

INFORMATION FOR THE SHAREHOLDERS

In relation to the Agenda of the Extraordinary General Meeting of Shareholders (EGMS)

The approval for the proposed reduction of the authorized, issued and paid-up capital of the Company by the reduction of shares nominal value from Rp. 100,- to Rp. 15,- per share to be exercised in accordance with the prevailing laws and regulations, including but not limited to the provisions under Articles 44, 45, 46, and 47 of Law Number 40 of 2007 on Limited Liability Companies ("Companies Law"), and in relation to the foregoing to amend the provisions of Article 4 of the Company's articles of association.



Provident Agro

PT Provident Agro Tbk
("the Company")

The Extraordinary General Meeting of Shareholders shall be held at Nissi Room of Hotel JS Luwansa,
Jalan HR Rasuna Said Kav C-22, Jakarta 12940
on 16 January 2017 at 14.30 Western Indonesian Time u/t completion.

Shareholders eligible to attend the EGMS shall be those whose names are registered in the Company's Shares Register at 16:00 Western Indonesian Time on 22 December 2016 and/or those Shareholders of the Company registered in Securities Sub Accounts of PT Kustodian Sentral Efek Indonesia at the closing of the Company's stock trading on Indonesian Stock Exchange on 22 December 2016.

EXPLANATION ON THE PROPOSED CAPITAL REDUCTION THROUGH THE REDUCTION OF SHARES NOMINAL VALUE

Background

The Company is a *joint venture* between PT Saratoga Sentra Business and PT Provident Capital Indonesia. The Company was established by virtue of Deed of Limited Liability Company Number 4 dated 2 November 2006 as a palm plantation company. Until the end of 2015, the Company through its subsidiary companies has owned 12 palm plantations located in Sumatera, Kalimantan, and Sulawesi and 1 subsidiary company that trades palm oil and palm kernel in West Kalimantan. The Total planted area (core and plasma) covers 46,663 hectares. The Company through its subsidiary companies owns 5 palm oil mills with total capacity of 195 Tonnes FFB/Hour.

On 31 August 2016, the Company had sold and transferred its subsidiary companies' shares as follows:

Number	Names of Subsidiary Companies	Line of Business	Transaction Value (Rp)
1.	PT Global Kalimantan Makmur (GKM)	Plantation	844,355,231,671
2.	PT Semai Lestari (SML)	Plantation	373,453,372,166
3.	PT Nusaraya Permai (NRP)	Trading	56,953,568,692
4.	PT Saban Sawit Subur (SSS)	Plantation	5,009,581,574
	Total Proceeds received		1,279,771,754,103

GKM, SML, NRP, and SSS shall be jointly referred to as Sold Subsidiary Companies.

The Sold Subsidiary Companies shares sale and transfer transactions have been executed in accordance with the prevailing laws and regulations, including the fulfilment of Regulation Number IX.E.2 regarding Material Transactions and Change of Core Business Activities, the Attachment to Decree of the Chairman of Capital Market Supervisory Board and Financial Institutions Number Kep-614/BL/2011 dated 28 November 2011.

The purpose of the sale and transfer of the abovementioned Sold Subsidiary Companies shares is to provide positive benefits and impacts to the Company, stakeholders, and shareholders by considering the Final Enterprise Value.

The sale and transfer of the Sold Subsidiary Companies shares above, have increased the current assets from proceeds of the sale and transfer, the decrease of noncurrent assets caused mainly by the reduction of fixed assets, as well as significant reduction to current liabilities and noncurrent liabilities in relation to the sale and transfer of the shares of the Sold Subsidiary Companies. In addition, the Company enjoys higher net profit margin due to the decrease of the interest on loans of the subsidiary companies which shares have been sold. Due to the sale and transfer of the Sold Subsidiary Companies shares above, the Company has adequate free cash flow resources to conduct shareholder initiatives such as dividend distribution.

Overall, by performing the sale and transfer of the Sold Subsidiary Companies stocks, the projection on the company's profitability margin ratio that covers EBITDA Margin, Operating Profit Margin, as well as Net Profit Margin for the coming 5 (five) years will improve. The ratios of the current assets against current liabilities, Total Liabilities against Equity, as well as Noncurrent Liabilities against Equity will also improve significantly.

Due to the sale and transfer of the Sold Subsidiary Companies shares above, the Company has liquidity excess and plans to reduce its capital through the reduction of its shares nominal value (*capital reduction*) by returning the difference of the shares nominal value reduction to all shareholders, as referred to by Article 47 of the Companies Law. Therefore, it is proposed that shares nominal value of Rp. 100,- per share to be reduced to Rp. 15,- per share, and the capital total difference resulted from the capital reduction that will be distributed to all shareholders of the Company is at the amount of Rp. 605.160.930.260,- (six hundred five billion one hundred sixty million nine hundred thirty thousand two hundred sixty Rupiah).

