



First Resources Limited

**Full Year and Fourth Quarter 2018
Results Presentation
28 February 2019**

Delivering Growth and Returns



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Executive Summary – FY2018

Healthy Performance in a Challenging Market Environment

■ Robust Operational Performance

- Overall increase in production from yield recovery and contribution from newly mature estates
- Fresh fruit bunches (FFB) harvested increased by 13.1%
- Correspondingly, CPO production volumes increased by 17.3%

■ Moderated Financial Performance

- EBITDA came in at US\$257.9 million, a decrease of 11.7%
- Underlying net profit came in at US\$122.6 million, a decrease of 12.1%
- Overall results impacted by the effects of a net inventory build-up of ~69,000 tonnes (FY2017: drawdown of ~28,000 tonnes) and weaker palm oil prices

Dividend Proposal

■ Proposing final dividend 2.00 Singapore cents per share

- Interim dividend of 1.25 Singapore cents per share paid in September 2018, bringing full-year ordinary dividend to 3.25 Singapore cents per share

Dividend History	FY2018	FY2017	FY2016	FY2015	FY2014
Interim (SGD cents per share)	1.25	1.25	0.625	1.25	1.25
Final (SGD cents per share)	2.00	2.15	2.375	1.25	2.30
Special (SGD cents per share)	-	3.40	-	-	-
Total (SGD cents per share)	3.25	6.80	3.000	2.50	3.55

% of Underlying Net Profit

- Ordinary dividend	31%	29%	29%	30%	25% ⁽¹⁾
- Special dividend	-	29%	-	-	-

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

Financial Performance



Income Statement Highlights

US\$' million	FY2018	FY2017	Change	4Q2018	4Q2017	Change
Sales	633.5	647.0	(2.1%)	145.5	180.8	(19.5%)
Cost of sales	(354.7)	(340.3)	4.2%	(92.1)	(94.8)	(2.8%)
Gross profit	278.8	306.7	(9.1%)	53.4	86.0	(37.9%)
Losses arising from changes in fair value of biological assets	(3.5)	(2.4)	45.1%	(3.5)	(2.4)	45.1%
EBITDA ⁽¹⁾	257.9	292.1	(11.7%)	47.5	78.2	(39.2%)
Net profit ⁽²⁾	120.0	137.7	(12.9%)	17.3	34.2	(49.2%)
Underlying net profit ⁽³⁾	122.6	139.5	(12.1%)	19.9	36.0	(44.6%)
Gross profit margin	44.0%	47.4%	↓	36.7%	47.6%	↓
EBITDA margin	40.7%	45.2%	↓	32.7%	43.3%	↓

- Overall results were impacted by a net inventory build-up as well as the effects of lower average selling prices, which contributed to the decline in margins

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

Segmental Results

US\$' million	FY2018	FY2017	Change	4Q2018	4Q2017	Change
Sales						
Plantations and Palm Oil Mills	534.8	524.9	1.9%	122.6	151.5	(19.1%)
• Crude Palm Oil	446.6	427.1	4.6%	104.4	122.1	(14.5%)
• Palm Kernel	75.2	83.4	(9.9%)	15.1	25.7	(41.2%)
• Fresh Fruit Bunches	13.0	14.3	(9.1%)	3.1	3.7	(17.2%)
Refinery and Processing	604.7	600.3	0.7%	138.8	169.5	(18.1%)
Inter-segment elimination	(506.1)	(478.2)	5.8%	(115.9)	(140.2)	(17.4%)
	633.5	647.0	(2.1%)	145.5	180.8	(19.5%)
EBITDA						
Plantations and Palm Oil Mills	249.7	272.0	(8.2%)	46.9	71.4	(34.4%)
Refinery and Processing	17.0	18.6	(8.8%)	6.6	4.7	41.5%
Inter-segment elimination ⁽¹⁾	(8.8)	1.5	<i>n.m.</i>	(5.9)	2.2	<i>n.m.</i>
	257.9	292.1	(11.7%)	47.5	78.2	(39.2%)

