



PT Sri Rejeki Isman Tbk



Management Presentation

June 2017

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Presenters



Iwan Setiawan
President Director

~19 years of experience

- Served as President Director of Sritex since 2006
- Joined Sritex since 1997
- Received Bachelor's Degree in Business Administration from Suffolk University



Allan M. Severino
Finance Director

~36 years of experience

- Served as Director of Sritex since 2006
- Previously worked in Group Timur Djaja, Tirtamas Majutama and Bimoli
- Received Bachelor's Degree in Business Administration from University of San Carlos



Welly Salam
Corporate Secretary

~24 years of experience

- Joined Sritex in 2012
- Previously worked in Arthur Andersen and Salim Group
- Received Bachelor's Degree in Accounting from Trisakti University

1	Company overview	4
2	Key investment highlights	12

Sritex – a leader in Southeast Asia's textile industry

PT Sri Rejeki Isman Tbk ("Sritex") is the largest vertically integrated textile companies in SE Asia, with operations across Spinning, Weaving, Finishing and Garment Manufacturing, for prime clients across its range of products

Sritex at a glance

- Established by the Lukminto family with history dating back to 1966, Sritex is headquartered in Sukoharjo (Central Java, Indonesia) and has a long history of achievements and growth:
 - Robust financial performance – Sales and EBITDA CAGR of 9% and 20%, respectively since 2012
 - Strong reputation for its products with numerous awards and accreditations
- The largest vertically-integrated textile garment companies in SE Asia – providing significant competitive advantage
- Successfully increased presence from downstream into garment, garment now represents 26% of sales (FY16) and growing fast (+25% Sales CAGR over the past 5 years)
- Significantly invested to increase production capacity – CAPEX program over the past 5 years – Sritex is now ready to harvest on its investments. Capacity increased by at least 50% for each of the products

A diversified base of prime customers



Range of products and contribution to sales as of 2016



Yarn – 38%



Greige – 10%



Fabric – 26%



Garment – 26%

Key milestones – a long history of growth and successes



1966
Founded by H.M. Lukminto as a traditional trading company in Pasar Klewer, the textile center market in Solo, Central Java

1968
First finishing plant established in Solo

1982
First weaving factory (1,000 machines)

1992
Achieved vertical integration with production capacity in 4 business segments (Spinning, Weaving, Finishing, Garment)
Won contract with Indonesian military



2006
Iwan S. Lukminto appointed as President Director

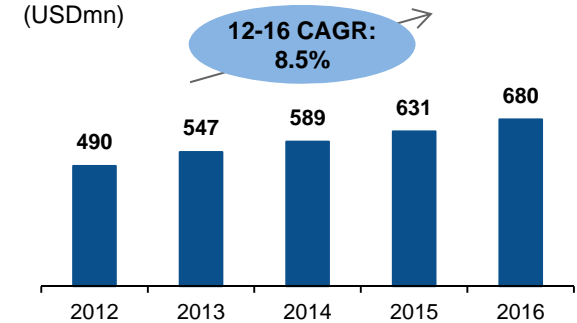
1994
Won first military uniform contracts (supplier to NATO, German Army)

2014
Continued innovation – launch of its SRX brand (special military products)
Inaugural international bond (US\$270 million)

2013
Listing on the Indonesia Stock Exchange
Acquisition of SPD, a spinning factory

Revenue

(USDmn)



Present

An asset of national interest as reflected by Indonesia President's inauguration of the Sritex's factory expansion in April 2017

Numerous awards to recognize Sritex' achievements in terms of

- Financial management
- Operating performance
- Management leadership

Some of the numerous awards won by Sritex and recognizing its achievements



Best Liability Management
Asset Asian Award 2016 by Triple A.



Top 50 Company 2016
Best of the Best Awards by Forbes Indonesia



Rank-1 For Textile and Garment Group
Economic Review



Rank A For Best GCG 2016
Economic Review



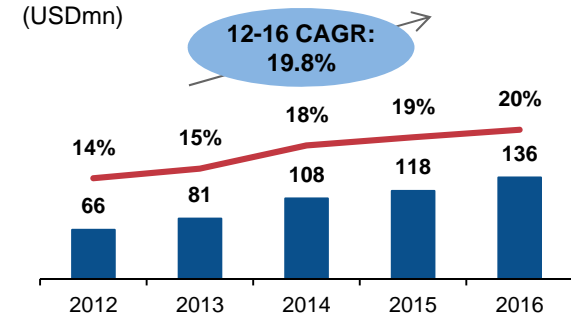
Top Ten Blue as one of the best IDX Listed Company
IDX



Iwan Lukminto as entrepreneur of the year
EY 2014
Forbes 2013

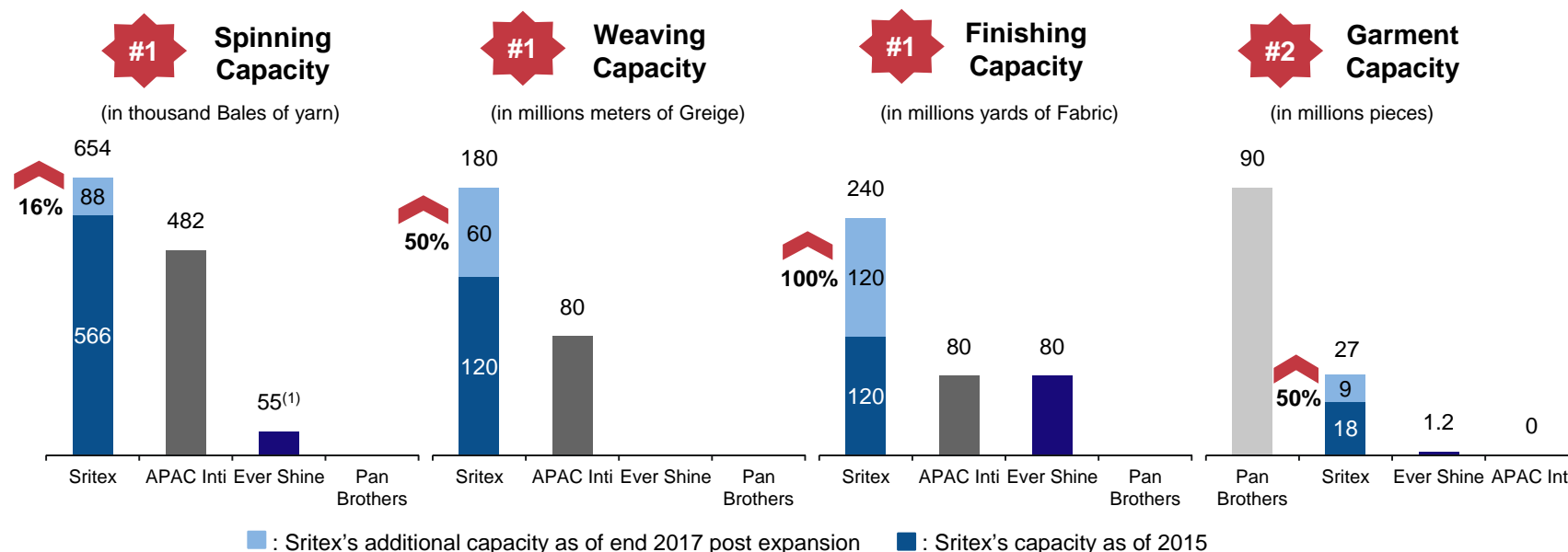
EBITDA and EBITDA margin

(USDmn)



The largest vertically integrated textile manufacturers in SEA – Main competitors

Textile Value Chain



Sritex has a strong presence across the entire midstream textile value chain in Indonesia

Source:

(1) Public sources and company Annual Report

(2) Based on 12 million kg of yarn production capacity and assuming 217.7kg / standard US bale

Based on woven fabric capacity. Excludes 1,500 tons of knitting fabric capacity

The largest vertically integrated textile manufacturers in SEA (Cont'd)

- Business model

Sritex is a fully integrated Midstream textile producer



The largest vertically integrated textile manufacturers in SEA (Cont'd)

- Sritex' competitive advantage

Sritex's vertical integration provides significant competitive advantage over non-vertically integrated competitors

