



PT HM SAMPOERNA Tbk.

Annual General Meeting of Shareholders

May 18, 2020

Forward-Looking and Cautionary Statements

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- HMS' business risks include: significant increases in cigarette-related taxes; the imposition of discriminatory excise tax structures; fluctuations in customer inventory levels due to increases in product taxes and prices; increasing marketing and regulatory restrictions, often with the goal of reducing or preventing the use of tobacco products; health concerns relating to the use of tobacco products and exposure to environmental tobacco smoke; litigation related to tobacco use; intense competition; regulatory and political developments; changes in adult smoker behavior; lost revenues as a result of counterfeiting, contraband and cross-border purchases; governmental investigations; unfavorable currency exchange rates and currency devaluations; adverse changes in applicable corporate tax laws; adverse changes in the cost and quality of tobacco and other agricultural products and raw materials; and the integrity of its information systems. HMS' future profitability may also be adversely affected should it be unsuccessful in its attempts to produce products with the potential to reduce exposure to harmful constituents in smoke, individual risk and population harm; if it is unable to successfully introduce new products, promote brand equity or improve its margins through increased prices and productivity gains; if it is unable to expand its brand portfolio internally and the development of strategic business relationships; or if it is unable to attract and retain the best global talent.
- HMS cautions that the foregoing list of important factors is not a complete discussion of all potential risks and uncertainties. HMS does not undertake to update any forward-looking statement that it may make from time to time, except in the normal course of its public disclosure obligations.

Forward-Looking and Cautionary Statements (COVID-19)

- 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

| | | | | |
|---|--|--|---|---|
| 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

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

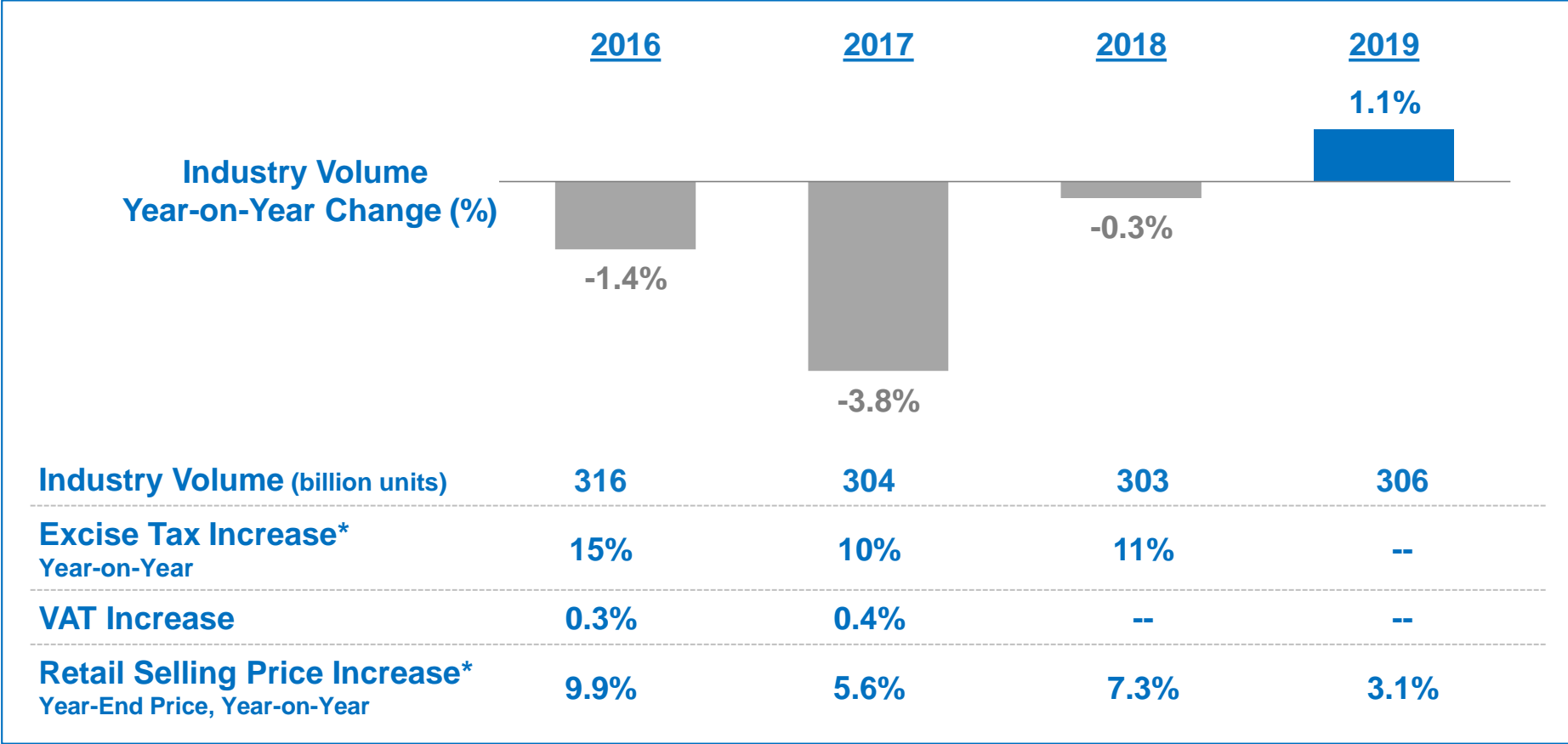
Volume was down by 2.9% to 98.5 billion units mainly due to *A Mild* which was under pressure from higher than historical price gap with the Low priced brands. Excluding *A Mild*, the company's share of market grew by 0.4 share points

