



# First Resources Limited

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**Full Year and Fourth Quarter 2017  
Results Presentation  
26 February 2018**

*Delivering Growth and Returns*



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# Executive Summary – FY2017

## Reported a Good Set of Results

### ■ Improved Financial Performance

- EBITDA came in at US\$292.1 million, an increase of 16.2%
- Underlying net profit came in at US\$139.5 million, an increase of 20.8%
- Results boosted by higher sales volumes and average selling prices

### ■ Robust Production Growth

- Overall increase in production from yield recovery and contribution from newly mature estates
- Fresh fruit bunches (FFB) harvested increased by 14.1%
- Correspondingly, CPO production volumes increased by 10.6%
- Cash cost of production for nucleus CPO remained low at US\$217 per tonne (FY2016: US\$215)

# Executive Summary

## Dividend

### ■ Proposing final dividend of 2.15 Singapore cents per share

- Interim dividend of 1.25 Singapore cents per share paid in September 2017, bringing full-year ordinary dividend to 3.40 Singapore cents per share

### ■ Recommending special dividend of 3.40 Singapore cents per share

- To commemorate the 10<sup>th</sup> anniversary of First Resources' listing and 25 years since the Group's establishment

Dividend History	FY2017	FY2016	FY2015	FY2014	FY2013
Interim (SGD cents per share)	1.25	0.625	1.25	1.25	1.25
Final (SGD cents per share)	2.15	2.375	1.25	2.30	3.25
Special (SGD cents per share)	3.40	-	-	-	-
<b>Total (SGD cents per share)</b>	<b>6.80</b>	<b>3.000</b>	<b>2.50</b>	<b>3.55</b>	<b>4.50</b>

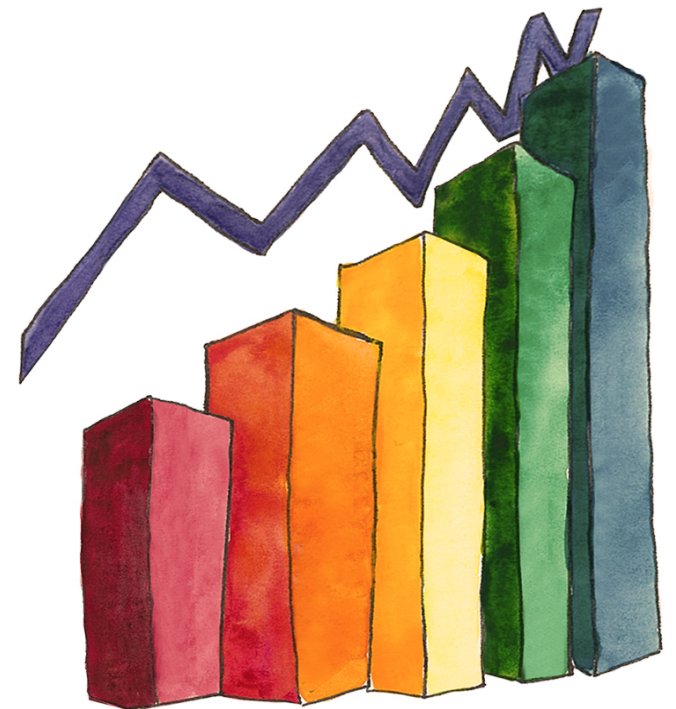
### % of Underlying Net Profit

- Ordinary dividend	29%	29%	30%	25% <sup>(1)</sup>	26% <sup>(1)</sup>
- Special dividend	29%	-	-	-	-

(1) Figures have not been adjusted to take into account the effects from the adoption of the amendments to FRS 16 *Property, Plant and Equipment* and FRS 41 *Agriculture – Bearer plants*.