Better quality products	<ul style="list-style-type: none"> ▲ High and consistent quality through overseeing of the entire production process ▲ Ability to trace better products
Higher margins	<ul style="list-style-type: none"> ▲ Economies of scale and savings on transportation costs bring the most efficient cost structure that can be reflected in prices for customers and margins ▲ Integration provides more flexibility for design of fashion items allowing to develop in higher margin products
More operating and pricing flexibility	<ul style="list-style-type: none"> ▲ Ability to price order quotes more competitively because Sritex is not dependent on quotes from multiple suppliers ▲ Able to accommodate large orders given control over value chain
Faster execution timing	<ul style="list-style-type: none"> ▲ Capable of producing order in batches with faster delivery times, an important requirement for success ▲ Avoid risk of delays especially important with large clients such as government orders



Allows price volatility to be passed through to customers



Achieves competitive pricing by spreading profits and costs across value chain



Allows Sritex to monitor each step of production process, ensuring consistency of product quality

Sritex's vertically integrated business model allows it to offer full solutions to clients supported by economic of scale, consistent high quality, shorter execution timing, enhanced operational and cost efficiency

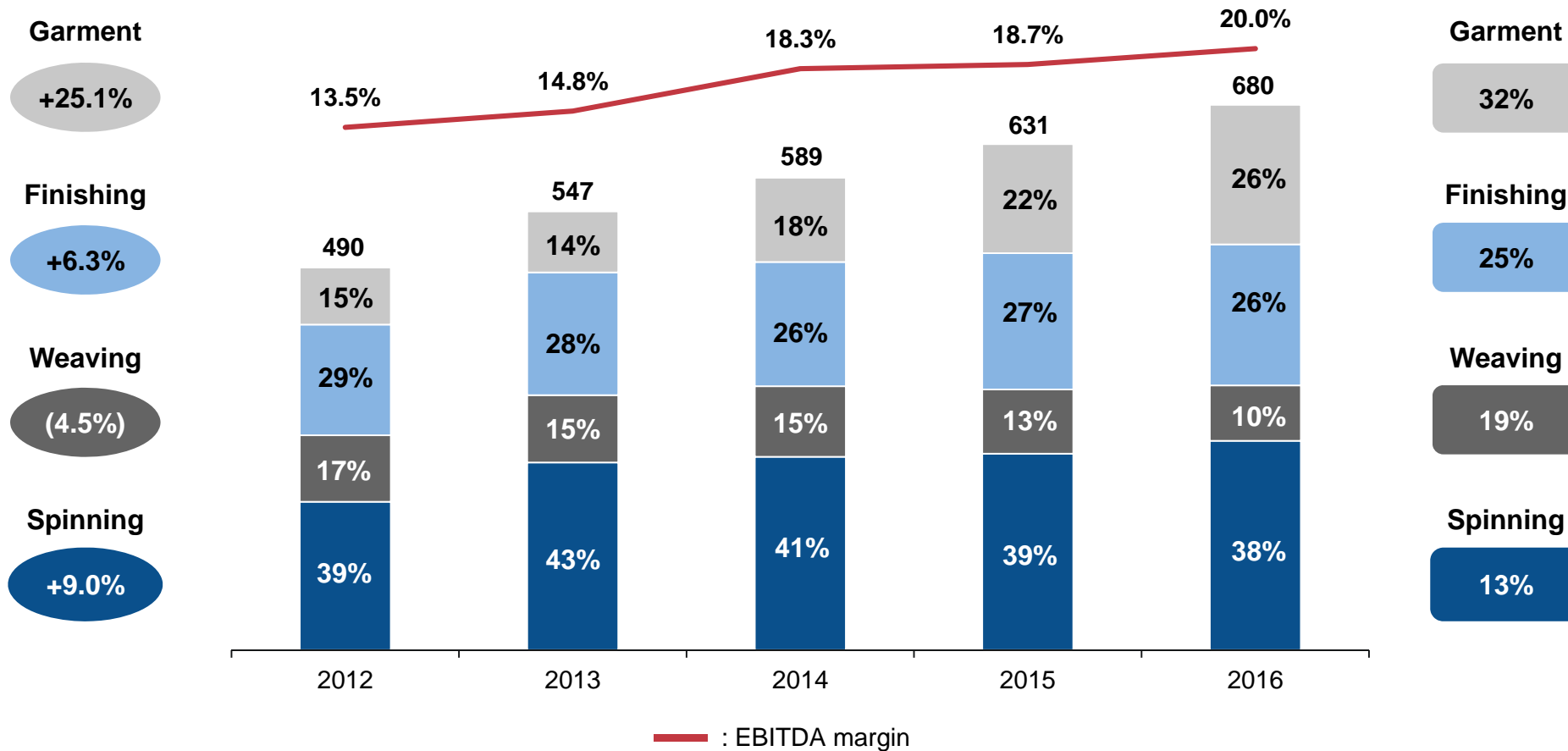
A successful growth into higher margin segment

2012-16
Sales CAGR

Total gross sales contribution by segment and EBITDA margin

GPM by segment
(2016)

(USDmn)

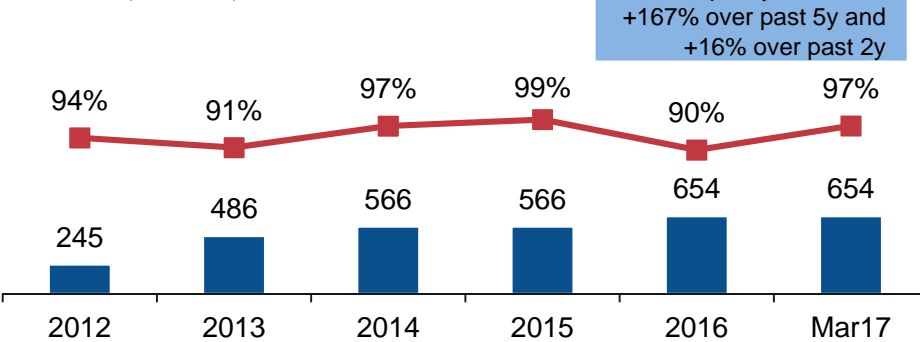


Significantly invested over the past years – now ready to harvest

To meet the demand of domestic and international customers, Sritex has significantly increased its production capacity. USD 511mn have been invested for the past 5 years

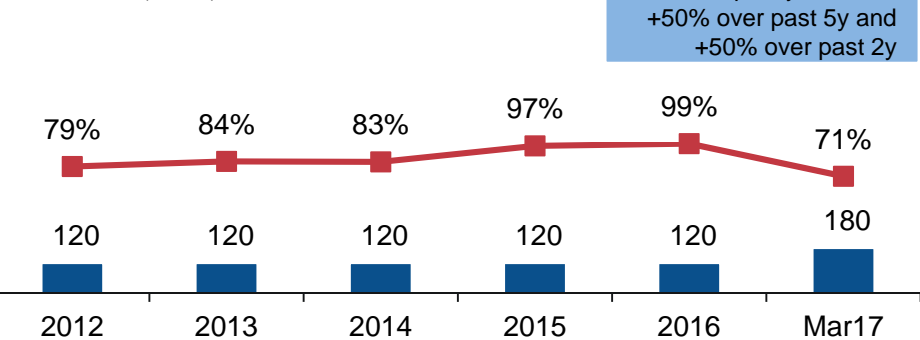
Spinning

Bales Yarn (thousands)



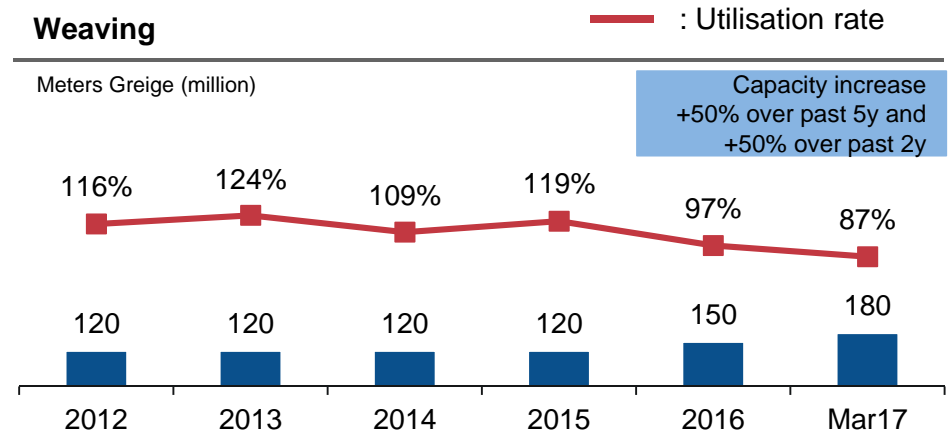
Finishing

Yards Fabric (million)



