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# First Resources Limited

Full Year and Fourth Quarter 2013  
Results Presentation  
25 February 2014 | Singapore

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*Delivering Growth and Returns*





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# Executive Summary

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## Resilient Performance in a Challenging Operating Environment

### ■ Stable Financial Performance

- EBITDA increased by 5.0% to US\$338.9 million
- Underlying net profit increased 2.7% to US\$217.0 million
- Net profit increased marginally by 0.5% to US\$238.2 million
- Driven mainly by higher sales volumes

### ■ Satisfactory Operational Performance

- Nucleus fresh fruit bunches (FFB) production increased by 6.5%
- Lower FFB yields due biological tree stress and dilutive effect from newly mature and acquired plantations
- Cash cost of production for nucleus CPO kept low at US\$255 per tonne (FY2012: US\$240)

# Executive Summary

## Dividend

- **Proposing final dividend of 3.25 Singapore cents per share**

- Interim dividend of 1.25 Singapore cents per share paid in September 2013, bringing total FY2013 dividend to 4.50 Singapore cents per share

Dividend Payout	FY2013	FY2012	FY2011	FY2010
Interim Dividend Per Share (Singapore cents)	1.25	1.25	1.00	1.00
Final Dividend Per Share (Singapore cents)	3.25	2.75	2.50	1.90
Total Dividend Per Share (Singapore cents)	4.50	4.00	3.50	2.90
% Growth	13%	14%	21%	33%
<b>% of Underlying Net Profit</b>	<b>26%</b>	<b>24%</b>	<b>25%</b>	<b>30%</b>

**Committed to dividend payout in line with Company's performance**



# Financial Performance

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# Income Statement Highlights

US\$' million	FY2013	FY2012	Change	4Q2013	4Q2012	Change
Sales	626.5	603.4	3.8%	179.1	134.1	33.6%
Cost of sales	(244.8)	(221.2)	10.7%	(70.9)	(41.9)	69.1%
Gross profit	381.7	382.2	(0.1%)	108.2	92.2	17.4%
Gains arising from changes in fair value of biological assets	29.6	35.8	(17.4%)	29.6	35.8	(17.4%)
EBITDA <sup>(1)</sup>	338.9	322.8	5.0%	96.3	76.5	26.0%
Net profit <sup>(2)</sup>	238.2	237.1	0.5%	85.5	73.1	17.1%
Underlying net profit <sup>(3)</sup>	217.0	211.3	2.7%	64.3	47.3	35.8%
Gross profit margin	60.9%	63.3%	↓	60.4%	68.7%	↓
EBITDA margin	54.1%	53.5%	↑	53.8%	57.0%	↓

(1) Profit from operations adjusted for depreciation, amortisation and 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 gains arising from changes in fair value of biological assets

# Segmental Results

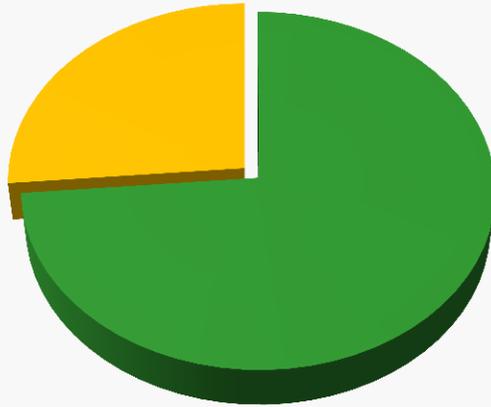
US\$' million	FY2013	FY2012	Change	4Q2013	4Q2012	Change
<b>Sales</b>						
<b>Plantations and Palm Oil Mills</b>	<b>583.1</b>	<b>504.4</b>	<b>15.6%</b>	<b>168.6</b>	<b>129.9</b>	<b>29.8%</b>
• Crude Palm Oil	538.0	455.0	18.2%	153.7	120.2	27.8%
• Palm Kernel	45.1	49.4	(8.8%)	14.9	9.6	54.6%
<b>Refinery and Processing</b>	<b>202.8</b>	<b>243.2</b>	<b>(16.6%)</b>	<b>79.6</b>	<b>36.8</b>	<b>116.2%</b>
Inter-segment elimination	(159.4)	(144.2)	10.5%	(69.1)	(32.6)	112.1%
	<b>626.5</b>	<b>603.4</b>	<b>3.8%</b>	<b>179.1</b>	<b>134.1</b>	<b>33.6%</b>
<b>EBITDA</b>						
Plantations and Palm Oil Mills	314.2	295.4	6.4%	89.5	75.9	17.9%
Refinery and Processing	26.8	29.9	(10.3%)	12.5	3.4	272.1%
Inter-segment elimination <sup>(1)</sup>	(2.1)	(2.5)	(15.0%)	(5.7)	(2.8)	100.9%
	<b>338.9</b>	<b>322.8</b>	<b>5.0%</b>	<b>96.3</b>	<b>76.5</b>	<b>26.0%</b>

