Third Quarter Report 2014

UNITED PLANTATIONS BERHAD

(Company no. 240-A)

Jendarata Estate • 36009 Teluk Intan • Darul Ridzuan • Malaysia

Condensed Consolidated Income Statement for the Nine Months Ended 30 September 2014

(The figures have not been audited)

(RM '000)	Individual Quarter 3 months ended 30 September **2014**	2013	Cumulative Quarter 9 months ended 30 September **2014**	2013
Revenue	**280,693**	212,350	**789,532**	669,876
Operating expenses	**(189,752)**	(149,863)	**(546,267)**	(481,444)
Other operating income	**(1,117)**	(5,113)	**5,928**	14,965
Finance costs	**(7)**	(7)	**(25)**	(20)
Interest income	**6,908**	6,688	**20,171**	20,044
Share of results of jointly controlled entity	**(619)**	(395)	**(569)**	(797)
Profit before taxation	**96,106**	63,660	**268,770**	222,624
Income tax expense	**(24,333)**	(24,547)	**(62,449)**	(61,828)
Profit after taxation	**71,773**	39,113	**206,321**	160,796
Profit for the period	**71,773**	39,113	**206,321**	160,796
Net profit attributable to:				
Equity holders of the parent	**71,690**	39,041	**205,277**	160,761
Non-controlling interests	**83**	72	**1,044**	35
	71,773	39,113	**206,321**	160,796
Earnings per share				
(i) Basic - based on an average 207,792,492 (2013:208,134,266) ordinary shares (sen)	**34.50**	18.76	**98.79**	77.24

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.

Condensed Consolidated Statement of Comprehensive Income for the Nine Months ended 30 September 2014

(The figures have not been audited)

(RM '000)	Individual Quarter 3 months ended 30 September		Cumulative Quarter 9 months ended 30 September	
	2014	2013	**2014**	2013
Profit for the period	**71,773**	39,113	**206,321**	160,796
Currency translation differences arising from consolidation	**1,115**	(10,719)	**846**	(7,788)
Total Comprehensive income	**72,888**	28,394	**207,167**	153,008
Total comprehensive income attributable to:				
Equity holders of the parent	**72,722**	27,773	**206,296**	152,278
Non-controlling interests	**166**	621	**871**	730
	72,888	28,394	**207,167**	153,008

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.

Condensed Consolidated Statement of Financial Position as at 30 September 2014
(The figures have not been audited)

(RM '000)	**30 September 2014**	31 December 2013
Assets		
Non-Current Assets		
Biological assets	**393,166**	376,719
Property, plant and equipment	**911,918**	921,776
Land Use Rights	**32,646**	31,110
Associated company	**50**	50
Joint venture entity	**15,461**	9,337
Available for sale financial assets	**6,446**	6,446
Derivatives	**2,931**	1,281
Total non-current assets	**1,362,618**	1,346,719
Current Assets		
Inventories	**109,390**	141,818
Trade & other receivables	**125,000**	125,232
Prepayments	**1,116**	84
Tax recoverable	**3,255**	3,199
Cash, bank balances & fixed deposits	**718,839**	778,948
Total current assets	**957,600**	1,049,281
Total assets	**2,320,218**	2,396,000
Equity and liabilities		
Equity attributable to equity holders of the parent		
Share capital	**208,134**	208,134
Share premium	**181,920**	181,920
Treasury shares	**(8,635)**	(8,635)
Other reserves	**16,680**	15,661
Retained profits	**1,713,169**	1,796,204
	2,111,268	2,193,284
Non-controlling interests	**1,947**	1,076
Total Equity	**2,113,215**	2,194,360
Non-Current Liabilities		
Retirement benefit obligations	**11,500**	10,930
Provision for deferred taxation	**106,120**	97,476
Derivatives	**1,343**	-
Total non-current liabilities	**118,963**	108,406
Current Liabilities		
Trade & other payables	**71,504**	70,860
Tax Payable	**14,731**	17,213
Retirement benefit obligations	**1,733**	1,354
Derivatives	**-**	3,511
Bank borrowings	**72**	296
Total current liabilities	**88,040**	93,234
Total liabilities	**207,003**	201,640
Total equity and liabilities	**2,320,218**	2,396,000
Net assets per share (RM)	**10.16**	10.54

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.

