



Number : 047/CLD/HMS/V/2018
Attachment : Attendance List, Q&A, Press Release
Re. : Report on the Implementation of Public Expose of PT Hanjaya Mandala Sampoerna Tbk. (the “**Company**”)

Jakarta, 2 May 2018

Kepada Yth.
PT Bursa Efek Indonesia
Director of Company Evaluation
Indonesia Stock Exchange Building
Jl. Jend. Sudirman Kav. 52-53
Jakarta - 12190

Attn.: Head of Company Evaluation Division I – Mr. I Gede Nyoman Yetna

Dear Sirs,

Referring to Letter of the Company No.035/CLD/HMS/IV/2018 dated 11 April 2018 regarding Notice on the plan to carry out Annual Public Expose PT Hanjaya Mandala Sampoerna Tbk., No.037/CLD/HMS/IV/2018 dated 20 April 2018 regarding Submission on Annual Public Expose Materials for 2017 Performance Results of PT Hanjaya Mandala Sampoerna Tbk. and No. No.042/CLD/HMS/IV/2018 dated 27 April 2018 regarding Submission on Revision Public Expose Materials of PT Hanjaya Mandala Sampoerna Tbk. Presented at Public Expose April 27, 2018, hereby the Company submits Report on the Implementation of Public Expose which has been held:

Date : Friday, 27 April 2018
Time : 10.30 - 11.30 Western Indonesian Time
Venue : The Indonesia Stock Exchange Seminar Meeting Rooms 1 and 2,
The Indonesia Stock Exchange Building, Tower 2, 1st Floor (Galeri Bursa)
Jl. Jendral Sudirman Kav.52-53, Jakarta
Agenda : 2017 Company Performance and First Quarter of 2018 Company Performance

Participants attending the Public Expose (excluding the Management and employees of the Company) are 65 persons, consisting of financial analysts, retail investors, shareholders and media journalists in detail as set forth in Appendix 1.

The material of the Public Expose is presented by the Management of the Company, as follows:

No	Materi	Pembicara
1.	Highlights of Company Performance 2017	Mindaugas Trumpaitis
2.	Highlights of Company Performance Q1 2018	



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3.	Business Overview	
4.	Financial Highlights of the Company	
5.	Commitment to Indonesia	
6.	Awards in the year 2017	
7.	Question and Answer	

After the presentation by Management of the Company, the audience was given the opportunity to ask questions. Questions and answers take place in Bahasa Indonesia and English which are further summarized in Bahasa Indonesia and in detail as attached in [Appendix 2](#).

In Public Expose, the Company did not hold a press conference, but the Company provided Press Release material at the time of registration to the journalist as attached in [Appendix 3](#).

Best Regards,

PT Hanjaya Mandala Sampoerna Tbk.

Signed and sealed

Ike Andriani

Corporate Secretary



PT HM SAMPOERNA Tbk.

Appendix 1 - Daftar Hadir

No	Nama	Institusi/Organisasi
1	Christine Natasya	PT Mirae Asset Sekuritas Indonesia
2	Kristiadi	PT Yuanta Sekuritas Indonesia
3	Vivi Handoyo Lie	Citigroup Securities Indonesia
4	Gerry	PT Deutsche Verdhana Indonesia
5	Raja Abdalla	PT Deutsche Verdhana Indonesia
6	Leonardo Hamanaungan	PT Bahana Sekuritas
7	Franky Rivan	PT Kresna Securities
8	Indra Taurean	PT BCA Sekuritas
9	Jennifer Frederica	PT BCA Sekuritas
10	Permada Darmono	UBS Securities Pte. Ltd.
11	Deidy Wijaya	PT Nomura Sekuritas Indonesia
12	Wilbert	PT Sinarmas Sekuritas
13	Lakshmi Rowter	Mandiri Sekuritas
14	Adrian Joezer	Mandiri Sekuritas
15	Ryanto	Mandiri Sekuritas
16	Hari Yanto	PT RHB Securities Indonesia
17	Cindy	PT CIMB Principal Asset Management
18	Ignatius T Prayoga	PT Danareksa Sekuritas
19	Ervin	PT Deutsche Verdhana Indonesia
20	Michael W Setjoadi	PT Bahana Sekuritas
21	Mega Christina	PT Bahana Sekuritas
22	Matthew Wibowo	PT CLSA Indonesia
23	Steven	PT CLSA Indonesia
24	Robert Pranata	PT Macquarie Capital Securities
25	Darien Sanusi	PT Trimegah Securities Tbk
26	Khereshma	JP Morgan Securities Indonesia
27	Herman	PT Ashmore Asset Management Indonesia
28	Jessica Irene	Manulife Asset Management
29	Hanny Librata	PT CIMB Niaga Tbk
30	Ria Sari Dewi	PT CIMB Niaga Tbk
31	Oman	MUFG
32	Inde	MUFG
33	Yana	UOB Bank
34	Levi	UOB Bank
35	Naomi	OCBC NISP
36	Dian	OCBC NISP
37	William Siregar	Shareholder