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

# Segmental Sales and EBITDA – FY2013

## Sales

Refinery and Processing – 25.8%



Plantations and Palm Oil Mills – 74.2%

## EBITDA

Refinery and Processing – 7.9%



Plantations and Palm Oil Mills – 92.1%

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

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

# Segmental Sales Volume

	FY2013	FY2012	Change	4Q2013	4Q2012	Change
<b>Sales Volume (tonnes)</b>						
Plantations and Palm Oil Mills <sup>(1)</sup>						
• Crude Palm Oil	625,202	516,012	21.2%	194,257	142,861	36.0%
• Palm Kernel	136,966	123,774	10.7%	43,148	32,469	32.9%
Refinery and Processing <sup>(2)</sup>	252,121	223,809	12.7%	110,541	37,403	195.5%

- Overall increase in sales volumes was mainly driven by the higher production in 2013
- Significant increase in sales of processed palm based products in 4Q2013, due to the ramping up of processing activities at the Group's biodiesel, refinery, fractionation and kernel crushing plants

(1) Sales volume include inter-segment sales

(2) Sales from the Refinery and Processing segment includes RDB Palm Oil, Palm Fatty Acid Distillate, RBD Palm Olein, RBD Palm Stearin, Palm Methyl Ester (biodiesel), Crude Glycerine, Palm Kernel Oil and Palm Kernel Expeller

# Review of Key Performance Metrics

Performance Metrics	FY2013	FY2012	Change
Unit Cash Cost of Production, Ex-Mill <sup>(1)</sup> - Per tonne of nucleus CPO produced	US\$255	US\$240	↑
Unit EBITDA <sup>(2)</sup> - Per tonne of nucleus CPO sold	US\$646	US\$671	↓
Unit EBITDA <sup>(2)</sup> - Per hectare of mature nucleus plantation	US\$3,007	US\$3,601	↓

(1) Cash cost of production is derived by dividing the total cash cost of producing nucleus CPO and PK (before selling and distribution expenses and general and administrative expenses), by nucleus CPO production

(2) EBITDA refers to EBITDA contribution from Plantations and Palm Oil Mills segment only

# Balance Sheet Highlights

US\$' million	31 Dec 2013	31 Dec 2012
Total Assets	1,780.3	1,930.9
Cash and bank balances	272.2	404.7
Total Liabilities	740.1	773.3
Borrowings and debt securities <sup>(1)</sup>	489.7	538.2
Total Equity	1,040.1	1,157.6
Net Debt	217.6	133.4
Net Debt <sup>(2)</sup> /Total Equity	0.21x	0.12x
Net Debt <sup>(2)</sup> /EBITDA	0.64x	0.41x
EBITDA/Interest Expense <sup>(3)</sup>	16.5x	12.5x

(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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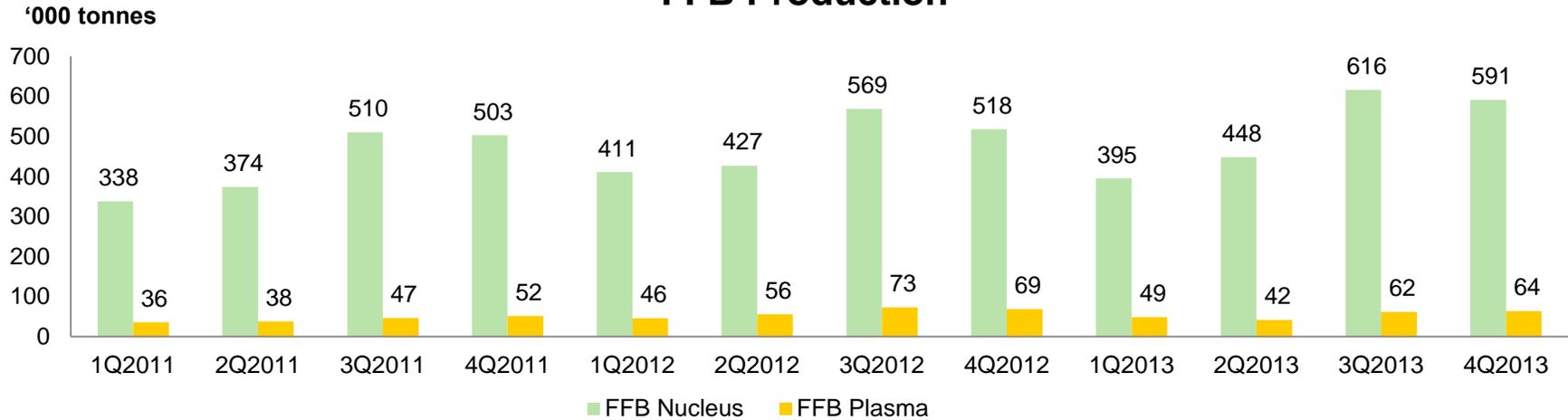
# Production Highlights