# Financial Performance

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# Income Statement Highlights

US\$' million	FY2017	FY2016	Change	4Q2017	4Q2016	Change
Sales	647.0	575.2	12.5%	180.8	175.2	3.2%
Cost of sales	(340.3)	(308.0)	10.5%	(94.8)	(79.7)	19.0%
Gross profit	306.7	267.3	14.8%	86.0	95.5	(10.0%)
(Losses)/gains arising from changes in fair value of biological assets	(2.4)	13.2	<i>n.m.</i>	(2.4)	13.2	<i>n.m.</i>
EBITDA <sup>(1)</sup>	292.1	251.3	16.2%	78.2	91.4	(14.4%)
Net profit <sup>(2)</sup>	137.7	125.4	9.8%	34.2	58.0	(41.1%)
Underlying net profit <sup>(3)</sup>	139.5	115.5	20.8%	36.0	48.1	(25.3%)
Gross profit margin	47.4%	46.5%	↑	47.6%	54.5%	↓
EBITDA margin	45.2%	43.7%	↑	43.3%	52.2%	↓

- Increase in sales for FY2017 was driven by a combination of higher average selling prices and sales volumes.
- EBITDA and net profit for 4Q2017 were lower, impacted by lower average selling prices.

(1) Profit from operations before depreciation, amortisation and (losses)/gains arising from changes in fair value of biological assets

(2) Profit attributable to owners of the Company

(3) Profit attributable to owners of the Company excluding net (losses)/gains arising from changes in fair value of biological assets

# Segmental Results

US\$' million	FY2017	FY2016	Change	4Q2017	4Q2016	Change
<b>Sales</b>						
Plantations and Palm Oil Mills	524.9	473.9	10.8%	151.5	164.0	(7.6%)
• Crude Palm Oil	427.1	388.3	10.0%	122.1	133.4	(8.5%)
• Palm Kernel	83.4	74.6	11.9%	25.7	27.3	(5.7%)
• Fresh Fruit Bunches	14.3	11.0	30.4%	3.7	3.3	12.9%
Refinery and Processing	600.3	498.4	20.4%	169.5	156.9	8.0%
Inter-segment elimination	(478.2)	(397.1)	20.4%	(140.2)	(145.7)	(3.8%)
	<b>647.0</b>	<b>575.2</b>	<b>12.5%</b>	<b>180.8</b>	<b>175.2</b>	<b>3.2%</b>
<b>EBITDA</b>						
Plantations and Palm Oil Mills	272.0	256.9	5.9%	71.4	106.4	(32.9%)
Refinery and Processing	18.6	(1.3)	<i>n.m.</i>	4.7	(8.1)	<i>n.m.</i>
Inter-segment elimination <sup>(1)</sup>	1.5	(4.2)	<i>n.m.</i>	2.2	(6.9)	<i>n.m.</i>
	<b>292.1</b>	<b>251.3</b>	<b>16.2%</b>	<b>78.2</b>	<b>91.4</b>	<b>(14.4%)</b>

(1) Inter-segment elimination of EBITDA relates to the elimination of unrealised profit on inter-segment sales

# Sales Analysis

	FY2017	FY2016	Change	4Q2017	4Q2016	Change
<b>Sales Volume (tonnes)</b>						
Plantations and Palm Oil Mills <sup>(1)</sup>						
• Crude Palm Oil	708,213	660,994	7.1%	207,266	212,074	(2.3%)
• Palm Kernel	166,813	151,300	10.3%	49,672	49,569	0.2%
Refinery and Processing	900,577	792,415	13.6%	263,783	230,693	14.3%

- The higher sales volumes in FY2017 were mainly driven by improved production volumes.
- For FY2017, there was a net inventory drawdown of ~28,000 tonnes (FY2016: drawdown of ~5,000 tonnes).
- For 4Q2017, the sales volumes included the effects of a net inventory drawdown of ~14,000 tonnes (4Q2016: build-up of ~28,000 tonnes).