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

Segmental Sales Volume

	FY2018	FY2017	Change	4Q2018	4Q2017	Change
Sales Volume (tonnes)						
Plantations and Palm Oil Mills ⁽¹⁾						
• Crude Palm Oil	826,842	708,213	16.8%	211,530	207,266	2.1%
• Palm Kernel	190,298	166,813	14.1%	44,752	49,672	(9.9%)
Refinery and Processing	1,011,037	900,577	12.3%	255,974	263,783	(3.0%)

- The higher sales volumes in FY2018 were mainly driven by improved production volumes and yields from our plantations
- However, sales volumes for the year were impacted by a net inventory build-up of ~69,000 tonnes as compared to a drawdown of ~28,000 tonnes in FY2017, which resulted in a smaller increase in overall sales volumes than the growth in production volumes
- For 4Q2018, there was a net inventory build-up of ~31,000 tonnes (4Q2017: drawdown of ~14,000 tonnes)

(1) Sales volume includes inter-segment sales

Review of Key Performance Metrics

Performance Metrics	FY2018	FY2017	Change
Unit Cash Cost of Production, Ex-Mill ⁽¹⁾ - Per tonne of nucleus CPO produced	US\$237	US\$217	↑
Unit EBITDA ⁽²⁾ - Per tonne of nucleus CPO sold	US\$376	US\$471	↓
Unit EBITDA ⁽²⁾ - Per mature nucleus hectare	US\$1,544	US\$1,846	↓

(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 2018	31 Dec 2017 ⁽⁴⁾
Total Assets	1,571.0	1,731.0
Cash and bank balances	99.9	278.9
Total Liabilities	585.0	708.8
Borrowings and debt securities ⁽¹⁾	381.0	496.3
Total Equity	986.0	1,022.2
Net Debt	281.1	217.4
Gross Debt ⁽¹⁾ /Total Equity	0.39x	0.49x
Net Debt ⁽²⁾ /Total Equity	0.29x	0.21x
Gross Debt ⁽¹⁾ /EBITDA	1.48x	1.70x
Net Debt ⁽²⁾ /EBITDA	1.09x	0.74x
EBITDA/Interest Expense ⁽³⁾	14.3x	12.9x

(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

(4) Restated to take into account the effects from the adoption of SFRS(I)

