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# First Resources Limited

**Second Quarter 2014 Results Presentation**

**13 August 2014 | Singapore**

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***Delivering Growth and Returns***





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# Executive Summary – 6M2014

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## ■ Modest Financial Performance

- Net profit came in at US\$71.1 million, a decrease of 29.8%
- EBITDA came in at US\$125.7 million, a decrease of 19.8%
- Weaker performance recorded as compared to same period last year due to strong 1H2013 performance, which was boosted by higher average selling prices achieved from realisation of forward sales

## ■ Continued Production Growth

- Fresh fruit bunches (FFB) harvested increased by 9.8%
- Crude palm oil (CPO) production grew by 10.1%
- Increase in production due to increase in mature hectareage and yield recovery

## ■ Dividend

- Declared interim dividend of 1.25 Singapore cents per share
- Equivalent to 22% of interim net profit



# Financial Performance

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# Income Statement Highlights

US\$' million	6M2014	6M2013	Change	2Q2014	2Q2013	Change
Sales	290.1	294.3	(1.4%)	112.2	119.7	(6.3%)
Cost of sales	(154.4)	(117.7)	31.2%	(51.2)	(48.1)	6.4%
Gross profit	135.7	176.7	(23.2%)	60.9	71.5	(14.8%)
EBITDA <sup>(1)</sup>	125.7	156.8	(19.8%)	58.3	63.1	(7.6%)
Net profit attributable to owners of the Company	71.1	101.3	(29.8%)	26.1	37.7	(30.8%)
Gross profit margin	46.8%	60.0%	↓	54.3%	59.8%	↓
EBITDA margin	43.3%	53.3%	↓	51.9%	52.7%	↓

- Decline in sales and lower margins due to weaker average selling prices achieved
- For 6M2014, the increase in cost of sales and decline in margins were also due to the increase in purchases of palm oil products from third parties

(1) Profit from operations adjusted for depreciation and amortisation

# Segmental Results

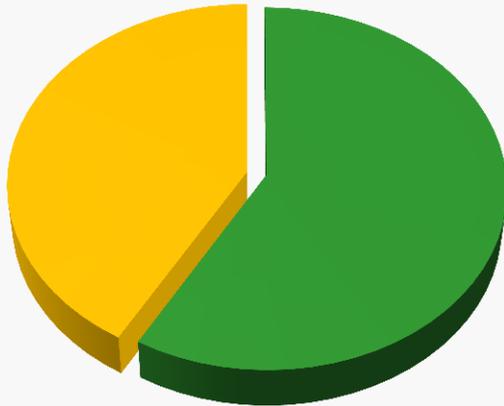
US\$' million	6M2014	6M2013	Change	2Q2014	2Q2013	Change
<b>Sales</b>						
<b>Plantations and Palm Oil Mills</b>	<b>244.5</b>	<b>265.7</b>	<b>(8.0%)</b>	<b>108.8</b>	<b>122.1</b>	<b>(10.9%)</b>
• Crude Palm Oil	215.0	247.8	(13.2%)	92.9	113.1	(17.9%)
• Palm Kernel	27.3	17.9	52.5%	13.7	8.9	53.1%
• Fresh Fruit Bunches	2.2	-	<i>n.m.</i>	2.2	-	<i>n.m.</i>
<b>Refinery and Processing</b>	<b>174.4</b>	<b>84.4</b>	<b>106.5%</b>	<b>74.2</b>	<b>33.1</b>	<b>124.2%</b>
Inter-segment elimination	(128.8)	(55.8)	130.8%	(70.8)	(35.5)	99.5%
	<b>290.1</b>	<b>294.3</b>	<b>(1.4%)</b>	<b>112.2</b>	<b>119.7</b>	<b>(6.3%)</b>
<b>EBITDA</b>						
Plantations and Palm Oil Mills	108.8	138.9	(21.7%)	44.4	62.8	(29.3%)
Refinery and Processing	18.4	11.2	64.7%	15.5	2.1	634.5%
Inter-segment elimination <sup>(1)</sup>	(1.5)	6.7	<i>n.m.</i>	(1.7)	(1.9)	(10.9%)
	<b>125.7</b>	<b>156.8</b>	<b>(19.8%)</b>	<b>58.3</b>	<b>63.1</b>	<b>(7.6%)</b>