(1) Sales volume includes inter-segment sales



# Review of Key Performance Metrics

Performance Metrics	FY2017	FY2016	Change
Unit Cash Cost of Production, Ex-Mill <sup>(1)</sup> - Per tonne of Nucleus CPO produced	US\$217	US\$215	↑
Unit EBITDA <sup>(2)</sup> - Per tonne of Nucleus CPO sold	US\$453	US\$463	↓
Unit EBITDA <sup>(2)</sup> - Per mature Nucleus Hectare	US\$1,846	US\$1,878	↓

(1) Derived using total cash cost of producing nucleus CPO and PK (before selling and distribution expenses and general and administrative expenses), divided by the production volume of nucleus CPO

(2) Refers to EBITDA contribution from Plantations and Palm Oil Mills segment and not Group EBITDA

# Balance Sheet Highlights

US\$' million	31 Dec 2017	31 Dec 2016
Total Assets	1,731.0	1,699.6
Cash and bank balances	278.9	258.2
Total Liabilities	708.8	773.4
Borrowings and debt securities <sup>(1)</sup>	496.3	447.9
Total Equity	1,022.2	926.2
Net Debt	217.4	189.6
Gross Debt <sup>(1)</sup> /Total Equity	0.49x	0.48x
Net Debt <sup>(2)</sup> /Total Equity	0.21x	0.20x
Gross Debt <sup>(1)</sup> /EBITDA	1.70x	1.78x
Net Debt <sup>(2)</sup> /EBITDA	0.74x	0.75x
EBITDA/Interest Expense <sup>(3)</sup>	12.9x	10.1x

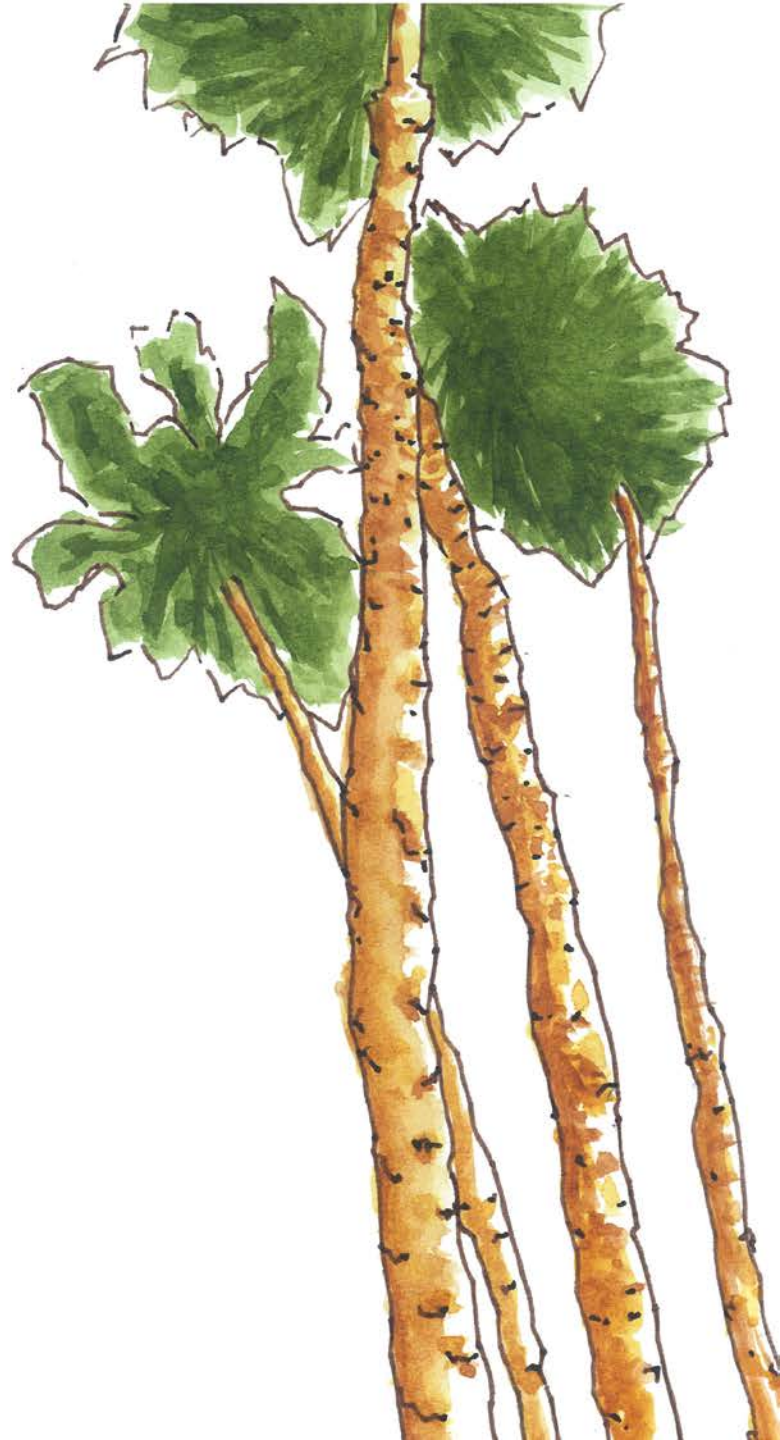
(1) Sum of Islamic MTNs and borrowings from financial institutions