Consideration to Reduce Capital through the Reduction of Shares Nominal Value

The capital reduction by reducing the shares nominal value is made under the basis that the Company has excess cash and cash equivalent, hence the capital difference resulted from the reduction of the shares nominal value will be distributed to all shareholders in proportion with each of their shareholding ownership.

Impact to the Company's Growth

The Company's future capital expenditure shall always be discretionary in nature. The Company still has banking facilities to finance sustainable capital expenditure. The Company will ensure a healthy capital ratio and maintain credit quality to continue support the Company's growth. Therefore, the reduction of the Company's authorized, issued and paid-up capital will not have negative impacts to the Company's sustainable growth and operation in future.

Business Outlook and Company's Plan in 2017-2018

The Company considers that the prospect of palm oil plantations is still promising, which the palm oil sector is the main commodity of plantation sector and one of the Indonesia's prime main commodity due to the palm oil industry contribution to foreign exchange earnings, market development opportunity, and the employment opportunity. The prospect of palm oil industry and its derivatives both for domestic consumption and for export, is still promising in the future.

Good Productivity is the key of palm oil industry. Generally, the company's plan ini 2017-2018, will be emphasized on operational excellence to all staged of business process, including:

- Focus on advanced cultivation of the existing plantations and has an integrated care governance which includes water management, fertilization, and pest control to foster plant productivity;
- Sustainable infrastructure improvements to support company's operational activity;
- Continuing to build good cooperation with surrounding society through CSR activities in order to create harmonious relationship;
- Maintain good relations with all stakeholders to increase the role of palm oil in meeting food needs in Indonesia.

Banking Facilities and other Sources of the Company's Funding

The company will use the proceeds from operation to support capital expenditures spending. The company also has other funding sources from the Banking Facilities from PT Bank DBS Indonesia ("DBS") under the Banking Facility Agreement no. 186 dated June 24, 2015 before Buntario Tigris Darmawan Ng, S.H., S.E., M.H., Public Notary in Jakarta, as amended by the second amendment of Banking Facility No. 172B/PFPA-DBSI/IX/1-2/2016 dated 22 September 2016, where DBS provide Committed Revolving Credit Facility with a maximum amount of IDR255.000.000.000,- or its equivalent in USD for the company, PT Mutiara Agam, PT Transpacific Agro Industry, PT Sumatera Candi Kencana and PT Mutiara Sawit Seluma.

Impact to Creditors

The Capital reduction through the reduction of the shares nominal value will not negatively impact the Company's ability to fulfil debt repayment obligations to the creditors since the Company will still possess adequate funds to fulfil the obligations to its creditors in accordance with the respective payment maturities. At present, the Company has banking facilities agreements with PT Bank DBS Indonesia by virtue of Deed of Amendment and Restatement of Banking Facilities Agreement Number 26 dated 16 January 2013, made before Darmawan Tjoa, S.H., S.E., Public Notary in Jakarta, and Deed of Banking Facilities Agreement Number 186 dated 24 June 2015, made before Buntario Tigris Darmawan Ng, S.H., S.E., M.H., Public Notary in Jakarta. Based on the two facilities agreements, the Company is only required to notify PT Bank DBS Indonesia on the amendment to the Company's articles of association with regard to the capital reduction through shares nominal value reduction at the latest 30 calendar days after amendment was made.

Impact to Shareholders

The capital reduction through shares nominal value will not impact nor interrupt the Company's shares liquidity in the Stock Exchange trading since it does not reduce number of listed shares, however the Company's theoretical shares price will be adjusted at the beginning of the shares trading after the reduction of the shares nominal value. Assuming that market is efficient and there is no change in the number of shares, it is expected that shares price will be better than calculation of the theoretical shares value.

Impact of Capital Reduction through Stock Nominal Value Reduction to the Company's Financial Condition

The capital reduction through Reduction of the Shares Nominal Value has impacts to the equity components in the Company's balance sheet but does not affect the profit and loss statement as illustrated below.

Proforma Financial Position per 30 September 2016 before and after capital reduction through Shares Nominal Value Reduction:

(in million Rupiah)

	Before Nominal Value Reduction	Impact	After Nominal Value Reduction
Assets			
Current Assets	910,944	(605,161)	305,783
Noncurrent Assets	2,867,979		2,867,979
Total Assets	3,778,923	(605,161)	3,173,762
Liabilities			
Short-Term Liabilities	284,834		284,834
Long-Term Liabilities	1,356,912		1,356,912
Total Liabilities	1,641,746		1,641,746
Equities			
Fully Subscribed and Paid Up Capital	711,954	(605,161)	106,793
Additional Paid Up Capital	526,380		526,380
Revaluation Surplus	752,105		752,105
Retained Earnings (Deficits)	145,759		145,759
	2,136,198	(605,161)	1,531,037
Minority Interest	979		979
Total Equities	2,137,177		1,532,016