Operational Performance

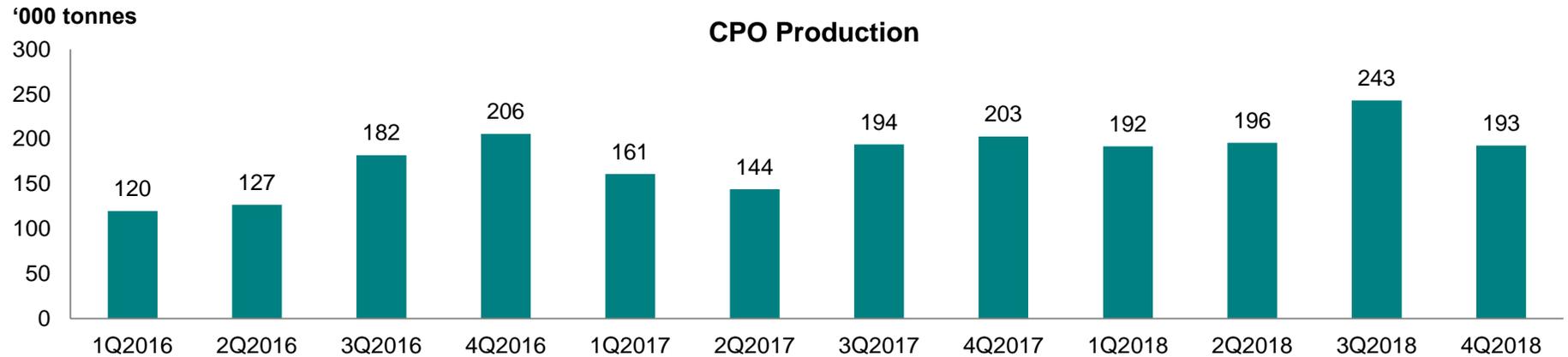
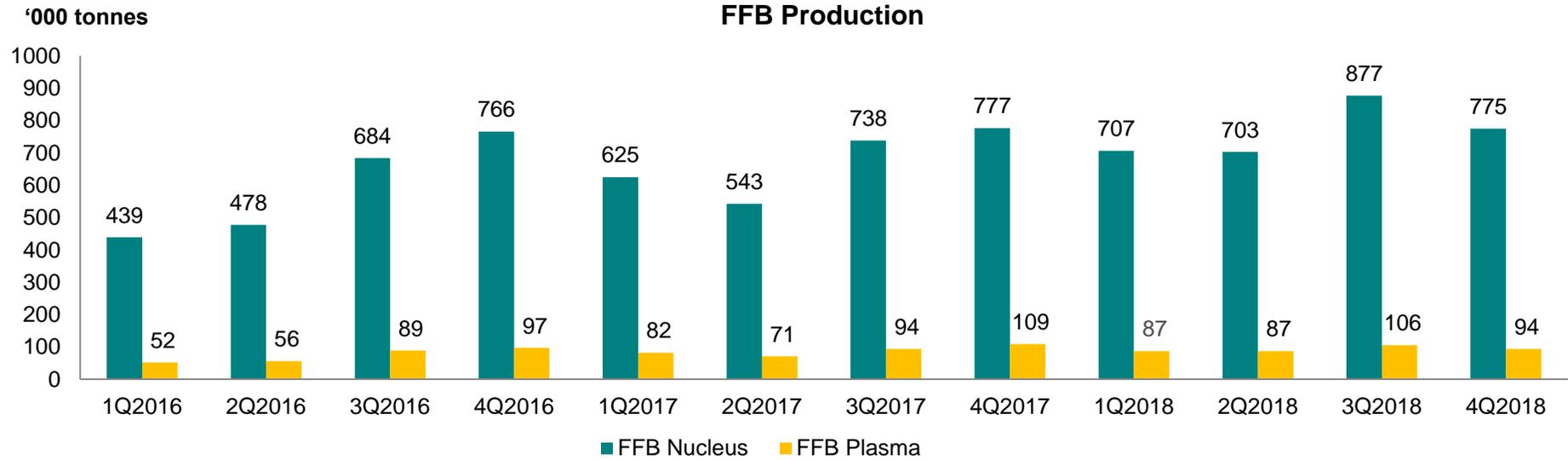


Production Highlights

		FY2018	FY2017	Change	4Q2018	4Q2017	Change
Production							
FFB harvested	(tonnes)	3,435,159	3,037,842	13.1%	868,941	885,617	(1.9%)
• Nucleus		3,061,819	2,682,944	14.1%	775,266	776,876	(0.2%)
• Plasma		373,340	354,898	5.2%	93,675	108,741	(13.9%)
CPO	(tonnes)	823,679	702,368	17.3%	192,697	203,383	(5.3%)
PK	(tonnes)	188,471	170,664	10.4%	45,298	51,203	(11.5%)
Efficiency							
FFB Yield	(tonnes/ha)	18.0	17.5	↑	4.6	5.1	↓
CPO Yield	(tonnes/ha)	4.1	3.9	↑	1.0	1.1	↓
CPO Extraction Rate	(%)	22.9	22.2	↑	22.5	22.1	↑
PK Extraction Rate	(%)	5.2	5.4	↓	5.3	5.6	↓

- Production increased due to yield recovery and contribution from newly mature hectarage

