# First Resources Limited

## Second Quarter 2016 Results Presentation
## 12 August 2016 I Singapore

*Delivering Growth and Returns*

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# Executive Summary – 6M2016

- **Modest Financial Performance Supported by a Strong 2Q2016**
  - Net profit for 2Q2016 came in at US$26.1 million, an increase of 4.2% compared to 2Q2015, while EBITDA was at US$52.7 million, a marginal decline of 3.6%.
  - Improvement in average selling prices in 2Q2016 helped mitigate the decline in production volumes.
  - For 6M2016, net profit came in at US$31.5 million, a decrease of 36.2%, and EBITDA came in at US$82.5 million, a decrease of 23.7%.

- **Weaker Operational Performance**
  - Effects of dry weather in 2015 continue to be severe, impacting both production volumes as well as yields.
  - As a result, fresh fruit bunches (FFB) harvested decreased by 15.5%.
  - Crude palm oil (CPO) production decreased by 18.8%.

- **Dividend**
  - Declared interim dividend of 0.625 Singapore cents per share.
  - Equivalent to 23% of interim net profit.

# Financial Performance

# Income Statement Highlights

| US$' million | 6M2016 | 6M2015(2) | *Change* | 2Q2016 | 2Q2015(2) | *Change* |
|---|---|---|---|---|---|---|
| Sales | 248.5 | 215.1 | *15.5%* | 135.4 | 118.8 | *14.0%* |
| Cost of sales | (157.3) | (106.6) | *47.5%* | (79.0) | (63.6) | *24.1%* |
| Gross profit | 91.2 | 108.4 | *(15.9%)* | 56.4 | 55.1 | *2.3%* |
| EBITDA(1) | 82.5 | 108.1 | *(23.7%)* | 52.7 | 54.7 | *(3.6%)* |
| Net profit attributable to owners of the Company | 31.5 | 49.3 | *(36.2%)* | 26.1 | 25.1 | *4.2%* |
| Gross profit margin | 36.7% | 50.4% | ↓ | 41.7% | 46.4% | ↓ |
| EBITDA margin | 33.2% | 50.3% | ↓ | 39.0% | 46.0% | ↓ |

- Increase in sales mainly driven by higher sales volumes from the Refinery and Processing segment. For 2Q2016, the increase was partly contributed by higher average selling prices.
- Higher cost of sales mainly due to increased purchases of palm oil products from third parties and effects from inventory drawdown.
- Lower EBITDA and net profit for 6M2016 reflects the combined effects from lower production volumes and average selling prices. For 2Q2016, the decline in production volumes was mitigated by the improvement in average selling prices.
- Margins declined mainly due to the increase in purchases from third parties.

(1) Profit from operations adjusted for depreciation and amortisation.
(2) Restated to take into account the effects from the adoption of the amendments to FRS16 and FRS41.

# Segmental Results

| US$' million | 6M2016 | 6M2015 | *Change* | 2Q2016 | 2Q2015 | *Change* |
|---|---|---|---|---|---|---|
| ***Sales*** | | | | | | |
| Plantations and Palm Oil Mills | 183.8 | 226.3 | *(18.8%)* | 97.6 | 118.6 | *(17.7%)* |
| • Crude Palm Oil | 152.8 | 193.9 | *(21.2%)* | 80.6 | 101.0 | *(20.2%)* |
| • Palm Kernel | 26.5 | 28.7 | *(7.7%)* | 14.2 | 15.8 | *(10.1%)* |
| • Fresh Fruit Bunches | 4.5 | 3.7 | *22.9%* | 2.9 | 1.8 | *62.4%* |
| Refinery and Processing | 219.0 | 100.1 | *118.8%* | 116.0 | 76.8 | *51.0%* |
| Inter-segment elimination | (154.3) | (111.3) | *38.6%* | (78.3) | (76.6) | *2.2%* |
| | **248.5** | **215.1** | ***15.5%*** | **135.4** | **118.8** | ***14.0%*** |
| ***EBITDA*** | | | | | | |
| Plantations and Palm Oil Mills | 81.1 | 111.9 | *(27.5%)* | 58.8 | 59.0 | *(0.4%)* |
| Refinery and Processing | (4.1) | 2.3 | *n.m.* | (7.2) | 0.8 | *n.m.* |
| Inter-segment elimination[1] | 5.5 | (6.1) | *n.m.* | 1.1 | (5.2) | *n.m.* |
| | **82.5** | **108.1** | ***(23.7%)*** | **52.7** | **54.7** | ***(3.6%)*** |