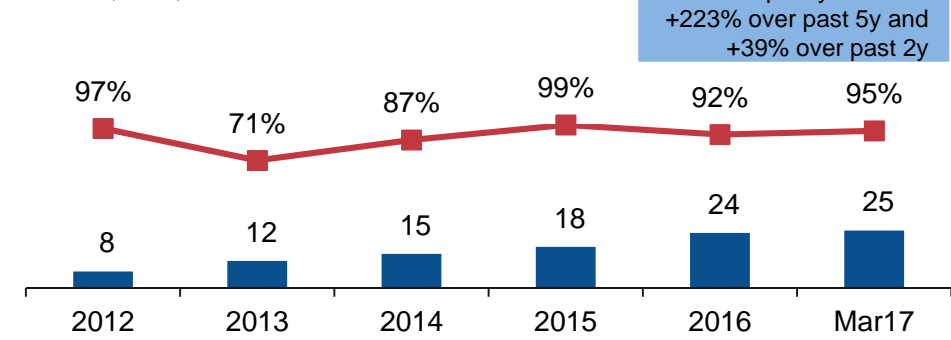
Weaving

Meters Greige (million)



Garment

Pieces (million)



Limited during 2014-2016 by production already at full capacity
=> Sritex is now ready to harvest its significant investments

Note: 2017 utilization is annualized Q12017 utilization

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Key investment highlights



1

A strategic positioning within Indonesia

2

Distinctive focus on efficiency and high quality production

3

Experience working with prime clients key for next phase of growth

4

Expertise in developing new products, new designs and new fabrics to continue expansion in higher margin segments

5

Benefits both from an experienced management team and from strong human resources to deliver strategic vision

6

Company to resume fast growth with continued robust financial performance



1

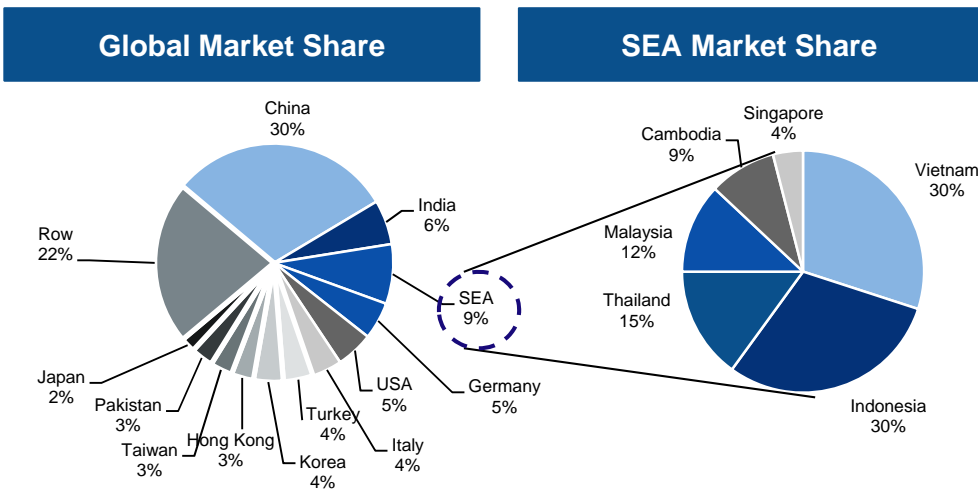
A strategic positioning within Indonesia

- Sritex to benefit from textile industry continued growth

Key growth driver for Indonesian textile industry

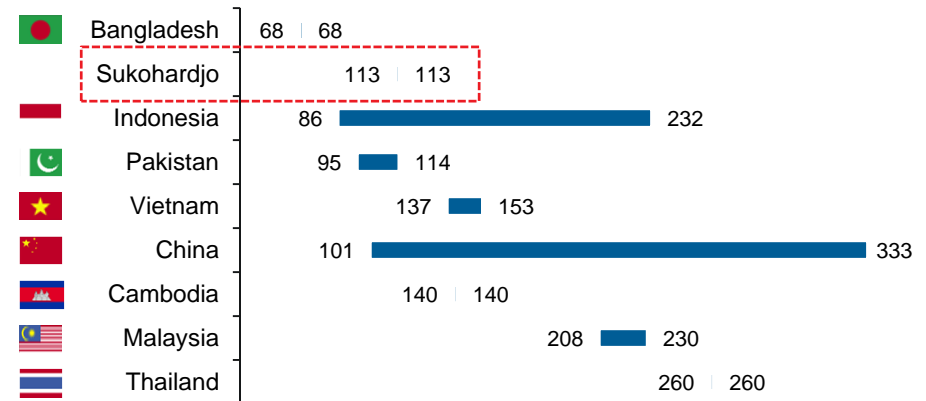
- Indonesia still represents a small proportion of the global textile market (<3% share) but is expected to grow faster, benefiting from:
 - Lower cost production vs regional peers (especially for Sritex given its base in Central Java)
 - Significant shift of production from China since 2012 as a result of rising cost and reduced incentives from government
 - Working environment that fulfills international standards (no child workers)
 - Improved infrastructure – as evidenced by electricity and toll road connecting Solo and Semarang starting in 2017
- Global trend in textile driven by fashion and low cost – ability to react quickly, mobilize low cost skilled workforce and internalize design is key

Textile Export Market Share in 2016



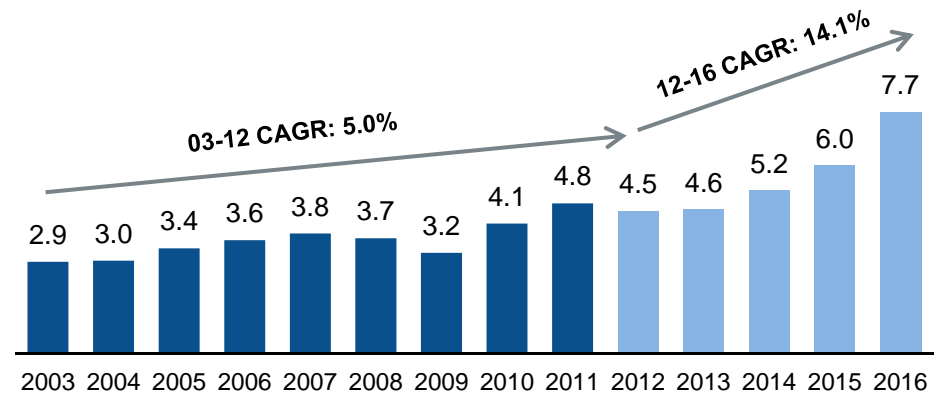
Source: Textile Market Share: World Trade Organization

Sritex' facilities are located in some of the region's cheapest production areas



Source: Company internal data, industry textile market, World Bank, EIU, BMI

Indonesian Textile Exports 2003-2016



Source: Textile Market Share: World Trade Organization

1

A strategic positioning within Indonesia (cont'd)

- A key player in Indonesia's textile landscape

Sritex likely to benefit from Indonesia's textile market fragmentation

- 2,930 textile companies in Indonesia competing for products varying in colors, pattern, materials with a demand for fabrics and apparel driven by the latest fashion trends
- However close to 90% of the textile companies in Indonesia are using old machineries with over 20 years age with limited economies of scale, efficiency or access to funding
- Sritex benefits as a result from tremendous advantages to gain market shares domestically: new machineries, skilled workforce, higher value-added products, funding, etc.

