



# **PT ASTRA AGRO LESTARI TBK**

## **CORPORATE PRESENTATION**

May 2016





# Disclaimer

You must read the following before continuing. The following applies to the confidential information following this page, the oral presentation of such information, the Q&A session and other materials distributed at, or in connection with, the presentation (the "**Confidential Information**"), and you (each referred to hereafter as a "**Recipient**") are therefore advised to read this carefully before reading, accessing or making any other use of the Confidential Information. In accessing the Confidential Information, each Recipient agrees to maintain confidentiality regarding the information disclosed in this document and be bound by the following terms and conditions, including any modifications to them any time each Recipient receives any information from us as a result of such access. Any failure to comply with these terms and conditions may constitute a violation of applicable securities laws. The presentation has been prepared by the management of PT Astra Agro Lestari Tbk (the "**Company**") solely for use in connection with the proposed transaction described herein.

Information contained in this document is restricted and is not for release, publication or distribution, directly or indirectly, in whole or in part in, into or from Canada, the Netherlands, the People's Republic of China, the United Arab Emirates or the United States (the "**Restricted Territories**") or any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction. Any securities referred to herein have not been and will not be registered under the securities laws of such jurisdictions and may not be offered, sold, taken up, exercised, resold, renounced, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an exemption from and in compliance with any applicable securities laws. Information contained in this document is intended solely for informational purposes and is strictly confidential. The information and opinions in this document are provided as at the date of this document (unless stated otherwise) and are subject to change without notice and will not be updated to reflect material developments that may occur after the date hereof. Its accuracy is not guaranteed and it may not contain all material or relevant information concerning the Company or its subsidiaries (the "**Group**"). Neither the Company nor any of its affiliates, advisors and representatives make any representation regarding, and assumes no responsibility or liability whatsoever (in negligence or otherwise) for, the accuracy or completeness of, or any errors or omissions in, any information contained herein nor for any loss howsoever arising from any use of these materials.

The information contained in these materials has not been independently verified, approved or endorsed. No representation or warranty, expressed or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of, the information (including certain data that was obtained from various external data sources, and which have not been verified with independent sources) or otherwise made available or opinions or as to the reasonableness of any assumption contained herein. None of the Company, its shareholders or any of their respective affiliates, nor any of their respective directors, officers, partners, employees, agents, advisers, legal advisers or representatives shall have any liability whatsoever (in negligence or otherwise) for any loss (including consequential loss or damage) howsoever arising, whether directly or indirectly, from any use, reliance or distribution of this document or its contents or otherwise arising in connection with this document. It is not the intention to provide, and you may not rely on these materials as providing, a complete or comprehensive analysis of the financial or trading position or prospects of the Group. No part of this document shall form the basis of or be relied upon in connection with any contract or commitment whatsoever. Further, nothing in this document should be construed as constituting legal, business, tax or financial advice.

You should conduct such independent investigations and analysis of the Group as you deem necessary or appropriate in order to make an independent determination of the suitability, merits and consequences of investment in the Company described herein.

This document is a summary only and does not purport to contain all of the information that may be required to evaluate any potential transaction, particularly with respect to the risks and special considerations involved with an investment in the securities of the Company. The information contained in these materials includes historical information about and relevant to the assets of the Group that should not be regarded as an indication of the future performance or results of such assets. Certain statements in these materials constitute "forward-looking statements". These forward-looking statements are based on the Company's current views concerning future events, and necessarily involve risks, uncertainties and assumptions. These statements can be recognized by the use of words such as "expects", "plans", "will", "estimates", "projects", "intends" or words of similar meaning. Actual future performance could differ materially from these forward-looking statements, and you are cautioned not to place any undue reliance on these forward-looking statements, which speak only as of the date of these materials. The information in these materials is provided as at the date of this document (unless stated otherwise) and is subject to change without notice.

This document is for information purposes only and does not constitute or form part of an offer, solicitation, recommendation or invitation of any offer, to buy or subscribe for any securities, nor should it or any part of it form the basis of, or be relied upon in any connection with, any contract or commitment whatsoever. No part of it nor the fact of its presentation shall form the basis of or be relied upon in connection with any investment decision, contract or commitment whatsoever. In particular, this announcement does not constitute or form part of any offer to issue or sell, or the solicitation of an offer to acquire, purchase or subscribe for, any securities in the Restricted Territories or any jurisdiction in which such an offer or solicitation would be unlawful. Any decision to invest in any securities issued by the Company should be made solely on the basis of information contained in the final prospectus relating to the securities to be published in due course in relation to any such proposed offering. No reliance may be placed for any purpose whatsoever on the information set forth in this document or on its completeness.

