

Supply and Demand of Palm Oil

Driven by attractive prices, world production of palm oil was boosted to keep pace with rising demand. Malaysia and Indonesia are the largest producers and they accounted for 84% of world production in 2016. Malaysia was the top palm oil producer until 2005 and has since been overtaken by Indonesia. The sharp increase in Indonesian output (average annual growth in palm oil production of 7.2% in the 10 years until 2016) was mainly driven by rapidly rising mature oil palm area. Taking into account the land reserves still available and suitable for oil palm cultivation, Indonesia has a much larger production growth potential than Malaysia in the years ahead. Given the strong global demand, this will drive investments into the development of new oil palm plantings. But sustainability criteria will have to be fulfilled.

India and Indonesia have become the largest consumers of palm oil in 2016, followed by the European Union and China. Other markets with strong growth for palm oil are countries in Asia, the Middle East, several countries in Africa and Central & South America as well as Turkey and Russia. In Indonesia the sharp decline in interior consumption of palm oil in 2015 as well as the strong recovery occurred in the biodiesel sector.

PALM OIL: World Production with Breakdown by Country (Million tons)

	1996	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	10 Year CAGR until 2016
Indonesia	4.5	16.1	17.4	19.4	21.3	22.5	24.3	26.9	28.8	31.5	33.4	32.1	7.2%
Malaysia	8.4	15.9	15.8	17.7	17.6	17.0	18.9	18.8	19.2	19.7	20.0	17.3	0.9%
Nigeria	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	1.0	-1.6%
Ivory Coastl.	0.3	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	3.6%
Colombia	0.4	0.7	0.7	0.8	0.8	0.8	0.9	1.0	1.0	1.1	1.3	1.1	4.9%
Thailand.	0.4	0.9	1.1	1.3	1.3	1.4	1.8	1.9	2.1	2.0	2.1	1.8	7.7%
Ecuador	0.2	0.4	0.4	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	0.6	5.4%
Other countries	1.3	2.4	2.6	2.9	3.0	3.0	3.5	3.7	4.0	4.0	4.2	4.6	6.7%
Total	16.2	37.5	39.1	43.6	45.6	46.3	51.1	54.0	56.9	60.1	62.8	58.9	4.6%

Source: OIL WORLD Data Bank and publications of ISTA Mielke GmbH, Internet: www.oilworld.de

PALM OIL: World Consumption with Breakdown by Country (Million tons)

	1996	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	10 Year CAGR until 2016
India.	1.2	3.1	3.8	5.4	6.8	6.7	6.8	7.6	8.5	7.9	9.3	9.2	11.6%
Indonesia	2.5	3.7	4.1	4.3	4.6	5.5	6.4	7.1	8.0	8.6	7.1	9.2	9.5%
EU-28	1.9	4.3	4.4	5.0	5.6	5.8	5.2	6.0	7.0	7.1	7.3	7.0	5.0%
China, PR	1.1	5.5	5.5	5.6	6.2	5.8	6.1	6.2	6.3	6.1	5.7	5.1	-0.6%
Malaysia	1.2	2.2	2.2	2.6	2.4	2.2	2.3	2.3	2.4	2.8	2.9	2.7	2.1%
Pakistan	1.2	1.6	1.6	1.9	1.9	2.0	2.0	2.1	2.4	2.3	2.6	2.6	5.0%
Other countries	6.9	15.8	16.2	17.8	17.5	18.6	20.1	21.4	23.4	24.7	25.9	26.7	5.4%
Total	16.2	36.2	37.8	42.6	45.0	46.6	48.9	52.7	58.0	59.5	60.8	62.5	5.6%

Source: OIL WORLD Data Bank and publications of ISTA Mielke GmbH, Internet: www.oilworld.de

PALM OIL: World Exports with Breakdown by Major Countries (Million tons)

	1996	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	10 Year CAGR until 2016
Malaysia	7.2	14.4	13.8	15.4	15.9	16.7	18.0	17.6	18.2	17.3	17.5	16.1	1.1%
Market share	67.3%	48.2%	46.3%	45.8%	43.9%	45.6%	46.0%	43.2	41.4%	38.9%	36.2%	36.6%	
Indonesia	1.9	12.5	12.7	14.6	16.9	16.5	17.1	19.1	21.5	23.0	26.6	23.4	6.4%
Market share	17.2%	41.9%	42.6%	43.4%	46.9%	45.0%	43.7%	47.0%	49.0%	51.6%	55.0%	53.2%	
Other countries	1.7	3.1	3.2	3.7	3.3	3.3	4.0	4.0	4.1	4.2	4.2	4.4	3.6%
Total	10.8	30.0	29.7	33.7	36.1	36.5	39.1	40.7	43.8	44.5	48.3	43.9	3.9%

Source: OIL WORLD Data Bank and publications of ISTA Mielke GmbH, Internet: www.oilworld.de

Palm oil imports increased very sharply in most of the past 20 years. They reached a new high of 47.8 million tons in the year 2015, with India, China and the European Union the key importers. But considerable growth was also registered in imports of the USA, Bangladesh, Iran, Russia and several other countries. During the past 15 years palm oil has benefited from the insufficient global production and export supplies of other vegetable oils. The calendar year 2016 was an exception when world palm oil imports plummeted in line with declining exports, caused by sharply reduced production in South East Asia.

PALM OIL: World Production with Breakdown by Country (Million tons)

	1996	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	CAGR 10 Year until 2016
EU-28 (excl. Intra-Trade)	1.9	4.5	4.5	5.2	5.8	6.0	5.3	6.2	7.2	7.4	7.4	7.1	4.7%
China, PR	1.4	5.5	5.5	5.6	6.6	5.8	6.2	6.6	6.2	5.6	6.0	4.6	-1.7%
India.	1.3	3.2	3.7	5.8	6.8	6.7	6.7	7.8	8.5	7.9	9.5	8.3	10.0%
Pakistan	1.1	1.8	1.7	1.9	2.0	2.1	2.0	2.0	2.4	2.5	2.8	2.7	4.1%
Malaysia	0.0	0.6	0.3	0.6	0.9	1.2	1.8	1.6	0.6	0.5	1.0	0.4	-3.5%
Egypt	0.4	0.6	0.6	0.6	0.7	0.8	0.7	0.7	0.8	0.9	0.8	0.8	2.6%
Russia	0.1	0.5	0.6	0.7	0.5	0.6	0.7	0.7	0.8	0.8	0.9	0.9	5.7%
Ukraine	0.0	0.2	0.3	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.2	0.0%
U.S.A	0.1	0.6	0.8	1.0	1.0	1.0	1.1	1.0	1.4	1.2	1.2	1.3	7.3%
Mexico	0.1	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.5	0.5	0.5	3.5%
Bangladesh	0.1	0.9	0.7	0.9	0.9	1.1	1.0	1.0	1.3	1.3	1.5	1.4	4.3%
Iran	0.1	0.4	0.4	0.7	0.6	0.6	0.7	0.7	1.0	0.8	0.5	0.5	2.0%
Japan	0.4	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	3.4%
Singapore	0.4	0.4	0.4	0.4	0.4	0.5	0.7	0.8	0.6	0.6	0.6	0.6	5.0%
Other countries	3.4	9.0	8.8	9.1	8.5	9.5	10.6	10.9	12.0	13.6	14.4	13.9	4.4%
Total	10.8	29.0	29.1	33.8	36.0	37.2	38.7	41.3	44.1	44.4	47.8	43.9	4.3%

REGULATION

National law and local government ordinances in Indonesia have a significant bearing on the ownership status of our landholdings and the operation of our plantations.

We are required by various governmental institutions to obtain certain permits, licenses and certificates with respect to our business operations. Although we believe that we have been and will be able to obtain all permits, licenses and certificates material to the conduct of our business operations, we cannot assure you that we will be successful in our attempts to do so in the future. Failure to maintain or secure the necessary permits, licenses or certificates could give rise to substantial costs or the suspension of operations at one or more of our plantations.

We believe that due to heightened environmental and product-quality concerns, regulators may subject our business to closer scrutiny in the future. Our plantations are subject to both scheduled and unscheduled inspections by a variety of governmental institutions, each of which may have different perspectives or apply different standards than the others.

We believe that our business will continue to be in compliance with the applicable environmental legislation and regulations in the future. However, the relevant government authorities may impose increasingly onerous requirements, which means that we cannot predict our compliance costs or the impacts of such requirements on our business.

The Government, through the State Minister for Environmental Affairs, exercises both regulatory authority and administrative control in respect of environmental issues in Indonesia. The legal framework in the environmental sector, as it relates to the palm oil industry, is contained in disparate laws, government regulations and ministerial decrees, as enacted or issued from time to time. In particular, the Government has considerably tightened up environmental surveillance over the last ten years.

Plantation Sector

The plantation sector is primarily governed by Law No. 39/2014. This law provides that plantation operations may be undertaken by individual farmers (*pekebun*) as well as plantation enterprises. A non-Indonesian legal entity or private individual may establish a plantation business through an Indonesian registered joint-venture in the form of a limited liability company, with an Indonesian partner. The maximum foreign ownership in such a joint venture company is 95%.

As part of the implementing regulation of Law No. 39/2014 and guidelines for plantation business licensing, on May 31, 2016, the Minister of Agriculture issued Regulation No. 29/2016, which amended several provisions of Regulation No. 98/2013. Regulation No. 98/2013 has been further amended by Regulation No. 21/2017, issued on June 7, 2017. Regulation No. 98/2013 provides for, among other things, a limit of 100,000 hectares for palm oil plantation areas that may be owned by each company or a business group in Indonesia, except for the provinces of Papua and West Papua, where the limit is 200,000 hectares, without any plantation area limitation per province.

Further, plantation business licenses, plantation business registration letters, permanent plantation cultivation business licenses or permanent plantation industry business licenses issued before the issuance of Regulation No. 98/2013 continue to be valid without prejudice to the provisions of Regulation No. 98/2013.

Plantation Business License (IUP)

Pursuant to Regulation No. 98/2013, there are three types of plantation business licenses:

- Plantation Business License (“IUP”), which is granted to a plantation company that owns a plantation crop cultivation business with an area of 1,000 hectares or more integrated with a plantation product processing unit.
- Plantation Business License for Cultivation (*Ijin Usaha Perkebunan untuk Budidaya* or “IUP-B”), which is granted to a plantation company that owns a plantation crop cultivation business with an area of 25 hectares or more.
- Plantation Business License for Processing (*Ijin Usaha Perkebunan untuk Pengolahan* or “IUP-P”), which is granted to a plantation company that owns a plantation product processing unit with a processing capacity of five tons of FFB per hour or more.

Law No. 39/2014 stipulates that the plantation business license for the plantation concession located within more than one province is issued by the Minister of Agriculture. Further, if the plantation concession is located within more than one regency or city, the license will be issued by the Provincial Governor, and if the entire plantation concession is located within one regency or city, by the Regent or Mayor. Regulation No. 98/2013 stipulates that IUP, IUP-B and IUP-P remain valid as long as the plantation company continues to carry on its business in compliance with the prevailing technical standards and regulations.

A plantation company that has obtained an IUP-B or IUP for a total area of 250 hectares or more is required to facilitate the development of a plantation for the surrounding community covering an area of not less than 20% of its total plantation area. Such community plantation, the development of which is facilitated by the plantation company, shall be located outside the IUP-B or IUP area. Such obligation to facilitate the development of such community plantation may be carried out by means of, among other things, credit, profit sharing and/or other funding arrangement and must be conducted concurrently with the development of the company’s plantation and such community plantation must be completed within three years from the issuance date of the relevant HGU. The company’s plan to facilitate the development of the community plantation must be acknowledged by the head of provincial or regency/city service office in charge of plantation in accordance with his/her authority and such facilitation must be supported and supervised by the relevant Governor or Regent/Mayor pursuant to his/her authority. Failure to fulfill such obligation to facilitate community plantation may result in the revocation of the IUP or IUP-B and a recommendation be submitted to the relevant BPN to cancel the right to land. In addition, Regional Regulation No. 5 of 2011 issued by Regional Government of Central Kalimantan Province (“**Regional Regulation No. 5/2011**”) stipulates that administrative sanctions may be imposed to plantation companies which fail to develop a community plantation of at least 20% of the cultivated plantation area that may be conducted through several forms of partnerships. Such administrative sanctions may take the form of the issuance of three warning letters within a period of four months and could ultimately lead to the revocation of the IUP and HGU.

In addition to the obligation to facilitate the development of community plantations, a plantation company that has obtained IUP-B, IUP-P or IUP is obliged to enter into a partnership (*kemitraan*) with farmers, employees and community surrounding the plantation, in the form of a written agreement that is valid for no less than four years. The partnership may be conducted in the form of cooperation through, among other things, the provision of production facilities, production, processing, marketing, transportation, operation, and/or share ownership. In accordance with Regulation No. 98/2013, a plantation company that fails to fulfill the obligation to enter into such partnership may be subject to a written warning up to three times in four months. If such obligation is still not fulfilled after the third written warning, the IUP-B, IUP-P or IUP will be revoked and a recommendation be submitted to the relevant BPN for the cancellation of the HGU.

Land Titles

Under the Basic Agrarian Law of 1960, the State holds ultimate title to all land in Indonesia, with the highest title available to Indonesian citizens being *Hak Milik* (Right of Ownership), which is similar to common law freehold title. In order to establish a plantation, an enterprise must apply to the BPN for the grant of necessary land titles. The land titles that are relevant in the case of a plantation business are *Hak Milik* (Right of Ownership), HGU, *Hak Guna Bangunan* (Right to Build) and *Hak Pakai* (Right to Use). In the case of land that is to be planted as part of the development of an Indonesian company's plantation, only a HGU title may be used for such purpose.

Under the Basic Agrarian Law of 1960 and GR No. 40/1996, a HGU could be granted for a maximum period of 35 years, and may be extended for no more than 25 years, subject to the fulfillment of relevant obligations and operation of the plantation in accordance with the prevailing regulations. Thus, the holder of a HGU can generally obtain title to the land for a maximum period of 60 years. Only Indonesian nationals and legal entities (including Indonesian joint-venture companies) may be granted HGU titles.

Although Law No. 25 of 2007 on Investment (the “**Investment Law**”) differently stipulates that a HGU title may be granted to a direct investment enterprise for an aggregate duration of 95 years, with the initial grant being for 60 years, extendable for another 35 years, based on the Constitutional Court's Verdict No. 21-22/PUU-V/2007, which was decided on March 17, 2008, and was read on March 25, 2008, the Constitutional Court has declared that such Investment Law provision is not legally binding.

In addition, according to Regulation No. 7/2017, HGU is valid for up to a maximum period of 35 years and extendable for another 25 years. After the extension period has expired, HGU can be renewed for an additional period of 35 years, subject to certain conditions, including (a) the holder remains meeting the requirements as the right holder, (b) the utilization of the land covered by the right complies with the approved usage of the land when the right was initially granted to the holder, (c) the land utilization complies with the local spatial plan (d) the land is not indicated as abandoned land under related database, and/or (e) the land is not undergoing or related to legal proceeding.

Under GR No. 40/1996, an application for the extension or renewal of a HGU title must be filed at least two years prior to the title's expiration date. Pursuant to Article 9 (1) of GR No. 40/1996, a holder of a HGU is guaranteed an extension of those rights so long as (a) the utilization of the land covered by the right complies with the approved usage of the land when the right was initially granted to the holder, (b) the requirements of the granting of right is fulfilled by the right holder, and (c) the holder meets the requirements as the right holder. It is to note that, while Regulation No. 7/2017 regulates that such renewal may be filed no later than two years since the expiration date, the extension and renewal applications for the HGU certificates that were issued in accordance with GR No. 40/1996 must be filed within two years prior to such expiration.

A HGU title may be granted in respect of both state land and designated forest land by offices of the BPN at the local, provincial or national level, depending on the extent of the land area concerned and the duration of the title.

Regulation No. 7/2017 aims to provide comprehensive set of guidelines related to HGU. Under such regulation, a legal entity is required to obtain a Location Permit as stipulated under Regulation No. 5/2015 before submitting HGU title application which consist of the following stages:

- 1) Land-measurement application or cadastral process;
- 2) HGU application submission;
- 3) Land assessment conducted by Committee B (*Panitia B*);

- 4) Land-right determination made by authorized institution through Decision Letter; and
- 5) Registration of Decision Letter of Granting HGU (*Surat Keputusan Pemberian HGU*).

As stated, prior to such application, it is required to have secured the Location Permit of the relevant land, which is an approval granted by the relevant Regent or Mayor (or Governor in the case of Jakarta Special Province) to a company that permits it (i) to acquire land, (ii) to use the land covered by the approval in accordance with the land-use allocations contained in the local spatial plan, and (iii) after the acquisition of the (unregistered) land from the existing owners, to apply for a grant of title rights with respect to that land from the State through the relevant land agency or BPN. Based on Regulation No. 5/2015, the validity period of a Location Permit is three years.

The holder of a Location Permit is permitted to arrange for the acquisition of the acquired (unregistered) land from the existing owners in accordance with the prevailing regulations. Upon the completion of the acquisition process, the holder of a Location Permit may apply for a title to such acquired land. Should this be issued, it will be evidenced by a land certificate. The land title authorizes its holder to use and enjoy the land.

If during the validity period of a Location Permit, the company has secured less than the land area required for the project as stated in the permit, but the acquired land amounts to 50% of such land area, an extension may be granted for another one year. If the acquisition process remains uncompleted after the expiry of such extension, the acquired land may (i) be used for the intended business but scaled back in line with the area of land that has actually been acquired, provided that, if necessary, the acquisition process may be continued until the entire land area, as originally envisaged, is acquired, or (ii) be transferred to a qualified third-party.

The holder of a Location Permit must submit reports, on a quarterly basis, to the Head of the relevant Regency or the Municipal Land Agency on the progress of the land-acquisition process pursuant to the Location Permit and the utilization of the land that has been acquired.

With respect to Central Kalimantan area, the Location Permit enables its holder to acquire and use the land for the stated purpose in accordance with the local spatial plan regulated under the Central Kalimantan Regional Regulation No. 5 of 2015 on the Provincial Spatial Plan of Central Kalimantan 2015 — 2035.

The first stage of the process is for the BPN to conduct a land-measurement or cadastral process which consists of the following activities:

- Determining of boundaries;
- Measuring and mapping;
- Drawing a registration map;
- Preparing the land register; and
- Preparing a measurement letter.

Cadastral process is requested by submission of written land-measurement application to the relevant land office. The results of the measurement will be outlined on the land map (peta bidang tanah) as one of the required documents for HGU application.

The second stage is to submit written HGU application to the relevant land office using format and attaching required documents as set out under Appendix I to Regulation No. 7/2017. Subsequently, the completion of the application shall be reviewed and verified by authorized or appointed officials. In the event that such application is considered to be incomplete, the relevant officials shall deliver notification to provide outstanding required documents.

After the application is considered to be completed, the next stage is for the relevant provincial office of the BPN to set up a Committee B to conduct a land assessment consisted of, among others, inspection, survey and verification of the validity and completion of the application, including but not limited to, based on the land to be covered by the HGU, and to furnish a survey report to the BPN providing opinions and considerations on the HGU application.

Under the Head of the BPN's Regulation No. 7 of 2007 on Land Survey Committees, the membership of a Committee B consists of:

- The Head of the relevant provincial office;
- The Head of Survey, Measurement and Mapping Department of the relevant provincial office;
- The Head of Rights upon Land and Land Registration Department of the relevant provincial office;
- The Head of Land Management Department of the relevant provincial office;
- The Head of Land Control and Society Empowerment of the relevant provincial office;
- The relevant Regency or Municipal officials;
- The Head of relevant Regency or Municipal Land Office;
- The Head of the relevant provincial government technical agency;
- The Head of the Provincial Forestry Agency (if the land concerned has been relinquished from designated forest land, or is contiguous to designated forest land); and
- The Head of Individual Rights upon Land Stipulation Section or Head of Entity Rights upon Land Stipulation Section or Government Land Management Section of the relevant provincial office.

Pursuant to the survey report issued by the Committee B and the recommendation from the relevant provincial office of the BPN, the relevant agency or city office of the BPN will issue, or decline to issue, an approval for the grant of a HGU title. Since our land area is more than 200 hectares, pursuant to Regulation of the Head of BPN No. 2 of 2013 on the Delegation of the Authorization to Grant Land Title and Land Registration, the Decree to Grant HGU is issued by the Head of BPN Republic of Indonesia.

Law No. 39/2014 provides, among other things, that in the case of land for plantation businesses, the Central Government has the authority to determine the maximum area, and the BPN shall issue the necessary land titles. The legislation further provides that in setting restrictions on the size of plantation areas, the Central Government shall consider the plantation crops that will be grown, the availability and suitability of land, having regard to agro-climatic conditions, the investment required, the proposed factory's capacity, the local population density, the proposed business development pattern, the geographical situation and the level of technological development.

Based on Regional Regulation No. 5/2011, the maximum area for a palm oil plantation concession granted to a company or enterprise in Central Kalimantan is 30,000 hectares and 120,000 hectares for a business group. However, in accordance with Regulation No. 98/2013, the maximum area for a palm oil plantation concession granted to a company or business group in Indonesia is 100,000 hectares, with exception to the provinces of Papua and West Papua, which may be granted up to a maximum of 200,000 hectares, without any plantation area limitation per province. IUP-B and IUP issued prior to the issuance of Regulation No. 98/2013 remain valid, without prejudice to the provisions of Regulation No. 98/2013. Further, Regulation No. 5/2015 also imposes a restriction on the aggregate size of plantation concessions, including palm oil plantation concessions, that may be granted to any one enterprise of 20,000 hectares in each province, with a nationwide cap of 100,000 hectares. Furthermore, Regulation No. 5/2015 provides various exceptions to the hectare limitations, including exceptions for companies that are majority-owned by the Government (i.e., state-owned enterprises) and public companies that are majority-owned by the public. Regulation No. 5/2015 does not, however, clarify the definition of “public” as referred to such exemptions.

Furthermore, in relation to the plantation area, in response to the enactment of Regulation No. 98/2013, BPN has issued Circular Letter No. 5/2014, which stipulates, among other things, as follows:

- Every plantation company applying for the first HGU with an area of 250 hectares or more, shall develop partnership and plasma plantations programs covering an area that accounts for at least 20% of its IUP or IUP-B areas, and engage in corporate social responsibility endeavors;
- If the HGU application relates to an area that comes from the forest relinquishment process, such company shall also develop plasma plantation program covering at least 20% of the total forest relinquishment area;
- If, however, the relevant decree of forest relinquishment does not require such plasma program, the plantation company must still develop a plasma plantation program covering at least 20% of its IUP or IUP-B areas;
- The company remains obliged to develop plasma plantations program even though there is no farmer community in the vicinity of the plantation location and it shall be evidenced by a notarial deed setting out the plantation company’s intention to develop such plantations; and
- The obligation to develop plasma plantations may be waived if the application is for renewal or extension of HGU. This exemption requirement does not apply, however, for corporate social responsibility obligations.

Maximum Permissible Area of Forest Land Allocable for Plantation Use

Where a plantation concession is located within a designated forest area, in 1998 the Minister of Forestry and Plantations issued Decree No. 728/Kpts-II/1998, which provides that no more than a maximum area of 20,000 hectares in one province and 100,000 hectares nationwide may be relinquished from designated forest land and vested in one plantation company, excluding sugarcane plantations.

In addition, based on the Minister of Environment and Forestry Regulation No. P.51/Menlhk/Setjen/KUM.1/6/2016 on Convertible Production Forest Relinquishment Procedures (“**Regulation No. 51/2016**”) convertible production forest area may be relinquished for a plantation company’s operations, provided that 20% of the relinquished area is reserved for the “Plasma Program.” The plantation company, which receives 80% of the relinquished convertible forest area, must then develop plasma plantations, subject to the approval from the relevant Regent/Mayor.

To ensure that the development of the plasma plantations actually take place, Regulation No. 51/2016 requires the applicant for convertible forest area relinquishment (except in the case of an application by a government institution, individual, group and/or community) to prepare, among others, a letter of commitment to develop the Plasma Program in the form of a notarial deed, which must be submitted along with the application for convertible forest area relinquishment.

Moratorium on the Issuance of the New License

On July 17, 2017, the President of Indonesia issued Presidential Instruction No. 6 of 2017 on the Moratorium of the Issuance of New License and Improvement of Primary Forest and Peat Lands Governance to extend the previous Presidential Instruction No. 8 of 2015 (“**Presidential Instruction No. 6/2017**”).

The Presidential Instruction No. 6/ 2017 is valid for two years, and contained several material provisions relevant to plantation businesses, including:

- The Minister of Environment and Forestry must continue to suspend the issuance of new licenses for primary forest and peat lands located in conservation, protected and production forests pursuant to the new license moratorium indicative map which is issued and revised by the MOEF every six months (“**New License Moratorium Indicative Map**”);
- The Head of BPN must suspend the issuance of land rights, including HGU, Right to Use and Other Usage Area rights (*Areal Penggunaan Lain* or “**APL**”); and
- The Governor/Regent/Mayor must suspend the issuance of recommendations and new Location Permits in primary forest and peat land areas as well as APL, pursuant to the New License Moratorium Indicative Map.

Environmental Management

In conjunction with the Environmental Law, under Law No. 39/2014, in order to protect the environment, plantation businesses are required to create and implement (i) an AMDAL or an UKL-UPL, (ii) environmental risk analysis (*analisis risiko lingkungan hidup*), and (iii) environmental monitoring (*pemantauan lingkungan hidup*). The obligation to implement an environmental risk analysis and management is imposed to a plantation company that produce and/or market genetically modified seeds. A plantation company that has been issued an IUP but fails to create an AMDAL or UKL-UPL may have its IUP revoked.

Environmental protection in Indonesia is governed by disparate laws, regulations and decrees, including:

- Environmental Law;
- GR No. 27/2012;
- State Minister for Environmental Affairs Regulation No. 5 of 2012 on Types of Business and/or Operational Plans that Must be Accompanied by an AMDAL (“**Regulation No. 5/2012**”);
- State Minister for Environmental Affairs Regulation No. 3 of 2013 on Environmental Audit (“**Regulation No. 3/2013**”);
- State Minister for Environmental Affairs Decree No. 28 of 2003 on Technical Guidelines for the Conducting of Studies on the Application of Wastewater from the Palm Oil Industry to the Soil in Palm Oil Plantations (“**Regulation No. 28/2003**”); and

- State Minister for Environmental Affairs Decree No. 29 of 2003 on Guidelines on the Licensing Procedures for the Application of Wastewater from the Palm Oil Industry to the Soil in Palm Oil Plantations.

The Environmental Law contains several material provisions, including:

- A requirement that the Environmental License be obtained by each enterprise that is required to prepare and implement an AMDAL or UKL-UPL document. The Environmental License is a prerequisite for a company to obtain the relevant business license. If the Environmental License is revoked, this automatically results in the revocation of the business license. The Environmental Law required all existing environment-related licenses to be consolidated into an Environmental License within one year of the enactment of the Environmental Law;
- An environmental audit is required for (i) businesses and/or operations that pose significant risks to the environment, and/or (ii) businesses that appear to not be complying with the environmental legislation and other implementing regulations. The Environmental Law provides that the environmental audit shall be carried out within two years since the enactment of the Environmental Law;
- The holder of an Environmental License is required to post an environmental compliance bond with a designated state-owned bank in order to ensure that environmental rehabilitation is properly carried out;
- Any business that has a potentially significant impact on the environment is required to perform an environmental risk analysis;
- Any business that disposes of waste is required to obtain a license from the Minister of Environmental Affairs, Governor, or Regent/Mayor, in accordance with their respective authorities, and such activities may only be conducted at a predetermined locations;
- Preventative and remedial measures and sanctions (such as the obligation to rehabilitate contaminated areas, the imposition of substantial criminal penalties and fines, and the cancellation of approvals) may be imposed in order to prevent or remedy the impacts of pollution caused by commercial operations; and
- Sanctions of between one and 15 years' imprisonment, and/or fines of between Rp500 million and Rp15 billion, may be imposed on any person causing environmental pollution or damage. The sanctions imposed (both prison terms and fines) will be increased by one-third if the offense is perpetrated upon order of a party to commit such offense or a party acted as the leader of such offense.

The above provisions are to be further provided for by a number of ancillary regulations, most of which have yet to be issued as of the date of this Offering Memorandum. According to the Environmental Law, all of the ancillary regulations issued under the previous environmental legislation, remain in effect to the extent that they do not conflict with the Environmental Law.

Environmental Impact Analysis

Pursuant to the Environmental Law, in the event that a company does not require an AMDAL, then that company is required to prepare an UKL-UPL document only. However, under Regulation No. 5/2012, palm oil plantations with an aggregate land area of 3,000 hectares or more that are located within a convertible production forest area or a non-forestry cultivation area are mandatory require an AMDAL.

The preparation of an AMDAL or UKL-UPL document is one of the requirements for obtaining an IUP, and any plantation business that has obtained an IUP but fails to implement the recommendations of the AMDAL or UKL-UPL may have its license revoked.

The types of environmental damage that palm plantations may cause include soil erosion, changes in the availability and quality of water, increased incidence of plant disease and soil contamination resulting from the use of pesticides and herbicides.

Environmental License

On February 23, 2012 the Government issued a new ancillary or implementing instrument in the form of GR No. 27/2012. Under Environmental Law and GR No. 27/2012, the Environmental License is defined as a license granted to any person undertaking businesses and/or activities obliged to undergo AMDAL or UKL-UPL in the framework of environmental protection and management as prerequisite for securing a business and/or operations license.

Environmental Law and GR No. 27/2012 provides that all business sectors and/or activities that may have a substantial and important effect on the environment are required to prepare an AMDAL. Types of businesses and activities subject to mandatory AMDAL are stipulated in Schedule 1 of Regulation No. 5/2012. In general, businesses and activities which are subject to mandatory AMDAL include, multi-sector activities, land businesses, agriculture businesses, forestry businesses, fisheries and marine businesses, transportation businesses, satellite technologies, industrial businesses, energy and mineral resources businesses, tourism businesses, nuclear power activities, hazardous and toxic waste management activities, public works activities and housing and settlement area activities.

An AMDAL document consists of the following documents:

- a Terms of Reference (*Kerangka Acuan*) which is the scope of environmental impact analysis studies;
- an Environmental Impact Statement (*Analisis Dampak Lingkungan*);
- an Environmental Management Plan (*Rencana Pengelolaan Lingkungan*); and
- an Environmental Monitoring Plan (*Rencana Pemantauan Lingkungan*).

Under Environmental Law and GR No. 27/2012, companies who are not required to prepare an AMDAL in conducting their business activities are required to prepare an UKL-UPL document only. Regional governments are given the authority to determine whether a business activity must be supported by an UKL-UPL. An UKL-UPL are analysis reports issued by a company to show that it will properly manage and monitor environmental issues when carrying out its business. This report will be submitted by the company to the relevant government authorities for review, discussion and approval.

GR No. 27/2012 has been in force as of February 23, 2012 and revokes the previous Government Regulation No. 27 of 1999 on AMDAL. GR No. 27/2012 stipulates that a company which is obliged to have the AMDAL (as stipulated under Regulation No. 5/2012) or UKL-UPL is also required to apply for the Environmental License. The Environmental License, pursuant to GR No. 27/2012, shall be issued simultaneously with the issuance of the environmental feasibility decision (*keputusan kelayakan lingkungan hidup*) or UKL-UPL recommendation. The Environmental License is a prerequisite to obtaining the relevant business licenses and, if the Environmental License is revoked, the business licenses granted will be cancelled.

GR No. 27/2012 also requires an application for an updated Environmental License to be submitted if there is any, among other things: (i) change of usage of the production machines that affect the environment; (ii) increase in production capacity; (iii) change in the facilities of the business and/or activity; and (iv) change in the operational period of the business and/or activity. GR No. 27/2012 further provides that all existing environmental documents which has been approved prior to the enactment of GR No. 27/2012 will remain valid and be treated as the Environmental License.

Indonesian Sustainable Palm Oil

ISPO is regulated under the Regulation of Minister of Agriculture No. 11/PERMENTAN/OT.140/3/2015 on ISPO, which has been enforced since March 25, 2015. Palm plantation companies that acquired ISPO certificate before the enactment of this regulation remain valid until its expiry date.

Under the ISPO Program, plantation companies that have obtained IUP are evaluated every three years by a government official certificated as a Plantation Business Evaluator, who will categorize each plantation into two categories (1) Class A (very good), Class B (good), Class C (intermediate), Class D (poor), or Class E (very poor) for plantation which still in the development process, and (2) Class I (very good), Class II (good), Class III (intermediate), Class IV (poor), or Class V (very poor) for plantation which in the operational stage.

The plantation companies are assessed based on the following aspects: legality, management, plantation, processing, social, economic, environmental, and reporting.

A plantation categorized as Class I, Class II or Class III, may then submit an application to be audited for the purpose of the issuance of an ISPO certificate. Failure to submit such application before December 31, 2014, will cause such plantation to be categorized as Class IV. The ISPO audit is conducted by an independent third-party institution, where the auditor may not have been an employee of the audited company in the last three years. An ISPO certificate is valid for five-year periods and prior to expiry a new audit would be conducted prior to issuance of a subsequent ISPO certificate.

The criteria for an ISPO certificate relate to: plantation licenses and management systems, cultivation technique and palm processing guidance implementation, environmental management and supervision, responsibility toward employees, social and community responsibility, community economic development, and sustainable business improvement.

A holding company which owns several plantation companies may hold one ISPO certificate under its name pursuant to a certification process encompassing all of the group's plantations or mills which implement the same system and are fully monitored by the manager of the holding.

Plantations categorized as Class IV and V are issued with warnings up to three times within four months and one time within six months, respectively. If the plantation company fails to implement the follow-up recommendations within such period, its IUP will be revoked.

Water Quality Management and Water Pollution Control

The issue of water quality and pollution is addressed by Government Regulation No. 82 of 2001 on Water Quality Management and Water Pollution Control ("**Regulation No. 82/2001**"). Under this regulation, any business that wishes to dispose wastewater to a soil is required to obtain a written permit from the Regent or Mayor, which permit will be issued, based on the result of the AMDAL or UKL-UPL studies of the said company. In this respect, every enterprise that disposes wastewater is required to prevent and manage water pollution.

Regulation No. 82/2001 requires a plantation enterprise to submit quarterly reports to the local Regent or Mayor setting out how it disposes the wastewater and its compliance with the relevant regulations, with a copy being forwarded to the Minister of Environmental Affairs.

Guidelines for Studies on, and the Licensing of, the Application of Wastewater to the Soil in Palm Oil Plantations

Under the Regulation No. 28/2003, every enterprise that intends to apply wastewater derived from the palm oil industry relevant to the palm oil plantation must submit a proposal to conduct a study on the effects of such application to the Regent or Mayor, who will issue or withhold approval for the study within 30 working days from the receipt of the proposal.

The study must be carried out over a continuous period of at least one year, and may only be conducted once at the same location. Pursuant to Regulation No. 82/2001 on Water Quality Management and Water Pollution Control, should the requirements be satisfied, the permit must be issued within 90 working days after the submission of the application.

Guidelines for the Licensing Terms and Procedures for, and Guidelines for Studies, on Discharge of Wastewater into Water or Water Resources

Under the State Minister of Environmental Affairs Regulation No. 01 of 2010 on Water Pollution Control Systems, a Regent or Mayor determines the conditions and procedures necessary to obtain an Environmental License related to the discharge of wastewater into water resources. The phases for obtaining such licenses are (i) application for the license; (ii) analysis and evaluation of license the application; and (iii) issuance of the license. The wastewater discharge license is valid for five years and is renewable.

PROPER Environmental Ranking System

The PROPER program (*Program Penilaian Peringkat Kinerja Perusahaan dalam Pengelolaan Lingkungan Hidup*, or Company Environmental Management Appraisal and Ranking Program) is a scheme initiated by the State Minister of the Environment to encourage companies to exercise good environmental management in compliance with the law. The scheme is also intended to promote transparency and encourage public involvement in environmental management. The operation of the scheme is governed by State Minister of the Environment Regulation No. 03 of 2014 (“**Regulation No. 03/2014**”).

Under Regulation No. 03/2014, companies are rated based on five designations/categories: (i) “Gold,” for those whose business and/or operations has consistently shown environmental excellency in its service and/or production process and who perform ethical business and are responsible to the community; (ii) “Green,” for those whose environmental management has exceeded the statutory requirements through the implementation of environmental management systems, efficient resource utilization and the “4Rs” (Reduce, Reuse, Recycle and Recovery) and who demonstrate corporate social responsibility; (iii) “Blue,” for those whose environmental management has met the statutory requirements of the prevailing laws and regulations; (iv) “Red,” for those whose environmental management has not satisfied the minimum statutory requirements; and (v) “Black,” for those who deliberately or negligently have cause environmental pollution and/or damage and breach of statutory requirement or do not comply with administrative sanctions.

Those companies ranking in the Gold and Green categories are awarded with trophies and certificates whereas those companies ranking in Blue categories are presented with certificates, thereby helping to enhance their environmental credentials.

The Company has implemented the PROPER program and received certificate for Blue ranking for the period of 2015 — 2016 from the State Minister of Environmental Affairs, having fully complied with its requirements for emission management, water management and hazardous waste management.

Nucleus-Plasma Program

In line with Circular Letter No. 5/2014, whereby every plantation company applying for the first HGU with an area of 250 hectares or more, is required to develop partnership and plasma plantations programs covering an area that accounts for at least 20% of its planted area, similarly, as set out in Regulation No. 98/2013, a plantation company that applying for an IUP or IUP-B with an area of 250 hectares or more is also required to allocate a minimum of 20% of its total IUP or IUP-B area to perform partnership and facilitating community garden with a minimum of 20% of its total IUP or IUP-B area. This is generally known as the Plasma Program.

Based on Regulation No. 98/2013, the individual small landholders who may participate in the Plasma Program are:

- communities whose land is being used for the development of plantations and has low income pursuant to the prevailing laws;
- residing in the vicinity of the IUP-B or IUP area; and
- capable of managing and organizing the plantations.

Specific to the Central Kalimantan Province, the Regional Government of Central Kalimantan Province enacted Regional Regulation No. 5/2011 as an ancillary regulation to the Minister of Agriculture Regulation No. 26/Permentan/OT.140/2/2007, which was replaced by Regulation No. 98/2013. Regulation No. 5/2011 also specifies that a plantation company is required to develop community plantations in the form of, among other things, PIR-Trans scheme, Plasma Program and partnerships. It is further specified that a plantation company which has yet to develop its Plasma Program has to commence the development of Plasma Program gradually within two years after the issuance of Regional Regulation No. 5/2011. Failure to do so will ultimately result in the revocation of the IUP or IUP-B.

In relation thereto, Regulation No. 98/2013 further provides that the obligation to implement the Plasma Program must be fulfilled within three years.

Accordingly, since the obligation to develop Plasma Program under Regional Regulation No. 5/2011 is applicable to all plantation companies that have obtained IUP or IUP-B, it may be interpreted as applying retroactively to plantation companies in Central Kalimantan Province that have obtained IUP or IUP-B prior to the enactment of Regulation No. 98/2013.

In accordance with Regulation No. 98/2013, the following companies are exempted from the obligation to facilitate the development of community plantations: (i) a plantation company that has obtained IUP-B or IUP before February 28, 2007 and applied the *perusahaan inti rakyat* (“PIR”)-*perkebunan* (“PIR-BUN”), *PIR-transmigrasi* (“PIR-TRANS”), *PIR-kredit koperasi primer untuk anggota* (“PIR-KKPA”), or any other nucleus-plasma cooperation model and (ii) a plantation company that has obtained a right over land but has not obtained plantation business licenses before September 30, 2013, in which case that plantation company must obtain the relevant plantation business license no later than one year after September 30, 2013.

Further, a plantation company that has (i) obtained IUP-B or IUP before February 28, 2007, but has not applied for PIR-BUN, PIR-TRANS, PIR-KKPA or any other nucleus-plasma cooperation model, or (ii) that has obtained a right over land but has not obtained plantation business licenses before September 30, 2013, are obligated to conduct productive business activities for the local community, as such become the source of livelihood for the local community, based on a joint agreement between the plantation company and the local community with the acknowledgement of the Governor or Regent/ Mayor in accordance with their respective authority.

KKPA Program

As part of the effort to improve agricultural incomes through the promotion of small landholder cooperatives in the plantation sector, the Government introduced the Credit for Primary Cooperative Members Scheme (*Kredit kepada Koperasi Primer untuk Anggotanya* or “**KKPA Program**”) in 1993. The operation of this scheme is governed by a Joint Decree of the Minister of Agriculture and the Minister of Cooperation and Small Enterprise Management No. 73/Kpts/OT.210/2/98 and No. 01/SKB/M/II/1998.

The KKPA Program is similar to the Plasma Program, except that the small landholders are bound by contract to an umbrella cooperative, which then obtains investment or working capital loans from the banking sector and on-lends the funds to the small landholders.

Both the Plasma Program and the KKPA Program may be availed by plantation companies in fulfilling their obligations to set aside a minimum of 20% of the total plantation area cultivated by the companies to be developed by the surrounding community.

Corporate Social Responsibility

On April 4, 2012 the government issued Government Regulation No. 47 of 2012 (“**GR No. 47/2012**”) to give effect to Article 74(4) of the Law No. 40 of 2007 on Limited Liability Companies (“**Company Law**”), which imposes a mandatory corporate social and environmental responsibility (“**CSR**”) regime on “natural resource-based” and “natural resource-related” companies. GR No. 47/2012 declares generally that every company, as a legal subject, has social and environmental responsibilities. This is fully in line with the international concept of corporate citizenship, as enshrined in the CSR documents produced by the United Nations, the International Labor Organization and other international organizations. In addition, Regulation No. 98/2013 requires plantation companies to implement social and environmental responsibility programs in accordance with laws and regulations.

GR No. 47/2012 places the responsibility of implementing the company’s CSR responsibilities on a company’s board of directors, and requires the preparing of an annual CSR operations plan, including an annual CSR budget, and provides that such annual operations and budget plans must be prepared based on considerations of “appropriateness and reasonableness,” which the elucidation of GR No. 47/2012 describes as being “the financial capacity of the company having regard to the risks that give rise to the social and environmental responsibilities that must be borne by the company, subject to the obligations of the company as set out in the legislation governing the company’s business operations.” The implementation of the Company’s CSR is included in the Company’s annual report and the progress of which is reported to the general meeting of its shareholders.

Cultivation of Forest Area

Under the Forestry Law, the Government through the Minister of Environment and Forestry designated forest areas as conservation forest, protected forest or production forest. The Government may issue approval for changes on the use and function of the forest area upon recommendation and examination of an integrated team formed by the Minister of Environment and Forestry comprising competent government agencies with scientific authority and any other relevant independent institutions. Any cultivation of forest area for development beyond forest-related activities shall only be done on production forest and protected forest areas by changing their designations by way of exchange or relinquishment of the designated forest areas by the Minister of Environment and Forestry. Anyone cultivating, using, or occupying forest area unlawfully may face imprisonment of up to ten years and a penalty of up to Rp5 billion.

Under the Forestry Law, a forest area is a specific area indicated (*ditunjuk*) and/or designated (*ditetapkan*) by the Government as an area whose existence as a forest must be maintained. The process of determining a forest area involves four stages, namely (i) indication; (ii) demarcation; (iii) mapping and (iv) designation. The designation of forest area shall be done with due regard to the national spatial plan regulations.

As part of regional autonomy, a Governor of a province may enact regional spatial planning regulation on the issuance of business licenses or Location Permits in the relevant province. Ideally, the regional spatial plan regulation conforms to the forest area designations determined by the Minister of Environment and Forestry. However, mainly due to the lack of a common map among the ministries as well as the regional government, the spatial planning regulations and maps in regions often do not conform to the Minister of Forestry's designations of forest area functions, resulting in discrepancies between business licenses or the Location Permit issued by the regional government and the functions of forest areas designated by the Minister of Forestry. The spatial planning regulation of Central Kalimantan was previously issued on 2003, however due to the lack of certainty upon the designation of use and function of forest areas which are partly caused by the absence of official designation of forest area for Central Kalimantan by the Minister of Forestry, business licenses issued based on spatial planning regulation may overlap with the use and function of forest areas as designated by the Minister of Forestry. The Government of Central Kalimantan has revised the 2003 spatial planning regulation in 2007 to conform to designations of forest areas. To date, based on the Regional Regulation of the Central Kalimantan Province No. 5 of 2015, the Government of Central Kalimantan has issued a five-year periodical spatial plan of Central Kalimantan for 2015 to 2035.

