

QUESTIONS RAISED BY MSWG RELATING TO 48TH AGM OF IOI CORPORATION BERHAD

Q1. As reported in the Management Discussion and Analysis, going forward, the Company will accelerate the replanting programme, targeting 6,000 ha. per year and plan to complete the planting of the final phase of about 8,000 ha. of plantable reserves in Indonesia over the next two years.

(a) What would be the estimated CAPEX for the planting and replanting plan?

The estimated CAPEX for the new planting and replanting plan for FYE2018 is RM158 million. For FYE2019, we expect the CAPEX to be around the same.

(b) Would the aggressive replanting of 6,000 hectares per year significantly affect the plantation statistics for crop statement showed on Page 26 of the Annual Report of 2017 and the financial results of the Group in the coming years?

The replanting of 6,000 hectares or just below 4% of the total planted area, per year, is within the economic cycle of oil palm which is 25 years. There shouldn't be any drastic change on the plantation statistics in the coming years.

(c) Would there be any additional allocation from the 8,000 hectares of plantable reserves in Indonesia for smallholders under the plasma programme?

Yes, 20% out of the 8,000 hectares will be allocated to the smallholders.

Q2. The Resource-based Manufacturing recorded revenue of RM13.8 billion and operating profit of RM292 million in FYE2017.

What was the revenue and operating profit contribution from Refining, Oleochemical and Specialty Oil & Fats sub segments?

The revenue contribution from Refining, Oleo and Specialty Oils and Fats are approximately 40%, 30% and 30% respectively. The operating profit contribution is about the same between Oleochemicals and Specialty Oils and Fats, whereas there is a small operating loss in the Refining segment.

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Q3. The Geographical Segment information on Page 149 of the Annual Report showed that two major markets for the Group are Europe (35%) and Asia (27%).

- (a) Could the Board share the updates on the recent report on European Union (EU)'s resolution to ban the use of palm oil in various consumer products including palm biodiesel and the impact of the ban, if the resolution is passed, to the Group?

We are not aware of any EU resolution which calls for banning the use of palm oil in various consumer products. However, we are aware of a non-binding resolution passed by the EU Parliament in April 2017 which calls for the use of only sustainably produced (or deforestation free) palm oil in Europe. In this regard, the Group will be well-positioned (assuming the resolution is subsequently implemented by the EU Commission) to benefit from it in that the Group is presently the largest supplier of RSPO-certified palm oil to Europe.

- (b) Was the export to major markets, such as China & India affected by Indonesia exports that had dominated the market with lower prices?

Our exports to China and India have remained quite stable over the last one year. For your information, China and India are not considered major markets for IOI as each country constitutes less than 10% of our total palm oil exports.

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- Q4. On 12 September 2017, the Company entered into a definitive share purchase agreement (SPA) with Bunge Limited for the disposal of 70% equity interest in Loders Croklaan Group B.V. (Loders). Loders that involves in manufacturing of specialty oils and fats is one of the main contributors in the downstream business of the Group.

As stated in the Management's Discussion and Analysis, the integration of upstream and downstream business have increased significantly over the last few years as the Group expanded and moved more aggressively into downstream activities.

- (a) Would the quantity and prices of palm oil & refined palm oil products supplies to Loders expected to be significantly changed after the disposal of 70% interest in Loders under the Palm Oil Supply Agreement (POSA)?

As part of the Agreement relating to the sale of 70% interest of Loders, IOI will continue to be a major supplier of palm oil to Loders after the sale, providing the same volume as the current supply. The Palm Oil Supply Agreement will follow the terms of the current inter-company sales agreement closely including that on prices.

- (b) Does the disposal of a major downstream business indicated change of direction or focus of the Group?

The Proposed Disposal allows IOI Corporation to enter into a strategic business collaboration with Bunge to build Loders into a leading global agri-food company with differentiated and comprehensive product offerings based on tropical and seed oils and world class formulation and application capabilities.

Going forward, IOI intends to be a vital partner to Bunge in supporting Loders' growth and Bunge's corporate objective to grow their value-added portfolio in the edible oils business. IOI's continued equity interest and involvement in Loders, and the expected significant growth in Loders in the future will support IOI's business focus of being a leading integrated and sustainable palm oil player with global presence in both specialty fats and oleochemical segments.