



PT Astra Agro Lestari Tbk

Annual General Meeting Of Shareholders

June, 10th 2020

Industry Review, Operational and Financial Performance For 2019

Prospects and Strategic Plans For 2020



Dear shareholders and attorney of shareholders, in the following we provide of the company's annual report and consolidated financial statements for 2019.

Industry Review, Operational and Financial Performance For 2019

During the course of 2019, PT Astra Agro Lestari Tbk. ("Company") faced a difficult business situation. The high growth of palm oil production from 2018 until early 2019 had caused oversupply of vegetable oil world as well as in producing countries. This oversupply happened during a condition of macroeconomic uncertainty as a result of the trade war between the US and China, and was exacerbated by the negative campaigns against palm oil in Europe, therefore depressing global palm oil price almost throughout 2019. In July 2019, palm oil price was USD 497 per ton CIF Rotterdam one of the lowest point.

On the other side, 2019 saw that global crude palm oil demand was still reasonable, which were driven by the policy from Indonesian Government to implement the mandatory of B20 biodiesel mix requirement since the end of 2018. The Indonesian Government's consistence in implementing this B20 requirement has helped mitigating the further depression of palm oil price.

In response to these business condition, in the mid of 2019, the Company revisited its 2019 work plan and made adjustments to the operational activities so that they were in line with the Company's financial performance.

Amidst such business instability in throughout 2019, the Company closed the year by recording Rp 211 billion in Profit Attributable to the Owners of the Company. The Company's net revenue decreased by 8.5% from Rp 19.1 trillion in 2018 to Rp 17.5 trillion in 2019, cost of revenue also decreased by 1.5% from Rp 15.5 trillion in 2018 to Rp 15.3 trillion in 2019. The Company's efficiency efforts also reduced its General and Administrative Expenses by 8% from Rp 786 billion in 2018 to Rp 723 billion in 2019. Putting investments on hold contributed towards the Company's cash flows, reducing capital expenditure from Rp 1.68 trillion in 2018 to Rp 1.31 trillion in 2019.

The Company's long-term loans facilities has been increased to USD 450 million from USD 250 million in 2018. Of all the Company's long-term loans facilities, by the closing of the 2019 financial year, the Company had utilized USD 400 million or equivalent to Rp 5.51 trillion. The Company had hedged all these loans – all of which were in foreign currencies – to avoid risks from currency and interest rate fluctuation.

During the course of 2019, the Company's operational performance declined due to the effect of unfavorable weather conditions. FFB (Fruit Fresh Bunches) production decreased by 12.8% from 5.76 million tons in 2018 to 5.02 million tons in 2019. In addition, FFB purchases from non-plasma communities declined by 16.4% from 3.81 million tons in 2018 to 3.18 million tons in 2019. Consequently, CPO production decreased by 14.6% from 1.94 million tons in 2018 to 1.65 million tons in 2019. As well as kernel production decreased by 17.7% from 420.9 thousand tons in 2018 to 346.4 thousand tons in 2019.

Despite the decrease in CPO production, the company recorded increase in CPO and it's derivative sales volume by 3.5% from 2.27 million tons in 2018 to 2.34 million tons in 2019. This condition supported by the increase in CPO purchase volume from third parties by 73.1% from 378 thousand tons in 2018 to 654 thousand tons in 2019.



Despite the Company's depressed financial performance throughout 2019, the Company's commitment to the sustainability of its business remains a priority, carried out by the consistent execution of the Company's sustainability policies. Similarly, the Company remains committed to its corporate social responsibility, which is the manifestation of its vision to *Sejahtera Bersama Bangsa*.

The technology-driven initiative for business process improvement that was focused on the improvement of nucleus plantation productivity will also be developed on upkeep, operational supporting facilities and infrastructure. Such initiative is expected to help on improve cost efficiency to reduce pressure on the Company's increasing cost due to the annual increase of minimum wage, without sacrificing Operational Excellence. Programs at the Company's agronomic development research center will continue to be the backbone in maintaining the Company's long-term sustainability. Applied research will help to improve the plants' resistance towards climate change and pests. As for the long term, the Company is looking on developing high quality seeds in order to increase the Company's per-hectare production after replanting.

Prospects and Strategic Plans For 2020

1. Continuing intensification, mechanization, and automation programs.
2. Research in developing superior seeds and their practical applications.
3. Replanting program.
4. Continuing existing downstream industry operations.
5. Improving sales volume through developing partnerships with surrounding smallholder plantations and external CPO purchases.
6. Application of technology in business processes to increase the Company's productivity and efficiency.
7. Maintaining consistency in implementing the Corporate Social Responsibility program.