Under GR 104/2015, a change of use and function of a forest area would be allowed if it could further national development while maintaining sufficient forest area for sustainable function. A change of use and function of forest area may be conducted in partial or in provincial area. Change of use of forest area in partial may be carried out either by means of:

- Exchange of forest area

Exchange of forest area shall be allowed only in permanent and/or limited productive forest areas provided that, among others, the forest area is maintained to be at least 30% of the watershed (*daerah aliran sungai*), island and/or province area on a proportional basis, and the replacement area is from a convertible production forest and/or non-forest area.

- Relinquishment of forest area

Relinquishment of forest area shall be conducted over the unproductive area (or productive area if not available) of the convertible production forest. The convertible production forest may not be relinquished if the provincial forest area is equal to or less than 30% (except by way of forest area exchange).

A change of function of forest area to a convertible production forest may not be carried out in the provincial area with a forest area equal to or less than 30% of such area. The change of function in partial will be determined by the Minister of Environment and Forestry decree based on the recommendation from the Governor (for the area of protected forest and production forest) or management of the conservation forest.

In July 2012, GR No. 60/2012 was issued to resolve the discrepancies between spatial planning regulations prevailing across the regions and the designation of forest areas issued by the Minister of Environment and Forestry. Similar to previous regulations, GR No. 104/2015 also acknowledged the problems created by the inconsistency of the mapping as well as the lack of determination of forest areas, and thus pardoned any breach of the Forestry Law by plantation businesses in a permanent or

limited production forest area, by stating that they may submit the exchange of forest area application, on which their respective plantation business license was granted upon, to the Minister of Environment and Forestry, within one year as of the date of GR No. 104/2015 being enacted (i.e., December 28, 2015).

The exchange must be completed within two years of the issuance of the exchange of forest area principle license from the Minister of Environment and Forestry by procuring the proposed replacement area. Once the replacement area is procured, the Minister of Environment and Forestry will then issue a decree on the relinquishment of the forest area.

The replacement area must be located in the same watershed, province or island as the area applied for exchange, can be reforested with conventional ways (except from productive area of the convertible production forest), free of dispute and encumbrances and have obtained the consideration from the Governor.

The procedure of exchange of forest area is further regulated under Ministry of Forestry Regulation No. P.32/Menhut-II/2010, as amended by the Minister of Forestry Regulation No. P.41/Menhut-II/2012 and subsequently amended by the Minister of Forestry Regulation No. P.27/Menhut-II/2014, which requires any application for forest area exchange to satisfy administrative and technical requirements. These requirements include the procurement of maps of the applied forest area to be exchanged and the proposed replacement area, interpretation of satellite image of the last two years, location permit, business license, recommendations from the Regent/Mayor and Governor as well as a technical or master plan and statement of undertaking in the form of a notarial deed, save for requests by the Government, which states the applicant will: (i) comply with the prevailing laws and regulations and (ii) not assign the exchange of forest area principal license without the approval of the Minister of Environment and Forestry. To ensure that the development of the plasma plantations actually takes place, the applicant for convertible forest area relinquishment must prepare a letter of commitment to develop the plasma plantations in the form of a notarial deed, which must be submitted along with the application for convertible forest area relinquishment.

After the receipt of disposition from the Minister of Environment and Forestry, the Directorate General of Forest Planning (“**DGFP**”) within 15 business days will examine the technical and administration requirements. If the application meets the requirements, DGFP within 30 business days will review the forest area function, designated of forest area, permit to use of forest area, forest exploitation permit and replacement land requirements. If it deems the application to have fulfilled the requirements, the Minister of Environment and Forestry will assemble an integrated team (“**Integrated Team**”), and the Secretary General on behalf of the Minister of Environment and Forestry will assemble an exchange forest area team (“**Exchange Forest Area Team**”). Further, the Integrated Team and the Exchange Forest Area Team will perform research and submit the results and recommendation to the Minister of Environment and Forestry. If based on the recommendation of the Integrated Team, the DGFP deems that the proposed exchange of forest area is acceptable, it will then submit a recommendation to issue an exchange of forest area principal license to the Minister of Environment and Forestry through the Secretary General. Should the Minister of Environment and Forestry accept the recommendation from the DGFP, the Minister of Environment and Forestry will issue an exchange of forest area principal license. If the exchange of forest area functions has material impact with broad scope and contains strategic value, the Minister of Environment and Forestry will request approval from the House of Representatives prior to issuing the exchange of forest area principal license.

The exchange of forest area principal license is valid for two years and can be extended twice, each time for one year. If the holder of a forest area exchange principal license has completed all requirements stipulated in the exchange of forest area principal license, the Minister of Environment and Forestry will issue a decree on designation of replacement land as production forest area based on the minutes of exchange of forest area.

The demarcation of the applied exchange and replacement forest area will also be recorded in the minutes of forest area demarcation signed by a committee of forest area demarcation assembled and chaired by the Regent/ Mayor. The Minister of Forestry will then issue a decree on the designation of forest area upon the replacement land and the relinquishment of the applied forest area based on such minutes of forest area demarcation.

DESCRIPTION OF THE NOTES

For purposes of this “Description of the Notes,” the term “*Issuer*” refers only to SSMS Plantation Holdings Pte. Ltd., a private company incorporated with limited liability under the laws of Singapore and a wholly-owned subsidiary of PT Sawit Sumbermas Sarana Tbk (“*SSMS*”), and any successor obligor of the Notes, and the term “*Parent Guarantor*” refers only to either SSMS or one of its shareholders, PT Citra Borneo Indah (“*CBI*”), each a company incorporated with limited liability under the laws of Indonesia and any successor obligor of the relevant Parent Guarantee, and not to any of its Subsidiaries, and the term “*Parent Guarantors*” refers to CBI and SSMS collectively and any successor obligor of the Parent Guarantees, and not to any of their respective Subsidiaries. Each of the Parent Guarantors’ guarantee of the Notes is referred to as a “*Parent Guarantee*.” Each Subsidiary of CBI (other than SSMS) and SSMS that guarantees the Notes is referred to as a “*Subsidiary Guarantor*,” and each such guarantee is referred to as a “*Subsidiary Guarantee*.” The term “*Guarantor*” refers to either a Parent Guarantor or a Subsidiary Guarantor, as the context requires, and the term “*Guarantee*” refers to either a Parent Guarantee or a Subsidiary Guarantee, as the context requires. The term “*Guarantors*” refers to the Parent Guarantors and the Subsidiary Guarantors collectively, and the term “*Guarantees*” refers to the Parent Guarantees and the Subsidiary Guarantees collectively.

The Issuer will transfer the net proceeds of the offering to SSMS Plantation International Pte. Ltd. (“*SPIPL*”), a private company with limited liability incorporated under the laws of Singapore and a wholly-owned subsidiary of the Issuer, by way of subscription of additional shares in the capital of, and/or perpetual capital securities issued by, SPIPL, which will then on-lend the proceeds of such transfer to SSMS pursuant to an intercompany loan.

The Notes are to be issued under an indenture (the “*Indenture*”), to be dated as of the Original Issue Date, among the Issuer, the Guarantors and The Bank of New York Mellon, London Branch as trustee (the “*Trustee*”). The registered Holder will be treated as the owner of the Notes for all purposes. Only registered Holders will have rights under the Indenture.

The following is a summary of certain provisions of the Indenture, the Notes, the Guarantees and the Security Documents. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Guarantees and the Security Documents. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. Copies of the Indenture will be available for inspection on or after the Original Issue Date during normal office hours at the corporate trust office of the Trustee at One Canada Square, London E14 5AL, United Kingdom.

The Notes are being sold outside the United States in accordance with Regulation S under the Securities Act. See “*Transfer Restrictions*.”

Brief Description of the Notes

The Notes will:

- be general obligations of the Issuer;
- be senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;
- rank at least *pari passu* in right of payment with all unsecured, unsubordinated Indebtedness of the Issuer (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);

- be guaranteed by the Guarantors on an unsubordinated basis, subject to the limitations described below under the captions “—The Parent Guarantees” and “—The Subsidiary Guarantees” and in “Risk Factors — Risks Relating to the Notes, the Guarantees and the Collateral;”
- be effectively subordinated to the secured obligations of the Issuer and the Guarantors, to the extent of the value of the assets serving as security therefor (other than the Collateral);
- be effectively subordinated to all existing and future obligations of any Non-Guarantor Subsidiary (as defined below); and
- be secured by the Collateral (subject to Permitted Liens) as described below under “Security.”

The Issuer will initially issue US\$300,000,000 in aggregate principal amount of the Notes, which will mature on January 23, 2023 unless earlier redeemed pursuant to the terms thereof and the Indenture. Subject to the covenants described below under “—Certain Covenants” and applicable law, the Issuer may issue additional Notes (“Additional Notes”) under the Indenture. The Notes offered hereby and any Additional Notes would be treated as a single class for all purposes under the Indenture; *provided, however*, that such Additional Notes will trade under a separate ISIN or CUSIP number unless such Additional Notes are fungible with the Notes for U.S. federal income tax purposes.

Interest

The Notes will bear interest at 7.750% per annum from the Original Issue Date or, if interest has already been paid, from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on January 23 and July 23 of each year (each a “*Notes Interest Payment Date*”) commencing on July 23, 2018. Interest on the Notes will be paid to Holders of record at the close of business on the January 8 or July 8 immediately preceding each Notes Interest Payment Date (each a “*Notes Record Date*”), notwithstanding any transfer, exchange or cancellation thereof after a Notes Record Date and prior to the immediately following Notes Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Payment of Notes

Except as otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity.

In any case in which the date of the payment of principal of, premium, if any, or interest on the Notes (including any payment to be made on any date fixed for redemption or purchase of any Note) is not a Business Day in the relevant place of payment, then payment of principal, premium, if any, or interest need not be made in such place on such date but may be made on the next succeeding Business Day in such place. Any payment made on such Business Day will have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes will accrue for the period after such date.

The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US\$200,000 of principal amount and integral multiples of US\$1,000 in excess thereof. See “—Book-Entry; Delivery and Form.” No service charge will be made for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars in immediately available funds by the Issuer at the office or agency of the Issuer maintained for that purpose in London (which initially will be the specified principal office of The Bank of New York Mellon, London Branch (the “*Principal Paying Agent*”), currently located at One Canada Square, London E14 5AL, United Kingdom), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Issuer, payment of interest may be made by check mailed to the address of a Holder as such address appears in the Note register or by wire transfer.

Interest payable on the Notes held through Euroclear or Clearstream will be available to Euroclear or Clearstream participants on the Business Day following payment thereof.

Restricted Subsidiaries

As of the Original Issue Date:

- (a) the Issuer, SPIPL, PT Kalimantan Sawit Abadi, PT Tanjung Sawit Abadi, PT Sawit Multi Utama, PT Mitra Mendawai Sejati, PT Mirza Pratama Putra and PT Menteng Kencana Mas will be the only Subsidiaries of SSMS (the “SSMS Group”); and
- (b) the SSMS Group, PT Citra Borneo Utama, PT Surya Borneo Industri, PT Natai Sawit Perkasa, PT Mendawai Putra, PT Central Kalimantan Abadi, PT Amprah Mitra Jaya, PT Intrado Jaya Intiga, PT Pelayaran Lingga Marintama, PT Erythrina Nugraha Megah, PT Borneo Industri Terpadu, PT Surya Borneo Energi, PT Citra Borneo Chemical, PT Borneo Industri Nusantara, PT Borneo Sawit Gemilang, PT Pelayaran Senggora, PT Pelayaran Ampara and PT Pelayaran Mitra Globalindo will be the only Subsidiaries of CBI.

Each of CBI’s Subsidiaries (other than SSMS which is a Parent Guarantor) will be a Restricted Subsidiary. Unless otherwise designated as Unrestricted Subsidiaries in accordance with the Indenture, all of CBI’s Subsidiaries (other than SSMS which is a Parent Guarantor) will be Restricted Subsidiaries under the Indenture.

After the Original Issue Date, the Board of Directors of CBI may designate certain Restricted Subsidiaries (other than the Issuer or SPIPL) as Unrestricted Subsidiaries and may designate Unrestricted Subsidiaries as Restricted Subsidiaries, as provided under the caption “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries.” Unrestricted Subsidiaries will not be subject to the restrictive covenants in the Indenture and will not guarantee the Notes.

The Parent Guarantees

The Parent Guarantee of each Parent Guarantor will:

- be a general obligation of such Parent Guarantor;
- be senior in right of payment to all future obligations of such Parent Guarantor expressly subordinated in right of payment to such Parent Guarantee;
- rank at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of such Parent Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law);
- be effectively subordinated to secured obligations of such Parent Guarantor, to the extent of the value of the assets serving as security therefor (other than the Collateral to the extent applicable);
- be effectively subordinated to all future obligations of any Subsidiary of such Parent Guarantor that is not a Guarantor; and
- with respect to the Parent Guarantee of SSMS, be secured by the Collateral (subject to Permitted Liens) as described under “— Security.” See “Risk Factors — Risks Relating to the Notes, the Guarantees and the Collateral.”

Under the Indenture, each of the Parent Guarantors will guarantee the due and punctual payment of the principal of, premium (if any) and interest on, and all other amounts payable under, the Notes and the Indenture. Each of the Parent Guarantors will (1) agree that its obligations under the applicable

Parent Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the applicable Parent Guarantee.

Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid, the rights of the Holders under the Parent Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Parent Guarantees are required to be made in U.S. dollars.

Concurrently with the execution of the applicable Parent Guarantee, each of the Parent Guarantors will also enter into a Deed of Guarantee governed by the laws of Indonesia which will provide for such Parent Guarantor's guarantee of the due and punctual payment of the principal of, premium (if any) and interest on, and all other amounts payable under, the Notes under the laws of Indonesia.

As of September 30, 2017, CBI and its consolidated Subsidiaries, on a combined and *pro forma* basis, had Rp.5,010,905 million (approximately US\$371 million) of total non-current liabilities outstanding, of which Rp.4,768,840 million was secured. After giving *pro forma* effect to the issuance of the Notes and the application of proceeds therefrom as described under "Use of Proceeds," CBI and its consolidated Subsidiaries would have Rp.5,166,063 million (US\$383 million) of consolidated indebtedness outstanding, of which Rp.991,080 million would be secured.

Release of the Parent Guarantees

The Parent Guarantees may be released in certain circumstances, including:

- upon repayment in full of the Notes; or
- upon a defeasance or satisfaction and discharge as described under "— Defeasance — Defeasance and Discharge" or "— Satisfaction and Discharge."

The Subsidiary Guarantees

As of the Original Issue Date, all of CBI's Subsidiaries (other than the Issuer, SPIPL, PT Mitra Mendawai Sejati, PT Surya Borneo Industri, PT Citra Borneo Utama, PT Central Kalimantan Abadi, PT Amprah Mitra Jaya, PT Erythrina Nugraha Megah, PT Pelayaran Lingga Marintama, PT Pelayaran Senggora, PT Pelayaran Ampara and PT Pelayaran Mitra Globalindo) will guarantee the Notes.

CBI will cause each of its future Restricted Subsidiaries (other than any such Restricted Subsidiary if the guarantee by such Restricted Subsidiary of the payment of the Notes could reasonably be expected to give rise to or result in any conflict with or violation of applicable law (or risk of criminal liability for the officers, directors, commissioners, managers or shareholders of such Restricted Subsidiary) and such conflict, violation or criminal liability cannot be avoided or otherwise prevented through measures reasonably available to CBI), immediately upon it becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture providing for a Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary.

CBI will cause each of PT Surya Borneo Industri and PT Citra Borneo Utama, as soon as practicable and in any event prior to July 31, 2018, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which it will provide a Subsidiary Guarantee of payment of the Notes.

Each Restricted Subsidiary that guarantees the Notes after the Original Issue Date is referred to as a "Future Subsidiary Guarantor" and, upon execution of the applicable supplemental indenture to the Indenture, will be a "Subsidiary Guarantor."

Although the Indenture contains limitations on the amount of additional Indebtedness that Non-Guarantor Subsidiaries may incur, the amount of such additional Indebtedness could be substantial. In the event of a bankruptcy, liquidation or reorganization of any Non-Guarantor Subsidiary, such Non-Guarantor Subsidiary will pay the holders of its debt and its trade creditors before it will be able to distribute any of its assets to either of the Parent Guarantors.

The Subsidiary Guarantee of each Subsidiary Guarantor will:

- be a general obligation of such Subsidiary Guarantor;
- be senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- rank at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsecured, unsubordinated Indebtedness pursuant to applicable law); and
- be effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor (other than the Collateral to the extent applicable).

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each of the Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium, if any, and interest on, and all other amounts payable under, the Notes and all other amounts payable under the Indenture. Each Subsidiary Guarantor will (1) agree that its obligations under the applicable Subsidiary Guarantee will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under the applicable Subsidiary Guarantee.

Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be restored, the rights of the Holders under the Subsidiary Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Subsidiary Guarantees are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each Subsidiary Guarantee will be limited in an amount not to exceed the maximum amount that can be guaranteed by the applicable Subsidiary Guarantor without rendering the applicable Subsidiary Guarantee, as it relates to such Subsidiary Guarantor, voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Subsidiary Guarantee were to be rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the applicable Subsidiary Guarantor, and, depending on the amount of such indebtedness, a Subsidiary Guarantor's liability on its Subsidiary Guarantee could be reduced to zero.

The obligations of each Subsidiary Guarantor under its respective Subsidiary Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Notes and the Guarantees and the Collateral - The Guarantees may be challenged under applicable financial assistance, insolvency or fraudulent transfer laws, which could impair the enforceability of the Guarantees."

Concurrently with the execution of the applicable Subsidiary Guarantee, each Subsidiary Guarantor will also enter into a Deed of Guarantee governed by the laws of Indonesia which will provide for such Subsidiary Guarantor's guarantee of the due and punctual payment of the principal of, premium (if any) and interest on, and all other amounts payable under, the Notes under the laws of Indonesia.

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released (at the cost of the Issuer) in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under “— Defeasance — Defeasance and Discharge;”
- upon the designation by CBI of such Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture; or
- upon the sale of such Subsidiary Guarantor in compliance with the terms of the Indenture (including the covenants under the captions “— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries,” “— Certain Covenants — Limitation on Asset Sales” and “— Consolidation, Merger and Sale of Assets”) resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as (1) such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Parent Guarantors’ and the Issuer’s other Indebtedness or any other Indebtedness of any other Restricted Subsidiary and (2) the proceeds from such sale or disposition are used for the purposes permitted or required by the Indenture.

No release of a Subsidiary Guarantor from its Subsidiary Guarantee shall be effective against the Trustee or the Holders until CBI has delivered to the Trustee an Officers’ Certificate of CBI stating that all requirements for such release have been complied with and such release is authorized and permitted by the terms of the Indenture.

Security

The obligations of the Issuer under the Notes and the obligations of SSMS under its Parent Guarantee will be secured on a first priority basis (subject to Permitted Liens and the Intercreditor Agreement) by a Lien on the Collateral which shall initially consist of:

- (i) pledges by SSMS of the Capital Stock of the Issuer and by the Issuer of the Capital Stock of SPIPL (the “*Pari Passu Collateral*”); and
- (ii) an assignment by SPIPL of all of its interest in, and rights under, the Intercompany Loan entered into between SPIPL and SSMS on the Original Issue Date and a pledge by the Issuer of the Capital Securities of SPIPL (collectively, the “*Notes Collateral*,” and together with the *Pari Passu Collateral*, the “*Collateral*”).

The proceeds realizable from the Collateral securing the Notes and SSMS’s Parent Guarantee are unlikely to be sufficient to satisfy the Issuer’s and SSMS’s obligations under the Notes and SSMS’s Parent Guarantee, and the Collateral securing the Notes and SSMS’s Parent Guarantee may be reduced or diluted under certain circumstances, including through the issuance of Additional Notes and Permitted *Pari Passu* Secured Indebtedness (as defined below) or the disposition of assets comprising the Collateral, subject to the terms of the Indenture and the Intercreditor Agreement. See “— Release of Security” and “Risk Factors — Risks Relating to the Notes, the Guarantees and the Collateral — The value of the Collateral may not be sufficient to satisfy our obligations under the Notes.”

No appraisals of the Collateral have been prepared in connection with this offering of the Notes. There can be no assurance that the proceeds of any sale of the Collateral, in whole or in part, pursuant to the Indenture, the Intercreditor Agreement and the Security Documents following an Event of Default, would be sufficient to satisfy amounts due on the Notes or SSMS’s Parent Guarantee. All of the Collateral will be illiquid and may have no readily ascertainable market value.

Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

So long as no Default has occurred and is continuing, and subject to the terms of the Security Documents and the Indenture, the Issuer and SSMS, as the case may be, will be entitled to exercise any and all voting rights and to receive, retain and use any and all cash dividends, stock dividends, liquidating dividends, non-cash dividends, shares or stock resulting from stock splits or reclassifications, rights issues, warrants, options and other distributions (whether similar or dissimilar to the foregoing) in respect of the Capital Stock constituting *Pari Passu Collateral*.

Share Charges

The Issuer and SSMS have agreed to pledge to the Collateral Agent, for the benefit of the Holders, the Capital Stock of SPIPL and the Issuer, respectively, on a first-priority basis (subject to Permitted Liens and the Intercreditor Agreement) on the Original Issue Date in order to secure the obligations of the Issuer under the Notes and the Indenture and of SSMS under its Parent Guarantee.

Brief Description of the Intercompany Loans and the Capital Securities

On the Original Issue Date, the Issuer will transfer the net proceeds of the offering of the Notes to SPIPL by way of a subscription of additional shares in the capital of, and/or Capital Securities issued by, SPIPL. SPIPL will then on-lend the proceeds of such transfer to SSMS pursuant to an Intercompany Loan. SSMS will use the amounts received pursuant to the Intercompany Loan as described under “Use of Proceeds.”

The Intercompany Loans will be subordinated in right of payment to SSMS’s Parent Guarantee. The Capital Securities will, except for such exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations of SPIPL. The Indenture also provides for limitations on amendments to the Intercompany Loans and the Capital Securities. See “— Certain Covenants — Amendments to or Prepayments/Redemption of the Intercompany Loans or the Capital Securities.”

The Intercompany Loans will mature on the maturity date of the Notes.

SPIPL intends to (a) with respect to the Capital Securities, make distributions at the distribution rate specified in the terms and conditions of such Capital Securities, and/or (b) make dividend and other distributions to the Issuer, as the case may be, in each case using the interest payments it receives from SSMS under the Intercompany Loans in order that the Issuer may make interest payments under the Notes as they become due. In addition, SPIPL intends to repurchase the Capital Securities pursuant to the terms thereof and/or make dividend and other distributions to the Issuer, as the case may be, using the amount to be repaid by SSMS under the Intercompany Loans on the maturity date of such Intercompany Loans in order that the Issuer may repay the principal and any other amounts payable under the Notes on the maturity date of the Notes.

Permitted Pari Passu Secured Indebtedness

On or after the Original Issue Date, SSMS and the Issuer may create Liens on the *Pari Passu Collateral* *pari passu* with the Lien for the benefit of the Holders to secure Indebtedness of the Issuer and the Parent Guarantor (including but not limited to Additional Notes) (“*Permitted Pari Passu Secured Indebtedness*”); *provided that* (i) the Issuer or SSMS was permitted to Incur such Indebtedness under the covenant described under the caption “— Certain Covenants — Limitation on Indebtedness,” (ii) the holders of such Indebtedness (or their representative) become party to the Intercreditor Agreement, (iii) the agreement in respect of such Indebtedness contains provisions with respect to releases of *Pari Passu Collateral* substantially similar to and no more restrictive on the Issuer and SSMS than the provisions of the Indenture and the Security Documents relating to the *Pari Passu Collateral* and (iv) the Issuer and SSMS deliver to the Trustee and the Collateral Agent an Opinion of Counsel and an Officer’s Certificate of SSMS with respect to compliance with the conditions stated in (i), (ii), and

(iii) above and corporate and collateral matters in connection with the Security Documents relating to the Pari Passu Collateral. The Trustee and the Collateral Agent will be permitted and authorized, without the consent of or notice to any Holder, to enter into any amendments to the Security Documents relating to the Pari Passu Collateral or the Indenture and take any other action necessary to permit the creation and registration of Liens on the Pari Passu Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with this paragraph.

Except for certain Permitted Liens and the Permitted Pari Passu Secured Indebtedness, the Parent Guarantors and the Restricted Subsidiaries will not be permitted to issue or Incur any other Indebtedness secured by all or any portion of the Pari Passu Collateral without the consent of each Holder of the Notes then outstanding.

Intercreditor Agreement

On or prior to the date on which SSMS or the Issuer first Incurs Permitted Pari Passu Secured Indebtedness (other than any Additional Notes which is consolidated and form a single series with the Notes), the Trustee, on behalf of the Holders of the Notes, will enter into an intercreditor agreement (the “*Intercreditor Agreement*”) with the Collateral Agent and the holders of any Permitted Pari Passu Secured Indebtedness (or their representative) with respect to the Pari Passu Collateral. The Collateral Agent shall execute any such Intercreditor Agreement subject to such Intercreditor Agreement being in a form acceptable to the Collateral Agent.

Under the Intercreditor Agreement, the holders of any Permitted Pari Passu Secured Indebtedness (or their representative) (collectively with the Trustee, the “*Pari Passu Secured Parties*”) will appoint The Bank of New York Mellon, Singapore Branch (or the successor Collateral Agent appointed under the Security Documents if such a successor has been appointed) to act as the Collateral Agent with respect to the Pari Passu Collateral, to exercise remedies (subject to the terms of the Indenture and any document governing Permitted Pari Passu Secured Indebtedness) in respect thereof upon the occurrence of an event of default under the Indenture and any document governing Permitted Pari Passu Secured Indebtedness, and to act as provided in the Intercreditor Agreement.

The Intercreditor Agreement will provide, among other things, that (i) the Pari Passu Secured Parties shall share equal priority and pro rata entitlement in and to the Pari Passu Collateral, (ii) the conditions under which the Pari Passu Secured Parties will consent to the release of or granting of any Lien on such Pari Passu Collateral and (iii) the conditions under which the Pari Passu Secured Parties will enforce their rights with respect to such Pari Passu Collateral and the Indebtedness secured thereby.

In connection with the Incurrence of any subsequent Permitted Pari Passu Secured Indebtedness, the holders of such Permitted Pari Passu Secured Indebtedness (or their representative) will (a) accede to the Intercreditor Agreement and become parties to it or (b) enter into another intercreditor agreement on substantially similar terms.

By accepting the Notes, each Holder shall be deemed to have consented to the execution of the Intercreditor Agreement and any supplements, amendments or modifications thereto.

Enforcement of Security

The first-priority Liens (subject to any Permitted Lien) securing the Notes and the Parent Guarantee of SSMS will be granted to the Collateral Agent. The Bank of New York Mellon, Singapore Branch, will act as the initial Collateral Agent under the Security Documents entered into on the Original Issue Date. The Collateral Agent, subject to the Intercreditor Agreement, will hold such Liens over the Collateral granted pursuant to the Security Documents with sole authority as directed by the Trustee or the written instructions of the Holders to exercise remedies under the Security Documents. The Collateral Agent has agreed to act as secured party under the applicable Security Documents on behalf

of the Holders, to follow the instructions provided to it under the Indenture, the Intercreditor Agreement and the Security Documents, and to carry out certain other duties. The Trustee will give instructions to the Collateral Agent by itself or in accordance with instructions it receives from the Holders under the Indenture.

The Indenture and/or the Security Documents principally provide that, at any time while the Notes are outstanding, the Collateral Agent has the right, subject to the Intercreditor Agreement, to perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce all privileges, rights and remedies thereunder according to its direction, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of an Event of Default under the Indenture.

The Intercreditor Agreement will provide that any Pari Passu Secured Party may instruct the Collateral Agent to enforce the Pari Passu Collateral and to deliver a notice of enforcement to the Issuer and the Parent Guarantor (such instructions, the “*Enforcement Instructions*”) and that, in the absence of conflicting Enforcement Instructions, the Collateral Agent will take steps to enforce the Pari Passu Collateral in accordance with the terms of the Intercreditor Agreement. Upon receipt of an Enforcement Instruction from any Pari Passu Secured Party, the Collateral Agent will provide a copy of such Enforcement Instruction and notice of enforcement to the Issuer, SSMS and the other Pari Passu Secured Parties, who will notify the holders of their respective indebtedness and seek instructions in respect of such Enforcement Instruction. In the absence of gross negligence or wilful misconduct none of the Pari Passu Secured Parties will be responsible or liable to any person for failing to obtain or for failing to act upon conflicting instructions (if any) from their respective holders prior to enforcement of the Pari Passu Collateral by the Collateral Agent due to insufficient time. If (a) the Collateral Agent identifies a conflict (i) between the interests of the Pari Passu Secured Parties in connection with any Enforcement Instruction or (ii) in the event more than one Enforcement Instruction is issued, between those Enforcement Instructions and (b) the Collateral Agent believes in its sole discretion that the interests of the Pari Passu Secured Parties would be in conflict upon the exercise of those Enforcement Instructions, or that compliance with an Enforcement Instruction would cause the Collateral Agent to contravene another Enforcement Instruction, the Collateral Agent shall notify each Pari Passu Secured Party in writing not more than five Business Days after it becomes aware of such conflict. In such cases, the Collateral Agent is not obligated to take any action if it identifies such conflict.

All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be applied as follows:

- *first*, to the Trustee, the Collateral Agent, the Agents (as defined below) and, in respect of the Pari Passu Collateral and to the extent applicable, to any representative of holders of any Permitted Pari Passu Secured Indebtedness, to the extent necessary to reimburse the Trustee, the Collateral Agent, the Agents and any such representative and their respective agents, delegates and any receivers for any fees and expenses (including fees and properly incurred expenses of counsel) incurred in connection with the performance of their duties and administration of the Indenture, the Security Documents and the Intercreditor Agreement (if any), the collection or distribution of such amounts held or realized or in connection with fees and expenses (including reasonable expenses of counsel) incurred in enforcing all available remedies under the Security Documents and preserving the Collateral and all amounts for which the Trustee, the Collateral Agent, the Agents, any such representative of holders of any Permitted Pari Passu Secured Indebtedness and their respective agents, delegates and any receivers are entitled to indemnification under the Indenture, the Security Documents and/or the PPSI Documents;
- *second*, to the Trustee for the benefit of the Holders and, if in respect of Pari Passu Collateral and to the extent applicable, holders of any Permitted Pari Passu Secured Indebtedness (or their representative for the benefit of such holders); and

- *third*, any surplus remaining after such payments will be paid to the Issuer or either of the Parent Guarantors or to whomever may be lawfully entitled thereto.

The Collateral Agent may decline to foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security to its satisfaction. In addition, the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties and practical problems associated with the realization of the Collateral Agent's Liens on the Collateral. Neither the Trustee, the Collateral Agent nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value, title or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness or sufficiency of the Security Documents, for the creation, perfection, continuation, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so. The Collateral Agent will not be required to expend its own funds under any circumstances.

The Security Documents provide that the Issuer, SSMS and SPIPL will, jointly and severally, indemnify the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Collateral Agent arising out of the Indenture, the Security Documents and the Intercreditor Agreement except to the extent that any of the foregoing has resulted from the gross negligence or willful misconduct of the Collateral Agent.

The provisions described in this section “— Enforcement of Security” shall be subject to any amendments to the Security Documents relating to the Pari Passu Collateral or the Indenture to permit the creation of Liens on the Pari Passu Collateral to secure Permitted Pari Passu Secured Indebtedness in accordance with “— Permitted Pari Passu Secured Indebtedness” above.

Release of Collateral

Subject to the provisions of the Intercreditor Agreement with respect to the Pari Passu Collateral, the security created in respect of the Collateral granted under the Security Documents may be released in certain circumstances, including:

- upon repayment in full of the Notes; and
- upon a defeasance or satisfaction and discharge as described under “— Defeasance — Defeasance and Discharge” or “— Satisfaction and Discharge.”

No release of Collateral shall be effective against the Trustee, the Collateral Agent or the Holders until SSMS has delivered to the Trustee and the Collateral Agent an Officer's Certificate of SSMS and an Opinion of Counsel stating that all requirements relating to such release have been complied with and that such release has been authorized by, permitted by and made in accordance with the provisions of the Indenture, the Security Documents and the Intercreditor Agreement.

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Issuer may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Guarantees and the Collateral) in all respects (or in all respects except for the issue date, issue price and the date and/or amount of the first payment of interest on them and, to the extent necessary, certain temporary securities law transfer restrictions) (a “*Further Issue*”) so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes.

In addition, the issuance of any Additional Notes by the Issuer will be subject to the following conditions:

- (1) all obligations with respect to the Additional Notes shall be secured and guaranteed under the Indenture, the Guarantees and any other Note Documents to the same extent and on the same basis as the Notes outstanding on the date the Additional Notes are issued;
- (2) the proceeds of such Additional Notes are transferred to SPIPL by the Issuer;
- (3) the proceeds of such transfer to SPIPL by the Issuer are on-lent by SPIPL to SSMS pursuant to one or more Intercompany Loans;
- (4) the Restricted Group is permitted to Incur the Indebtedness represented by such additional borrowings under the “— Certain Covenants — Limitation on Indebtedness and Preferred Stock” covenant; and
- (5) CBI has delivered to the Trustee an Officers’ Certificate of CBI, in form and substance satisfactory to the Trustee, confirming that the issuance of the Additional Notes complies with the Indenture.

Optional Redemption

At any time and from time to time on or after January 23, 2021, the Issuer may redeem the Notes, in whole or in part, at a redemption price equal to the percentage of principal amount set forth below, plus accrued and unpaid interest, if any, to (but not including) the redemption date and Additional Amounts, if any, if redeemed during the 12-month period commencing on January 23 of the years indicated below:

Period	Redemption Price
2021	103.875%
2022 and thereafter	101.938%

At any time and from time to time prior to January 23, 2021, the Issuer may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including), the redemption date. Neither the Trustee nor any of the Agents will be responsible for calculating or verifying the Applicable Premium.

At any time and from time to time prior to January 23, 2021, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock of either of the Parent Guarantors in Equity Offerings at a redemption price of 107.750% of the principal amount of the Notes redeemed, plus accrued and unpaid interest, if any, and Additional Amounts thereon, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes originally issued on the Original Issue Date remains outstanding after each such redemption and any such redemption takes place within 60 days after the closing of the related Equity Offering. Notice of any redemption upon any Equity Offering may be given prior to the completion of such Equity Offering, and any such redemption or notice may, at the Issuer’s discretion, be conditioned on the completion of the related Equity Offering.

In connection with any redemption of Notes referred to in the preceding paragraphs, any such redemption or notice may, at the Issuer’s discretion, be subject to one or more conditions precedent. In addition, if such redemption or notice is subject to satisfaction of one or more conditions precedent, such notice may state that, in the Issuer’s discretion, the redemption date may be delayed until such time (*provided, however*, that any delayed redemption date shall not be more than 60 days after the date the relevant notice of redemption was sent) as any or all such conditions shall be satisfied, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied by the redemption date, or by the redemption date so delayed.

Selection and Notice

The Issuer will give not less than 30 days' nor more than 60 days' notice of any redemption.

If less than all of the Notes are to be redeemed, the Notes will be selected for redemption as follows:

- if the Notes are listed on any securities exchange and/or being held through the clearing systems, in compliance with the requirements of the principal securities exchange on which the Notes are then listed, or the requirements of the clearing systems, as applicable; or
- if the Notes are not listed on any securities exchange and/or held through the clearing systems, on a *pro rata* basis or by lot or such other method as the Trustee may determine in its sole and absolute discretion, unless otherwise required by law.

A Note of US\$200,000 in principal amount or less will not be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued (at the Issuer's expense) upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control

Not later than 30 days following a Change of Control, the Issuer or either of the Parent Guarantors will make an Offer to Purchase all outstanding Notes (a "*Change of Control Offer*") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, and Additional Amounts, if any, to (but not including) the Offer to Purchase Payment Date.

The Issuer and the Parent Guarantors will agree in the Indenture that they will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture. If the Issuer or the Parent Guarantors are unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, they will be prohibited from purchasing the Notes. In that case, the failure of the Issuer or either of the Parent Guarantors to purchase tendered Notes will constitute an Event of Default under the Indenture.

The Issuer and the Parent Guarantors will not be required to make a Change of Control Offer following a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer to be made by the Issuer or either of the Parent Guarantors and such third party purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

A Change of Control Offer may be made in advance of a Change of Control, conditional upon such Change of Control, if a definitive agreement is in place for the Change of Control at the time of making of the Change of Control Offer.

Future debt of the Issuer or the Parent Guarantors may (i) prohibit the Issuer and/or the Parent Guarantors from purchasing Notes in the event of a Change of Control, (ii) provide that a Change of Control is a default, or (iii) require the repurchase of such debt upon a Change of Control. Moreover, the exercise by Holders of their right to require the Issuer or the Parent Guarantors to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer or the relevant Parent Guarantor, as the case may be. The ability of the Issuer or either of the Parent Guarantors to pay cash to Holders following the occurrence of a Change of Control may be limited by the Issuer's or such Parent Guarantor's then-existing financial resources. There can be no assurance that sufficient funds will be available

when necessary to make the required purchase of the Notes. See “Risk Factors — Risks Relating to the Notes, the Guarantees and the Collateral — The Issuer and the Parent Guarantors may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture governing the Notes.”

The Issuer and the Parent Guarantors will comply, to the extent applicable, with the requirements of Section 14(e) of the Exchange Act and any other securities laws or regulations in connection with the repurchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, the Issuer and the Parent Guarantors will comply with the applicable securities laws and regulations and will not be deemed to have breached its or their obligations under the covenant described hereunder by virtue of such compliance.

The Change of Control Offer feature is a result of negotiations between the Issuer and the initial purchasers named elsewhere in this Offering Memorandum. Management has no present intention to engage in a transaction involving a Change of Control, although it is possible that the Issuer or either of the Parent Guarantors may decide to do so in the future. See “Risk Factors — Risks Relating to the Notes, the Guarantees and the Collateral — The Issuer and the Parent Guarantors may not have the ability to raise the funds necessary to finance an offer to repurchase the Notes upon the occurrence of certain events constituting a change of control as required by the Indenture governing the Notes.” Subject to certain covenants described below, the Issuer or either of the Parent Guarantors could, in the future, enter into certain transactions, including acquisitions, refinancings or other recapitalizations, that would not constitute a Change of Control under the Indenture, but that could increase the amount of debt outstanding at such time or otherwise affect the capital structure or credit ratings of the Issuer.

The phrase “all or substantially all,” as used with respect to the assets of the Issuer or either of the Parent Guarantors in the definition of “Change of Control,” will likely be interpreted under applicable law of the relevant jurisdictions and its meaning would depend on particular facts and circumstances. As a result, there may be a degree of uncertainty in ascertaining whether a sale or transfer of “all or substantially all” the assets of the Issuer or either of the Parent Guarantors has occurred. Accordingly, if the Issuer or either of the Parent Guarantors disposes of less than all its assets by any of the means described above, the ability of a Holder to require the Issuer or the Parent Guarantors to repurchase its Notes may be uncertain. In such a case, Holders may not be able to resolve this uncertainty without resorting to legal action.

Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Holders to require that the Issuer or the Parent Guarantors purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

None of the Trustee, the Collateral Agent or any of the Agents shall have any responsibility to monitor whether a Change of Control Offer, or any event which could lead to the occurrence of a Change of Control Offer, has occurred or may occur.

Sinking Fund

There will be no sinking fund payments for the Notes.

Additional Amounts

All payments of principal of, and premium, if any, and interest on the Notes and all payments under the Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Issuer, any applicable Guarantor or Surviving Person (as defined under the caption “— Consolidation, Merger and Sale of Assets”) is organized or resident for tax purposes (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a

“*Relevant Taxing Jurisdiction*”) or any jurisdiction through which payment is made or any political subdivision or taxing authority thereof or therein (together with the Relevant Taxing Jurisdictions, the “*Relevant Jurisdictions*”), unless such withholding or deduction is required by law or by regulation or governmental policy having the force of law. In the event that any such withholding or deduction is so required, the Issuer, the applicable Guarantor or Surviving Person, as the case may be, will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and will pay such additional amounts (“*Additional Amounts*”) as will result in receipt by the Holder of each Note of such amounts as would have been received by such Holder had no such withholding or deduction been required; *provided* that no Additional Amounts will be payable:

(a) for or on account of:

(i) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(A) the existence of any present or former connection between the Holder or beneficial owner of such Note or Guarantee, as the case may be, and the Relevant Jurisdiction including, without limitation, such Holder or beneficial owner being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein, other than merely holding such Note, the receipt of payments thereunder or under the Guarantee or enforcing payment under the Note or the Guarantee;

(B) the presentation of such Note (where presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, or interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(C) the failure of the Holder or beneficial owner to comply with a timely request of the Issuer, any Guarantor or Surviving Person addressed to the Holder or beneficial owner, as the case may be, to provide information to the Issuer, such Guarantor or Surviving Person concerning such Holder’s or beneficial owner’s nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder; or

(D) the presentation of such Note (where presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(ii) any estate, inheritance, gift, sale, transfer, excise or personal property or similar tax, assessment or other governmental charge;

(iii) any tax, duty, assessment or other governmental charge which is payable other than (a) by deduction or withholding from payments of principal of or interest on the Note or payments under the Guarantees, or (b) by direct payment by the Issuer or the applicable Guarantor in respect of claims made against the Issuer or the Subsidiary Guarantor;

- (iv) any tax, duty, assessment or other governmental charge which is required to be deducted or withheld under Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, or any amended or successor versions of such Sections (“*FATCA*”), any regulations or other guidance thereunder, or any agreement (including any intergovernmental agreement) entered into in connection therewith, or any law, regulation or other official guidance enacted in any jurisdiction implementing *FATCA* or an intergovernmental agreement in respect of *FATCA*; or
 - (v) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (i), (ii), (iii) and (iv); or
- (b) with respect to any payment of the principal of, or premium, if any, or interest on, such Note or any payment under any Guarantee to such Holder, if the Holder is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included in the income under the laws of a Relevant Jurisdiction, for tax purposes, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner, or beneficial owner been the Holder thereof.

As a result of these provisions, there are circumstances in which taxes could be withheld or deducted but Additional Amounts would not be payable to some or all beneficial owners of the Notes.

Each of the Issuer and the Guarantors, as applicable, will (i) make such withholding or deduction and (ii) remit the full amount deducted or withheld to the relevant authority in accordance with applicable law. Each of the Issuer and the Guarantors, as applicable, will make reasonable efforts to obtain certified copies of tax receipts evidencing the payment of any taxes so deducted or withheld from the Relevant Jurisdiction imposing such taxes. Upon request, the Issuer will furnish to the Holders, within 60 days after the date the payment of any taxes so deducted or withheld is due pursuant to applicable law, either certified copies of tax receipts evidencing such payment or, if such receipts are not obtainable, other evidence of such payments.

At least 30 days prior to each date on which any payment under or with respect to the Notes is due and payable, if the Issuer or a Guarantor will be obligated to pay Additional Amounts with respect to such payment, the Issuer will deliver to the Trustee an Officers’ Certificate stating the fact that such Additional Amounts will be payable and the amounts so payable and will set forth such other information necessary to enable the Principal Paying Agent to pay such Additional Amounts to the Holders on such payment date.

In addition, each of the Issuer and the Guarantors, as applicable, will pay any stamp, issue, registration, documentary, value added or other similar taxes and other duties (including interest and penalties) payable in any Relevant Jurisdiction in respect of the creation, issue, offering, execution or enforcement of the Notes, or any documentation with respect thereto.

Whenever there is mentioned in any context the payment of principal, premium or interest in respect of any Note or under any Guarantee, such mention will be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Issuer or a Surviving Person, as a whole but not in part, upon giving not less than 30 days' nor more than 60 days' notice to the Holders (which notice will be irrevocable), at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, and any Additional Amounts to (but not including) the date fixed by the Issuer or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

- (1) any change in, or amendment to, the laws or any regulations or rulings promulgated thereunder of a Relevant Taxing Jurisdiction, excluding any applicable treaty with the Relevant Taxing Jurisdiction, affecting taxation; or
- (2) any change in, or amendment to, an official position regarding the application or interpretation of such laws, regulations or rulings (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment becomes effective on or after the Original Issue Date (or, in the case of a Surviving Person or future Subsidiary Guarantor, the date such Person became a Surviving Person or Subsidiary Guarantor, as the case may be) with respect to any payment due or to become due under the Notes, the Indenture, a Guarantee or any Intercompany Loan, the Issuer, a Guarantor or the Surviving Person, as the case may be, is, or on the next Notes Interest Payment Date would be, required to pay Additional Amounts (or, in the case of any payment with respect to any Intercompany Loan, would be required to withhold or deduct any taxes, duties, assessments or governmental charges of whatever nature), and such requirement cannot be avoided by taking reasonable measures by the Issuer, a Guarantor or the Surviving Person, as the case may be; *provided* that changing the jurisdiction of the Issuer, a Guarantor or the Surviving Person is not a reasonable measure for the purposes of this section; *provided further* that no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Issuer, a Guarantor or the Surviving Person, as the case may be, would be obligated to pay such Additional Amounts (or, in the case of any Intercompany Loan, withhold or deduct such taxes, duties, assessments or governmental charges) if a payment in respect of the Notes (or on the relevant Intercompany Loan, as applicable) were then due; *provided further* that where any such requirement to pay Additional Amounts (or withhold or deduct an amount from any payment with respect to any Intercompany Loan) is due to taxes of the Republic of Indonesia (or any political subdivision or taxing authority thereof or therein), the Issuer or the Surviving Person shall be permitted to redeem the Notes in accordance with the provisions above only if the rate of withholding or deduction in respect of which Additional Amounts are required (or in respect of which withholding is required on payments on the relevant Intercompany Loan) is in excess of 20.0%.