Neither this document nor any part thereof may be (a) used or relied upon by any other party or for any other purpose, (b) copied, photocopied, duplicated or otherwise reproduced in any form or by any means, or (c) redistributed, passed on or otherwise disseminated or quoted, directly or indirectly, to any other person either in your organization or elsewhere, without the prior written consent of the Company.

These materials do not constitute or form a part of any offer or solicitation to purchase or subscribe for securities in the United States. No securities have been, nor will be, registered under the U.S. Securities Act of 1933 (the "**US Securities Act**"), and may not be offered or sold in the United States unless registered under the US Securities Act or pursuant to an exemption from, or in a transaction not subject to, registration under the US Securities Act. No securities of the Company will be registered under or offered in compliance with applicable securities laws of any state, province, territory, county or jurisdiction of the United States or the other Restricted Territories. Accordingly, unless an exemption under the relevant securities law is applicable, securities of the Company may not be offered, sold, taken up, exercised, renounced, resold, delivered or distributed, directly or indirectly, in or into the United States or the other Restricted Territories or any other jurisdiction if to do so would constitute a violation of the relevant laws of, or require registration thereof in, such jurisdiction. There will be no public offering of securities in the United States.



## Company Overview



# Competitive Strengths



1

**One of the world's largest listed oil palm companies**, with a track record of over 35 years and over 235,000 hectares of nucleus plantations across Sumatra, Kalimantan and Sulawesi

2

**Diversified portfolio evenly distributed across age groups to maintain optimal productivity**, consistent high yields driven by active plantation management and agronomy best practices

3

**Application of industry best practices in plantation management techniques**, which contributed to improved productivity and CPO extraction rates

4

**Integrated business model spanning across the value chain**, covering upstream, midstream, downstream, and consumer & industrial products

5

**Strategic planning of palm oil mills and infrastructure** to ensure logistics efficiency and maximize CPO quality

6

**Experienced management team and strong support from controlling shareholder**, PT Astra International Tbk, providing significant synergies

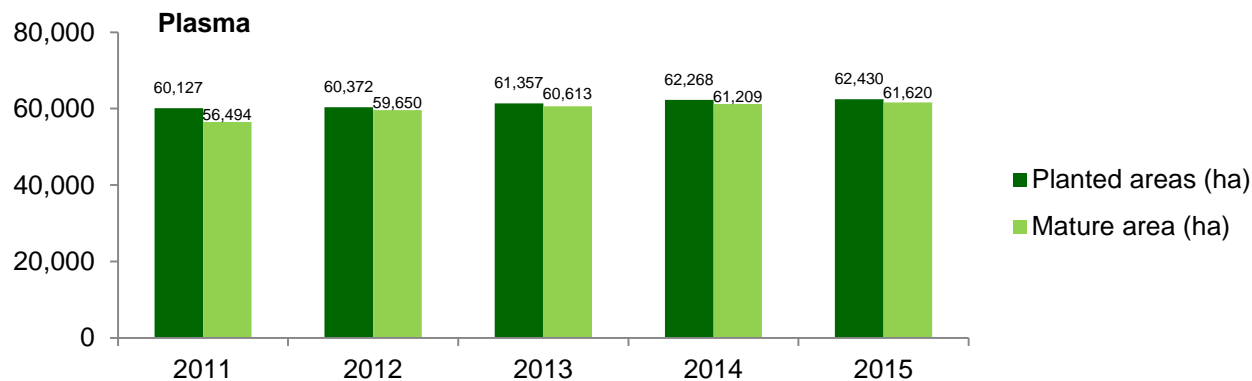
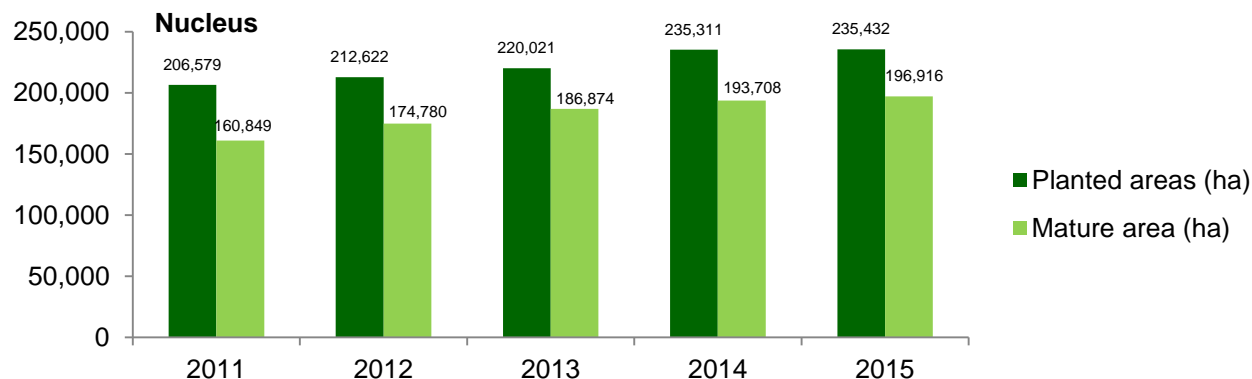