		FY2013	FY2012	Change	4Q2013	4Q2012	Change
<b>Production</b>							
FFB harvested	(tonnes)	<b>2,266,866</b>	<b>2,168,983</b>	4.5%	<b>654,850</b>	<b>587,158</b>	11.5%
• Nucleus		2,049,095	1,924,743	6.5%	590,503	517,677	14.1%
• Plasma		217,771	244,240	(10.8%)	64,347	69,481	(7.4%)
FFB purchased	(tonnes)	<b>287,698</b>	<b>89,466</b>	221.6%	<b>91,184</b>	<b>38,252</b>	138.4%
CPO	(tonnes)	<b>588,792</b>	<b>525,831</b>	12.0%	<b>173,218</b>	<b>145,201</b>	19.3%
PK	(tonnes)	<b>135,462</b>	<b>123,129</b>	10.0%	<b>39,850</b>	<b>34,195</b>	16.5%
<b>Efficiency</b>							
FFB Yield	(tonnes/ha)	<b>18.7</b>	<b>23.0</b>	↓	<b>5.4</b>	<b>6.2</b>	↓
CPO Yield	(tonnes/ha)	<b>4.3</b>	<b>5.4</b>	↓	<b>1.3</b>	<b>1.4</b>	↓
CPO Extraction Rate	(%)	<b>23.1</b>	<b>23.3</b>	↓	<b>23.3</b>	<b>23.2</b>	↑
PK Extraction Rate	(%)	<b>5.3</b>	<b>5.5</b>	↓	<b>5.4</b>	<b>5.5</b>	↓

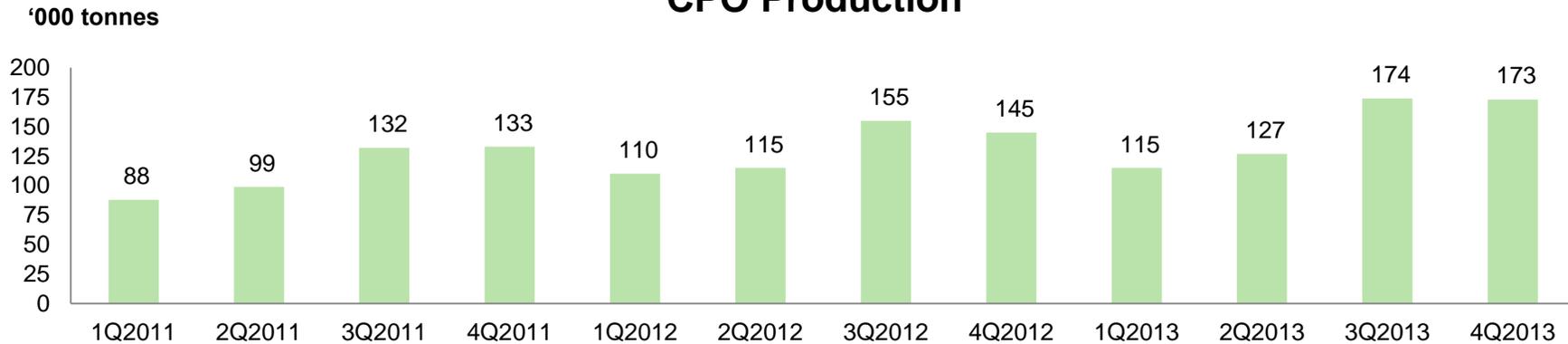
- Decline in FFB yields due to biological tree stress and dilutive effect from newly mature and acquired plantations
- Lower FFB yields offset by contribution from newly mature and acquired plantations, giving rise to modest growth in FFB production