The Issuer shall, at least 15 calendar days prior to the date the notice of redemption is to be sent to the Holders, notify the Trustee of such proposed Redemption Date and of the principal amount of the Notes to be redeemed. Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer or a Guarantor, as the case may be, and at their expense will deliver to the Trustee:

- (1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, and describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer or such Guarantor, as the case may be, taking reasonable measures available to it; and
- (2) an Opinion of Counsel of recognized standing with respect to tax matters of the Relevant Taxing Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall be entitled (but shall not be obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent described above, and it will be conclusive and binding on the Holders. The Trustee has no duty to investigate or verify such certificate and opinion.

Any Notes that are redeemed pursuant to this section will be cancelled.

Offers to Purchase; Open Market Purchases

Under certain circumstances, the Issuer may be required to offer to purchase Notes as described under the captions “— Repurchase of the Notes upon a Change of Control” and “— Certain Covenants — Limitation on Asset Sales.” The Parent Guarantors, the Issuer and any other Restricted Subsidiary may purchase Notes by means other than a redemption, whether by tender offer, open market purchases, negotiated transactions or otherwise, in accordance with applicable securities laws and regulations, so long as such acquisition does not otherwise violate the terms of the Indenture or the Security Documents. CBI or the Issuer will notify the Trustee in writing at the completion of any such open market purchases. Any Notes acquired by the Parent Guarantors, the Issuer or any other Restricted Subsidiary will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

- (a) The Issuer and the Parent Guarantors will not, and the Parent Guarantors will not permit any Restricted Subsidiary to, Incur, directly or indirectly, any Indebtedness (including Acquired Indebtedness) or Preferred Stock (other than Disqualified Stock of Restricted Subsidiaries held by a Parent Guarantor, so long as it is so held); *provided* that the Parent Guarantors, the Issuer or any other Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) if, after giving effect to the Incurrence of such Indebtedness and the receipt and the application of the proceeds therefrom, (x) no Default has occurred and is continuing (y) the Fixed Charge Coverage Ratio would be not less than 2.5 to 1.0, and (z) if such indebtedness constitutes Priority Indebtedness, such Indebtedness constitutes Permitted Priority Indebtedness.
- (b) Notwithstanding the foregoing, the Parent Guarantors, the Issuer and, to the extent provided below, any Subsidiary Guarantor or any other Restricted Subsidiary, may Incur each and all of the following (“*Permitted Indebtedness*”):
 - (1) Indebtedness under the Notes, the Guarantees and the Intercompany Loans (excluding any Additional Notes or Guarantees or Intercompany Loans entered into in relation to any Additional Notes);
 - (2) Indebtedness of the Parent Guarantors or any Restricted Subsidiary outstanding on the Original Issue Date after giving effect to the application of the proceeds from the sale of the Notes, excluding Indebtedness permitted under clauses (b)(1) and (b)(3) below;
 - (3) Indebtedness of the Parent Guarantors, the Issuer or any other Restricted Subsidiary owed to the Parent Guarantors, the Issuer or any other Restricted Subsidiary; *provided* that (x) any event which results in any such Restricted Subsidiary to which such Indebtedness is owed ceasing to be a Restricted Subsidiary or any subsequent transfer of such Indebtedness (other than to the Parent Guarantors, the Issuer or any other Restricted Subsidiary) will be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (b)(3), (y) if the Issuer or a Parent Guarantor is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, in the case of the Issuer, or the applicable Parent Guarantee, in the case of a

Parent Guarantor, and (z) if a Subsidiary Guarantor is the obligor on such Indebtedness and a Restricted Subsidiary that is not a Subsidiary Guarantor is the obligee, such Indebtedness must be unsecured and expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor;

- (4) Indebtedness of the Parent Guarantors, the Issuer or any other Restricted Subsidiary (“*Permitted Refinancing Indebtedness*”) issued in exchange for, or the net proceeds of which are used to refinance or refund, replace, exchange, renew, repay, defease, discharge or extend (collectively, “*refinance*,” “*refinances*” and “*refinanced*” shall have a correlative meaning), then-outstanding Indebtedness (or Indebtedness repaid substantially concurrently with the Incurrence of such Permitted Refinancing Indebtedness) Incurred under clause (a) or clause (b)(1), (b)(2), b(4), (b)(10) or (b)(11) of this covenant and any refinancings thereof in an amount not to exceed the amount so refinanced or refunded (plus premiums, accrued interest, fees and expenses); *provided* that, the Indebtedness so refinanced is fully and irrevocably repaid no later than 60 days after the incurrence of the relevant Permitted Refinancing Indebtedness; and *provided further that* (A) Indebtedness the proceeds of which are used to refinance or refund the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or a Guarantee will only be permitted under this clause (b)(4) if (x) in case the Notes are refinanced in part or the Indebtedness to be refinanced is *pari passu* with the Notes or a Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is made *pari passu* with, or expressly made subordinate in right of payment to, the remaining Notes or such Guarantee, as the case may be, or (y) in case the Indebtedness to be refinanced is subordinated in right of payment to the Notes or a Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Guarantee, as the case may be, at least to the extent that the Indebtedness to be refinanced is subordinated to the Notes or such Guarantee, as the case may be, (B) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the earlier of (x) the Stated Maturity of the Indebtedness to be refinanced or refunded and (y) the Stated Maturity of the Notes, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be refinanced or refunded, (C) in no event may Indebtedness of the Issuer or any Guarantor be refinanced pursuant to this clause by means of any Indebtedness of any Restricted Subsidiary that is not a Subsidiary Guarantor and (D) in no event may unsecured Indebtedness of the Issuer or any Guarantor be refinanced pursuant to this clause with secured Indebtedness;
- (5) Indebtedness Incurred by either of the Parent Guarantors, the Issuer or any other Restricted Subsidiary (other than SPIPL) pursuant to Hedging Obligations entered into in the ordinary course of business and designed solely to protect such Parent Guarantor, the Issuer or such other Restricted Subsidiary from fluctuations in interest rates, commodity prices or currencies and not for speculation;
- (6) Indebtedness of either of the Parent Guarantors, the Issuer or any other Restricted Subsidiary (other than SPIPL) arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of such Parent Guarantor, the Issuer or such other Restricted Subsidiary pursuant to such agreements, in any case, incurred in connection with the disposition of any business, assets or Capital Stock of a Restricted Subsidiary, other than guarantees of Indebtedness incurred by any Person acquiring all or any portion of such business, assets or Capital Stock of a Restricted

Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds actually received by such Parent Guarantor, the Issuer or such other Restricted Subsidiary in connection with such disposition;

- (7) Indebtedness Incurred by either of the Parent Guarantors, the Issuer or any other Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, however, that such Indebtedness is repaid in full or otherwise extinguished within five Business Days of Incurrence;
- (8) Indebtedness Incurred by either of the Parent Guarantors, the Issuer or any other Restricted Subsidiary (other than SPIPL) constituting reimbursement obligations with respect to workers' compensation claims or self-insurance obligations or bid, performance or surety bonds (in each case in the ordinary course of business and other than for an obligation for borrowed money);
- (9) Indebtedness Incurred by either of the Parent Guarantors, the Issuer or any other Restricted Subsidiary (other than SPIPL) constituting reimbursement obligations with respect to letters of credit, bankers acceptances and short form trade guarantees issued in the ordinary course of business to the extent that such letters of credit, bankers acceptances and short form trade guarantees are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by such Parent Guarantor, the Issuer or such other Restricted Subsidiary of a demand for reimbursement;
- (10) Indebtedness of a Guarantor with a maturity of one year or less used for working capital purposes in an aggregate principal amount at any time outstanding (together with refinancings thereof and including any Indebtedness of any Guarantor of a maturity of one year or less Incurred pursuant to clause (b)(2) above, together with any refinancings thereof) not to exceed US\$15.0 million (or the Dollar Equivalent thereof);
- (11) Indebtedness Incurred by either of the Parent Guarantors, the Issuer or any other Restricted Subsidiary (other than SPIPL) represented by Capitalized Lease Obligations, mortgage financings or purchase money obligations in the ordinary course of business after the Original Issue Date to finance all or any part of the purchase price or cost of construction, installation or improvement of property (real or personal), plant or equipment (including through the acquisition of Capital Stock of any Person that owns property, plant or equipment which will, upon such acquisition, become a Restricted Subsidiary) to be used in the Permitted Business; *provided* that (i) such Indebtedness shall be Incurred no later than 180 days after the acquisition, construction, installation or improvement of such property (real or personal), plant or equipment and (ii) the aggregate principal amount of such Indebtedness at any time outstanding (together with refinancings thereof) shall not exceed the greater of (x) US\$25.0 million (or the Dollar Equivalent thereof) and (y) 5.0% of the Total Assets as of the date of Incurrence of such Indebtedness;
- (12) guarantees by any Guarantor of Indebtedness of any other Guarantor that was permitted to be Incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Guarantee, then the guarantee shall be subordinated or *pari passu*, as applicable to the same extent as the Indebtedness guaranteed; and

- (13) Indebtedness of either of the Parent Guarantors or any Restricted Subsidiary in an aggregate principal amount outstanding (together with refinancing thereof) which, when taken together with the principal amount of all other Indebtedness Incurred pursuant to this paragraph (b)(13) and then outstanding, will not exceed US\$15.0 million (or the Dollar Equivalent thereof);

provided that, if any indebtedness Incurred under this clause (b) constitutes Priority Indebtedness, on the date of the Incurrence of such Indebtedness and after giving effect thereto, such Indebtedness constitutes Permitted Priority Indebtedness.

- (c) For purposes of determining compliance with this “—Limitation on Indebtedness and Preferred Stock” covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first paragraph of this covenant, CBI, in its sole discretion, will classify, and from time to time may reclassify, such item of Indebtedness (or any portion thereof) and only be required to include the amount of such Indebtedness (or any portion thereof) as one of such types.
- (d) The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock in the form of additional shares of the same class of Disqualified Stock will not be deemed to be an Incurrence of Indebtedness; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in the Consolidated Fixed Charges as accrued.
- (e) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Parent Guarantors, the Issuer or any other Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded with respect to any outstanding Indebtedness solely as a result of fluctuations in exchange rates or currency values. For purposes of determining compliance with any U.S. dollar-denominated restriction on the incurrence of Indebtedness, the U.S. dollar equivalent principal amount of Indebtedness denominated in a foreign currency shall be calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was incurred (or first committed, in the case of revolving credit debt); *provided* that if such Indebtedness is incurred to refinance other Indebtedness denominated in a foreign currency, and such refinancing would cause the applicable U.S. dollar denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such refinancing Indebtedness does not exceed the principal amount of such Indebtedness being refinanced. The principal amount of any Indebtedness incurred to refinance other Indebtedness, if incurred in a different currency from the Indebtedness being refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such refinancing.

Limitation on Restricted Payments

The Issuer and the Parent Guarantors will not, and the Parent Guarantors will not permit any Restricted Subsidiary to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as “*Restricted Payments*”):

- (1) declare or pay any dividend or make any distribution on or with respect to either of the Parent Guarantors’ or any Restricted Subsidiary’s Capital Stock (other than dividends or distributions payable solely in shares of either of the Parent Guarantors’ or any Restricted Subsidiary’s Capital Stock (other than Disqualified Stock or Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than either of the Parent Guarantors, the Issuer or any other Restricted Subsidiary;

- (2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock of either of the Parent Guarantors, any Restricted Subsidiary or any direct or indirect parent of either of the Parent Guarantors (including options, warrants or other rights to acquire such shares of Capital Stock) held by any Persons other than either of the Parent Guarantors, the Issuer or any other Restricted Subsidiary;
- (3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Subordinated Indebtedness (excluding (i) the Intercompany Loans or (ii) any intercompany Indebtedness between or among either of the Parent Guarantors and any Subsidiary Guarantor); or
- (4) make any Investment, other than a Permitted Investment,

if, at the time of, and after giving effect to, the proposed Restricted Payment:

- (A) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;
- (B) the Restricted Group could not Incur at least US\$1.00 of Indebtedness under the proviso in clause (a) of the covenant under the caption “—Limitation on Indebtedness and Preferred Stock;” or
- (C) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Parent Guarantors and the Restricted Subsidiaries after the Original Issue Date, would exceed the sum of:
 - (1) 50% of the aggregate amount of the Consolidated Net Income of CBI (or, if the Consolidated Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on the first day of the fiscal quarter in which the Original Issue Date occurred and ending on the last day of CBI’s most recently ended fiscal quarter for which consolidated financial statements of CBI (which CBI will use its reasonable efforts to compile in a timely manner) are available and have been provided to the Trustee at the time of such Restricted Payment; plus
 - (2) 100% of the aggregate Net Cash Proceeds received by either of the Parent Guarantors after the Original Issue Date as a capital contribution to their respective common equity or from the issuance and sale of their respective Capital Stock (other than Disqualified Stock) to a Person who is not a Subsidiary of such Parent Guarantor, including any such Net Cash Proceeds received upon (x) the conversion by a Person who is not a Subsidiary of such Parent Guarantor of any Indebtedness (other than Subordinated Indebtedness) of such Parent Guarantor into Capital Stock (other than Disqualified Stock) of such Parent Guarantor, or (y) the exercise by a Person who is not a Subsidiary of such Parent Guarantor of any options, warrants or other rights to acquire Capital Stock of such Parent Guarantor (other than Disqualified Stock), in each case after deducting the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of such Parent Guarantor; plus
 - (3) the amount by which Indebtedness of either of the Parent Guarantors or any Restricted Subsidiary is reduced on CBI’s statement of financial position upon conversion or exchange (other than by a Subsidiary of such Parent Guarantor) subsequent to the Original Issue Date of any Indebtedness of either of the Parent Guarantors or any Restricted Subsidiary into Capital Stock (other than Disqualified Stock) of such Parent Guarantor (less the amount of any cash, or the Fair Market Value of any other property, distributed by such Parent Guarantor or such Restricted Subsidiary upon such conversion or exchange); plus

- (4) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (a) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to either of the Parent Guarantors or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Consolidated Net Income of CBI) after the Original Issue Date, (b) the unconditional release of a guarantee provided by either of the Parent Guarantors or any Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (c) to the extent that an Investment made after the Original Issue Date is sold or otherwise liquidated or repaid for cash, the lesser of (x) cash return of capital with respect to such Investment (less the cost of disposition, if any) and (y) the initial amount of such Investment, or (d) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments (other than Permitted Investments) previously made by either of the Parent Guarantors or a Restricted Subsidiary after the Original Issue Date in any such Person.

The foregoing provision will not be violated by reason of:

- (1) the payment of any dividend or redemption of any Capital Stock within 90 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;
- (2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of either of the Parent Guarantors, the Issuer or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;
- (3) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness or Capital Stock of either of the Parent Guarantors (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution or sale (other than a capital contribution by or sale to a Subsidiary of such Parent Guarantor) of, shares of the Capital Stock (other than Disqualified Stock) of such Parent Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(2) of the preceding paragraph;
- (4) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary payable, on a *pro rata* basis or on a basis more favorable to CBI or SSMS, as the case may be, to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by CBI or SSMS, as the case may be;
- (5) any Restricted Payment in an aggregate amount, taken together with all other Restricted Payments made in reliance on this clause (5), not to exceed US\$5.0 million (or the Dollar Equivalent thereof);
- (6) the redemption, purchase or other acquisition or retirement for value of any Capital Stock of either of the Parent Guarantors or any Restricted Subsidiary (or options, warrants or other rights to acquire such Capital Stock) held by any current or former officer, director, commissioner or employee of such Parent Guarantor or any of its direct or indirect parent entities or such Restricted Subsidiary (or any such Person's assigns, estate or heirs) pursuant to the repurchase provisions under any equity stock option or stock purchase agreement or other agreements to compensate employees and approved by the Board of Directors; *provided* that the aggregate price paid for all such redeemed, purchased, acquired or retired Capital Stock will not exceed US\$2.0 million (or the Dollar Equivalent thereof) in any fiscal year;

- (7) repurchases of Capital Stock deemed to occur upon the exercise of stock options, warrants or other rights to acquire Capital Stock to the extent such Capital Stock represents a portion of the exercise price thereof;
- (8) cash payments in lieu of the issuance of fractional shares in connection with the exercise of warrants, options or other securities convertible or exchangeable for Capital Stock of either of the Parent Guarantors; *provided* that any such cash payment shall not be for the purpose of evading the limitations of this covenant; and
- (9) the declaration and payment of dividends by SSMS with respect to its fiscal year ended December 31, 2017, in an aggregate amount that does not exceed US\$20.0 million (or the Dollar Equivalent thereof), which amount, for the avoidance of doubt, includes any dividends paid or payable to CBI in its capacity as a shareholder of SSMS;

provided that in the case of clause (2), (3) or (5) above, no Default will have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein and no failure by the Issuer to make a required payment of interest on the Notes will have occurred and remain uncured.

Each Restricted Payment permitted pursuant to clauses (1), (4) (but only to the extent that dividends are paid to Persons other than the Issuer or a Guarantor), (5) and (8) of the preceding paragraph will be included in calculating whether the conditions of clause (C) of the first paragraph of this “—Limitation on Restricted Payments” covenant have been met with respect to any subsequent Restricted Payments, and the Net Cash Proceeds from any capital contribution or sale of Capital Stock referred to in clause (3) of the preceding paragraph shall not be included in such calculation.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by the applicable Parent Guarantor or the Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. CBI’s Board of Directors’ determination of the Fair Market Value of a Restricted Payment or any such assets or securities must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of recognized international standing if the Fair Market Value exceeds US\$5.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in an amount in excess of US\$5.0 million (or the Dollar Equivalent thereof), CBI will deliver to the Trustee an Officers’ Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this “—Limitation on Restricted Payments” covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

- (a) Except as provided below, the Issuer and the Parent Guarantors will not, and the Parent Guarantors will not permit any Restricted Subsidiary to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction of any kind on the ability of any Restricted Subsidiary to:
 - (1) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by either of the Parent Guarantors or any other Restricted Subsidiary;
 - (2) pay any Indebtedness or other obligation owed to either of the Parent Guarantor or any other Restricted Subsidiary;

- (3) make loans or advances to either of the Parent Guarantors or any other Restricted Subsidiary; or
- (4) sell, lease or transfer any of its property or assets to either of the Parent Guarantors or any other Restricted Subsidiary;

provided that it being understood that (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common Stock; (ii) the subordination of loans or advances made to either of the Parent Guarantors or any Restricted Subsidiary to other Indebtedness Incurred by such Parent Guarantor or Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between the Parent Guarantors, between or among either of the Parent Guarantors and any Restricted Subsidiary or between or among any Restricted Subsidiaries to be on fair and reasonable terms or on an arm's length basis, in each case, shall not be deemed to constitute such an encumbrance or restriction.

(b) The provisions of paragraph (a) do not apply to any encumbrances or restrictions:

- (1) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Guarantees, the Indenture, the Security Documents and any extensions, refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (2) existing under or by reason of applicable law, rule, regulation, license, concession, approval, decree or order of any Governmental Instrumentality with jurisdiction over the relevant Restricted Subsidiary;
- (3) with respect to any Person or the property or assets of such Person acquired by either of the Parent Guarantors or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person or the property or assets of such Person so acquired, and any extensions, refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, refinanced, renewed or replaced;
- (4) that otherwise would be prohibited by the provision described in clause (a)(4) of this covenant if they arise, or are agreed to, in the ordinary course of business and that (i) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (ii) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to, any property or assets of either of the Parent Guarantors or any Restricted Subsidiary not otherwise prohibited by the Indenture or (iii) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of either of the Parent Guarantors or any Restricted Subsidiary in any manner material to such Parent Guarantor or Restricted Subsidiary;
- (5) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "—Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "—Limitation on Indebtedness and Preferred Stock" and "—Limitation on Asset Sales" covenants;

- (6) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness permitted under clauses (b)(4) or (b)(11) of the “—Limitation on Indebtedness and Preferred Stock” covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such type of agreement and (ii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Issuer or either of the Parent Guarantors to make required payment on the Notes or the applicable Parent Guarantee; *provided that* with respect to any Permitted Refinancing Indebtedness Incurred under clause b(4) of the “—Limitation on Indebtedness and Preferred Stock” covenant, the encumbrances and restrictions contained in the agreements governing such Permitted Refinancing Indebtedness, taken as a whole, are no more restrictive in any material respect to the Holders than those contained in the agreements governing the Indebtedness being refinanced; or
- (7) existing in agreements governing any Permitted Pari Passu Secured Indebtedness; *provided* that the encumbrances and restrictions in any such Permitted Pari Passu Secured Indebtedness, taken as a whole, are no more restrictive in any material respect to the Holders than those contained in the Indenture, the Notes and the Security Documents.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Issuer and the Parent Guarantors will not sell, and the Parent Guarantors will not permit any Restricted Subsidiary, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including in each case options, warrants or other rights to purchase shares of such Capital Stock) except:

- (1) to either of the Parent Guarantors or a Wholly-Owned Restricted Subsidiary;
- (2) to the extent such Capital Stock represents director’s qualifying shares or is required by applicable law to be held by a Person other than SSMS or a Wholly-Owned Restricted Subsidiary, or if such Restricted Subsidiary is not a Subsidiary of SSMS, CBI;
- (3) the issuance or sale of Capital Stock of a Restricted Subsidiary (other than the Issuer or SPIPL) which remains a Restricted Subsidiary after any such issuance or sale; *provided* that the relevant Parent Guarantor or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the “—Limitation on Asset Sales” covenant; and
- (4) the issuance or sale of Capital Stock of a Restricted Subsidiary (other than the Issuer or SPIPL) if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the “Limitation on Restricted Payments” covenant if made on the date of such issuance or sale; *provided* that the Parent Guarantors and the Issuer comply with the “—Limitation on Asset Sales” covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Parent Guarantors will not permit any Restricted Subsidiary that is not a Subsidiary Guarantor, directly or indirectly, to guarantee any Indebtedness (“*Guaranteed Indebtedness*”) of the Issuer or any Guarantor, unless (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Guarantee of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against either of the Parent Guarantors or any other Restricted Subsidiary as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full.

If the Guaranteed Indebtedness (1) ranks *pari passu* in right of payment with the Notes or any Guarantee, then the guarantee of such Guaranteed Indebtedness will rank *pari passu* in right of payment with, or be subordinated to, the Guarantee, or (2) is subordinated in right of payment to the Notes or any Guarantee, then the guarantee of such Guaranteed Indebtedness will be subordinated in right of payment to the Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Issuer and the Parent Guarantors will not, and the Parent Guarantors will not permit any Restricted Subsidiary to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (x) any holder (or any Affiliate of such holder) of 5% or more of any class of Capital Stock of either of the Parent Guarantors or (y) any Affiliate of either of the Parent Guarantors (each an “Affiliate Transaction”), unless:

- (1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to such Parent Guarantor or such Restricted Subsidiary, as the case may be, than those that would have been obtained, at the time of such transaction, in a comparable arm’s-length transaction by such Parent Guarantor or such Restricted Subsidiary with a Person that is not such a holder or an Affiliate of the Parent Guarantor or such Restricted Subsidiary; and
- (2) the applicable Parent Guarantor delivers to the Trustee:
 - (a) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), a Board Resolution of such Parent Guarantor set forth in an Officers’ Certificate of such Parent Guarantor certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors of such Parent Guarantor; and
 - (b) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US\$10.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(a) above, an opinion as to the fairness to such Parent Guarantor or such Restricted Subsidiary, as the case may be, of such Affiliate Transaction from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing.

The foregoing limitation does not limit, and will not apply to:

- (1) the payment of reasonable and customary regular fees to directors and commissioners of either of the Parent Guarantors or any Restricted Subsidiary who are not employees of either of the Parent Guarantors or any Restricted Subsidiary;
- (2) transactions otherwise permitted under the Indenture between or among either of the Parent Guarantors and any Wholly-Owned Restricted Subsidiary or between or among Wholly-Owned Restricted Subsidiaries;
- (3) any Restricted Payment of the type described in clause (1) or (2) of the first paragraph of the covenant described under the caption “—Limitation on Restricted Payments” if not prohibited by that covenant;
- (4) the issuance or sale of any Capital Stock (other than Disqualified Stock) of either of the Parent Guarantors;

- (5) the payment of compensation to officers of either of the Parent Guarantors or any Restricted Subsidiary pursuant to an employee stock or share option or other incentive scheme, so long as such scheme is in compliance with the listing rules of the Indonesia Stock Exchange;
- (6) any agreement between any Person (other than a Person that is an Affiliate of either of the Parent Guarantors or acquired from an Affiliate of either of the Parent Guarantors) that is acquired by or merged into either of the Parent Guarantors or any Restricted Subsidiary and an Affiliate of either of the Parent Guarantors existing at the time of such acquisition or merger; *provided* that such agreement was not entered into in contemplation of such acquisition or merger;
- (7) transactions with customers, clients, suppliers or purchasers or sellers of goods or services (including administrative, cash management, legal and regulatory, technical, research, financial, accounting, procurement, marketing, insurance, labor, management, operation and maintenance and other services) or insurance or lessors or lessees or providers of employees or other labor or property, in each case in the ordinary course of business and on terms that are fair or at least as favorable as arm's length as determined in good faith by the Board of Directors of the applicable Parent Guarantor; and
- (8) loans or advances to, or guarantees of obligations of, directors, commissioners, officers or employees of either of the Parent Guarantor or any Restricted Subsidiary in the ordinary course of business not to exceed US\$1.0 million (or the Dollar Equivalent thereof) in the aggregate at any one time outstanding.

In addition, the requirements of clause (2) of the first paragraph of this covenant will not apply to (a) Investments (other than Permitted Investments) not prohibited by the “—Limitation on Restricted Payments” covenant, (b) any transaction between the Parent Guarantors, (c) any transaction between and among either of the Parent Guarantors on the one hand and any Restricted Subsidiary that is not a Wholly-Owned Restricted Subsidiary on the other hand; *provided* that (i) such transaction is entered into in the ordinary course of business, (ii) in the case of any transaction referred to in clause (b) of this paragraph, none of the minority shareholders of SSMS is a Person described in clauses (x) or (y) of the first paragraph of this covenant with respect to CBI, and (iii) in the case of any transaction referred to in clause (c) of this paragraph, none of the minority shareholders or minority partners of or in any such Restricted Subsidiary is a Person described in clauses (x) or (y) of the first paragraph of this covenant with respect to the applicable Parent Guarantor, or (d) any transaction between or among SSMS, the Issuer or SPIPL permitted under the Indenture.

Limitation on Liens

The Issuer and the Parent Guarantors will not, and the Parent Guarantors will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on the Collateral (other than Permitted Liens).

The Issuer and the Parent Guarantors will not, and the Parent Guarantors will not permit any Restricted Subsidiary to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind, whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are secured equally and ratably with (or, if the obligation to be secured by such Lien is subordinated in right of payment to the Notes or any Guarantee, prior to) the obligations so secured for so long as such obligations are so secured.

Limitation on Sale and Leaseback Transactions

The Issuer and the Parent Guarantors will not, and the Parent Guarantors will not permit any Restricted Subsidiary to, enter into any Sale and Leaseback Transaction; *provided* that the Issuer may enter into a Sale and Leaseback Transaction if:

- (1) the Restricted Group could have (a) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described under “—Limitation on Indebtedness and Preferred Stock” and (b) incurred a Lien to secure such Indebtedness pursuant to the covenant described under the caption “—Limitation on Liens,” in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;
- (2) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Lease back Transaction; and
- (3) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and either of the Parent Guarantors or the Issuer applies, to the extent required, the proceeds of such transaction in compliance with, the covenant described under the caption “—Limitation on Asset Sales.”

Limitation on Asset Sales

The Issuer and the Parent Guarantors will not, and the Parent Guarantors will not permit any Restricted Subsidiary to, consummate any Asset Sale, unless:

- (1) no Default will have occurred and be continuing or would occur as a result of such Asset Sale;
- (2) the consideration received by the applicable Parent Guarantor or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;
- (3) in the case of an Asset Sale that constitutes an Asset Disposition, the Restricted Group could Incur, at the time of and after giving *pro forma* effect to such Asset Disposition, at least US\$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant described under the caption “—Limitation on Indebtedness and Preferred Stock”; and
- (4) at least 75% of the consideration received consists of cash, Temporary Cash Investment or Replacement Assets (as defined below); *provided* that in the case of an Asset Sale in which the applicable Parent Guarantor or such Restricted Subsidiary receives Replacement Assets and/or Capital Stock involving aggregate consideration in excess of US\$5.0 million (or the Dollar Equivalent thereof), CBI shall deliver to the Trustee an opinion of fairness to such Parent Guarantor or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized international standing. For purposes of this provision, each of the following will be deemed to be cash:
 - (a) any liabilities, as shown on CBI’s most recent consolidated balance sheet, of the applicable Parent Guarantor or any Restricted Subsidiary (other than liabilities that are contingent or by their terms subordinated to the Notes or any Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that irrevocably and unconditionally releases such Parent Guarantor or such Restricted Subsidiary, as the case may be, from further liability; and
 - (b) any securities, notes or other obligations received by the applicable Parent Guarantor or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by such Parent Guarantor or such Restricted Subsidiary, as the case may be, into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the applicable Parent Guarantor (or the applicable Restricted Subsidiary, as the case may be) will apply such Net Cash Proceeds to:

- (1) permanently repay any unsubordinated Indebtedness of a Guarantor (and, if such Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than either of the Parent Guarantors or a Restricted Subsidiary;
- (2) acquire properties or assets other than current assets that will be used in the Permitted Businesses (“*Replacement Assets*”); or
- (3) acquire all or substantially all of the assets of, or any Capital Stock of, any entity involved in the Permitted Business, if, after giving effect to any such acquisition of Capital Stock, such entity involved in the Permitted Business is or becomes a Restricted Subsidiary.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in the immediately preceding paragraph will constitute “*Excess Proceeds*.” Excess Proceeds of less than US\$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds exceed US\$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, either of the Parent Guarantors or the Issuer must make an Offer to Purchase Notes having a principal amount equal to:

- (1) accumulated Excess Proceeds, multiplied by
- (2) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all *pari passu* Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US\$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to (but not including) the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, such remaining Excess Proceeds may be used for any general corporate purpose not prohibited by the Indenture. If the aggregate principal amount of Notes (and any other *pari passu* Indebtedness) tendered in such Offer to Purchase exceeds the amount of Excess Proceeds, the Trustee may (but shall not be obliged to) in its sole and absolute discretion select the Notes (and such other *pari passu* Indebtedness) to be purchased on a pro rata basis. The Trustee shall not be liable for such selection and such selection will be conclusive and binding on the Holders and the Issuer. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

Pending application of any Net Cash Proceeds from any Asset Sale in the manner described in this covenant “Limitation on Asset Sales,” the applicable Parent Guarantor (or the applicable Restricted Subsidiary, as the case may be) may invest the portion of such Net Cash Proceeds not yet so applied in Temporary Cash Investments with a maturity of 30 days or less; *provided* that such investment of the Net Cash Proceeds in Temporary Cash Investments shall not extend the time periods for application of the Net Cash Proceeds prescribed by this covenant.

Notwithstanding the provisions of this covenant “Limitation on Asset Sales,” the Issuer and the Parent Guarantors will not, and will not permit SPIPL to, sell or otherwise transfer any of the Intercompany Loans or Capital Securities.

Limitation on the Parent Guarantor's Business Activities

The Parent Guarantors will not, and will not permit any Restricted Subsidiary to, directly or indirectly, engage in any business other than Permitted Businesses; *provided, however*, that either of the Parent Guarantors or any Restricted Subsidiary (other than SPIPL) may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than a Permitted Business as long as any Investment therein was not prohibited when made by the covenant under the caption “—Limitation on Restricted Payments.”

Limitation on the Activities of the Issuer

Notwithstanding anything contained in the Indenture to the contrary, the Issuer will not engage in any business activity or undertake any other activity, except any activity (a) relating to the offering, sale or issuance of the Notes (including Additional Notes) and the incurrence of Indebtedness represented by the Notes or any Additional Notes issued under the Indenture, (b) relating to the Incurrence of other Indebtedness permitted by the Indenture (and in connection with which the Issuer transfers the proceeds thereof as provided in the following clause (c)), (c) relating to the transfer of the proceeds of debt issuances under clause (a) or (b) to SPIPL, whether as a contribution as share premium on new or existing shares in the capital of SPIPL, through a subscription of Capital Securities or otherwise, (d) undertaken with the purpose of fulfilling any obligations under the Indebtedness referred to in clauses (a) and (b) or the Indenture, the Security Documents or any future indenture, credit agreement or similar agreement related to such Indebtedness or for purposes of a consent solicitation or tender for such Indebtedness or refinancing of such Indebtedness or (e) directly related to the establishment and/or maintenance of the corporate existence of the Issuer or SPIPL.

The Issuer will not (a) issue any Capital Stock other than the issuance of its ordinary shares to SSMS or (b) acquire or receive any property or assets (including any Capital Stock or Indebtedness of any Person), other than (x) the Capital Stock, Capital Securities or Indebtedness of SPIPL, and (y) cash for ongoing activities of the Issuer described in the preceding paragraph.

The Issuer will at all times remain a Wholly-Owned Restricted Subsidiary of SSMS.

In the event that the Issuer is the obligor on Indebtedness owed to SPIPL, such Indebtedness must be unsecured and expressly subordinated in right of payment to the Notes.

Whenever the Issuer receives a dividend or distribution on the Capital Stock or Capital Securities of SPIPL, it shall use all or substantially all of the funds received solely to satisfy its obligations (to the extent of the amount owing in respect of such obligations) described in (a) and (b) of the first paragraph of this covenant.

For so long as any Notes are outstanding, none of the Issuer, SPIPL or the Parent Guarantors will commence or take any action to cause a winding-up or liquidation of the Issuer or SPIPL except that the Issuer may be wound up or liquidated subsequent to a merger, consolidation or transfer of assets conducted in accordance with the first paragraph of the covenant described under the caption “—Consolidation, Merger and Sale of Assets.”

Amendments to or Prepayments/Redemption of the Intercompany Loans or the Capital Securities

Without the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding, the Issuer and the Parent Guarantors will not, and the Parent Guarantors will not permit any Restricted Subsidiary to, (i) prepay or otherwise reduce or permit the prepayment or reduction of any of the Intercompany Loans or (ii) amend, modify or alter any of the Intercompany

Loans in any manner adverse to the Holders; *provided* that, without the consent of all Holders of the Notes, the Issuer and the Parent Guarantors will not, and the Parent Guarantors will not permit any Restricted Subsidiary to, amend, modify or alter any of the Intercompany Loans to:

- (1) change the Stated Maturity of such Intercompany Loan;
- (2) change the currency for payment of principal or interest on such Intercompany Loan; or
- (3) reduce the above-stated percentage of Notes the consent of whose holders is necessary to modify or amend such Intercompany Loan.

Without the consent of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding, the Issuer and the Parent Guarantors will not, and the Parent Guarantors will not permit any Restricted Subsidiary to, (i) redeem or purchase or otherwise reduce or permit the redemption, purchase or reduction of the Capital Securities or (ii) amend, modify or alter the terms of the Capital Securities in any manner adverse to the Holders; *provided* that, without the consent of all Holders of the Notes, the Issuer and the Parent Guarantors will not, and the Parent Guarantors will not permit any Restricted Subsidiary to, amend, modify or alter the terms of the Capital Securities to:

- (1) change the currency for payment of principal or distribution on such Capital Securities; or
- (2) reduce the above-stated percentage of Notes the consent of whose holders is necessary to modify or amend the terms of such Capital Securities.

Notwithstanding the foregoing, without the consent of any Holder of Notes, the Intercompany Loans and/or terms of the Capital Securities may be amended, waived or modified solely (x) to provide for the issuance of Additional Notes or to facilitate or otherwise accommodate or reflect a redemption, repurchase, exchange or refinancing of outstanding Notes in accordance with the terms of the Indenture or through any tender offer, exchange offer or open market purchases and, in each case, cancellation of the Notes, (y) to reduce any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Issuer or SSMS is organized or resident for tax purposes; *provided* that in the case of clause (y), prior to such amendment, the Issuer or SSMS will deliver to the Trustee an Opinion of Counsel or an opinion of a tax consultant of recognized standing that such amendment to the Intercompany Loans and/or to the terms of the Capital Securities, as the case may be, will reduce such withholding or deduction or (z) to conform to an amendment, waiver or modification of the Indenture, the Notes or the Security Documents or to reflect a consolidation, merger or sale of assets permitted by the covenant described under the caption “—Consolidation, Merger and Sale of Assets.”

The Issuer and the Parent Guarantors will not, and will not permit SPIPL to, sell or otherwise transfer any of the Intercompany Loans or the Capital Securities or to directly or indirectly, incur, assume or permit to exist any Lien on any of the Intercompany Loans or the Capital Securities (other than as set forth under Permitted Liens).

Maintenance of Insurance

The Parent Guarantors will, and the Parent Guarantors will cause each Restricted Subsidiary, to maintain insurance with reputable and financially sound carriers against such risks and in such amounts as is customarily carried by similarly situated businesses in the jurisdictions in which either of the Parent Guarantors or such Restricted Subsidiary conducts its businesses, including, without limitation, property and casualty insurance.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of CBI may designate any Restricted Subsidiary (other than the Issuer or SPIPL) to be an Unrestricted Subsidiary; *provided* that (i) no Default shall have occurred and be continuing at the time of or giving effect to such designation; (ii) such Restricted Subsidiary does not own any Disqualified Stock of either of the Parent Guarantors or Disqualified or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, either of the Parent Guarantors or any Restricted Subsidiary, (iii) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of either of the Parent Guarantors or any other Restricted Subsidiary; (iv) none of the Parent Guarantors and Restricted Subsidiaries guarantees or provides credit support for the Indebtedness or other liabilities of such Restricted Subsidiary; (v) such Restricted Subsidiary does not own any Capital Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated to be Unrestricted Subsidiaries in accordance with this paragraph; (vi) the Investment deemed to have been made thereby in such newly-designated Unrestricted Subsidiary and each other newly-designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under “—Limitation on Restricted Payments;” and (vii) such Unrestricted Subsidiary does not own or operate or possess any material license, franchise or right used in connection with the ownership or operation of any part of the Parent Guarantors’ or the Restricted Subsidiaries’ business, the loss of which by such Subsidiary will not, after giving *pro forma* effect thereto, materially adversely affect the business, results of operations or prospects of the Parent Guarantors and the Restricted Subsidiaries.

The Board of Directors of CBI may designate any Unrestricted Subsidiary to be a Restricted Subsidiary; *provided* that (i) no Default shall have occurred and be continuing at the time of or giving effect to such designation; (ii) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption “—Limitation on Indebtedness and Preferred Stock;” (iii) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be incurred by the covenant described under the caption “—Limitation on Liens;” (iv) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (v) such Restricted Subsidiary will upon such designation execute and deliver (at the Issuer’s expense) to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary will become a Subsidiary Guarantor.

SPIPL will at all times remain a Wholly-Owned Subsidiary of the Issuer and a Restricted Subsidiary.

Use of Proceeds

The Issuer will use the net proceeds received from the Notes as set forth in this Offering Memorandum. Pending application of all such net proceeds in such manner, the Issuer may invest the portion of such net proceeds not yet so applied to Temporary Cash Investments.

Government Approvals and Licenses; Compliance with Law

The Issuer and the Parent Guarantors will, and the Parent Guarantors will cause each Restricted Subsidiary to, (1) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Businesses; (2) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Permitted Liens; and (3) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a material

adverse effect on (a) the business, results of operations or prospects of the Parent Guarantors and the Restricted Subsidiaries taken as a whole or (b) the ability of the Issuer, either of the Parent Guarantors or any Subsidiary Guarantor to perform its obligations under the Notes, the relevant Guarantee, the Indenture and/or the relevant Security Documents.

Anti-Layering

The Issuer and the Parent Guarantors will not, and the Parent Guarantors will not permit any Subsidiary Guarantor to, Incur any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Issuer, either of the Parent Guarantors or such Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the relevant Guarantee, on substantially the same terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or guarantees securing or in favor of some but not all of such Indebtedness.

Provision of Financial Statements and Reports

- (a) So long as any of the Notes remain outstanding, CBI will file with the Trustee and furnish to the Holders:
- (1) as soon as they are available, but in any event within 120 calendar days after the end of the fiscal year of CBI, copies of its financial statements (on a consolidated basis and in the English language) in respect of such financial year (including a statement of income, balance sheet and cash flow statement) prepared in accordance with Indonesian GAAP and audited by a member firm of an internationally recognized firm of independent accountants;
 - (2) as soon as they are available, but in any event within 60 calendar days after the end of each of the first, second and third fiscal quarters of CBI, copies of its unaudited financial statements (on a consolidated basis and in the English language) including a statement of income, balance sheet and cash flow statement, prepared on a basis consistent with CBI's audited financial statements together with a certificate signed by the person then authorized to sign financial statements on behalf of CBI to the effect that such financial statements are true in all material respects and present fairly the financial position of CBI as at the end of, and the results of its operations for, the relevant quarterly period; and
 - (3) promptly after the occurrence of (i) any Material Acquisition or Disposition or restructuring, (ii) any senior executive officer changes at CBI or SSMS or change in auditors of CBI or SSMS or (iii) any other material event not in the ordinary course of business, solely with respect to this sub-clause (iii), that either of the Parent Guarantors or the Issuer announces publicly, a report containing a description of such event and, in the event of the occurrence of any Material Acquisition or Disposition, within 75 days following the occurrence of such Material Acquisition or Disposition, unaudited *pro forma* consolidated income statement information and balance sheet information of CBI in the English language (which, for the avoidance of doubt, shall not include the provision of a full income statement or balance sheet to the extent not reasonably available), together with explanatory footnotes, for any such Material Acquisition or Disposition.
- (b) In addition, so long as any of the Notes remain outstanding, CBI will provide to the Trustee (1) within 120 days after the end of each fiscal year and within 14 days of request made by the Trustee, an Officers' Certificate of CBI stating the Fixed Charge Coverage Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculation of the Fixed Charge Coverage Ratio, including the arithmetic computations of each component of the Fixed Charge Coverage Ratio, with a certificate from CBI's external auditors verifying the accuracy and correctness of the calculation and arithmetic computation and (2) as soon as possible and in any event within 10 days after either of the Parent Guarantors or the Issuer becomes aware or

should reasonably become aware of the occurrence of a Default (and also within 14 days after any request made by the Trustee), an Officers' Certificate of CBI setting forth the details of the Default, and the action which either of the Parent Guarantors and/or the Issuer proposes to take with respect thereto.

