

CHAIRMAN'S STATEMENT



DEAR SHAREHOLDERS,

It has been another challenging year. The persistent slump in commodity prices and slower growth in some key markets like China have led to a prolonged period of volatility and uncertainty. Global developments remain uncertain and unpredictable.

These circumstances have aggravated the complex mix peculiar to any agribusiness such as the vagaries of the weather, export restrictions, the higher correlation between the prices of oil and various commodities, and the performance of competing crops such as soybean oil. The long-term consequences of this churn are still unclear.

Indonesia, one of the emerging economies dependent on the export of commodities, is bearing the brunt of this downturn. Its GDP grew by 4.79% in 2015, short of the budgeted 5.7%. The government recorded its largest budget deficit in 25 years on the back of shrunken export and tax revenues. The Rupiah has further weakened. In facing this extraordinary disruption, Indonesia is deploying a combination of monetary policy, fiscal stimulus and structural reforms to promote investments and economic growth.

Domestic policies

Domestic policy changes during the year affected both the bigger producers and smallholders. In July, the government imposed export levies of US\$50 on every tonne of CPO and US\$20 to US\$30 on every tonne of processed palm oil products. The measure was aimed at enhancing tax revenues. These levies were in addition to the current progressive

export tax structure, which would apply when palm oil prices exceeded the government's reference CPO price of US\$750 per tonne.

Revenue from the new tariffs will be used to subsidise biodiesel production, finance replanting and support research and development for the industry. CPO exporters and smallholders are trying to cope with these new pressures on their already thin margins. IndoAgri is helping its plasma farmers tide over this challenging period by providing agronomy advice and affordable agricultural inputs such as seed stocks and fertilisers.

The way forward

Economic uncertainties and price volatility have always been a profile of the commodity markets. However, the demand for edible vegetable oils, of which palm oil accounts for about a third of the world production, has not diminished. Indonesia's population of more than 250 million is Asia's third largest consumer market after China and India.

Our business is resilient. As a diversified and vertically integrated agribusiness, our operations continue to be supported by positive market drivers that include good demographics, increasing urbanisation and a fast-growing middle class with rising discretionary incomes. We have built up a strong foundation for integration and right-sizing to weather the headwinds. We take a long-term view of our investments, confident that they will continue to bear fruit as the cycle turns.

In the near term, our focus will be to deepen our relationship with smallholders, government stakeholders and industry partners. We will place a stronger emphasis on extracting



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An oil palm plantation with buffer zone in South Sumatra

the optimal from our value chain, identifying compelling opportunities and defending our business against volatility and disruptions. We will proactively improve operations, increase yields, raise productivity and control costs. We will continue our unwavering efforts in realising the full value of our inherent strengths and competitive advantages.

Responsible agribusiness

2015 marks our fourth year of sustainability reporting. We are fully committed to RSPO's principles and criteria for sustainable palm oil production. With its non-partisan objectives and clear definitions of sustainability, RSPO represents the highest and most comprehensive standards of traceability in the palm oil industry. We are targeting to certify all our oil palm estates and mills including those of our plasma smallholders to RSPO by 2019.

The Transboundary Haze Pollution Act has been an important development for Singapore-registered palm oil companies with operations in Indonesia. We take seriously our responsibility in sharing data on hot spots with the local Indonesian authorities.

Besides the direct impact on the environment, fires in the plantation pose a mortal threat to our staff, local residents and the trees. To prevent fire incidents, IndoAgri adheres strictly to a no-burning policy in our plantations. We have also implemented a regime to prevent and put out fires in the

areas surrounding the perimeters of our estates. As a Group, we fully support the ongoing drive by Indonesia and Singapore in haze management and responsible farming practices.

Governance

I am pleased that we have won the Singapore Corporate Award for Best Annual Report (Gold) for companies in the S\$300 million to S\$1 billion market-capitalisation category in 2015. The award is a timely recognition of the high standards we have consistently maintained in our financial disclosure and reporting. We are encouraged by this accolade and will continue to work towards higher standards of corporate governance and responsibility.

Appreciation

On behalf of the Board, I would like to express my deep appreciation to our dedicated management team and staff who have helped to navigate the company through the troubled waters of the business environment. I would also like to thank my fellow Directors for their profound contribution, and our customers, shareholders and business partners for their unrelenting trust and support.

Edward Lee
 Chairman