



**GOLDEN AGRI-RESOURCES LTD**  
**Full Year 2018 Results Presentation**

27 February 2019



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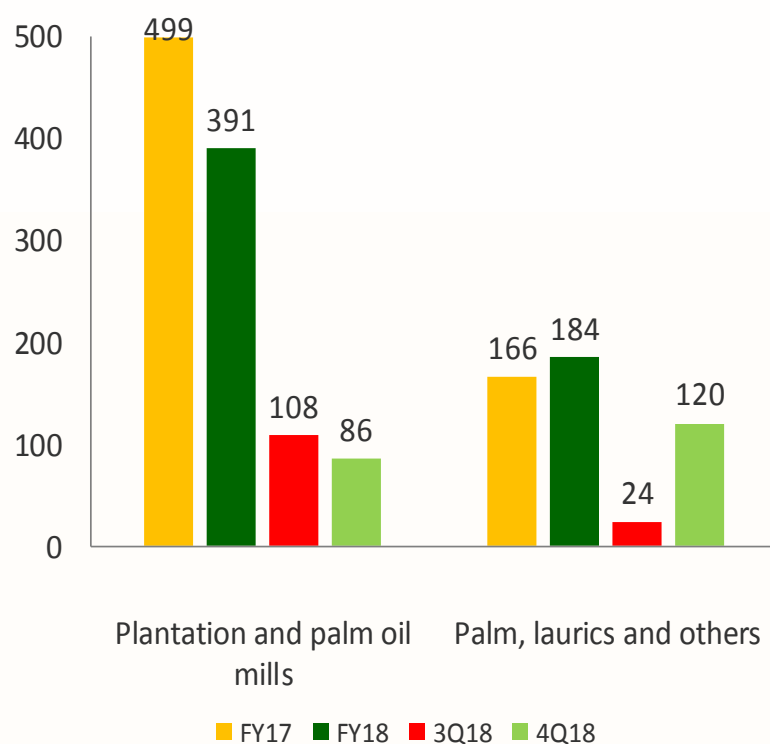


## EXECUTIVE SUMMARY



## Downstream segment drives stronger 4Q 2018 EBITDA despite lower CPO prices

EBITDA (US\$ million)



### • 4Q 2018 vs 3Q 2018

|                                |              |   |      |
|--------------------------------|--------------|---|------|
| Revenue                        | US\$1,653 mn | ↓ | 10%  |
| EBITDA                         | US\$203 mn   | ↑ | 53%  |
| Underlying Profit <sup>1</sup> | US\$101 mn   | ↑ | 166% |
| Palm product output            | 813,000 MT   | ↓ | 11%  |
| CPO FOB price                  | US\$468/MT   | ↓ | 13%  |

### • FY 2018 vs FY 2017

|                                |              |   |     |
|--------------------------------|--------------|---|-----|
| Revenue                        | US\$7,167 mn | ↓ | 5%  |
| EBITDA                         | US\$573 mn   | ↓ | 14% |
| Underlying Profit <sup>1</sup> | US\$181 mn   | ↓ | 29% |
| Palm product output            | 3.05 mn MT   | ↑ | 12% |
| CPO FOB price                  | US\$565/MT   | ↓ | 17% |

#### Note:

1. Net profit/loss attributable to owners of the Company, excluding net effect of net loss from changes in fair value of biological assets, depreciation of bearer plants, exceptional items and other non-operating items (foreign exchange gain/loss and deferred tax income/expense).



## FINANCIAL HIGHLIGHTS



# CONSOLIDATED FINANCIAL PERFORMANCE



| US\$ million  | FY 2018 | FY 2017 | YoY  | 4Q 2018 | 3Q 2018 | QoQ  |
|---|---------|---------|------|---------|---------|------|
| Revenue   | 7,167   | 7,508   | -5%  | 1,653   | 1,839   | -10% |
| Gross Profit  | 1,007   | 1,097   | -8%  | 262     | 277     | -6%  |
| EBITDA  | 573     | 665     | -14% | 203     | 132     | 53%  |
| Underlying Profit <sup>1</sup>  | 181     | 254     | -29% | 101     | 38      | 166% |
| <i>Net loss from changes in fair value of biological assets<sup>2</sup></i> | -15     | -1      | n.m  | -2      | -1      | 200% |
| <i>Depreciation of bearer plants<sup>2</sup></i>                            | -98     | -149    | -34% | -25     | -26     | -5%  |
| <i>Foreign exchange gain/loss<sup>2</sup></i>                               | -19     | -20     | -7%  | 25      | -27     | n.m  |
| <i>Deferred tax income/expense<sup>2</sup></i>                              | -50     | 30      | n.m  | -19     | -38     | -51% |
| <i>Exceptional items<sup>2</sup></i>  | -1      | -39     | -97% | -1      | -       | n.m  |
| Net profit/loss attributable to owners of the Company                       | -2      | 74      | n.m  | 79      | -54     | n.m  |