# 1. Leading Producer of CPO in Indonesia

## ➔ One of the world's largest listed oil palm companies

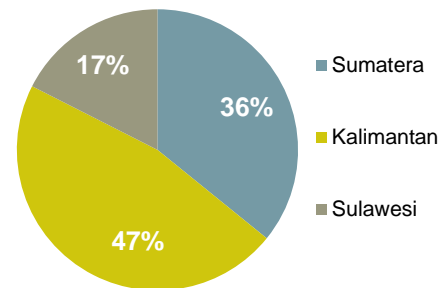
- Planted area of 297,862 hectares (end of 2015) which comprises of 235,432 hectares of nucleus plantations and 62,430 hectares of plasma plantations
- 29 palm oil mills with a combined FFB processing capacity of 1,435 tph (FY2015)
- Nucleus FFB production of 4,200,513 mt (FY2015)
- CPO and PK production of 1,736,661 mt and 370,637 mt respectively (FY2015)

**Plantation Areas (2011-15)**

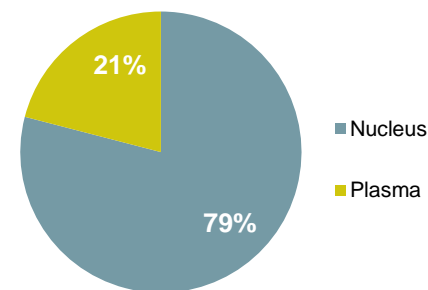


**Plantation Composition (2015)**

**By Geography:**



**By Ownership:**



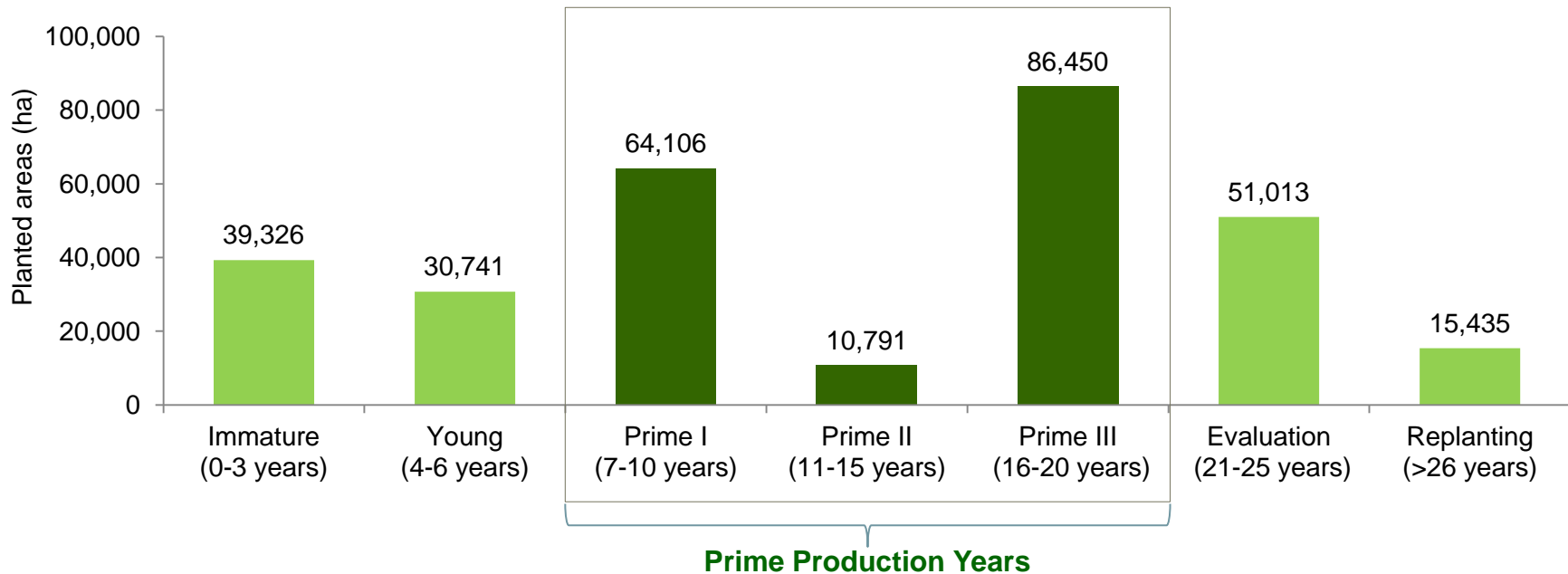




## 2. Diversified Portfolio Evenly Distributed across Age Groups

- The Company has built a diversified portfolio of oil palm trees distributed across various age groups, with **54.1% currently in their Prime Production Years**
- The balance of mature and immature plantations is designed to maintain optimum productivity levels
- The Company has consistently maintained high nucleus FFB yields of 21.3 mt per hectare in 2015, primarily driven by centralized planning and best agronomy practices which the Company has refined over time

