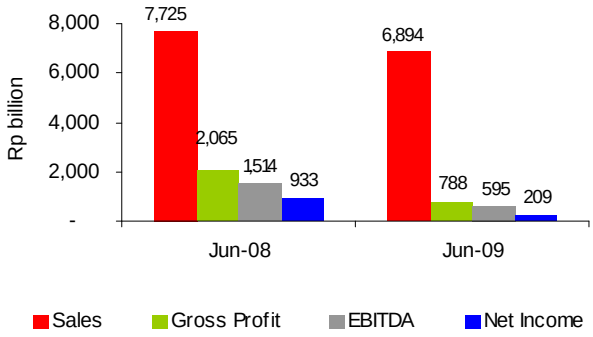
Smartnews

June 2009

smart agribusiness and food

Performance Summary



The first half 2009 performance of the Company was affected by significantly lower CPO market prices compared to the first half last year. Sales decreased by 11% while gross profit declined to Rp 788 billion from Rp 2,065 billion in first half last year. The 61% reduction in EBITDA combined with higher financial expenses contributed to a decline in net income to Rp 209 billion from Rp 933 billion recorded for the first half 2008.

As of 30 June 2009, the Company's palm plantation hectarage totaled 131,256 hectares, comprising of 117,859 hectares mature and 13,397 hectares immature estates. Nucleus and plasma estates amounted to 105,120 and 26,136 hectares, respectively. Total estate area increased by approximately 4,500 hectares compared to 30 June 2008, as a result of our expansion through new planting.

Production

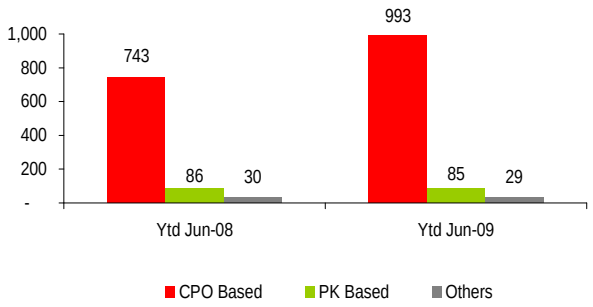
Description	YTD Jun 2008	YTD Jun 2009	Growth
FFB produced - tonnes	1,076,139	1,108,278	3.0%
CPO produced - tonnes	278,635	286,509	2.8%
PK produced - tonnes	61,694	62,612	1.5%
Oil extraction rate - %	23.32	23.29	-0.03%
Kernel extraction rate - %	5.16	5.09	-0.07%

FFB production during first half 2009 was 3% higher than that of the previous year. The effects from biological tree stress and the prolonged rainy season have eased in second quarter of 2009, resulting in improved productivity compared to that of first quarter 2009. Accordingly, CPO and PK production also increased to 286,509 tonnes and 62,612 tonnes, respectively.

For first half 2009, the oil and kernel extraction rates remained almost constant at 23.29% and 5.09%, respectively.

Revenue

Sales Volume (in mn tonnes)



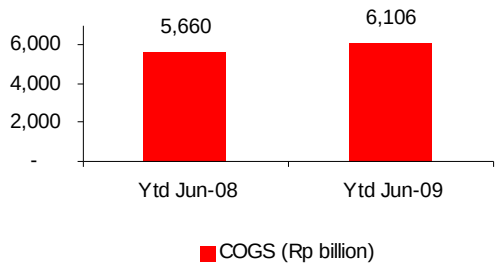
The Company achieved higher sales volume mostly in CPO-based products from 743 million tonnes in first half 2008 to 993 million tonnes in first half 2009 due to the operation of a new refinery in Tarjun, Kalimantan. However, the higher volume was offset by weakening average selling prices, resulting in lower total revenue.

