



PT HM SAMPOERNA Tbk.

***Annual General Meeting of Shareholders***  
***Rapat Umum Pemegang Saham***

*May 18, 2020*

# Forward-Looking and Cautionary Statements

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## ***Forward-Looking and Cautionary Statements (COVID-19)***

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- The COVID-19 pandemic has created significant societal and economic disruption, and resulted in closures of stores, factories and offices, and restrictions on manufacturing, distribution and travel, all of which will adversely impact our business, results of operations, cash flows and financial position during the continuation of the pandemic. Although we have business continuity plans and other safeguards in place, there is no assurance that such plans and safeguards will be effective. While much of the COVID-19 pandemic and its effect on our business is still unknown, currently, significant risks include our diminished ability to convert adult smokers to our RRPs, significant volume declines in our duty-free business and certain other key markets, disruptions or delays in our manufacturing and supply chain, increased currency volatility, and delays in certain cost saving, transformation and restructuring initiatives. Our business could also be adversely impacted if key personnel or a significant number of employees or business partners become unavailable due to the COVID-19 outbreak. The significant adverse impact of COVID-19 on the economic or political conditions in markets in which we operate could result in changes to the preferences of our adult consumers, lower demand for our products, particularly for our mid-price or premium-price brands, and increased illicit trade. Continuation of the pandemic could disrupt our access to the credit markets or increase our borrowing costs. Governments may temporarily be unable to focus on the development of science based regulatory frameworks for the development and commercialization of RRPs or on the enforcement or implementation of regulations that are significant to our business. In addition, messaging about the potential negative impacts of the use of our products on COVID-19 risks may lead to increasingly restrictive regulatory measures on the sale and use of our products, negatively impact demand for our products, the willingness of adult consumers to switch to our RRPs and our efforts to advocate for the development of science-based regulatory frameworks for the development and commercialization of RRPs
- Despite our efforts to manage these risks, their impact also depends on factors beyond our knowledge or control, including the duration and severity of the outbreak and actions taken to contain its spread and to mitigate its public health effects, and the ultimate economic consequences thereof

## Key Highlights

### Fakta-Fakta Penting

**Sampoerna  
Performance  
2019**

**Share of Market**  
**32.2%**

**Volume**  
**98.5** billion units

**Net Revenue**  
IDR **106.1** trillion

**Net Profit**  
IDR **13.7** trillion

**Less pricing** in the absence of excise tax driven increases

**Berkurangnya peluang strategi harga** akibat tidak ada kenaikan

**Growth of low / super-low price segment**, driven by adult smokers down-trading due to widened price gap

**Pertumbuhan segmen harga murah dan sangat murah**, yang disebabkan karena beralihnya perokok dewasa ke harga yang lebih murah karena selisih harga yang semakin membesar.

Volume was down by 2.9% to 98.5 billion units mainly due to *A Mild* which was under pressure from higher than historical price gap with the Low priced brands. Excluding *A Mild*, the company's share of market grew by 0.4 share points

Volume turun 2,9% menjadi 98,5 miliar batang disebabkan karena kinerja *A Mild* yang tertekan akibat membesarnya kesenjangan harga dengan produk-produk yang lebih murah. Pangsa pasar Sampoerna diluar *A Mild* tumbuh sebesar 0,4 basis poin.

**Net revenue** was essentially flat. **Profitability grew** supported by cost optimization and improved **Gross Profit Margin**

**Penjualan bersih** tidak mengalami perubahan yang signifikan. **Pertumbuhan profitabilitas** didukung oleh optimalisasi biaya produksi dan **Marjin Laba Kotor** yang membaik.

Significant progress made in strengthening product supply chain via Sampoerna Retail Community (SRC) and other strategic initiatives (i.e. *IQOS Club*)