Oil Palm Tree Age Profiles as of 31 December 2015 at a Glance





### 3. Application of Industry Best Practices

➔ **Adopted many industry best practices in our plantations to improve FFB and CPO yields at competitive costs:**

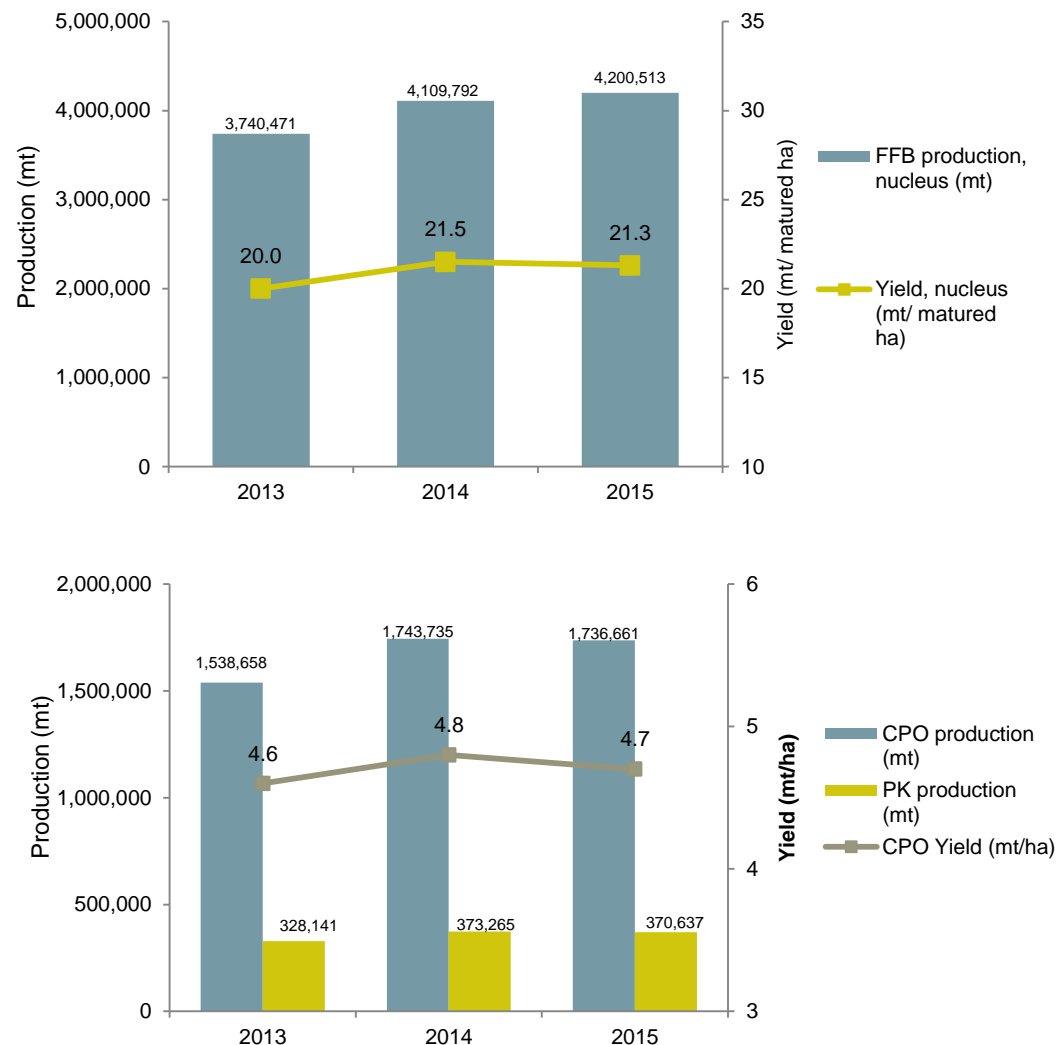
- the use of high quality oil palm seeds
- the use of fertilizers tailored to the oil palms in each location
- Using the fertilizer spreader to ensure the fertilizing effectiveness
- leaf analysis to ensure the appropriate fertilizer dosage

➔ **High productivity and quality of CPO production by adopting strict control procedures at each stage of the production process**

➔ **Average free fatty acid (“FFA”) content of CPO processed at the Company’s palm oil mills was 3.6% in 2013-15, which was lower than the generally accepted industry standard of 5.0%**

➔ **Field personnel trained in the best practices for harvesting and ensuring that the harvested FFB are delivered to the mills and processed in a timely manner**