Events of Default

The following events will be defined as "*Events of Default*" in the Indenture with respect to the Notes:

- (a) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;
- (b) default in the payment of interest or Additional Amounts on any Note when the same becomes due and payable, and such default continues for a period of 30 days;
- (c) (x) default in the performance or breaches of the provisions of the covenants described under "—Consolidation, Merger and Sale of Assets;" "—Certain Covenants - Limitation on Indebtedness and Preferred Stock;" "—Certain Covenants - Limitation on Restricted Payments" or "—Certain Covenants - Limitation on Liens;" (y) failure to make or consummate an Offer to Purchase in the manner described under the captions "—Repurchase of Notes Upon a Change of Control;" or "—Certain Covenants - Limitation on Asset Sales;" or (z) failure to create a first priority Lien on the Collateral (subject to any Permitted Liens and the Intercreditor Agreement) in accordance with the provisions described under "—Security;"
- (d) either of the Parent Guarantors or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (a), (b) or (c) above) and such default or breach continues for a period of 30 consecutive days after written notice by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes;
- (e) there occurs with respect to any Indebtedness of either of the Parent Guarantors or any Restricted Subsidiary having an outstanding principal amount of US\$5.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or will hereafter be created, (A) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity or (B) the failure to make a principal payment of or interest or premium (subject to the applicable grace period in the relevant documents) on, or any other amounts in respect of, such Indebtedness when the same becomes due and payable;
- (f) one or more final judgments or orders for the payment of money are rendered against either of the Parent Guarantors or any of its Restricted Subsidiaries and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US\$5.0 million (or the Dollar Equivalent thereof) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;
- (g) an involuntary case or other proceeding is commenced against either of the Parent Guarantors or any Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of either of the Parent Guarantors or any Restricted Subsidiary or for any substantial part of the property and assets of either of the Parent Guarantors or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against either of the Parent Guarantors or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

- (h) either of the Parent Guarantors or any Restricted Subsidiary (A) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (B) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of either of the Parent Guarantors or any Restricted Subsidiary or for all or substantially all of the property and assets of either of the Parent Guarantors or any Restricted Subsidiary or (C) effects any general assignment for the benefit of creditors;
- (i) any Guarantor denies or disaffirms its obligations under its Guarantee or, except as permitted by the Indenture, any Guarantee is determined in any judicial proceeding to be unenforceable or invalid or will for any reason cease to be in full force and effect;
- (j) revocation, termination, suspension or other cessation of effectiveness of any license, consent, approval, permit or other authorization, which results in the cessation or suspension of the operations of either of the Parent Guarantors for a period of more than 30 consecutive days;
- (k) the entire issued share capital of the Issuer ceases to be wholly owned, directly or indirectly, by SSMS or the entire issued share capital of SPIPL ceases to be wholly owned, directly or indirectly, by the Issuer;
- (l) any default by the Issuer, SSMS or SPIPL in the performance of any of its obligations under the Security Documents that adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or that adversely affects the condition or value of the Collateral, taken as a whole, in any material respect;
- (m) (A) the Issuer, SSMS or SPIPL denies or disaffirms in writing its obligations under any Security Document or (B) other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Collateral Agent ceases to have a first-priority Lien over the Collateral (subject to any Permitted Liens and the Intercreditor Agreement);
- (n) it becomes unlawful for the Issuer or any Guarantor to perform or comply with any of its obligations under or in respect of the Indenture, the Notes or any Guarantee in any material respect;
- (o) a moratorium is agreed or declared in respect of any Indebtedness of the Issuer or any Guarantor or any governmental authority shall take any action to condemn, seize, nationalize or appropriate all or a substantial part of the assets of the Issuer or any Guarantor or all or a substantial part of the Capital Stock of the Issuer or any Guarantor, the Notes or any Guarantee, or the Issuer or any Guarantor shall be prevented from exercising normal control over all or a substantial part of its property; or
- (p) the capital and/or currency exchange controls in place in the Republic of Indonesia on the Original Issue Date shall be modified or amended in a manner that prevents the Issuer or any Guarantor from performing its payment obligations under the Indenture, the Notes or any Guarantee.

If an Event of Default (other than an Event of Default specified in clause (g), (h) or (i) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes, then outstanding, by written notice to the Issuer (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders will, (subject to being indemnified and/or secured and/or pre-funded to its satisfaction) declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest will be immediately due and payable. If an Event of Default specified in clause (g), (h) or (i) above

occurs with respect to either of the Parent Guarantors or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding will automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Issuer and to the Trustee, may on behalf of all of the Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences with respect to the Notes if:

- (x) all existing Events of Default, other than the non-payment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived, and
- (y) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes, the Indenture or the Security Documents. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding. In addition, if an Event of Default occurs and is continuing, the Trustee may, and shall upon written direction of the Holders of at least 25% in aggregate principal amount of outstanding Notes (subject to being indemnified and/or secured and/or pre-funded to its satisfaction), (i) give the Collateral Agent a written notice of the occurrence of such continuing Event of Default and (ii) instruct, subject to the provisions of the Intercreditor Agreement, the Collateral Agent in accordance with the terms of the Indenture and the Security Documents to foreclose on the Collateral in accordance with the terms of the Indenture and the Security Documents and take such further action on behalf of the Holders with respect to the Collateral as the Trustee deems appropriate. See “—Security.”

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee with respect to the Notes or exercising any trust or power conferred on the Trustee, subject to the Intercreditor Agreement, if applicable. However, the Trustee and the Collateral Agent may refuse to follow any direction that conflicts with law, the Indenture or the Security Documents that may involve the Trustee or the Collateral Agent, as the case may be, in personal liability or cause it to expend or risk its own funds or otherwise incur any financial liability in following such direction, or that the Trustee determines in good faith may be unduly prejudicial to the rights of Holders not joining in the giving of such direction and may take any other action it deems proper that is not inconsistent with any such direction received from Holders.

Notwithstanding anything to the contrary in the Indenture, the Deed of Guarantee or any other document relating to the Notes, the Security Documents and the Intercreditor Agreement, in the event the Trustee shall receive instructions from two or more groups of Holders, each holding at least 25% in aggregate principal amount of the then outstanding Notes, and the Trustee believes (in its sole discretion and subject to such legal or other advice as it may deem appropriate) that such instructions are conflicting, the Trustee may, in its sole discretion, exercise any one or more of the following options:

- (i) refrain from acting on any such conflicting instructions;

- (ii) take the action requested by the Holders of the highest percentage of the aggregate principal amount of the then outstanding Notes, notwithstanding any other provisions of the Indenture (and always subject to such indemnity, security and/or prefunding as is satisfactory to the Trustee); and
- (iii) petition a court of competent jurisdiction for further instructions.

In all such instances where the Trustee has acted or refrained from acting as outlined above, the Trustee shall not be responsible or liable for any losses or liability of any nature whatsoever to any party.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any Holders unless such Holders have instructed the Trustee in writing and have offered to the Trustee security and/or indemnity (including by way of pre-funding) to its satisfaction (which, in the case of a direction to enforce the Deed of Guarantee, or any other document governed under the laws of the Republic of Indonesia against the Guarantors or any other Person, shall be subject to the provisions of the Indenture) against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no Holder may pursue any remedy under the Indenture or the Notes, unless:

- (1) the Holder has previously given the Trustee written notice of a continuing Event of Default;
- (2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;
- (3) such Holder or Holders offer the Trustee security and/or indemnity and/or pre-funding satisfactory to the Trustee against any loss, fee, costs, liability or expense to be incurred in compliance with such written request;
- (4) the Trustee does not comply with the request within 60 days after receipt of the written request and the offer of indemnity and/or security and/or pre-funding satisfactory to the Trustee; and
- (5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder of a Note to receive payment of the principal of, premium, if any, or interest, and Additional Amounts, if any, on, such Note or any payment under any Guarantee or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right will not be impaired or affected without the consent of the Holder.

Officers of CBI must certify to the Trustee, on or before a date not more than 120 days after the end of each fiscal year, that a review has been conducted of the activities of the Parent Guarantors and the Restricted Subsidiaries and the Parent Guarantors' and the Restricted Subsidiaries' performance under the Indenture and the Notes and that each of the Parent Guarantors and each Restricted Subsidiary have fulfilled all of their respective obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. CBI and/or the Issuer will also be obligated to notify the Trustee of any default or defaults in the performance of any covenants or agreements under the Indenture. See "—Provision of Financial Statements and Reports."

Consolidation, Merger and Sale of Assets

The Issuer will not consolidate with, merge with or into, another Person (other than SSMS), permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to any Person (other than SSMS); *provided* that, in the event the Issuer so consolidates with, merges with or into, SSMS or sells, conveys, transfers, leases or otherwise disposes of all or substantially all of its properties and assets to SSMS, SSMS immediately after such transaction, will (a) assume, by way of a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Issuer under the Indenture and the Notes, which shall remain in full force and effect (other than the covenant described under the caption “— Limitation on the Activities of the Issuer”) and (b) deliver to the Trustee an Officer’s Certificate of SSMS and an Opinion of Counsel, in each case stating that such transaction and such supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with.

Neither of the Parent Guarantors will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries’ properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

- (1) such Parent Guarantor will be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the “*Surviving Person*”) will be a corporation organized and validly existing under the laws of Indonesia and will expressly assume, by way of a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Parent Guarantor under the Indenture and the Notes, as the case may be, and the Indenture and the Notes, as the case may be, will remain in full force and effect;
- (2) immediately after giving effect to such transaction, no Default will have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Restricted Group or the Surviving Person, as the case may be, shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Restricted Group immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis, the Restricted Group or the Surviving Person, as the case may be, could Incur at least US\$1.00 of Indebtedness under the proviso in clause (a) of the covenant under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (5) CBI delivers to the Trustee (x) an Officers’ Certificate of CBI (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with and that the relevant supplemental indenture is enforceable. The Trustee shall be entitled to conclusively rely on such certificate and shall have no responsibility to verify the arithmetic computations;
- (6) each Subsidiary Guarantor shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of such Parent Guarantor or the Surviving Person, as the case may be, in accordance with the Notes and the Indenture; and
- (7) no Rating Decline will have occurred.

No Subsidiary Guarantor will consolidate with, merge with or into another Person, permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than either of the Parent Guarantors or another Subsidiary Guarantor), unless:

- (1) such Subsidiary Guarantor will be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets will be either of the Parent Guarantors or another Subsidiary Guarantor or will become a Subsidiary Guarantor concurrently with the transaction;
- (2) immediately after giving effect to such transaction, no Default will have occurred and be continuing;
- (3) immediately after giving effect to such transaction on a *pro forma* basis, the Restricted Group shall have a Consolidated Net Worth equal to or greater than the Consolidated Net Worth of the Restricted Group immediately prior to such transaction;
- (4) immediately after giving effect to such transaction on a *pro forma* basis, the Restricted Group could incur at least US\$1.00 of Indebtedness under the proviso in clause (a) of the covenant under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (5) CBI delivers to the Trustee (x) an Officers' Certificate of CBI (attaching the arithmetic computations to demonstrate compliance with clauses (3) and (4) of this paragraph) and (y) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with and that the relevant supplemental indenture to the Indenture is enforceable;
- (6) each Subsidiary Guarantor shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of the Issuer or the Surviving Person, as the case may be, in accordance with the Notes and the Indenture; and
- (7) no Rating Decline will have occurred;

provided that this paragraph will not apply to (a) any sale or other disposition that complies with the “— Certain Covenants — Limitation on Asset Sales” covenant or any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under “— The Subsidiary Guarantees — Release of the Subsidiary Guarantees” and (b) a consolidation or merger of any Subsidiary Guarantor with and into either of the Parent Guarantors or any other Subsidiary Guarantor, so long as such Parent Guarantor or such Subsidiary Guarantor survives such consolidation or merger.

Although there is a limited body of case law interpreting the phrase “substantially all,” there is no precise established definition of the phrase under applicable law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve “all or substantially all” of the property or assets of a Person.

The foregoing provisions would not necessarily afford Holders protection in the event of highly-leveraged or other transactions involving the Issuer that may adversely affect Holders.

No Payments for Consents

The Parent Guarantors will not, and the Parent Guarantors will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the

terms or provisions of the Indenture, the Notes, any Guarantee or the Security Documents, unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, the Parent Guarantors or any of their respective Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude Holders in any jurisdiction where (A) the solicitation of such consent, waiver or amendment in the manner deemed appropriate by the Parent Guarantors and the Issuer and the payment of consideration therefor would require either of the Parent Guarantors or the Issuer to (i) file a registration statement, prospectus or similar document or subject either of the Parent Guarantors or the Issuer to ongoing periodic reporting or similar requirements under any securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), (ii) qualify as a foreign corporation or other entity or as a dealer in securities in such jurisdiction if it is not otherwise required to so qualify, (iii) generally consent to service of process in any such jurisdiction or (iv) subject either of the Parent Guarantors or the Issuer to taxation in any such jurisdiction if it is not otherwise so subject; or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below and payments of all amounts due to the Trustee, and the provisions of the Indenture will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

- (A) the Issuer has (1) deposited with the Trustee, in trust, cash in U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (2) delivered to the Trustee a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Issuer is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payment in accordance with the terms of the Indenture and the Notes and an Opinion of Counsel to the effect that the Holders have a valid, perfected, exclusive security in such trust;
- (B) the Issuer has delivered to the Trustee an Opinion of Counsel of recognized international standing to the effect that the creation of the defeasance trust does not violate the U.S. Investment Issuer Act of 1940, as amended, and after the passage of 183 days following the deposit, the trust fund will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;
- (C) the Issuer shall have delivered to the Trustee an Officers' Certificate of the Issuer stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others; and

- (D) immediately after giving effect to such deposit on a *pro forma* basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, will have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance will not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which either of the Parent Guarantors or any of the Restricted Subsidiaries is a party or by which either of the Parent Guarantors or any of the Restricted Subsidiaries is bound.

In the case of either discharge or defeasance of the Notes, the Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture applicable to the Notes will no longer be in effect with respect to clauses (3) and (4) under the second paragraph and third paragraph under “—Consolidation, Merger and Sale of Assets” and all the covenants described herein under “—Certain Covenants” other than as described “—Certain Covenants—Anti-Layering,” clause (c) under “—Events of Default” with respect to such clauses (3) and (4) under the second paragraph and third paragraph under “—Consolidation, Merger and Sale of Assets” and with respect to the other events set forth in such clause, clause (d) under “—Events of Default” with respect to such other covenants and clauses (e) and (f) under “—Events of Default” will be deemed not to be Events of Default upon, among other things, the deposit with the Trustee, in trust, of U.S. dollars, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, Additional Amounts, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (B) and (C) of the preceding paragraph and the delivery by the Issuer to the Trustee of an Opinion of Counsel of recognized international standing with respect to U.S. federal income tax matters to the effect that the beneficial owners of the Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amount and in the same manner and at the same time as would have been the case if such deposit and defeasance had not occurred.

Defeasance and Certain Other Events of Default

If in the event (i) the Issuer exercises its option to omit compliance with certain covenants and provisions of the Indenture as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable and (ii) the amount of U.S. dollars and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default, the obligations of the Issuer under the Indenture will be revived and no such defeasance will be deemed to have occurred.

Amendments and Waivers

Amendments Without Consent of Holders

The Indenture, the Notes, the Guarantees, the Security Documents and the Intercreditor Agreement may be amended, without the consent of any Holder of Notes, to:

- (1) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes, the Guarantees, the Security Documents or the Intercreditor Agreement;
- (2) comply with the provisions described under “—Consolidation, Merger and Sale of Assets;”

- (3) evidence and provide for the acceptance of appointment by a successor Trustee or Collateral Agent;
- (4) release any Guarantor from any Guarantee as provided or permitted by the terms of the Indenture or add any Guarantor or any Guarantee;
- (5) add additional collateral to secure the Notes or the Guarantees;
- (6) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;
- (7) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;
- (8) effect any changes to the Indenture in a manner necessary to comply with the procedures of Euroclear or Clearstream or any applicable securities depository or clearing system;
- (9) conform the text of the Indenture, the Notes, the Guarantees, the Security Documents or the Intercreditor Agreement to any provision of this “Description of the Notes” to the extent that such provision in this “Description of the Notes” was intended to be a verbatim recitation of a provision of the Indenture, the Notes, the Guarantees, the Security Documents and the Intercreditor Agreement;
- (10) permit Permitted Pari Passu Secured Indebtedness in accordance with the terms of the Indenture (including permitting the Trustee to enter into the Intercreditor Agreement or any amendments to the Security Documents relating to the Pari Passu Collateral or the Indenture, the appointment of any collateral agent under any Intercreditor Agreement to hold the Pari Passu Collateral on behalf of the Holders and the holders of Permitted Pari Passu Secured Indebtedness and taking any other action necessary to permit the creation and registration of Liens on the Pari Passu Collateral to secure Permitted Pari Passu Secured Indebtedness, in accordance with the Indenture); or
- (11) make any other change that does not materially and adversely affect the rights of any Holder of Notes.

Amendments With Consent of Holders

Except as provided below, amendments of the Indenture, the Notes, the Guarantees, the Security Documents and the Intercreditor Agreement may be made by the Issuer, the Guarantors, the Trustee and the Collateral Agent with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Issuer or the Guarantors with any provision of the Indenture, the Notes, the Guarantees, the Security Documents or the Intercreditor Agreement; *provided, however*, that no such modification, amendment or waiver may, without the consent of each Holder:

- (1) change the Stated Maturity of the principal of, or any instalment of interest on, any Note;
- (2) reduce the principal amount of, or premium, if any, or interest on, any Note;
- (3) change the currency, time or place of payment of principal of, or premium, if any, or interest on, any Note;

- (4) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note or any Guarantee;
- (5) reduce the above stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture, the Notes, the Guarantees, the Security Documents and the Intercreditor Agreement;
- (6) waive a default in the payment of principal of, premium, if any, or interest on the Notes;
- (7) release any Guarantor from its Guarantee, except as provided in the Indenture;
- (8) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture, the Notes, the Guarantees, the Security Documents or the Intercreditor Agreement or for waiver of certain defaults;
- (9) amend, change or modify any Guarantee in a manner that adversely affects the Holders;
- (10) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds or other proceeds from any Asset Sale;
- (11) change the redemption date or the redemption price of the Notes from that stated under the captions “—Optional Redemption” or “—Redemption for Taxation Reasons;”
- (12) amend, change or modify the obligation of the Issuer or any Guarantor to pay Additional Amounts;
- (13) release any Collateral, except as provided in the Indenture, the Intercreditor Agreement and the Security Documents;
- (14) amend, change or modify any provision of any Security Document, the Intercreditor Agreement or the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in accordance with the other provisions of the Indenture, such Security Document or the Intercreditor Agreement; or
- (15) amend, change or modify any provision of the Indenture or the related definition affecting the ranking of the Notes or any Subsidiary Guarantee in a manner which adversely affects the Holders.

The consent of the Holders is not necessary to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment. After an amendment becomes effective, the Issuer is required to mail to each Holder at such Holder’s address appearing in the Register a notice briefly describing such amendment. However, the failure to give such notice to all Holders, or any defect therein, will not impair or affect the validity of the amendment.

Unclaimed Money

Claims against the Issuer for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required in the Indenture within a period of six years.

No Personal Liability of Incorporators, Shareholders, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Issuer or any of the Guarantors in the Indenture, or in any of the Notes or the Guarantees or because of the creation of any Indebtedness represented thereby, will be had against any incorporator, shareholder, officer, commissioner, director, employee or controlling person of the Issuer or any of the Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Guarantees. Such waiver may not be effective to waive liabilities under the applicable securities laws.

Concerning the Trustee, the Collateral Agent and the Agents

The Bank of New York Mellon, London Branch is to be appointed as Trustee under the Indenture, and also as principal paying agent (the “*Principal Paying Agent*”) with regard to the Notes. The Bank of New York Mellon, Singapore Branch is to be appointed as collateral agent (the “*Collateral Agent*”) with regard to the Collateral under the Security Documents. The Bank of New York Mellon SA/NV, Luxembourg Branch is to be appointed registrar (the “*Registrar*”) and transfer agent (the “*Transfer Agent*”) with regard to the Notes. Except during the continuance of a Default, the Trustee will not be liable for any other duties, except for the performance of such duties as are specifically set forth in the Indenture. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture as a prudent person would exercise under the circumstances in the conduct of such person’s own affairs.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Issuer or any of the Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee is permitted to engage in other transactions with the Issuer and its Affiliates; *provided, however*, that if it acquires any conflicting interest, it must eliminate such conflict or resign.

Notwithstanding anything to the contrary herein and except as specifically set forth in the Indenture, whenever the Trustee is required or entitled by the terms of the Indenture to exercise any discretion or power, take any action of any nature, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to solicit Holders for direction, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or the non-exercise of such discretion or power, or not taking any such action or making any such decision or giving any such direction or certification in the absence of any such directions from Holders. In any event, and as provided elsewhere herein, even where the Trustee has been directed by the Holders, the Trustee shall not be required to exercise any such discretion, power or take any such action as aforesaid unless it has been indemnified and/or secured and/or prefunded to its satisfaction.

The Trustee will be under no obligation to exercise any rights or powers conferred under the Indenture for the benefit of the Holders at the written request or direction of any Holders unless such Holders have offered to the Trustee indemnity and/or security satisfactory to the Trustee against any loss, liability or expense that might be incurred by it in compliance with such request or direction. With respect to a request or direction from Holders to enforce the Deed of Guarantee, or any other document governed under the laws of the Republic of Indonesia against the Guarantors or any other Person, security and indemnity shall include, without limitation (and without limiting the Trustee’s ability to accept other forms of security and/or indemnity), prefunding by the requesting Holders of an account in the name of the Trustee in such amounts as the Trustee determines in its sole discretion. The

foregoing prefunding requirements shall be in addition, and subject in all respects, to any other requirements of the Trustee regarding the indemnity and security to be provided to it in connection with any such enforcement request, including requirements regarding the creditworthiness of the requesting Holders.

In the exercise of its duties, the Trustee shall not be responsible for the verification of the accuracy or completeness of any certification, opinion or other documents submitted to it by the Issuer and is entitled to rely conclusively on the information contained therein. Notwithstanding anything described herein, the Trustee has no duty to monitor the performance or compliance of the Parent Guarantor, the Issuer or any other Restricted Subsidiary in the fulfillment of their respective obligations under the Indenture, the Security Documents, the Guarantees and the Notes.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, if definitive Notes are issued in exchange for Global Notes. The Issuer will announce through the SGX-ST any issue of definitive Notes in exchange for Global Notes, including in the announcement all material information on the delivery of the definitive Notes and details of the paying agent in Singapore.

The Registrar will maintain a register reflecting ownership of the Notes outstanding from time to time and will make payments on and facilitate transfer of the Notes on behalf of the Issuer.

The Issuer may change the Principal Paying Agent, the Registrar or the Transfer Agent without prior notice to the Holders, but only if the Issuer pays Additional Amounts, as defined below, with respect to taxes that may result from such change.

Book-Entry; Delivery and Form

The Notes will be represented by a global note in registered form without interest coupons attached (the “*Global Note*”). On the Original Issue Date, the Global Note will be deposited with a common depositary and registered in the name of the common depositary or its nominee for the accounts of Euroclear and Clearstream.

Global Note

Ownership of beneficial interests in the Global Note (the “*book-entry interests*”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that may hold interests through such participants. Book-entry interests will be shown on, and transfers thereof will be effected only through, records maintained in book-entry form by Euroclear and Clearstream and their participants.

Except as set forth below under “— Individual Definitive Notes,” the book-entry interests will not be held in definitive form. Instead, Euroclear and/or Clearstream will credit on their respective book-entry registration and transfer systems a participant’s account with the interest beneficially owned by such participant. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of such securities in definitive form. The foregoing limitations may impair the ability to own, transfer or pledge book-entry interests.

So long as the Notes are held in global form, the common depositary for Euroclear and/or Clearstream (or its nominee) will be considered the sole holder of the Global Note for all purposes under the Indenture and “holders” of book-entry interests will not be considered the owners or “Holders” of the Notes for any purpose. As such, participants must rely on the procedures of Euroclear and Clearstream and indirect participants must rely on the procedures of the participants through which they own book-entry interests in order to transfer their interests in the Notes or to exercise any rights of Holders under the Indenture.

None of the Issuer, the Trustee or any of their respective agents will have any responsibility or be liable for any aspect of the records relating to the book-entry interests. The Notes are not issuable in bearer form.

Payments on the Global Note

Payments of any amounts owing in respect of the Global Note (including principal, premium, interest and Additional Amounts) will be made to the Principal Paying Agent in U.S. dollars. The Principal Paying Agent will, in turn, make such payments to the common depositary for Euroclear and Clearstream, which will distribute such payments to participants in accordance with their procedures. Each of the Issuer and the Subsidiary Guarantors will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under “—Additional Amounts.”

Under the terms of the Indenture, the Issuer, any Guarantor, the Trustee and the Agents will treat the registered holder of the Global Note (i.e., the common depositary or its nominee) as the owner thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Issuer, the Guarantors, the Trustee or any of their respective agents has or will have any responsibility or liability for:

- any aspect of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest, for any such payments made by Euroclear, Clearstream or any participant or indirect participants, or for maintaining, supervising or reviewing any of the records of Euroclear, Clearstream or any participant or indirect participant relating to or payments made on account of a book-entry interest; or
- Euroclear, Clearstream or any participant or indirect participant.

Payments by participants to owners of book-entry interests held through participants are the responsibility of such participants.

Redemption of the Global Note

In the event any Global Note, or any portion thereof, is redeemed, the common depositary will distribute the U.S. dollar amount received by it in respect of the Global Note so redeemed to Euroclear and/or Clearstream, as applicable, who will distribute such amount to the holders of the book-entry interests in such Global Note. The redemption price payable in connection with the redemption of such book-entry interests will be equal to the U.S. dollar amount received by the common depositary, Euroclear or Clearstream, as applicable in connection with the redemption of such Global Note (or any portion thereof). The Issuer understands that under existing practices of Euroclear and Clearstream, if fewer than all of the Notes are to be redeemed at any time, Euroclear and Clearstream will credit their respective participants' accounts on a proportionate basis (with adjustments to prevent fractions) or by lot or on such other basis as they deem fair and appropriate; *provided, however, that* no book-entry interests of US\$200,000 principal amount, or less, as the case may be, will be redeemed in part.

Action by Owners of Book-Entry Interests

Euroclear and Clearstream have advised that they will take any action permitted to be taken by a Holder of Notes only at the direction of one or more participants to whose account the book-entry interests in a Global Note are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and Clearstream will not exercise any discretion in the granting of consents, waivers or the

taking of any other action in respect of the Global Note. If there is an Event of Default under the Notes, however, each of Euroclear and Clearstream reserves the right to exchange the Global Note for individual definitive notes in certificated form, and to distribute such individual definitive notes to their participants.

Transfers

Transfers between participants in Euroclear and Clearstream will be effected in accordance with Euroclear and Clearstream's rules and will be settled in immediately available funds. If a Holder requires physical delivery of individual definitive notes for any reason, including to sell the Notes to persons in jurisdictions which require physical delivery of such securities or to pledge such securities, such Holder must transfer its interest in the Global Note in accordance with the normal procedures of Euroclear and Clearstream and in accordance with the provisions of the Indenture.

Book-entry interests in the Global Note will be subject to the restrictions on transfer discussed under "Transfer Restrictions."

Any book-entry interest in a Global Note that is transferred to a person who takes delivery in the form of a book-entry interest in another Global Note (if applicable) will, upon transfer, cease to be a book-entry interest in the first-mentioned Global Note and become a book-entry interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to book-entry interests in such other Global Note for as long as it retains such a book-entry interest.

Global Clearance and Settlement under the Book-Entry System

Book-entry interests owned through Euroclear or Clearstream accounts will follow the settlement procedures applicable. Book-entry interests will be credited to the securities custody accounts of Euroclear and Clearstream holders on the business day following the settlement date against payment for value on the settlement date.

The book-entry interests will trade through participants of Euroclear or Clearstream, and will settle in same-day funds. Since the purchaser determines the place of delivery, it is important to establish at the time of trading of any book-entry interests where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Information Concerning Euroclear and Clearstream

The Issuer understands as follows with respect to Euroclear and Clearstream:

Euroclear and Clearstream hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream interface with domestic securities markets. Euroclear and Clearstream participants are financial institutions, such as underwriters, securities brokers and dealers, banks and trust companies, and certain other organizations. Indirect access to Euroclear and Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodian relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of Euroclear and Clearstream, neither Euroclear nor Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Issuer, the Guarantors, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations, including, without limitation, rules and procedures relating to book-entry interests.

Individual Definitive Notes

If (1) the common depositary or any successor to the common depositary is at any time unwilling or unable to continue as a depositary for the reasons described in the Indenture and a successor depositary is not appointed by the Issuer within 90 days, (2) either Euroclear or Clearstream, or a successor clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention to permanently cease business or does in fact do so, or (3) any of the Notes has become immediately due and payable in accordance with “—*Events of Default*” and the Issuer has received a written request from a Holder, the Issuer will issue individual definitive notes in registered form in exchange for the Global Note. Upon receipt of such notice from the common depositary or the Trustee, as the case may be, the Issuer will use its best efforts to make arrangements with the common depositary for the exchange of interests in the Global Note for individual definitive notes and cause the requested individual definitive notes to be executed and delivered to the Registrar in sufficient quantities and authenticated by or on behalf of the Registrar for delivery to the Holders. Persons exchanging interests in a Global Note for individual definitive notes will be required to provide the Registrar, through the relevant clearing system, with written instruction and other information required by the Issuer and the Registrar to complete, execute and deliver such individual definitive notes. In all cases, individual definitive notes delivered in exchange for any Global Note or beneficial interest therein will be registered in the names, and issued in any approved denominations, requested by the relevant clearing system.

Individual definitive notes will not be eligible for clearing and settlement through Euroclear or Clearstream.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing (in English) and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the mails of the relevant jurisdiction (if intended for the Issuer or any Guarantor) addressed to the Issuer or such Guarantor, as the case may be, at the registered office of the Issuer; (if intended for the Trustee) addressed to the Trustee at the specified corporate trust administration office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder’s last address as it appears in the Note register.

Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited and, if to the Holders, when delivered in accordance with the applicable rules and procedures of Euroclear or Clearstream, as the case may be. Any such notice shall be deemed to have been delivered on the day such notice is delivered to Euroclear or Clearstream, as the case may be, or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Issuer and each of the Guarantors will irrevocably (i) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, any Note, any Guarantee or the Indenture or any transaction contemplated thereby and (ii) designate and appoint an agent for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, each of the Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law to the extent that the application of the law of another jurisdiction would be required thereby. The Security Documents will be governed by, and construed in accordance with, the laws of Singapore.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this “Description of the Notes” for which no definition is provided.

“*Acquired Indebtedness*” means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary and not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary or such Asset Acquisition.

“*Additional Amounts*” has the meaning assigned to such term under the caption “—Additional Amounts.”

“*Adjusted Treasury Rate*” means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated “H.15(519)” or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under the caption “Treasury Constant Maturities,” for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after January 23, 2021, yields for the two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

“*Affiliate*” means, with respect to any Person, any other Person (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (ii) who is a director, commissioner or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (i) of this definition; or (iii) who is a spouse, child, parent, brother, sister, parent-in-law, grandchild or grandparent of a Person described in clause (i) or (ii) of this definition. For purposes of this definition, “control” (including, with correlative meanings, the terms “controlling,” “controlled by” and “under common control with”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

“*Agent*” means any Registrar, Transfer Agent, Paying Agent, Collateral Agent, their respective co-agent and additional agent.

“*Applicable Premium*” means, with respect to a Note at any redemption date, the greater of (1) 1.00% of the principal amount of such Note and (2) the excess of (A) the present value at such redemption date of the redemption price of such Note on January 23, 2021 (such redemption price being described in the first paragraph in the “—Optional Redemption” section exclusive of any accrued interest), plus all

required remaining scheduled interest payments due on such Note through January 23, 2021 (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 50 basis points, over (B) the principal amount of such Note on such redemption date.

“Asset Acquisition” means (1) an Investment by either of the Parent Guarantors or any of the Restricted Subsidiaries in any other Person pursuant to which such Person will become a Restricted Subsidiary or will be merged into or consolidated with either of the Parent Guarantors or any of the Restricted Subsidiaries, or (2) an acquisition by either of the Parent Guarantors or any of the Restricted Subsidiaries of the property and assets of any Person other than either of the Parent Guarantors or any of the Restricted Subsidiaries that constitute substantially all of a division or line of business of such Person.

“Asset Disposition” means the sale or other disposition by either of the Parent Guarantors or any of the Restricted Subsidiaries (other than to either of the Parent Guarantors or another Restricted Subsidiary) of (1) all or substantially all of the Capital Stock of any Restricted Subsidiary or (2) all or substantially all of the assets that constitute a division or line of business of either of the Parent Guarantors or any of the Restricted Subsidiaries.

“Asset Sale” means any sale, transfer or other disposition (including by way of merger, consolidation or Sale and Leaseback Transaction) of any of its property or assets (including any sale of Capital Stock of a Subsidiary or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by either of the Parent Guarantors or any of the Restricted Subsidiaries to any Person other than either of the Parent Guarantors or any Restricted Subsidiary; *provided* that “Asset Sale” will not include:

- (1) sales or other dispositions of inventory, receivables and other current assets in the ordinary course of business;
- (2) sales, transfers or other dispositions of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the “—Certain Covenants—Limitation on Restricted Payments” covenant;
- (3) sales, transfers or other dispositions of assets with a Fair Market Value not in excess of US\$2.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;
- (4) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete, unused, unuseful or otherwise unsuitable for use in connection with the business of the Parent Guarantors or the Restricted Subsidiaries;
- (5) any, transfer, assignment or other disposition deemed to occur in connection with creating or granting any Permitted Lien;
- (6) a transaction covered by the covenant under the caption “—Consolidation, Merger and Sale of Assets;”
- (7) an issuance of Capital Stock by a Restricted Subsidiary to either of the Parent Guarantors, the Issuer or to a Subsidiary Guarantor;
- (8) any sale or other disposition of cash or Temporary Cash Investments;
- (9) any transfer resulting from any casualty or condemnation of property;
- (10) any transfer, termination, unwinding or other disposition of Hedging Obligations;

- (11) any sale, transfer or other disposition of Investments in joint ventures to the extent required by, or made pursuant to, customary buy/sell arrangements between joint venture parties set forth in joint venture arrangements and similar binding arrangements; *provided* that any Net Cash Proceeds from any such sale, transfer or other disposition shall be applied in accordance with the covenant described under the caption “Limitation on Asset Sales;” or
- (12) any surrender or waiver of contract rights or settlement, release, recovery on or surrender of contract, tort or other claims in the ordinary course of business.

“*Attributable Indebtedness*” means, in respect of a Sale and Leaseback Transaction, the present value at the time of determination, discounted at the interest rate implicit in the Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in the Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of lessor, be extended, determined in accordance with Indonesian GAAP; *provided, however*, that if such Sale and Leaseback Transaction results in Capitalized Lease Obligation, the amount of Indebtedness represented thereby will be determined in accordance with the definition of “Capitalized Lease Obligation.”

“*Average Life*” means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

“*Board of Directors*” means, with respect to any Person, the board of directors of such Person elected or appointed by the holders of Capital Stock of such Person to manage the business of such Person or any committee of such board duly authorized to take the action purported to be taken by such committee.

“*Board Resolution*” means any resolution of a Board of Directors taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by a majority of such Board of Directors.

“*Business Day*” means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, London, Singapore or Indonesia (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

“*Capital Stock*” means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

“*Capitalized Lease*” means, with respect to any Person, any lease of any property (whether real, personal or mixed) of which the discounted present value of rental obligations of such Person as lessee, in conformity with Indonesian GAAP, is required to be capitalized on the balance sheet of such Person.

“*Capitalized Lease Obligations*” means the discounted present value of the rental obligations under a Capitalized Lease.

“*Capital Securities*” means the perpetual capital securities issued by SPIPL to the Issuer on the Original Issue Date, and/or any similar perpetual capital securities issued by SPIPL to the Issuer in connection with the sale of Additional Notes.

“*Change of Control*” means the occurrence of one or more of the following events:

- (1) the merger, amalgamation, or consolidation of CBI or SSMS with or into another Person or the merger or amalgamation of another Person with or into CBI or SSMS, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of CBI or SSMS, as the case may be, or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of CBI or SSMS, as the case may be, outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction or the direct or indirect sale, transfer, conveyance or other disposition of all or substantially all the properties or assets of CBI and the Restricted Subsidiaries or SSMS and the Restricted Subsidiaries that are Subsidiaries of SSMS, as the case may be, in each case taken as a whole to another Person, other than a Permitted Holder;
- (2) (i) the Permitted Holders cease to be the “beneficial owner” (as such term is used in Rule 13d-3 of the Exchange Act), directly or indirectly, of at least 50.1% in the aggregate of the voting power of the Voting Stock of CBI or SSMS, or (ii) any “person” or “group” (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the “beneficial owner,” directly or indirectly, of the total voting power of the Voting Stock of CBI or SSMS greater than such total voting power held beneficially by the Permitted Holders; or
- (3) the adoption of a plan relating to the liquidation or dissolution of CBI or SSMS.

“*Clearstream*” means Clearstream Banking S.A., or any successor thereof.

“*Collateral*” means the Pari Passu Collateral and the Notes Collateral.

“*Commodity Agreement*” means any forward contract, commodity swap agreement, commodity option agreement or other similar agreement or arrangement designed to protect against fluctuations in commodity prices and not for speculation.

“*Common Stock*” means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person’s common stock or ordinary shares, whether or not outstanding on the Original Issue Date, and includes, without limitation, all series and classes of such common stock or ordinary shares.

“*Comparable Treasury Issue*” means the U.S. Treasury security having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes from the redemption date to January 23, 2021.

“*Comparable Treasury Price*” means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is received by the Trustee, Reference Treasury Dealer Quotations for such redemption date.

“*Consolidated EBITDA*” means, for any period, Consolidated Net Income for such period plus, to the extent such amount was deducted in calculating such Consolidated Net Income:

- (1) Consolidated Interest Expense;
- (2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets);

- (3) depreciation expense;
- (4) amortization expense; and
- (5) all other non-cash items reducing Consolidated Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), less all non-cash items increasing Consolidated Net Income (other than revenue accrued in one period for which the corresponding cash is received in another period),

all as determined on a consolidated basis for the Parent Guarantors and the Restricted Subsidiaries in conformity with Indonesian GAAP; *provided that* if any Restricted Subsidiary is not a Wholly-Owned Restricted Subsidiary, Consolidated EBITDA will be reduced (to the extent not otherwise reduced in accordance with Indonesian GAAP) by an amount equal to (A) the amount of the Consolidated Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by either of the Parent Guarantors or any Restricted Subsidiary.

“*Consolidated Fixed Charges*” means, for any period, the sum (without duplication) of (i) Consolidated Interest Expense for such period and (ii) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock or Preferred Stock of either of the Parent Guarantors or any Restricted Subsidiary held by Persons other than either of the Parent Guarantors or any Wholly-Owned Restricted Subsidiary, except for dividends payable in Capital Stock (other than Disqualified Stock) of either of the Parent Guarantors.

“*Consolidated Interest Expense*” means, for any period, the amount that would be included in gross interest expense on a consolidated income statement prepared in accordance with Indonesian GAAP for such period of the Parent Guarantors and the Restricted Subsidiaries, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Parent Guarantors and the Restricted Subsidiaries, without duplication, (i) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (ii) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (iii) the interest portion of any deferred payment obligation, (iv) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (v) the net costs associated with Hedging Obligations (including the amortization of fees), (vi) interest accruing on Indebtedness of any other Person that is guaranteed by either of the Parent Guarantors or any Restricted Subsidiary or secured by a Lien on assets of either of the Parent Guarantors or any Restricted Subsidiary, (vii) any capitalized interest and (viii) all other non-cash interest expense.

“*Consolidated Net Income*” means the aggregate of the net income (or loss) of the Parent Guarantors and the Restricted Subsidiaries for such period, on a consolidated basis, determined in conformity with Indonesian GAAP; *provided that* the following items will be excluded in computing Consolidated Net Income (without duplication):

- (1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting except that:
 - (a) subject to the exclusion contained in clause (5) below, either of the Parent Guarantors’ equity in the net income of any such Person for such period shall be included in such Consolidated Net Income up to the aggregate amount of cash actually distributed by such Person during such period to such applicable Parent Guarantor or a Restricted Subsidiary as a dividend or other distribution (subject, in the case of a dividend or other distribution paid to a Restricted Subsidiary, to the limitations contained in clause (3) below); and

- (b) either of the Parent Guarantors' equity in a net loss of any such Person for such period shall be included in determining such Consolidated Net Income to the extent funded with cash or other assets of either of the Parent Guarantors or any of the Restricted Subsidiaries;
- (2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with either of the Parent Guarantors or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by either of the Parent Guarantors or any Restricted Subsidiary;
- (3) the net income (but not loss) of any Restricted Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other constitutive document or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;
- (4) the cumulative effect of a change in accounting principles;
- (5) any net after tax gains realized on the sale or other disposition of (A) any property or assets of either of the Parent Guarantors or any Restricted Subsidiary which is not sold in the ordinary course of its business or (B) any Capital Stock of any Person (including any gains by either of the Parent Guarantors realized on sales of Capital Stock of either of the Parent Guarantors or Restricted Subsidiaries);
- (6) any translation gains or losses due solely to fluctuations in currency values and related tax effects; and
- (7) any net after-tax extraordinary or non-recurring gains.

“*Consolidated Net Worth*” means, with respect to any specified Person as of any date, the sum of:

- (1) the consolidated equity of the common stockholders of such Person and its consolidated Subsidiaries as of such date; *plus*
- (2) the respective amounts reported on such Person's balance sheet as of such date with respect to any series of preferred stock (other than Disqualified Stock) that by its terms is not entitled to the payment of dividends unless such dividends may be declared and paid only out of net earnings in respect of the year of such declaration and payment, but only to the extent of any cash received by such Person upon issuance of such preferred stock.

“*Currency Agreement*” means any foreign exchange forward contract, currency swap agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates and not for speculation.

“*Default*” means any event that is, or after notice or passage of time or both would be, an Event of Default.

“*Disqualified Stock*” means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed on or prior to the date that is 366 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock at any on or prior to the date that is 366 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity on or prior to the date that is 366 days after the Stated Maturity of the Notes; *provided that* any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an “asset sale” or “change of control” occurring prior to the date that is 366 days after the Stated Maturity of the Notes will not constitute Disqualified

Stock if the “asset sale” or “change of control” provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in “— Certain Covenants — Limitation on Asset Sales” and “— Repurchase of Notes Upon a Change of Control” covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer’s or the Parent Guarantor’s repurchase of such Notes as are required to be repurchased pursuant to the “— Certain Covenants — Limitation on Asset Sales” and “— Repurchase of Notes Upon a Change of Control” covenants.

“*Dollar Equivalent*” means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by the Federal Reserve Bank of New York (*provided that* the noon U.S. dollar purchase exchange rate for cable transfers at a major commercial bank in the principal financial center of the relevant currency will be used for such computation with respect to any currency that is not so quoted by the Federal Reserve Bank of New York) on the date of determination.

“*Equity Offering*” means (1) any bona fide public or private offering of Capital Stock (other than Disqualified Stock) of either of the Parent Guarantors other than to Affiliates of such Parent Guarantor after the Original Issue Date or (2) any bona fide underwritten secondary public offering or secondary private placement of Capital Stock (other than Disqualified Stock) of either of the Parent Guarantors beneficially owned by the Permitted Holders, after the Original Issue Date, to the extent that the Permitted Holders or a Person controlled by the Permitted Holders concurrently with such public offering or private placement purchases in cash an equal amount of Capital Stock (other than Disqualified Stock) from the relevant Parent Guarantor at the same price as the public offering or private placing price; *provided that* (i) the aggregate gross cash proceeds received by the relevant Parent Guarantor as a result of such offering described in clause (1) or (2) or a combination thereof (excluding gross cash proceeds received from either of the Parent Guarantors or any of their respective Subsidiaries) shall be no less than US\$20.0 million (or the Dollar Equivalent thereof) and (ii) any such offering shall result in such Capital Stock being listed and eligible for dealing on the Indonesia Stock Exchange or on another internationally recognized stock exchange.

“*Euroclear*” means Euroclear Bank S.A./N.V. or any successor thereof.

“*Exchange Act*” means the U.S. Securities Exchange Act of 1934, as amended.

“*Fair Market Value*” means the price that would be paid in an arm’s-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination will be conclusive if evidenced by a Board Resolution.

“*Fitch*” means, Fitch Ratings Ltd and its affiliates.

“*Fixed Charge Coverage Ratio*” means, on any Transaction Date, the ratio of (1) the aggregate amount of Consolidated EBITDA for the Four Quarter Period with respect to such Transaction Date to (2) the aggregate Consolidated Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

- (1) *pro forma* effect will be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the Reference Period relating to such Four Quarter Period in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period; *provided that*, in the event of any such repayment or redemption, Consolidated EBITDA for such period will be calculated as if the relevant Parent Guarantor or the relevant Restricted Subsidiary had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness;

- (2) Consolidated Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate will be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;
- (3) *pro forma* effect will be given to the creation, designation or redesignation of Restricted Subsidiaries and Unrestricted Subsidiaries as if such creation, designation or redesignation had occurred on the first day of such Reference Period;
- (4) *pro forma* effect will be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and
- (5) *pro forma* effect will be given to asset dispositions and asset acquisitions (including giving *pro forma* effect to the application of proceeds of any asset disposition) that have been made by any Person that has become a Restricted Subsidiary or has been merged with or into either of the Parent Guarantors or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (4) or (5) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation will be based upon the four full fiscal quarters immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

“*Four Quarter Period*” means, as of any Transaction Date, the then most recent four fiscal quarters prior to such Transaction Date for which consolidated financial statements of CBI (which CBI will use its reasonable best efforts to compile in a timely manner) are available and have been provided to the Trustee.