# Production Trends

## FFB Production



## CPO Production



# Oil Palm Plantation Area

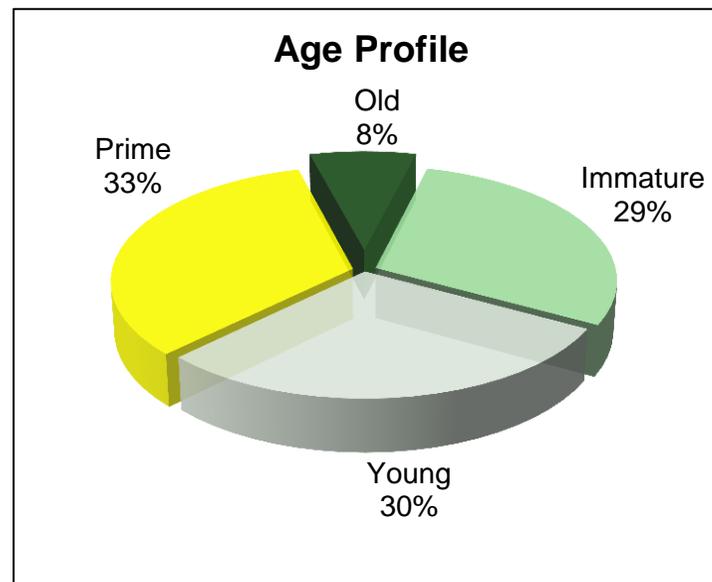
**Investing for growth – added 24,193 ha in FY2013**

	As at 31 Dec 2013		As at 31 Dec 2012		Change
	Area (ha)	% of Total	Area (ha)	Area (ha)	
<b>Planted Nucleus</b>	<b>148,727</b>	<b>87%</b>	<b>125,805</b>	<b>22,922</b>	
- Mature	104,493	61%	85,888	18,605	
- Immature	44,234	26%	39,917	4,317	
<b>Planted Plasma</b>	<b>21,869</b>	<b>13%</b>	<b>20,598</b>	<b>1,271</b>	
- Mature	16,485	10%	12,293	4,192	
- Immature	5,384	3%	8,305	(2,921)	
<b>Total Planted</b>	<b>170,596</b>	<b>100%</b>	<b>146,403</b>	<b>24,193</b>	
- Mature	120,978	71%	98,181	22,797	
- Immature	49,618	29%	48,222	1,396	

- Out of the 24,193 hectares added to the Group's planted area:-
  - 15,559 hectares were new plantings
  - 8,634 hectares were acquired

# Oil Palm Plantation Age Profile

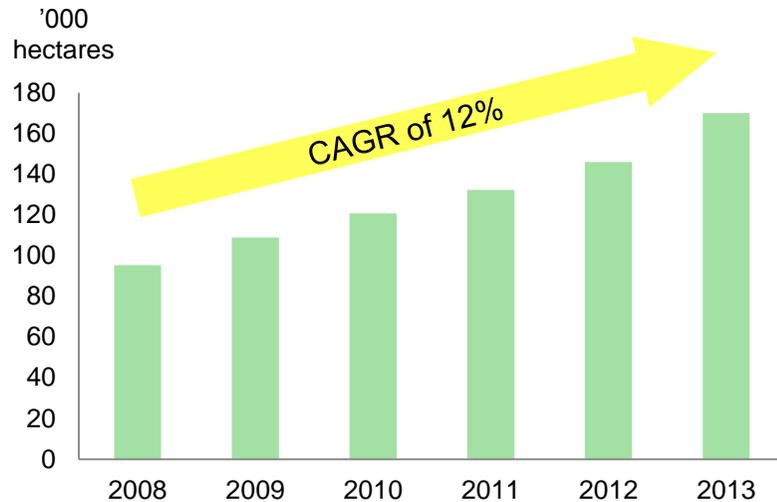
Age	As at 31 Dec 2013	
	Area (ha)	% of Total
0-3 years (Immature)	49,618	29%
4-7 years (Young)	50,680	30%
8-17 years (Prime)	56,678	33%
≥18 years (Old)	13,620	8%
<b>Total</b>	<b>170,596</b>	<b>100%</b>