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No	Nama	Institusi/Organisasi
38	Tirta	Shareholder
39	Asri	Shareholder
40	Samuel	Shareholder
41	Rudy	Shareholder
42	Prabawati S	Akurat.Co
43	Zubi	Antaranews.Com
44	Hafiyyan	Bisnis Indonesia
45	Fathiya Dahrul	Bloomberg
46	Monica Wareza	Cnbc Indonesia
47	Safyre	Cnnindonesia.Com
48	Lia	Cogencis Ltd
49	Danang	Detik.Com
50	Karyoto	Eksekutif
51	Komar	Emitennews.Com (Media Bursa)
52	Riky	Idx Channel
53	Dicky F.M	Info Bank
54	Dadag	Ipotnews (Media Bursa)
55	P. Edho Wobowo	Jawa Pos
56	Dimas	Kompas
57	Sakina	Kompas.Com
58	Dede	Kontan.Co.Id
59	Hendra	Marketeers
60	Adit	Merdeka.Com
61	Yero	Metro Tv
62	Giri	Okezone.Com
63	Cindy	Reuters
64	Liliyah Rahman	Swa
65	Yusuf	Tempo.Co



Appendix 2. Public Expose - Q&A Session

Question 1

There are two questions. First, since your value product actually growing faster than your core product, are we going to see the margin decline will be sustainable? Second, could you explain about how much inventory on your wholesales right now compared to in the first quarter and at the end of the year?

Answer

When it comes to value brand, when we launched the product last year and in 2017, was at a very good price and the objective was to start and grow market share. Now the first quarter 2018 and the first quarter 2017 are not comparable as in the first quarter last year we still have not launched the product to the market, for example, Magnum Mild 16. When we finish last year, Magnum Mild was retailing at around Rp.13,000 to 14,000 per pack. If you go to retailer today, you are going to see the price at around Rp.16,000 per pack. It didn't happen overnight, it takes some time, but that happens in a short period of time, January, February, to March ; so you don't see a full effect of margin improvement on Magnum Mild and you are going to see it when it comes to comparable quarter. Another example is A Mild 16, we finished the year 2017 with RSP between Rp.20,000 and just crossing above Rp.20,000. If you go visit the retailer today, and this is public information, you are going to see the price is now being around Rp.22,000. Again it didn't happen overnight, it took time. So I would suggest looking this in a longer perspective, not only by quarter, to see the full impact. I hope I answer the question on margin.

Now when it comes to inventories, if you compare with last quarter last year, usually before big celebration like New Year celebration, you have additional inventory at the trade. So Q4 inventory at the trade was higher if you compare it with Q1 2018. Now if you compare Q1 2018 to Q1 2017, it should not be any difference. Again, it's very difficult to say what the inventory level is because you have 17,000 of wholesalers and 3.1 million retailers. But personally, I didn't see any difference in the inventory if you compare quarter 1 to quarter 1. We are comfortable with our inventory level and the most important is to make sure that we don't have out-of-stock.

Question 2

I just saw several items on expenses in your P&L have significant increase in the quarter. I just want to know whether this is just some impacts of the quarter to quarter or if there is any significant change. One is on the management services, which I notice up around 77% year on year. Were there any changes in agreement with PMI or anything significant, so we should expect



this level of running rate for the rest of the year? And second is on the other overhead expenses, what was the main increase in the production cost? Thank you.

Answer

When it comes to overhead, we see some cost increases and it is also about timing. For example, helicopter write off around Rp.22 billion, as well as salary increase and compensation to TPO, that was driven by the minimum salary increase that we have across the country in different states.