“*Governmental Instrumentality*” means any national, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, court, tribunal, commission, bureau or entity or any arbitrator with authority to bind a party at law.

“*guarantee*” means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided that* the term “guarantee” will not include endorsements for collection or deposit in the ordinary course of business. The term “guarantee” used as a verb has a corresponding meaning.

“*Hedging Agreement*” means any Currency Agreement, Commodity Agreement or Interest Rate Agreement.

“*Hedging Obligation*” of any Person means the obligations of such Person pursuant to any Hedging Agreement.

“*Holder*” means the Person in whose name a Note is registered in the Note register.

“*Incur*” means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary (or fails to meet the qualifications necessary to remain an Unrestricted Subsidiary) will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount will not be considered an Incurrence of Indebtedness. The terms “*Incurrence*,” “*Incurred*” and “*Incurring*” have meanings correlative with the foregoing.

“*Indebtedness*” means, with respect to any Person at any date of determination (without duplication):

- (1) all indebtedness of such Person for borrowed money;
- (2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
- (3) all obligations of such Person in respect of letters of credit, bankers’ acceptances or other similar instruments (or reimbursement obligations with respect thereto);
- (4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except trade payables due within 90 days arising in the ordinary course of business;
- (5) all Capitalized Lease Obligations and Attributable Indebtedness;
- (6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness will be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness;
- (7) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;
- (8) to the extent not otherwise included in this definition, Hedging Obligations;
- (9) all Disqualified Stock issued by such Person with the amount of Indebtedness represented by such Disqualified Stock being equal to the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase price; and
- (10) all obligations of such Person under conditional sale or other title retention agreements relating to assets purchased by such Person, except trade payables due within 90 days arising in the ordinary course of business.

Notwithstanding the foregoing, customer deposits and advance payments received from customers in the ordinary course of business shall not be deemed to be Indebtedness for any purpose.

The amount of Indebtedness of any Person at any date will be the outstanding balance at such date of all unconditional obligations as described above (as determined in conformity with Indonesian GAAP to the extent applicable) and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligations; *provided* that

- (A) the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with Indonesian GAAP,
- (B) money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness will not be deemed to be “Indebtedness” so long as such money is held to secure the payment of such interest, and
- (C) the amount of Indebtedness with respect to any Hedging Agreement will be equal to the net amount payable if such Hedging Agreement terminated at that time due to default by such Person.

“*Indonesian GAAP*” means generally accepted accounting principles in Indonesia as in effect from time to time.

“*Intercompany Loans*” means the intercompany loan entered into between SSMS and SPIPL on the Original Issue Date pursuant to which SPIPL on-lends the proceeds from the offering of the Notes, which is transferred to SPIPL by the Issuer, to SSMS, and/or any similar intercompany loans entered into between SSMS or any of the Restricted Subsidiaries and SPIPL in connection with the sale of Additional Notes.

“*Interest Rate Agreement*” means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates and not for speculation.

“*International Bank*” means a bank or trust Issuer which is organized under the laws of the United States of America, any state thereof, the European Union, Singapore, the United Kingdom or Japan.

“*Investment*” means: any direct or indirect advance, loan or other extension of credit to another Person;

- (1) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);
- (2) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person;
- (3) any guarantee of any obligation of another Person; or
- (4) all other items that would be classified as investments (including purchases of assets outside the ordinary course of business) on a balance sheet of such Person prepared in accordance with Indonesian GAAP.

For the purposes of the provisions of the “— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries” and “— Certain Covenants — Limitation on Restricted Payments” covenants: (i) either of the Parent Guarantors will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of the assets (net of liabilities owed to any Person other than either of the Parent Guarantors or a Restricted Subsidiary and that are

not guaranteed by either of the Parent Guarantors or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (ii) any property transferred to or from any Person will be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

“Investment Grade” means a rating of “AAA,” “AA,” “A” or “BBB,” as modified by a “+” or “-” indication, or an equivalent rating representing one of the four highest rating categories, by S&P or Fitch or any of their respective successors or assigns, or a rating of “Aaa,” or “Aa,” “A” or “Baa,” as modified by a “1,” “2” or “3” indication, or an equivalent rating representing one of the four highest Rating Categories, by Moody’s or any of its successors or assigns, or an equivalent rating representing one of the four highest rating categories or the equivalent ratings of any internationally recognized rating agency or agencies, as the case may be, which shall have been designated by CBI as having been substituted for S&P, Moody’s or Fitch or two or three of them, as the case may be.

“Lien” means any mortgage, pledge, fiduciary security, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

“Material Acquisitions or Dispositions” means any transaction that would require the preparation of *pro forma* financial information pursuant to Rule 11-01(a) or (b) of Regulation S-X promulgated under the Securities Act, assuming that such Rule is applicable to the Parent Guarantors.

“Moody’s” means Moody’s Investors Service, Inc. and its affiliates.

“Net Cash Proceeds” means:

- (1) with respect to any Asset Sale (other than the issuance or sale of Capital Stock), the proceeds of such Asset Sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the conversion of other property received when converted to cash or cash equivalents, net of:
 - (a) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;
 - (b) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the Parent Guarantors and the Restricted Subsidiaries, taken as a whole;
 - (c) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and
 - (d) appropriate amounts to be provided by either of the Parent Guarantors or any Restricted Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with Indonesian Financial Accounting Standards and reflected in an Officers’ Certificate of CBI delivered by CBI to the Trustee; and
- (2) with respect to any Asset Sale consisting of the issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or cash equivalents, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or cash equivalents and proceeds from the

conversion of other property received when converted to cash or cash equivalents, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"Non-Guarantor Subsidiary" means at any given time, any Restricted Subsidiary that does not provide a guarantee of the Notes at such time.

"Note Documents" means the Indenture, the Notes, the Guarantees and the Security Documents.

"Offer to Purchase" means an offer to purchase Notes by the Issuer or either of the Parent Guarantors from the Holders commenced by the Issuer or either of the Parent Guarantors mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

- (1) the provision of the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a pro rata basis;
- (2) the purchase price and the date of purchase (which will be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the *"Offer to Purchase Payment Date"*);
- (3) that any Note not tendered will continue to accrue interest pursuant to its terms;
- (4) that, unless the Issuer or the applicable Parent Guarantor defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase will cease to accrue interest on and after the Offer to Purchase Payment Date;
- (5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled *"Option of the Holder to Elect Purchase"* on the reverse side of the Note completed, to the Principal Paying Agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;
- (6) that Holders will be entitled to withdraw their election if the Principal Paying Agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, a facsimile transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and
- (7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided that* each Note purchased and each new Note issued will be in a principal amount of US\$200,000 or any amount in excess thereof which is an integral multiples of US\$1,000.

One Business Day prior to the Offer to Purchase Payment Date, the Issuer or the applicable Parent Guarantor will deposit with the Principal Paying Agent immediately available funds sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Issuer or the applicable Parent Guarantors for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Issuer or the applicable Parent Guarantor will (a) accept for payment on a pro rata basis Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Registrar all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Issuer or the applicable Parent Guarantor. The Principal Paying Agent will as soon as reasonably practicable mail to the Holders so accepted payment in an amount equal to the purchase price, and the Trustee will as soon as reasonably practicable authenticate and mail to such Holders a new Note equal in principal

amount to any unpurchased portion of the Note surrendered; provided that each Note purchased and each new Note issued will be in a principal amount of US\$200,000 or any amount in excess thereof which is an integral multiples of US\$1,000. The Issuer or the applicable Parent Guarantor will publicly announce the results of an Offer to Purchase as soon as practicable after the Offer to Purchase Payment Date.

The offer is required to contain or incorporate by reference information concerning the business of the Parent Guarantors and their Subsidiaries which the applicable Parent Guarantor or the Issuer, as the case may be, in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Issuer or the applicable Parent Guarantor to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase. To the extent that the provisions of any securities laws or regulations conflict with the requirements of the relevant Offer to Purchase, the Issuer and the applicable Parent Guarantor will comply with the applicable securities laws and regulations and shall not be deemed to have breached their obligations under the Notes, the Indenture and the Guarantees by virtue of their compliance with such securities laws or regulations.

“*Offering Memorandum*” means the final Offering Memorandum dated January 16, 2018, relating to the offering of the Notes.

“*Officer*” means one of the executive officers or directors of the Issuer or, in the case of a Guarantor, one of the executive officers or directors of such Guarantor.

“*Officers’ Certificate*” means a certificate signed by one Officer.

“*Opinion of Counsel*” means a written opinion from external legal counsel selected by either of the Parent Guarantors; *provided* that such counsel shall be acceptable to the Trustee in its sole discretion.

“*Original Issue Date*” means the date on which the Notes are originally issued under the Indenture.

“*Parent Guarantee*” means any guarantee of the obligations of the Issuer under the Indenture and the Notes by either of the Parent Guarantors.

“*Pari Passu Collateral*” means all collateral (other than the Notes Collateral) securing, or purported to be securing, directly or indirectly, the Notes or any Guarantee pursuant to the Security Documents (other than the Security Documents relating to the Notes Collateral), and shall initially consist of the Capital Stock of the Issuer and SPIPL.

“*Permitted Business*” means any business which is the same as or ancillary or complementary to any of the businesses of the Parent Guarantors and the Restricted Subsidiaries on the Original Issue Date.

“*Permitted Holders*” means any or all of the following:

- (1) Jemmy Adriyanor, Jery Borneo Putra, Monica Putri and Ernis Desidistrisna;
- (2) any Affiliate (other than an Affiliate as defined in clause (ii) of the definition of Affiliate) of any of the Persons specified in clause (1) and any trust the main beneficiary/-ies of which is/are, directly or indirectly, one or more of the Persons specified in clause (1) or Affiliates (other than Affiliates as defined in clause (ii) of the definition of Affiliate) of any of the Persons specified in clause (1); and
- (3) any Person both the Capital Stock and the Voting Stock of which are owned 80.0% or more by (or in the case of a trust, that created for the benefit of) one or more of the Persons specified in clauses (1) and (2).

“Permitted Investment” means:

- (1) Investments by either of the Parent Guarantors or any Restricted Subsidiary in (a) any Restricted Subsidiary that is primarily engaged in the Permitted Business or (b) a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in the Permitted Business or be merged or consolidated with or into or transfer or convey all or substantially all its assets to, either of the Parent Guarantors or a Restricted Subsidiary that is primarily engaged in a Permitted Business;
- (2) cash and Temporary Cash Investments;
- (3) payroll, travel and other loans or advances to officers and employees, not in excess of US\$1.0 million outstanding at any time to cover matters that are expected at the time of such advances ultimately to be treated as expenses in accordance with Indonesian GAAP;
- (4) stock, obligations or securities received in compromise or settlement of debts created in the ordinary course of business, or by reason of a composition or readjustment of debts or reorganization of another Person, or in satisfaction of claims or judgments;
- (5) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;
- (6) any Investment pursuant to a Hedging Obligation designed solely to protect the Parent Guarantors or any Restricted Subsidiary against fluctuations in commodity prices, interest rates or foreign currency exchange rates and otherwise permitted under the Indenture;
- (7) receivables or trade credits owing to either of the Parent Guarantors or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;
- (8) any securities or other Investments received as consideration in, or retained in connection with, sales or other dispositions of property or assets, including Asset Sale under clause 4(b) of the first paragraph of, and made in compliance with, the covenant described under “— Certain Covenants — Limitation on Asset Sales;”
- (9) repurchases of the Notes;
- (10) pledges, deposits or advances (x) provided to third parties with respect to leases or utilities in the ordinary course of business, (y) provided to third parties with respect to purchases, construction, development, advisory, consultancy, installation, improvement or replacement of machinery, equipment (including spare parts), land or other assets, including raw materials, used in the Permitted Business and dischargeable in accordance with customary trade terms within 120 days or (z) otherwise described in the definition of “Permitted Liens;”
- (11) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers’ compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of business;
- (12) advances or extension of credit to customers, suppliers, contractors or distributors for the acquisition of assets, consumables or services or construction of property and equipment in the ordinary course of business that are recorded as deposits or prepaid expenses on CBI’s consolidated statement of financial position;

- (13) deposits made to secure the performance of tenders, bids, lease, banker's acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business;
- (14) Investments existing, or made pursuant to legally binding commitments in existence, at the Original Issue Date and any Investment that amends, extends, renews, replaces or refinances an Investment existing on such date; *provided* that (x) the amount of such new Investment does not exceed the amount of the Investment so amended, extended, renewed, replaced or refinanced, and (y) such new Investment is on terms and conditions no less favorable to the applicable Parent Guarantor or the applicable Restricted Subsidiary than the Investment being amended, extended, renewed, replaced or refinanced; and
- (15) Investments in Persons engaged in a Permitted Business in an aggregate amount which, when taken together with the amounts of all other Investments pursuant to this paragraph (15), will not exceed US\$10.0 million (or the Dollar Equivalent thereof).

"Permitted Liens" means:

- (1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as will be required in conformity with Indonesian GAAP will have been made;
- (2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers or repairmen, or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as required in conformity with Indonesian GAAP will have been made;
- (3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);
- (4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of the Parent Guarantors and the Restricted Subsidiaries, taken as a whole;
- (5) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of either of the Parent Guarantors or any Restricted Subsidiary other than the property or assets of such Person; *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;
- (6) Liens in favor of the Issuer or any Guarantor;
- (7) Liens arising from attachment or the rendering of a final judgment or order against either of the Parent Guarantors or any Restricted Subsidiary that does not give rise to an Event of Default;
- (8) Liens securing reimbursement obligations with respect to letters of credit, performance and surety bonds and completion guarantees that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;
- (9) Liens existing on the Original Issue Date;

- (10) Liens securing Indebtedness which is Incurred to refinance secured Indebtedness which is permitted to be Incurred under clause (b)(4) of the covenant described under the caption entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;” *provided* that such Liens do not extend to or cover any property or assets of either of the Parent Guarantors or any Restricted Subsidiary other than the property or assets securing the Indebtedness being refinanced;
- (11) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties or minor survey exceptions or encumbrances in favor of governmental agencies or utility, telephone or similar companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by either of the Parent Guarantors or any Restricted Subsidiary;
- (12) Liens on current assets securing Indebtedness which is permitted to be Incurred under clause (b)(10) of the covenant described under the caption entitled “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (13) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (b)(5) of the covenant under the caption “— Certain Covenants — Limitation on Indebtedness and Preferred Stock;”
- (14) any interest or title of a licensor, lessor or sublessor of any of its property, including intellectual property, subject to any licenses, leases or subleases in the ordinary course of business;
- (15) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers’ compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of either of the Parent Guarantors or any Restricted Subsidiary;
- (16) Liens under the Security Documents securing the Notes (including any Additional Notes) or any Guarantee;
- (17) (x) Liens on property or assets securing Indebtedness used or to be used to defease or satisfy and discharge the Notes; *provided that* (a) the Incurrence of such Indebtedness was not prohibited by the Indenture and (b) such defeasance or satisfaction and discharge is not prohibited by the Indenture and (y) Liens on cash and Temporary Cash Investments arising in connection with the defeasance, discharge or redemption of Indebtedness;
- (18) Liens securing Permitted Priority Indebtedness; and
- (19) Liens on the Pari Passu Collateral securing any Permitted Pari Passu Secured Indebtedness that complies with each of the requirements set forth under “— Security — Permitted Pari Passu Secured Indebtedness” (the “*Permitted Pari Passu Collateral Liens*”);

provided that, with respect to Liens on the property or assets of SPIPL, Permitted Liens will include only Liens described in paragraphs (1), (2), (3), (6), (7), (8), (9), (13), (14), (15), (16), (17), (19) above, and *provided further* that for purposes of the Collateral, Permitted Liens shall mean Liens described in clauses (1), (9), (15), (16), (17) and, solely in respect of the Pari Passu Collateral, clause (19) above only.

“Permitted Priority Indebtedness” means any Priority Indebtedness; *provided* that, on the date of Incurrence of such Indebtedness, and after giving *pro forma* effect thereto and the application of the proceeds thereof, the aggregate principal amount outstanding of all such Priority Indebtedness does not exceed an amount equal to 15.0% of the Total Assets.

“Person” means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Preferred Stock” as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its term is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Priority Indebtedness” means any (i) Indebtedness of any Restricted Subsidiary (other than a Subsidiary Guarantor or the Issuer) and (ii) Secured Indebtedness of the Issuer or a Guarantor, other than the Notes (including any Additional Notes).

“PPSI Documents” means the documents governing any Permitted Pari Passu Secured Indebtedness.

“Rating Agencies” means (i) S&P, (ii) Moody’s and (iii) Fitch; provided that if S&P, Moody’s or Fitch shall not make a rating of the Notes publicly available, one or more “nationally recognized statistical rating organizations,” as the case may be, within the meaning of Rule 15c3-I(c) (2) (iv) (F) under the Exchange Act, selected by the Parent Guarantors, which will be substituted for S&P, Moody’s or Fitch or two of any three or all three of them, as the case may be.

“Rating Category” means (i) with respect to S&P or Fitch, any of the following categories: “BB,” “B,” “CCC,” “CC,” “C” and “D” (or equivalent successor categories), (ii) with respect to Moody’s, any of the following categories: “Ba,” “B,” “Caa,” “Ca,” “C” and “D” (or equivalent successor categories); and (iii) the equivalent of any such category of S&P, Moody’s or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories (“+” and “-” for S&P and Fitch; “1,” “2” and “3” for Moody’s; or the equivalent gradations for another Rating Agency) will be taken into account (e.g., with respect to S&P, a decline in a rating from “BB+” to “BB,” as well as from “BB-” to “B+,” will constitute a decrease of one gradation).

“Rating Date” means in connection with actions contemplated under the caption “—Consolidation, Merger and Sale of Assets,” that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

“Rating Decline” means in connection with actions contemplated under the caption “—Consolidation, Merger and Sale of Assets,” the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

- (a) in the event the Notes are rated by all three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any two of the three Rating Agencies shall be below Investment Grade;
- (b) in the event the Notes are rated by any two, but not all three, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such two Rating Agencies shall be below Investment Grade;
- (c) in the event the Notes are rated by one, and only one, of the three Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by such Rating Agency shall be below Investment Grade; or

- (d) in the event the Notes are rated (i) by less than three Rating Agencies and the Notes are rated below Investment Grade by such Rating Agencies on the Rating Date or (ii) below Investment Grade by all three of the Rating Agencies on the Rating Date, the rating of the Notes by any Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

“Reference Period” means, as of any Transaction Date, the period commencing on and including the first day of the Four Quarter Period with respect to such Transaction Date and ending on and including the Transaction Date.

“Reference Treasury Dealer” means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected and appointed by the Issuer in good faith and notified in writing to the Trustee and the Principal Paying Agent.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Issuer, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Issuer by such Reference Treasury Dealer at 5:00 p.m. (New York City Time) on the third Business Day preceding such redemption date.

“Restricted Group” means the Parent Guarantors and the Restricted Subsidiaries, collectively.

“Restricted Subsidiary” means any Subsidiary of CBI other than SSMS or an Unrestricted Subsidiary.

“S&P” means Standard & Poor’s Ratings Services and its affiliates.

“Sale and Leaseback Transaction” means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby either of the Parent Guarantors or any Restricted Subsidiary transfers such property to another Person and the applicable Parent Guarantor or the applicable Restricted Subsidiary leases it from such Person.

“Secured Indebtedness” means any Indebtedness secured by a Lien.

“Securities Act” means the U.S. Securities Act of 1933, as amended.

“Security Documents” means collectively, the pledge or charge agreements and any other agreements or instruments that may evidence or create any security interest in favor of the Collateral Agent, the Trustee or any Holders in any or all of the Collateral.

“Stated Maturity” means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final instalment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled instalment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such instalment is due and payable as set forth in the documentation governing such Indebtedness.

“Subordinated Indebtedness” means any Indebtedness of the Issuer or any Guarantor which is contractually subordinated or junior in right of payment to the Notes or any Guarantee, as applicable, pursuant to a written agreement to such effect.

“Subsidiary” means, with respect to any Person, any corporation, association or other business entity (i) of which at least 50.0% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person or (ii) of which 50% of the outstanding Voting Stock is owned, directly or indirectly, by such Person and which is “controlled” and consolidated by such Person in accordance with Indonesian GAAP; *provided, however*, that with respect to clause (ii) the occurrence of any event (other than the issuance or sale of Capital Stock) as a result of which such corporation, association or other business entity ceases to be “controlled” by

such Person under GAAP and to constitute a Subsidiary of such Person shall be deemed to be a designation of such corporation, association or other business entity as an Unrestricted Subsidiary by such Person and be subject to the requirements under the first paragraph of “—Designation of Restricted and Unrestricted Subsidiaries” covenant.

“*Subsidiary Guarantee*” means any guarantee of the obligations of the Issuer under the Indenture and the Notes by any Subsidiary Guarantor.

“*Subsidiary Guarantor*” means the initial Subsidiary Guarantors named herein and any future Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided that* “Subsidiary Guarantor” will not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

“*Temporary Cash Investment*” means any of the following:

- (1) direct obligations of the United States of America, Japan, the United Kingdom, Singapore or any agency thereof or obligations fully and unconditionally guaranteed by the United States of America, Japan, the United Kingdom, Singapore, Hong Kong or any agency thereof, in each case maturing within one year;
- (2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America, any state thereof, Japan, the United Kingdom, Hong Kong or Singapore, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US\$500.0 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated “A” (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Rule 436 under the Securities Act);
- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;
- (4) commercial paper, maturing not more than 180 days after the date of acquisition thereof, issued by a corporation (other than an Affiliate of the Parent Guarantor) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is made of “P-1” (or higher) according to Moody’s or “A-1” (or higher) according to S&P;
- (5) securities with maturities of six months or less from the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by Japan or the United Kingdom, or by any political subdivision or taxing authority thereof, and rated at least “A” by S&P or Moody’s;
- (6) any money market fund that has at least 95.0% of its assets continuously invested in investments of the types described in clauses (1) through (5) above;
- (7) demand or time deposit accounts, certificates of deposit and money market deposits issued by any Indonesia branch of an International Bank, *provided that* such International Bank has capital, surplus and undivided profits aggregating in excess of US\$100.0 million (or the Dollar Equivalent thereof) and has outstanding long-term debt which is rated at least “A” by S&P, Moody’s or Fitch; and
- (8) time deposit accounts, certificates of deposit and money market deposits by any of the following Indonesian banks: PT Bank Mandiri (Persero) Tbk, PT Bank Rakyat Indonesia (Persero) Tbk, PT

Bank Central Asia Tbk, PT Bank Negara Indonesia (Persero) Tbk, PT Bank CIMB-Niaga Tbk, PT Pan Indonesia Bank Tbk, PT Bank Permata Tbk, PT Bank Danamon Indonesia Tbk, PT Bank DBS Indonesia, PT Bank Rabobank International Indonesia, PT Bank ICBC Indonesia, Citibank N.A., Indonesian Branch and PT. Bank BNP Paribas Indonesia.

“*Total Assets*” means, as of any determination date, the total consolidated assets (excluding goodwill and other intangible asset) of the Parent Guarantors and the Restricted Subsidiaries measured in accordance with Indonesian GAAP as of the last day of the most recent fiscal quarter period for which consolidated financial statements of CBI (which CBI shall use its reasonable best efforts to compile in a timely manner) are available and have been provided to the Trustee; *provided* that Total Assets shall be calculated after giving *pro forma* effect to include the cumulative value of all of the real or personal property or equipment the acquisition, development, construction or improvement of which requires or required the Incurrence of Indebtedness and calculation of Total Assets thereunder, as measured by the purchase price or cost therefor or budgeted cost provided to the bank or other similar financial institutional lender providing such Indebtedness (but only to the extent that such cumulative value is not reflected in such total consolidated assets as of the last day of such fiscal quarter period).

“*Transaction Date*” means, with (i) respect to the Incurrence of any Indebtedness, the date such Indebtedness is to be incurred, and (ii) with respect to any Restricted Payment, the date such Restricted Payment is to be made.

“*Unrestricted Subsidiary*” means any Subsidiary of CBI that at the time of determination will be designated an Unrestricted Subsidiary by the Board of Directors of CBI in the manner provided in the Indenture; and any Subsidiary of an Unrestricted Subsidiary.

“*U.S. Government Obligations*” means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the issuer thereof at any time prior to the Stated Maturity of the Notes, and will also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

“*Voting Stock*” means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

“*Wholly-Owned*” means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any director’s qualifying shares or Investments by foreign nationals mandated by applicable law or a nominal number of shares owned by an Affiliate of such Person solely for purposes of qualifying as a second shareholder as required under Indonesian limited liability company law) by such Person or one or more Wholly Owned Subsidiaries of such Person.

TAXATION

The discussion below is not intended to constitute a complete analysis of all tax consequences relating to ownership of the Notes. Prospective purchasers of the Notes should consult their own tax advisers concerning the tax consequences of their particular situations. This description is based on laws, regulations and interpretations as now in effect and available as of the date of this Offering Memorandum. The laws, regulations and interpretations, however, may change at any time, and any change could be retroactive to the date of issuance of the Notes. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below.

Indonesian Taxation

The following is a summary of the principal Indonesian tax consequences relevant to prospective holders of the Notes that are not tax resident in Indonesia and have no permanent establishment (“branch”) in Indonesia. The summary does not address any laws other than the tax laws of Indonesia in force and as they are applied in practice as of the date of this Offering Memorandum. The summary represents a general guide only and should not be relied upon by individual or corporate holders of the notes offered hereby. It is recommended that holders of the Notes seek independent tax advice relevant to their facts and circumstances.

General

Generally, an individual is considered a non-resident of Indonesia if the individual does not reside in Indonesia or is not present in Indonesia for more than 183 days within a 12-month period, or does not intend to reside in Indonesia even though the individual is present in Indonesia during a tax year. A company will be considered a non-resident of Indonesia if it is not established or domiciled in Indonesia.

Non-resident individuals and non-resident companies are further classified into those that have a permanent establishment in Indonesia, and those that do not. Those that have a permanent establishment in Indonesia will, in general, be subject to the same taxation rules as a tax resident. Therefore this section assumes that the non-resident individual and the non-resident company do not have a permanent establishment in Indonesia.

In determining the tax residency of an individual or company and the allocation of taxing rights on income between two countries, consideration will also be given to the provisions of any applicable tax treaty which Indonesia has concluded with other jurisdictions. In this section, both a non-resident individual and a non-resident company will be referred to as “Non-resident Taxpayers.”

Subject to the provisions of any applicable tax treaty, Non-resident Taxpayers who derive income sourced in Indonesia from (among other things):

- the sale of certain assets situated in Indonesia; and
- interest, or payments in the nature of interest, such as premiums,

are generally subject to a withholding tax on that income at the final rate of 20.0%.

For the sale of certain Indonesian assets by Non-resident Taxpayers with no permanent establishment in Indonesia, the 20.0% withholding tax is imposed on the estimated net income. The definition of estimated net income is further stipulated within the relevant Ministry of Finance Regulation depending on the type of assets being sold.

Taxation on Interest and Premium

Payments or accruals of principal under the Notes by the Issuer should not be subject to withholding tax in Indonesia.

The amount of any payment or accruals by the Parent Guarantors and/or Subsidiary Guarantors, which is an Indonesian tax resident, under a Guarantee attributable to an interest or premium payment (these amounts are generally treated as interest) payable on the Notes to a Non-resident Taxpayer could be subject to withholding tax in Indonesia at the rate of 20.0% pursuant to Article 26 of Law No. 36 of 2008 on Income Tax, unless reduced by an applicable tax treaty.

The 20.0% withholding tax is a final tax. The lower rate of withholding tax applicable to Non-resident Taxpayers who reside in a tax treaty country is also subject to satisfying the eligibility and reporting requirements for the relevant tax treaty. See “— *Agreements for the Avoidance of Double Taxation.*”

To the extent that the Parent Guarantors and/or Subsidiary Guarantors is or are required to pay additional amounts or any excess of the principal in accordance with the terms of a Guarantee, these amounts will be subject to withholding tax in the manner described above. For a description of the circumstances under which the Parent Guarantors and/or Subsidiary Guarantors may be required to pay additional amounts with respect to the Indonesian taxation on premiums on payments made under a Guarantee of the Notes, see “*Description of the Notes.*”

Payments or accruals of interest made or considered to be made by the Company to SPIPL under the Intercompany Loan will be subject to withholding tax in Indonesia. As described above, the statutory rate of such withholding tax is 20.0% or the relevant reduced rate under any applicable tax treaty.

In this regard, the term “interest” as used in the Singapore-Indonesia Tax Treaty means income from debt-claims of every kind, whether or not secured by mortgage and whether or not carrying a right to participate in the debtor’s profits and in particular, income from government securities and income from bonds or debentures including premiums and prizes attaching to such securities bonds or debentures. The Singapore-Indonesia Tax Treaty provides for a reduced rate of 10.0% withholding tax on interest (if the recipient has no permanent establishment in Indonesia), subject to satisfying the eligibility and reporting requirements for the tax treaty as set out in the section “— *Agreements for the Avoidance of Double Taxation.*”

Taxation on Capital Gains

Income derived by Non-resident Taxpayers, without a permanent establishment in Indonesia, from the disposal of Notes to other Non-resident Taxpayers, without a permanent establishment in Indonesia, should not be subject to Indonesian income tax. However, if such gains from disposal of the Notes are derived by a resident taxpayer, including a Non-resident Taxpayer with a permanent establishment in Indonesia, then the capital gain is taxable in Indonesia and subject to income tax up to a maximum rate of 30.0% for individuals or 25.0% for companies and permanent establishments.

Under Government Regulation No. 16/2009 as subsequently amended by Government Regulation No 100/2013, which took effect on 31 December 2013, non-resident individuals and corporations without a permanent establishment in Indonesia may be subject to Indonesian withholding tax at the rate of 20.0% on any gain derived from the sale or other disposal of the Notes to an Indonesian resident individual or corporation, including any purchase of the Notes by the Parent Guarantors, where the transaction is conducted through a securities company, dealer or bank in Indonesia (either as intermediary or buyer). However, if the non-resident investor is a tax resident of a country that has signed a tax treaty with Indonesia, relief from the imposition of such withholding tax may be available to the extent that the relevant treaty treats the gain as gain that is taxable only by the country in which the investor is resident for tax purposes. Please note that for the tax treaty to apply, the non-resident individuals and corporations needs to provide the Indonesian resident individuals or corporation with a Valid and complete Form DGT-1.

Transfer Pricing

In the event where SPIPL has a special relationship with the Company, the payment or accruals of interest by the Company to SPIPL shall be done on an arm's length basis.

Article 18 paragraph (3) of Income Tax Law stipulates that:

The Director General of Taxes shall be authorized to re-determine the amount of income and reduction as well as determine debts as capital to calculate the amount of Taxable Income for Taxpayer possessing special relationship with other Taxpayers on an arm's length basis that is not influenced by a special relation by means of price ratio method among independent parties, re-sale price method, costs-plus method, or other methods.

Article 18 paragraph (4) of Income Tax Law further stipulates that:

Special relationship shall be deemed to exist if:

- a. Taxpayer has capital participation directly or indirectly with a minimum participation of 25% (twenty five percent) in another Taxpayer; relationship between Taxpayer with a minimum participation of 25% (twenty five percent) in two Taxpayers or more; or relationship between two Taxpayers or more mentioned in the latter;
- b. Taxpayer controls other Taxpayer or two or more Taxpayers that are under the same possession both directly and indirectly; or
- c. There is family relationship both biologically and by marriage in vertical and/or horizontal lineage of the first degree.

Taxation on Dividends

Profits derived by foreign company directly controlled by Indonesian taxpayer can be attributable to Indonesian entity. Recently, the Ministry of Finance ("MoF") has updated the Controlled Foreign Company ("CFC") rules through the issuance of Regulation Number PMK-107/PMK.03/2017 ("PMK-107") which is dated and effective July 27, 2017 and applicable starting Fiscal Year 2017.

PMK-107 has expanded the scope of a CFC to include the following Foreign Companies:

(1) A Resident Taxpayer which:

- a) has direct investment of not less than 50% (fifty percent) of the total paid up shares in a Non-stock exchange Foreign Company; or
- b) jointly with other Resident Taxpayers, has direct investment of not less than 50% (fifty percent) of the total paid up shares in a Non-stock exchange Foreign Company,

shall be stipulated to have direct control over the Non-stock exchange Foreign Company.

(2) A Non-stock exchange Foreign Company which is directly controlled by the Taxpayer as intended in paragraph (1) shall constitute a directly-controlled Non-stock exchange Foreign Company.

(3) The Resident Taxpayer as intended in paragraph (1) shall be stipulated to obtain a Deemed Dividend for direct investment in a directly-controlled Non-stock exchange Foreign Company.

(4) The determination of amount of direct investment as intended in paragraph (1) shall be determined at the end of a Fiscal Year of a resident Taxpayer.

Further, PMK-107 also stipulates the timing on of the Deemed Dividend recognition from any CFC as follows:

- (1) The acquisition time of Deemed Dividend for direct investment of a resident Taxpayer in a directly-controlled Non-stock exchange Foreign Company shall be stipulated at the end of the fourth month following the end of deadline for the obligation to submit an annual income tax return for a directly-controlled Non-stock exchange Foreign Company for the relevant Fiscal Year.
- (2) In the event that a directly-controlled Non-stock exchange Foreign Company has no obligation to submit an annual income tax return or there is no provision on the deadline for the submission of annual income tax return, the acquisition time of Deemed Dividend as intended in paragraph (1) shall be stipulated at the end of the seventh month following the end of the relevant Fiscal Year.

Other Indonesian Taxes

There are no Indonesian estates, inheritance, succession, or gift taxes generally applicable to the acquisition, ownership or disposition of the Notes by Non-resident Taxpayers. There are no Indonesian registration or similar taxes or duties payable by the holders of the Notes.

Agreements for the Avoidance of Double Taxation

Indonesia has concluded tax treaties with a number of countries including Australia, Belgium, Canada, France, Germany, Japan, The Netherlands, Singapore, Sweden, Switzerland, the United Kingdom and the United States of America.

Where a tax treaty exists and the eligibility requirements of that treaty are satisfied, a reduced rate of withholding tax may be applicable in the case of interest (or payments in the nature of interest such as premium) paid by the Company under the Intercompany Loans.

To obtain the benefit of an applicable tax treaty, the Non-resident Taxpayer must be the actual owner of the economic benefits of the income (referred to as the beneficial owner of the income) and comply with the eligibility requirements of the tax treaty and the specific requirements in Indonesia. See “— *Application of Tax Treaties under Indonesian Tax Regulations*,” “— *Certificate of Domicile*” and “— *Beneficial Owner*” for further details.

Application of Tax Treaties under Indonesian Tax Regulations. Directorate General of Taxation (DGT) Regulation Number PER-10/PJ/2017 (“**DGT-10/2017**”) dated June 19, 2017 which came into effect on August 1, 2017 allow the tax withholder to withhold the tax at the reduced rate in accordance with a tax treaty, provided that:

- a) there are differences between the provisions regulated in the DGT-10/2017 and the provisions regulated in the tax treaty;
- b) the recipient of income is not an Indonesia tax subject;
- c) the recipient of income is either an individual or corporate which is a domestic tax subject in the treaty partner country or jurisdiction;
- d) foreign tax subject submits a COD of Non-resident Taxpayer that has fulfilled the administrative requirement and other certain requirements;
- e) there is no tax treaty abuse; and
- f) the recipient of income is the beneficial owner, in case it is required by the tax treaty.

If the above requirements are not met, the tax withholder shall withhold the tax in accordance with Indonesian tax regulations, i.e. withholding tax at the rate of 20.0%.

Under the Indonesian tax regulations, misuse of a tax treaty shall not occur in the event that the foreign tax subject has:

- a) economic substance in the establishment of the entity or the transaction conducted;
- b) legal form that is the same as economic substance in the establishment of the entity or the transaction conducted;
- c) business activities managed by its own management and the management has sufficient authority to conduct transactions;
- d) fixed assets and non-current assets that are sufficient and adequate to perform its business activities in the treaty partner country or jurisdiction, other than assets that generate income from Indonesia;
- e) sufficient and adequate numbers of employees with certain expertise and skills that are in accordance with the business field performed by the company; and
- f) active activities or business other than receiving income in the form of dividend, interest, and/or royalty originating from Indonesia.

Active activities or business shall be activities or business actively performed by the Non-resident Taxpayers in accordance with the actual condition, which is indicated by the expenses incurred, efforts done, or sacrifice occurred, which are directly related to the business or activities in order to obtain, collect, and maintain income, including significant activities done by the Non-resident Taxpayers to sustain the entity.

If there is a difference between the legal form of a structure/scheme and the economic substance, the applicable tax regulations will be the tax regulations in accordance with the economic substance (substance over form).

Where the tax treaty requires that the recipient of income is the beneficial owner, Non-resident Taxpayers shall fulfill the provisions of Beneficial Owner (see “— *Beneficial Owner*” for further detail).

Based on the provisions of DGT-10/2017, COD of Non-resident Taxpayers must fulfill administrative requirements and certain other requirements.

The administrative requirements to be fulfilled by the Non-resident Taxpayer to enjoy the tax treaty benefits require:

- a) the use of the COD Form as stipulated in Attachment of DGT Regulation No. DGT-10/PJ/2017 dated June 19, 2017 (i.e. Form DGT-1 or Form DGT-2);
- b) to be filled out accurately, completely, and clearly;
- c) the signature by the Non-resident Taxpayer or denoted with a mark that is equal to the signature of the Non-resident Taxpayer in accordance with the prevalence in the treaty partner country or jurisdiction;
- d) that the form is legalized by a signature or mark that is equal to a signature of the competent authority in accordance with the prevalence in the treaty partner country or jurisdiction;
- e) that the form is used for the period as stated in the COD Form;

- f) the form must be submitted by Tax Withholder/Tax Collector at the same time with the submission of periodic tax return, not later than the end of the periodic tax returns submission for the relevant tax period when the tax is payable.

The COD of Non-resident Taxpayer shall fulfill other certain requirements in the event that:

- a. for Non-resident Taxpayers who use DGT Form-1, the Non-resident Taxpayers must state in the second sheet of the form that the Non-resident Taxpayers have:
1. economic motives that are relevant to the establishment of the entity;
 2. business activities that are managed by their own management and the management has sufficient authority to conduct transactions;
 3. fixed assets and non-current assets that are sufficient and adequate to perform its business activities in the treaty partner country, other than assets that generate income from Indonesia;
 4. employees with certain skills that are in accordance with the business field performed in sufficient and adequate numbers;
 5. active activities or other businesses other than receiving income in the form of dividends, interests, and/or royalties originating from Indonesia.
- b. for Non-resident Taxpayers who use DGT Form-1 and Non-resident Taxpayers who are required as beneficial owners based on the Tax Treaty, other than having to fulfill the provisions above, the Non-resident Taxpayer must state in the third sheet of the form, that:
1. for individual Non-resident Taxpayers, they do not act as an Agent or Nominees; or
 2. for corporate Non-resident Taxpayers, they do not act as Agent or Nominees or Conduit, that must fulfill the provisions:
 - a. having control to use or enjoy funds, assets, or rights, which generate income from Indonesia;
 - b. not more than 50% of the income is used to fulfill obligations to other parties;
 - c. bearing risks on the assets, capital, and/or obligations owned;
 - d. not having obligations either written or not to provide half or the entire income received from Indonesia to other parties; and
- c. for Non-resident Taxpayers who use DGT Form-2, Non-resident Taxpayers must state in the Part II of the form that the Non-resident Taxpayer:
1. is a tax subject of treaty partner country of jurisdiction based on the taxation law in that country; and
 2. does not act as an Agent, Nominee, or Conduit on the income received, in the event that the Non-resident Taxpayer is required as a Beneficial Owner based on the Tax Treaty.

The Non-resident Taxpayer should provide the original and complete Form DGT-1 to the tax withholder. The tax withholder is required to attach the copy of the complete Form DGT-1 from the Non-resident Taxpayer, in the relevant monthly tax return.

The COD period as mentioned on point (a) above (i.e. Form DGT-1 or Form DGT-2) is valid for twelve (12) months at maximum as stated in the COD Form (provided that the Non-resident Taxpayer is transacting with the same Indonesian tax withholder and there are no changes to the name or address of the Non-resident Taxpayer) and may be substituted with a Certificate of Residence issued by an authorized official.

In the case that there is income received or earned by a Non-resident Taxpayer, but no tax is withheld in Indonesia according to the tax treaty, the tax withholder is still obliged to arrange reporting of the COD and the withholding tax slip.

Beneficial Owner. Based on the provisions of DGT-10/2017, the actual owner of the economic benefits of the income (beneficial owner) shall fulfill the criteria as follows:

- a. for individual Non-resident Taxpayers, they do not act as an Agent or Nominee; or
- b. for corporate Non-resident Taxpayers, they do not act as an Agent or Nominee, or Conduit, which must fulfill the provisions:
 1. having control to use or enjoy funds, assets, or rights, which generate income from Indonesia;
 2. not more than 50% of the corporate income is used to fulfill obligations to other parties;
 3. bearing risks on the assets, capital, and/or obligations owned;
 4. not having obligations either written or not to provide half or the entire income received from Indonesia to other parties.

An Agent is an individual or corporate that acts as an intermediary and performs action for and/or on behalf of other parties.

A “**Nominee**” is an individual or corporate that legally owns an asset or income (legal owner) for the interest of or based on the mandate of the actual party that is the owner of the asset and/or the actual party that enjoy the benefits of the income.

A “**Conduit**” is a company that obtains tax treaty benefits related to the income incurred in Indonesia, while the economic benefit of such income is owned by an individual or corporate in other country that will not obtain the right to use Tax Treaty if such income is received directly.

Corporate income as referred to in letter b point 2 above is the entire Non-resident Taxpayer’s income in any name and any form as well as from any source, based on the non-consolidated financial statements of the Non-resident Taxpayer.

In order to determine 50% of the income used to fulfill the obligations it shall not include:

- a. granting of compensation to employees which is rewarded fairly in an employment relation;
- b. other expenses that are commonly incurred by the Non-resident Taxpayer in performing its business;
- c. distribution of profits in the form of dividend to shareholders.

Tax Residency. With regard to the tax residency country of the recipient of certain income (including interest income), Article 26 paragraph (1a) of Law No. 36 of 2008 on Income Tax (and its elucidation), states that the domicile country of a Non-resident Taxpayer (that does not conduct business activities through a permanent establishment in Indonesia), is defined as the country where the Non-resident Taxpayer who truly receives the benefits of such income, resides or domiciles. The law also includes further requirements about the country of domicile as follows:

- that the domicile country of the Non-resident Taxpayer who derives income from Indonesia (not through a permanent establishment in Indonesia) is determined based on the domicile country of the Non-resident Taxpayer that actually receives the benefits of the income (hereinafter referred to as the Beneficial Owner). Accordingly, the country of domicile shall not only be determined based on COD, but also on residence or domiciles of the beneficiary of the income.
- in the event that the Beneficial Owner is an individual, his/her country of domicile shall be the country where the individual resides or lives.
- if the Beneficial Owner is a company (corporate or enterprise, its country of domicile shall be the country in which the owner or the shareholders with more than 50.0% ownership (either individually or commonly) of the company is or are domiciled or where “effective management” is.

Stamp Duty

No Indonesian stamp duty should be due because the Notes are issued by a Singapore company.

Singapore Taxation

The statements below regarding Singapore taxation are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by the Monetary Authority of Singapore (“MAS”) in force as of the date of this Offering Memorandum and are subject to any changes in such laws, administrative guidelines or circulars, or the interpretation of those laws, guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. These laws, guidelines and circulars are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant Financial Sector Incentive(s)) may be subject to special rules or tax rates. Prospective holders of the Notes are advised to consult their own tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasized that none of the Issuer, the Guarantors, the Joint Lead Managers and any other persons involved in the issuance of the Notes accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.

Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the Income Tax Act, Chapter 134 of Singapore (“ITA”), the following payments are deemed to be derived from Singapore:

- a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or
- b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15% final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17%. The applicable rate for non-resident individuals is currently 22%. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15%. The rate of 15% may be reduced by applicable tax treaties.

Certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from tax, including:

- a) interest from debt securities derived on or after January 1, 2004;
- b) discount income (not including discount income arising from secondary trading) from debt securities derived on or after February 17, 2006; and
- c) prepayment fee, redemption premium and break cost from debt securities derived on or after February 15, 2007,

except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

In addition, as the issue of the Notes is jointly lead-managed by BNP Paribas, Singapore Branch, Citigroup Global Markets Singapore Pte. Ltd., and CIMB Bank (L) Limited, and where more than half of them are Financial Sector Incentive (Bond Market) (“**FSI-BM**”), Financial Sector Incentive (Capital Market) (“**FSI-CM**”) or Financial Sector Incentive (Standard Tier) (“**FSI-ST**”) Companies (as defined in the ITA) at such time and more than half of the Notes are distributed by FSI-BM, FSI-CM or FSI-ST Companies, and the Notes are issued as debt securities before December 31, 2018, the Notes would be qualifying debt securities (“**QDS**”) for the purposes of the ITA, to which the following treatment shall apply:

- (i) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Notes as the MAS may require and the inclusion by the Issuer in all offering documents relating to the Notes of a statement to the effect that where interest, discount income, prepayment fee, redemption premium or break cost from the Notes is derived by a person who is not resident in Singapore and who carries on any operation in Singapore

through a permanent establishment in Singapore, the tax exemption for QDS shall not apply if the non-resident person acquires the Notes using the funds and profits of such person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), prepayment fee, redemption premium and break cost (the "**Qualifying Income**") from the Notes paid by the Issuer and derived by a holder who is not resident in Singapore and who (aa) does not have any permanent establishment in Singapore or (bb) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Notes are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;

- (ii) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Notes as the MAS may require), Qualifying Income from the Notes paid by the Issuer and derived by any company or a body of persons (as defined in the ITA) in Singapore is subject to tax at a concessionary rate of 10% (except for holders of the relevant Financial Sector Incentive(s) who may be taxed at different rates); and

- (iii) subject to:

- (aa) the Issuer including in all offering documents relating to the Notes a statement to the effect that any person whose interest, discount income, prepayment fee, redemption premium or break cost derived from the Notes is not exempt from tax shall include such income in a return of income made under the ITA; and

- (bb) the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Notes as the MAS may require,

payments of Qualifying Income derived from the Notes are not subject to withholding of tax by the Issuer.

Notwithstanding the foregoing:

- (A) if during the primary launch of the Notes, the Notes are issued to fewer than four persons and 50% or more of the issue of the Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, the Notes would not qualify as QDS; and
- (B) even though the Notes are QDS, if, 50% or more of the Notes which are outstanding at any time during the life of their issue is beneficially held or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from the Notes held by:

- (i) any related party of the Issuer; or

- (ii) any other person where the funds used by such person to acquire the Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the Singapore tax exemption or concessionary rate of tax as described above.

The term "related party," in relation to a person, means any other person who, directly or indirectly, controls that person, or is controlled, directly or indirectly, by that person, or where he and that other person, directly or indirectly, are under the control of a common person.

The terms “break cost,” “prepayment fee” and “redemption premium” are defined in the ITA as follows:

- “break cost,” in relation to debt securities or QDS, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by any loss or liability incurred by the holder of the securities in connection with such redemption;
- “prepayment fee,” in relation to debt securities or QDS, means any fee payable by the issuer of the securities on the early redemption of the securities, the amount of which is determined by the terms of the issuance of the securities; and
- “redemption premium,” in relation to debt securities or QDS, means any premium payable by the issuer of the securities on the redemption of the securities upon their maturity.

References to “break cost,” “prepayment fee” and “redemption premium” in this Singapore tax disclosure have the same meaning as defined in the ITA.

Where interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) is derived from the Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for QDS under the ITA (as mentioned above) shall not apply if such person acquires the Notes using the funds and profits of such person’s operations through a permanent establishment in Singapore. Any person whose interest, discount income, prepayment fee, redemption premium or break cost (i.e. the Qualifying Income) derived from the Notes is not exempt from tax is required to include such income in a return of income made under the ITA.

Gains derived from the disposal of the Notes

Any gains considered to be in the nature of capital made from the sale of the Notes will not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Holders of the Notes who apply or are required to apply Singapore Financial Reporting Standard (“FRS”) 39 or FRS 109 may for Singapore income tax purposes be required to recognize gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 39 or FRS 109. Please see the section below on “—Adoption of FRS 39 and FRS 109 for Singapore Income Tax Purposes.”

Adoption of FRS 39 and FRS 109 for Singapore Income Tax Purposes

Section 34A of the ITA provides for the tax treatment for financial instruments in accordance with FRS 39 (subject to certain exceptions and “opt-out” provisions) to taxpayers who are required to comply with FRS 39 for financial reporting purposes. The IRAS has also issued a circular entitled “Income Tax Implications Arising from the Adoption of FRS 39 — Financial Instruments: Recognition and Measurement”.

FRS 109 is mandatorily effective for annual periods beginning on or after 1 January 2018, replacing FRS 39. Section 34AA of the ITA requires taxpayers who comply or who are required to comply with FRS 109 for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109, subject to certain exceptions.

Holders of the Notes who may be subject to the tax treatment under Sections 34A or 34AA of the ITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

Stamp Duty

The Stamp Duties Act, Chapter 312 of Singapore (the “**SDA**”) provides that stamp duty is payable on the agreement or instrument of transfer of stock (as defined in the SDA) at the rate of 0.2% of the consideration for, or market value of, the stock, whichever is higher.

Stamp duty is borne by the purchaser unless there is an agreement to the contrary. Where an agreement or instrument of transfer is executed outside Singapore or no agreement or instrument of transfer is executed, no stamp duty is payable on the acquisition of the stock. However, stamp duty may be payable if the agreement or instrument of transfer is executed outside Singapore and is received in Singapore.

Stamp duty is not applicable to electronic transfers of stock through the scripless trading system operated by The Central Depository (Pte) Limited.

Estate Duty

Singapore estate duty was abolished with respect to all deaths occurring on or after February 15, 2008.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement between us and the Initial Purchasers, each Initial Purchaser has severally but not jointly agreed to purchase from us, and we have agreed to sell to that Initial Purchaser, the principal amount of the Notes in the proportions indicated in the following table set forth opposite the Initial Purchaser's name below.

Initial Purchaser	Principal Amount of Notes
BNP Paribas.	US\$145,834,000
Citigroup Global Markets Singapore Pte. Ltd.	US\$145,833,000
CIMB Bank (L) Limited	US\$8,333,000
Total	<u>US\$300,000,000</u>

The purchase agreement provides that the obligations of the Initial Purchasers to purchase the Notes are subject to approval of certain legal matters by counsel and to other conditions. The Initial Purchasers must purchase all the Notes if they purchase any of the Notes.

The Company, CBI, the Issuer, SPIPL and the Subsidiary Guarantors (the “**Issuer Parties**”) have agreed not to, for a period of 120 days after the date of this Offering Memorandum, without the prior written consent of the Initial Purchasers, offer for sale, sell or otherwise dispose of (or enter into any transaction or device that is designed to, or would be expected to, result in the disposition by any person at any time in the future of) any debt securities of the Issuer Parties substantially similar to the Notes, the Guarantees or securities convertible into or exchangeable for such debt securities of the Issuer Parties, or sell or grant options, rights or warrants with respect to such debt securities of the Issuer Parties or securities convertible into or exchangeable for such debt securities of the Issuer Parties.

The Issuer Parties have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the Initial Purchasers may be required to make because of any of those liabilities.

The Notes are a new issue of securities with no established trading market. We have received approval in-principle for the listing and quotation of the Notes on the SGX ST. We have been advised that the Initial Purchasers intend to make a market in the Notes, as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any such market making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. We have been advised by the Initial Purchasers that, in connection with the offering of the Notes, the Initial Purchasers may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Initial Purchasers may over-allot the Offering, creating a syndicate short position. In addition, the Initial Purchasers may bid for, and purchase, the Notes in the open market to cover syndicate shorts or to stabilize the price of the Notes. Any of these activities may stabilize or maintain the market price of the Notes above independent market levels. The Initial Purchasers are not required to engage in these activities, and may end any of these activities at any time. No assurance can be given as to the liquidity of, or the trading market for, the Notes.

We expect that delivery of the Notes will be made against payment therefor on or about January 23, 2018, which we expect will be the fifth business day following the pricing date of the Notes (this settlement cycle being referred to as “T+5”). Purchasers who wish to trade Notes on the date of pricing or the two succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+5, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing or the two succeeding business days should consult their own legal advisor.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by the Issuer Parties or the Initial Purchasers that would permit a public offering of the Notes, or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

United States

The Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered, sold or delivered except outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. Each Initial Purchaser has represented and agreed that it has not offered, sold or delivered and will not offer, sell or deliver any Notes as part of its distribution in the United States.

Prohibition of Sales to EEA Retail Investors

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression “retail investor” means a person who is one (or more) of the following:
 - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
 - (ii) a customer within the meaning of the Insurance Mediation Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in the Prospectus Directive; and
- (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Indonesia

The Notes have not been, and will not be, registered with the OJK, and therefore, the Notes may not be offered or sold within Indonesia or to Indonesian citizens outside of Indonesia in a manner which constitutes a public offer under Indonesian capital market laws and its implementing regulations. Accordingly, each Initial Purchaser has represented and agreed that it (i) has not offered or sold and will not offer or sell any Notes in Indonesia or to Indonesian nationals, corporations or residents, including by way of invitation, offering or advertisement, and (ii) has not distributed, and will not distribute, this Offering Memorandum or any other offering materials relating to the Notes in Indonesia or to Indonesian nationals, corporations or residents in a manner which constitutes a public offering of the Notes under the Indonesian capital market laws and its implementing regulations.

United Kingdom

Each Initial Purchaser has represented and agreed that (1) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the “FSMA”) with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom; and

(2) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Company.

Singapore

Each Initial Purchaser has acknowledged that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore (the “MAS”). Accordingly, each Initial Purchaser has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the “SFA”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Sections 275 of the SFA by a relevant person which is:

- (e) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (f) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

Each Initial Purchaser has represented and agreed that (1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (the

“C(WUMP)O”) of Hong Kong or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (2) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue any advertisement, invitation or document relating to the Notes, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) and any rules made thereunder.

Switzerland

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Company or the Notes constitutes an offering prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations, and neither this Offering Memorandum nor any other offering or marketing material relating to the Company or the Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Notes will be offered in Switzerland and this Offering Memorandum and any other offering or marketing material relating to the Notes will be distributed or otherwise made available in Switzerland on a private placement basis only. No application has been or will be made to list the Notes on the SIX Swiss Exchange Ltd., and, consequently, neither this Offering Memorandum nor any other offering or marketing material relating to the Company or the Notes constitutes a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd. Investors are advised to contact their legal, financial or tax advisers to obtain an independent assessment of the financial and tax consequences of an investment in the Notes.

Other relationships

The Initial Purchasers and their respective affiliates have in the past engaged, and may in the future engage, in transactions with us and our affiliates, and have performed, and may in the future perform, services, including lending, cash management, financial advisory and investment banking services, for us and our affiliates, in their ordinary course of business. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

TRANSFER RESTRICTIONS

The Notes and the Guarantees have not and will not be registered under the Securities Act and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only outside the United States in compliance with Regulation S under the Securities Act.

By its purchase of the Notes, each purchaser of the Notes will be deemed to:

- (1) represent that it is purchasing the Notes for its own account or an account with respect to which it exercises sole investment discretion and is purchasing the Notes in an offshore transaction in accordance with Regulation S;
- (2) acknowledge that the Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered or sold within the United States;
- (3) agree that it will inform each person to whom it transfers Notes of any restriction on transfer of such notes; and
- (4) acknowledge that the Issuer, the Guarantors, the Initial Purchasers, the Transfer Agent and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements, and agree that if any of the acknowledgements, representations or agreements deemed to have been made by its purchase of the Notes are no longer accurate, it shall promptly notify the Issuer, the Guarantors and the Initial Purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

LEGAL MATTERS

Certain legal matters with respect to the Notes will be passed upon for us by Allen & Overy LLP as to matters of United States federal and New York law, Suhardiman Kardono Swadiri Hazwar as to matters of Indonesian law and Allen & Gledhill LLP as to matters of Singapore law. Certain legal matters will be passed upon for the Joint Lead Managers by White & Case Pte. Ltd. as to matters of United States federal and New York law and Witara Cakra Advocates as to matters of Indonesian law.

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Our consolidated financial statements as of and for the years ended December 31, 2014, 2015 and 2016, included herein have been audited by Purwantono, Sungkoro & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with the auditing standards established by the IICPA. Our unaudited interim consolidated financial statements as of September 30, 2017 and for the nine-month periods ended September 30, 2016 and 2017 included herein have been reviewed by Purwantono, Sungkoro & Surja (the Indonesian member firm of Ernst & Young Global Limited), independent public accountants, in accordance with SRE 2410.

The consolidated financial statements of CBI as of and for the year ended December 31, 2016 included herein have been audited by Paul Hadiwinata, Hidajat, Arsono, Retno, Palilingan & Rekan, (the Indonesian member firm of PKF International Limited), independent certified public accountants, in accordance with the auditing standards established by the IICPA. The unaudited interim consolidated financial statements of CBI as of September 30, 2017 and for the nine-month periods ended September 30, 2016 and 2017 included herein have been reviewed by Paul Hadiwinata, Hidajat, Arsono, Retno, Palilingan & Rekan, (the Indonesian member firm of PKF International Limited), independent certified public accountants, in accordance with attestation standards established by the IICPA.

INDEPENDENT CONSULTANTS

OIL WORLD (Ista Mielke GmbH) has given its written consent to the issue of this Offering Memorandum with the inclusion herein of its name and all references thereto and to the inclusion of the “*Industry Overview*” section in this Offering Memorandum, in the form and context in which it appears in this Offering Memorandum.

Each of Daemeter Consulting and The Forest Trust has given its written consent to the issue of this Offering Memorandum with the inclusion herein of its name and all references thereto, in the form and context in which it appears in this Offering Memorandum.

SUMMARY OF CERTAIN SIGNIFICANT DIFFERENCES BETWEEN INDONESIAN FAS AND IFRS

Our consolidated financial statements included elsewhere in this Offering Memorandum have been prepared and presented in accordance with Indonesian FAS. Significant differences exist between Indonesian FAS and IFRS, which might be material to the consolidated financial statements herein. The matters described below should not be expected to reveal all differences between Indonesian FAS and IFRS that are relevant to us.

Management has made no attempt to quantify the impact of those differences, nor has any attempt been made to identify all disclosure, presentation, or classification differences that would affect the manner in which transactions or events are presented in the consolidated financial statements. Had any such quantification or identification been undertaken by management, other potential significant accounting and disclosure differences may have come to its attention which are not summarized below. Accordingly, it should not be construed that the following summary of certain significant differences between Indonesian FAS and IFRS is complete.

Regulatory bodies that promulgate Indonesian FAS and IFRS have significant ongoing projects that could affect future comparisons such as this one. Further, no attempt has been made to identify future differences between Indonesian FAS and IFRS as a result of prescribed changes in accounting standards and regulations. Finally, no attempt has been made to identify all future differences between Indonesian FAS and IFRS that may affect the consolidated financial statements as a result of transactions or events that may occur in future.

Management believes that the application of IFRS to the consolidated financial statements could have a material and significant impact upon the consolidated financial statements reported under Indonesian FAS. In making an investment decision, investors must rely upon their own examination of us, terms of the offering, and the consolidated financial statements. Potential investors should consult their own professional advisors for an understanding of the differences between Indonesian FAS and IFRS, and how those differences might affect the consolidated financial statements included herein.

Produce growing on bearer plants

Under Indonesian FAS, produce growing on bearer plants (fresh fruit bunches) are not measured and recognized in the financial statements.

Under IAS 41, produce growing on bearer plants are measured at fair value less costs to sell and recognized in the financial statements.

Land rights

In Indonesia, except for ownership rights granted to individuals, the titles of the land rests with the Government of the Republic of Indonesia. Land-use is accomplished through land rights whereby the holder of the rights enjoys the full use of the land for a stated period of time, subject to extensions. Land rights are generally freely tradable and may be encumbered as security under borrowing agreements. Under Indonesian FAS, the costs of acquired land rights are capitalized as land, which is not depreciated unless: (i) the condition of the land is no longer suitable for the main operation of the enterprise, (ii) the nature of the entity's main operation will result in the abandonment of land and buildings subsequent to completion of the project, or (iii) management's prediction or certainty that an extension or renewal of the land rights will not be obtained. When depreciated, land should be depreciated in accordance with the estimated length of the entity's main operation or project.

Under IFRS, an "agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time" is considered a lease. In determining

whether the land use right is an operating or a finance lease, an important consideration is whether the lessee has an absolute right on such property. If the lessee does not and will not substantially own the land because the government has a right to reject the renewal, such right is accounted for as a lease and the cost is amortized over the period the holder is expected to retain the land rights.

Tax amnesty

Under Indonesian FAS, when recorded for commercial accounting purposes, tax amnesty assets and liabilities recognized in connection with the Tax Amnesty Law of 2016 are accounted for: (i) using the existing relevant accounting standards (the “General” approach), or (ii) at the amounts reported in the Tax Amnesty Notification Letter (*Surat Keterangan Pengampunan Pajak* (“SKPP”)) (the “Deemed Cost” approach). Any recognized tax amnesty liability shall be measured at the amount of cash or cash equivalents that is required to settle the contractual obligation related to the acquisition of such tax amnesty asset. The difference between the amounts initially recognized for the tax amnesty assets and the related tax amnesty liabilities shall be recorded as “additional paid-in capital” (“APIC”) in the statement of financial position. The APIC shall not be recycled to earnings or recycled to retained earnings subsequently. The amount of tax paid in connection with the entity’s participation in the tax amnesty program shall be charged directly to earnings in the period when the SKPP is received. When the General approach is selected, the Indonesian Statement of Financial Accounting Standard 25, “Accounting Policies, Change in Estimates, and Errors” shall be applied where restatement of prior periods’ financial statements may be required. When the Deemed Cost approach is selected, tax amnesty assets and liabilities shall be recognized prospectively.

Under IFRS, there is no specific accounting standard that governs the recognition and measurement of tax amnesty assets and liabilities.

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**PT Sawit Sumbermas Sarana Tbk.
dan entitas anaknya/*and its subsidiaries***

Laporan keuangan konsolidasian
tanggal 30 September 2017
dan untuk periode sembilan bulan yang berakhir
pada tanggal-tanggal 30 September 2017 dan 2016
beserta laporan atas reviu informasi keuangan interim
dan
tanggal 31 Desember 2016, 2015, dan 2014
dan untuk tahun yang berakhir pada tanggal-tanggal tersebut
beserta laporan auditor independen/
*Consolidated financial statements
as of September 30, 2017
and for the nine-month periods ended
September 30, 2017 and 2016
with report on review of interim financial information
and
as of December 31, 2016, 2015, and 2014
and the for the years then ended
with independent auditors' report*

The original consolidated financial statements included herein
are in the Indonesian language.

**PT SAWIT SUMBERMAS SARANA TBK.
DAN ENTITAS ANAKNYA
LAPORAN KEUANGAN KONSOLIDASIAN
TANGGAL 30 SEPTEMBER 2017
DAN UNTUK PERIODE SEMBILAN BULAN YANG
BERAKHIR PADA TANGGAL-TANGGAL
30 SEPTEMBER 2017 DAN 2016
BERSERTA LAPORAN ATAS REVIU INFORMASI
KEUANGAN INTERIM
DAN
TANGGAL 31 DESEMBER 2016, 2015 DAN 2014
DAN UNTUK TAHUN YANG BERAKHIR PADA
TANGGAL-TANGGAL TERSEBUT
BERSERTA LAPORAN AUDITOR INDEPENDEN**

**PT SAWIT SUMBERMAS SARANA TBK.
AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2017
AND FOR THE NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2017 AND 2016
WITH REPORT ON REVIEW OF INTERIM
FINANCIAL INFORMATION
AND
AS OF DECEMBER 31, 2016, 2015 AND 2014
AND FOR THE YEARS THEN ENDED
WITH INDEPENDENT AUDITOR'S REPORT**

Daftar Isi

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Sawit Sumbermas Sarana

Karya Nyata untuk Negeri

**SURAT PERNYATAAN DIREKSI
TENTANG TANGGUNG JAWAB ATAS LAPORAN KEUANGAN
KONSOLIDASIAN TANGGAL 30 SEPTEMBER 2017
DAN UNTUK PERIODE SEMBELAN BULAN YANG BERAKHIR
PADA TANGGAL-TANGGAL
30 SEPTEMBER 2017 DAN 2016**

**DAN
TANGGAL 31 DESEMBER 2016, 2015 DAN 2014
DAN UNTUK TAHUN YANG BERAKHIR PADA
TANGGAL-TANGGAL TERSEBUT**

**PT SAWIT SUMBERMAS SARANA Tbk.
DAN ENTITAS ANAKNYA**

**BOARD OF DIRECTORS STATEMENT
REGARDING THE RESPONSIBILITY FOR
THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2017
AND FOR THE NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2017 AND 2016**

**AND
AS OF DECEMBER 31, 2016, 2015 AND 2014
AND FOR THE YEARS THEN ENDED**

**PT SAWIT SUMBERMAS SARANA Tbk.
AND ITS SUBSIDIARIES**

Kami yang bertanda tangan di bawah ini:

We, the undersigned below:

Nama	Valaethan Subraminam	Name
Alamat Kantor	Jl. H. Udan Said No. 47 Kecamatan Anut Selatan, Kotawaringin Barat, Pangkajene Buni, Kalimantan Tengah	Office address
Alamat Domisili	Jl. H. Udan Said No. 47 Kecamatan Anut Selatan, Kotawaringin Barat, Pangkajene Buni, Kalimantan Tengah	Domicile address
Telepon	+62 532 21 297	Telephone
Jabatan	Direktur Utama/President Director	Position
Nama	Nicholas Justin Whittle	Name
Alamat Kantor	Jl. H. Udan Said No. 47 Kecamatan Anut Selatan, Kotawaringin Barat, Pangkajene Buni, Kalimantan Tengah	Office address
Alamat Domisili	Jl. H. Cikong, RT: 03 RW: 01, Raret, Jakarta Selatan	Domicile address
Telepon	+62 21 2903 5401	Telephone
Jabatan	Direktur/Director	Position

menyatakan bahwa:

confirm that:

- | | |
|---|--|
| 1. Kami bertanggung jawab atas penyusunan dan penyajian laporan keuangan konsolidasian PT Sawit Sumbermas Sarana Tbk. ("Perseroan") dan entitas anaknya; | 1. We are responsible for the preparation and presentation of the consolidated financial statements of PT Sawit Sumbermas Sarana Tbk. ("The Company") and its subsidiaries; |
| 2. Laporan keuangan konsolidasian Perseroan dan entitas anaknya telah disusun dan disajikan sesuai dengan Standar Akuntansi Keuangan di Indonesia; | 2. The consolidated financial statements of the Company and its subsidiaries have been prepared and presented in conformity with Indonesian Financial Accounting Standards; |
| 3. a. Semua informasi dalam laporan keuangan konsolidasian Perseroan dan entitas anaknya telah diungkapkan secara lengkap dan benar; | 3. a. All information in the consolidated financial statements of the Company and its subsidiaries has been fully disclosed in a complete and truthful manner; |
| b. Laporan keuangan konsolidasian Perseroan dan entitas anaknya tidak mengandung informasi atau fakta material yang tidak benar, dan tidak menghilangkan informasi atau fakta material; | b. The consolidated financial statements of the Company and its subsidiaries do not contain false material information or facts, nor do they omit material information or facts; |
| 4. Kami bertanggung jawab atas sistem pengendalian intern dalam Perseroan dan entitas anaknya. | 4. We are responsible for the internal control system of the Company and its subsidiaries. |

Demikian pernyataan ini dibuat dengan sebenarnya.

This statement is made truthfully.

29 November 2017/November 29, 2017
Atas nama dan mewakili Direksi/For and on behalf of the Board of Directors

 Valaethan Subraminam Direktur Utama/President Director	 Nicholas Justin Whittle Direktur/Director
--	---

PT Sawit Sumbermas Sarana Tbk
Head Office
Jl. H. Udan Said No. 47
Pangkajene Buni 74113
Kalimantan Tengah, Indonesia
T : +62 532 21297
F : +62 532 21396

Jakarta Representative Office
Equity Tower, 43 Floor Suite 43 D
Jl. Jend. Sudirman Kav. 52-53 SCBD Lrt 9
Jakarta 12190, Indonesia
T : +62 21 2903 5401-04
F : +62 21 2903 5405

www.sams.co.id



Purwantono, Sungkoro & Surja

Indonesia Stock Exchange Building
Tower 2, 7th Floor
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, Indonesia

Tel : +62 21 5289 5000
Fax : +62 21 5289 4000
ey.com/id

The original report includes text only in the Indonesian language.

Laporan atas Reviu Informasi Keuangan Interim

Report on Review of Interim Financial Information

Laporan No. RPC-5519/PSS/2017

Report No. RPC-5519/PSS/2017

Para Pemegang Saham, Dewan Komisaris, dan Direksi
PT Sawit Sumbermas Sarana Tbk.

The Shareholders and the Boards of
Commissioners and Directors
PT Sawit Sumbermas Sarana Tbk.

Kami telah mereviu laporan keuangan konsolidasian interim PT Sawit Sumbermas Sarana Tbk. ("Perseroan") dan entitas anaknya (secara kolektif disebut sebagai "Kelompok Usaha") terlampir, yang terdiri dari laporan posisi keuangan konsolidasian interim tanggal 30 September 2017, serta laporan laba rugi dan penghasilan komprehensif lain, laporan perubahan ekuitas, dan laporan arus kas konsolidasian interim untuk periode Sembilan bulan yang berakhir pada tanggal-tanggal 30 September 2017 dan 2016, dan suatu ikhtisar kebijakan akuntansi signifikan dan informasi penjelasan lainnya. Manajemen bertanggung jawab atas penyusunan dan penyajian wajar laporan keuangan konsolidasian interim ini sesuai dengan Standar Akuntansi Keuangan di Indonesia. Tanggung jawab kami adalah untuk menyatakan suatu kesimpulan atas laporan keuangan konsolidasian interim ini berdasarkan reviu kami.

We have reviewed the accompanying interim consolidated financial statements of PT Sawit Sumbermas Sarana Tbk. (the "Company") and its subsidiaries (collectively referred as "Group"), which comprise the interim consolidated statement of financial position as of September 30, 2017, and the interim consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the nine-month periods ended September 30, 2017 and 2016, and a summary of significant accounting policies and other explanatory informations. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Indonesian Financial Accounting Standards. Our responsibility is to express a conclusion on these interim consolidated financial statements based on our reviews.

**Laporan atas Reviu Informasi Keuangan Interim
(lanjutan)**

Laporan No. RPC-5519/PSS/2017 (lanjutan)

Ruang lingkup reviu

Kami melaksanakan reviu kami berdasarkan Standar Perikatan Reviu 2410, "Reviu atas Informasi Keuangan Interim yang Dilaksanakan oleh Auditor Independen Entitas", yang ditetapkan oleh Institut Akuntan Publik Indonesia. Suatu reviu atas informasi keuangan interim terdiri dari pengajuan pertanyaan, terutama kepada pihak yang bertanggung jawab atas bidang keuangan dan akuntansi, serta penerapan prosedur analitis dan prosedur reviu lainnya. Suatu reviu memiliki ruang lingkup yang secara substansial kurang daripada suatu audit yang dilaksanakan berdasarkan Standar Audit yang ditetapkan oleh Institut Akuntan Publik Indonesia dan sebagai konsekuensinya, tidak memungkinkan kami untuk memperoleh keyakinan bahwa kami akan mengetahui seluruh hal signifikan yang mungkin teridentifikasi dalam suatu audit. Oleh karena itu, kami tidak menyatakan suatu opini audit.

Kesimpulan

Berdasarkan reviu kami, tidak ada hal-hal yang menjadi perhatian kami yang menyebabkan kami percaya bahwa laporan keuangan konsolidasian interim terlampir tidak menyajikan secara wajar, dalam semua hal yang material, posisi keuangan konsolidasian PT Sawit Sumbermas Sarana Tbk. dan entitas anaknya tanggal 30 September 2017, serta kinerja keuangan dan arus kas konsolidasiannya untuk periode sembilan bulan yang berakhir pada tanggal-tanggal 30 September 2017 dan 2016, sesuai dengan Standar Akuntansi Keuangan di Indonesia.

**Report on Review of Interim Financial
Information (continued)**

Report No. RPC-5519/PSS/2017 (continued)

Scope of review

We conducted our reviews in accordance with Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", established by the Indonesian Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of PT Sawit Sumbermas Sarana Tbk. and its subsidiaries as of September 30, 2017, and their consolidated financial performance and cash flows for the nine-month periods ended September 30, 2017 and 2016, in accordance with Indonesian Financial Accounting Standards.



The original report included herein is in the Indonesian language.

**Laporan atas Reviu Informasi Keuangan Interim
(lanjutan)**

***Report on Review of Interim Financial
Information (continued)***

Laporan No. RPC-5519/P3S/2017 (lanjutan)

Report No. RPC-5519/P3S/2017 (continued)

Hal lain

Other matter

Laporan ini diterbitkan dengan tujuan untuk dicantumkan dalam dokumen penawaran sehubungan dengan rencana penawaran efek utang entitas anak Perseroan, diluar Amerika Serikat berdasarkan Regulation S dari the United States of America Securities Act of 1933, serta tidak ditujukan, dan tidak diperkenankan untuk digunakan, untuk tujuan lain.

This report has been prepared solely for inclusion in the offering memorandum in connection with the proposed offering of the debt securities of a subsidiary of the Company, outside of the United States of America in reliance on Regulation S under the United States of America Securities Act of 1933, and is not intended to be, and should not be used, for any other purposes.

Purwantono, Sangkoro & Surja

Agung Purwanto

Registrasi Akuntan Publik No. AP.0687/Public Accountant Registration No. AP.0687

29 November 2017/November 29, 2017



Purwantono, Sungkoro & Surja

Indonesia Stock Exchange Building
Tower 2, 7th Floor
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190, Indonesia

Tel: +62 21 5289 5000
Fax: +62 21 5289 4100
ey.com/id

The original report indicated herein is in the Indonesian language.

Laporan Auditor Independen

Laporan No. RPC-5518/PSS/2017

Para Pemegang Saham, Dewan Komisaris, dan Direksi
PT Sawit Sumbermas Sarana Tbk.

Kami telah mengaudit laporan keuangan konsolidasian PT Sawit Sumbermas Sarana Tbk. ("Perseroan") dan entitas anaknya (secara kolektif disebut sebagai "Kelompok Usaha") terlampir, yang terdiri dari laporan posisi keuangan konsolidasian tanggal 31 Desember 2016, 2015, dan 2014, serta laporan laba rugi dan penghasilan komprehensif lain, laporan perubahan ekuitas, dan laporan arus kas konsolidasian untuk tahun yang berakhir pada tanggal-tanggal tersebut, dan suatu ikhtisar kebijakan akuntansi signifikan dan informasi penjelasan lainnya.

Tanggung jawab manajemen atas laporan keuangan

Manajemen bertanggung jawab atas penyusunan dan penyajian wajar laporan keuangan konsolidasian tersebut sesuai dengan Standar Akuntansi Keuangan di Indonesia, dan atas pengendalian internal yang dianggap perlu oleh manajemen untuk memungkinkan penyusunan laporan keuangan konsolidasian yang bebas dari kesalahan penyajian material, baik yang disebabkan oleh kecurangan maupun kesalahan.

Tanggung jawab auditor

Tanggung jawab kami adalah untuk menyatakan suatu opini atas laporan keuangan konsolidasian tersebut berdasarkan audit kami. Kami melaksanakan audit kami berdasarkan Standar Audit yang ditetapkan oleh Institut Akuntan Publik Indonesia. Standar tersebut mengharuskan kami untuk mematuhi ketentuan etika serta merencanakan dan melaksanakan audit untuk memperoleh keyakinan memadai tentang apakah laporan keuangan konsolidasian tersebut bebas dari kesalahan penyajian material.

Independent Auditors' Report

Report No. RPC-5518/PSS/2017

The Shareholders and the Boards of Commissioners and Directors
PT Sawit Sumbermas Sarana Tbk.

We have audited the accompanying consolidated financial statements of PT Sawit Sumbermas Sarana Tbk. (the "Company") and its subsidiaries (collectively referred as "Group"), which comprise the consolidated statements of financial position as of December 31, 2016, 2015, and 2014, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of such consolidated financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on such consolidated financial statements based on our audits. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether such consolidated financial statements are free from material misstatement.

Laporan Auditor Independen (lanjutan)

Independent Auditors' Report (continued)

Laporan No. RPC-5518/PSS/2017 (lanjutan)

Report No. RPC-5518/PSS/2017 (continued)

Tanggung jawab auditor (lanjutan)

Auditors' responsibility (continued)

Suatu audit melibatkan pelaksanaan prosedur untuk memperoleh bukti audit tentang angka-angka dan pengungkapan dalam laporan keuangan. Prosedur yang dipilih bergantung pada pertimbangan auditor, termasuk penilaian atas risiko kesalahan penyajian material dalam laporan keuangan, baik yang disebabkan oleh kecurangan maupun kesalahan. Dalam melakukan penilaian risiko tersebut, auditor mempertimbangkan pengendalian internal yang relevan dengan penyusunan dan penyajian wajar laporan keuangan entitas untuk merancang prosedur audit yang tepat sesuai dengan kondisinya, tetapi bukan untuk tujuan menyatakan opini atas keefektifitasan pengendalian internal entitas. Suatu audit juga mencakup pengevaluasian atas ketepatan kebijakan akuntansi yang digunakan dan kewajaran estimasi akuntansi yang dibuat oleh manajemen, serta pengevaluasian atas penyajian laporan keuangan secara keseluruhan.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Kami yakin bahwa bukti audit yang telah kami peroleh adalah cukup dan tepat untuk menyediakan suatu basis bagi opini audit kami.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opini

Opinion

Menurut opini kami, laporan keuangan konsolidasian terlampir menyajikan secara wajar, dalam semua hal yang material, posisi keuangan konsolidasian PT Sawit Sumbermas Sarana Tbk. dan unitnya berakhir tanggal 31 Desember 2016, 2015, dan 2014 serta kinerja keuangan dan arus kas konsolidasiannya untuk tahun yang berakhir pada tanggal-tanggal tersebut, sesuai dengan Standar Akuntansi Keuangan di Indonesia.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PT Sawit Sumbermas Sarana Tbk. and its subsidiaries as of December 31, 2016, 2015, and 2014, and their consolidated financial performance and cash flows for the years then ended, in accordance with Indonesian Financial Accounting Standards.



The original report included herein is in the Indonesian language.

Laporan Auditor Independen (lanjutan)

Independent Auditors' Report (continued)

Laporan No. RPC-5518/PSS/2017 (lanjutan)

Report No. RPC-5518/PSS/2017 (continued)

Hal lain

Other matter

Laporan ini diterbitkan dengan tujuan untuk dicantumkan dalam dokumen penawaran sehubungan dengan rencana penawaran efek utang entitas anak Perseroan, diluar Amerika Serikat berdasarkan Regulation S dari the United States of America Securities Act of 1933, serta tidak ditujukan, dan tidak diperkenankan untuk digunakan, untuk tujuan lain.

This report has been prepared solely for inclusion in the offering memorandum in connection with the proposed offering of the debt securities of a subsidiary of the Company, outside of the United States of America in reliance on Regulation S under the United States of America Securities Act of 1933, and is not intended to be, and should not be used, for any other purposes.

Purwanto, Sungkoro & Surja

Agung Purwanto

Registrasi Akuntan Publik No. AP.0687/Public Accountant Registration No. AP.0687

29 November 2017/November 29, 2017

The original consolidated financial statements included herein are in the Indonesian language.

**PT SAWIT SUMBERMAS SARANA Tbk.
DAN ENTITAS ANAKNYA
LAPORAN POSISI KEUANGAN
KONSOLIDASIAN
Tanggal 30 September 2017
dan 31 Desember 2016, 2015 dan 2014
(Disajikan dalam ribuan Rupiah,
kecuali dinyatakan lain)**

**PT SAWIT SUMBERMAS SARANA Tbk.
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION
As of September 30, 2017
and December 31, 2016, 2015 and 2014
(Expressed in thousands of Rupiah,
unless otherwise stated)**

	Catatan/ Notes	30 September 2017 September 30, 2017 (Tidak diaudit) (Unaudited)	31 Desember 2016/ December 31, 2016	31 Desember 2015/ December 31, 2015	31 Desember 2014/ December 31, 2014	
ASET						ASSETS
ASET LANCAR						CURRENT ASSETS
Kas dan setara kas	2f,2g,4	1.007.876.113	162.460.544	521.782.952	473.334.712	Cash and cash equivalents
Deposito berjangka	2f, 2g,5	-	-	-	1.359.642.000	Time deposits
Piutang usaha - pihak ketiga	2f,6	130.523.626	238.779.892	273.238.809	36.379.110	Trade receivables - third parties
Piutang lain-lain						Other receivables
Pihak ketiga	2f,7	9.076.200	2.487.598	390.518.433	45.693.328	Third parties
Pihak berelasi	2f,2a,35a	403.098.195	260.154.952	224.766.826	180.810.199	Related parties
Persediaan	2f,8	257.517.039	121.834.023	164.188.779	90.608.668	Inventories
Pinjaman kepada pihak berelasi	2f,2a,35a	2.076.967.070	960.617.582	188.568.177	519.237.657	Loans to related parties
Dibayar di muka	2f,9	3.421.802	2.021.146	1.765.821	2.446.808	Prepayments
Uang muka pihak ketiga	10	20.568.586	4.975.827	11.659.926	33.938.522	Advances third parties
Pajak dibayar di muka	21a	56.606.230	43.510.636	22.028.520	-	Prepaid tax
Aset lancar lainnya		-	-	284.734	284.734	Other current asset
JUMLAH ASET LANCAR		3.985.643.869	1.798.842.160	1.798.882.777	2.742.375.738	TOTAL CURRENT ASSETS
ASET TIDAK LANCAR						NON-CURRENT ASSETS
Taksiran tagihan restitusi pajak	21b	76.658.767	142.405.581	63.735.999	559.033	Estimated claims for tax refund
Tanaman perkebunan						Plantation assets
Tanaman menghasilkan, neto	2f,11a	2.213.882.974	1.810.868.438	1.818.991.496	1.413.688.144	Mature plantations, net
Tanaman belum menghasilkan	2f,11b	259.710.072	706.061.289	566.403.860	462.584.473	Immature plantations
Aset tetap, neto	2f,12	1.660.297.553	1.749.108.322	1.756.355.900	1.613.017.345	Fixed assets, net
Aset takberwujud, neto	2f,2c,13	3.304.456	3.545.076	96.984.691	2.917.832	Intangible assets, net
Investasi saham	2f,14	95.000.000	95.000.000	95.000.000	95.000.000	Investment in shares of stock
Aset pajak tangguhan, neto	2f,21f	29.400.872	23.187.482	32.191.145	57.586.573	Deferred tax assets, net
Proyek pengembangan usaha	15	8.279.552	7.948.621	7.948.621	89.106.429	Business development project
Piutang lain-lain pihak ketiga						Other receivables third parties
tidak lancar	17	671.750.324	626.708.284	543.968.129	-	non-current
Piutang plasma	2f,2n,18	336.128.526	199.882.217	150.845.742	36.812.696	Plasma receivables
Aset tidak lancar lainnya	19	24.799.592	1.414.437	49.677.846	201.696.249	Other non-current assets
JUMLAH ASET TIDAK LANCAR		5.479.271.687	5.386.137.957	5.181.119.438	4.022.898.663	TOTAL NON-CURRENT ASSETS
JUMLAH ASET		9.464.914.732	7.185.079.116	6.979.912.216	6.765.234.341	TOTAL ASSETS
LIABILITAS DAN EKUITAS						LIABILITIES AND EQUITY
LIABILITAS JANGKA PENDEK						CURRENT LIABILITIES
Utang bank jangka pendek	2f,25a	-	-	16.554.000	348.428.000	Short-term bank loan
Utang usaha						Trade payables
Pihak ketiga	2f,19	44.052.033	56.771.749	47.517.439	44.584.025	Third parties
Pihak berelasi	2f, 3a,35b	452.059	452.059	-	-	Related parties
Pendapatan diterima di muka	20	29.288.409	33.850.000	678.908	68.359.329	Unearned revenue
Utang pajak	2g,21c	54.312.385	75.475.820	14.290.824	67.425.775	Taxes payable
Beban akrual	2f,22	39.086.169	13.636.800	22.205.104	13.054.110	Accrued expenses
Utang lain-lain						Other payables
Pihak berelasi	2f,2a,35b	120.790.833	127.311.640	378.316.579	1.537.076.386	Related parties
Pihak ketiga	2f,19	208.877.442	120.639.454	133.011.302	218.681.059	Third parties
Liabilitas imbalan kerja						Short-term employee benefit liabilities
karyawan jangka pendek	2f,2a,26	74.460.264	71.840.040	62.847.057	70.939.328	Current maturities of consumer finance liabilities
Liabilitas pembiayaan konsumen						Current maturities of
jatuh tempo dalam satu tahun	2f,2p,23	700.108	2.262.871	3.687.548	10.022.331	finance liabilities
Liabilitas sewa pembiayaan jatuh						Current maturities of
tempo dalam satu tahun	2f,2p,24	167.556	167.556	1.565.715	2.270.857	finance lease liabilities
Utang bank jangka panjang						Current maturities of
jatuh tempo dalam satu tahun	2f,2m,25b	357.182.748	812.229.823	621.970.379	230.960.175	long-term bank loan
JUMLAH LIABILITAS						
JANGKA PENDEK		938.378.896	1.354.577.834	1.302.832.856	2.811.834.375	TOTAL CURRENT LIABILITIES

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian.

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.

The original consolidated financial statements included herein are in the Indonesian language.

**PT SAWIT SUMBERMAS SARANA Tbk.
DAN ENTITAS ANAKNYA
LAPORAN POSISI KEUANGAN
KONSOLIDASIAN (lanjutan)
Tanggal 30 September 2017
dan 31 Desember 2016, 2015 dan 2014
(Disajikan dalam ribuan Rupiah,
kecuali dinyatakan lain)**

**PT SAWIT SUMBERMAS SARANA Tbk.
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION (continued)
As of September 30, 2017
and December 31, 2016, 2015 and 2014
(Expressed in thousands of Rupiah,
unless otherwise stated)**

	Catatan/ Notes	30 September 2017/ September 30, 2017 (Tidak diaudit/ Unaudited)	31 Desember 2016/ December 31, 2016	31 Desember 2015/ December 31, 2015	31 Desember 2014/ December 31, 2014	
LIABILITAS JANGKA PANJANG						NON-CURRENT LIABILITIES
Liabilitas pembiayaan konsumen - setelah dikurangi bagian jatuh tempo dalam satu tahun	21.p.23	-	256.706	2.511.076	6.036.707	Consumer finance liabilities - net of current maturities
Liabilitas sewa pembiayaan - setelah dikurangi bagian jatuh tempo dalam satu tahun	21.p.24	136.630	265.267	-	1.070.301	Finance lease liabilities - net of current maturities
Utang bank jangka panjang - setelah dikurangi bagian jatuh tempo dalam satu tahun	21.m.25b	4.389.431.888	2.219.835.882	2.536.041.348	1.266.156.895	Long-term bank loan - net of current maturities
Liabilitas imbalan kerja karyawan jangka panjang	2a.26	150.478.391	109.287.008	95.896.056	88.546.077	Long-term employee benefit liabilities
Liabilitas pajak tangguhan, neto	2g.21f	59.923.877	65.149.973	26.039.395	3.089.229	Deferred tax liabilities, net
JUMLAH LIABILITAS JANGKA PANJANG		4.599.973.586	2.384.584.864	2.660.489.877	1.364.886.008	TOTAL NON-CURRENT LIABILITIES
JUMLAH LIABILITAS		5.528.543.982	3.768.172.828	3.963.122.732	3.976.726.384	TOTAL LIABILITIES
EKUITAS						EQUITY
Ekuitas yang dapat diatribusikan kepada pemilik entitas induk						Equity attributable to owners of equity of the parent entity
Modal saham						Share capital
Modal dasar - 32.100.000.000 lembar saham nilai nominal Rp100 (nilai penuh) per saham						Authorized - 32,100,000,000 shares at par value per share of Rp100 (full amount)
Modal ditempatkan dan disetor penuh - 6.505.000.000 lembar saham	27a	952.500.000	952.500.000	952.500.000	952.500.000	Issued and fully paid - 6,505,000,000 shares
Tambahan modal disetor	28	540.919.171	540.919.171	540.919.171	834.741.179	Additional paid-in capital
Selisih transaksi dengan pihak nonpengendali	29	89.113.603	79.278.702	79.278.702	41.850.240	Difference in transactions with non-controlling parties
Saldo laba						Retained earnings
Sudah ditentukan penggunaannya	27d	374.333.815	256.001.880	143.819.390	16.252.315	Appropriated
Belum ditentukan penggunaannya		1.823.536.919	1.606.975.348	1.296.772.744	1.087.373.137	Unappropriated
Ekuitas merger entitas	1e	-	-	-	(194.563.268)	Merging entities' equity
Penghasilan komprehensif lain		7.931.719	15.122.101	1.500.387	(10.978.280)	Other comprehensive income
Ekuitas yang dapat diatribusikan kepada pemilik entitas induk - neto		3.888.338.827	3.453.787.232	3.916.790.494	2.740.275.314	Equity attributable to owners of the parent entity - net
Kepentingan nonpengendali	27e	17.236.133	-	-	48.236.643	Non-controlling interests
JUMLAH EKUITAS		3.905.574.960	3.453.787.232	3.916.790.494	2.788.511.957	TOTAL EQUITY
JUMLAH LIABILITAS DAN EKUITAS		9.444.914.752	7.162.959.156	6.879.913.216	6.765.234.341	TOTAL LIABILITIES AND EQUITY

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian.