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

# Segmental Sales and EBITDA – 1H2014

## Sales

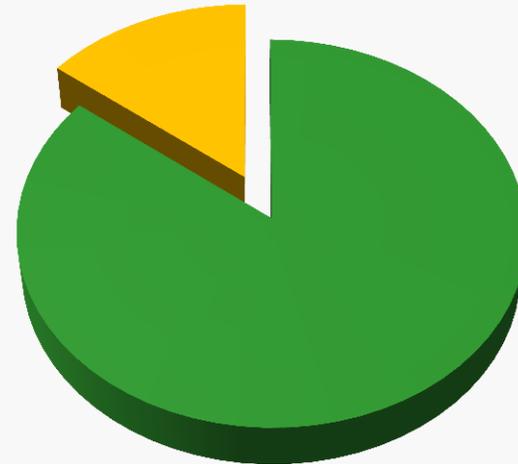
Refinery and Processing – 41.6%



Plantations and Palm Oil Mills – 58.4%

## EBITDA

Refinery and Processing – 14.5%



Plantations and Palm Oil Mills – 85.5%

- The Group's Plantations and Palm Oil Mills segment remains the main contributor to EBITDA

Note : Sales and EBITDA by business segment is stated before inter-segment elimination

# Segmental Sales Volume

	6M2014	6M2013	Change	2Q2014	2Q2013	Variance
<b>Sales Volume (tonne)</b>						
Plantations and Palm Oil Mills <sup>(1)</sup>						
• Crude Palm Oil	297,288	269,133	10.5%	132,417	124,109	6.7%
• Palm Kernel	61,494	57,040	7.8%	27,663	27,471	0.7%
Refinery and Processing	226,814	93,015	143.8%	98,444	38,183	157.8%

- Increase in sales volumes of CPO and palm kernel in line with increase in production volumes
- Significant increase in sales volumes of processed palm based products due to ramping up of processing activities at the Group's biodiesel, refinery and kernel crushing plants
- For 6M2014, the higher sales volumes as compared to production volumes was mainly due to purchases from third parties and a net inventory drawdown of approximately 4,000 tonnes, made up of a drawdown of 20,000 tonnes in 1Q2014 and a build-up of 16,000 tonnes in 2Q2014

# Balance Sheet Highlights

US\$' million	30 June 2014	31 Dec 2013
Total Assets	1,829.4	1,780.3
Cash and bank balances	211.4	272.2
Total Liabilities	749.0	740.1
Borrowings and debt securities <sup>(1)</sup>	501.3	489.7
Total Equity	1,080.4	1,040.1
Net Debt	290.0	217.6
Net Debt <sup>(2)</sup> /Total Equity	0.27x	0.21x
Net Debt <sup>(2)</sup> /EBITDA <sup>(3)</sup>	1.15x	0.64x
EBITDA/Interest Expense <sup>(4)</sup>	13.8x	16.5x