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

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

2019 an anomaly year in the cigarette industry

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



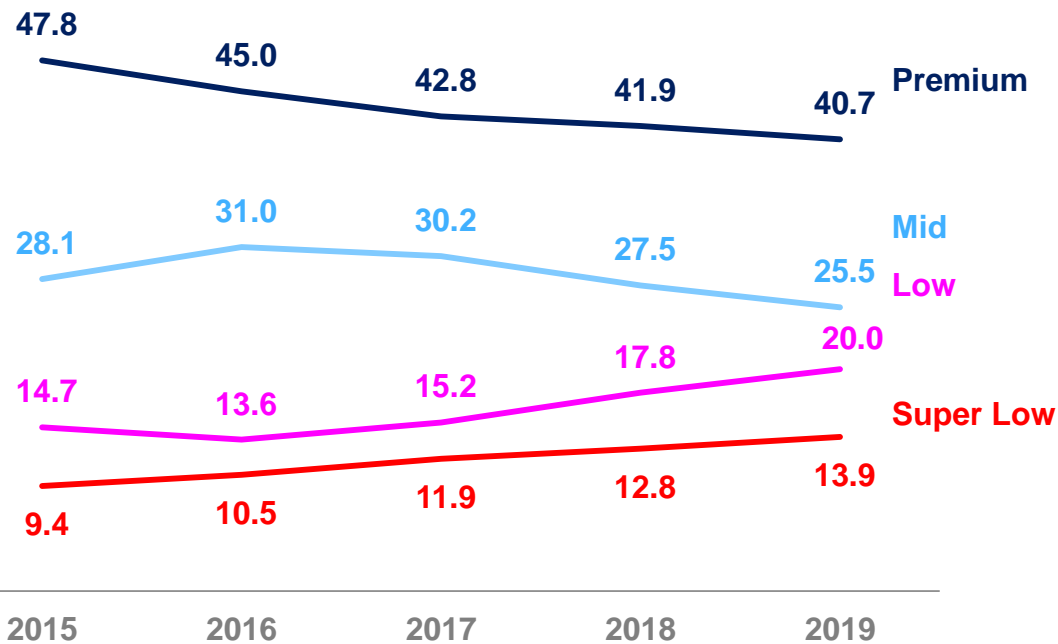
Source: Company estimate and Nielsen retail audit results RSP. *weighted average industry increase