Facilities benefiting from strategic location in Indonesia's textile hub with low-cost skilled labour

- Central Java: Population: ~30mm, Area: ~39,500km²
- Sritex draws on a labor force within a 50km radius around Sukoharjo
- The region specializes in textile manufacturing and possesses a large pool of skilled textile workers
- At the same time the low monthly minimum wage of \$113⁽¹⁾ per month in Sukoharjo allows Sritex to benefit from low costs of labor

Sritex, a strategic asset for Indonesia

- Sritex is a symbol of success in Indonesia given its significant success exporting Indonesian products overseas as well as training its workforce and investing year after year



- President of Indonesia, Jokowi, inaugurating Sritex's new factory in 2017

With production facilities located in Indonesia's textile hub; access to low-cost and skilled workforce; and continuous investments in its strong foothold, Sritex is uniquely positioned to grow faster than its peers

(1) Sukoharjo 2017 minimum wage of Rp. 1,513,000 converted at IDR/USD = 13,351

1

A strategic positioning within Indonesia (cont'd)

- Strategically located with superior infrastructure and logistics

Tanjung Emas International Port, Semarang



SPD Facilities Area: ~18ha



Spinning Weaving, Finishing and Garment
Sritex Facilities Area: ~61ha

Semarang

Sukoharjo

Central Java, Indonesia

Distance Between Facilities & Ports

Sritex to Tanjung Emas International Port	~120km
Sritex to SPD	~120km
SPD to Tanjung Emas International Port	~10km

Close proximity and excellent infrastructure connectivity between Sritex's production facilities and the port supports supply chain efficiencies. Additional expansion completed in 2017 will benefit from this strategic location

- Sritex has multiple opportunities to expand its operations even further around this strong base

Distinctive focus on efficiency and high quality production

- Superior quality due to cutting edge equipment and control process

Highest operating performance

- <1% of sales subject to claims of defects or returned
- <1% goods were delivered late
- 0 unplanned production stoppage, producing **24/7, 365 days** in 2016
- **ISO 9001:2008** for quality management
- **ISO 14001:2004** for environmental control

State-of-the art production equipment

- Machines from leading / tested Europe and/ Japanese brands
- c.60% of the production machines are less than 5 years old



Integrated process of quality control production

- Quality control begins from the receipt of raw materials
- Each production process has the system of quality control
- The quality control process is to reduce the risk of production errors
- Production Planning and Inventory Control ("PPIC") perform checks on quality control processes

Wasteage

- Sritex takes great care of the environment and does its best to keep and preserve it – it has received the **Blue Certification** from **State Ministry of Environment** for the water treatment facilities, a distinction in water preservation given to qualified company
- Sritex monitor various wastewater points, determined together with the Clean River Program (Tim Pelaksana Prokasih) of the Sukoharjo Regency in the Central Java province, to ensure that our wastewater channels will not pollute drainages or other water channels.
- At least once every six months, Sritex also conduct forums with public and private leaders to maintain an ongoing dialogue in the environmental protection efforts of the surrounding communities

Supported by modern equipment and an integrated quality control system, Sritex consistently displayed excellent operating performance and quality of its production to the point where claims or sales returns amount to less than 1% of total sales

Distinctive focus on efficiency and high quality production (Cont'd)

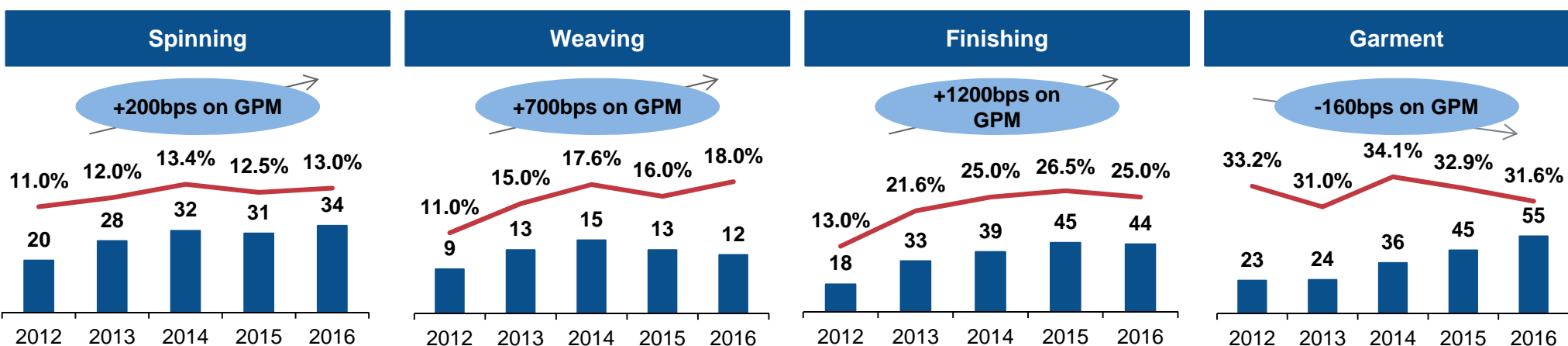
- Continuous improvement of productivity and efficiency

Key initiatives to drive productivity and efficiency

Modern and superior production equipment	<ul style="list-style-type: none"> ▲ Highest productivity measures ▲ Reduced wastage ▲ Efficient machineries allowed Sritex to receive subsidized electricity which reduced electricity expenses by c. 3%
Integrated production quality control	<ul style="list-style-type: none"> ▲ Production quality control is performed from the receipt of raw material and strictly monitored through quality control system at each production stage ▲ In addition, Sritex has PPIC department that regularly reviews the quality control system which intends to reduce production error
Stable machinery maintenance	<ul style="list-style-type: none"> ▲ Rigorous maintenance regime ▲ No unplanned production stoppage
Constantly bringing new initiatives	<ul style="list-style-type: none"> ▲ Energy savings (LED) ▲ Negotiation with suppliers

Improvement in margins

Gross profit and margin by segment (USDmn)



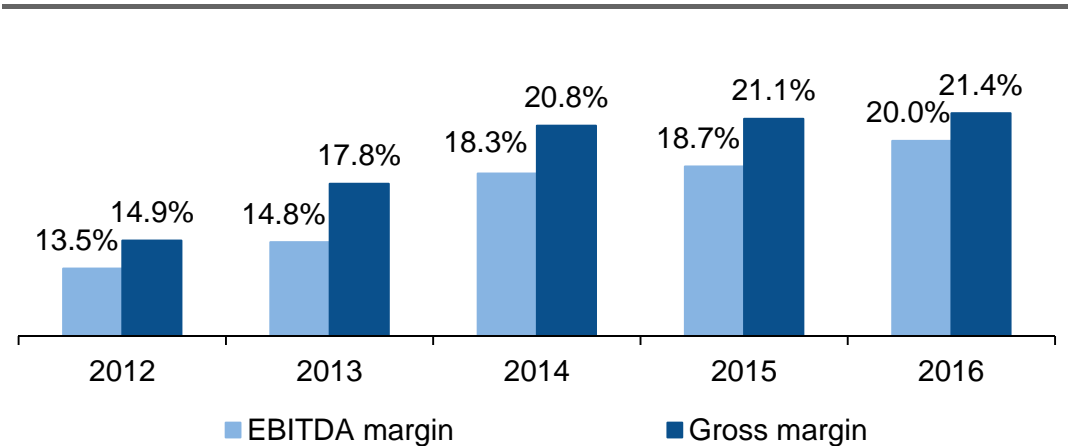
Distinctive focus on efficiency and high quality production (Cont'd)

- New initiatives to save costs and improve quality

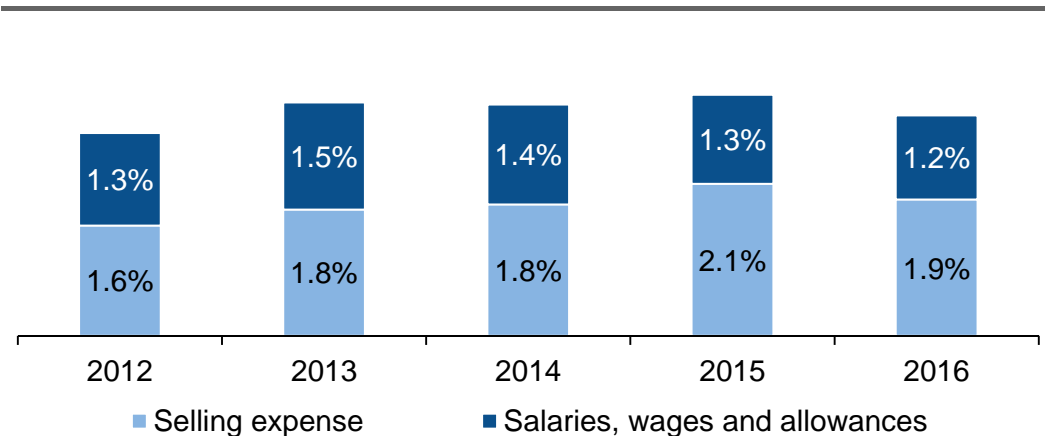
G&A and selling expenses remained stable during the high growth period