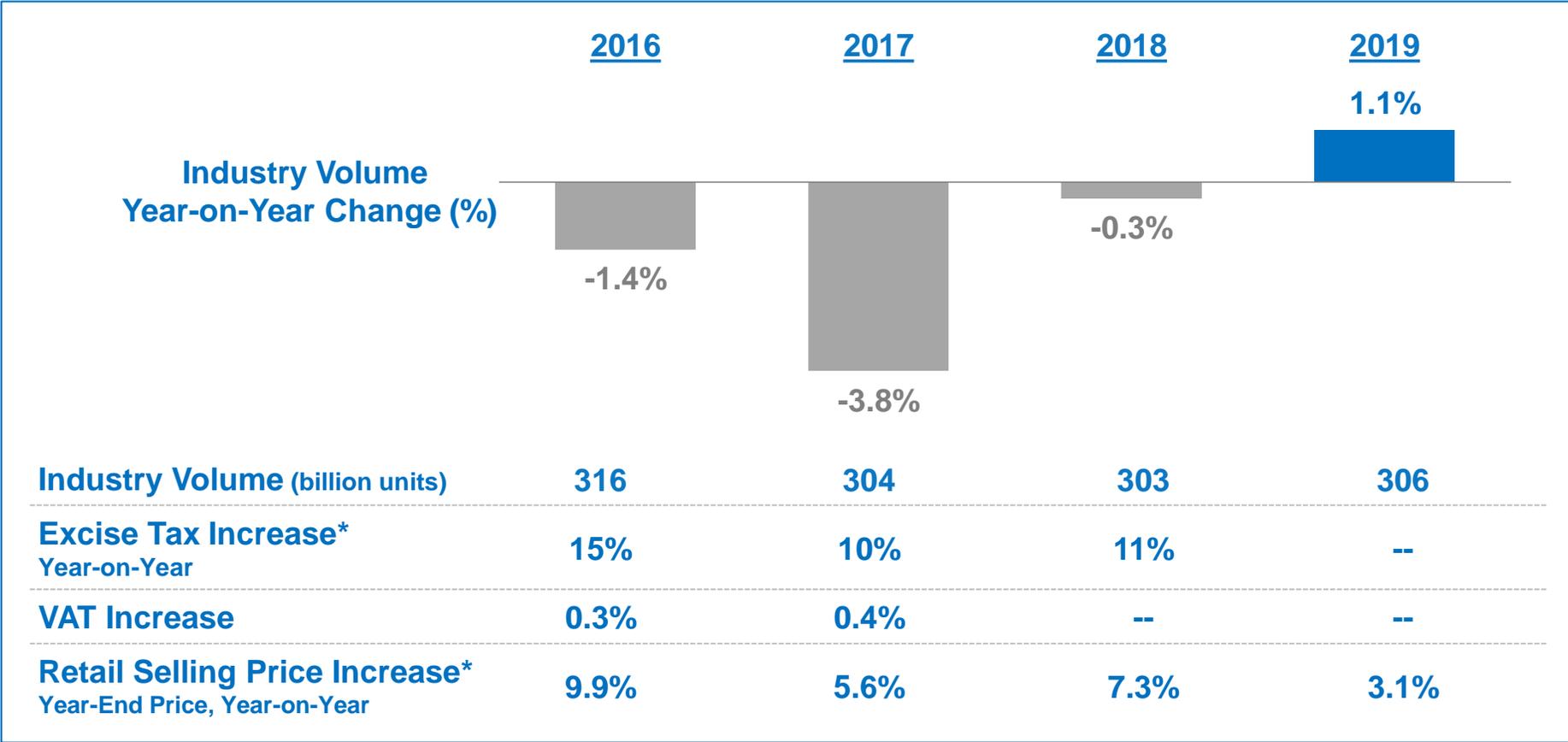
Kemajuan yang signifikan terjadi pada menguatnya rantai pasok produk melalui Sampoerna Retail Community (SRC) dan inisiatif-inisiatif strategis lainnya diantaranya *IQOS Club*.

# 2019 an anomaly year in the cigarette industry

## 2019 tahun yang anomali pada industri tembakau

The absence of an excise tax increase resulted in marginal growth of the industry after three years in decline, however, this had led to less pricing opportunities in 2019

Tidak adanya kenaikan cukai menghasilkan pertumbuhan marjinal pada industri tembakau setelah penurunan selama tiga tahun, namun, hal ini mengakibatkan berkurangnya peluang harga pada tahun 2019.



Source: Company estimate and Nielsen retail audit results RSP. \*weighted average industry increase

# Accelerating growth in low and super-low price segments

## Akselerasi pertumbuhan segmen harga murah dan sangat murah

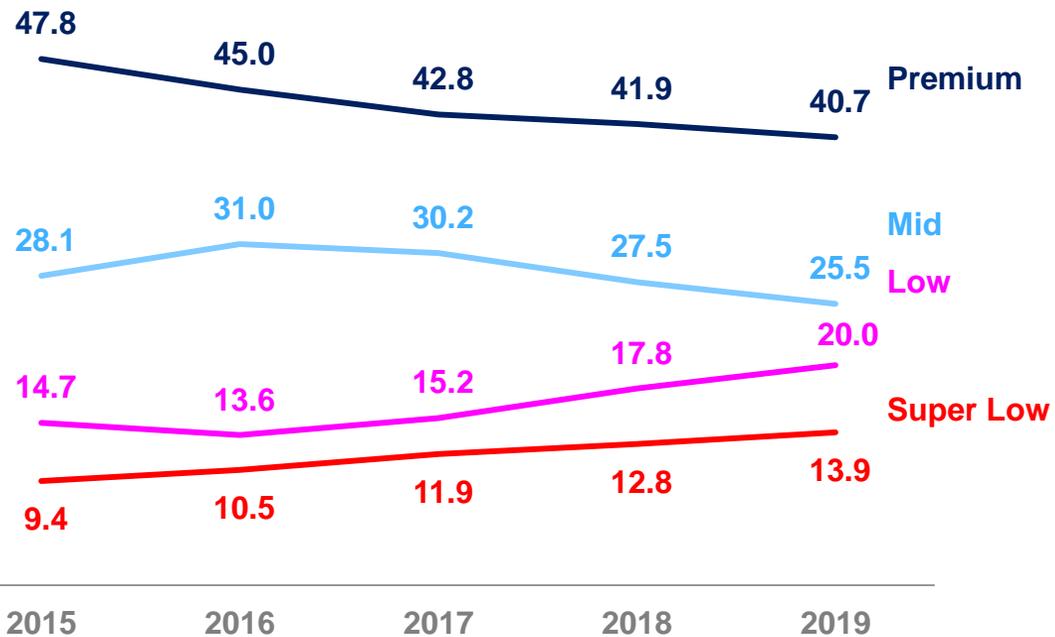
The economy grew at a modest 5% level in 2019. **Weakness in consumption** was evidenced in declining retail sales, lower import growth and earnings growth reported by other FMCGs. That, coupled with the **widened price gaps**, has resulted in an **accelerated growth in the low / super-low price segments**

Pertumbuhan ekonomi terjadi di level 5% pada tahun 2019. **Melemahnya konsumsi** mencerminkan perlambatan pada penjualan ritel, melemahnya pertumbuhan impor dan pertumbuhan pendapatan pada sector FMCG. Hal ini, ditambah dengan **melebarnya kesenjangan harga**, menghasilkan **pertumbuhan yang cepat pada segmen harga murah dan sangat murah**