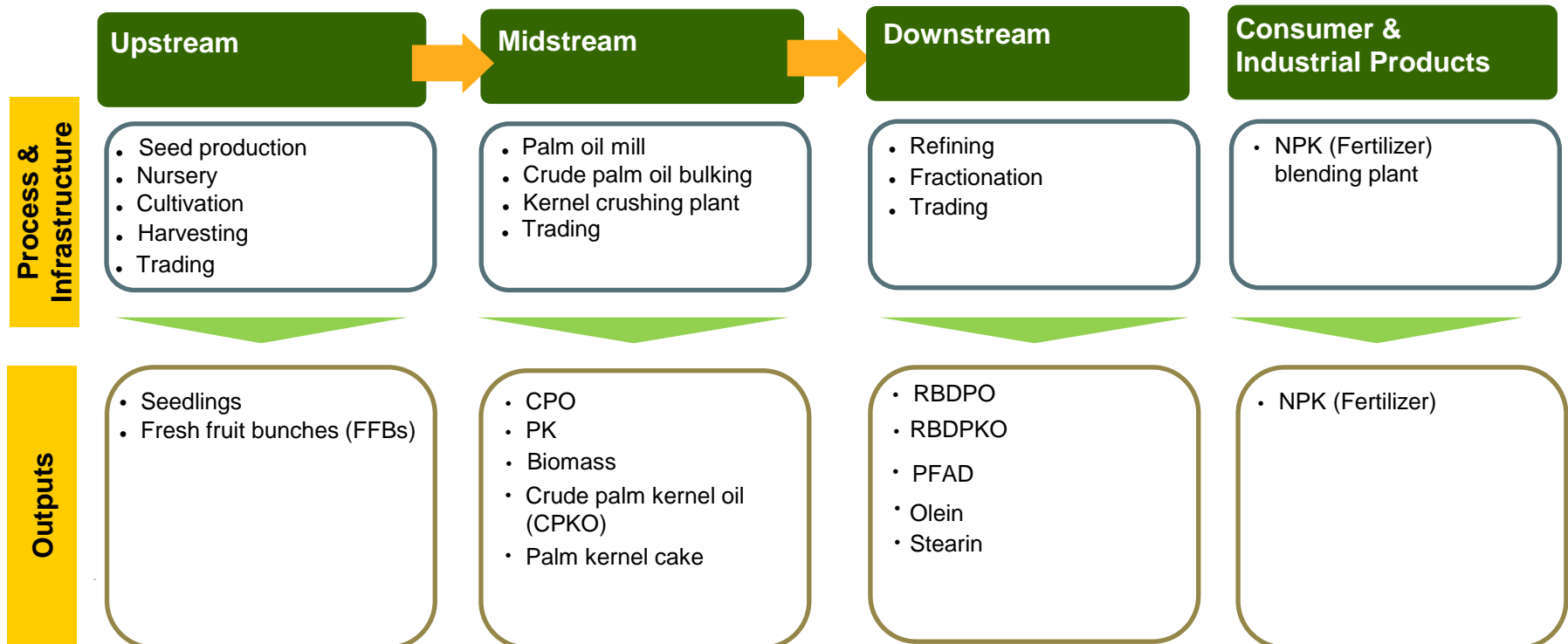
#### Production Performance





## 4. Integrated Business Model

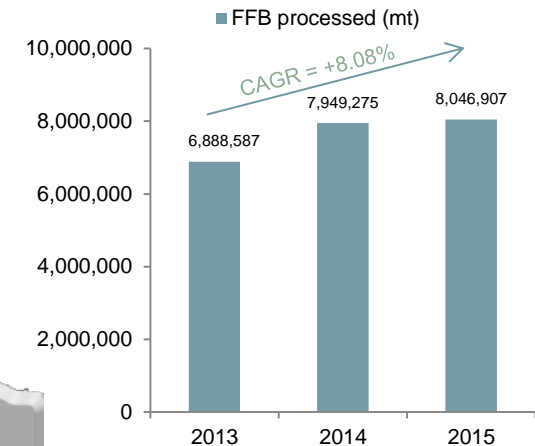
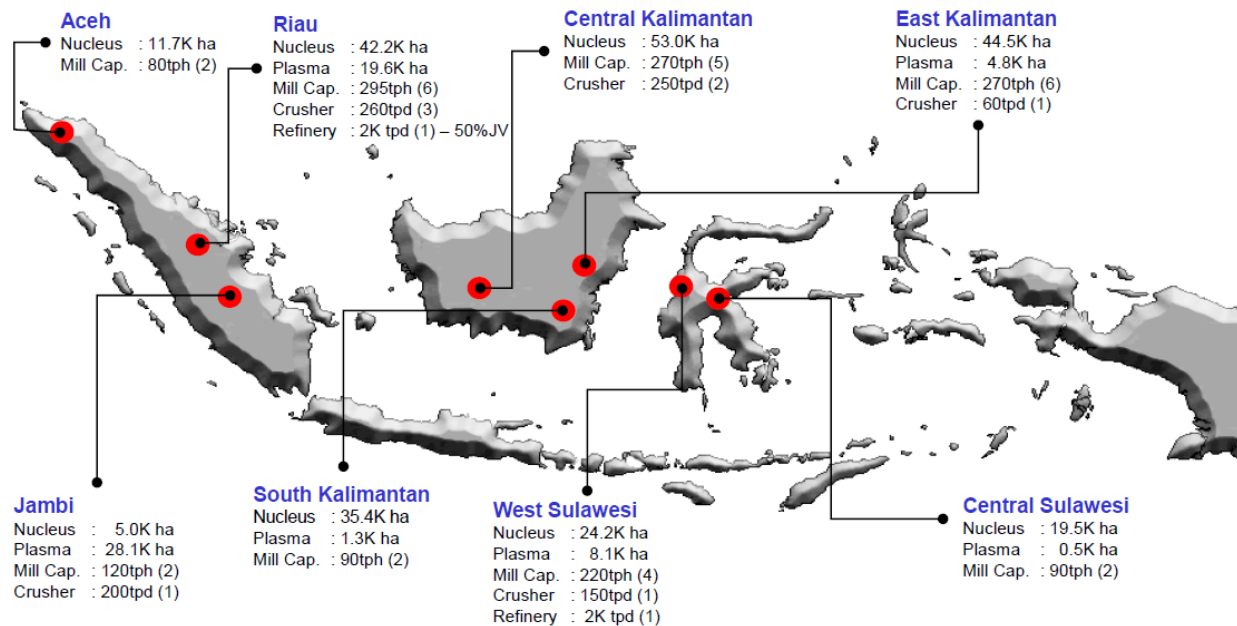
- The Company operates under an **integrated business model that spans across the value chain**
- This includes research and development, cultivation of oil palm crops, processing of FFBs, refining of CPO, along with marketing and distribution to downstream customers
- Through scale, integration and the logistical advantages of its business model, the Company is able to **extract margins at every step of the value chain**
- **Operating operational synergies and cost efficiencies** could be achieved through the integrated business model





## 5. Strategic Planning of Mills and Infrastructure

### Mills and Infrastructure



The Company is also in the process of constructing a new palm oil mills in Sulawesi. which is expected to be completed in 2017

- 29 CPO mills and 8 crushers strategically located within close proximity to major ports
- Ensures timely arrival of FFB with minimal spoilage and reduced transportation costs
- Access to 4 ports in Sumatra, 6 ports in Kalimantan and 3 ports in Sulawesi
- Supports by 3 transportation vessels owned by Astra International Group, which allows the Company to exercise control over logistics management with less dependence on 3<sup>rd</sup> party service providers
- Company's refineries strategically strengthening its value chain





## 6. Experienced Management Team

- The Company's management team has extensive experience in the operation and management of plantations businesses in Indonesia
- The team has been working in Astra Group for more than 10 years on average