- Company has been able to increase EBITDA margin by c. 650bps over the past 5 years
- The improvement in efficiency and productivity have been a significant contributor to EBITDA margin expansion as illustrated on the previous page
- The improved sales mix has also contributed to EBITDA margin
- Sritex' focus on central costs has also been key to maintain EBITDA margin under control
 - Stable selling expenses and staff cost to sales over the period
 - 30 bps margin contributor over 2013-2016

EBITDA margin and gross margin



Selling and salaries expenses as a percentage of sales



3

Experience working with prime clients key for next phase of growth

- Prime clients on all its segments

Yarn

Sritex is a major supplier of high quality yarn for major textile customers globally.



Greige

Sritex greige or raw fabric, is renowned for its excellent standard and high quality.



Finishing

Sritex high-quality fabric is both extremely comfortable and classy. It is a reputable brand within a competitive fashion industry both domestically and internationally.



Garment

Fashion

Sritex's flexibility allows penetration into the international fashion market, with many leading international players as its clients



New clients over the past 3 years

Uniform - Corporate

Sritex also manufactures uniforms for Indonesian companies, for work-wear international companies and also uniforms for government agencies



Uniform - Military

Sritex is a leading partner in supplying military uniforms to more than 30 countries since 1993 and has become supplier for German military uniform with high specification.

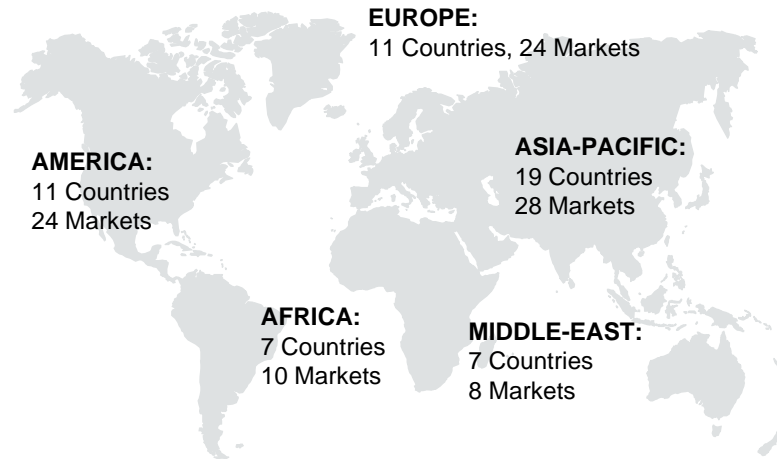


Experience working with prime clients key for next phase of growth

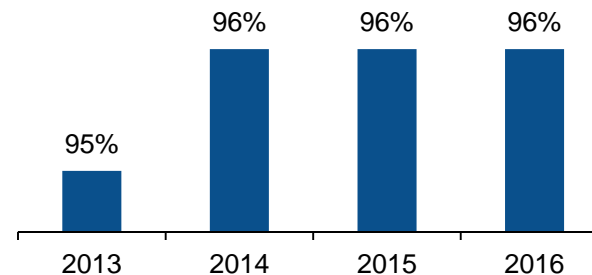
- Repeat business with its prime clients

Strong customer relationship

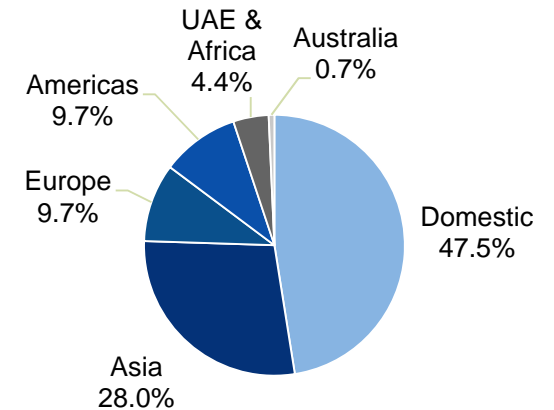
- Sritex is able to maintain long relationship with key customers. **More than 80% of Sritex's customers have been a customer for more than 10 years.**
- Strong customer relationships provides stable repeat business from key customers with long history with Sritex such as:
 - Indonesian military (client since 1990), Indonesian National Police (since 1990)
 - Obtained certification to supply military uniforms to the armed forces of overseas nations (Germany, NATO)
- Also provides further growth potential:
 - To increase sales to Sritex' Top 10 customers as share of wallet increases
 - To increase market shares domestically as domestic competitors may be facing challenges in the future given their limitations in terms of economies of scale, efficiency, access to funding
- Sritex has also managed to expand new high profile customers shown in its recent customer acquisitions:
 - For instance Australia since 2016
 - New fashion customers



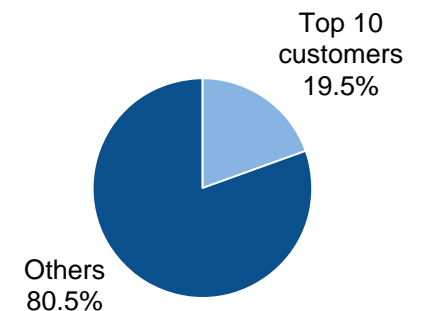
% of repeat orders¹



Diversified geographic presence - 2016



Diversified customer base - 2016



Note: 1. Repeat orders refers to consecutive orders for 3 years

4

Expertise in developing new products, new designs, and new fabrics to continue expansion in higher margin segments

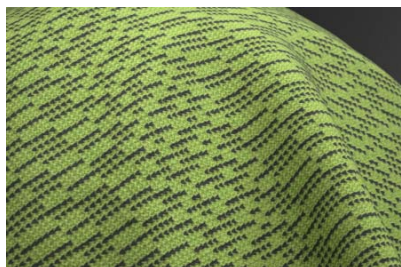
R&D – developing new fabrics with higher technology

Yarn



“2-for-1 yarn”, intended to be of higher tensile strength expected to be launched end of 2017

Weaving



To increase the capacity for more complicated weaves, which will demand a higher selling price expected. Capacity is expected to be completed in 2018

Finishing



Chemical Biological, Radiological, and Nuclear defense (since 2016)



Waterproofing (since 2014)



Mosquito repellent (since 2013)

Anti-wrinkle (since 2012)

Garment



Firefighting (since 2017)



Kids apparel (since 2016)



Integrated Personal Protection (since 2015)



Product with more complicated production techniques such as air bags and parachutes (since 2013)

Sritex' leading R&D capabilities allow it to further diversify into higher value added products helping increase revenues and margins

4

Expertise in developing new products, new designs, and new fabrics to continue expansion in higher margin segments (Cont'd)

Design process – internalizing a bigger scope of the designing for prime international clients



Ability to procure materials required for each unique orders

- Sritex is able to work using the customer samples or though Sritex's design department help choose suitable yarn, colors, patterns, etc
- Sritex also specializes in supplying specific yarn or greige