- Stronger quarter-on-quarter results mainly contributed by the palm and lauric business and fair value gain on financial assets following the adoption of IFRS 9
- FY 2018 results weighed down by weaker CPO prices throughout the year

**Notes:**

1. Net profit/loss attributable to owners of the Company, excluding net effect of net loss from changes in fair value of biological assets and depreciation of bearer plants, exceptional items and other non-operating items (foreign exchange gain/loss and deferred tax income/expense).
2. Net of tax and/or non-controlling interests.

## Robust balance sheet amidst challenging environment

| US\$ million   | 31-Dec-18 | 31-Dec-17 | Change |
|--|-----------|-----------|--------|
| Total Assets   | 8,546     | 8,138     | 5%     |
| <i>Cash and short-term investments</i>                                     | 545       | 394       | 38%    |
| <i>Fixed assets<sup>1</sup></i>  | 3,716     | 3,692     | 1%     |
| Total Liabilities  | 4,236     | 4,029     | 5%     |
| Net Debt <sup>2</sup>  | 1,734     | 1,684     | 3%     |
| <i>Total debt<sup>3</sup></i>  | 3,010     | 2,992     | 1%     |
| <i>Cash, short-term investments and liquid working capital<sup>4</sup></i> | 1,276     | 1,308     | -2%    |
| Total Equity Attributable to Owners of the Company                         | 4,169     | 4,007     | 4%     |
| Net Debt <sup>2</sup> /Equity <sup>5</sup>                                 | 0.42x     | 0.42x     |        |
| Net Debt <sup>2</sup> /Total Assets  | 0.20x     | 0.21x     |        |
| Net Debt <sup>2</sup> /EBITDA  | 3.03x     | 2.53x     |        |
| EBITDA/Interest  | 3.55x     | 4.84x     |        |

**Notes:**

1. Includes Bearer Plants, Property, Plant and Equipment, and Investment Properties
2. Interest bearing debt less cash, short-term investments and liquid working capital
3. Interest bearing debt
4. Liquid working capital is trade receivables, inventories (excluding consumables), deposits and advances to suppliers less trade payables and advances from customers
5. Equity attributable to owners of the Company



**The Board proposes final dividend distribution of 0.58 Singapore cents per share, subject to approval from shareholders, representing 30% of our underlying profit for FY 2018**

| Cash Dividend                                    | 2015   | 2016   | 2017   | 2018   |
|--|--------|--------|--------|--------|
| Dividend per share (in S\$ cents)                | 0.502  | 0.635  | 0.809  | 0.580  |
| Total Dividend (in S\$ million)                  | 63.93  | 80.86  | 103.02 | 73.86  |
| Underlying Profit <sup>1</sup> (in US\$ million) | 180.91 | 186.28 | 253.84 | 180.72 |
| % to underlying profit                           | 26%    | 31%    | 30%    | 30%    |

- The proposed dividend includes the following considerations:
  - results of operations, cash flows and financial condition;
  - working capital requirements;
  - the dividend payment from subsidiaries; and
  - other factors deemed relevant by the Board of Directors and shareholders.
- The proposed dividend is in line with the Company's dividend policy, which is to distribute up to 30% of underlying profit

Note:

1. Net profit attributable to owners of the Company excluding net effect of net gain/loss from changes in fair value of biological assets, depreciation of bearer plants, exceptional items, and other non-operating items (foreign exchange gain/loss and deferred tax income/expense)