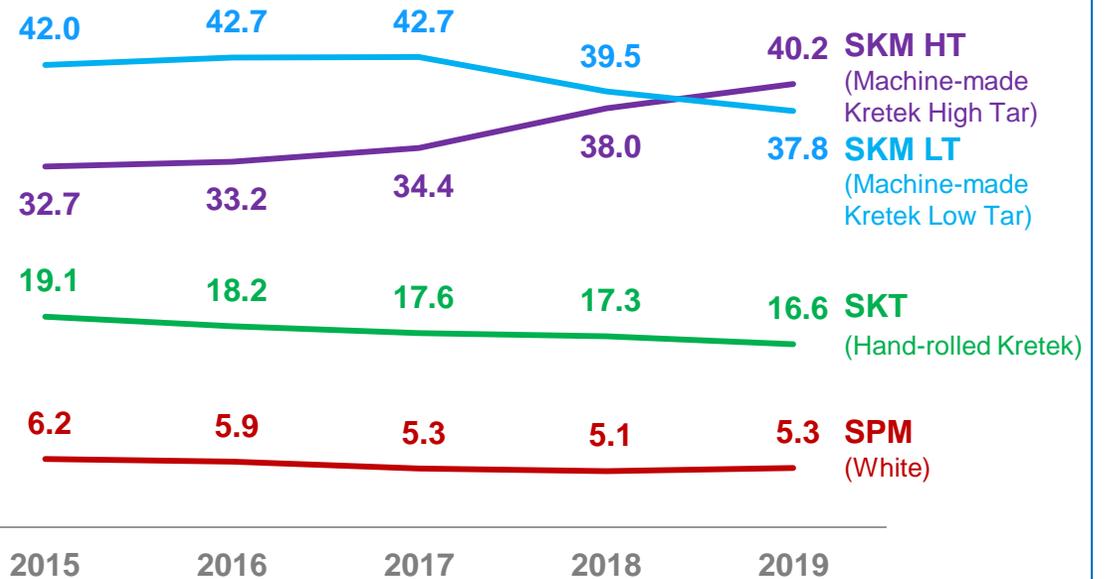
The growth of SKM HT segment continued

Pertumbuhan pada segmen SKM HT segment terus berlanjut

**Graph 1: Price Segment**  
Share of Market (%)



**Graph 2: Cigarette Category**  
Share of Market (%)



## Retained leadership position

### Mempertahankan kepemimpinan

The lower consumer spending and widened price gap between premium and low has resulted in a volume decline of 2.9% to **98.5 billion units** or translated to a 1.3 share points drop in **share of market to 32.2%**. Sampoerna retained **leadership** in the cigarette market, as well as in SKM LT, SKT and SPM segments

Lemahnya daya beli konsumen dan melebarnya kesenjangan harga antara produk premium dan produk berharga murah menyebabkan penurunan volume Perusahaan sebesar 2,9% menjadi 98,5 miliar batang atau tercermin dengan penurunan **pangsa pasar** sebesar 1,3 basis poin menjadi **32,2%**. Sampoerna mempertahankan **kepemimpinannya** di industri tembakau, dan juga di segmen SKM LT, SKT and SPM

2019	Share of Segment	
<b>Share of Market</b> <b>32.2%</b>	<b>SKM LT</b> (Machine-made Kretek Low Tar) <b>48.4%</b>	<b>SKT</b> (Hand-rolled Kretek) <b>36.3%</b>
<b>Volume</b> <b>98.5</b> billion units	<b>SKM HT</b> (Machine-made Kretek High Tar) <b>12.0%</b>	<b>SPM</b> (White) <b>57.2%</b>

## Sampoerna A: pressure from increased price gap to the Low price brands

### Sampoerna A: tertekan dengan meningkatnya kesenjangan harga dengan produk berharga murah

The increased price gap between *A Mild 16s* and the bottom of the market, has resulted in 1.6 share points decline to 11.4% share of market in 2019.

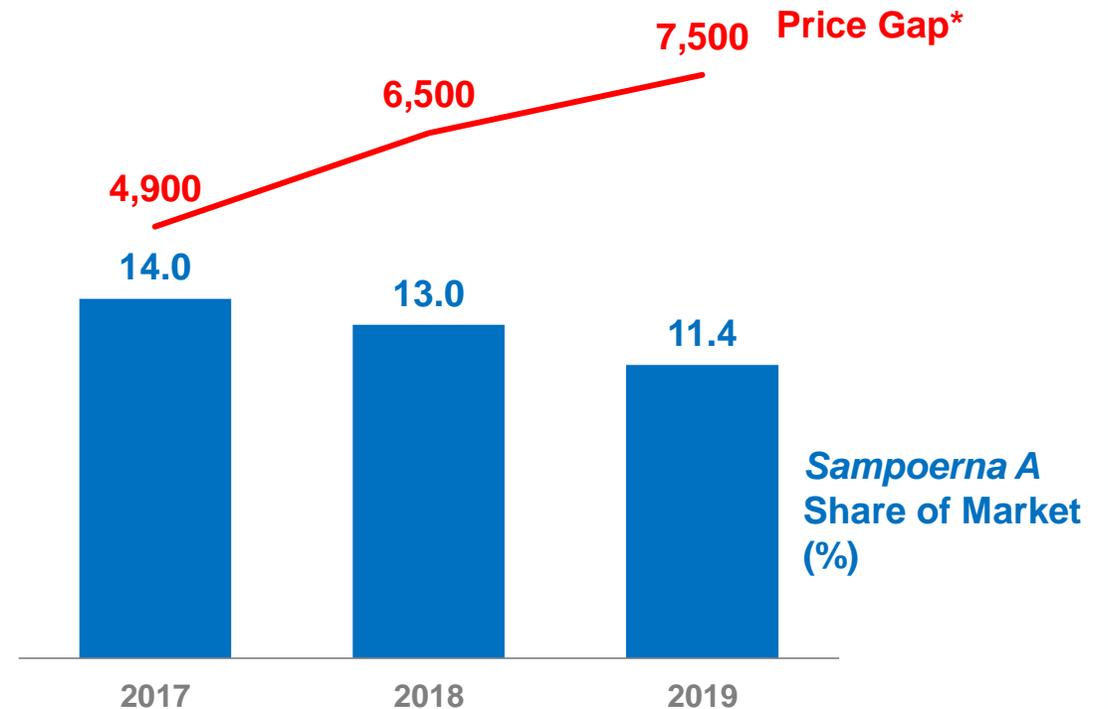
Meningkatnya kesenjangan harga antara *A Mild 16s* dengan produk murah di pasar, menyebabkan penurunan pangsa pasar sebesar 1,6 basis poin menjadi 11,4% pada tahun 2019.