Providing innovative design solutions to a range of sophisticated customers

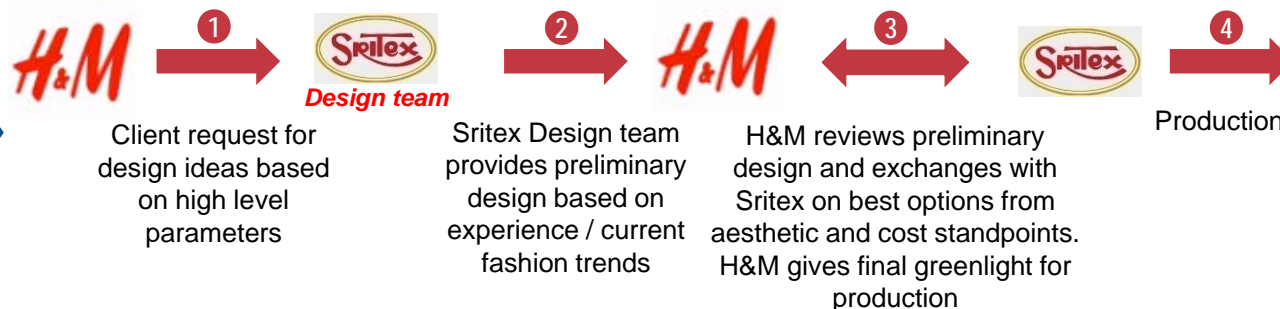
- Sritex works with a range of sophisticated customers giving it access to the latest fashion trends in terms of designs, fabrics, colors, pattern and through its designing teams is able to come up with new suggestions for its clients
- Sritex is also able to adjust quality standards to address customers requirements



Expertise at designing fashionable apparels at relatively low production cost

- Involve all production teams and designing / R&D teams in the process in order to offer the best solution for the client

Internalizing
designing
process
and develop
value-add



5

Benefits both from an experienced management team and from strong human resources to deriver strategic vision

One of the most experienced and best regarded management team in Indonesia

Board of Commissioners



Hj. Susyana Lukminto
President Commissioner
~50 years of experience



Megawati
Commissioner
~16 years of experience



Prof Ir Sudjarwadi
M.Eng, Ph.D
Independent
Commissioner
~29 years of experience

Board of Directors



Iwan Setiawan
President Director
~19 years of experience



Allan M. Severino
Finance Director
~36 years of experience



**Dr M Nasir Tamara
Tamimi**
Independent Director
~28 years of experience



Iwan Kurniawan Lukminto
Vice President Director
~11 years of experience



Eddy Prasetyo Salim
Operation Director
~32 years of experience



Arief Halim
Marketing Director
~46 years of experience



**Karunakaran
Ramamoorthy**
Production Director
~29 years of experience

Senior management team with an average of over 20 years of experience

Led by President Director, Iwan Setiawan, who was named Forbes Indonesia's business man of the year in 2013, and was awarded the EY Entrepreneur of the Year in 2014

Benefits both from an experienced management team and from strong human resources to deriver strategic vision (Cont'd)

A professional and dedicated workforce

- Large base of 17,890 employees as of 2016
- Attracted an international team of experienced designers, sales managers and productions managers from Indonesia, South Korea, India and the Philippines
- Adhere to stringent labour practice and factory condition requirements of our sophisticated international customers
- Maintains excellent relationship with the workforce – company has never had a strike in its history and invests in its employees through training, a culture of excellence and an involvement in CSR activities



Providing numerous education and training programs for its employees

- Newly constructed Human Capital building will provide training and counseling rooms facilities for our employees
- Collaborating with Association Indonesian Textile to develop an institute for textile located in Solo
- Developed programs to enhance staff capabilities:
 - Knowledge management performed every Thursday for all supervisors
 - Achievement Motivation Treatment program starting 2016 to evaluate the overall strength and weakness of its employees and managers in order to find areas for improvements

Stringent employee competency test to ensure high quality workers

- With the assistance from the Professional Certification Body (LSP) for textile and garment sector and from the Ministry of Industry, Sritex has applied a Competency Test for Spinning, Weaving, Finishing and Garment operators (each session tests 100 participants)
- This activity aims to develop long-term highly competent textile and garment manufacturing capabilities as well as to promote a culture of excellence within the company

Highly involved in corporate social activities

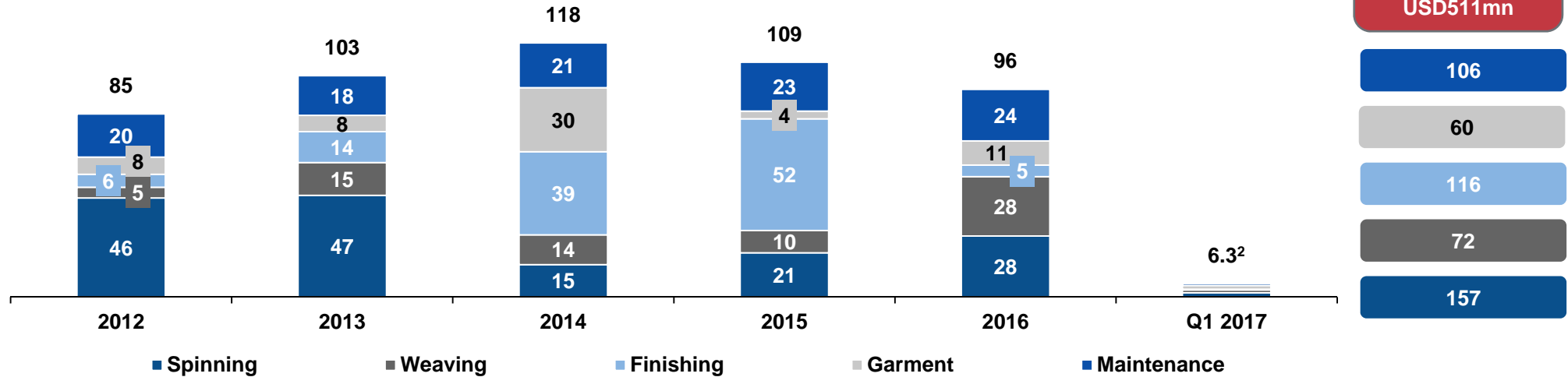
- Sritex aspires to be an active member of the community promoting welfare and sustainable development
- Programs to provide low-income housing for employees in Kenep Village, Sukoharjo
- Establishment of a 24-hour polyclinic, with medical staffs and doctors employed by Sritex with the provision of dormitories and hostels for employees
- As well as other programs: provision of free lunch for workers, establishment of PT Sritex Worker Union (SPSI), establishment of Employee Cooperative, etc.

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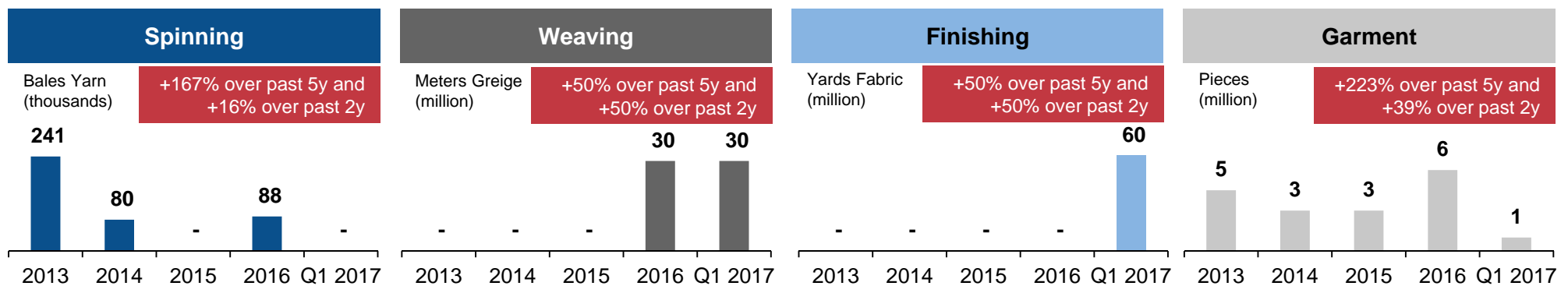
Company to resume fast growth with continued robust financial performance

CAPEX program over the past 5 years

CAPEX by segment¹



Additional capacity by segment



Note:

