

27 July 2010

Financial Results 1H10 and Updates

## Press Release

### **Sorini 1H10 Sales Rp 856.7 billion driven by Indonesian Domestic Sales Margins impacted by higher raw material prices and Rupiah currency appreciation**

- Sales Rp 856.7 billion – higher by 15.7% YoY
- Total Sales Volume 172,000MT showing growth in all product segments
- Focus on Indonesia Market: Domestic Sales grew 41.6% YoY to Rp 484 billion
- Gross Margin lower at 19.7% due to higher raw material prices and Rupiah currency appreciation
- Net profit for the 1H'10 Rp 45.1 billion

**PT Sorini Agro Asia Corporindo Tbk. (ticker: SOBI)**, listed in Indonesian Stock Exchange, leading producer of Sorbitol, Starch and Starch Sweeteners, reported 15.7% higher Sales during 1H10 of Rp 856.7 billion compared to Rp 740.5 billion same period last year.

Business continued to grow with Sales Volume growth of 23.4% YoY driven by the increasing consumer demand in Indonesian market and our strategy to increase focus on domestic sector. 1H10 Domestic Sales of Rp 484 billion was higher by 41.6% YoY.

SOBI 1H10 Net Profit was Rp 45.1 billion, lower than Rp 83.5 billion during the corresponding period in 2009.

#### Summary of Income Statements

	(in Rp bn)		1H10	1H09	YoY
<b>Sales</b>			<b>856.7</b>	<b>740.5</b>	<b>15.7%</b>
Cost of sales			(687.6)	(499.9)	37.6%
<b>Gross profit</b>			<b>169.1</b>	<b>240.6</b>	<b>-29.7%</b>
Operating expenses			(95.2)	(96.2)	-1.0%
<b>Operating profit</b>			<b>73.8</b>	<b>144.4</b>	<b>-48.9%</b>
Other income (expenses)			0.1	(9.7)	-100.7%
<b>Income before tax</b>			<b>73.9</b>	<b>134.7</b>	<b>-45.2%</b>
Tax expenses			(17.0)	(38.7)	-56.0%
Minority interest			(11.8)	(12.5)	-5.8%
<b>Net profit</b>			<b>45.1</b>	<b>83.5</b>	<b>-46.0%</b>
Gross margin			19.7%	32.5%	
Operating margin			8.6%	19.5%	
Net profit margin			5.3%	11.3%	

#### Focus on Domestic Markets for Starch and Starch Sweeteners :

Domestic sales grew 41.6% YoY to Rp 484 billion during 1H10 compared to Rp 342 billion during same period last year. This is mainly because of higher penetration for Starch and Starch Sweeteners in domestic market on the back of strong demand for consumer related products.

#### Summary of Sales breakdown

	bilion Rupiah			million USD		
	1H10	1H09	YoY	1H10	1H09	YoY
<b>Sales</b>	<b>857</b>	<b>741</b>	<b>15.7%</b>	<b>93</b>	<b>67</b>	<b>39.4%</b>
	Rupiah / kg			USD / MT		
	1H10	1H09	YoY	1H10	1H09	YoY
<b>Avg. Selling Price</b>	<b>4,980</b>	<b>5,310</b>	<b>-6.2%</b>	<b>542</b>	<b>479</b>	<b>13.0%</b>
<b>USD/Rp exchange rate</b>	<b>1H10</b>	<b>1H09</b>	<b>YoY</b>			
Closing period	9,083	10,225	-11.2%			
<b>Average period</b>	<b>9,189</b>	<b>11,075</b>	<b>-17.0%</b>			



Sales Volume ('000MT)	1H10	1H09	YoY
Sorbitol	89	83	7.5%
Sweeteners	31	25	22.9%
Starch	52	31	65.4%
<b>Total</b>	<b>172</b>	<b>139</b>	<b>23.4%</b>