Production Trends

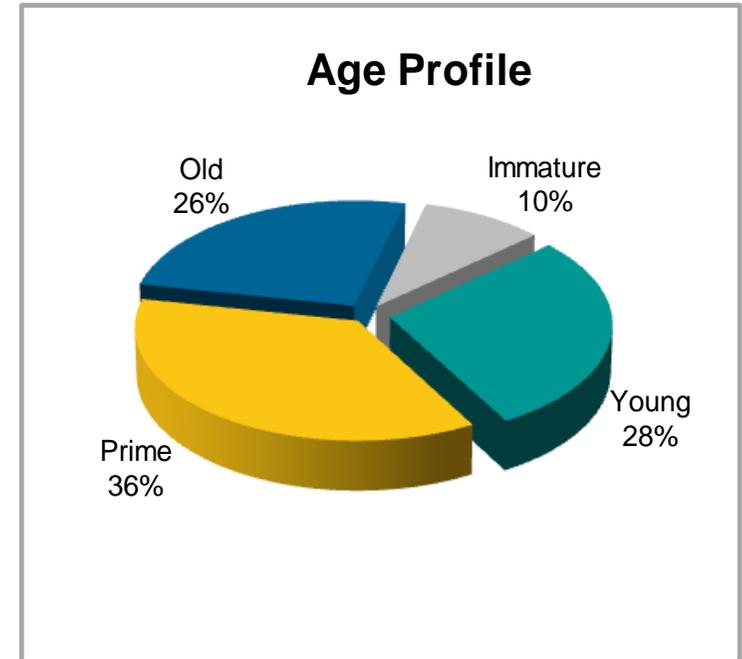


Oil Palm Plantation Area

	As at 31 Dec 2018		As at 31 Dec 2017	
	Area (ha)	% of Total	Area (ha)	% of Total
Planted Nucleus	180,172	85%	179,521	85%
- Mature	161,759	76%	147,377	70%
- Immature	18,413	9%	32,144	15%
Planted Plasma	30,713	15%	30,480	15%
- Mature	29,061	14%	26,032	13%
- Immature	1,652	1%	4,448	2%
Total Planted	210,885	100%	210,001	100%
- Mature	190,820	90%	173,409	83%
- Immature	20,065	10%	36,592	17%

Plantation Age Profile

Age	As at 31 Dec 2018	
	Area (ha)	% of Total
0-3 years (Immature)	20,065	10%
4-7 years (Young)	59,977	28%
8-17 years (Prime)	76,513	36%
≥ 18 years (Old)	54,330	26%
Total	210,885	100%



Weighted average age of ~ 11 years

Growth Strategy and Updates



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 Plantation Group with Integrated Operations

	Plantations	Milling	Processing
Activity			
Products	<ul style="list-style-type: none"> ■ Fresh Fruit Bunches 	<ul style="list-style-type: none"> ■ Crude Palm Oil ■ Palm Kernel 	<ul style="list-style-type: none"> ■ RBDPO ■ PFAD ■ RBD Olein ■ RBD Stearin ■ Biodiesel ■ PKE ■ PKO ■ Crude Glycerine
Assets	<ul style="list-style-type: none"> ➢ 210,885 ha of plantations <ul style="list-style-type: none"> • Nucleus : 180,172 ha • Plasma : 30,713 ha 	<ul style="list-style-type: none"> ➢ 15 CPO mills 	<ul style="list-style-type: none"> ➢ Refinery, fractionation & biodiesel plants ➢ Kernel crushing plant

Note: Data as at 31 December 2018

Capital Investments in 2019

- **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**
 - Complete construction of two mills (16th and 17th)
 - Commencing construction of our 18th mill
 - Upgrading and maintenance of CPO mills

- **Others (Downstream, IT, Seed Garden, Learning Centre)**

Expected capital expenditure ~ US\$100 million

Updates

■ RSPO Certification

- In November 2018, the Group received its second RSPO (Roundtable on Sustainable Palm Oil) certification, covering 9,939 hectares of plantations and a mill in the Riau province.
- As at 31 December 2018, we have received RSPO certifications for two of our subsidiaries covering two mills and more than 18,000 hectares of plantations located in the province of Riau.

■ Outlook

- The Group expects continued production growth in 2019 contributed by maturing plantations, albeit at a slower pace than in 2018.
- Palm oil prices have started to recover from the lows of 4Q2018 on seasonally weaker output. Demand in the year ahead is expected to be supported by the extension of Indonesia's biodiesel mandate in full force, as well as favourable changes to the import and export tax structures in consuming and producing countries. However, prices will continue to be impacted by macro developments such as the US-China trade negotiations and the supply-demand dynamics of other competing edible oils.

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