Accelerating growth in low and super-low price segments

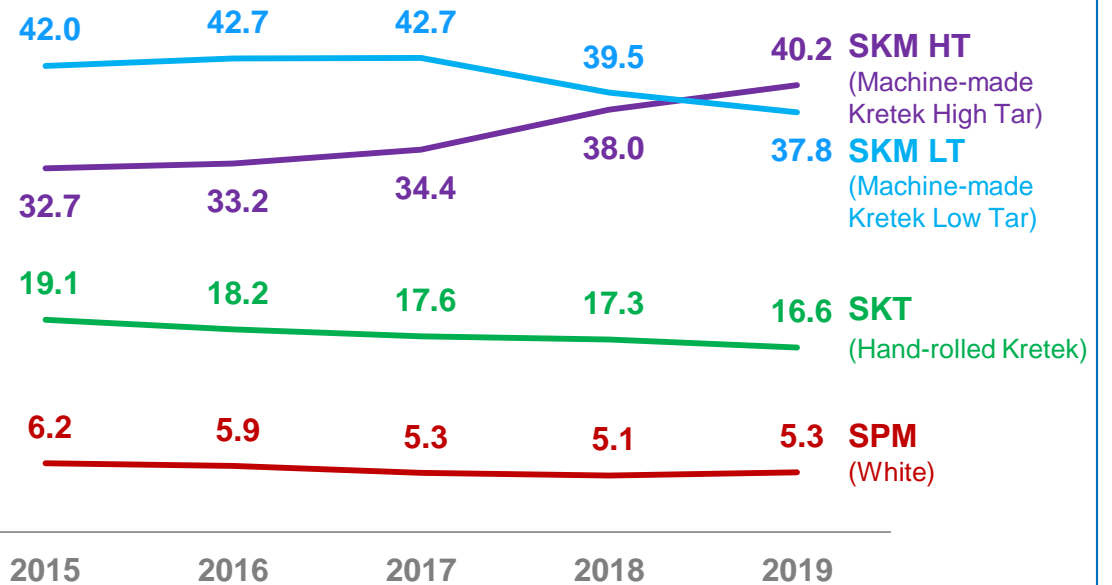
The economy grew at a modest 5% level in 2019. **Weakness in consumption** was evidenced in declining retail sales, lower import growth and earnings growth reported by other FMCGs. That, coupled with the **widened price gaps**, has resulted in an **accelerated growth in the low / super-low price segments**

The growth of SKM HT segment continued

Graph 1: Price Segment
Share of Market (%)



Graph 2: Cigarette Category
Share of Market (%)



Retained leadership position

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%**.

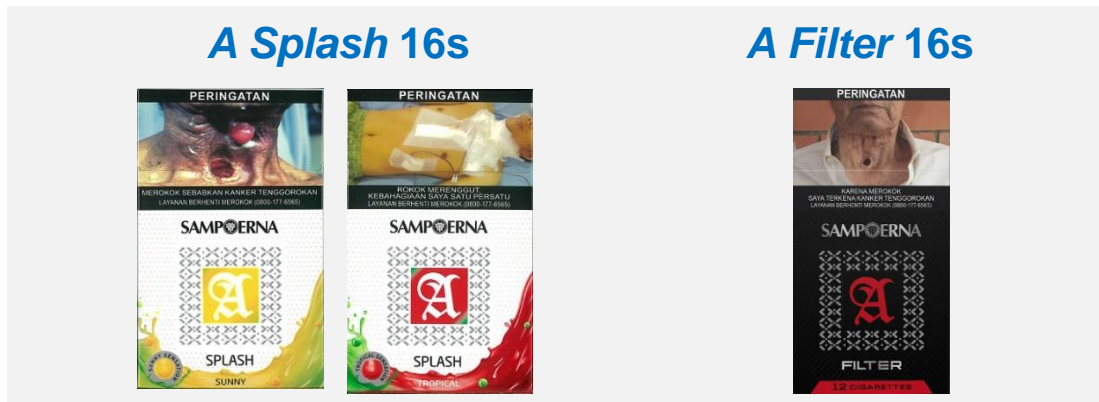
Sampoerna retained **leadership** in the cigarette market, as well as in SKM LT, SKT and SPM segments