To strengthen *Sampoerna A* position we introduced *A Splash* in the new taste dimension category and *A Filter* in the growing SKM HT segment

Untuk memperkuat posisi *Sampoerna A*, kami memperkenalkan *A Splash*, produk dengan dimensi rasa baru serta *A Filter* pada segmen SKM HT



Graph 3: Sampoerna A Share of Market and Price Gap *A Mild 16s* vs. Most Selling Product at the Bottom



\*Price Gap *A Mild 16s* vs. Most Selling Product at the bottom SKM Volume Tier 1 (average yearly, IDR/pack)

# Sampoerna A New Packaging: modern design with positive feedback

## Kemasan Baru Sampoerna A: desain modern dengan umpan balik yang positif

Celebrating 30 years anniversary of *Sampoerna A*, the new pack design was launched in October 2019.

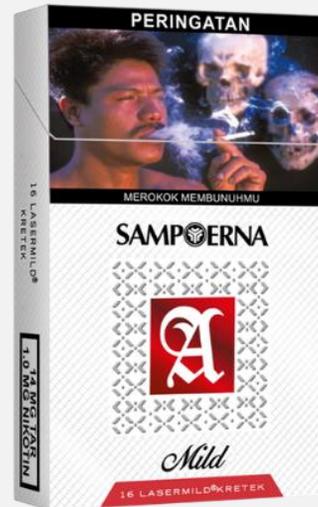
The upgraded packaging offers a **modern design** that is appealing to *Sampoerna A* adult smokers. The initiative received a **positive feedback** from adult smokers.

Dalam rangka 30 tahun kehadiran *Sampoerna A* di industri tembakau, desain kemasan baru diluncurkan pada bulan Oktober 2019. Kemasan yang baru ini menawarkan **desain yang modern** dan menarik untuk perokok dewasa *Sampoerna A*. Inisiatif ini menerima **umpan balik yang positif** dari perokok dewasa.