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

# Segmental Sales Volume

| | 6M2016 | 6M2015 | *Change* | 2Q2016 | 2Q2015 | *Change* |
|---|---|---|---|---|---|---|
| **Sales Volume (tonnes)** | | | | | | |
| Plantations and Palm Oil Mills[1] | | | | | | |
| • Crude Palm Oil | 281,732 | 317,871 | *(11.4%)* | 129,727 | 170,304 | *(23.8%)* |
| • Palm Kernel | 63,780 | 73,521 | *(13.2%)* | 29,021 | 39,929 | *(27.3%)* |
| Refinery and Processing | 375,573 | 165,529 | *126.9%* | 179,676 | 123,681 | *45.3%* |

- Decline in production volumes and yields resulted in lower sales volumes of CPO and palm kernel.
- Higher sales volumes of processed palm based products reflects higher utilisation of the Group's processing plants
- For 6M2016, the higher sales volumes was also contributed by an increase in purchases from third parties of ~ 71,000 tonnes as compared to 6M2015, which helped mitigate the effects of lower production volumes from the Plantations and Palm Oil Mills segment.
- In addition, there was a net inventory drawdown of ~29,000 tonnes in 6M2016 as compared to a net inventory build-up of ~22,000 tonnes in 6M2015.

(1) Sales volume includes inter-segment sales.

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# Balance Sheet Highlights

| US$' million | 30 June 2016 | 31 Dec 2015[5] |
|---|---|---|
| Total Assets | 1,653.9 | 1,568.2 |
| Cash and bank balances | 180.9 | 205.4 |
| Total Liabilities | 807.4 | 793.8 |
| Borrowings and debt securities[1] | 527.0 | 495.0 |
| Total Equity | 846.5 | 774.4 |
| Net Debt | 346.1 | 289.6 |
| Gross Debt[1]/Total Equity | 0.62x | 0.64x |
| Net Debt[2]/Total Equity | 0.41x | 0.37x |
| Gross Debt[1]/EBITDA[3] | 3.19x | 2.26x |
| Net Debt[2]/EBITDA[3] | 2.10x | 1.32x |
| EBITDA/Interest Expense[4] | 6.6x | 9.0x |

(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.
(5) Restated to take into account the effects from the adoption of the amendments to FRS 16 and FRS 41.