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

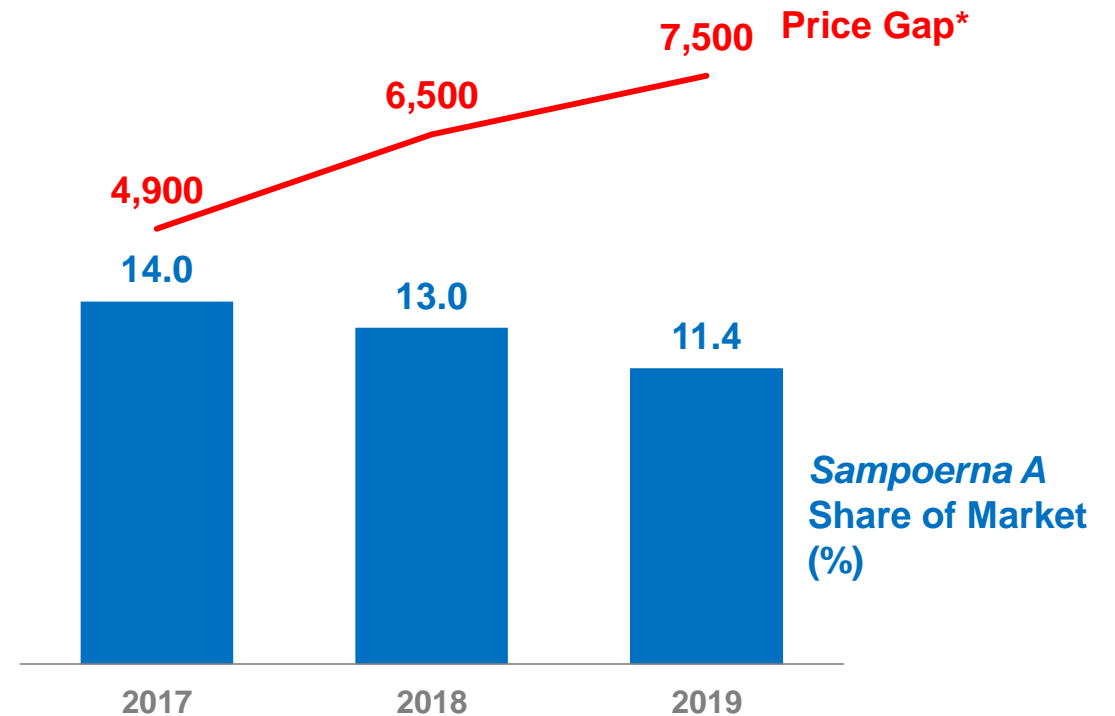
Sampoerna A: pressure from increased price gap to the Low price brands

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.

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



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

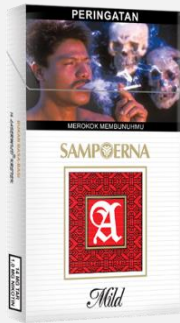


*Price Gap *A Mild* 16s vs. Most Selling Product at the bottom SKM Volume Tier 1 (average yearly, IDR/pack)

Sampoerna A New Packaging: modern design with positive feedback

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.

A Mild Regular (12s and 16s variants)