### Commissioner

**Strong focus on corporate governance and shareholder accountability**



**Prijono Sugiarto**

*President Commissioner*



**Chiew Sin Cheok**

*Vice President Commissioner*



**Johannes Loman**

*Commissioner*



**Soemadi Djoko Moerdjono Brotodiningrat**

*Independent Commissioner*



**Anugerah Pekerti**

*Independent Commissioner*

**Highly experienced senior management team with an established track record**



### Directors

**Committed to shareholder value creation**



**Widya Wiryawan**

*President Director*



**Rudy**

*Independent Director*



**Bambang Palgoenadi**

*Director*



**Juddy Arianto**

*Director*



**Joko Supriyono**

*Director*



**Jamal Abdul Nasser**

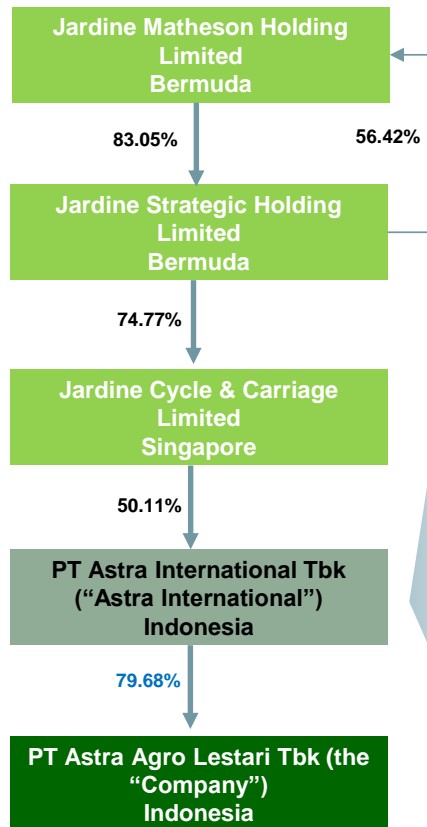
*Director*

**Well respected within the plantations industry**



## 6. Strong commitment from controlling shareholder

- Astra International is one of Indonesia's most well-respected companies with more than 150 subsidiaries, employing more than 156,000 people, currently owns 79.68% issued shares of the Company
- Astra International has a diversified set of businesses focusing on six core industries: (i) automotive, (ii) financial services, (iii) heavy equipment and mining, (iv) agribusiness, (v) infrastructure, logistics and others, and (vi) information technology
- **Astra International, undertakes to fully subscribe for its pro rata entitlements (79.68%) and act as Standby Purchaser for any unsubscribed rights shares**