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.

The original consolidated financial statements included herein are in the Indonesian language.

**PT SAWIT SUMBERMAS SARANA Tbk.
DAN ENTITAS ANAKNYA
LAPORAN LABA RUGI DAN PENGHASILAN
KOMPREHENSIF LAIN KONSOLIDASIAN**
Untuk periode sembilan bulan yang berakhir pada
tanggal-tanggal 30 September 2017 dan 2016
dan tahun yang berakhir pada tanggal-tanggal
31 Desember 2016, 2015 dan 2014
(Disajikan dalam ribuan Rupiah,
kecuali dinyatakan lain)

**PT SAWIT SUMBERMAS SARANA Tbk.
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
For the nine-month periods ended
September 30, 2017 and 2016
and the years ended
December 31, 2016, 2015 and 2014
(Expressed in thousands of Rupiah,
unless otherwise stated)

	Catatan/ Notes	Periode sembilan bulan yang berakhir pada tanggal-tanggal/ Nine-month periods ended		Tahun yang berakhir pada tanggal-tanggal/ Years ended			
		30 September 2017/ September 30, 2017 (Tidak diaudit/ Unaudited)	30 September 2016/ September 30, 2016 (Tidak diaudit/ Unaudited)	31 Desember 2016/ December 31, 2016	31 Desember 2015/ December 31, 2015	31 Desember 2014/ December 31, 2014	
PERJUALAN	21.30	2.380.988.539	1.739.490.369	2.732.677.818	2.371.878.116	2.818.965.004	SALES
BEBAN POKOK PENJUALAN	21.31	(1.090.522.007)	(970.378.430)	(1.296.619.296)	(1.124.690.113)	(1.296.794.462)	COST OF SALES
LABA BRUTO		1.290.466.532	769.111.939	1.436.058.522	1.247.188.002	1.519.570.542	GROSS PROFIT
Beban penjualan	21.32	(156.265.885)	(92.063.154)	(166.483.507)	(79.948.942)	(47.844.293)	Selling expenses
Beban umum dan administrasi	21.32	(259.794.162)	(245.947.380)	(218.218.333)	(287.948.562)	(280.217.327)	General and administrative expenses
Kerugian penurunan nilai goodwill	13	-	-	(93.768.210)	-	-	Loss from impairment of goodwill
Pendapatan lain-lain, neto	21.32	4.513.490	111.856.844	4.163.990	5.488.500	(13.162.879)	Other income, net
LABA USAHA		879.209.873	542.958.239	894.811.462	884.785.000	978.326.643	OPERATING PROFIT
Pendapatan keuangan, neto	21.33	188.337.297	91.055.713	135.091.406	96.031.138	146.352.360	Finance income, net
Beban keuangan	21.33	(249.945.044)	(104.246.625)	(182.425.152)	(206.091.158)	(203.851.062)	Finance costs
LABA SEBELUM PAJAK PENGHASILAN BADAN		817.602.026	479.767.327	847.487.716	774.724.980	918.827.921	PROFIT BEFORE CORPORATE INCOME TAX
PAJAK PENGHASILAN BADAN	3q.214	(186.141.676)	(144.618.754)	(265.728.944)	(204.842.732)	(283.501.734)	CORPORATE INCOME TAX
LABA PERIODE/TAHUN BERJALAN SETELAH EFEK PENYESUAIAN LABA MERGING ENTITIES		631.460.350	335.128.573	581.758.772	569.882.248	635.326.186	PROFIT FOR THE PERIOD/YEAR AFTER THE EFFECT OF MERGING ENTITIES' INCOME ADJUSTMENT
PENGHASILAN KOMPREHENSIF LAIN, SETELAH PAJAK							OTHER COMPREHENSIVE INCOME, NET OF TAX
Pos yang tidak akan diklasifikasi ke laba rugi							Items that will not be reclassified to profit or loss
Pengukuran kembali (kerugian)/keuntungan atas liabilitas jabatan karyawan, neto		(7.190.382)	3.711.021	9.796.605	12.478.667	(13.128.755)	Remeasurements (cost)/gain on liability for employee benefits, net
PENGHASILAN KOMPREHENSIF PERIODE/TAHUN BERJALAN SETELAH PENYESUAIAN LABA MERGING ENTITIES		624.270.168	338.839.594	591.455.377	582.360.915	622.197.431	COMPREHENSIVE INCOME FOR THE PERIOD/YEAR AFTER ENTITIES' INCOME ADJUSTMENT
Penyesuaian laba merging entities		-	-	-	(26.231.260)	66.034.078	Adjustment of merging entities income
Pemilik entitas induk		-	-	-	(1.943.056)	4.891.480	Equity holder
Keperluan nonpengendali	1e	-	-	-	(28.174.316)	70.826.458	Non-controlling interest
LABA PERIODE/TAHUN BERJALAN SEBELUM EFEK PENYESUAIAN LABA MERGING ENTITIES		631.460.350	335.128.573	591.455.377	541.707.802	738.253.643	PROFIT FOR THE PERIOD/YEAR BEFORE THE EFFECT OF MERGING ENTITIES' INCOME ADJUSTMENT

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian.

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.

The original consolidated financial statements included herein
are in the Indonesian language.

**PT SAWIT SUMBERMAS SARANA Tbk.
DAN ENTITAS ANAKNYA
LAPORAN LABA RUGI DAN PENGHASILAN
KOMPREHENSIF LAIN KONSOLIDASIAN (lanjutan)
Untuk periode sembilan bulan yang berakhir pada
tanggal-tanggal 30 September 2017 dan 2016
dan tahun yang berakhir pada tanggal-tanggal
31 Desember 2016, 2015 dan 2014
(Disajikan dalam ribuan Rupiah,
kecuali dinyatakan lain)**

**PT SAWIT SUMBERMAS SARANA Tbk.
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME (continued)
For the nine-month periods ended
September 30, 2017 and 2016
and the years ended
December 31, 2016, 2015 and 2014
(Expressed in thousands of Rupiah,
unless otherwise stated)**

	Catatan/ Notes	Periode sembilan bulan yang berakhir pada tanggal-tanggal Nine-month periods ended		Tahun yang berakhir pada tanggal-tanggal Years ended			
		30 September 2017/ September 30, 2017 (Tidak diaudit/ Unaudited)	30 September 2016/ September 30, 2016 (Tidak diaudit/ Unaudited)	31 Desember 2016/ December 31, 2016	31 Desember 2015/ December 31, 2015	31 Desember 2014/ December 31, 2014	
Penyesuaian penghasilan komprehensif merging entities	1a	-	-	-	(26.578.305)	72.406.987	Adjustment of merging entities comprehensive income
Pemilik entitas induk		-	-	-	(1.968.767)	5.305.915	Equity holder
Kepentingan nonpengendali		-	-	-	-	-	Non-controlling interest
		-	-	-	(28.547.072)	77.712.902	
PENGHASILAN KOMPREHENSIF TAHUN BERJALAN SEBELUM EFEK PENYESUAIAN LABA MERGING ENTITIES		634.275.168	338.839.594	601.455.377	553.813.793	729.909.732	COMPREHENSIVE INCOME FOR THE YEAR BEFORE THE EFFECT OF MERGING ENTITIES' INCOME ADJUSTMENT
Labar periode/tahun berjalan sebelum penyesuaian laba merging entities yang distribusikan kepada: Pemilik entitas induk		628.151.728	335.128.573	591.658.772	543.656.988	722.683.262	Profit for the period/year before the effect of entities' income merging adjustment attributable to: Owners of the parent entity
Kepentingan nonpengendali		3.313.822	-	-	(1.943.055)	13.568.760	Non-controlling interests
		631.465.550	335.128.573	591.658.772	541.713.933	736.252.042	
Penghasilan komprehensif periode/tahun berjalan sebelum penyesuaian laba merging entities yang distribusikan kepada: Pemilik entitas induk		621.101.370	338.839.594	601.455.377	557.725.618	711.035.056	Comprehensive income for the period/year before effect of entities' income merging adjustments attributable to: Owners of the parent entity
Kepentingan nonpengendali		3.173.890	-	-	(3.911.823)	18.874.676	Non-controlling interests
		624.275.168	338.839.594	601.455.377	553.813.793	729.909.732	
Labar per saham (nilai penuh)	2x,34	66	35	62,12	57,67	75,87	Earnings per share (full amount)

Catatan atas laporan keuangan konsolidasian terlampir
merupakan bagian yang tidak terpisahkan dari laporan
keuangan konsolidasian.

The accompanying notes to the consolidated financial
statements form an integral part of these consolidated
financial statements.

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The original consolidated financial statements included herein are in the Indonesian language.

**PT SAWIT SUMBERMAS SARANA Tbk.
DAN ENTITAS ANAKNYA
LAPORAN ARUS KAS KONSOLIDASIAN**
Untuk periode sembilan bulan yang berakhir pada
tanggal-tanggal 30 September 2017 dan 2016
Dan tahun yang berakhir pada
tanggal-tanggal 31 Desember 2016, 2015 dan 2014
(Disajikan dalam ribuan Rupiah,
kecuali dinyatakan lain)

**PT SAWIT SUMBERMAS SARANA Tbk.
AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF
CASH FLOWS**
For the nine-month periods ended
September 30, 2017 and 2016
and the years ended
December 31, 2016, 2015 and 2014
(Expressed in thousands of Rupiah,
unless otherwise stated)

Catatan/ Notes	Periode sembilan bulan yang berakhir pada tanggal-tanggal/ Nine-month periods ended		Tahun yang berakhir pada tanggal-tanggal/ Years ended			
	30 September 2017/ September 30, 2017 (Tidak diaudit/ Unaudited)	30 September 2016/ September 30, 2016 (Tidak diaudit/ Unaudited)	31 Desember 2016/ December 31, 2016	31 Desember 2015/ December 31, 2015	31 Desember 2014/ December 31, 2014	
ARUS KAS DARI AKTIVITAS OPERASI:						
CASH FLOWS FROM OPERATING ACTIVITIES:						
Penerimaan kas dari pelanggan	2.736.096.883	2.171.485.587	2.803.832.205	2.319.477.582	2.879.588.830	Cash received from customers
Pembayaran kas kepada pemasok	(1.218.887.110)	(851.499.586)	1.421.198.490	(1.645.236.644)	(1.278.150.519)	Cash paid to suppliers
Pembayaran kas kepada karyawan	(318.328.684)	(159.300.098)	(351.212.582)	(284.652.219)	(321.312.449)	Cash paid to employees
Kas yang dihasilkan dari operasi	1.200.094.089	1.260.685.903	1.031.221.363	389.588.697	1.277.125.862	Cash resulting from operations
Penghasilan bunga yang diterima	6.259.358	26.385.589	48.251.375	90.601.669	146.352.360	Interest income received
Pembayaran pajak penghasilan badan	(228.610.263)	(144.857.712)	(183.888.918)	(252.128.462)	(274.568.600)	Payments of corporate income tax
Beban keuangan yang dibayar	(250.231.928)	(154.248.625)	(236.700.630)	(166.873.834)	(187.418.630)	Finance cost paid
Penerimaan dari restitusi pajak	78.786.956	-	-	-	-	Cash received from tax restitution
Kas neto yang diperoleh dari aktivitas operasi	609.296.212	1.087.967.195	659.083.189	61.188.070	961.492.592	Net cash provided by operating activities
ARUS KAS DARI AKTIVITAS INVESTASI:						
CASH FLOWS FROM INVESTING ACTIVITIES:						
(Pembelian)/penerimaan pinjaman dari pihak berelasi	(1.118.339.488)	-	-	330.889.480	(128.621.853)	(Payment)/receipts on loan settlement from related parties
Perolehan aset tetap	12 (260.863.208)	(58.648.364)	(108.557.849)	(256.079.878)	(335.743.363)	Acquisitions of fixed assets
Perolehan tanaman belum menghasilkan	11b (58.592.080)	(174.523.984)	(235.080.387)	(283.433.633)	(289.123.400)	Additions to immature plantations
Penambahan biaya pengembangan plasma	(36.257.398)	(37.898.717)	(49.038.475)	(114.033.048)	(16.688.557)	Additional development cost of plasma
Pembayaran uang muka pembelian aset tetap	-	-	-	-	-	Cash paid for advance to purchase fixed assets
Pembayaran piutang lain-lain pihak ketiga tidak lancar	-	-	(23.583.772)	(543.968.129)	-	Payment for other receivables third parties non-current
Perolehan aset takberwujud	13 -	(387.000)	(387.000)	(80.791.578)	(2.917.632)	Acquisition of intangible assets
Pelunasan piutang atas penjualan entitas anak	14,8 -	-	288.921.671	-	-	Settlement of receivables from disposal of subsidiaries
Pengembalian dana atas ganti rugi kebakaran lahan	14,8 -	-	65.835.000	-	-	Cash received from compensation of the accident of plantations
Pengembalian uang muka setoran modal di entitas asosiasi	18 -	-	34.950.065	-	-	Settlement of advance for share capital in an associate company
Pencarian/(penempatan) deposito berjangka	-	-	-	1.359.642.000	(553.666.716)	Time deposits withdrawal/(placement)
Akuisisi entitas anak setelah dikurangi kas dan setara kas yang diterima	-	-	-	(284.064.494)	-	Acquisition of subsidiary net of cash and cash equivalent received
Kas neto yang (digunakan untuk)/ diperoleh dari aktivitas investasi	(1.415.072.084)	(269.376.005)	(26.968.817)	117.948.920	(1.736.761.521)	Net cash (used in)/provided by investing activities

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian.

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.

The original consolidated financial statements included herein are in the Indonesian language.

**PT SAWIT SUMBERMAS SARANA Tbk.
DAN ENTITAS ANAKNYA
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dan tahun yang berakhir pada
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CASH FLOWS (continued)
For the nine-month periods ended
September 30, 2017 and 2016
and the years ended
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unless otherwise stated)(continued)**

	Catatan/ Notes	Periode sembilan bulan yang berakhir pada tanggal-tanggal/ Nine-month periods ended		Tahun yang berakhir pada tanggal-tanggal/ Years ended			
		30 September 2017/ September 30, 2017 (Tidak diaudit/ Unaudited)	30 September 2016/ September 30, 2016 (Tidak diaudit/ Unaudited)	31 Desember 2016/ December 31, 2016	31 Desember 2015/ December 31, 2015	31 Desember 2014/ December 31, 2014	
ARUS KAS DARI AKTIVITAS PENDANAAN:							CASH FLOWS FROM FINANCING ACTIVITIES:
Penerimaan(pembelian) pinjaman dari (kepada) pihak berelasi	35a	(84.128.147)	(703.695.950)	(742.667.914)	(1.202.716.435)	399.347.874	Loan received(provided) to/from related parties
Pembayaran utang bank		(577.584.945)	(193.853.515)	2.150.844.961	(150.000.000)	(53.820.130)	Payments of bank loan Proceeds cash
Penerimaan utang bank		2.292.333.859	-	2.975.211.574	1.478.985.857	-	received from of bank loan
Pembayaran fasilitas sewa pengalayaan		(245.297)	(57.326)	(1.122.862)	(2.613.552)	(13.460.666)	Repayments of lease liabilities
Pembayaran fasilitas pembiayaan konsumen		(1.620.023)	(3.876.162)	(3.738.058)	(14.256.303)	(5.371.600)	Repayments of consumer finance liabilities
Pembayaran dividen kas	27b	(177.846.000)	(168.271.298)	(768.273.698)	(215.741.250)	(49.500.708)	Payments of cash dividend
Peningkatan penyertaan entitas anak dari pihak nonpengendali		-	-	-	(24.348.057)	-	increase in shares of ownership in subsidiaries from non-controlling entities
Kas neto yang digunakan untuk aktivitas pendanaan		1.451.189.441	(1.069.556.271)	(991.436.780)	(130.689.750)	274.094.564	net cash used in financing activities
KENAIKAN/(PENURUNAN) NETO KAS DAN SETARA KAS		840.415.969	(256.865.081)	(256.322.408)	48.448.340	(501.175.965)	NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS
KAS DAN SETARA KAS AWAL PERIODE/TAHUN	4	162.480.544	521.782.952	521.782.952	473.334.712	974.510.677	CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR
KAS DAN SETARA KAS AKHIR PERIODE/TAHUN	4	1.007.876.113	275.817.871	162.480.544	521.782.952	473.334.712	CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR

Catatan atas laporan keuangan konsolidasian terlampir merupakan bagian yang tidak terpisahkan dari laporan keuangan konsolidasian.

The accompanying notes to the consolidated financial statements form an integral part of these consolidated financial statements.

**PT SAWIT SUMBERMAS SARANA Tbk.
DAN ENTITAS ANAKNYA
CATATAN ATAS LAPORAN KEUANGAN
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Tanggal 30 September 2017
dan untuk periode sembilan bulan yang berakhir
pada tanggal-tanggal 30 September 2017 dan 2016
dan tanggal 31 Desember 2016, 2015, dan 2014
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1. UMUM

a. Pendirian dan informasi umum

PT Sawit Sumbermas Sarana Tbk. ("Perseroan") didirikan di Jakarta, berdasarkan Akta No. 51 tanggal 22 November 1995 dari Notaris Enimanya Agoes Suwarko, S.H., Akta pendirian Perseroan telah memperoleh pengesahan dari Menteri Kehakiman dan Hak Asasi Manusia Republik Indonesia dengan Surat Keputusan No. C2-8176.HT.01.01.TH.96 tanggal 26 Juli 1996, serta selanjutnya diumumkan dalam Berita Negara Republik Indonesia No. 839, Tambahan No. 36 tanggal 22 Februari 2011.

Anggaran Dasar Perseroan telah mengalami beberapa kali perubahan, perubahan terakhir berdasarkan Akta No. 68 tanggal 23 April 2015 dari Notaris Aryanti Artisari, S.H., M.Kn. tentang amandemen ruang lingkup kegiatan Perseroan. Perubahan ini telah memperoleh pengesahan dari Menteri Hukum dan Hak Asasi Manusia dengan Surat Keputusan No.AHU.01.03-0929062. Tahun 2015 tanggal 4 Mei 2015, dan sedang dalam proses untuk diumumkan dalam Berita Negara Republik Indonesia.

Perseroan berdomisili di Pangkalan Bun, Kabupaten Kotawaringin Barat, Kalimantan Tengah, Indonesia dengan kantor pusat di Jl. Haji Udan Said No. 47, Pangkalan Bun.

Sesuai dengan Pasal 3 Anggaran Dasar Perseroan, ruang lingkup kegiatan Perseroan adalah pertanian, perdagangan, dan industri.

Perseroan mulai beroperasi secara komersial pada tahun 2005. Perseroan terutama bergerak di bidang perkebunan kelapa sawit dan pabrik kelapa sawit yang memproduksi minyak kelapa sawit dan inti sawit dengan kapasitas produksi 90 MT tandan buah segar ("TBS") per jam (tidak diaudit). Pada tanggal 12 April 2013, Perseroan telah memulai produksi pabrik kelapa sawit kedua yang berkapasitas 60 MT TBS per jam (tidak diaudit). Perkebunan kelapa sawit dan kedua pabrik kelapa sawit berlokasi di Arut Selatan, Kotawaringin Barat, Kalimantan Tengah.

1. GENERAL

a. Establishment and general information

PT Sawit Sumbermas Sarana Tbk. (the "Company") was established in Jakarta based on the Notarial Deed No. 51 of Enimanya Agoes Suwarko, S.H., dated November 22, 1995. The Deed of establishment was approved by Minister of Justice and Human Rights of the Republic of Indonesia in its Decision Letter No. C2-8176.HT.01.01.TH.96 dated July 26, 1996 and subsequently published in the Republic of Indonesia State of Gazette No. 839, Supplement No. 36 dated February 22, 2011.

The Company's Articles of Association have been amended several times, the latest amendment was legalized under Notarial Deed No. 68 of Aryanti Artisari, S.H., M.Kn dated April 23, 2015 in relation to the amendment of the Company's activities. This amendment was approved by Minister of Justice and Human Rights of the Republic of Indonesia in its Decision Letter No.AHU.01.03-0929062 Tahun. 2015 dated May 4, 2015, and is in the process to be published in the Republic of Indonesia State of Gazette.

The Company is domiciled in Pangkalan Bun, Kotawaringin Barat, Central Kalimantan, Indonesia, with its head office located on Jl. Haji Udan Said No. 47, Pangkalan Bun.

As stated in Article 3 of the Company's Articles of Association, the scope of the Company's activities is in agriculture, trade, and industry.

The Company commenced its commercial operations in 2005. The Company is primarily involved in the operations of oil palm plantations and a palm oil mill which produces crude palm oil and palm kernel with processing capacities of 90 MT of fresh fruit bunches ("FFB") per hour (unaudited). On April 12, 2013, the Company started the production of the second palm oil mill with processing capacities of 60 MT FFB per hour (unaudited). The oil palm plantation and both palm oil mills are located in Arut Selatan, Kotawaringin Barat, Central Kalimantan.

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dan tanggal 31 Desember 2016, 2015, dan 2014
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unless otherwise stated)

1. UMUM (lanjutan)

a. Pendirian dan informasi umum (lanjutan)

Pada tanggal 30 September 2017 dan 31 Desember 2016, 2015, dan 2014, Perseroan tidak memiliki pemegang saham pengendali. Pemegang saham terakhir Perseroan adalah perorangan.

b. Penawaran Umum Saham Perseroan dan Tindakan Perseroan Lainnya

Pada tanggal 29 November 2013, Perseroan memperoleh Surat Pernyataan Efektif dari Dewan Komisiner Otoritas Jasa Keuangan ("OJK") dengan suratnya No. S-393/D.04/2013 untuk melakukan penawaran umum saham perdana sejumlah 1.500.000.000 saham biasa atas nama dengan nilai nominal Rp100 (angka penuh) setiap lembar saham yang ditawarkan kepada masyarakat dengan harga penawaran Rp670 (angka penuh) setiap saham. Termasuk di dalam jumlah saham umum perdana kepada masyarakat adalah saham yang telah dialokasikan sehubungan dengan Program Alokasi Saham Karyawan (Employee Stock Allocation atau "ESA") sejumlah 150.000.000 saham berdasarkan Surat Keputusan Direksi No. Dir.Kom/IPO-ESA/001/VIII/2013 tanggal 19 September 2013. Pada tanggal 12 Desember 2013, seluruh saham tersebut telah dicatat di Bursa Efek Indonesia.

Pada tanggal 30 September 2017, seluruh saham Perseroan tercatat di Bursa Efek Indonesia.

c. Manajemen kunci dan informasi lainnya

Susunan Dewan Komisaris dan Direksi Perseroan pada tanggal 30 September 2017 dan 31 Desember 2016, 2015, dan 2014 adalah sebagai berikut:

	30 September 2017/ September 30, 2017	31 Desember 2016/ December 31, 2016	31 Desember 2015/ December 31, 2015	31 Desember 2014/ December 31, 2014
Dewan Komisaris: Komisaris Utama Komisaris Independen Komisaris	Bungaran Seragh Martuzki Utman Rimbun Situmorang	Bungaran Seragh Martuzki Utman Rimbun Situmorang	Bungaran Seragh Martuzki Utman -	Bungaran Seragh Martuzki Utman -
Direksi: Direktur Utama	Vallaufhan Subraminam	Vallaufhan Subraminam	Rimbun Situmorang	Rimbun Situmorang
Direktur Independen	Nicholas Justin Whittle	Nicholas Justin Whittle	Harry Mohammad Nadri	Harry Mohammad Nadri
Direktur Direktur	Ramzi Sastra -	Ramzi Sastra -	Ramzi Sastra Vallaufhan Subraminam	Ramzi Sastra Vallaufhan Subraminam

Board of Commissioners:
President Commissioner
Independent Commissioner
Commissioner

Board of Directors:
President Director
Independent Director

Director
Director

1. GENERAL (continued)

a. Establishment and general information (continued)

As of September 30, 2017, and as of December 31, 2016, 2015, and 2014, the Company has no controlling shareholder. The ultimate shareholder of the Company is an individual.

b. Public Offering of The Company's Shares and Other Corporate Actions

On November 29, 2013, the Company obtained the Effective Statement Letter from Board of Commissioners of Financial Services Authority ("OJK") through its Letter No. S-393/D.04/2013 for the Company's initial public offering of 1,500,000,000 common shares to the public with a par value of Rp100 (full amount) per share at an offering price of Rp670 (full amount) per share. Included in the number of initial public shares offered to the Public are shares that have been allocated in connection with Employee Stock Allocation Program ("ESA") of 150,000,000 shares based on the Director Decision Letter No. Dir.Kom/IPO-ESA/001/VIII/2013 dated September 19, 2013. These shares were listed on the Indonesian Stock Exchange on December 12, 2013.

As of September 30, 2017, all of the Company's shares are listed in the Indonesia Stock Exchange.

c. Key management and other informations

The compositions of the Company's Boards of Commissioners and Directors as of September 30, 2017 and December 31, 2016, 2015, and 2014 are as follows:

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dan tanggal 31 Desember 2016, 2015, dan 2014
dan untuk tahun yang berakhir pada
tanggal-tanggal tersebut
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1. UMUM (lanjutan)

**c. Manajemen kunci dan informasi lainnya
(lanjutan)**

Efektif tanggal 21 Juli 2017, Perseroan menunjuk Swasti Kartikaningtyas sebagai Sekretaris Perseroan menggantikan Deni Agustinus Damayanto.

Susunan Komite Audit pada tanggal 30 September 2017 adalah sebagai berikut:

Ketua	Marzuki Usman
Anggota	Wahyudi Susanto
Anggota	Zulfirry Ramdan

Personil manajemen kunci Perseroan meliputi Dewan Komisaris dan Direksi. Kompensasi imbalan kerja jangka pendek yang dibayarkan kepada personil manajemen kunci Perseroan untuk periode yang berakhir pada tanggal 30 September 2017 adalah sebesar Rp7.083.959 (31 Desember 2016: Rp15.976.158, 31 Desember 2015: Rp23.286.002 dan 31 Desember 2014: Rp6.964.382). Tidak ada kompensasi dalam bentuk imbalan pascakerja, imbalan kerja jangka panjang lainnya, pesangon pemutusan kontrak kerja, dan pembayaran berbasis saham.

Pada tanggal 30 September 2017, Perseroan dan entitas anaknya memiliki 5.813 karyawan tetap (31 Desember 2016: 5.270, 31 Desember 2015: 4.947 dan 31 Desember 2014: 4.772 karyawan tetap) (tidak diaudit).

1. GENERAL (continued)

**c. Key management and other informations
(continued)**

Effective July 21, 2017, the Company appointed Swasti Kartikaningtyas as the Company's Corporate Secretary, replacing Deni Agustinus Damayanto.

The composition of the Audit Committee as of September 30, 2017 is as follow:

Chairman
Member
Member

Key management personnel of the Company are the Board of Commissioners and Directors. Short-term compensation paid to the key management personnel of the Company for the period ended September 30, 2017 amounted to Rp7,083,959 (December 31, 2016: Rp15,976,158, December 31, 2015: Rp23,286,002 and December 31, 2014: Rp6,964,382). There are no compensations of post-employment benefit, other long-term benefit, termination benefits, and share-based payment.

As of September 30, 2017, the Company and its subsidiaries have 5,813 permanent employees (December 31, 2016: 5,270, December 31, 2015: 4,947 and December 31, 2014: 4,772 permanent employees) (unaudited).

The original consolidated financial statements included herein are in the Indonesian language

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1. UMUM (lanjutan)

d. Penyelesaian laporan keuangan konsolidasian

Laporan keuangan konsolidasian Perseroan dan entitas anak tersebut diselesaikan dan diotorisasi untuk terbit oleh Direksi Perseroan pada tanggal 29 Nopember 2017. Direksi Perseroan yang menandatangani Surat Pernyataan Direksi bertanggung jawab atas penyusunan dan penyajian wajar laporan keuangan konsolidasian tersebut.

e. Entitas anak

Kepemilikan Perseroan pada entitas anak yang dikonsolidasi baik secara langsung maupun tidak langsung (selanjutnya secara bersama-sama disebut "Grup") adalah sebagai berikut:

1. GENERAL (continued)

d. Completion of consolidated financial statements

The Company and its subsidiaries' consolidated financial statements are completed and authorized for issuance by the Company's Directors on November 29, 2017. The Company's Directors who signed the Directors' Statement are responsible for the fair preparation and presentation of such consolidated financial statements.

e. Subsidiaries

The Company's ownership interests directly or indirectly in the consolidated subsidiaries (hereinafter collectively referred to as the "Group") are as follows:

Nama Entitas Anak/ Name of Subsidiaries	Domisili/ Domicile	Kegiatan Usaha/ Nature of Business Activities	Mulai Beroperasi Secara Komersial/ Commencement of Commercial Operations	Persentase Kepemilikan/ Percentage of Ownership Interest			
				30 Sept 2017/ (Tidak diaudit) Sept 30, 2017/ (Unaudited)	31 Desember 2016/ December 31, 2016	31 Desember 2015/ December 31, 2015	31 Desember 2014/ December 31, 2014
PT Kalimantan Sawit Abadi ("KSA")	Kotawaringin Barat	Perkebunan dan pabrik kelapa sawit Oil palm plantations and palm oil mill	2005	99%	100%	100%	93,10%
PT Tanjung Sawit Abadi ("TSA")	Kotawaringin Barat	Perkebunan dan pabrik kelapa sawit Oil palm plantations and palm oil mill	2012	99%	100%	100%	94,96%
PT Sawit Multi Utama ("SMU")	Kotawaringin Barat	Perkebunan dan pabrik kelapa sawit Oil palm plantations and palm oil mill	2012	99%	100%	100%	-
PT Mitra Mendawai Sejati ("MMS")	Kotawaringin Barat	Perkebunan, pabrik kelapa sawit dan int sawit/Oil palm plantations, palm oil mill and kernel crushing plant	2008	99%	100%	100%	-
PT Mitra Pratama Putra ("MPP")	Lemendau	Perkebunan/ Oil palm plantations	2011	99%	100%	100%	-
PT Menikung Kencana Mas ("MKM")	Pulang Pisau	Perkebunan/ Oil palm plantations	2010	99%	100%	100%	-
SSMS Plantation Holding Pte Ltd. ("SPH")	Singapore	Tidak aktif/ Dormant	-	100%	-	-	-
SSMS Plantation International Pte Ltd. ("SPI")	Singapore	Tidak aktif/ Dormant	-	100%	-	-	-
PT Sawit Mandiri Lestari ("SML") (Catatan 1e)/(Note 1e)	Lemendau	Tidak aktif/ Dormant	-	-	-	-	99,90%
PT Ahmad Saleh Perkasa ("ASP") (Catatan 1e)/(Note 1e)	Seruyan	Tidak aktif/ Dormant	-	-	-	-	99,85%

The original consolidated financial statements included herein are in the Indonesian language

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1. UMUM (lanjutan)

e. Entitas anak (lanjutan)

Kepemilikan Perseroan pada entitas anak yang
dikonsolidasi baik secara langsung maupun
tidak langsung (selanjutnya secara bersama-
sama disebut "Grup") adalah sebagai berikut:
(lanjutan)

Nama Entitas Anak/ Name of Subsidiaries	Domisili/ Domicile	Kegiatan Usaha/ Nature of Business Activities	Mulai Beroperasi Secara Komersial/ Commencement of Commercial Operations	Total Aset Sebelum Eliminasi (dalam Jutaan Rupiah)/ Total Assets Before Elimination (in millions of Rupiah)			
				30 Sept 2017/ (Tidak diaudit)/ Sept 30, 2017 (Unaudited)	31 Desember 2016/ December 31, 2016	31 Desember 2015/ December 31, 2015	31 Desember 2014/ December 31, 2014
PT Kalimantan Sawit Abadi ("KSA")	Kotawaringin Barat	Perkebunan dan pabrik kelapa sawit/ Oil palm plantations and palm oil mill	2005	3.394.180	3.316.389	2.177.121	630.545
PT Tanjung Sawit Abadi ("TSA")	Kotawaringin Barat	Perkebunan dan pabrik kelapa sawit/ Oil palm plantations and palm oil mill	2012	3.074.726	1.956.316	1.323.019	1.240.639
PT Sawit Mull Utama ("SMU")	Kotawaringin Barat	Perkebunan dan pabrik kelapa sawit/ Oil palm plantations and palm oil mill	2012	3.065.805	2.832.796	1.615.963	1.773.535
PT Mitra Mendawai Sejaht ("MMS")	Kotawaringin Barat	Perkebunan, pabrik kelapa sawit dan inti sawit/Oil palm plantations, palm oil mill and kernel crushing plant	2006	2.822.663	2.374.854	2.004.375	744.106
PT Mitra Pratama Putra ("MPPT")	Lamendau	Perkebunan/ Oil palm plantations	2011	144.580	115.270	396.504	-
PT Mandiri Kencana Mas ("MKM")	Pulang Pisau	Perkebunan/ Oil palm plantations	2010	624.052	526.710	649.388	-
SOMIS Plantation Holding Pte.Ltd. Singapore ("SPH")	Singapore	Tidak aktif/ Dormant	-	10	-	-	-
SOMIS Plantation International Pte.Ltd. ("SPT")	Singapore	Tidak aktif/ Dormant	-	10	-	-	-
PT Sawit Mandiri Lestari ("SML") (Catatan 14)/(Note 14)	Lamendau	Tidak aktif/ Dormant	-	-	-	155.013	154.791
PT Ahmad Saleh Perkasa ("ASP") (Catatan 14)/(Note 14)	Seruyan	Tidak aktif/ Dormant	-	-	-	141.324	141.158

KSA dan MMS memiliki pabrik pengolahan
kelapa sawit yang berlokasi di Kotawaringin
Barat, Kalimantan Tengah dengan total
kapasitas produksi masing-masing sebesar 60
MT dan 45 MT TBS per jam (tidak diaudit). MMS
memiliki pabrik inti sawit yang berlokasi di
Kotawaringin Barat dengan total kapasitas
produksi sebesar 150 MT inti sawit ("PK") per
hari (tidak diaudit).

KSA dan entitas anaknya (TSA dan SMU)
memiliki lahan tanaman menghasilkan sebesar
30.989 Ha dan area tanaman belum
menghasilkan sebesar 1.402 Ha (tidak diaudit)
pada tanggal 30 September 2017.

1. GENERAL (continued)

e. Subsidiaries (continued)

The Company's ownership interests directly or
indirectly in the consolidated subsidiaries
(hereinafter collectively referred to as the
"Group") are as follows: (continued)

KSA and MMS have palm oil mills located at
Kotawaringin Barat, Central Kalimantan, with
processing capacities of 60 MT and 45 MT of
FFB per hour (unaudited), respectively. MMS
has kernel crushing plant located in
Kotawaringin Barat with total processing
capacity of 150 MT of palm kernel ("PK") per
day (unaudited).

KSA and its subsidiaries (TSA and SMU)
owned 30,989 Ha of mature plantations area
and 1,402 Ha of immature plantations area
(unaudited) as of September 30, 2017.

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1. UMUM (lanjutan)

e. Entitas anak (lanjutan)

TSA dan SMU bergerak di bidang perkebunan kelapa sawit dan pabrik kelapa sawit yang memproduksi minyak kelapa sawit dan inti sawit yang keduanya berlokasi di Lamandau dan dengan kapasitas produksi 60 MT tandan buah segar ("TBS") per jam (tidak diaudit).

MMS dan entitas anaknya (MKM dan MPP) bergerak di bidang perkebunan kelapa sawit, memiliki lahan tanaman menghasilkan sebesar 12.981 Ha dan area tanaman belum menghasilkan sebesar 4.629 Ha (tidak diaudit) pada tanggal 30 September 2017.

Kenaikan kepemilikan saham pada entitas anak di tahun 2015

Selama tahun 2015, Perseroan meningkatkan kepemilikan di entitas anak. Rinciannya sebagai berikut:

1. PT Kalimantan Sawit Abadi ("KSA")

Pada tanggal 23 Juni 2015, pemegang saham KSA menyetujui pengalihan saham ditempatkan sebesar Rp1.250.000 dari PT Citra Borneo Indah ("CBI") dan TSA kepada Perseroan dan MMS. Atas transaksi tersebut, Perseroan memperoleh peningkatan persentase kepemilikan pada KSA dari 93,10% menjadi 100%, persentase kepemilikan Perseroan sebesar 99% dan sebesar 1% melalui MMS, entitas anak.

Kontribusi Perseroan atas pengalihan saham tersebut menyebabkan penurunan kepemilikan pihak nonpengendali, CBI, pihak berelasi, dari 6,83% menjadi 0%.

2. PT Mitra Mendawai Sejati ("MMS")

Pada tanggal 18 Agustus 2015, pemegang saham MMS menyetujui pengalihan saham ditempatkan sebesar Rp10.100.000 dari PT Citra Borneo Indah ("CBI") kepada Perseroan dan KSA. Atas transaksi tersebut, Perseroan memperoleh peningkatan persentase kepemilikan pada MMS dari 94,56% menjadi 100%, persentase kepemilikan Perseroan sebesar 99% dan sebesar 1% melalui KSA, entitas anak.

Kontribusi Perseroan atas pengalihan saham tersebut menyebabkan penurunan kepemilikan pihak nonpengendali, CBI, pihak berelasi, dari 5,4% menjadi 0%.

1. GENERAL (continued)

e. Subsidiaries (continued)

TSA and SMU are involved in operations of oil palm plantations and operations of palm oil mill located at Lamandau which produce crude palm oil and palm kernel with production capacities of 60 MT of fresh fruit bunches ("FFB") per hour (unaudited).

MMS and its subsidiaries (MKM and MPP) owned 12,981 Ha of mature plantations area and 4,629 Ha of immature plantations area (unaudited) as of September 30, 2017.

Increase in shares ownership interest in subsidiaries in 2015

In 2015, the Company increased its ownership in its subsidiaries. The details are as follows:

1. PT Kalimantan Sawit Abadi ("KSA")

On June 23, 2015, the shareholders of KSA approved the transfer of shares capital amounting to Rp1,250,000 from PT Citra Borneo Indah ("CBI") and TSA to the Company and MMS. As a result of this transaction, the Company increased the ownership in KSA from 93.10% to 100%, the ownership of the Company totaling to 99% and 1% through ownership of MMS, a subsidiary.

The Company's contribution on the transfer of shares capital reduced the ownership interest of the non-controlling interest, CBI, a related party, from 6.83% to 0%.

2. PT Mitra Mendawai Sejati ("MMS")

On August 18, 2015, the shareholders of MMS approved the transfer of shares capital amounting to Rp10,100,000 from PT Citra Borneo Indah ("CBI") to the Company and KSA. As a result of this transaction, the Company increased the ownership in MMS from 94.56% to 100%, the ownership of the Company totaling to 99% and 1% through ownership of KSA, a subsidiary.

The Company's contribution on the transfer share capital reduced the ownership interest of the non-controlling interest, CBI, a related party, from 5.4% to 0%.

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1. UMUM (lanjutan)

e. Entitas Anak (lanjutan)

Pembelian kepemilikan saham oleh entitas
anak di tahun 2015

PT Kalimantan Sawit Abadi ("KSA")

Pada tanggal 18 Februari 2015, KSA membeli
100% kepemilikan saham di PT Tanjung Sawit
Abadi ("TSA") dari PT Citra Borneo Indah, salah
satu pemegang saham, dan PT Sawit Mandiri
Lestari.

Pada tanggal 18 Februari 2015, KSA membeli
100% kepemilikan saham di PT Sawit Multi
Utama ("SMU") dari PT Citra Borneo Indah,
salah satu pemegang saham, dan Achmad
Gunawan.

Akuisisi saham TSA dan SMU telah dilakukan
sesuai dengan ketentuan Keputusan Ketua
BAPEPAM-LK No. Kep-614/BL/2011, tanggal
28 November 2011 tentang Transaksi Material
dan Perubahan Usaha Utama dan Keputusan
Ketua Bapepam-LK No. KEP-412/BL/2009,
tanggal 25 November 2009, "Afiliasi dan
Benturan Kepentingan Transaksi Tertentu".

Perseroan memperoleh persetujuan terkait
akuisisi saham TSA dan SMU dan
pengambilalihan saldo utang dan piutang yang
dimiliki TSA dan SMU kepada pihak berelasi
pada tanggal 30 September 2014 oleh KSA
dengan total transaksi sebesar
Rp1.546.022.833 dari para pemegang saham
dalam Rapat Umum Pemegang Saham Luar
Biasa sebagaimana dinyatakan dalam Akta
No. 75 tanggal 31 Desember 2014 dari Notaris
Aryanti Artisan, S.H., M.Kn.

Transaksi di atas dibukukan sesuai dengan
PSAK No. 38 (Revisi 2012) (Catatan 2d).
Dengan demikian, perbedaan antara imbalan
yang dialihkan dengan nilai buku aset neto
entitas anak diakui sebagai "Tambahan Modal
Disetor" pada bagian ekuitas pada laporan
posisi keuangan konsolidasian.

1. GENERAL (continued)

e. Subsidiaries (continued)

*Purchase of ownership interest by
subsidiaries in 2015*

PT Kalimantan Sawit Abadi ("KSA")

*On February 18, 2015, KSA acquired 100% of
shares ownership in PT Tanjung Sawit Abadi
("TSA") from PT Citra Borneo Indah,
a shareholder, and PT Sawit Mandiri Lestari.*

*On February 18, 2015, KSA acquired 100%
of shares ownership in PT Sawit Multi Utama
("SMU") from PT Citra Borneo Indah,
a shareholder, and Achmad Gunawan.*

*The acquisition of shares of TSA and SMU
has been conducted in accordance with
Chairman of Bapepam-LK Decision No. Kep-
614/BL/2011, dated November 28, 2011,
"Material Transactions and Changes in Main
Business" and Chairman of Bapepam-LK
Decision No. KEP-412/BL/2009, dated
November 25, 2009, "Transactions with
Affiliated Parties and Conflict of Interest in
Certain Transactions".*

*The Company obtained approval from
shareholders regarding the acquisition of
shares in TSA and SMU and the take over
payable and receivable balance as of
September 30, 2014 of TSA and SMU from
certain parties by KSA with total transactions
value of Rp1,546,022,833 at the
Extraordinary General Shareholders Meeting
as notarized by Deed No. 75 of Aryanti
Artisan, S.H., M.Kn, dated December 31,
2014.*

*The above transaction was accounted in
accordance with PSAK No. 38 (Revised
2012) (Note 2d). Accordingly, the difference
between the consideration paid and the
Subsidiaries' book value of net assets was
recognized as "Additional Paid-in Capital" in
the equity section of the consolidated
statements of financial position.*

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1. UMUM (lanjutan)

e. Entitas Anak (lanjutan)

Pembelian kepemilikan saham oleh entitas
anak di tahun 2015 (lanjutan)

**PT Kalimantan Sawit Abadi ("KSA")
(lanjutan)**

Akuisisi saham PT Tanjung Sawit Abadi ("TSA")

Pada tanggal 18 Februari 2015, PT Kalimantan
Sawit Abadi ("KSA"), entitas anak, telah
mengakuisisi 100% kepemilikan saham di TSA
dari PT Citra Borneo Indah, salah satu
pemegang saham, dan PT Sawit Mandiri
Lestari, entitas anak, dengan harga
Rp29.363.538 sebagaimana dinyatakan dalam
Akta Notaris Humberg Lie, S.H., S.E., M.Kn.,
No. 55 tanggal 18 Februari 2015.