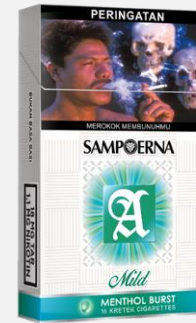


Old Pack

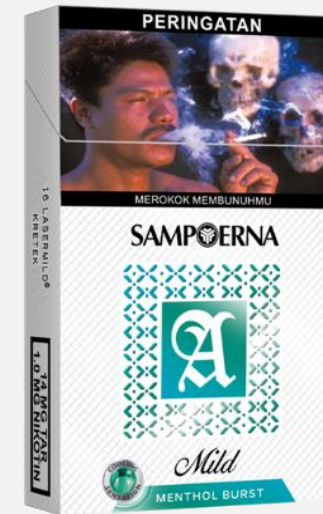


New Pack

A Mild Menthol 16s



Old Pack



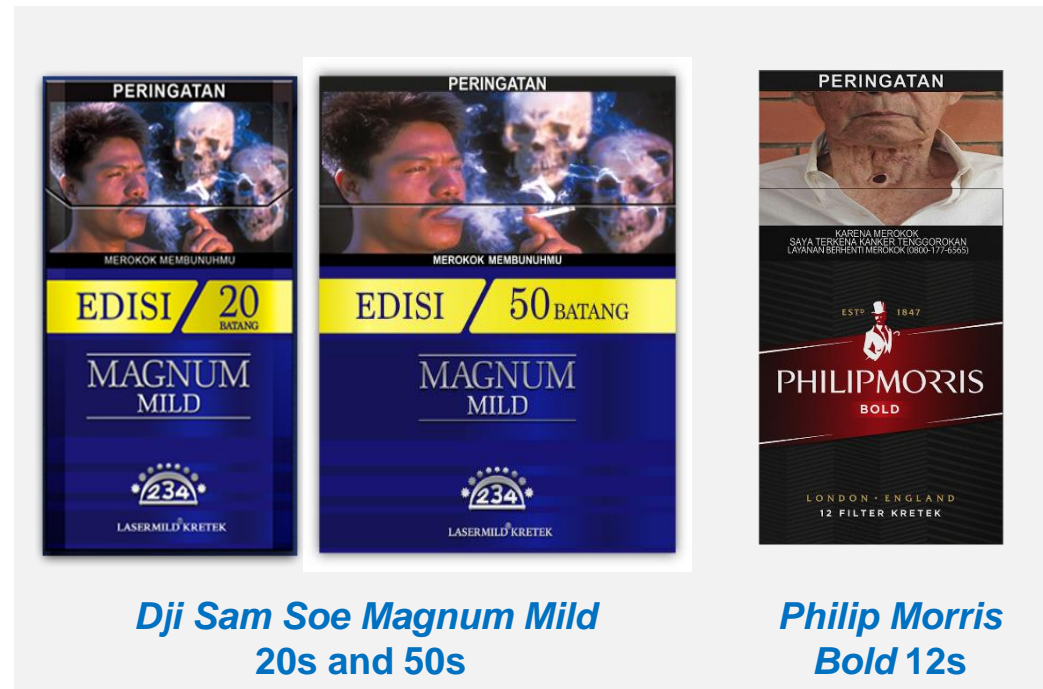
New Pack

Continuous initiatives to strengthen presence in SKM

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.

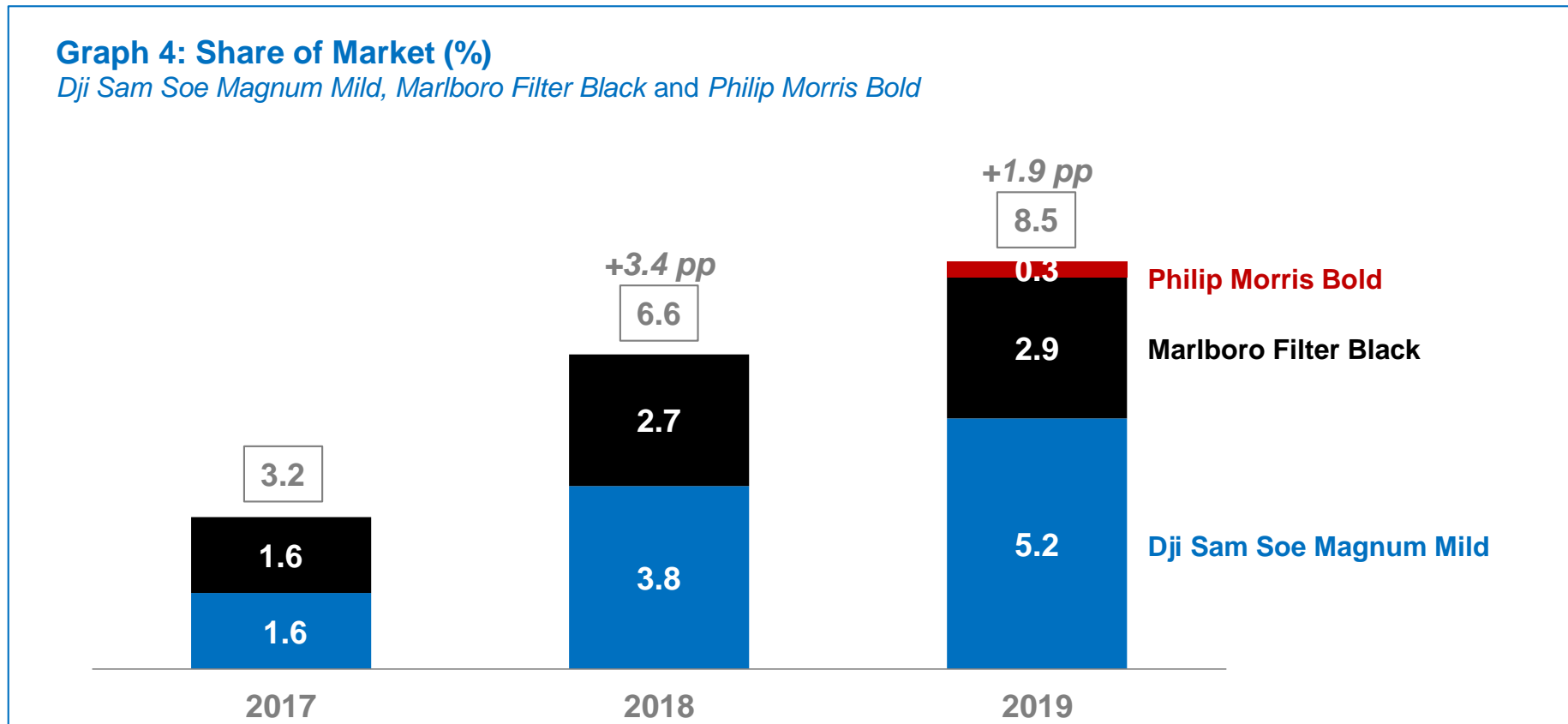
This year we introduced :