(2) Borrowings and debt securities less cash and bank balances

(3) Total interest/profit distribution paid/payable on borrowings and debt securities

# Operational Performance

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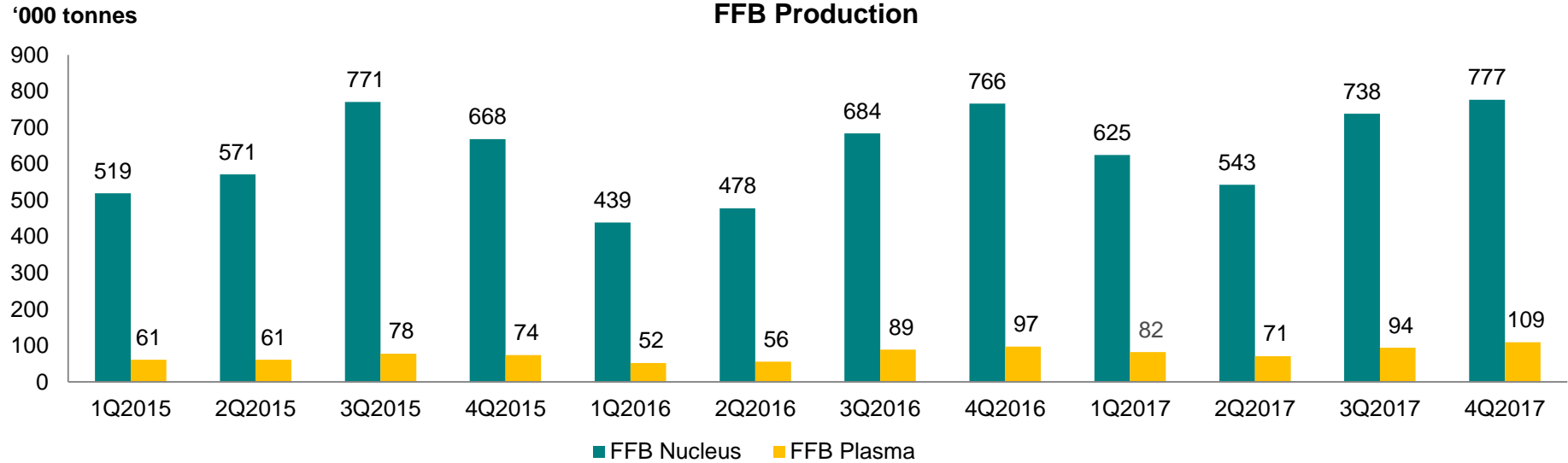
# Production Highlights

		FY2017	FY2016	Change	4Q2017	4Q2016	Change
<b>Production</b>							
FFB harvested	(tonnes)	3,037,842	2,661,554	14.1%	885,617	863,143	2.6%
• Nucleus		2,682,944	2,367,767	13.3%	776,876	766,298	1.4%
• Plasma		354,898	293,787	20.8%	108,741	96,845	12.3%
FFB purchased	(tonnes)	236,566	253,148	(6.6%)	62,116	76,496	(18.8%)
CPO	(tonnes)	702,368	634,941	10.6%	203,383	205,534	(1.0%)
PK	(tonnes)	170,664	148,270	15.1%	51,203	49,236	4.0%
<b>Efficiency</b>							
FFB Yield	(tonnes/ha)	17.5	16.8	↑	5.1	5.4	↓
CPO Yield	(tonnes/ha)	3.9	3.8	↑	1.1	1.2	↓
CPO Extraction Rate	(%)	22.2	22.5	↓	22.1	22.4	↓
PK Extraction Rate	(%)	5.4	5.3	↑	5.6	5.4	↑

