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## IndoAgri posted lower result in 4Q18 mainly due to soft commodity prices

### HIGHLIGHTS:

- Achieved a strong quarter of production in 4Q18 with FFB nucleus and CPO up 17% and 20% yoy.
- 4Q18 revenue up 7% yoy due to on higher external sales from both Plantation and EOF Divisions.
- EOF Division reported strong 4Q result and contributed positively to the Group
- Despite higher production, 4Q18 reported net loss mainly due to significantly lower plantation profit on weak commodity prices and a one-off business combination impact. Lower commodity prices also affected our JV results and fair value of biological assets.

**SINGAPORE –28 February 2019** – SGX Mainboard-listed IndoAgri (the “Group”), a diversified and integrated from agribusiness group and manufacturer of leading brands of edible oils and fats products in Indonesia, reported a soft set of 4Q18 and FY18 results. This was mainly due to the fall in sales and profit in Plantation Division arising from weak commodity prices. The decline was partly offset by strong performance in Edible Oils & Fats (EOF) Division.

	Rp' billion						S\$' million <sup>1</sup>			
	4Q18	4Q17	▲%	FY18	FY17	▲%	4Q18	4Q17	FY18	FY17
<b>Revenue</b>	<b>3,798</b>	<b>3,565</b>	<b>7</b>	<b>14,059</b>	<b>15,725</b>	<b>(11)</b>	<b>359</b>	<b>337</b>	<b>1,329</b>	<b>1,486</b>
Gross profit	397	690	(42)	2,198	3,061	(28)	38	65	208	289
Gross margin (%)	10.5%	19.4%		15.6%	19.5%		10.5%	19.4%	15.6%	19.5%
<b>EBITDA <sup>2</sup></b>	<b>403</b>	<b>634</b>	<b>(36)</b>	<b>2,294</b>	<b>3,088</b>	<b>(26)</b>	<b>38</b>	<b>60</b>	<b>217</b>	<b>292</b>
EBITDA margin (%)	10.6%	17.8%		16.3%	19.6%		10.6%	17.8%	16.3%	19.6%
Net (loss)/profit after tax	(362)	131	n/m	(427)	653	n/m	(34)	12	(40)	62
<b>Core (loss)/ profit after tax<sup>3</sup></b>	<b>(281)</b>	<b>85</b>	<b>n/m</b>	<b>(186)</b>	<b>657</b>	<b>n/m</b>	<b>(27)</b>	<b>8</b>	<b>(18)</b>	<b>62</b>
<b>Attributable profit</b>	<b>(212)</b>	<b>77</b>	<b>n/m</b>	<b>(222)</b>	<b>447</b>	<b>n/m</b>	<b>(20)</b>	<b>7</b>	<b>(21)</b>	<b>42</b>
EPS (fully diluted) - Rp/S\$ cents	(152)	55	n/m	(159)	320	n/m	(1.4)	0.5	(1.5)	3.0

*n.m. denotes “Not Meaningful”*

<sup>1</sup> Income Statement and Balance Sheet items are converted at exchange rates of Rp10,582/S\$1 and Rp10,603 /S\$1, respectively

<sup>2</sup> Earnings before interests and tax expense, depreciation and amortisation, the effects of foreign exchange, fair value gain/(loss) of biological assets and one-off item

<sup>3</sup> Earnings before the accounting for the effects of foreign exchange, fair value gain/ (loss) on biological assets, changes in amortised cost of plasma receivables and one-off item

Despite higher palm production, Plantations Division's 4Q and FY18 revenue affected by weak average selling prices of agriculture crops. This was partly offset by sales growth in EOF Division.

The Group's 4Q18 and FY18 gross profit declined 42% and 28% respectively mainly due to the effects of lower selling prices of palm products.

Aside from the weak Plantation Division performance, 4Q18 and FY18 results also affected by a one-off impact arising from business combination under common control using book value instead of fair value, as well as lower joint ventures result and fair value loss on biological assets arising from lower commodity prices. In addition, FY18 results further impacted by forex impacts due to weakening of Rupiah currency. The Group reported net losses after tax of Rp362 billion in 4Q18 and Rp427 billion in 2018 compared to profits in last year. Core loss was Rp186 billion in FY18 versus a core profit of Rp657 billion in last year.

***“Our FY18 FFB nucleus and CPO production grew 9% to 3,375,000 MT and 921,000 MT respectively. In line with the increasing FFB production, we are expanding our milling capacity with one new 45 MT FFB/hour palm oil mill due for completion in 2019. We expanded Surabaya refinery capacity by 300,000 MT per annum. Despite this increase in production and strong performance from our EOF division, our results were lower mainly due to very low CPO and sugar prices in 2018, with CPO prices in particular at multi-year lows in the second half of 2018 and 15% lower in FY 18 compared to FY17.***

***In July 2018, we acquired our third mill (Vale do Pontal) which has a crushing capacity of 2.5 million MT of cane. The acquisition will enable CMAA to expand its footprint in the sugar and ethanol industry in Brazil with a total annual cane crushing capacity increasing from 5.8 million MT (CMAA plus Canapolis mill) to 8.3 million MT. All 3 mills are located in the state of Minas Gerais, and in close proximity to each other, forming a strong cluster enabling operating and management synergies.”*** commented Mr Mark Wakeford, CEO and Executive Director.

## **INDUSTRY OUTLOOK AND FUTURE PLANS**

The ongoing economic uncertainties arising from US-China trade tensions is putting a lot of price pressure on agricultural commodities. CPO prices will remain volatile with demand projected from key import markets like China and India, together with the relative price of crude oil which affects biodiesel demand. Our operations continue to be supported by the large domestic consumption and economic conditions in Indonesia.

The domestic palm demand is expected to be further supported by the roll-out of B20 (20%) biodiesel blending in September 2018 to both Public Service Obligation (PSO) and non-PSO sector and the Indonesian government's intention to accelerate the implementation of B30 biodiesel program in 2019.

We are progressively developing the immature estates and replanting older oil palm trees in Riau and North Sumatra. As a price taker, our plantations must always be a low-cost producer, and so we will continue to optimise the value chain, increase agricultural outputs, improve cost control and raise plantation productivity.

--The End ---



### **ABOUT INDOAGRI**

**Indofood Agri Resources Ltd. (“IndoAgri”)** is a diversified and integrated agribusiness group with principal business operations that range from research and development, breeding and cultivation of oil palms, to the milling and refining of crude palm oil, and the marketing and distribution of cooking oil, margarine, shortening and other derivative products. The Group also engages in the cultivation of other crops such as rubber, sugar cane, cocoa and tea.

As of end December 2018, IndoAgri has 301,721 hectares planted with oil palm, rubber, sugar cane, timber, cocoa and tea in Indonesia.

*For more information please visit our website at: [www.indofoodagri.com](http://www.indofoodagri.com).*