- ***Dji Sam Soe Magnum Mild*** 20s and 50s
SKM LT Line extensions of *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



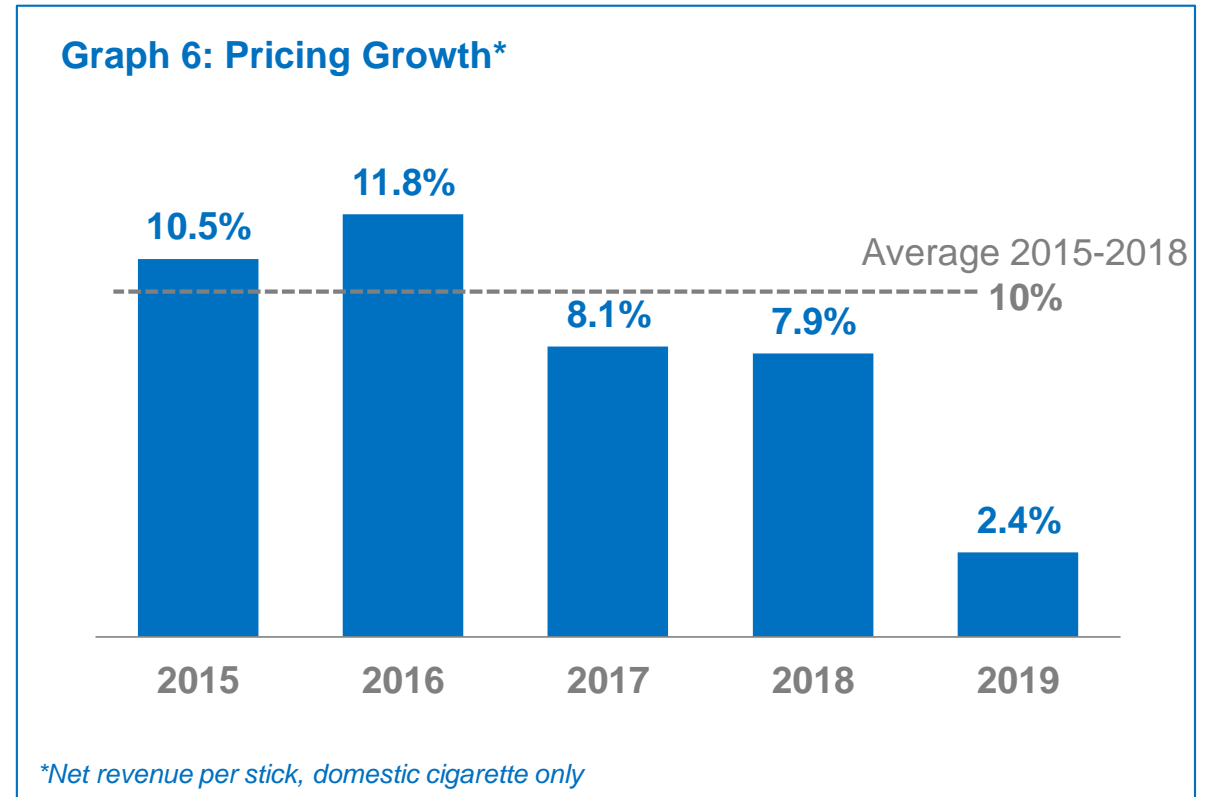
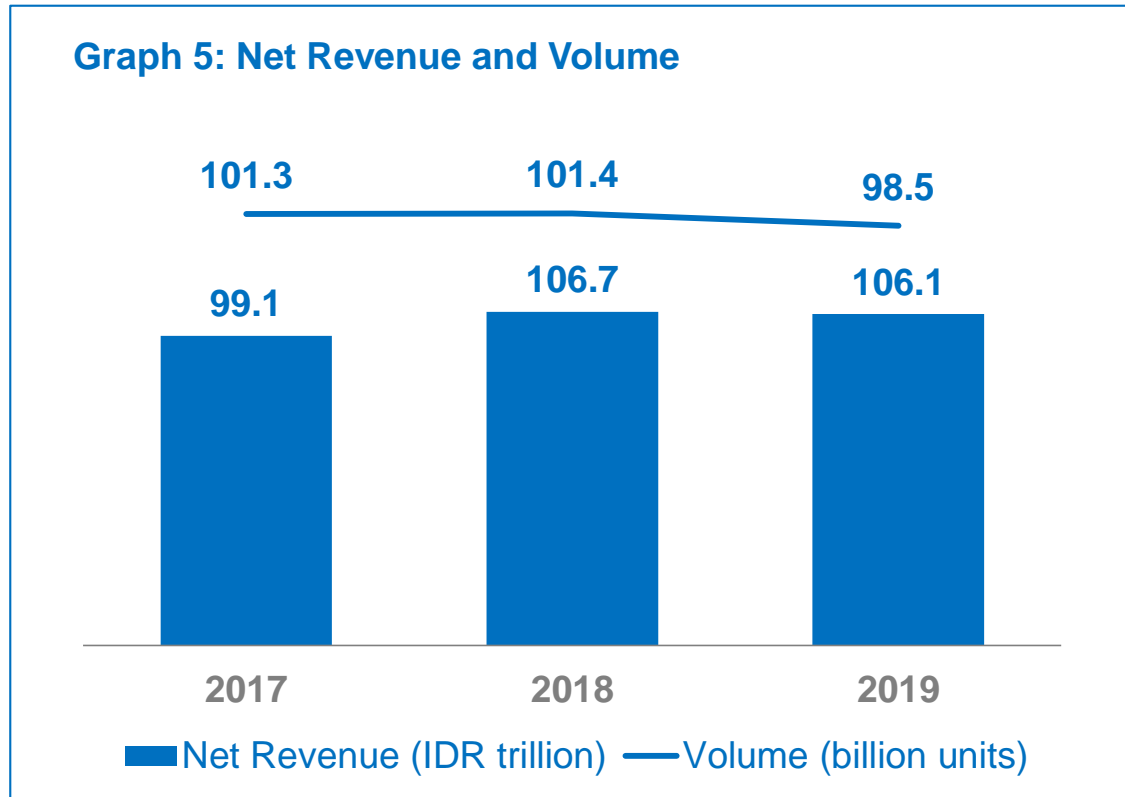
Capturing growth from below-premium price brands