Projection of the Profitability Margin e.g EBITDA Margin, Operating Margin, Net Margin within 5(five) years into the Future

Profitability Ratio	2017F	2018F	2019F	2020F	2021F
EBITDA Margin	40,15%	41,82%	45,27%	48,92%	52,15%
Operating Margin	35,42%	37,41%	41,05%	44,82%	48,14%
Net Margin	11,74%	14,92%	22,51%	29,41%	34,30%

The Ratio of Current Assets to Current Liabilities, total Liabilities to Equity Ratio, the Ratio of Non-Current Liabilities to Equity and Equity ratio, Before and After Capital Reduction

	Before	After
Current Asset to Current Liabilities Ratio	3,20	1,07
Non Current Liabilities to Equity Ratio	0,64	0,89
Total Liabilities to Equity Ratio	0,77	1,07

Proforma Capital Structure Before and After Capital Reduction

DESCRIPTION	BEFORE SHARE NOMINAL VALUE REDUCTION			AFTER SHARE NOMINAL VALUE REDUCTION		
	NUMBER OF SHARES	NOMINAL VALUE Rp. 100,- per share	%	NUMBER OF SHARES	NOMINAL VALUE Rp. 15,- per share	%
Authorized Capital	10,000,000,000	1,000,000,000,000	-	10,000,000,000	150,000,000,000	-
Fully Issued and Paid up Capital:						
1. Saratoga Sentra Business	3,144,200,891	314,420,089,100	44.16	3,144,200,891	47,163,013,365	44.16
2. Provident Capital Indonesia	3,144,200,891	314,420,089,100	44.16	3,144,200,891	47,163,013,365	44.16
3. Tri Boewono	10,085,000	1,008,500,000	0.14	10,085,000	151,275,000	0.14
4. Devin Antonio Ridwan	5,993,950	599,395,000	0.08	5,993,950	89,909,250	0.08
5. Maruli Gultom	2,222,500	222,250,000	0.03	2,222,500	33,337,500	0.03
6. Public (below 5%)	812,837,124	81,283,712,400	11.43	812,837,124	12,192,556,860	11.43
Total Fully Issued and Paid up Capital	7,119,540,356	711,954,035,600	100.00	7,119,540,356	106,793,105,340	100.00
Total Shares in Portfolio	2,880,459,644	288,045,964,400	-	2,880,459,644	43,206,894,660	-

PROCEDURE FOR THE REPAYMENT OF SHARES NOMINAL VALUE DIFFERENCE TO THE SHAREHOLDERS OF THE COMPANY

The repayment of shares nominal value difference to the Shareholders of the Company in relation to the Company's capital reduction through the reduction of the shares nominal value shall be executed in accordance to the following steps:

1. EGMS approving the Company's capital reduction through the reduction of the shares nominal value and the amendment of the Company's Articles of Association which will be held by the Company on 16 January 2017 or on other dates as determined in accordance with the prevailing laws and regulations.
2. EGMS quorum to approve the Company's reduction of the shares nominal value reduction and the amendment of the articles of association shall be at least 2/3 (two third) of the Company's issued shares and approved by more than 2/3 (two third) of the EGMS attending shareholders.
3. The Company's Board of Directors shall notify the EGMS resolutions to all creditors by publishing them in 1 (one) newspapers at the latest 7 (seven) days after the EGMS resolutions date.
4. Within the period of 60 (sixty) days since the announcement date, Creditors may file objections in writing accompanied by the respective reasons on the Company's decision to conduct the capital reduction by the reduction of the shares nominal value with a copy to the Minister of Law and Human Rights of the Republic of Indonesia by referring to the provisions of Article 45 and 46 of the Companies Law.
5. In the event that the Company receives objections from the Creditors in writing, the Company shall provide responses on the objections in writing within 30 (thirty) days since the objections receipt date by the Company.
6. The company shall announce within 2 (two) days since Company has received the EGMS' approval for the amendment of its Articles of Association from to the Minister of Law and Human Rights of the Republic of Indonesia :
 - (i) Approval from the Minister of Law and Human Rights of the Republic of Indonesia;
 - (ii) Recording Date for the shareholders entitled to receive payment of the difference of nominal value estimated within 8 (eight) days since the announcement day;
 - (iii) The payment for stock nominal value difference to the Shareholders will be execute 1 (one) day after the Recording Date ("**Payment Date**")
 - (iv) The payment for stock nominal value difference to the Shareholders who are entitled to be carried out by involving the share registrar and PT Kustodian Sentral Efek Indonesia.
7. The definitive schedule of the dates of payment of stock nominal value difference will be announced later in the website of the company.
8. The payment for stock nominal value difference to the Shareholders who are entitled will be execute on the Payment Date.
9. The result of the implementation of the payment of stock nominal value difference will be announced no later than 2 (two) trading day after the Payment Date.

ADDITIONAL INFORMATION

For further information on the above subject please contact the Company during working hours with the address:

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