# Operational Performance

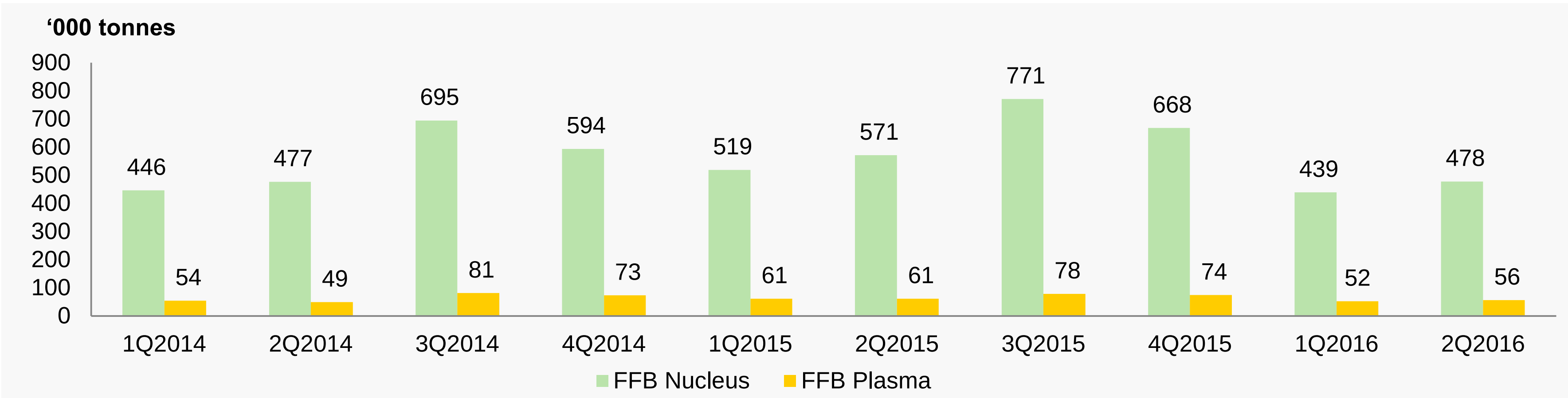
# Production Highlights

| | | 6M2016 | 6M2015 | *Change* | 2Q2016 | 2Q2015 | *Change* |
|---|---|---|---|---|---|---|---|
| **Production** | | | | | | | |
| FFB harvested | (tonnes) | 1,025,054 | 1,212,833 | *(15.5%)* | 533,576 | 632,270 | *(15.6%)* |
| • Nucleus | | 917,038 | 1,090,631 | *(15.9%)* | 477,727 | 571,381 | *(16.4%)* |
| • Plasma | | 108,016 | 122,202 | *(11.6%)* | 55,849 | 60,889 | *(8.3%)* |
| FFB purchased | (tonnes) | 98,036 | 156,794 | *(37.5%)* | 50,167 | 87,820 | *(42.9%)* |
| CPO | (tonnes) | 246,961 | 304,011 | *(18.8%)* | 126,550 | 158,791 | *(20.3%)* |
| PK | (tonnes) | 57,784 | 71,214 | *(18.9%)* | 28,707 | 37,774 | *(24.0%)* |
| **Efficiency** | | | | | | | |
| FFB Yield | (tonnes/ha) | 6.5 | 8.4 | ↓ | 3.4 | 4.4 | ↓ |
| CPO Yield | (tonnes/ha) | 1.5 | 1.9 | ↓ | 0.8 | 1.0 | ↓ |
| CPO Extraction Rate | (%) | 22.8 | 22.8 | – | 22.5 | 22.5 | – |
| PK Extraction Rate | (%) | 5.3 | 5.3 | – | 5.1 | 5.4 | ↓ |

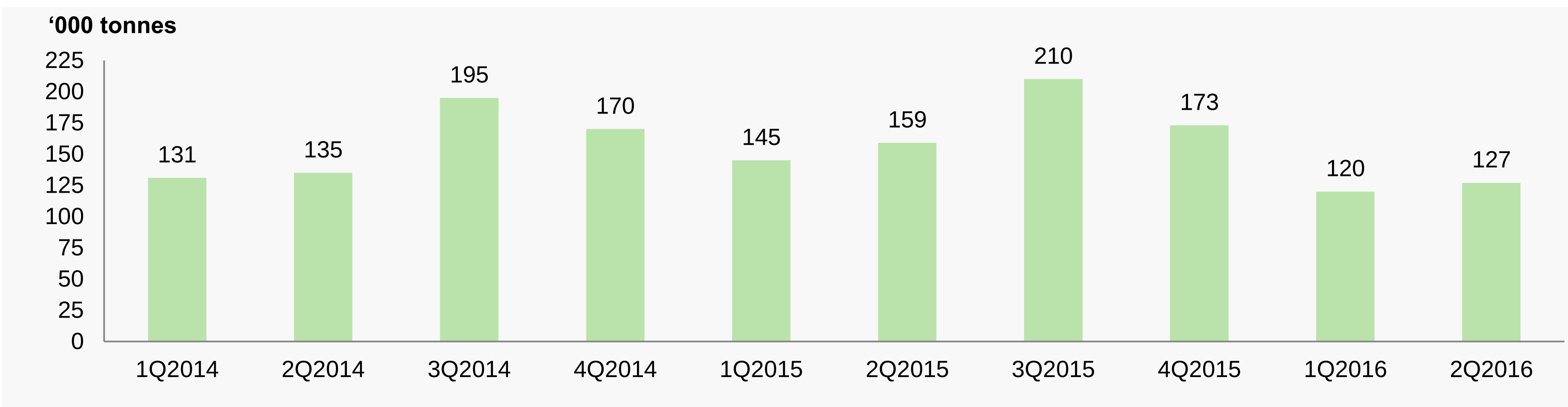
- Decline in production volumes as well as yields were due to the severe impact from dry weather caused by El Nino in 2015.
- CPO production declined by a greater magnitude partly due to lower FFB purchases from third parties.