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.



Essentially flat net revenue on the back of less pricing opportunities

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.

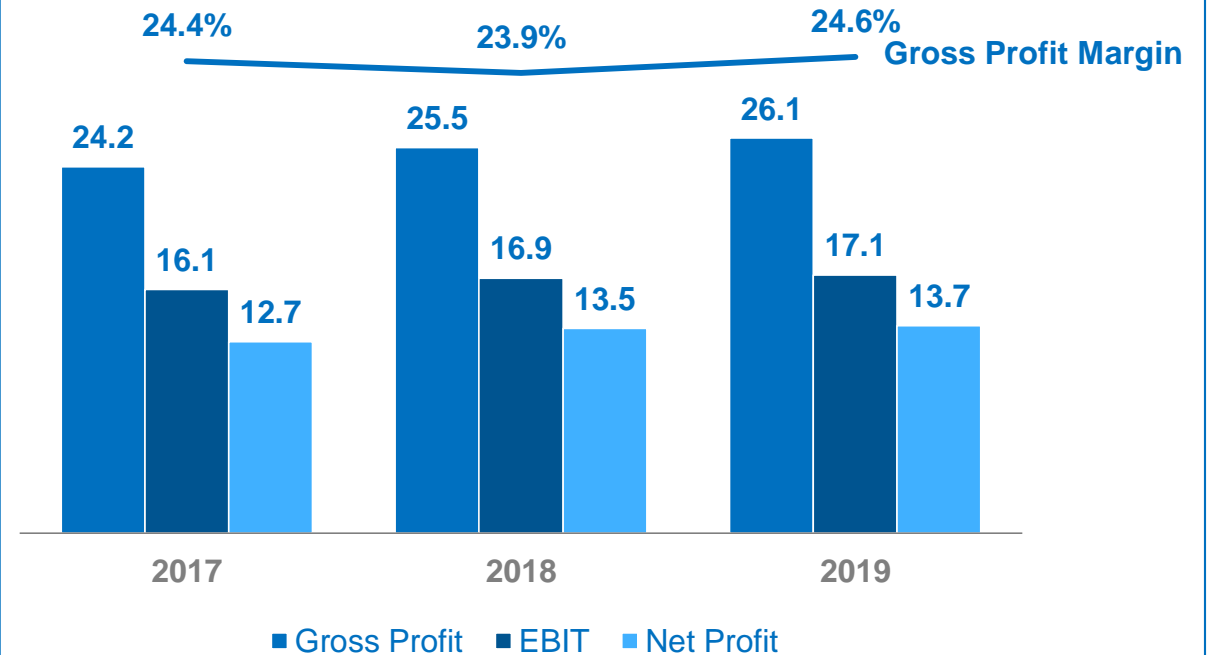


...but still growing profitability

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%.