Condensed Consolidated Statement of Changes in Equity for the Nine Months Ended at 30 September 2014

(The figures have not been audited)

(RM '000)	Share capital	Treasury shares	Retained profits	Available for sale reserve	Share premium	Capital reserve	Translation reserve	Total	Non-controlling interests	Total equity
	-----------------Attributable to Equity Holders of the Parent							---------------		
Balance at 1 January 2014	208,134	(8,635)	1,796,204	893	181,920	21,798	(7,030)	2,193,284	1,076	2,194,360
Total comprehensive income for the quarter	-	-	205,277	-	-	-	1,019	206,296	871	207,167
Dividends, representing total transaction with owners	-	-	(288,312)	-	-	-	-	(288,312)	-	(288,312)
Balance at 30 September 2014	**208,134**	**(8,635)**	**1,713,169**	**893**	**181,920**	**21,798**	**(6,011)**	**2,111,268**	**1,947**	**2,113,215**
Balance at 1 January 2013	208,134	-	1,739,747	893	181,920	21,798	(1,764)	2,150,728	420	2,151,148
Total comprehensive income for the quarter	-	-	160,761	-	-	-	(8,483)	152,278	730	153,008
Dividends, representing total transaction with owners	-	-	(132,686)	-	-	-	-	(132,686)	-	(132,686)
Balance at 30 September 2013	208,134	-	1,767,822	893	181,920	21,798	(10,247)	2,170,320	1,150	2,171,470

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.

Condensed Consolidated Cash Flow Statements for the Nine Months Ended 30 September 2014

(The figures have not been audited)

(RM '000)	9 months ended 30 September **2014**	2013
Operating Activities		
-Receipts from operations	**758,357**	710,549
-Operating payments	**(432,037)**	(392,186)
Cash flow from operations	**326,320**	318,363
Other operating receipts	**4,542**	-
Taxes paid	**(55,870)**	(75,158)
Cash flow from operating activities	**274,992**	243,205
Investing Activities		
- Proceeds from sale of property, plant and equipment	**1,006**	2,928
- Interest received	**22,701**	21,226
- Purchase of property, plant and equipment	**(27,531)**	(45,590)
- Pre-cropping expenditure incurred	**(34,960)**	(30,560)
- Prepaid lease payments made	**(1,063)**	(855)
- Investment in jointly controlled entity	**(6,693)**	(5,126)
Cash flow from investing activities	**(46,540)**	(57,977)
Financing Activities		
- Dividends paid	**(288,312)**	(132,686)
- Associated Company	-	(7)
- Interest paid	**(25)**	(20)
Cash flow from financing activities	**(288,337)**	(132,713)
Net Change in Cash & Cash Equivalents	**(59,885)**	52,515
Cash & Cash Equivalents at beginning of year	**778,652**	747,693
Cash & Cash Equivalents at end of period	**718,767**	800,208

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2013.

Notes to the Interim Financial Report

A1) Accounting Policies and Basis of Preparation

The Group falls within the scope definition of Transitioning Entities which are allowed to defer adoption of the Malaysian Financial Reporting Standards ("MFRS") Framework. Adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2017.

Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2017. For the financial year ending 31 December 2014, the Group will continue to prepare financial statements using Financial Reporting Standards ("FRS").

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2013.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013, except for the adoption of the following new Financial Reporting Standards (FRS), Amendments to FRS and IC Interpretations with effect from 1 January 2014.

On 1 January 2014, the Group adopted the following FRS, Amendments to FRS and IC Interpretations:-

- Amendments to FRS 132: Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 10, FRS 12 and FRS 127: Investment Entities
- Amendments to FRS 136: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to FRS 139: Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21 Levies

Adoption of the above Amendments to FRS and IC Interpretations did not have any effect on the financial performance, position or presentation of financials of the Group.

At the date of authorization of these interim financial statements, the following FRS, IC Interpretations and Amendments to IC Interpretations were issued but not yet effective and have not been applied by the Group:

Notes to the Interim Financial Report

FRS, IC Interpretations and Amendments to IC Interpretations		Effective for annual periods beginning on or after
Amendments to FRS 119	Defined Benefit Plans: Employee contributions	1 July 2014
Annual Improvements to FRS2 2010-2012 Cycle		1 July 2014
Annual Improvements to FRS2 2011-2013 Cycle		1 July 2014
FRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)	To be announced
FRS 9	Financial Instruments: Hedge Accounting and amendments to FRS 9, FRS 7 and FRS 139	To be announced

A2) Audit Report

The auditor's report on the financial statements for the financial year ended 31 December 2013 was not qualified.