Rincian aset neto yang diakuisisi dan tambahan
modal disetor adalah sebagai berikut:

	Jumlah/ Amount
Imbalan yang dialihkan Nilai buku aset neto	29.363.538 (72.452.041)
Selisih transaksi dengan entitas sepengendali	121.815.579

Berikut ini adalah informasi keuangan TSA
pada tanggal akuisisi atau 18 Februari 2015:

	Nilai Buku/ Book Value
ASET	
Aset lancar	78.539.176
Aset tidak lancar	1.172.782.032
Total aset	1.251.321.208
LIABILITAS DAN EKUITAS	
LIABILITAS	
Liabilitas jangka pendek	290.372.082
Liabilitas jangka panjang	1.043.401.167
Total liabilitas	1.323.773.249

1. GENERAL (continued)

e. Subsidiaries (continued)

*Purchase of ownership interest by
subsidiaries in 2015 (continued)*

**PT Kalimantan Sawit Abadi ("KSA")
(continued)**

*Acquisition of PT Tanjung Sawit Abadi
("TSA")*

On February 18, 2015, PT Kalimantan Sawit
Abadi ("KSA"), a subsidiary, acquired 100%
shares ownership at TSA from PT Citra
Borneo Indah, a shareholder, and PT Sawit
Mandiri Lestari, a subsidiary, for
Rp29,363,538 as stated in the Notarial Deed
No. 55 of Humberg Lie, S.H., S.E., M.Kn.,
dated February 18, 2015.

*Detail of net assets acquired and additional
paid in capital are as follows:*

	<i>Consideration paid Book value of net assets</i>
	<i>The difference arising from the transactions between under common control entities</i>

*The following is a summary of TSA's
financial information at the acquisition date
or February 18, 2015:*

	ASSETS
	<i>Current assets</i>
	<i>Non-current assets</i>
Total assets	Total assets
LIABILITIES AND EQUITY	
LIABILITIES	
	<i>Current liabilities</i>
	<i>Non-current liabilities</i>
Total liabilities	Total liabilities

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1. UMUM (lanjutan)

e. Entitas Anak (lanjutan)

Pembelian kepemilikan saham oleh entitas
anak di tahun 2015 (lanjutan)

PT Kalimantan Sawit Abadi ("KSA")
(lanjutan)

Akuisisi saham PT Tanjung Sawit Abadi ("TSA")
(lanjutan)

Berikut ini adalah informasi keuangan TSA
pada tanggal akuisisi atau 18 Februari 2015
(lanjutan):

	Nilai Buku/ Book Value
EKUITAS	
Modal saham	25.000.000
Saldo laba	(37.452.041)
Total ekuitas	(12.452.041)
Total liabilitas dan ekuitas	1.251.321.208

Akuisisi saham PT Sawit Multi Utama ("SMU")

Berdasarkan Akta Notaris Humbert Lie, S.H.,
S.E., M.Kn., No. 57 tanggal 18 Februari 2015,
PT Citra Borneo Indah, salah satu pemegang
saham, dan Achmad Gunawan, menjual seluruh
kepemilikan saham di PT Sawit Multi Utama
(SMU) kepada PT Kalimantan Sawit Abadi,
entitas anak, dengan pembayaran kas sebesar
Rp87.960.756.

Rincian aset neto yang diakuisisi dan
tambahan modal disetor adalah sebagai
berikut:

	Jumlah/ Amount
Imbalan yang dialihkan	37.960.756
Nilai buku aset neto	(134.045.664)
Selisih transaksi dengan entitas sepengendali	192.006.420

1. GENERAL (continued)

e. Subsidiaries (continued)

*Purchase of ownership interest by
subsidiaries in 2015 (continued)*

*PT Kalimantan Sawit Abadi ("KSA")
(continued)*

*Acquisition of PT Tanjung Sawit Abadi
("TSA") (continued)*

*The following is a summary of TSA's
financial information at the acquisition date
or February 18, 2015 (continued):*

	EQUITY
Share capital	
Retained earnings	
Total equity	
Total liabilities and equity	

Acquisition of PT Sawit Multi Utama ("SMU")

*Based on Notarial Deed No. 57 of Humbert
Lie, S.H., S.E., M.Kn., dated February 18,
2015, PT Citra Borneo Indah, a shareholder,
and Achmad Gunawan, sold their shares
ownership in PT Sawit Multi Utama (SMU) to
PT Kalimantan Sawit Abadi, a subsidiary, for
a cash payment of Rp87,960,756.*

*Detail of net assets acquired and additional
paid in capital are as follows:*

Consideration paid	
Book value of net assets	
The difference arising from the transactions between under common control entities	

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1. UMUM (lanjutan)

e. Entitas Anak (lanjutan)

Pembelian kepemilikan saham oleh entitas
anak di tahun 2015 (lanjutan)

PT Kalimantan Sawit Abadi ("KSA")
(lanjutan)

Akuisisi saham PT Sawit Multi Utama ("SMU")
(lanjutan)

Berikut ini adalah informasi keuangan SMU
pada tanggal akuisisi atau 18 Februari 2015:

	Nilai Buku/ Book Value
ASET	
Aset lancar	371.099.164
Aset tidak lancar	1.397.811.389
Total aset	1.768.910.553
LIABILITAS DAN EKUITAS	
LIABILITAS	
Liabilitas jangka pendek	585.253.879
Liabilitas jangka panjang	1.237.702.338
Total liabilitas	1.872.956.217
EKUITAS	
Modal saham	25.000.000
Saldo laba	(129.045.664)
Total ekuitas	(104.045.664)
Total liabilitas dan ekuitas	1.768.910.553

1. GENERAL (continued)

e. Subsidiaries (continued)

Purchase of ownership interest by
subsidiaries in 2015 (continued)

PT Kalimantan Sawit Abadi ("KSA")
(continued)

Acquisition of PT Sawit Multi Utama ("SMU")
(continued)

The following is a summary of SMU's financial
information at the acquisition date or
February 18, 2015:

ASSETS	
Current assets	
Non-current assets	
Total assets	
LIABILITIES AND EQUITY	
LIABILITIES	
Current liabilities	
Non-current liabilities	
Total liabilities	
EQUITY	
Share capital	
Retained earnings	
Total equity	
Total liabilities and equity	

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1. UMUM (lanjutan)

e. Entitas Anak (lanjutan)

Pembelian kepemilikan saham oleh entitas
anak di tahun 2015 (lanjutan)

PT Mitra Mendawai Sejati ("MMS")

**Akuisisi saham PT Menteng Kencana Mas
(MKM)**

Berdasarkan Akta Notaris Citra Buana Tungga,
S.H., M.Kn. No. 7 dan 11 tanggal 3 November
2015, MMS menyetujui untuk mengakuisisi
100% saham PT Aneka Usaha Lestari ("AUL")
dan PT Permata Indo Plantation ("PIP") dari
Rudyan Kopot, Lilit Faizal (Pemegang saham
PIP), Rizal Risjad, Judiono Tosin, David Jahja
dan PT Selaras Bukitmakmur Persada
(Pemegang saham AUL), para pihak ketiga,
dengan total kompensasi masing-masing
sebesar AS\$1.178.000 atau setara dengan
Rp15.761.900 dan AS\$250.000 atau setara
dengan Rp3.337.500 yang telah dilunasi
seluruhnya pada tanggal 3 November 2015.

Berdasarkan Akta Notaris Citra Buana Tungga,
S.H., M.Kn. No. 18 tanggal 15 Desember 2015,
MMS membeli saham MKM yang dimiliki oleh
AUL dan PIP masing-masing sebesar 95% dan
5%, dengan nilai kompensasi masing-masing
sebesar Rp170.572.750 dan Rp10.197.250
atau secara keseluruhan berjumlah
Rp180.770.000.

Berdasarkan Akta Notaris Citra Buana Tungga,
S.H., M.Kn. No. 15 dan 20 tanggal
15 Desember 2015, MMS menjual 100%
kepemilikan saham di AUL dan PIP kepada
PT Pelayaran Lingga Marintama, pihak
berelasi, dengan nilai kompensasi masing-
masing sebesar Rp10.000.000 dan Rp125.000.

1. GENERAL (continued)

e. Subsidiaries (continued)

*Purchase of ownership interest by
subsidiaries in 2015 (continued)*

PT Mitra Mendawai Sejati ("MMS")

**Acquisition of PT Menteng Kencana Mas
(MKM)**

*Based on Notarial Deed of Citra Buana
Tungga, S.H., M.Kn. No. 7 and 11 dated
November 3, 2015, MMS approved the
acquisition of 100% shares of PT Aneka
Usaha Lestari ("AUL") and PT Permata Indo
Plantation ("PIP") from Rudyan Kopot, Lilit
Faizal (Shareholders of PIP), Rizal Risjad,
Judiono Tosin, David Jahja and PT Selaras
Bukitmakmur Persada (Shareholders of AUL),
third parties, for a total compensation of
US\$1,178,000 or equivalent with
Rp15,761,900 and US\$250,000 or equivalent
with Rp3,337,500, respectively, which has
been fully paid on November 3, 2015.*

*Based on Notarial Deed of Citra Buana
Tungga, S.H., M.Kn. No. 18 dated
December 15, 2015, MMS acquired shares of
MKM from AUL and PIP of 95% and 5%,
respectively with the compensation of
Rp170,572,750 and Rp10,197,250,
respectively or in total amount of
Rp180,770,000.*

*Based on Notarial Deed of Citra Buana
Tungga, S.H., M.Kn. No. 15 and 20 dated
December 15, 2015, MMS sold its 100%
shares ownership in AUL and PIP to
PT Pelayaran Lingga Marintama, a related
party with the compensation of Rp10,000,000
and Rp125,000, respectively.*

The original consolidated financial statements included herein are in the Indonesian language

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1. UMUM (lanjutan)

e. Entitas Anak (lanjutan)

Pembelian kepemilikan saham oleh entitas
anak di tahun 2015 (lanjutan)

PT Mitra Mendawai Sejati ("MMS") (lanjutan)

Akuisisi saham PT Menteng Kencana Mas
("MKM") (lanjutan)

Nilai wajar dari aset dan liabilitas teridentifikasi
MKM, pada tanggal akuisisi atau 15 Desember
2015 adalah sebagai berikut:

	Nilai Wajar Diakui pada Akuisisi/ Fair Value Recognized on Acquisition
ASET	
Kas dan bank	1.154.561
Aset lancar lainnya	5.846.900
Tanaman perkebunan	
Tanaman menghasilkan, neto	339.981.853
Tanaman belum menghasilkan	7.035.471
Aset tetap, neto	45.915.508
Aset tidak lancar lainnya	4.875.977
Total aset	434.810.270
LIABILITAS	
Liabilitas jangka pendek	270.909.264
Liabilitas jangka panjang	18.966.007
Jumlah liabilitas	289.875.271
Jumlah nilai wajar aset neto teridentifikasi	114.934.999
Goodwill atas akuisisi	-
Imbalan pembelian yang dialihkan	114.934.999

Berdasarkan perjanjian antara MMS dengan
PT Selaras Bukitmakmur Persada (SBP) pada
tanggal 22 Maret 2016, SBP selaku pemegang
saham MKM sebelumnya bersedia membayar
ganti rugi atas kebakaran lahan milik MKM yang
terjadi sebelum akuisisi sebesar AS\$5.000.000
atau setara dengan Rp65.835.000 (Catatan 7).

1. GENERAL (continued)

e. Subsidiaries (continued)

Purchase of ownership interest by
subsidiaries in 2015 (continued)

PT Mitra Mendawai Sejati ("MMS")
(continued)

Acquisition of PT Menteng Kencana Mas
("MKM") (continued)

The fair value of identifiable assets and
liabilities of MKM at acquisition date or
December 15, 2015 are as follows:

	ASSETS
Cash and bank	
Other current assets	
Plantation assets	
Mature plantations, net	
Immature plantations	
Fixed assets, net	
Other non-current assets	
Total assets	
LIABILITIES	
Current liabilities	
Non-current liabilities	
Total liabilities	
Total identified net assets at fair values	
Goodwill arising on acquisition	
Purchase consideration transferred	

Based on an agreement between MMS and
PT Selaras Bukitmakmur Persada (SBP) dated
March 22, 2016, SBP as a previous
shareholder of MKM, agreed to pay
compensation of US\$5,000,000 or equivalent
with Rp65,835,000 for fire accident in MKM
plantations area before the acquisition
(Note 7).

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1. UMUM (lanjutan)

e. Entitas Anak (lanjutan)

Pembelian kepemilikan saham di entitas
anak di tahun 2015 (lanjutan)

PT Mitra Mendawai Sejati ("MMS") (lanjutan)

Akuisisi saham PT Menteng Kencana Mas
("MKM") (lanjutan)

Pada tahun 2016, Kelompok Usaha melakukan
evaluasi ulang atas nilai wajar aset
teridentifikasi dan liabilitas yang diambil alih
berdasarkan tambahan informasi yang diterima
setelah tanggal 31 Desember 2015, dan
melakukan penyesuaian retrospektif atas nilai
wajar aset teridentifikasi dan liabilitas tersebut.

Nilai wajar aset neto teridentifikasi yang
dilaporkan sebelumnya sebesar
Rp180.770.000 telah disesuaikan secara
retrospektif menjadi sebesar Rp114.934.999.

Akuisisi saham PT Mirza Pratama Putra
("MPP")

Berdasarkan Akta Notaris Citra Buana Tungga,
S.H., M.Kn. nomor 24 tanggal 18 November 2015
MMS menyetujui untuk mengakuisisi 100%
saham MPP dari Muhammad Agustiar Sabran
Affandie, pihak ketiga, dengan total kompensasi
sebesar AS\$178.571 atau setara dengan
Rp2.457.673 yang telah dilunasi seluruhnya
pada tanggal 18 November 2015.

Nilai wajar dari aset dan liabilitas teridentifikasi
MPP, pada tanggal akuisisi atau 18 November
2015 adalah sebagai berikut:

**Nilai/Wajar Diakui
pada Akuisisi/
Fair Value Recognized
on Acquisition**

ASET	
Kas dan bank	15.472
Aset lancar lainnya	10.726.810
Tanaman belum menghasilkan	108.204.200
Aset tetap, neto	9.366.100
Jumlah aset	128.312.582

1. GENERAL (continued)

e. Subsidiaries (continued)

*Purchase of ownership interest by
subsidiaries in 2015 (continued)*

**PT Mitra Mendawai Sejati ("MMS")
(continued)**

*Acquisition of PT Menteng Kencana Mas
("MKM") (continued)*

*In 2016, the Group reassessed fair value of
identifiable assets and liabilities based on
additional information obtained after
December 31, 2015, and adjusted such
identifiable assets and liabilities
retrospectively.*

*The previously reported fair value of the
identifiable net assets of Rp180,770,000 was
adjusted to Rp114,934,999 retrospectively.*

Acquisition of PT Mirza Pratama Putra ("MPP")

*Based on Notarial Deed of Citra Buana
Tungga, S.H., M.Kn. No. 24 dated November
18, 2015, MMS approved the acquisition of
100% shares of MPP from Muhammad
Agustiar Sabran Affandie, a third party, for a
total compensation of US\$178,571 or
equivalent with Rp2,457,673, which has been
fully paid on November 18, 2015.*

*The fair value of identifiable assets and
liabilities of MPP, at acquisition date or
November 18, 2015 are as follows:*

ASSETS
*Cash and bank
Other current assets
Immature plantations
Fixed assets, net*

Total assets

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1. UMUM (lanjutan)

e. Entitas Anak (lanjutan)

Pembelian kepemilikan saham di entitas
anak di tahun 2015 (lanjutan)

PT Mitra Mendawai Sejati ("MMS") (lanjutan)

Akuisisi saham PT Mirza Pratama Putra
("MPP") (lanjutan)

Nilai wajar dari aset dan liabilitas teridentifikasi
MPP, pada tanggal akuisisi atau 18 November
2015 adalah sebagai berikut: (lanjutan)

	Nilai/Wajar Diakui pada Akuisisi/ Fair Value Recognized on Acquisition
LIABILITAS	
Liabilitas jangka pendek	212.304.900
Liabilitas pajak tangguhan	7.259.220
Total nilai wajar liabilitas neto teridentifikasi	(91.251.538)
Goodwill atas akuisisi	93.709.210
Imbalan pembelian yang dialihkan	2.457.672

Pada tanggal 31 Desember 2016, Kelompok
Usaha melakukan pengujian penurunan nilai
atas goodwill dari akuisisi MPP. Dari hasil
pengujian tersebut, goodwill yang timbul dari
akuisisi MPP nilainya diturunkan seluruhnya
pada tanggal 31 Desember 2016 (Catatan 13)

**Penjualan kepemilikan saham di entitas anak
di tahun 2015**

1. PT Ahmad Saleh Perkasa ("ASP")

Berdasarkan Akta Notaris Citra Buana
Tungga, SH., M.Kn. No. 40 tertanggal
31 Desember 2015, para pemegang saham
ASP menyetujui penjualan kepemilikan
Perseroan di ASP kepada PT Agro Jaya
Gemilang sebanyak 141.716 saham atau
setara dengan Rp141.716.000 dengan nilai
penjualan sebesar Rp138.676.105.

1. GENERAL (continued)

e. Subsidiaries (continued)

*Purchase of ownership interest by
subsidiaries in 2015 (continued)*

*PT Mitra Mendawai Sejati ("MMS")
(continued)*

*Acquisition of PT Mirza Pratama Putra ("MPP")
(continued)*

*The fair value of identifiable assets and
liabilities of MPP, at the date of acquisition or
November 18, 2015 are as follows: (continued)*

	LIABILITIES
	Current liabilities
	Deferred tax liability
Total identified net liabilities at fair values	
Goodwill arising on acquisition	
Purchase consideration transferred	

*On December 31, 2016, The Group performed
impairment test on goodwill from acquisition of
MPP. As a result of the impairment test,
goodwill from the acquisition of MPP was fully
impaired as of December 31, 2016 (Note 13).*

**Sale in ownership interest in subsidiaries in
2015**

1. PT Ahmad Saleh Perkasa ("ASP")

*Based on Notarial Deed No. 40 of Citra
Buana Tungga, SH., M.Kn. dated
December 31, 2015, the shareholders of
ASP approved the sale of ownership of the
Company in ASP to PT Agro Jaya
Gemilang totaling to 141,716 shares or
equivalent with Rp141,716,000 with the
sale price of Rp138,676,105.*

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1. UMUM (lanjutan)

e. Entitas Anak (lanjutan)

Penjualan kepemilikan saham di entitas anak
di tahun 2015 (lanjutan)

**1. PT Ahmad Saleh Perkasa ("ASP")
(lanjutan)**

Berdasarkan Akta Notaris Citra Buana
Tungga, SH., M.Kn. No. 41 tertanggal
31 Desember 2015, para pemegang saham
ASP menyetujui penjualan kepemilikan
CBI, pihak yang berelasi di ASP kepada
PT Metro Jaya Lestari sebanyak 495 saham
atau setara dengan Rp495.000.

Berdasarkan Akta Notaris Citra Buana
Tungga, SH., M.Kn. No. 42 tertanggal
31 Desember 2015, para pemegang saham
ASP menyetujui penjualan kepemilikan
SML, entitas anak di ASP kepada PT Metro
Jaya Lestari sebanyak 5 saham atau setara
dengan Rp5.000.

Atas penjualan saham tersebut, Grup
mengakui keuntungan atas penjualan
saham ASP dan SML sebagai berikut:

**Nilai Buku
Yang Diakui saat
Dekonsolidasi/
Book Value Recognized
on Deconsolidation**

ASET	
Kas dan bank	528.128
Aset lancar lainnya	133.885.592
Aset tidak lancar lainnya	127.151.408
Jumlah aset	231.565.128
LIABILITAS	
Liabilitas jangka pendek	83.596
Liabilitas jangka panjang	32.884.724
Jumlah liabilitas	32.968.320
Total nilai aset neto teridentifikasi	138.596.808
Keuntungan dari penjualan saham	484.976
Imbalan pembelian yang dialihkan	139.165.380

1. GENERAL (continued)

e. Subsidiaries (continued)

Sale of ownership interest in subsidiaries in
2015 (continued)

**1. PT Ahmad Saleh Perkasa ("ASP")
(continued)**

Based on Notarial Deed No. 41 of Citra
Buana Tungga, SH., M.Kn. dated
December 31, 2015, the shareholders of
ASP approved the sale of ownership of CBI
in ASP, a related party to
PT Metro Jaya Lestari totaling to 495
shares or equivalent with Rp495,000.

Based on Notarial Deed No. 42 of Citra
Buana Tungga, SH., M.Kn. dated
December 31, 2015, the shareholders of
ASP approved the sale of ownership of
SML, a subsidiary in ASP to PT Metro Jaya
Lestari totaling to 5 shares or equivalent
with Rp5,000.

On the sale of shares, the Group
recognized gain on sale of shares in ASP
and SML as follows:

ASSETS	
Cash and bank	
Other current assets	
Other non-current assets	
Total assets	
LIABILITIES	
Current liabilities	
Non-current liabilities	
Total liabilities	
Total identified net assets	
Gain on disposal of shares	
Purchase consideration transferred	

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1. UMUM (lanjutan)

e. Entitas Anak (lanjutan)

Penjualan kepemilikan saham di entitas anak
di tahun 2015 (lanjutan)

2. PT Sawit Mandiri Lestari ("SML")

Berdasarkan Akta Notaris Citra Buana
Tungga, S.H., M.Kn. No. 44 tertanggal
31 Desember 2015, para pemegang saham
SML menyetujui penjualan kepemilikan
Perseroan di SML kepada PT Metro Jaya
Lestari sebanyak 154.942 saham atau
setara dengan Rp154.942.000 dengan nilai
penjualan sebesar Rp150.225.566.

Berdasarkan Akta Notaris Citra Buana
Tungga, S.H., M.Kn. No. 45 tertanggal
31 Desember 2015, para pemegang saham
SML menyetujui penjualan kepemilikan CBI,
pihak berelasi di SML, kepada
PT Agro Jaya Gemilang sebanyak 149
saham atau setara dengan Rp149.000.

Berdasarkan Akta Notaris Citra Buana
Tungga, S.H., M.Kn. No. 46 tertanggal
31 Desember 2015, para pemegang saham
SML menyetujui penjualan kepemilikan
MMS, entitas anak di SML, kepada
PT Agro Jaya Gemilang sebanyak 1 saham
atau setara dengan Rp1.000.

1. GENERAL (continued)

e. Subsidiaries (continued)

Sale of ownership interest in subsidiaries in
2015 (continued)

2. PT Sawit Mandiri Lestari ("SML")

Based on Notarial Deed No. 44 of Citra
Buana Tungga, S.H., M.Kn. dated
December 31, 2015, the shareholders of
SML approved the sale of ownership of the
Company in SML to PT Metro Jaya Lestari
totaling to 154,942 shares or equivalent
with Rp154,942,000 with sales value of
Rp150,225,566.

Based on Notarial Deed No. 45 of Citra
Buana Tungga, S.H., M.Kn. dated
December 31, 2015, the shareholders of
SML approved the sale of ownership of
CBI, a related party in SML, to
PT Agro Jaya Gemilang totaling to 149
shares or equivalent with Rp149,000.

Based on Notarial Deed No. 46 of Citra
Buana Tungga, S.H., M.Kn. dated
December 31, 2015, the shareholders of
SML approved the sale of ownership of
MMS, a subsidiary in SML, to
PT Agro Jaya Gemilang totaling to 1 share
or equivalent with Rp1,000.

**Nilai Buku
Yang Diakui saat
Dekonsolidasi/
Book Value Recognized
on Deconsolidation**

ASET	
Kas dan bank	3.103.173
Aset lancar lainnya	133.187.239
Aset tidak lancar lainnya	11.317.992
Jumlah aset	147.608.404
LIABILITAS	
Liabilitas jangka pendek	3.920.163
Total nilai aset neto teridentifikasi	143.688.241
Keuntungan dari penjualan saham	6.682.759
Imbalan pembelian yang dialihkan	150.371.000

ASSETS
Cash and bank
Other current assets
Other non-current assets

Total assets

LIABILITIES
Current liabilities

Total identified net assets

Gain on disposal of shares

Purchase consideration transferred

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1. UMUM (lanjutan)

e. Entitas Anak (lanjutan)

Penjualan kepemilikan saham di entitas anak
di tahun 2016

1. PT Kalimantan Sawit Abadi ("KSA")

Berdasarkan Akta Notaris Citra Buana
Tungga, S.H., Mkn. No. 21 tanggal
23 Desember 2016 dan telah dilaporkan dan
dicatat oleh Departemen Hukum dan Hak
Asasi Manusia Republik Indonesia
dengan Surat Keputusan
No.AHU-AH.01.03-0114445 tanggal
29 Desember 2016. Pemegang saham KSA
menyetujui pengalihan 3.625 lembar saham
KSA milik MMS kepada PT Mandiri Indah
Lestari.

Atas penjualan saham tersebut, Grup
mengakui kerugian atas penjualan saham
KSA sebagai berikut:

	Nilai Buku Yang Diakui saat Pelepasan/ Book Value Recognized or Disposal
ASET	
Kas dan bank	26.620.000
Aset lancar lainnya	3.136.569.989
Aset tidak lancar lainnya	2.857.935.586
Jumlah aset	5.991.125.575
LIABILITAS	
Liabilitas jangka pendek	3.751.604.658
Liabilitas jangka panjang	1.644.601.515
Jumlah liabilitas	5.396.206.173
Total nilai aset neto teridentifikasi	534.919.402
1% dari total nilai aset neto teridentifikasi	5.349.195
Kerugian dari penjualan saham	4.136.695
Imbalan pembelian yang dialihkan	1.812.500

Grup mengakui kerugian atas penjualan
saham KSA sebagai bagian dari Selisih
transaksi dengan pihak nonpengendali di
akun ekuitas.

1. GENERAL (continued)

e. Subsidiaries (continued)

Sale of ownership interest in subsidiaries in
2016

1. PT Kalimantan Sawit Abadi ("KSA")

Based on Notarial Deed No. 21 of Citra
Buana Tungga, S.H., Mkn. dated
December 23, 2016 and has been reported
and acknowledged by the Minister of Laws
and Human Rights as acknowledged in
Decision Letter No. AHU-AH.01.03-
0114445 dated December 29, 2016. The
shareholder of KSA approved the transfer
of 3,625 shares of KSA owned by MMS to
PT Mandiri Indah Lestari.

On the sale of shares, Group recognize
loss on sale of shares in KSA as follows:

	ASSETS
Cash and bank	
Other current assets	
Other non-current assets	
Total assets	
LIABILITIES	
Current liabilities	
Non-current liabilities	
Total liabilities	
Total identified net assets	
1% of total identified net assets	
Loss on disposal of shares	
Purchase consideration transferred	

Group recognized loss on sale of shares in
KSA as a part of Difference in transactions
with non-controlling parties under equity
account.

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1. UMUM (lanjutan)

e. Entitas Anak (lanjutan)

Penjualan kepemilikan saham di entitas anak
di tahun 2016 (lanjutan)

2. PT Mitra Mendawai Sejati ("MMS")

Berdasarkan Akta Notaris Citra Buana
Tungga, S.H., Mkn. No. 20 tanggal
23 Desember 2016 dan telah dilaporkan dan
dicatat oleh Departemen Hukum dan Hak
Asasi Manusia Republik Indonesia dengan
Surat Keputusan No.AHU-AH.01.03-
0114443 tanggal 29 Desember 2016.
Pemegang saham Perseroan menyetujui
pengalihan 4.550 lembar saham MMS milik
KSA kepada PT Mandiri Indah Lestari.

Atas penjualan saham tersebut, Grup
mengakui kerugian atas penjualan saham
MMS sebagai berikut:

	Nilai Buku Yang Diakui saat Pelepasan/ Book Value Recognized or Disposal
ASET	
Kas dan bank	72.430.438
Aset lancar lainnya	459.790.995
Aset tidak lancar lainnya	1.738.829.543
Jumlah aset	2.241.050.976
LIABILITAS	
Liabilitas jangka pendek	995.217.167
Liabilitas jangka panjang	448.522.160
Jumlah liabilitas	1.443.739.327
Total nilai aset neto teridentifikasi	797.311.649
1% dari total nilai aset neto teridentifikasi	7.973.116
Kerugian dari penjualan saham	5.698.116
Imbalan pembelian yang dialihkan	2.275.000

Grup mengakui kerugian atas penjualan
saham MMS sebagai bagian dari Selisih
transaksi dengan pihak nonpengendali di
akun ekuitas.

1. GENERAL (continued)

e. Subsidiaries (continued)

Sale of ownership interest in subsidiaries in
2016 (continued)

2. PT Mitra Mendawai Sejati ("MMS")

Based on Notarial Deed No. 20 of Citra
Buana Tungga, S.H., Mkn. dated
December 23, 2016 and has been reported
and acknowledged by the Minister of Laws
and Human Rights as acknowledged in
Decision Letter No. AHU-AH.01.03-
0114443 dated December 29, 2016. The
shareholder of the Company approved the
transfer of 4,550 shares of MMS owned by
KSA to PT Mandiri Indah Lestari.

On the sale of shares, Group recognize
loss on sale of shares in MMS as follows:

	ASSETS
Cash and bank	
Other current assets	
Other non-current assets	
Total assets	
LIABILITIES	
Current liabilities	
Non-current liabilities	
Total liabilities	
Total identified net assets	
1% of total identified net assets	
Loss on disposal of shares	
Purchase consideration transferred	

Group recognized loss on sale of shares in
MMS as a part of Difference in transactions
with non-controlling parties under equity
account.

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1. UMUM (lanjutan)

e. Entitas Anak (lanjutan)

Pembentukan entitas anak di tahun 2017

**SSMS Plantation Holding Pte. Ltd. ("SPH")
dan SSMS Plantation International Pte. Ltd.
("SPI")**

Pada tanggal 12 Juli 2017, Perseroan telah membentuk dua entitas anak yaitu SSMS Plantation Holding Pte. Ltd. dan SSMS Plantation International Pte. Ltd. yang berdomisili di Singapura. Pendirian entitas anak tersebut sehubungan dengan rencana penerbitan efek utang di Bursa Efek Singapura. Perseroan memiliki 100% saham pada kedua perusahaan tersebut.

2. IKHTISAR KEBIJAKAN AKUNTANSI YANG SIGNIFIKAN

Laporan keuangan konsolidasian telah disusun dan disajikan sesuai dengan Standar Akuntansi Keuangan di Indonesia ("SAK"), yang mencakup Pernyataan Standar Akuntansi Keuangan ("PSAK") dan Interpretasi Standar Akuntansi Keuangan ("ISAK") yang dikeluarkan oleh Dewan Standar Akuntansi Keuangan Ikatan Akuntan Indonesia, serta Peraturan Badan Pengawas Pasar Modal dan Lembaga Keuangan ("BAPEPAM-LK") No. VIII.G.7 Lampiran Keputusan Ketua BAPEPAM-LK No. KEP-347/BL/2012 tanggal 25 Juni 2012 mengenai Penyajian dan Pengungkapan Laporan Keuangan Emiten atau Perusahaan Publik.

Laporan keuangan konsolidasian interim telah disusun sesuai dengan PSAK No. 1 (Revisi 2013), "Penyajian Laporan Keuangan" dan PSAK No.3 (Revisi 2010), "Laporan Keuangan Interim".

Kebijakan akuntansi signifikan yang diterapkan secara konsisten dalam penyajian laporan keuangan konsolidasian untuk tanggal 30 September 2017 dan periode sembilan bulan yang berakhir pada tanggal - tanggal 30 September 2017 dan 2016 (tidak diaudit) dan untuk tahun yang berakhir pada tanggal-tanggal 31 Desember 2016, 2015, dan 2014 adalah sebagai berikut:

1. GENERAL (continued)

e. Subsidiaries (continued)

Establishment of subsidiaries in 2017

**SSMS Plantation Holding Pte. Ltd. ("SPH")
and SSMS Plantation International Pte.
Ltd. ("SPI")**

On July 12, 2017, the Company established two subsidiaries, SSMS Plantation Holding Pte. Ltd. and SSMS Plantation International Pte. Ltd. which domiciles in Singapore. The establishment of the subsidiaries is related with the plan to issue of debt securities in Singapore Stock Exchange. The Company has 100% ownership interest in both companies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared and presented in accordance with Indonesian Financial Accounting Standards ("SAK"), which comprise the Statements of Financial Accounting Standards ("PSAK") and Interpretations to Financial Accounting Standards ("ISAK") issued by the Financial Accounting Standards Board of the Indonesian Institute of Accountants, and Rule of Capital Market and Financial Institution Supervisory Agency ("BAPEPAM-LK") No. VIII.G.7 Attachment of Chairman of BAPEPAM's decision No. KEP-347/BL/2012 dated June 25, 2012 regarding Presentation and Disclosure of the Financial Statements of Issuers or Public Company.

The interim consolidated financial statements have been prepared in accordance with PSAK No. 1 (Revised 2013), "Presentation of Financial Statements" and PSAK No. 3 (Revised 2010), "Interim Financial Statements".

The significant accounting policies were applied consistently in the preparation of the consolidated financial statements as of September 30, 2017 and for the nine-month periods ended September 30, 2017 and 2016 (unaudited) and as of and for the years ended December 31, 2016, 2015, and 2014 are as follows:

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**2. IKHTISAR KEBIJAKAN AKUNTANSI YANG
SIGNIFIKAN (lanjutan)**

**a. Dasar penyusunan laporan keuangan
konsolidasian**

Laporan keuangan konsolidasian disusun berdasarkan konsep akrual, kecuali untuk laporan arus kas konsolidasian, dan menggunakan konsep biaya historis, kecuali seperti yang disebutkan dalam catatan atas laporan keuangan konsolidasian yang relevan.

Laporan arus kas konsolidasian yang disajikan dengan menggunakan metode langsung, menyajikan penerimaan dan pengeluaran kas dan setara kas yang diklasifikasikan sebagai aktivitas operasi, investasi dan pendanaan.

Mata uang penyajian yang digunakan dalam laporan keuangan konsolidasian adalah Rupiah yang merupakan mata uang fungsional Perseroan dan entitas anaknya.

Seluruh angka dalam laporan keuangan konsolidasian ini, kecuali dinyatakan lain, dinyatakan dalam dan dibulatkan menjadi ribuan Rupiah.

b. Prinsip-prinsip konsolidasi

Laporan keuangan konsolidasian meliputi laporan keuangan Perseroan dan entitas anaknya.

Entitas anak adalah suatu entitas dimana Grup memiliki pengendalian. Grup mengendalikan entitas lain ketika Grup terekspos atau memiliki hak atas imbal hasil variabel dan keterlibatannya dengan entitas dan memiliki kemampuan untuk mempengaruhi imbal hasil tersebut melalui kekuasaannya atas entitas. Metode akuisisi digunakan untuk mencatat akuisisi entitas anak oleh Grup. Biaya perolehan termasuk nilai wajar imbalan kontinjensi pada tanggal akuisisi.

Perubahan dalam bagian kepemilikan entitas induk pada entitas anak yang tidak mengakibatkan hilangnya pengendalian dicatat sebagai transaksi ekuitas. Ketika pengendalian atas entitas anak hilang, bagian kepemilikan yang tersisa di entitas tersebut diukur kembali pada nilai wajarnya dan keuntungan atau kerugian yang dihasilkan diakui dalam laba rugi.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

**a. Basis of preparation of consolidated
financial statements**

The consolidated financial statements have been prepared on the accrual basis, except for the consolidated statement of cash flows, and using the historical cost concept of accounting, except as disclosed in the relevant notes to the consolidated financial statements.

The consolidated statements of cash flows, which have been prepared using the direct method, present receipts and disbursements of cash and cash equivalents classified into operating, investing and financing activities.

The presentation currency used in the consolidated financial statements is Rupiah which is the Company's and its subsidiaries functional currency.

All figures in the consolidated financial statements are rounded to, and stated in, thousands of Rupiah, unless otherwise stated.

b. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries.

Subsidiaries are entities over which the Group has control. The Group controls an entity when the Group is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of any contingent consideration at acquisition date.

Changes in parent's ownership interest in subsidiary that do not result in the loss of control are accounted for as equity transactions. When control over a previous subsidiary is lost, any remaining interest in the entity is remeasured at fair value and the resulting gains or losses is recognized in profit or loss.

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**2. IKHTISAR KEBIJAKAN AKUNTANSI YANG
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b. Prinsip-prinsip konsolidasi (lanjutan)

Seluruh transaksi, saldo, keuntungan dan kerugian intra Grup yang belum direalisasi dan material telah dieliminasi.

Setiap akhir periode pelaporan, Grup melakukan penelaahan ketika terdapat bukti obyektif bahwa investasi pada ventura bersama dan entitas asosiasi mengalami penurunan nilai.

Kepentingan nonpengendali (KNP) merupakan proporsi atas hasil usaha dan aset neto entitas anak yang tidak distribusikan pada pemilik entitas induk.

Grup mengakui kepentingan nonpengendali pada pihak yang diakuisisi sebesar bagian proporsional kepentingan nonpengendali atas aset neto pihak yang diakuisisi. Kepentingan nonpengendali disajikan di ekuitas dalam laporan posisi keuangan konsolidasian, terpisah dari ekuitas pemilik entitas induk.

Hasil usaha entitas anak, dimasukkan atau dikeluarkan dari dalam laporan keuangan konsolidasian masing-masing sejak tanggal efektif akuisisi atau tanggal pelepasan.

Kebijakan akuntansi yang digunakan dalam penyusunan laporan keuangan konsolidasian ini telah diterapkan secara konsisten, kecuali jika dinyatakan lain.

c. Kombinasi bisnis

Kombinasi bisnis dicatat menggunakan metode akuisisi. Biaya perolehan suatu akuisisi diukur sebagai penjumlahan atas imbalan yang dialihkan, yang diukur pada nilai wajar pada tanggal akuisisi, dan jumlah atas KNP di entitas yang diakuisisi. Biaya atas transaksi yang terjadi dibiayakan dan dicatat sebagai beban pada tahun berjalan.

Ketika melakukan akuisisi atas sebuah bisnis, Grup mengklasifikasikan dan menentukan aset keuangan yang diperoleh dan liabilitas keuangan yang diambil alih berdasarkan pada persyaratan kontraktual, kondisi ekonomi dan kondisi terkait lain yang ada pada tanggal akuisisi. Hal ini termasuk pemisahan derivatif melekat dalam kontrak utama oleh pihak yang diakuisisi.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

b. Basis of consolidation (continued)

All material intercompany transactions, balances, unrealized surpluses and deficits on transactions between Group companies are eliminated.

At the end of each reporting period, the Group assesses when there is objective evidence that an investment in joint ventures and associates is impaired.

Non-controlling interests (NCI) represent the proportion of the results and net assets of subsidiaries not attributable to the owners of the parent entity.

The Group recognizes any non-controlling interests in the acquiree at the non-controlling interest's proportionate share of acquiree's net assets. Non-controlling interest is reported as equity in the consolidated statement of financial position, separate from the owners of the parent's entity equity.

The results of subsidiaries, are included in or excluded from the consolidated financial statements from their effective dates of acquisition or disposal respectively.

The accounting policies adopted in preparing the consolidated financial statements have been consistently applied, unless otherwise stated.

c. Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the sum of the consideration transferred, measured at fair value at acquisition date, and amount of the NCI in entities acquired. Transaction costs that occur are directly expensed and are recorded as an expense in the current year.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

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**2. IKHTISAR KEBIJAKAN AKUNTANSI YANG
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c. Kombinasi bisnis (lanjutan)

Jika proses akuntansi awal untuk kombinasi bisnis belum selesai pada akhir periode pelaporan saat kombinasi terjadi, maka Perseroan dan entitas anaknya melaporkan jumlah sementara untuk pos-pos yang proses akuntansinya belum selesai dalam laporan keuangan konsolidasiannya. Selama periode pengukuran, Perseroan dan entitas anaknya menyesuaikan secara retrospektif jumlah sementara yang diakui pada tanggal akuisisi untuk mencerminkan informasi baru yang diperoleh tentang fakta dan keadaan yang ada pada tanggal akuisisi dan, jika diketahui, telah berdampak pada pengukuran jumlah yang diakui pada tanggal tersebut. Periode pengukuran berakhir segera setelah Perseroan dan entitas anaknya menerima informasi yang dicari tentang fakta dan keadaan yang ada pada tanggal akuisisi atau mempelajari bahwa informasi lebih tidak dapat diperoleh. Namun demikian, periode pengukuran tidak boleh melebihi satu tahun dari tanggal akuisisi.

Dalam suatu kombinasi bisnis yang dilakukan secara bertahap, pihak pengakuisisi mengukur kembali kepentingan ekuitas yang dimiliki sebelumnya pada pihak yang diakuisisi pada nilai wajar pada tanggal akuisisi dan mengakui keuntungan atau kerugian yang dihasilkan sebagai laba rugi dalam laporan laba rugi dan penghasilan komprehensif lain konsolidasian.

Imbalan kontinjensi yang dialihkan oleh pihak pengakuisisi diakui pada nilai wajar pada tanggal akuisisi. Perubahan nilai wajar atas imbalan kontinjensi setelah tanggal akuisisi yang diklasifikasikan sebagai aset atau liabilitas, akan diakui dalam komponen laba rugi atau pendapatan komprehensif lain sesuai dengan PSAK No. 55 (Revisi 2014), "Instrumen Keuangan: Pengakuan dan Pengukuran". Jika diklasifikasikan sebagai ekuitas, imbalan kontinjensi tidak diukur kembali dan penyelesaian selanjutnya diperhitungkan dalam ekuitas.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

c. Business combinations (continued)

When the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Company and its subsidiary report in the consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the Company and its subsidiary shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. The measurement period ends as soon as the Company and its subsidiary receive the information about facts and circumstances that existed as of the acquisition date or learn that more information is not obtainable. However, the measurement period shall not exceed one year from the acquisition date.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and is recognized as gain or loss in the consolidated statement of profit or loss and other comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized either in profit and loss or other comprehensive income in accordance with PSAK No. 55 (Revised 2014), "Financial Instruments: Recognition and Measurement". If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

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**2. IKHTISAR KEBIJAKAN AKUNTANSI YANG
SIGNIFIKAN (lanjutan)**

c. Kombinasi bisnis (lanjutan)

Pada tanggal akuisisi, goodwill awalnya diukur pada harga perolehan yang merupakan selisih lebih nilai agregat dari imbalan yang dialihkan dan jumlah setiap KNP atas selisih jumlah dari aset teridentifikasi yang diperoleh dan liabilitas yang diambil alih. Jika imbalan tersebut kurang dari nilai wajar aset neto Entitas Anak yang diakuisisi, selisih tersebut diakui dalam laba rugi.

Jika goodwill telah dialokasikan pada suatu UPK dan operasi tertentu dalam UPK tersebut dihentikan, maka goodwill yang diasosiasikan dengan operasi yang dihentikan tersebut termasuk dalam jumlah tercatat operasi tersebut ketika menentukan keuntungan atau kerugian dari penghentian operasi. Goodwill yang dilepaskan tersebut disajikan berdasarkan nilai relatif operasi yang dihentikan dan porsi UPK yang ditahan.

Jika goodwill telah dialokasikan pada suatu UPK dan operasi tertentu atas UPK tersebut dihentikan, maka goodwill yang diasosiasikan dengan operasi yang dihentikan tersebut termasuk dalam jumlah tercatat operasi tersebut ketika menentukan keuntungan atau kerugian dari pelepasan. Goodwill yang dilepaskan tersebut diukur berdasarkan nilai relatif operasi yang dihentikan dan porsi UPK yang ditahan.

d. Kombinasi bisnis entitas sepengendali

Transaksi kombinasi bisnis entitas sepengendali, berupa pengalihan bisnis dalam rangka reorganisasi entitas-entitas yang berada dalam suatu grup yang sama, bukan merupakan perubahan kepemilikan dalam arti substansi ekonomi, sehingga transaksi tersebut tidak dapat menimbulkan laba atau rugi bagi grup secara keseluruhan ataupun bagi entitas individual dalam grup tersebut, karenanya transaksi tersebut diakui pada jumlah tercatat berdasarkan metode penyatuan kepemilikan (*pooling-of-interests*).

**2. SUMMARY OF SIGNIFICANT ACCOUNTING
POLICIES (continued)**

c. Business combinations (continued)

At acquisition date, goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for NCI over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the Subsidiary acquired, the difference is recognized in profit or loss.

Where goodwill forms part of a CGU and part of the operations within that CGU is disposed of, the goodwill associated with the operations disposed of is included in the carrying amount of the operations when determining the gain or loss on disposal of the operations. Goodwill disposed of in this circumstance is measured based on the relative values of the operations disposed of and the portion of the CGU retained.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

d. Common control business combination

Business combination transaction under common control, in the form of transfer of business within the framework of reorganization of entities under the same business group is not a change of ownership in economic substance, therefore it would not result in a gain or loss for the group as a whole or to the individual entity within the same group, therefore the transactions are recorded using the pooling-of-interests method.