### A Mild Regular (12s and 16s variants)

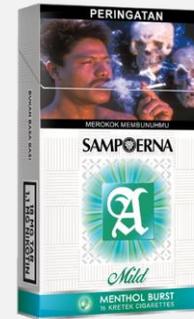


Old Pack

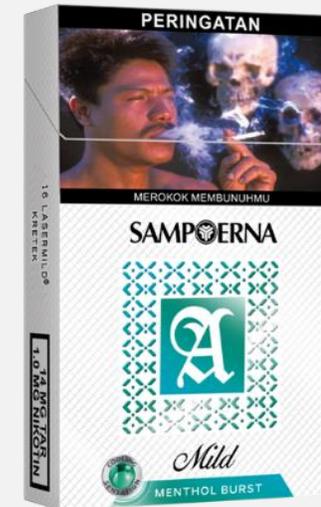


New Pack

### A Mild Menthol 16s



Old Pack



New Pack

## Continuous initiatives to strengthen presence in SKM

### Berbagai inisiatif untuk memperkuat posisi perseroan di SKM

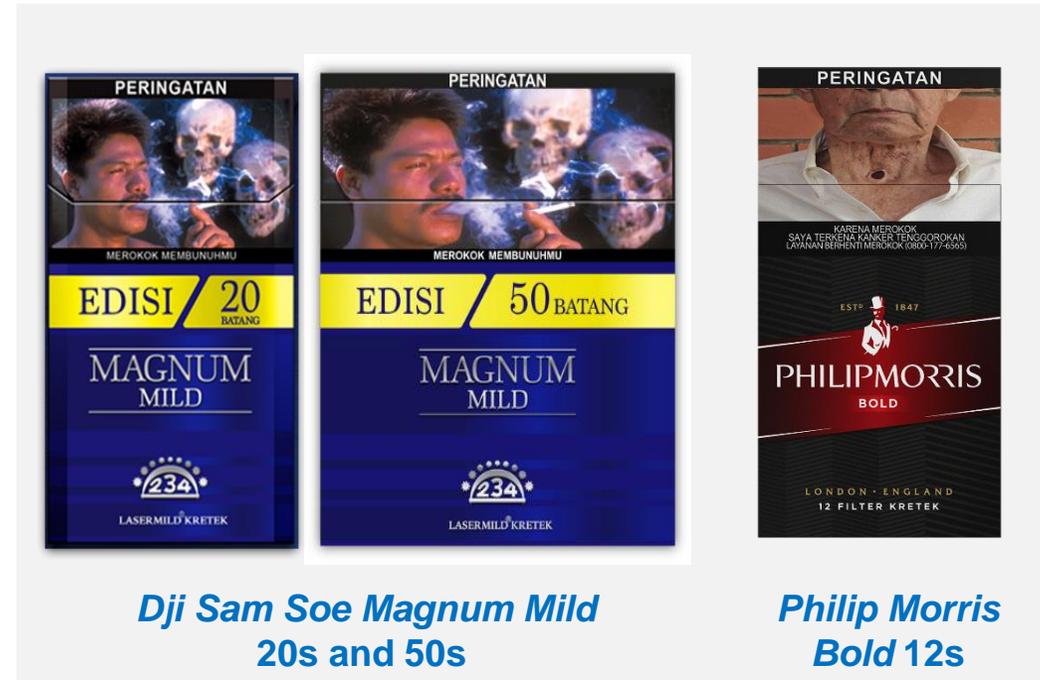
The Company's **Portfolio** offers a wide range of products across price positions and cigarette types. Consistent efforts and initiatives are in place to strengthen presence in the largest and growing cigarette category in the market, the SKM category.

**Portofolio perusahaan** menawarkan berbagai produk pada berbagai posisi harga dan kategori rokok. Usaha yang konsisten dan berbagai inisiatif dilakukan untuk terus memperkuat posisi Perusahaan pada kategori produk rokok yang terbesar dan terus berkembang di pasar, yaitu kategori SKM

This year we introduced :

Tahun ini Perusahaan memperkenalkan :

- **Dji Sam Soe Magnum Mild 20s and 50s**  
SKM LT Line extensions of *Dji Sam Soe Magnum Mild*
- **Dji Sam Soe Magnum Mild 20s dan 50s**  
Perpanjangan lini SKM LT dari *Dji Sam Soe Magnum Mild*.
- **Philip Morris Bold** which has replaced *U Bold*.  
*Philip Morris* is one of PMI's international heritage brands that addresses adult smokers' preference with value for money international brand
- **Philip Morris Bold** yang menggantikan *U Bold*  
*Philip Morris* merupakan salah satu merek warisan internasional PMI yang disediakan untuk memenuhi preferensi perokok dewasa akan produk harga rendah dengan merek internasional yang berkualitas.

