



## Golden Agri-Resources Ltd

Interim Performance Presentation  
Second quarter and half year ended 30<sup>th</sup> June 2018

14 August 2018



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# Executive Summary



# Executive Summary

## 1H 2018 performance impacted by weaker palm oil prices and downstream margin

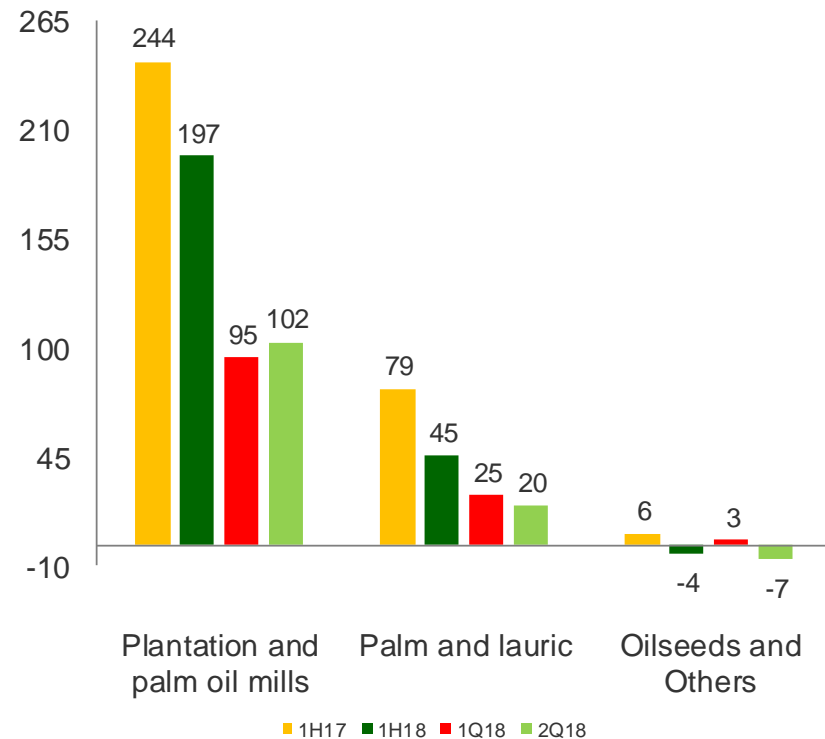
- 1H 2018 vs 1H 2017

Revenue	US\$3,676 mn	↓	3%
EBITDA	US\$238 mn	↓	28%
Underlying Profit <sup>1</sup>	US\$41 mn	↓	70%
Palm product output	1.32 mn MT	↓	1%
CPO FOB price	US\$632/MT	↓	10%

- 2Q 2018 vs 1Q 2018

Revenue	US\$1,860 mn	↑	2%
EBITDA	US\$117 mn	↓	4%
Underlying Profit <sup>1</sup>	US\$17 mn	↓	33%
Palm product output	706,000 MT	↑	15%
CPO FOB price	US\$618/MT	↓	4%

EBITDA<sup>1</sup> (US\$ million)



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 and other non-operating items (foreign exchange gain or loss and deferred tax income or expense).

# Financial Highlights



# Consolidated Financial Performance



US\$ million	1H 2018	1H 2017	YoY	2Q 2018	1Q 2018	QoQ
Revenue	3,676	3,803	-3%	1,860	1,816	2%
Gross Profit	468	547	-14%	220	248	-11%
EBITDA	238	328	-28%	117	121	-4%
Underlying Profit <sup>1</sup>	41	137	-70%	17	25	-33%
<i>Net gain/(loss) from changes in fair value of biological assets<sup>2</sup></i>	-11	0.1	<i>n.m</i>	-11	-0.3	<i>n.m</i>
<i>Depreciation of bearer plants<sup>2</sup></i>	-48	-78	-38%	-26	-22	15%
<i>Foreign exchange gain/(loss)<sup>2</sup></i>	-16	4	<i>n.m</i>	-22	5	<i>n.m</i>
<i>Deferred tax income/(expense)<sup>2</sup></i>	7	-3	<i>n.m</i>	3	4	-33%
Net profit/(loss) attributable to owners of the Company	-27	59	<i>n.m</i>	-39	12	<i>n.m</i>

Softer year-on-year results across the segments mostly due to declining CPO prices

Notes:

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

# Financial Position

## Prudent balance sheet with healthy gearing ratios

US\$ million	30-Jun-18	31-Dec-17	Change
Total Assets	8,487	8,138	4%
<i>Cash and short-term investments</i>	428	394	9%
<i>Fixed Assets<sup>1</sup></i>	3,715	3,692	1%
Total Liabilities	4,428	4,029	10%
Adjusted Net Debt <sup>2</sup>	1,782	1,684	6%
<i>Net Debt<sup>3</sup></i>	2,807	2,598	8%
<i>Liquid Working Capital<sup>4</sup></i>	1,025	914	12%
Total Equity Attributable to Owners of the Company	3,956	4,007	-1%
Adjusted Net Debt <sup>2</sup> /Equity <sup>5</sup> Ratio	0.45x	0.42x	
Adjusted Net Debt <sup>2</sup> /Total Assets	0.21x	0.21x	
Adjusted Net Debt <sup>2</sup> /EBITDA <sup>6</sup>	3.75x	2.53x	
EBITDA/Interest	3.13x	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 less cash and short-term investments