## Business and Development Strategies



# Business and Development Strategies



**A. Continue to improve on the productivity and control costs**



**B. Further development of downstream sector**



**C. Strengthen research & development**



**D. Continue the implementation of sustainability and corporate social responsibility programs**

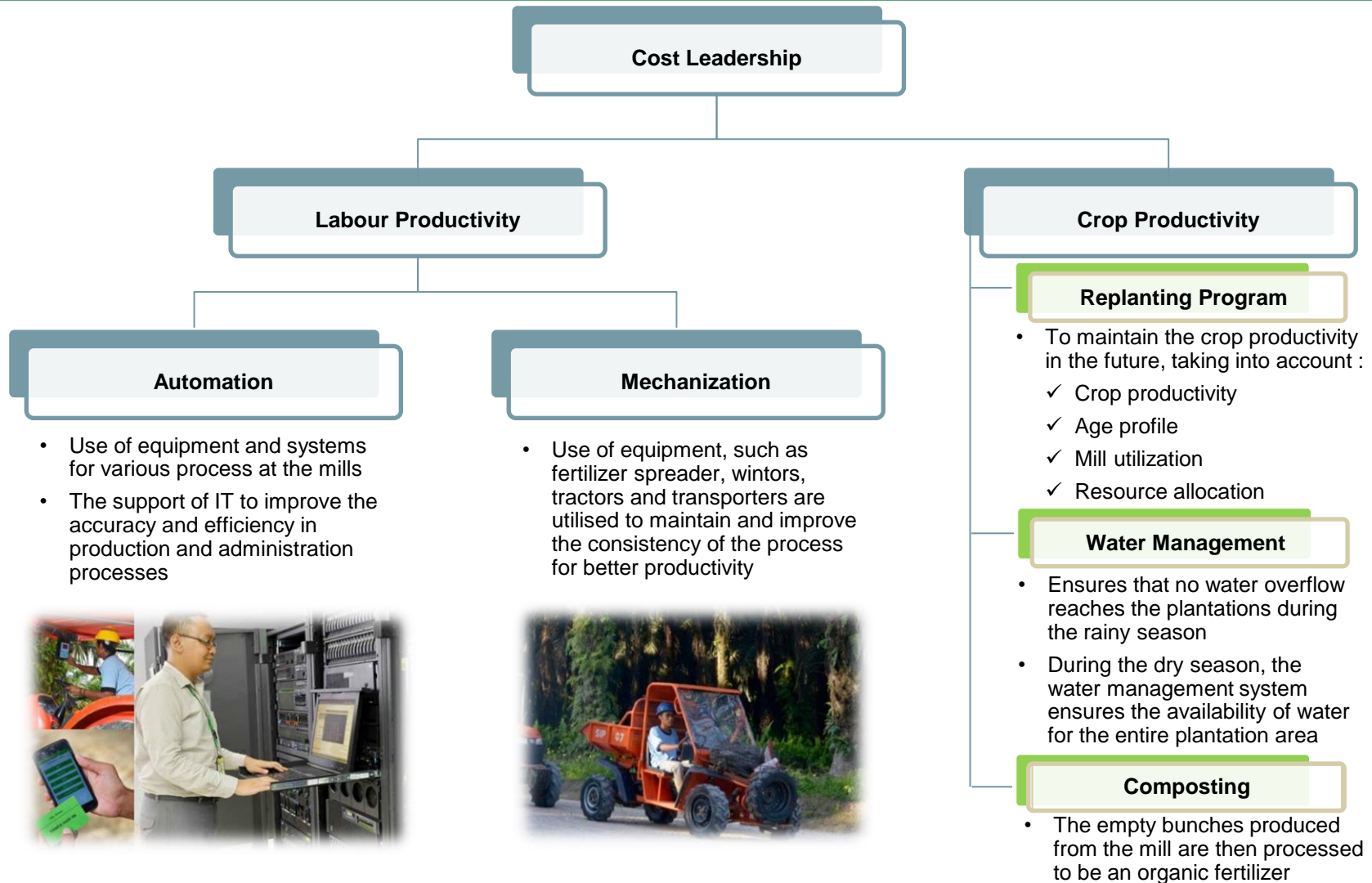


**E. Continue to develop the quality of human resources**





# A. Continue to Improve on Productivity and Control Costs

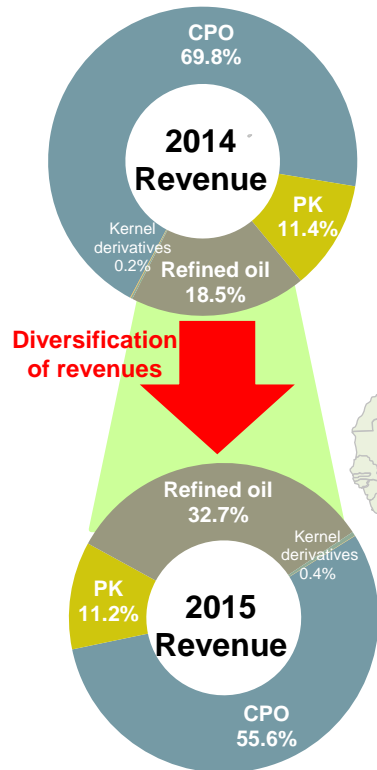


**The Company has consistently maintained high nucleus FFB yields from 20.0 mt per hectare in 2013 to 21.3 mt per hectare in 2015 in part as a result of these implemented initiatives**



## B. Further Development of Downstream Sector

### Capturing Demands of the Export Market



Note: FFB and Others generated less than 0.1% of the sales.



Note: All of the Company's refined products were exported through ASK a JV marketing company between the Company and KL-Kepong Plantation Holdings Sdn, Bhd



### Strategic JV Partner



- ➔ Continue to develop marketing and distribution capabilities in conjunction with JV partner KL-Kepong Plantation Holdings Sdn, Bhd
- ➔ Astra-KLK currently accounts for 33.2% of sales volumes in FY2015

- ➔ Entered the downstream market in 2014 and since then, sales of refined oil contributed to the 2nd largest revenue source
- ➔ Further strengthen its distribution network by expanding in existing markets and entering into new markets
- ➔ Increase its existing capacity and refineries to capture demands of export market
- ➔ Continue to take advantage of export taxes and levies in favour of downstream products



## C. Strengthen Research and Development

➔ The Company has an in-house research and development team which focuses on four main pillars activities:



### Plant Breeding

Developing new oil palm varieties by crossing different types of palms and develop clones to increase productivity and product quality



### Soil Fertility & Agronomy

Research on beneficial microbes which improve the uptake of fertilizer and soil fertility



### Pest & Plant Disease Prevention

Research on best practices for pest and disease control including development of micro-environment which minimizes the usage of chemical pesticides