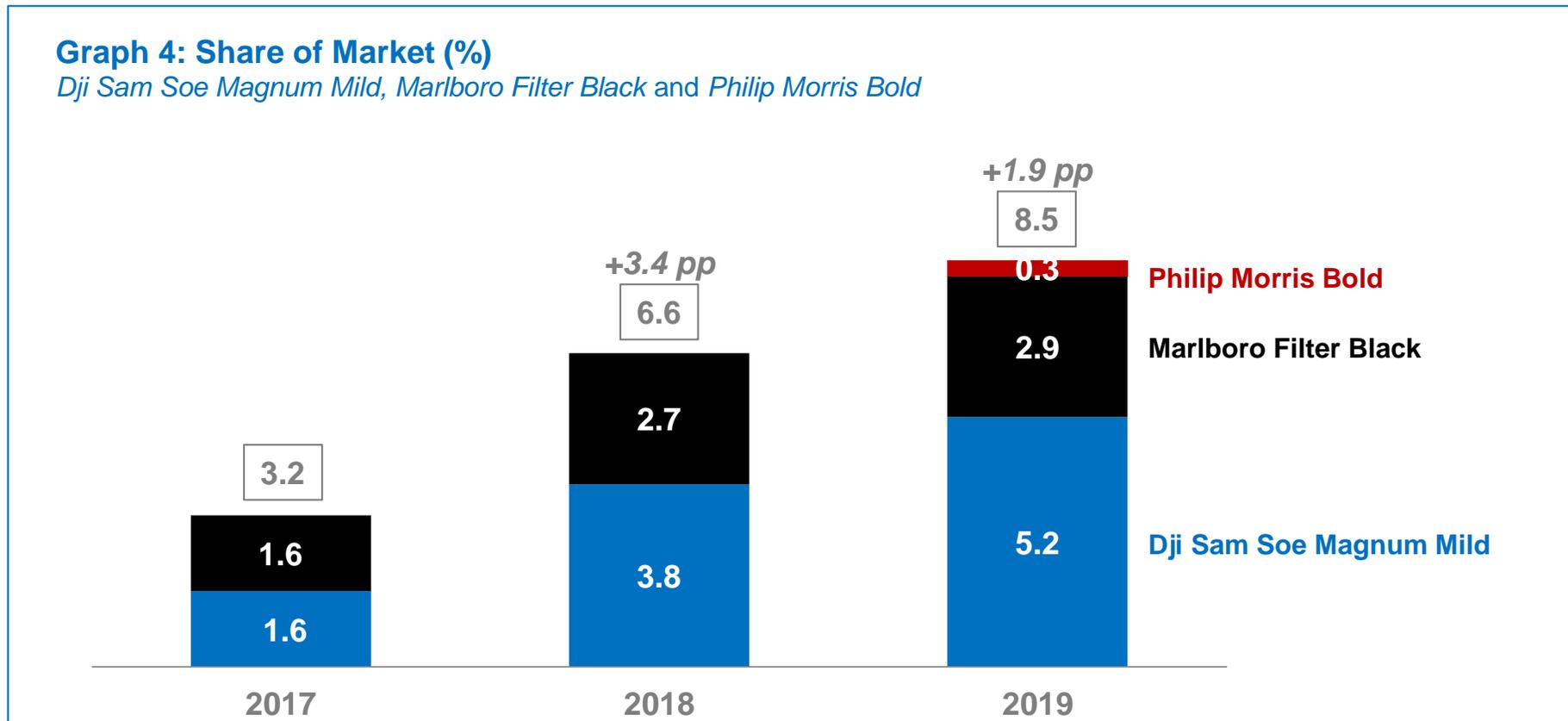


## Capturing growth from below-premium price brands

### Menangkap pertumbuhan dari merek rokok dibawah harga premium

As adult smokers down-traded to lower priced products due to affordability issues, the Company was able to capture a vast majority of this shifting trend with *Dji Sam Soe Magnum Mild*, *Marlboro Filter Black* and *Philip Morris Bold*. Combined these three brands **gained 1.9 share points** in 2019.

Seiring dengan beralihnya perokok dewasa ke produk yang lebih murah karena adanya masalah keterjangkauan harga, Perusahaan mampu mengambil sebagian besar tren peralihan ini dengan *Dji Sam Soe Magnum Mild*, *Marlboro Filter Black* dan *Philip Morris Bold*. Ketiga merek ini **memperoleh 1,9 poin** pada tahun 2019.



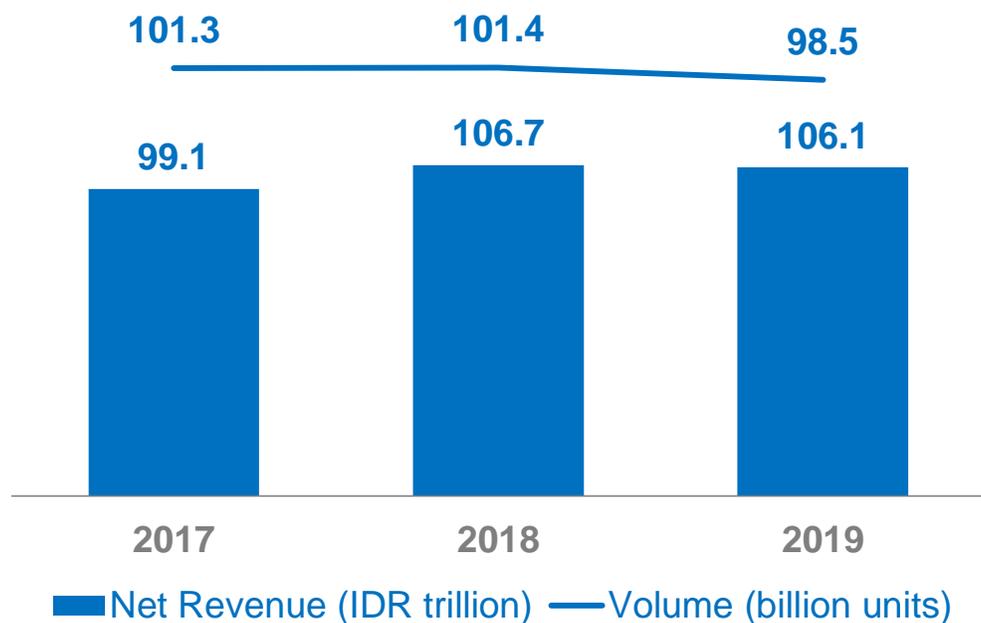
## Essentially flat net revenue on the back of less pricing opportunities

### Pendapatan bersih tidak mengalami pertumbuhan yang disebabkan karena berkurangnya peluang harga

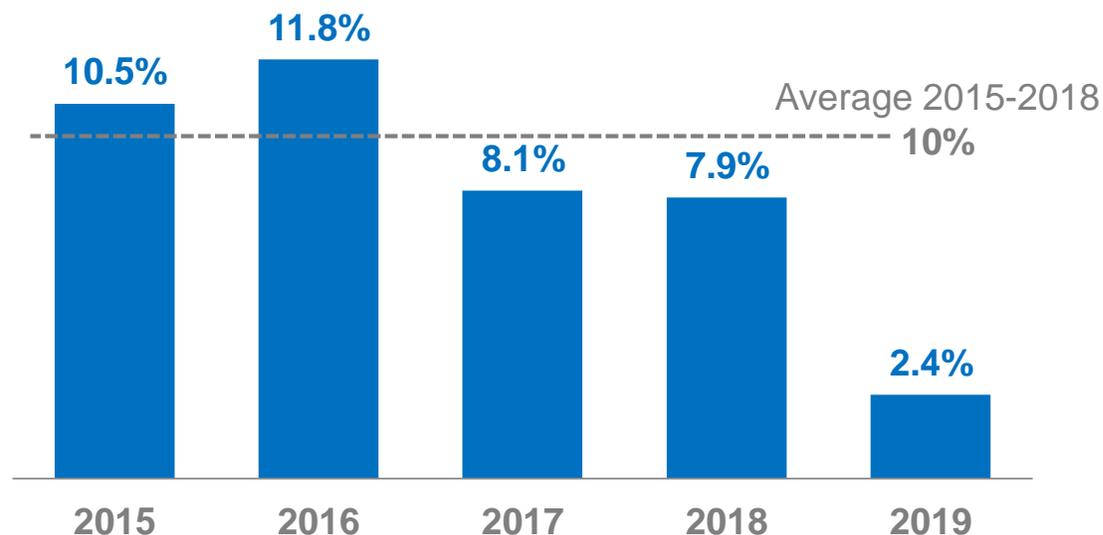
Net revenues were essentially flat from the last year due to less pricing in the absence of excise tax increase and due to a lower volume.