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

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

(3) Annualised

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



# Operational Performance

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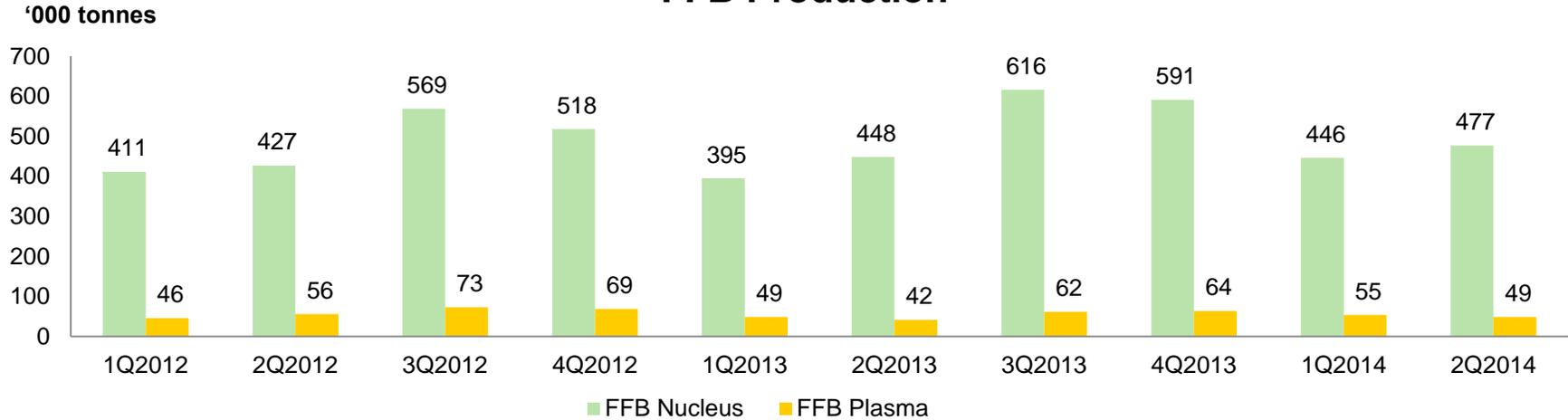
# Production Highlights

		6M2014	6M2013	Change	2Q2014	2Q2013	Change
<b>Production</b>							
FFB harvested	(tonnes)	1,026,287	934,500	9.8%	525,213	490,657	7.0%
• Nucleus		923,110	842,989	9.5%	476,659	448,232	6.3%
• Plasma		103,177	91,511	12.7%	48,554	42,425	14.4%
FFB purchased	(tonnes)	163,627	111,756	46.4%	87,310	59,593	46.5%
CPO	(tonnes)	266,212	241,695	10.1%	134,738	126,797	6.3%
PK	(tonnes)	62,116	55,324	12.3%	30,963	28,707	7.9%
<b>Efficiency</b>							
FFB Yield	(tonnes/ha)	7.8	7.7	↑	4.0	4.1	↓
CPO Yield	(tonnes/ha)	1.8	1.8	→	0.9	0.9	→
CPO Extraction Rate	(%)	22.7	23.2	↓	22.3	23.1	↓
PK Extraction Rate	(%)	5.3	5.3	→	5.1	5.2	↓

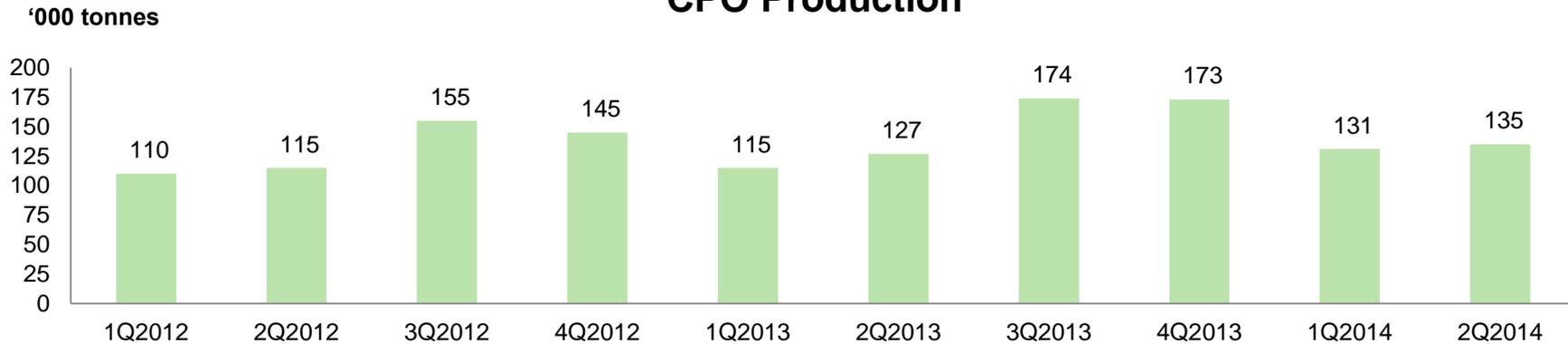
- Increase in FFB production volumes mainly due to increase in mature hectareage and yield recovery
- Overall yields continued to be impacted by dilutive effect from newly mature plantations and lower yielding plantations that were acquired
- Decline in CPO extraction rate due to higher FFB purchases from third parties