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.

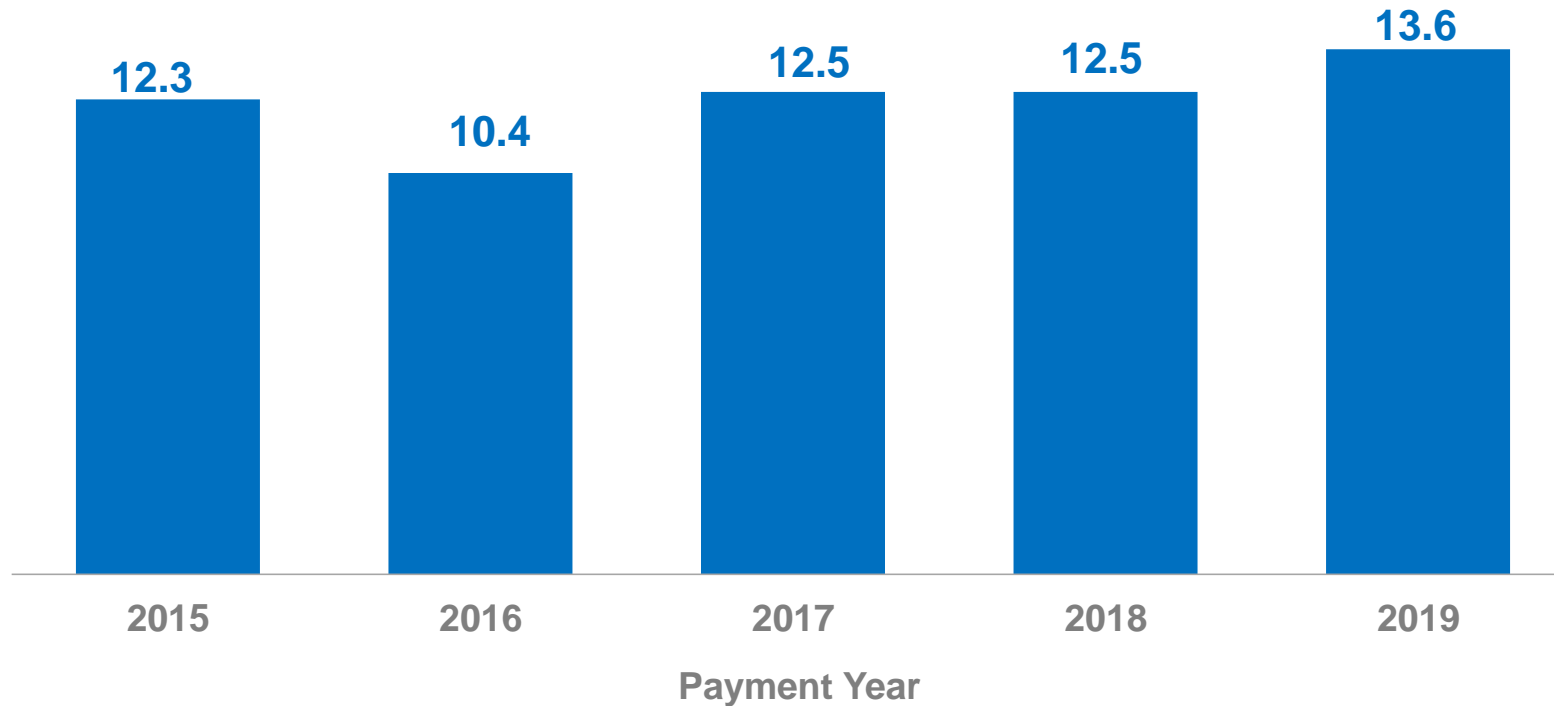
Graph 7: Gross Profit, EBIT, Net Profit, and Gross Profit Margin
(in IDR Trillion, in % Gross Profit Margin)



Consistent dividends payment

We have continued to maximize shareholder returns through dividends.

Graph 8: Dividends (in IDR Trillion)



Commencement of 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.

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.

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



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.



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.

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.)



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