Pendapatan bersih tidak mengalami pertumbuhan yang signifikan dari tahun sebelumnya disebabkan karena berkurangnya peluang harga akibat tidak adanya kenaikan cukai rokok dan juga disebabkan karena penurunan volume.

Graph 5: Net Revenue and Volume



Graph 6: Pricing Growth\*



\*Net revenue per stick, domestic cigarette only

**...but still growing profitability**  
**... tetapi profitabilitas tetap tumbuh**

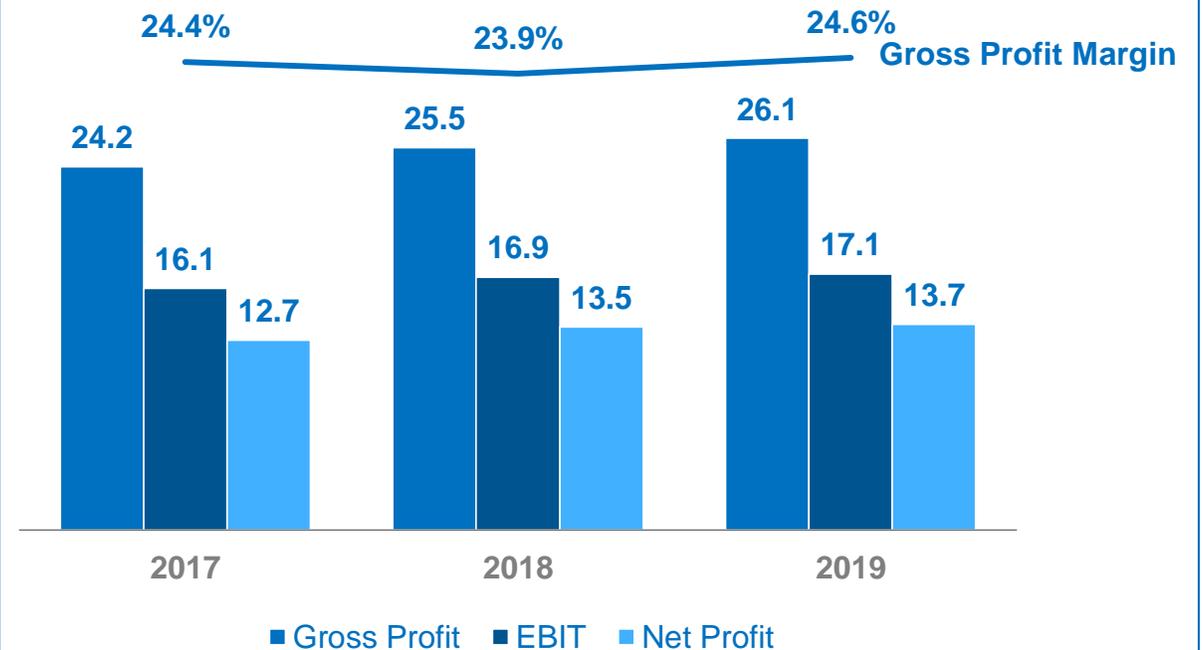
**Gross Profit** grew by more than IDR 600 billion or 2.5%, mainly aided by cost optimization that translated to further **increased Gross Profit Margin** of 0.7 points, to 24.6%.

**Laba Kotor** tumbuh lebih dari 600 miliar Rupiah atau 2,5% terutama dikarenakan optimalisasi biaya yang menyebabkan **margin laba kotor meningkat** sebanyak 0,7 basis poin menjadi 24,6%.

After deducting business expenses, including investment behind the upgrade of *A Mild*, the Company reported **EBIT growth of 1.2%** and **Net Profit of 1.4%** to IDR 13.7 trillion.

Setelah dikurangi biaya operasional, termasuk investasi untuk memperbaharui *A Mild*, Perusahaan membukukan **pertumbuhan EBIT sebesar 1,2%** dan **Laba Bersih sebesar 1,4%** menjadi 13,7 triliun Rupiah.

