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## **PRESS RELEASE**

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### **Flashback 2007**

The year 2007 was full of challenges for PT Sierad Produce Tbk ("Company") and poultry companies in general. Many positive factors have contributed to the development of national poultry industry among others:

- Value Added Tax (VAT) Exemption for poultry products classified as strategic commodities.
- Regulation Drafting to limit poultry distribution where there are limitations on live poultry import in DKI Jakarta and delivered chicken from standardized modern Slaughter House.
- The increased production of local corns to maintain the availability of domestic corn and to reduce dependability on import thus minimizing the costs for raw materials.

Nevertheless, in addition to such positive factors, there are also negatives ones affecting the industry e.g.

- Increased price of international commodity resulting the increased price of feeding raw materials indirectly causing the increased selling price of animal food.

- Low purchasing power of the community.
- Increased price of oil fuel for industrial segment resulting increased production cost.
- Weak exchange rate of Rupiahs to Dollar and other foreign currencies.

In 2007, the Company adopted measures in relation to the operational activities of the Company and faced critical events e.g.:

1. Cost saving through energy conversion, both in Breeding division by converting the use of generator to PLN to save the use of diesel fuel or in Feedmill Division using coal as substitute to diesel fuel for Boiler operation.
2. Obtaining Work Capital Loan from PT. Bank Negara Indonesia (Persero) Tbk ("BNI") in the amount of Rp 225 Billion at the end of September 2007.
3. Increased purchase of local corns and optimizing the use of Corn Drying. By the increase, the Company has indirectly contributed to the increase of local farmer income and promoted the growth in agricultural sector especially national corn production.
4. Implementation of AXAPTA and Balanced Scorecard.
5. Launch of new animal feed products of premium quality for less *price-sensitive* market segments (with higher margin).

6. Expansion of feedmill marketing area, especially Sulawesi to increase the volume and stability of sales and expanding market reach.

In terms of financial performance, in 2007 the Company recorded sales of Rp 1,6 trillion representing increase of 47% compared to in 2006 of Rp. 1,1 trillion. The largest increase of chicken farming unit was 38% as positive result of the Government policy to exempt VAT as stated earlier. However, the net profit decreased of Rp.21,2 billion in 2007 compared to in 2006 of Rp.40,9 billion in 2006. As earlier noted, the decrease of net profit was mainly affected by the increased cost of raw materials in line with the increased price of commodities and depreciated exchange rate of Rupiah to Dollars and other foreign currencies by which the selling price was increased. Moreover, natural disaster in some regions in Indonesia has also caused harvesting failure and weakened purchasing power of the community contributing to decreased profit.

The proportion of largest sales of Feedmill division was 54.1%, followed by Farming 44%, Slaughtherhouse 1.6% and others 0.3%.

For financial ratio, Current ratio is 2.41 (2007) and 3.79 (2006), Debt to Equity Ratio 0.29 (2007) and 0.13 (2006), Debt to Total Assets 0.22 (2007) and 0.12 (2006), Earning per Share

Rp.2.24 (2007) and Rp.4.36 (2006), Book Value per Share Rp 107.10 (2007) and Rp 104.84 (2006).

### **Plans for the Year 2008**

In 2008, the Company set the sales target up to Rp 2 trillion with EBITDA of Rp 120 billion and net profit of Rp 46 billion. This target is set under considerations of the low production capacity of feedmill, Company is one out of the small of number poultry companies integrated in Indonesia, *High Entry Barrier* for new players and opportunity for Slaughterhouse by government regulation on poultry distribution especially in DKI as noted earlier. In addition, at national level, the consumption level of meat and chicken eggs is one of the cheapest source of animal protein for all layers of Indonesian communities. In line with the gradual recovery of the Indonesian economy in the future, including the change of consumption pattern of the communities for poultry products of higher quality, hygiene and practical, the consumption level of domestic meat and chicken egg will increase as well.

The company has also formulated strategy to achieve the target:

- To expand partnership coverage up to 1.2 million DOC per week.

Partnership scheme is a cooperation between the Company as principal and farmer as partner through which the Company provided package of Day-Old-Chicken, feed, vitamin, medicines, technical services and warranty of harvest sales. Partnership is a captive market, in line with the expanded population in Partnership, the sales in other units will increase as in Breeding (DOC producer) and Feedmill (animal food producer) . In addition, looking at the social aspects of the program, new employment opportunity will be created thus increasing the community's income.

- Business expansion plan has currently reached the full capacity e.g. Breeding and Hatchery, an addition of 40 cages for Breeding Farm and 24 Hatchery engines. The expansion is consistent with the Company's efforts to expand the Partnership for years to come. In line with the increased production of DOC, the sales of animal food will increase and improve the utilization of Feedmill and minimizing the cost. The expansion plan requires approximately Rp 310 billion and producing additional broiler DOC to 450.000 per week and layer DOC 115.000 per week.
- Increasing the sales volume in the Chicken Slaughterhouse in line with the increasing demand for more hygienic poultry products. At present, the Company is performing

direct sales for packaged chicken and flavored chicken through Delfarm Meat Shop in some hypermarkets in Jakarta.

- Other Business Development Plans to extend the integration chain to increase the competitiveness of the company either upstream or downstream to ensure the continuity of raw material supply or downstream for food business to further process the products from Chicken Slaughterhouse.

In addition, the Company has also through one of its subsidiaries planned to purchase a plot of land covering 7.050 m<sup>2</sup> and development of office building in Lot 1.2 Cyber Green office BSD City Serpong Tangerang. In realizing the plan, Company will apply for loan from a national private bank totaling a sum of Rp 43 billion for 10-year term of credit.

#### **Financial Performance per January - May 2008**

During the period January - May 2008, the company recorded sales of Rp 881 billion or increase 62% compared to the same period in 2007 of Rp 543 billion. The increase was contributed by the increased sales volume. In addition, net profit also increased about 100% namely Rp 20 billion compared to in the same period in 2007 totaling Rp 10 billion. EBITDA also increased Rp 58 billion compared to in the same period in 2007 totaling Rp 29 billion.

Financial ratio per May 2008: *Current Ratio 2.40 (2008) and 3.00 (2007), Debt to Equity Ratio 0.31 (2008) and 0.19 (2007),*

Debt to Total Assets ratio 0.24 (2008) and 0.16 (2007),  
Earning per share Rp.2.12 (2008) and Rp. 1.08 (2007), Book  
Value per Share Rp 109.22 (2008) and Rp 105.93 (2007).

From such 5-year achievement, the Company is optimist to reach  
the target.

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