If you attended our meeting last year, you must have already impression that we really do manage our costs and only invest on what is needed. When it comes to services and data analytics, we are investing into a new technology, globally at PMI level; and we are getting a portion of the charge for it. This investment is to improve productivity going forward. But you need to invest first before you get the productivity. That explains the service fee. So it's not additional agreement nor changing an agreement, but it is an investment in an additional tool that we are implementing for the better in the future.

Question 3

I have two questions. First, regarding the Sampoerna A Mild. I read the statement in PMI release last week, that part of the reason behind 13% drop in sales volume in the first quarter is because of your selling price started reaching above Rp.20,000 psychological pricing level. We actually checked at the retailer level, that this Rp.20,000 per pack has actually been exceeded since mid-last year in Jakarta. I want to check with you what happen behind this significant change in the sales compared to Q4 2017?

The second question is on Magnum Mild 16. Its market share was impressive despite more than 15% of price increase, probably since mid-last year. Can you give colors on this? Also, at current pricing gap to A Mild, has the pricing point achieved the right and the intended gap by the company?

Answer

Let's start with A mild. It's difficult to compare the volume, especially if you talk about year-end Q4 and Q1, because usually volume for premium brand in Q4 is higher because of different activities, different events and the inventory moved to the trade as they tends to buy more prior to the holiday ; compared to Q1 where the volume is usually low. So I would rather comparing Q1 to Q1, and our market share is very strong. When it comes to crossing the price point, you are right, the brand is holding very strong. The combination of our portfolio ladder, the 16s and



the 12s, so when the 16s was crossing Rp.20,000 and the 12s stayed at Rp.15,000 ; and that helps to maintain overall good performance.

Now when it comes to Magnum Mild, again, we have a great product. When you launch a product, price plays an important role, because that's how people notice the brand. The price has increased, we are still very competitive in the market and adult smokers like the brand. We are pleased with the performance of Magnum Mild.

Are we in the right spot? It is our pricing ladder that we are discussing. In SKM Low Tar, we have A Mild our premium brand, followed by U Mild and Magnum Mild. We are building and playing with this pricing ladder to maximize margin, and depending on how the market moves, allowing us to adjust; but for now the combination works very well.

Question 4

Any plan to do the price laddering to across other segment as well, like SPM or SKM High Tar?

Answer

I see you that like our pricing ladder strategy and you wonder like everyone. In a way it is already being done, because as I mentioned in SKM Low Tar, we have A Mild in the premium, U Mild occupying a very important role in the medium, and Magnum Mild at the lower price. When you talk about SKM High Tar, it's very similar, we have Marlboro Filter Black, which is now crossing the price of Rp.21,000 per pack; then at lower pack price you have Magnum Filter 12 and then U Bold. So you have the same combination, again different price in gaps, but it's still pricing ladder. When you talk SKT, it's very similar. We have Dji Sam Soe, our biggest brand, we have Dji Sam Soe Super Premium, the premium version of Dji Sam Soe, then Sampoerna Kretek, and Panamas that is sold within certain areas of Indonesia. So across all the different segments, we have that laddering working.

Question 5

One quick question for Magnum Mild. Where do you see the demand is coming from? Is it fair to say that you are seeing a trading down from your Sampoerna A or Sampoerna U?



Answer

I think it is inevitable when you launch a new product and being the market leader in the market, you always will cannibalize a little bit from your own product. However, you see our share of market performance, we grew by 0.2 points in Q1 2018, and if you take the second half of 2017, we were flat. So we stabilized our market share decline, and now we are growing. So it is not only coming from our brands, which is always going to happen when you are a market leader, but also coming from the competition.

Question 6

Can you share with us the development of your i-Qos product, and since we already see some green lights from the government from the last regulation, I'm wondering if there is any progress on that. Thank you.

Answer

For the time being, we focus on our current portfolio, the combustible business. However, having said that, we strongly believe that consumers should have a choice. And that choice should be provided by the manufacturer, and we have the product. That's where we stand today. So again, we are pleased to learn about the introduction of classifying the product and giving the excise tax rate, so this gives us some certainty. As you heard that excise tax is 57% for OTP category, so that helps already. But it's still lot of uncertain events when it comes to regulatory environment, and we are working on with the government, to encourage the government to recognize that this product has potential to reduce harm and risk. Again, it is a slow process as it is a completely new product. We have a great product that performed very well in many markets, and has been launched in more than 30 markets worldwide. So I believe consumers will also buy this product here in Indonesia. However, again, a lot of works need to be done with the regulators and the environment, to ensure that the launch is also supported by the government side. Thank you.