### Laboratory Support

Research laboratories located in Kumai, Central Kalimantan and other labs in Sulawesi and Sumatra

**Research & Development**



## D. Corporate Social Responsibility & Sustainability

Implementation of corporate social responsibility program with consistent initiatives targeting the 4 pillars, namely economic empowerment, education, health care and environment:

### Economic Empowerment



- Partnership with over 53,900 oil palm farmers in almost 2,500 farmers' groups, cultivating over 157,000ha in plantations
- Training courses were attended by more than 1,000 oil palm farmers
- Assistance provided to ancillary businesses outside the palm oil industry

### Education



- Managed and built 57 private schools
- Also managed 10 states schools
- Employed over 500 teachers, with approximately 12,500 registered students
- Supported an additional 179 state/private schools with a total of almost 20,000 students

### Healthcare



- 29 Plantation Polyclinics and 8 Secondary Polyclinics supported by over 160 doctors, nurses and midwives
- Over 3,700 cadres working at more than 880 Public Maternal Health Centers
- Provision of Children Day Care Centers, health information and other programs in collaboration with the Government

### Environment



- Research related to the bio-ecology of species with conservation priority, functional diversity of species and the impact of restoration on biodiversity
- Provided protection to over 550 species of flora and 520 types of fauna
- Aims to create a balance and harmony of the ecosystem within the oil palm plantations

The Company is strongly committed to the relevant industry standards:

### Indonesian Sustainable Palm Oil ("ISPO")

- Achieved 16 ISPO certifications for its subsidiaries, whereas the next 14 has completed audit and in the process of getting their certifications
- Aims to achieve full ISPO certification for the remaining plantations

**ISPO**



## E. Human Resources Development

- Over 36,000 permanent employees (HQ and plantations)
- Human capital management focussing on sustainable business growth through improvement of productivity and efficiency on all fronts

**Initiatives to improve productivity and efficiency include:**







**Thank You!**