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## IndoAgri's posts 2Q15 net profit of Rp59 billion (S\$6 million)

### HIGHLIGHTS:

- **2Q15 results affected by soft commodity prices, despite 10% growth in volume of Fresh Fruit Bunches (FFB) in 2Q15, reversing the shortfall in 1Q15 with year-to-date production of 1,509,000 tonnes, up 1% yoy**
- **Despite lower selling prices, revenue up 3% yoy in 2Q15 on higher sales volume of palm products**
- **In line with lower gross profit, EBITDA down 41% yoy in 2Q15**

**SINGAPORE – 31 July 2015** – SGX Mainboard-listed IndoAgri (the “Group”), a diversified and integrated agribusiness group and manufacturer of leading brands of edible oils and fats products in Indonesia, posted 2Q15 revenue of Rp4.1 trillion (S\$429 million), up 3% yoy on higher sales from Plantation Division. On year-to-date basis, total revenue declined 5% yoy due to lower sales from Edible Oils & Fats (EOF) Division, which was more than offset by higher sales from Plantation Division.

Plantation Division's revenue grew 5% yoy in 2Q15 on higher sales volume of palm products, but this was partly offset by lower average selling prices of palm products. On year-to-date basis, revenue declined 10% yoy mainly due to lower average selling prices of agriculture crops.

EOF Division reported lower revenue in 2Q15 and 1H15, declining 12% and 15% over the same periods in 2014, reflecting the combined effects of lower sales volume and average selling prices of edible oil and fats products.

	Rp' billion						S\$' million <sup>1</sup>			
	2Q15	2Q14	▲%	1H15	1H14	▲%	2Q15	2Q14	1H15	1H14
<b>Revenue</b>	4,133	3,998	3.4	6,792	7,169	(5.3)	429	415	705	744
Gross profit	899	1,237	(27.3)	1,639	2,124	(22.9)	93	128	170	220
Gross margin (%)	21.8%	30.9%		24.1%	29.6%		21.8%	30.9%	24.1%	29.6%
<b>EBITDA <sup>2</sup></b>	593	1,002	(40.8)	1,145	1,656	(30.8)	62	104	119	172
EBITDA margin (%)	14.4%	25.1%		16.9%	23.1%		14.4%	25.1%	16.9%	23.1%
Profit from operations	292	698	(58.2)	544	1,272	(57.2)	30	72	56	132
Profit before taxation	135	567	(76.3)	261	1,032	(74.7)	14	59	27	107
Net profit after tax	59	375	(84.3)	127	717	(82.3)	6	39	13	74
<b>Attributable profit</b>	2	224	(99.1)	37	406	(90.9)	0.2	23	4	42
EPS (fully diluted) - Rp/S\$ cents	1	158	(99.4)	26	286	(90.9)	0.01	1.6	0.3	3.0

<sup>1</sup> Income Statement and Balance Sheet items are converted at exchange rates of Rp9,637/S\$1 and Rp9,895/S\$1, respectively

<sup>2</sup> Earnings before interests and tax expense, depreciation and amortisation, and gain/loss from changes in fair value of biological assets and foreign exchange gains.

Soft commodity prices affected our operating results in Indonesia and Brazil. EBITDA declined 41% in 2Q15 and 31% in 1H15 mainly due to lower gross profit as well as higher share of losses of our sugar operation in Brazil. Our 1H15 net profit after tax (NPAT) was affected by softer commodity prices as well as foreign currency losses arising from a weakened Indonesian Rupiah. Excluding the foreign currency impacts, 1H15 NPAT would have been Rp258 billion (S\$27 million), down 64% yoy.

***“Year-to-date FFB nucleus production of 1,509,000 tonnes, is up 1% yoy, with production up 32% in 2Q15 vs 1Q15, reversing the lower production in 1Q15. In line with this, CPO production came in flat to last year at 444,000 tonnes. However despite this, the Group posted lower profitability in 2Q15, affected negatively by weakening commodity prices in all 3 of our main crops, Palm Oil, Rubber and Sugar. However the Edible Oils and Fats Division achieved higher EBITDA earnings in 2Q15 on lower raw material costs which primarily comprised of CPO.*”**

***As of June 2015, we have 57,000 hectares of immature oil palm plantation, ensuring future volume growth.”***, commented Mr Mark Wakeford, CEO and Executive Director.

## **INDUSTRY OUTLOOK AND FUTURE PLANS**

CPO prices (Rotterdam CIF) in 1H2015 remained soft at an average of US\$664 per tonne, against an average of US\$816 per tonne in 2014. The key contributing factors were the slowdown of global demand in major markets such as China and Europe, coupled with weak crude oil prices which has virtually eliminated discretionary biodiesel demand, and higher soybean supplies from the US and South America.

Nonetheless, we expect demand for basic commodities like palm oil to continue to grow, underpinned by growing consumer markets and a rising middle class. We also expect the higher biodiesel blending mandate of 15%, announced by Indonesia's government in March 2015, to sustain domestic demand growth for palm oil products, albeit over time as the mandate of 15% will not be achieved immediately.

Rubber prices (RSS3 SICOM) have been on a downward trend since 2012, declining nearly 50% to end at an average of US\$1,761 per tonne in 1H2015. This was due to higher rubber production in Thailand and Indonesia, as well as weaker demand from major rubber consuming markets, particularly China, the US and Europe, and more recently lower crude oil prices. In the medium term prices will remain under pressure until global demand recovers.

The domestic sugar prices in Indonesia were lower in 2014 due to excessive imports in 2013, but have recovered in 2Q2015 following the Government raising the sugar floor price from Rp8,500 to Rp8,900 per kilogram on 21 May 2015, and lower imports of sugar in the first half of 2015. The country remains a net importer of sugar, intervention efforts from the government are aimed at increasing the production capacity of local sugar factories, enhancing the productivity and yield of sugar cane, and encouraging the expansion of sugar cane plantations. This will take some time to deliver results. Global sugar prices have continued to fall to as low as 11.2c/lb US\$ in June, reaching multi year lows on the back of high global sugar stocks, and a weakening Brazilian Real. Whilst global sugar demand is rising, prices will remain depressed until we see a reversal of the high global stocks.

--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 June 2015, IndoAgri has 299,072 hectares planted with oil palm, rubber, sugar cane, cocoa and tea.

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