Question 7

Regarding the competition, we've seen you introduced new brand in the past year, pricing strategy as well. Just want to get your color on the competition, how do you see it so far, has it been moderating, is it the same, and how do you see it? I think for this year. Thank you.

From your experience looking at this kind of market and you are gaining a lot of market share with new products. Do you see, going forward, that your competitor will retaliate by introducing new brand, lowering prices, etc.?



Answer

When it comes to competition, a competition pushes us to think harder, competition pushes us to work harder. I think it was a challenging year of 2017, because we started with share of market decline, but we focused, we identified well the opportunity and that came into portfolio. We launched strategically our product, we positioned our product strategically when it comes to pricing. So I mentioned in my remarks, I think we established a good foundation for all business going forward. And we already saw the result in Q1 2018, our market share grew by 0.2 points. Again, it is not a little growth, it is an important growth. That shows our brand is performing strong. Again, as we mentioned, we are improving our position in every category. Again, forget now our SPM, because we have the situation with excise tax loophole, where some players decided to play that loophole. Again, this is going to be closed by the end of this year, with government initiatives of simplifying the excise tax with road map for simplification. But in any of cigarette category, you take SKT, you take SKM, we are growing our segment share. So I think we are in the position to take any competition.

Again, I can't comment what competition is going to do. But I'm very confident about my people, about my team, about my Sales people. They did fantastic job last year. Incredible. The Operations did a fantastic job in finding the best product for our adult consumers. So it's not enough just to have product. You need to sell the product. Our relations with the trade, my personal opinion, are superior. I discussed about Sampoerna Retail Community which is very strong and those people support us and we support them, it is a mutual benefit. So, you can have a great product but you need to have an infrastructure to deliver the product to your consumers. And I think we have the combination of both, and that brings optimism about our business going forward.

Question 8

I see in that first quarter that industry decreased by 2%. Actually you guide that industry will improve to minus only 1% up to 3%. So meaning, it is improving and or it is worsening ? What assumptions you take when you think of minus 1%, and what assumptions for minus 3%?

And second is about your GPM. I think your first quarter GPM is actually lower compared to the first quarter last year. Regarding this, in your assumption, do you see that full year this GPM would be improving compare to first quarter?



Answer

We are giving a pretty wide range as you notice, because we are still very early in the year. A lot of important events are coming, especially the election. You cannot see the result until end of June. Again, people is observing, some decide to hold on spending. So if the economy is strong, people will start spending. But the strong economy is not translated to consumption yet and government is taking action to address this issue. Government also see this as an opportunity because GDP can grow more if consumers start spending. So at this point in time, we believe the industry decline is between 1-3% which is similar to last year. However, if the economy improved and consumers start spending, most likely the industry decline will be closer for that 1% decline. Again, it is still early in the year and we need to wait at least until the end of second quarter to talk about projection.

For the question on the gross profit margin, I think, what you are looking at is non comparable period. We launched products at lower price in 2017 and took price increases as mentioned before. So you'll start to see more favorable comparison to prior year later on the year. In addition, there was excise tax increase in last year, of around 10% weighted, and this year is about closer to 11%. Again, let's see how the year goes on.

Question 9

Data showed declining of SKT to SKM? How big is the decline and what is the reason? Meanwhile, Sampoerna claimed as King of Kretek with share of SKT 37.5%. How do you see this in the future?

Answer

You are absolutely right when it comes to SKT segment decline. I think, again, consumers' preferences do change, which can also be driven by the price which in the past, we had some significant excise tax increase on SKT which did not help the segment ; and consumers are moving to SKM. The segment is still in decline. Having said that, now we are 38.1% SKT segment share in Q1 and I can say it is a big opportunity for us. We have a great brand such as Dji Sam Soe and Dji Sam Soe Super Premium which did fantastic job and now our segment in SKT is growing.

So we are committed and we stay committed to this segment, and I want to say thank you to the government, because recognizing the decline in SKT, for 2018, the government introduced lower tax increase for SKT. I think that helps the segment, because again, it is a labor intensive segment. We talk about a lot of people. So that is why we are so committed to the segment, we

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are the largest player in that segment, and again, I just want to repeat what they said, I think no one does more than us when it comes to SKT. And we see the results, we started growing our segment share, and that's important.