## SEGMENTAL PERFORMANCE



## SEGMENTAL RESULTS

Plantations and Palm Oil Mills



### FY 2018 plantation production reached a historic record high

|                                   | FY 2018 | FY 2017 | YoY   | 4Q 2018 | 3Q 2018 | QoQ   |
|-----------------------------------|---------|---------|-------|---------|---------|-------|
| Revenue (US\$ million)            | 1,451   | 1,673   | -13%  | 351     | 416     | -16%  |
| EBITDA (US\$ million)             | 391     | 499     | -22%  | 86      | 108     | -21%  |
| EBITDA margin                     | 27%     | 30%     | -3%   | 24%     | 26%     | -2%   |
| CPO FOB Price (US\$/MT)           | 565     | 682     | -17%  | 468     | 536     | -13%  |
| FFB Production ('000 tonnes)      | 10,525  | 9,607   | 10%   | 2,795   | 3,133   | -11%  |
| Nucleus                           | 8,112   | 7,498   | 8%    | 2,090   | 2,384   | -12%  |
| Plasma                            | 2,413   | 2,109   | 14%   | 705     | 749     | -6%   |
| FFB Yield (tonnes/ha)             | 22.5    | 20.5    | 10%   | 5.9     | 6.6     | -11%  |
| Palm Product Output ('000 tonnes) | 3,049   | 2,724   | 12%   | 813     | 917     | -11%  |
| CPO                               | 2,436   | 2,179   | 12%   | 650     | 729     | -11%  |
| PK                                | 613     | 545     | 13%   | 163     | 188     | -13%  |
| Oil Extraction Rate               | 21.9%   | 22.2%   | -0.3% | 21.7%   | 21.8%   | -0.1% |
| Kernel Extraction Rate            | 5.5%    | 5.6%    | -0.1% | 5.4%    | 5.6%    | -0.2% |
| Palm Product Yield (tonnes/ha)    | 6.2     | 5.7     | 8%    | 1.6     | 1.8     | -12%  |

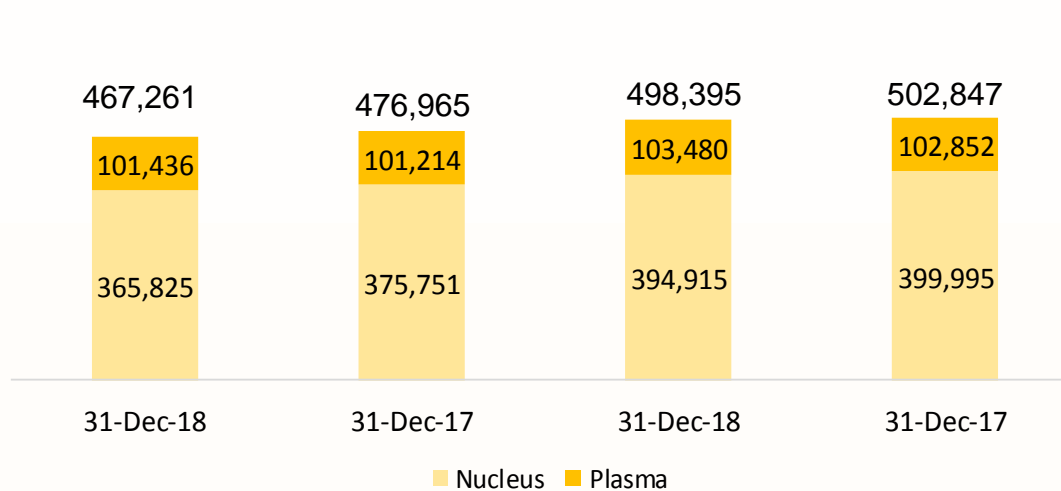
- 4Q 2018 fruit production slowed down quarter-on-quarter due to seasonality
- FY 2018 revenue and EBITDA impacted by weaker prices, partly offset by the production growth



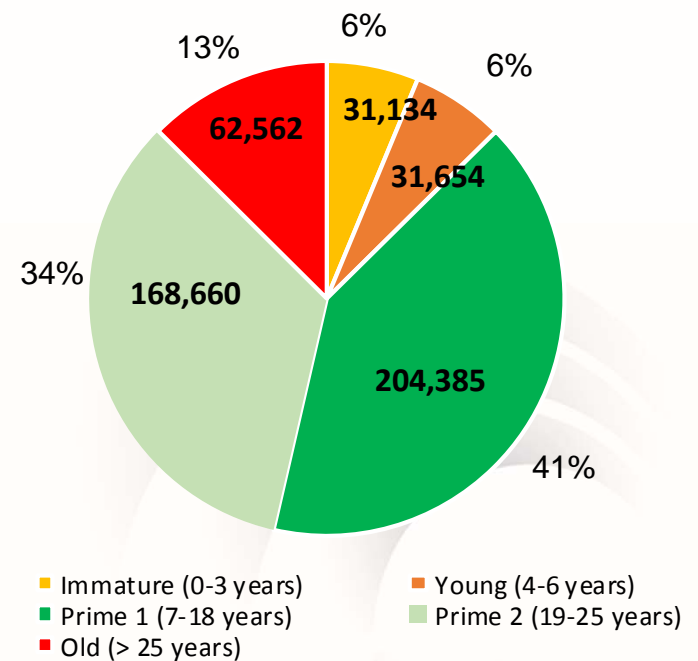
## Focus on productivity growth through replanting and operational excellence