1. Excluding CAPEX for G&A

2. Breakdown: Spinning USD2.0mn, Weaving USD1.4mn, Finishing USD0.3mn, Garment USD1.8mn and Maintenance USD0.9mn



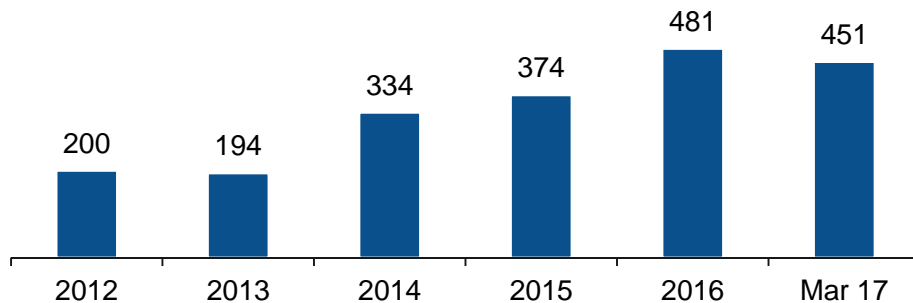
Company to resume fast growth with continued robust financial performance (Cont'd)

After CAPEX program over the past 5 years, Sritex' balance sheet remains strong

- Post realization of new capacities, Sritex has shown improvement in its financial leverage shown in the decrease of net debt / EBITDA and Interest coverage ratio in Q1 2017
- Sritex expects leverage to improve given
 - all expansion CAPEX have been completed
 - CAPEX going forward will only be maintenance of c. USD18-24mn (maintenance capex range over the past 5 years) / annum
 - realization of additional capacity will drive financial performance

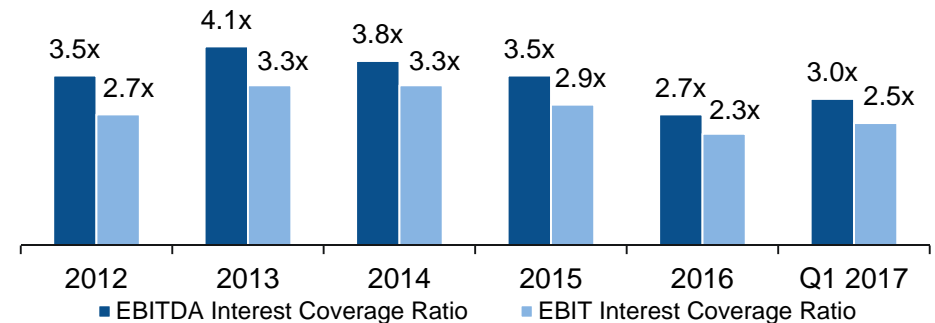
Net Debt

(US\$mn)



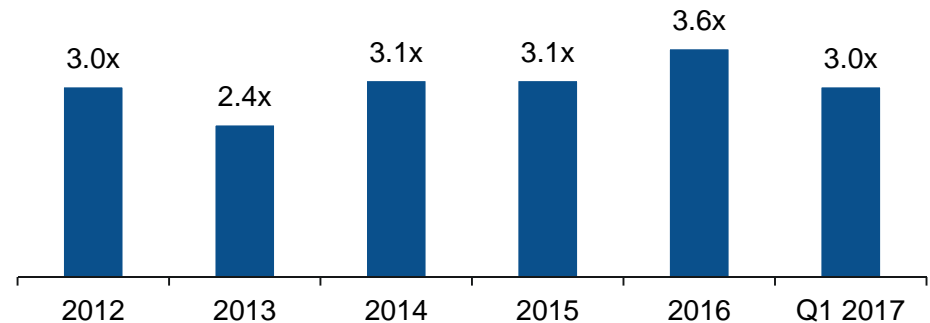
Interest coverage ratio

(US\$mn)



Net Debt / EBITDA

(US\$mn)



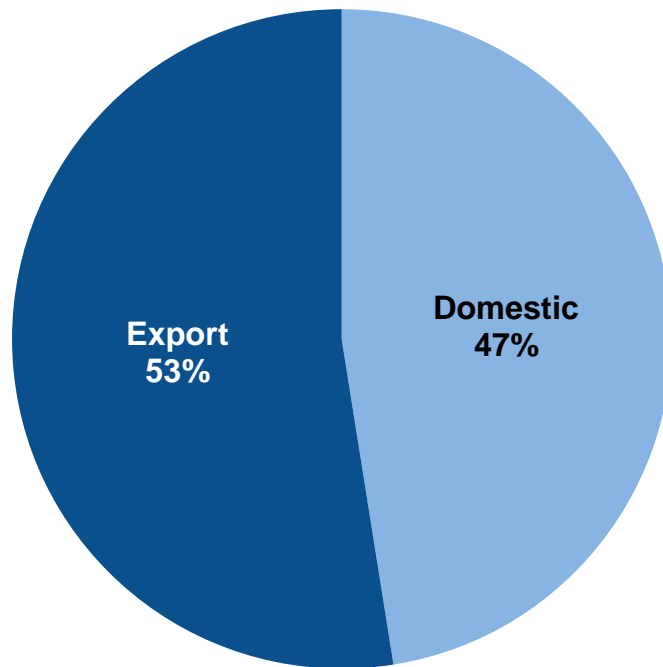
The composition of the Company's balance sheet is getting stronger every year and this is expected to continue in line with its expansion plan

Note: Interest coverage ratio = Interest expense / EBITDA

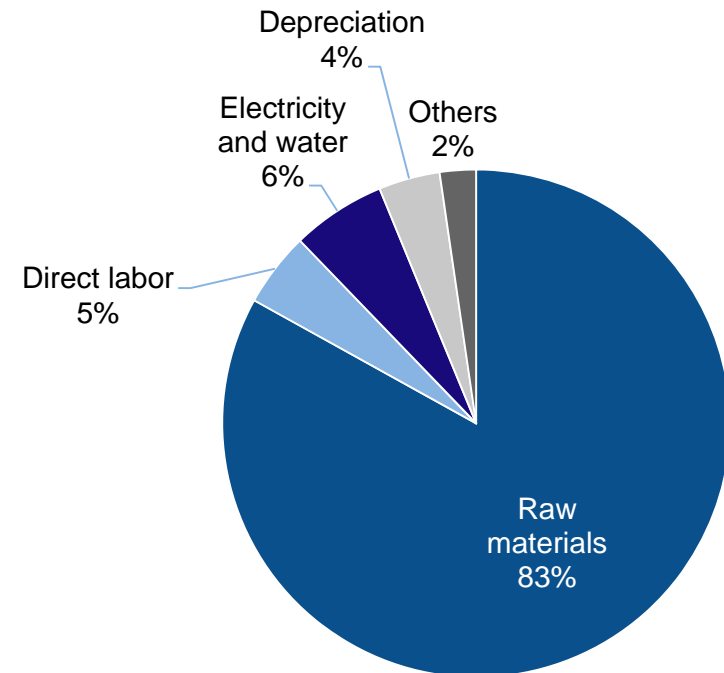
Company to resume fast growth with continued robust performance (Cont'd)

Lawyers to advise on wording for natural hedge

Sales breakdown (2016)



COGS breakdown (2016)



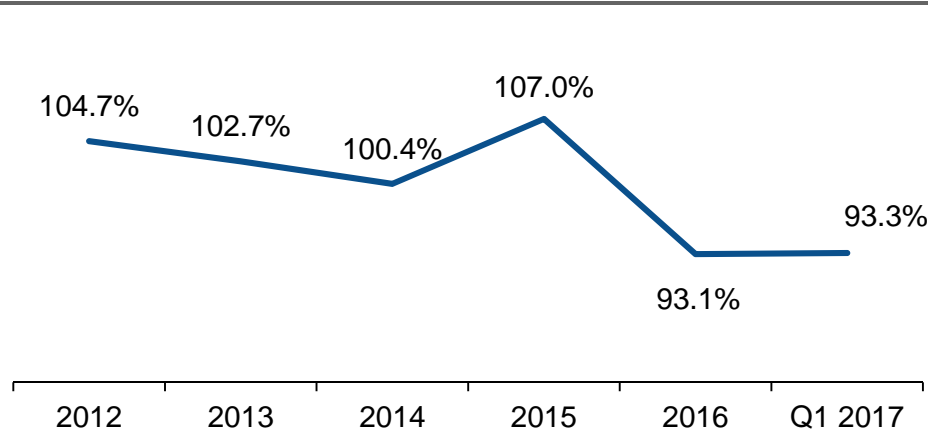
Given its business profile and its strategy, Sritex provides a natural hedge against possible fluctuations in US\$ / Rp

6

Company to resume fast growth with continued robust financial performance (Cont'd)