PRESS RELEASE

FOR IMMEDIATE RELEASE

“King of Kretek” Announces Results

JAKARTA, April 27, 2018 – PT HM Sampoerna Tbk. (“Sampoerna” or “the Company”/IDX: HMSP) announced today its full year 2017 results. The Company maintains its leadership position in Indonesia with 33.0% market share and 101.3 billion units in annual sales volume. Sampoerna’s market leading 33.0% share comprises machine-made *kretek* cigarettes segment or SKM (22.7%), hand-rolled *kretek* cigarettes segment or SKT (6.6%), and white cigarettes segment or SKM (3.7%).

The Company reported net revenues of Rp. 99.1 trillion, up by 4% compared in 2016. The Company declared a dividend of Rp. 107.3 per share for 2017. Sampoerna was Indonesia’s largest taxpayer in 2017, with payments to the Indonesian government totaling approximately Rp. 70.3 trillion.

Mr. Mindaugas Trumpaitis, President Director of Sampoerna stated, *“We are proud that Sampoerna remains Indonesia’s market leader. We recorded net revenue growth in 2017, despite a 2.6% industry volume decline that was due to softness in consumer consumption and shifting consumer behavior. This is a solid result and indicates the strength of our brands and the quality of the Sampoerna team.”*

The Company maintains its dedication to the SKT segment. While this segment has been under long-term pressure as a result of a shift in adult smokers’ preferences towards machine-made products, Sampoerna remains Indonesia’s “King of Kretek” as the country’s largest SKT manufacturer with a market leading 37.5% share of the segment.

“Periodically, opinions are offered suggesting Sampoerna is now a ‘white cigarette’ company. Nothing could be further from the truth. In fact, we’ve made every effort to stabilize the SKT segment, including innovations to enhance our brands, like our Dji Sam Soe 10+2 offering, maintaining competitive prices on SKT products and investing in the brands through marketing and sales activities. We also lead the market with more than 40 hand rolling factories across Java, including over 60,000 direct and indirect employees. It is fair to say, no one supports SKT like Sampoerna,” added Mr. Trumpaitis.

Separately, the Company announced its 2018 first-quarter results. Market share grew to 33.2% with 23.0 billion units in sales volume. This was driven by the strong performance of *Marlboro Filter Black*, as well as *Dji Sam Soe Magnum Mild*, a lighter-tasting SKM segment line extension from the *Dji Sam Soe* brand family, launched in May 2017.

In the quarter, Indonesia’s cigarette industry volume declined by 2.3 percent, largely reflecting the soft consumer spending environment coupled with above inflation excise tax-driven price increases. For the year, the Company continues to anticipate an industry decline of 1 percent to 3 percent.

Change of Leadership

The Company announced three new members of the Board of Directors, including Yohanes Wardhana, Elvira Lianita and Ingo Rose. Mr. Wardhana replaces Mimi Kurniawan who is



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appointed Vice President Latin America & Canada in Philip Morris International's headquarters in New York. Ms. Lianita replaces Yos Adiguna Ginting who is now appointed as a Sampoerna Commissioner. Mr. Rose replaces Andre Dahan who is appointed Vice President Human Centric Marketing RRP in Philip Morris International's operations center in Switzerland.

About PT HM Sampoerna Tbk. (Sampoerna)

Founded in 1913, Sampoerna – an affiliate of PT Philip Morris Indonesia and part of Philip Morris International Inc. – is the leading Indonesian tobacco company, focusing primarily on the production and sale of clove cigarettes. The Company produces some of the best-known *kretek* (clove) cigarette brand families such as *Sampoerna A*, *Dji Sam Soe* the legendary “King of Kretek”, *Sampoerna U* and *Sampoerna Kretek*. The Company also distributes the *Marlboro* brand of cigarettes throughout Indonesia, through a long-term distribution agreement with PT Philip Morris Indonesia. Sampoerna operates seven production facilities in Java and partners with 38 Third Party Operators, employing – directly and indirectly -- a total of approximately 67,400 employees, mostly in the production of hand-rolled clove cigarettes. Sampoerna distributes its products via 106 sales and distribution area offices across Indonesia.

Sampoerna is the largest company by market capitalization on the Indonesian Stock Exchange, where it trades under the ticker symbol “HMSP.”

For further information, please visit: www.sampoerna.com

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