# Production Trends

## FFB Production




## CPO Production

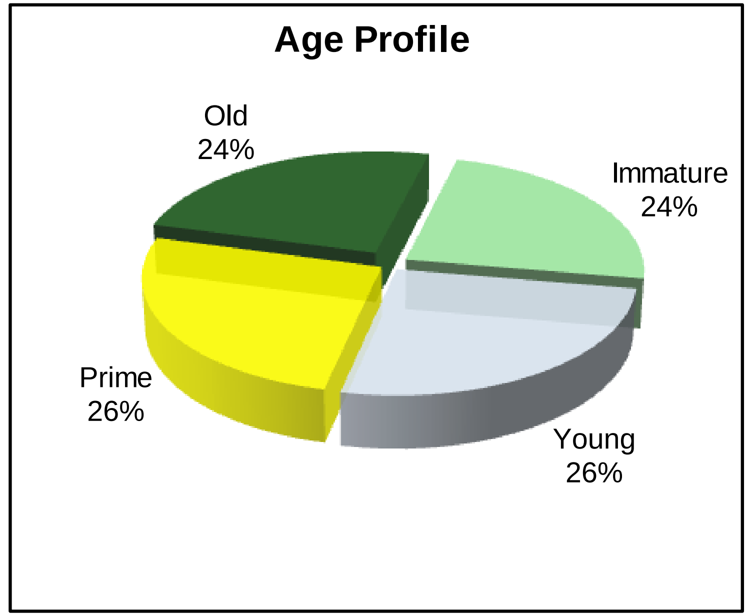


# Oil Palm Plantation Area

| | As at 30 June 2016 | | As at 30 June 2015 | | As at 31 Dec 2015 |
|---|---|---|---|---|---|
| | Area (ha) | % of Total | Area (ha) | % of Total | Area (ha) |
| **Planted Nucleus** | **178,823** | **86%** | **169,752** | **85%** | **178,338** |
| - Mature | 136,798 | 66% | 124,938 | 63% | 128,042 |
| - Immature | 42,025 | 20% | 44,814 | 22% | 50,296 |
| **Planted Plasma** | **29,241** | **14%** | **28,942** | **15%** | **29,237** |
| - Mature | 21,799 | 10% | 19,802 | 10% | 19,863 |
| - Immature | 7,442 | 4% | 9,140 | 5% | 9,374 |
| **Total Planted** | **208,064** | **100%** | **198,694** | **100%** | **207,575** |
| - Mature | 158,597 | 76% | 144,740 | 73% | 147,905 |
| - Immature | 49,467 | 24% | 53,954 | 27% | 59,670 |

# Plantation Age Profile

| Age | As at 30 June 2016 | |
|---|---|---|
| | Area (ha) | % of Total |
| 0-3 years (Immature) | 49,467 | 24% |
| 4-7 years (Young) | 53,665 | 26% |
| 8-17 years (Prime) | 53,546 | 26% |
| ≥ 18 years (Old) | 51,386 | 24% |
| **Total** | **208,064** | **100%** |




**Weighted average age of ~10 years**

# Group Updates

# Group Updates

- **Outlook**
  - While higher palm oil prices in 2Q2016 contributed to the improvement in our financial performance, prices have subsequently moderated but remain supported by the restocking of palm oil by importing countries in recent weeks.
  - In the longer-term, the Indonesian biodiesel mandate and underlying demand growth from emerging markets continue to underpin the positive outlook of the palm oil industry.
  - The Group expects 2H2016 production volumes to recover in line with the seasonal upswing and the gradual easing of the El Nino impact. However, as El Nino conditions in 2015 was one of the strongest ever experienced by the industry, production for 2016 is expected to be lower than 2015.

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