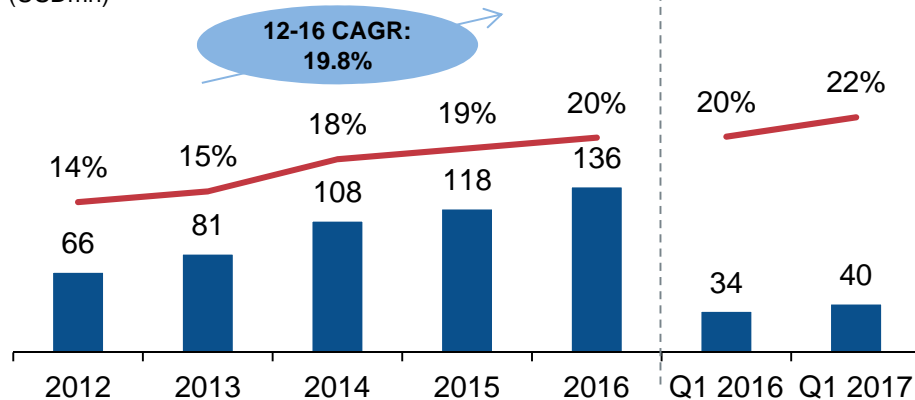
Management now expects growth to resume at fast pace

Average utilization¹



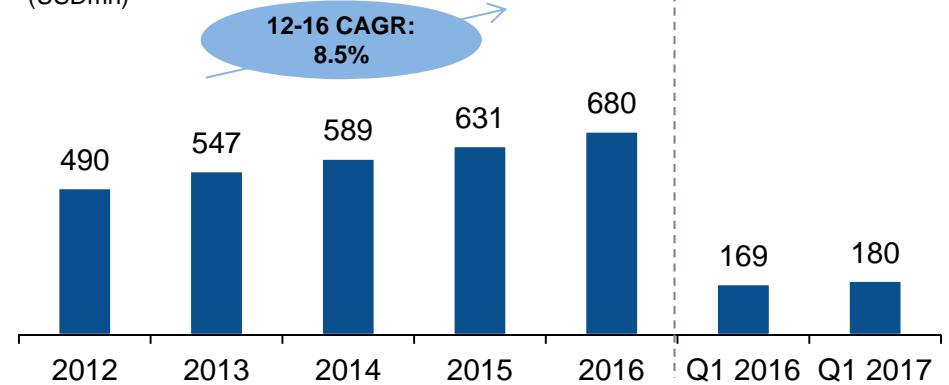
EBITDA and EBITDA margin

(USDmn)



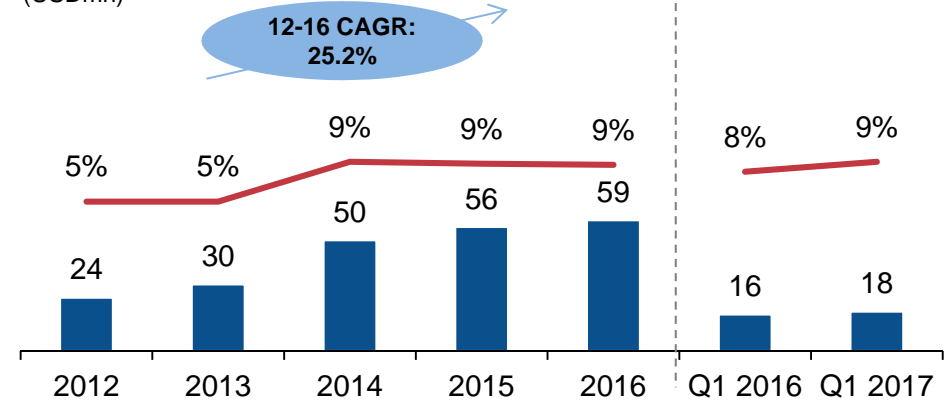
Total Sales

(USDmn)



Net profit and net profit margin

(USDmn)

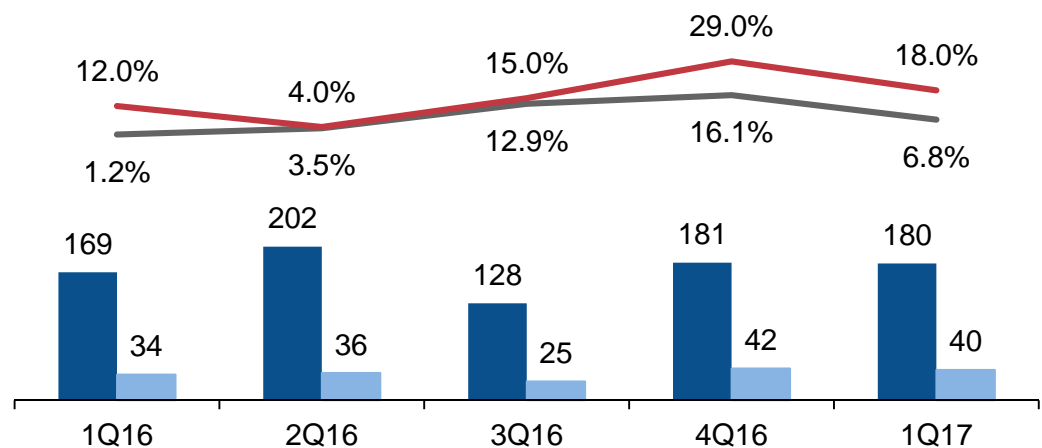


Note: 1. average utilization is weighted average of sales

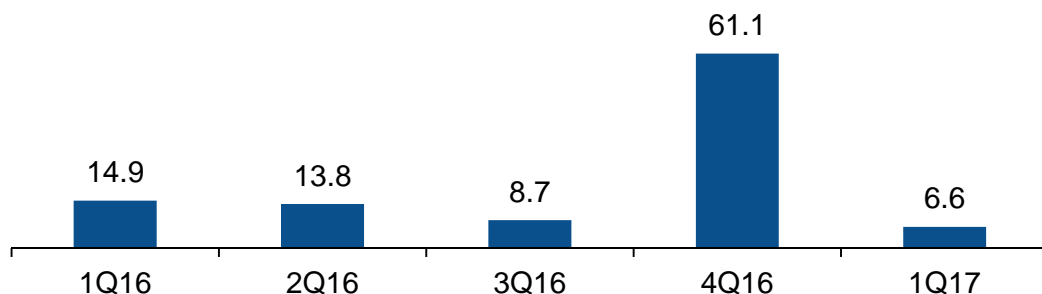
Company to resume fast growth with continued robust financial performance (Cont'd)

Quarterly improvement in financial performance in line with management's objective

Quarterly Revenue and EBITDA YoY Growth



Quarterly CAPEX



Significant EBITDA and revenue growth over the past quarters as expansion capacity came on stream

Capex has normalized in 1Q17, Capex of USD6.6mn for 1Q17

2017 strategic focus

Normalization of new production

Further improvements in production and operating efficiency

Continue to innovate / develop into higher value added activities



Sales: + 12%
EBITDA margin: + 47bps
Net income: + 15%



Conclusion

■ Sritex at a glance key points

- Established by the Lukminto family with history dating back to 1966, Sritex is headquartered in Sukoharjo (Central Java, Indonesia) and has a long history of achievements and growth:
 - Robust financial performance – Sales and EBITDA CAGR of resp. +9% and +20% since 2012
 - Strong reputation for its products with numerous awards and accreditations
- The largest vertically-integrated textile garment companies in SE Asia – providing significant competitive advantage
- Successfully increased presence from downstream into garment, garment now represents 26% of sales (FY16) and growing fast (+25% CAGR over the past 5 years)
- Significantly invested to increase production capacity – CAPEX program over the past 5 years – Sritex is now ready to harvest on its investments. Capacity increased by at least 50% for each of the products

■ Key investment highlights

1. A strategic positioning
2. Distinctive focus on efficiency and high quality production
3. Experience working with prime clients key for next phase of growth
4. Expertise in developing new products, new designs and new fabrics to continue expansion in higher margin segments
5. Benefits both from an experienced management team and from strong human resources to deliver strategic vision
6. Company to resume fast growth with continued robust financial performance