Mature Area - ha

Planted Area - ha



Age Profile as of 31 Dec 2018



- Immature and younger estates use newer-generation higher-yielding seeds to sustain long-term production growth
- Completed replanting of 10,500 ha for FY 2018

Notes:

1. Total planted area, including plasma
2. Average age of plantations, including plasma, is 16 years

## SEGMENTAL RESULTS

Palm, Laurics and Others



### Increasing benefits from integrated business model and enhanced customer relationships in destination markets

|                            | FY 2018     | FY 2017     | YoY         | 4Q 2018     | 3Q 2018     | QoQ         |
|----------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Revenue (US\$ million)     | 7,102       | 7,433       | -5%         | 1,633       | 1,820       | -10%        |
| Sales Volume ('000 tonnes) | 10,210      | 10,214      | -           | 2,588       | 2,724       | -5%         |
| EBITDA (US\$ million)      | 184         | 166         | 11%         | 120         | 24          | 406%        |
| <i>EBITDA margin</i>       | <i>2.6%</i> | <i>2.2%</i> | <i>0.4%</i> | <i>7.4%</i> | <i>1.3%</i> | <i>6.1%</i> |

- Despite declining CPO prices, EBITDA margin was increased at 2.6% through additional contribution from biodiesel and destination sales, the removal of export levy in Indonesia, and fair value gain on financial assets following adoption of IFRS 9
- Oilseeds business continued to be impacted by the challenging business environment

Note:

1. This segment refers to processing and merchandising of palm and oilseed based products i.e. bulk, branded, oleo-chemicals and other vegetable oils, as well as production and distribution of other consumer products in China and Indonesia mainly food and beverages

## STRATEGY AND OUTLOOK





## Driving holistic transformation across the value chain for long-term shareholders return



### Focus

### TECHNOLOGY

### CUSTOMER

### SUSTAINABILITY

### Goals

Digital leapfrog to achieve leadership in productivity and cost efficiency

Sustainable profit growth from high margin products

Responsible palm oil production

### How to achieve

- Digitalisation and science driven solutions
- Mechanisation and automation
- Replanting with next generation seeds
- R&D in new technology
- Analytics driven planning and operations

- Global merchandiser with best-in-class supply chain management
- Broad portfolio of quality value added products
- Customer services and solutions

- Stringent sustainability standard
- End-to-end traceability
- Comprehensive community programmes
- Stakeholders engagement

**Capitalising on the robust fundamentals of the industry, GAR continues to enhance its integrated operation capabilities to optimise profit opportunities across the value chain**



### Upstream

- Focus on replanting with higher-yielding seeds to sustain production growth
- Continued efforts in yield improvement, cost efficiency and sustainability initiatives
- Projected 2019 capex US\$150 million



### Downstream

- Extending product portfolio, global market reach and logistic facilities to enhance our integrated operations
- Evaluating strategic options and business model restructuring
- Projected 2019 capex US\$100 million



### Outlook

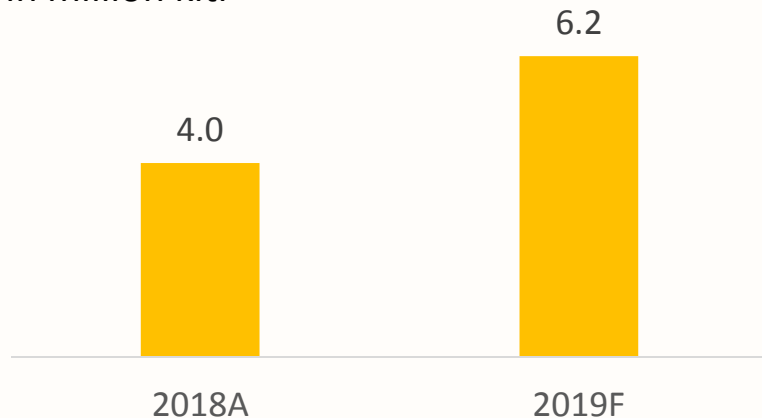
- GAR remains confident in the robust demand growth for palm oil in the long term
- We expect CPO price to remain supported by global demand growth including from biodiesel