Products	YTD Jun 2008		YTD Jun 2009	
	Rp bn	%	Rp bn	%
Cooking Oil	772	10.0%	444	6.4%
Margarine	417	5.4%	365	5.3%
Total Branded	1,189	15.4%	809	11.7%
Refined Product	2,012	26.0%	2,012	29.2%
CPO and non-refined product	4,116	53.3%	3,803	55.2%
Total Unbranded	6,128	79.3%	5,815	84.4%
Others	408	5.3%	270	3.9%
Total Sales	7,725	100.0%	6,894	100.0%

During the first half 2009, revenue from unbranded and branded products declined by 5% and 32%, respectively, as a consequence of the decrease in average selling prices. Sales of unbranded products declined from Rp 6,128 billion to Rp 5,815 billion, while sales of cooking oil and margarine went down from Rp 772 billion to Rp 444 billion and from Rp 417 billion to Rp 365 billion, respectively.

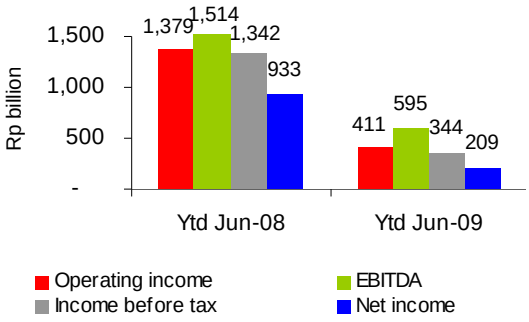
Cost of goods sold

Cost of goods sold was 8% higher, from Rp 5,660 billion for the first half 2008 to Rp 6,106 billion for the current period. The increase in cost of goods sold was attributable to the higher fertiliser costs and higher volume of CPO purchased for the new Tarjun refinery. Our fertiliser requirements for the first semester of 2009 were purchased in the early part of the second semester of 2008 when the fertiliser prices were at their peak.



Operating income

The Company's operating income for first half 2009 went down to Rp 411 billion from Rp 1,379 billion in previous period following the decline in gross profit, combined with an increase in general and administration expenses, mainly related to higher salaries & wages.



EBITDA

EBITDA during the first half 2009 experienced a 61% decrease to Rp 595 billion from Rp 1,514 billion for the same period in 2008, in line with the reduction in operating income.

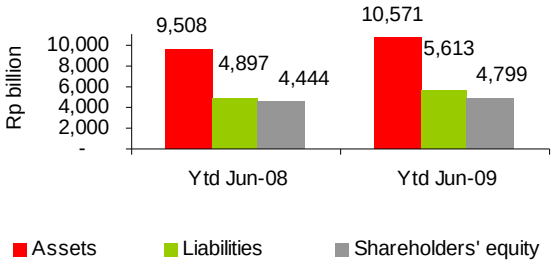
Income before tax

The Company's income before tax also declined to Rp 344 billion from Rp 1,342 billion for the first half last year, corresponding to the EBITDA weakening and higher financing expenses mostly due to additional loan facility drawdown as well as higher interest rates applied by lenders.

Assets

As of 30 June 2009, the Company's total assets grew by 11% to Rp 10,571 billion from Rp 9,508 billion last year.

The increase mainly resulted from the expansion in oil palm plantations by approximately 4,500 hectares, the construction of two mills and two kernel crushing plants in Kalimantan and also a refinery in Jakarta.



Liabilities

Total liabilities at the end of June 2009 increased by 15% to Rp 5,613 billion from Rp 4,897 billion in the previous year, mainly resulting from an increase in external funding. Of this amount, total bank debt was Rp 2,737 billion.

As of 30 June 2009, our gearing remained at a healthy level with a net debt to equity ratio of 0.51.

Equity

Shareholders' equity at the end of June 2009 increased by 8% to Rp 4,799 billion from Rp 4,444 billion in the previous year. The Company's retained earnings totaled Rp 2,330 billion at end of June 2009. The last Annual General Meeting of Shareholders on 8 June 2009 approved the distribution of final dividend for 2008 earnings amounting to Rp 180 per share or Rp 517 billion in total. The distribution of this dividend is on 16 July 2009.