**Graph 7: Gross Profit, EBIT, Net Profit, and Gross Profit Margin**  
(in IDR Trillion, in % Gross Profit Margin)



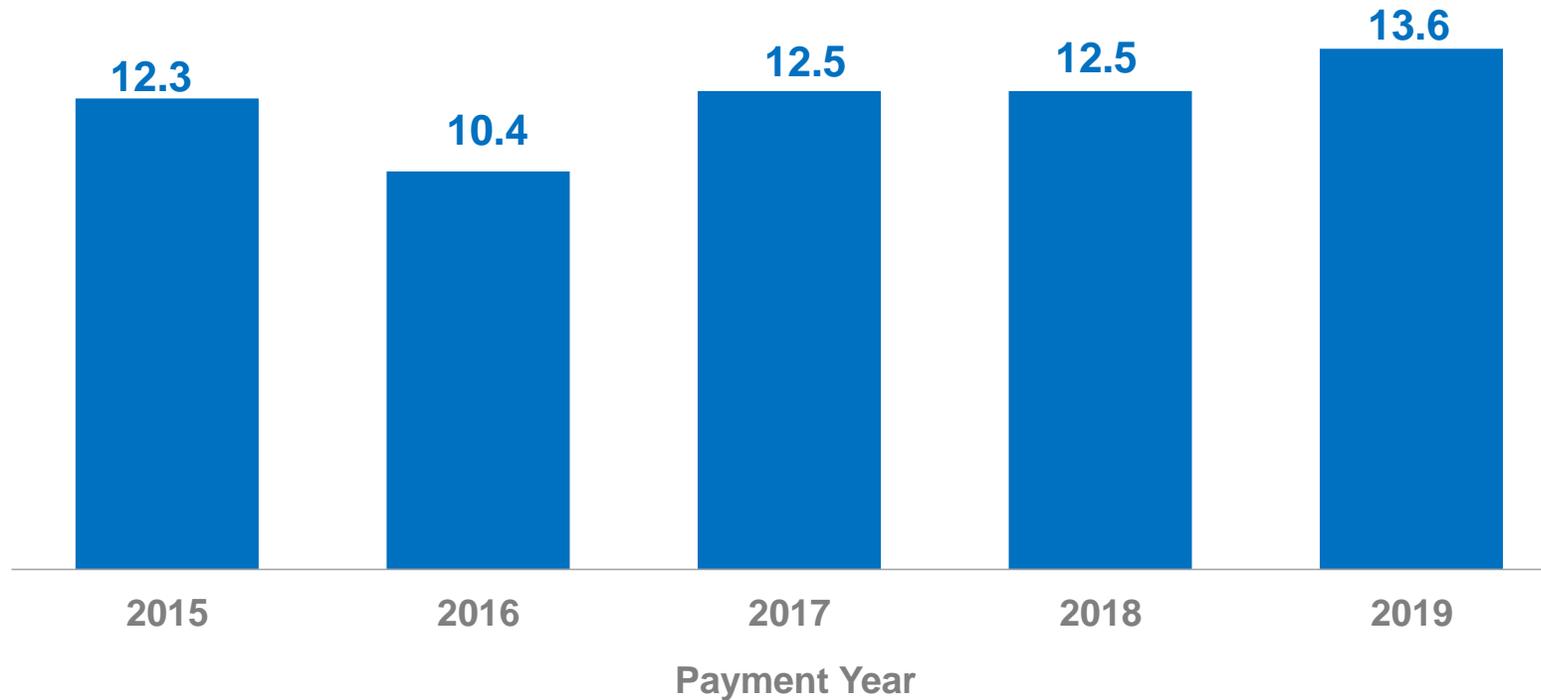
## ***Consistent dividends payment*** ***Pembayaran dividen secara konsisten***

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We have continued to maximize shareholder returns through dividends.

Kami terus memaksimalkan pengembalian pada pemegang saham melalui dividen.

**Graph 8: Dividends (in IDR Trillion)**



# Commencement of IQOS Club Indonesia

## Berdirinya IQOS Club Indonesia

**IQOS Club** started in March 2019 as a platform to conduct a limited market test to study the market potential and how to best bring *IQOS* to Indonesia, as an alternative to adult smokers who would otherwise continue to smoke or use other nicotine products.

**IQOS Club** didirikan pada bulan Maret 2019 sebagai *platform* untuk melakukan uji pasar terbatas untuk mempelajari potensi pasar dan bagaimana cara terbaik untuk memperkenalkan *IQOS* ke Indonesia sebagai alternatif bagi perokok dewasa.

Several **IQOS Booths** were opened in Jakarta in December 2019 to service *IQOS Club* members and to provide information about *IQOS* to interested adult smokers.

Beberapa **IQOS Booths** dibuka di Jakarta pada bulan Desember 2019 untuk melayani anggota *IQOS Club* dan menyediakan informasi terkait *IQOS* ke perokok dewasa yang berminat.

By the end of 2019 *IQOS Club* had **over 6,000 members**

Pada akhir tahun 2019, *IQOS Club* memiliki lebih dari 6.000 anggota.



First *IQOS* Booth, at One Pacific Place, Jakarta

# Sampoerna's commitment to support business partners (SMEs)

By the end of 2019 Sampoerna Retail Community (SRC) has grown to **more than 120,000** outlets (+20% from prior year) across Indonesia. SRC is the Company's commitment of supporting our partners, SMEs, for the benefit of Indonesia economy.

Pada akhir tahun 2019, *Sampoerna Retail Community* (SRC) telah menjangkau **lebih dari 120.000** toko (+20% dari tahun lalu) di seluruh Indonesia. SRC adalah komitmen Perusahaan untuk mendukung mitra bisnis, Usaha Kecil Menengah (UKM) demi kepentingan perekonomian Indonesia.



Implementation of various innovations: including the **digital** application "**AYO SRC**" that connects wholesaler/distributor-to-outlet (B2B) and outlet-to-consumers; "**Pojok Lokal**" is a special corner in SRC outlets dedicated for products from surrounding SMEs.

Menerapkan berbagai inovasi: termasuk penerapan aplikasi **digital** "**AYO SRC**" yang menghubungkan wholesaler/distributor-ke-outlet (B2B) dan outlet-ke-konsumen, "**Pojok Lokal**" yang merupakan area khusus di outlet SRC yang didedikasikan untuk produk-produk UMKM sekitar.

## SRC Contribution to Indonesia

### Contribution to Indonesia Economy

SRC Revenue  
IDR **69.3** trillion

representing

**4.1%**  
to Indonesia's Retail GDP 2019E\*

### Contribution to SRC Owners

**97%** SRC owners confidence that  
their family welfare has improved

**54%** Increased in revenue

### Contribution to Community

Revenue from "Pojok Lokal"  
IDR **5.7** trillion

contributing to

**0.24%**  
National SME Value (2019 Est.)



PT HM SAMPOERNA Tbk.

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