## Indonesia growing biodiesel mixture mandate is a major catalyst to the industry

- Global feedstock for biodiesel is estimated to have grown by 10% to approx. 40 million MT in 2018, accounting for 21% of vegetable oil consumption
- Palm oil is the largest feedstock use for biodiesel with 35% contribution
- Indonesian biodiesel production outperformed at 6.0 million kltr in 2018 versus 3.4 million kltr a year earlier
- Indonesia implemented a subsidised B20 programme in 2016 with full implementation since Sep 2018. B30 programme will be implemented in 2020.

### Indonesia Biodiesel Consumption

in million kltr



- In 2018 Indonesia domestic biodiesel totalled 4.0 million kltr while 2019 volume is budgeted at 6.2 million kltr (55% increase)
- Indonesia biodiesel export reached 1.6 million MT in 2018 driven by large exports to China and the EU with price competitiveness of CPO for energy



## Full traceability

to the Plantation:



### 100%TTP

for GAR-owned mills achieved

Target **100%**  
**TTP** 3rd-party  
mills by 2020

### 62%

of  
GAR palm  
supply chain  
fully traceable  
in 2018



**100**  
wild-born orangutans  
rehabilitated &  
released since 2011



## Progress on Traceability to the Plantation

- Full TTP for 62% of the palm supply chain
- 54 third-party mills have reported full TTP with over 150 taking part in the TTP exercise

## Supporting Smallholders

- To date, GAR has helped some 1,400 independent smallholders in Riau and Jambi secure loans of about IDR 240 billion
- Farmers can use loans to replant with higher yielding seed and support their livelihood while waiting for palm trees to mature

## Fire prevention

- Virtually zero fires in GAR areas in 2018
- Long-term fire prevention programme extended to another 15 villages; total 32 villages

## Partnership to rehabilitate orangutans

- GAR renewed partnership with Orangutan Foundation International (OFI)
- Aim to release another 60 orangutans by 2020



### **GAR received several awards in 2018 in the area of corporate, sustainability and governance**

- Winner: ASEAN Business Awards in the Priority Integration Sector - Agribusiness
- Winner: Singapore APEX Corporate Sustainability Award
- Asia's Best Supply Chain Reporting at 2017 Asia Sustainability Reporting Award
- Runner-up: Most Transparent Company Award in Agribusiness at the SIAS 19<sup>th</sup> Investors' Choice Awards



### **Being reviewed by many ratings for its sustainability performance, GAR is encouraged to make continuous improvement in this area**

- Debuted on FTSE4Good ASEAN 5 and Developed Indexes since mid 2018
- Member of SGX Sustainability Index
- Ranked 6<sup>th</sup> by NUS-CGIO for best practices in sustainability reporting in Singapore



## APPENDIX





**Immature and younger estates use newer-generation higher-yielding planting materials that will further boost production growth in the future**

| hectares                | Immature<br>(0-3 years) | Young<br>(4-6 years) | Prime 1<br>(7-18 years) | Prime 2<br>(19-25 years) | Old<br>(>25 years) | Total   |
|-------------------------|-------------------------|----------------------|-------------------------|--------------------------|--------------------|---------|
| <u>31 December 2018</u> |                         |                      |                         |                          |                    |         |
| Nucleus                 | 29,090                  | 27,744               | 175,676                 | 117,866                  | 44,539             | 394,915 |
| Plasma                  | 2,044                   | 3,910                | 28,709                  | 50,794                   | 18,023             | 103,480 |
| Total Area              | 31,134                  | 31,654               | 204,385                 | 168,660                  | 62,562             | 498,395 |
| % of total planted area | 6%                      | 6%                   | 41%                     | 34%                      | 13%                | 100%    |
| <u>31 December 2017</u> |                         |                      |                         |                          |                    |         |
| Nucleus                 | 24,244                  | 33,134               | 180,682                 | 130,807                  | 31,128             | 399,995 |
| Plasma                  | 1,638                   | 5,038                | 31,880                  | 51,870                   | 12,426             | 102,852 |
| Total Area              | 25,882                  | 38,172               | 212,562                 | 182,677                  | 43,554             | 502,847 |
| % of total planted area | 5%                      | 8%                   | 42%                     | 36%                      | 9%                 | 100%    |

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