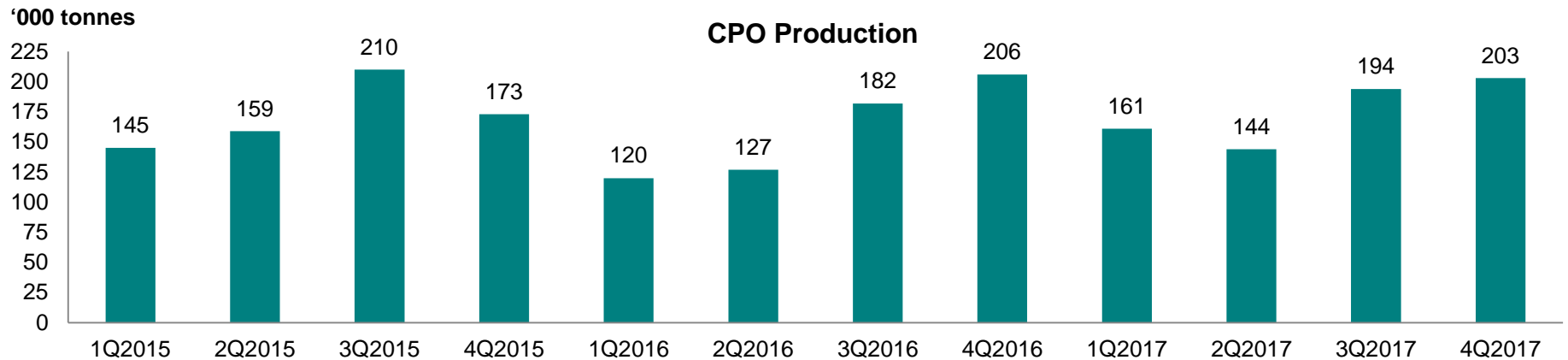
- Production increased due to strengthening in yields and increase in mature hectarage. FFB purchased continue to decline as our mature hectarage increases.

