

EDIBLE OILS & FATS REVIEW



The Edible Oils & Fats (EOF) Division manufactures and markets IndoAgri's downstream products. These include cooking oils, margarine, shortening and other by-products derived from CPO refining and fractionation. The Division owns and operates five refineries with a total annual CPO processing capacity of 1.4 million tonnes. These refineries are located strategically in major Indonesian cities near deep-water ports that provide logistical advantages.

Our consumer cooking oils are marketed domestically under the leading brands of Bimoli, Bimoli Spesial, Delima and Happy, while our consumer margarine and shortening are packed and sold under the Palmia and Amanda brands. Bimoli, in particular, is a popular local brand that has achieved several awards including the Indonesia Best Brand Award (Platinum Level) from 2002 to 2015, the Indonesia Customer Satisfaction Award (Diamond Level) from 2000 to 2015, and one of the Top 50 Most Valuable Indonesian Brands in 2015.

The EOF Division also produces and sells industrial pack cooking oils directly to PT ISM Group and other F&B manufacturers. Industrial pack margarine and shortening are marketed to confectioners, bakeries and other food manufacturers under the Palmia, Simas, Amanda, Malinda and Delima brands.

By leveraging the distribution channels of PT ISM Group, we are able supplement and deepen our own market penetration efforts. As a result, the EOF Division has good access to direct sales channels of PT ISM Group, as well as local and national distributors serving approximately 370,000 retail outlets across Indonesia.

2015 REVIEW

During the year in review, the EOF Division processed approximately 817,000 tonnes of CPO including 64% from our own plantations in 2015. The Division also produced and sold small amounts of palm-based products derived from CPO refining, such as refined, bleached and deodorised (RBD) palm stearin and palm fatty acid distillate.



Collecting sample in the fractionation process



Cookies made using Palmia margarine

In 2015, we entered the branded bulk market, and launched an innovative and first-of-its-kind garlic margarine in Indonesia. In addition, the construction of a new 200 tonnes per day margarine plant was completed at the Tanjung Priok refinery.

Revenue from the EOF Division declined 14% to Rp8.4 trillion in 2015 due mainly to lower sales volume and lower average selling prices of edible oils and fats products. However, the Division achieved higher EBITDA earnings on a more competitive pricing strategy in 2015. Branded consumer products contributed over half of this revenue, while sales to industrial customers and third-party brands accounted for the balance. We will continue to work on new product offerings and further develop the distribution network to deepen our market penetration.

Sales contribution from the EOF Division accounted for 61% and 66% of the Group's external sales in 2015 and 2014 respectively. The revenue derived from Indonesia was 88%, while the balance came from exports to 25 countries, including

China, Nigeria, East Timor, the Philippines, Malaysia, United Arab Emirates, Sri Lanka, Papua New Guinea and Myanmar.

2016 OUTLOOK

In the year ahead, we expect to further utilise our downstream production by enhancing the Division's specialty fat output and production capability to meet rising demand. The Division will also continue to improve its pricing competitiveness, review its supply chain to enhance customer service, and grow the distribution network.

We are expanding the capacity of our Surabaya for completion refinery for completion by 1,000 tonnes per day, scheduled in 2017. The additional production capacity will enable the Group to capture sales opportunities in Eastern Indonesia.



Filling of cooking oil into refillable packaging