4. 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
6. 30 June 2018 figure is based on annualised EBITDA



# Segmental Performance



# Segmental Results

## Plantations and Palm Oil Mills

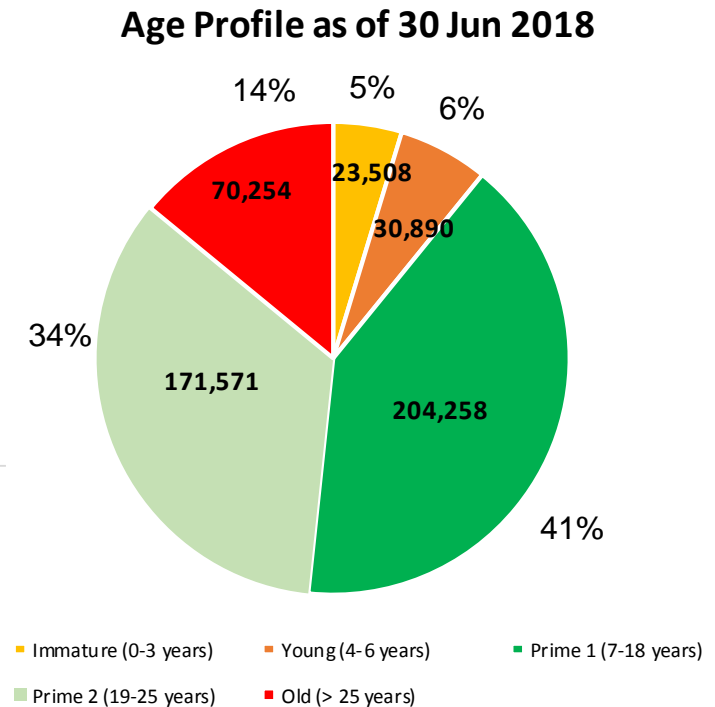
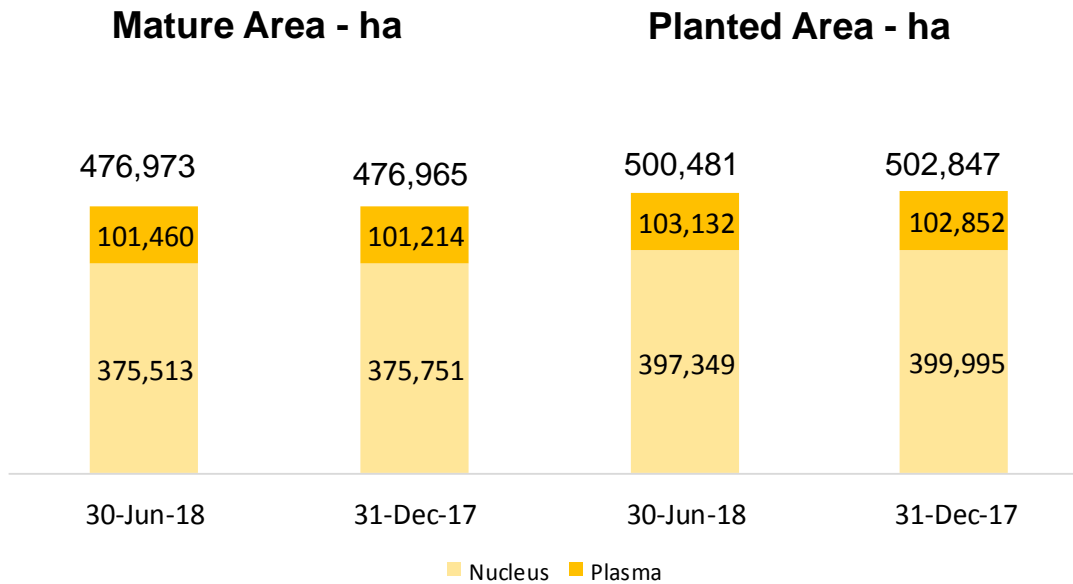


### Resilient EBITDA margin despite lower prices

	1H 2018	1H 2017	YoY	2Q 2018	1Q 2018	QoQ
Revenue (US\$ million)	684	843	-19%	341	343	-0.4%
EBITDA (US\$ million)	197	244	-19%	102	95	8%
<i>EBITDA margin</i>	29%	29%	-	30%	28%	2%
FFB Production ('000 tonnes)	4,598	4,695	-2%	2,473	2,125	16%
Nucleus	3,638	3,705	-2%	1,946	1,691	15%
Plasma	960	990	-3%	527	433	22%
FFB Yield (tonnes/ha)	9.6	9.9	-3%	5.1	4.4	17%
Palm Product Output ('000 tonnes)	1,318	1,335	-1%	706	612	15%
CPO	1,055	1,072	-2%	564	491	15%
PK	263	263	0%	142	121	17%
Oil Extraction Rate	22.1%	22.5%	-0.4%	21.7%	22.5%	-0.8%
Kernel Extraction Rate	5.5%	5.5%	-	5.5%	5.5%	-
Palm Product Yield (tonnes/ha)	2.7	2.8	-4%	1.4	1.2	13%