# Production Trends

## FFB Production



## CPO Production



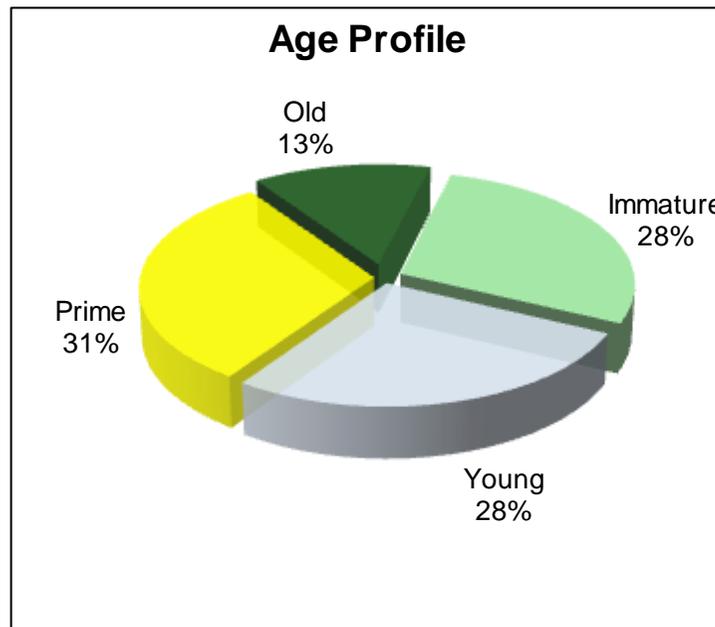
# Oil Palm Plantation Area

*Investing for growth – added 13,325 ha in 1H2014*

	As at 30 June 2014		As at 30 June 2013		As at 31 Dec 2013
	Area (ha)	% of Total	Area (ha)	% of Total	Area (ha)
<b>Planted Nucleus</b>	<b>157,045</b>	<b>85%</b>	<b>139,976</b>	<b>87%</b>	<b>148,727</b>
- Mature	114,143	62%	104,415	65%	104,493
- Immature	42,902	23%	35,561	22%	44,234
<b>Planted Plasma</b>	<b>26,876</b>	<b>15%</b>	<b>21,816</b>	<b>13%</b>	<b>21,869</b>
- Mature	17,893	10%	16,485	10%	16,485
- Immature	8,983	5%	5,331	3%	5,384
<b>Total Planted</b>	<b>183,921</b>	<b>100%</b>	<b>161,792</b>	<b>100%</b>	<b>170,596</b>
- Mature	132,036	72%	120,900	75%	120,978
- Immature	51,885	28%	40,892	25%	49,618

# Plantation Age Profile

Age	As at 30 June 2014	
	Area (ha)	% of Total
0-3 years (Immature)	51,885	28%
4-7 years (Young)	50,624	28%
8-17 years (Prime)	56,618	31%
≥ 18 years (Old)	24,794	13%
<b>Total</b>	<b>183,921</b>	<b>100%</b>



**Weighted average age of ~ 8 years**



# Group Updates

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# Group Updates

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## ■ Outlook

- Palm oil prices have been weak due to slower growth in demand and price pressures from other competing edible oils
- Long-term fundamentals of the palm oil industry remains favorable with higher biodiesel blending mandate in Indonesia and demand growth from emerging markets
- Expect year-on-year production volume growth to continue in the 3<sup>rd</sup> and 4<sup>th</sup> quarters as we enter peak production season



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