Sales by region	billion Rupiah		YoY	million USD		
	1H10	1H09		1H10	1H09	
Domestic	484	342	41.6%	53	31	70.7%
Export	373	399	-6.5%	41	36	12.7%
<b>Total</b>	<b>857</b>	<b>741</b>	<b>15.7%</b>	<b>93</b>	<b>67</b>	<b>39.4%</b>

Portion	1H10	1H09
Domestic	56.5%	46.2%
Export	43.5%	53.8%

### Stronger Rupiah Against USD Hurts Export (Appreciated by 17.0%) :

The Indonesian rupiah continued to appreciate against foreign currencies including USD during 1Q10. The average exchange rate of Indonesian Rupiah against USD as on 30<sup>th</sup> June 2010 is Rp 9,189 while on 30<sup>th</sup> June 2009 the corresponding exchange rate was Rp 11,075, an appreciation of 17.0%.

As a significant portion of Sorini Sales is denominated in USD, Export Sales presented in Indonesian Rupiah show lower figure 1H10 compared to same period last year, despite it was actually up by 12.7% in USD term. In total, the Rupiah Sales showed relatively modest 15.7% growth compared to 39.4% growth if it was presented in USD term. This also has impacted 1H10 profitability.

### Higher Raw Material Prices Impacts Gross Margin :

Lower availability of cassava roots in Thailand and Indonesia resulted in significant increase in Tapioca Starch prices which is the main raw material for production of Starch Sweeteners. Today, Sorini is responding such condition by taking various measures including flexibility in type of raw material and sourcing strategies to manage production cost. While Sorini maintained adequate and balanced inventory to supply customer's requirements, the significant increase in raw material prices impacted cost of production for the period, resulting in Gross Margin reducing to 19.7% during 1H10.

### Increase in Assets to Support Sales Growth

To support higher Sales and production, Sorini has increased Starch Sweeteners capacity and acquired three Starch factories in 4Q09. Furthermore we also improving quality as well as optimizing production of the facilities. These had increased our 1H10 Fixed Asset to Rp 656.0 billion from just Rp 446.0 billion last year. Trade Receivables and Inventories also grew by 62.2% and 44.0% respectively align with higher Sales and production cost (value impact) in 1H10. Thus we are managing Net Gearing Ratio at a comfortable level of 73.8%.

### Summary of Balance Sheet

(in Rp bn)	1H10	1H09	YoY
Cash and cash equivalent	128.3	80.2	60.1%
Trade receivables	221.5	136.5	62.2%
Inventories	323.8	224.8	44.0%
Fixed assets	656.0	446.0	47.1%
Other assets	170.0	61.2	177.6%
<b>Total assets</b>	<b>1,499.6</b>	<b>948.8</b>	<b>58.1%</b>
Debts	626.1	157.6	297.3%
Trade payables	46.5	41.0	13.4%
Other liabilities	98.5	104.7	-5.9%
<b>Total liabilities</b>	<b>771.0</b>	<b>303.2</b>	<b>154.3%</b>
Minority interest	54.2	49.1	10.3%
Capital	101.3	92.5	9.5%
Share option	1.3	1.0	30.3%



Retain earnings	571.8	502.9	13.7%
<b>Total Equity</b>	<b>674.4</b>	<b>596.4</b>	<b>13.1%</b>
Inventory days TO (annualized)	69.0	55.4	24.5%
Receiv. days TO (annualized)	47.2	33.6	40.2%
Payables days TO (annualized)	12.3	15.0	-17.6%
Net gearing	73.8%	13.0%	

### Strategies to improve profitability in the coming quarters :

- Closely reviewing raw material purchasing and selling price strategy.
- Conducting studies and testing different types of starch to reduce overall cost of raw materials.
- Restructuring and improving efficiencies in the newly acquired starch plants.
- Increasing sales of starch sweeteners from the additional capacities commissioned during the year.
- Focusing on the Domestic markets for increasing sales volume.

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