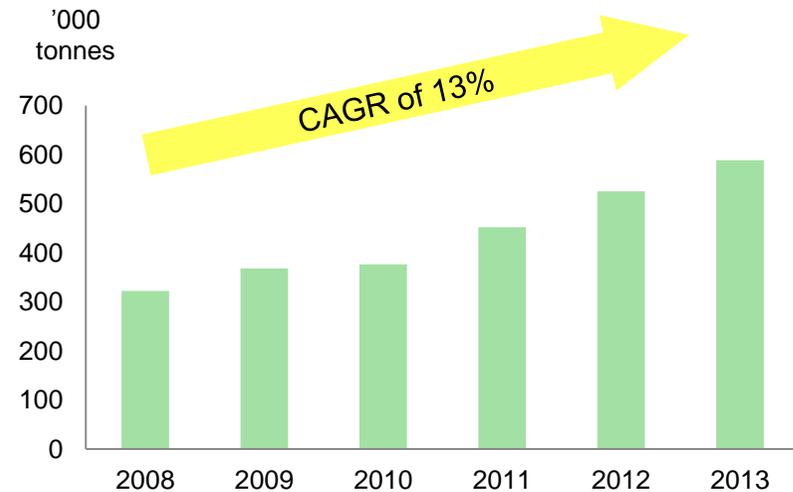
**Weighted average age of ~ 8 years**

# Consistent and Disciplined Expansion

Total Planted Area



CPO Production



**Strategy of consistent and disciplined planting  
a key driver to sustainable production growth**



# Growth Strategy

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# 5-Year Strategy: Building on our Core Expertise

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## Expand Plantation Footprint

- To continue a disciplined and diligent planting programme to ensure sustainable production growth
- To add milling capacity in line with the growth in FFB production
- Aim to produce 1 million tonnes of CPO annually

## Sustain Cost Leadership

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

## Expand Processing Capabilities

- To expand our processing capacity to accommodate the growing production from our plantations
- Integrated operations through the palm oil value chain allows Group to fully leverage and maximise the value of our plantation assets

# To be 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>▪ Crude Glycerine</li> <li>▪ PKE</li> <li>▪ PKO</li> </ul>
Assets	<ul style="list-style-type: none"> <li>▪ <b>Current</b> <ul style="list-style-type: none"> <li>➢ 170,596 ha (including plasma)</li> </ul> </li> <li>▪ <b>Expansion Plans</b> <ul style="list-style-type: none"> <li>➢ Target to reach 200,000 ha within next 3 years</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Current</b> <ul style="list-style-type: none"> <li>➢ 12 CPO mills</li> <li>➢ Capacity of 4.05 million tonnes of FFB p.a.</li> </ul> </li> <li>▪ <b>Expansion Plans</b> <ul style="list-style-type: none"> <li>➢ 2 additional mills by 2015</li> <li>➢ To add milling capacity in line with FFB production growth</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>Current</b> <ul style="list-style-type: none"> <li>➢ Refinery, fractionation &amp; biodiesel plants (with combined capacity of 850,000 tonnes p.a.)</li> <li>➢ Kernel crushing plant (capacity of 105,000 tonnes p.a.)</li> </ul> </li> </ul>

Note: Data as at 31 December 2013

# Operational Updates

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## ■ Plantation Assets

- Achieved new plantings of 15,559 ha of oil palm and 2,322 ha of rubber

## ■ CPO mills

- Added a mill through the acquisition of Lynhurst in 1Q2013
- Raised the Group's aggregate milling capacity to 675 tonnes of FFB per hour (4.05 million tonnes p.a.)

## ■ Integrated Processing Complex at Bangsal Aceh, Riau

- Commissioned the new refinery in Dec 2013
- Raised the Group's total processing capacity from 250,000 tonnes p.a. to 850,000 tonnes p.a.

## ■ Outlook

- Barring any weather shocks, production in 2014 is expected to be stronger due to yield recovery and contribution from newly mature plantations
- Expect palm oil prices to be well-supported in 2014, driven mainly by incremental energy-based demand

# Capital Investments in 2014

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## ■ Plantation Development

- New plantings of oil palm and rubber
- Maintenance of existing immature oil palm and rubber plantations

## ■ Property, Equipment and Others

- Infrastructure for plantation management

## ■ CPO Mills

- Construction of two new mills (13th and 14th), one in Riau and one in West Kalimantan
- Upgrading and maintenance of CPO mills

## ■ Others (Downstream infrastructure, Seed Garden & Learning Centre)

**Expected capital expenditure ~ US\$170 million**

# Disclaimer

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