- 2Q 2018 fruit production saw strong quarter-on-quarter growth of 16%
- 1H 2018 production still lower year-on-year due to high 1Q 2017 base
- Revenue decreased due to weaker prices and inventory built up at end of June 2018

## GAR's oil palm plantations continue to be leading in scale and operational excellence



- Immature and younger estates use newer-generation higher-yielding seeds to sustain long-term production growth
- Replanting target for FY2018 is 10,000 - 15,000 ha

**Notes:**

1. Total planted area, including plasma
2. Average age of plantations, including plasma, is 17 years

# Segmental Results

## Palm and Lauric



### EBITDA margin was impacted by government intervention in commodity markets

	1H 2018	1H 2017	YoY	2Q 2018	1Q 2018	YoY
Revenue (US\$ million)	3,307	3,386	-2%	1,697	1,610	5%
Sales Volume ('000 tonnes)	4,481	4,485	-0.1%	2,319	2,162	7%
EBITDA (US\$ million)	45	79	-43%	20	25	-21%
<i>EBITDA margin</i>	<i>1.4%</i>	<i>2.3%</i>	<i>-0.9%</i>	<i>1.2%</i>	<i>1.6%</i>	<i>-0.4%</i>

- CPO market disrupted by import tax increase in India, export tax suspension in Malaysia, and changes in trade policies between US and China
- Softer downstream margin due to untimely purchase of feedstocks for the festive season stock building
- Downstream business will continue to focus on enhancing integration and pushing higher value added products to improve long-term margins

# Segmental Results

## Oilseeds and Others



### Oilseed business results impacted by high input prices

	1H 2018	1H 2017	YoY	2Q 2018	1Q 2018	QoQ
<u>Oilseeds</u>						
Revenue (US\$ million)	243	354	32%	99	144	-31%
Sales Volume ('000 tonnes)	404	656	-38%	176	228	-23%
EBITDA (US\$ million)	-4.6	4.5	n.m	-6.9	2.3	n.m
<i>EBITDA margin</i>	-1.9%	1.3%	-3.2%	-7.0%	1.6%	-8.6%
<u>Others</u>						
Revenue (US\$ million)	99	98	2%	48	51	-5%
EBITDA (US\$ million)	0.3	1.1	-76%	-0.2	0.5	n.m
<i>EBITDA margin</i>	0.3%	1.2%	0.9%	-0.4%	1.0%	-1.4%

- Margin impacted by higher feedstock prices resulting from the 25% import tax on US soybeans
- Divestment of Tianjin assets as part of our refocused China strategy was completed in April 2018

Note:

1. Others segment includes other consumer products in China and Indonesia mainly in food and beverage

# Strategy and Outlook



# Responsible Growth through Innovation

## Driving operational transformation for responsible growth and 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 newer 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 2018 capex US\$110 million



## Downstream

- Extending product portfolio, global market reach and logistic facilities to enhance our integrated operations
- Evaluating strategic options and business model restructuring
- Projected 2018 capex US\$110 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



# Towards Responsible Palm Oil Production

## Progress on Traceability to the Plantation for third-party suppliers

- Full TTP for 41% of the palm supply chain (GAR-owned mills and third-party suppliers)
- 50 third-party mills have started the TTP process with 16 reporting 100% TTP as of Q2 2018
- This helps us share responsible practices and build a more resilient supply chain; since 2015, we have conducted visits to over 70 supplier mills to help them improve practices
- We are supporting our third-party suppliers to achieve full TTP by connecting them to external technical experts who can provide software and other support

## GAR debuts on FTSE4Good index series

- Debuted on the FTSE4Good Index Series designed to measure the performance of companies demonstrating strong ESG practices
- Last year, GAR debuted on the Dow Jones Sustainability Index (DJSI)
- GAR is also a member of the SGX ESG Indices, including the Sustainability Leaders Index.



**100%**

Traceability to  
Plantation for GAR-owned  
mills by end-2017

**100%**

Traceability to  
Plantation for independent  
mills by 2020



**FTSE4Good**

# Appendix



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

hectares	Immature (0-3 years)	Young (4-6 years)	Prime 1 (7-18 years)	Prime 2 (19-25 years)	Old (>25 years)	Total
<u>30 June 2018</u>						
Nucleus	21,836	26,980	175,562	120,777	52,194	397,349
Plasma	1,672	3,910	28,696	50,794	18,060	103,132
Total Area	23,508	30,890	204,258	171,571	70,254	500,481
% of total planted area	5%	6%	41%	34%	14%	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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