# Production Trends

## FFB Production



## CPO Production

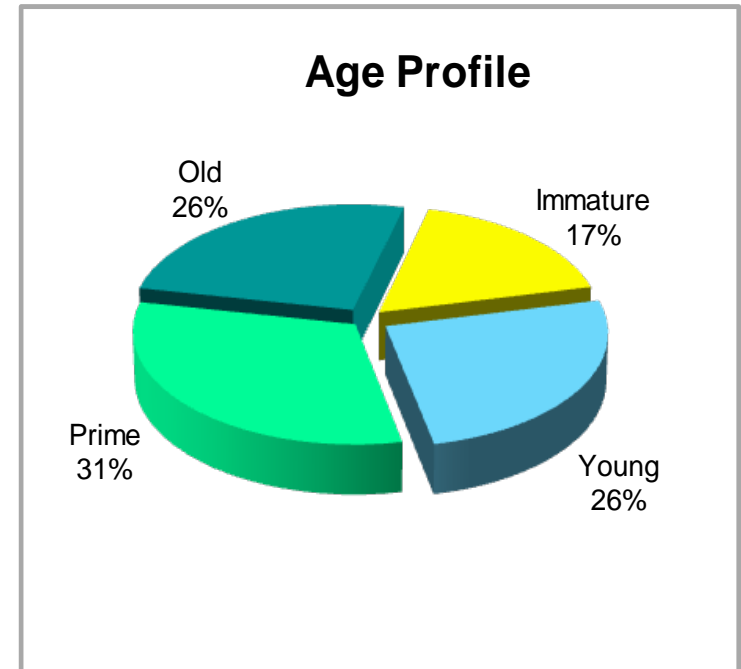


# Oil Palm Plantation Area

	As at 31 Dec 2017		As at 31 Dec 2016	
	Area (ha)	% of Total	Area (ha)	% of Total
<b>Planted Nucleus</b>	<b>179,521</b>	<b>85%</b>	<b>179,398</b>	<b>86%</b>
- Mature	147,377	70%	136,798	66%
- Immature	32,144	15%	42,600	20%
<b>Planted Plasma</b>	<b>30,480</b>	<b>15%</b>	<b>29,293</b>	<b>14%</b>
- Mature	26,032	13%	21,799	10%
- Immature	4,448	2%	7,494	4%
<b>Total Planted</b>	<b>210,001</b>	<b>100%</b>	<b>208,691</b>	<b>100%</b>
- Mature	173,409	83%	158,597	76%
- Immature	36,592	17%	50,094	24%

# Oil Palm Plantation Age Profile

Age	As at 31 Dec 2017	
	Area (ha)	% of Total
0-3 years (Immature)	36,592	17%
4-7 years (Young)	53,442	26%
8-17 years (Prime)	65,945	31%
≥ 18 years (Old)	54,022	26%
<b>Total</b>	<b>210,001</b>	<b>100%</b>



**Weighted average age of ~ 10 years**

# Growth Strategy and Updates

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# Growth Strategy: Building on our Core Expertise

## Upstream Agri-Business Focus

- Develop and maintain high-quality plantation assets and ensure optimal milling capacity in line with FFB production growth
- To achieve sustainable production growth




## Active Cost Containment

- Maintain our low-cost structure through best-in-class operational efficiency and stringent cost management
- To achieve superior margins and greater resilience to price cycles by being at the low end of the industry cost curve

## Responsible Cultivation

- Continuously strengthen our multi-faceted sustainability policy across the Group's entire operations
- To maximise market access through sustainable palm oil production

# A Leading Plantation Group with Integrated Operations Throughout the Value Chain

	Plantations	Milling	Processing
Activity			
Products	<ul style="list-style-type: none"> <li>■ Fresh Fruit Bunches</li> </ul>	<ul style="list-style-type: none"> <li>■ Crude Palm Oil</li> <li>■ Palm Kernel</li> </ul>	<ul style="list-style-type: none"> <li>■ RBDPO</li> <li>■ PFAD</li> <li>■ RBD Olein</li> <li>■ RBD Stearin</li> <li>■ Biodiesel</li> <li>■ PKE</li> <li>■ PKO</li> <li>■ Crude Glycerine</li> </ul>
Assets	<ul style="list-style-type: none"> <li>➢ 210,001 ha of plantations               <ul style="list-style-type: none"> <li>• Nucleus : 179,521 ha</li> <li>• Plasma : 30,480 ha</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>➢ 15 CPO mills</li> </ul>	<ul style="list-style-type: none"> <li>➢ Refinery, fractionation &amp; biodiesel plants</li> <li>➢ Kernel crushing plant</li> </ul>

Note: Data as at 31 Dec 2017

# Capital Investments in 2018

## ■ Plantation Development

- New planting of oil palms
- Maintenance of immature oil palm and rubber plantations

## ■ Property, Equipment and Others

- Infrastructure for plantation management

## ■ CPO mills

- Construction of two new mills (16<sup>th</sup> and 17<sup>th</sup>) in West Kalimantan and East Kalimantan
- Upgrading and maintenance of CPO mills

## ■ Others (Downstream, IT, Seed Garden)

**Expected capital expenditure ~ US\$85 million**

# Operational Updates

## ■ Outlook

- The Group anticipates its production volume growth to extend into 2018 from continued yield recovery and contribution from newly mature plantations.
- While higher industry production and competition from other edible oils are expected to influence palm oil prices, improving crude oil prices and potential domestic demand growth from Indonesia's biodiesel mandate may lend some support to prices.
- In the longer term, the fundamentals of the palm oil industry remains favourable, underpinned by expected demand growth from the rising consumption of vegetable oils in emerging markets and biofuel usage, while the sharply reduced pace of new plantings in recent years will lead to an eventual slow-down in global supply growth.
- In view of the proposed special dividend for FY2017 to be paid in May 2018, the Group's effective tax rate in 2018 is expected to be higher from withholding tax expense on dividend income to be received from foreign subsidiaries.

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