A3) Seasonal and Cyclical Nature of Group's Products and Operations

The prices for the Group's products are not within the total control of the Group but are determined by the global supply and demand situation for edible oils and it is somewhat related to the price of mineral oil.

Crop production is seasonal. Based on statistics, the Group's production of crude palm oil ("CPO") and palm kernel ("PK") gradually increases from March, peaking around July to September, and then declines from October to February. This pattern can be affected by severe global weather conditions such as El-Nino.

The prices obtainable for the Group's products as well as the volume of production, which is cyclical in nature, will determine the profits for the Group.

A4) Exceptional and Extraordinary Items

There were no exceptional or extraordinary items for the current period.

Notes to the Interim Financial Report

A5) Changes in Estimates

There were no material changes to estimates made in prior periods.

A6) Equity and Debt Securities

As at 30 September 2014, the number of treasury shares held remained at 341,774 shares of RM1.00 each as there were no share buy-back nor any cancellation, re-sale or distribution of treasury shares in the current period. There were also no issuance of new shares or debt instruments in the current period.

A7) Dividends Paid

1) The following dividends were paid on 20 May 2014 in respect of the financial year ended 31 December 2013:

Ordinary	(RM '000)
Final dividend 22.5% Paid	46,753
Special dividend 41.25% Paid	85,715
Total	**132,468**

2) An interim extraordinary special dividend was also paid on 25 September 2014 in respect of the financial year ending 31 December 2014:

Ordinary	(RM '000)
Interim extraordinary special 75.0% Paid	155,844

A8) Segmental Information

Segmental information for the current period:

(RM '000)	Plantations	Refining	Other Segments	Elimination	Total
Segment Revenue:					
External Sales	319,852	468,366	1,314	-	789,532
Inter-segment Sales	175,213	-	-	(175,213)	-
	495,065	468,366	1,314	(175,213)	789,532
Segment Results:					
Profit before tax	245,760	23,664	(654)	-	268,770

Notes to the Interim Financial Report

A9) Valuation of Property, Plant and Equipment

The valuations of land and buildings have been brought forward without amendment from the financial statements for the year ended 31 December 2013.

A10) Events after the Balance Sheet Date

There were no material events after the balance sheet date.

A11) Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the period including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

A12) Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 22 November 2014.

B1) Directors' Analysis of the Group's Performance for 9 Months Ended 30 September 2014

The Group's profit before tax improved by 20.8% to RM 268.8 million in the current period from RM 222.6 million in the corresponding period in 2013 resulting from:

Plantations

This major segment of the Group's profit before tax increased by 4.6% to RM 245.8 million in the current period from RM 234.9 million in the corresponding period. The higher profit before tax was mainly due to higher CPO/PK production and significant higher selling price of PK as the consequence of improvement in world vegetable oil prices. The average selling prices of CPO and PK achieved for the period were as follows:

Countries	Products	**September 2014 Current Period (RM/MT)**	September 2013 Corresponding Period (RM/MT)
Malaysia	CPO	**2,457**	2,651
Indonesia	CPO	**2,343**	2,095
Average	CPO	**2,432**	2,597
Malaysia	PK	**1,766**	1,212
Indonesia	PK	**1,399**	868
Average	PK	**1,705**	1,159

Notes to the Interim Financial Report

The main difference in CPO and PK prices between Malaysia and Indonesia is due to the different duty structures of CPO/PK and the refined products in the two countries.

The Group's CPO and PK production increased by 8.9% and 5.8% respectively in the current period from the corresponding period mainly attributable to the higher production in Indonesia. The selling price of CPO dropped by 4.5% whereas the selling price of PK improved significantly by 47.1% in the same period. CPO production cost increased marginally by 1.1% whereas PK production cost decreased by 2.6% in the current period from the corresponding period.

RM 1.2 million CPO windfall gain tax was incurred in the current period whereas no such tax was incurred in the corresponding period as the monthly average price was below the windfall gain tax threshold price of RM 2,500/MT.

Interest income for the Group was marginally higher by 0.6% in the current period from the corresponding period.

Refinery

Whilst competition continues to increase from an expanding refining sector in Indonesia, the profit before tax of the refinery rose by 20.3% in the current period from the corresponding period mainly due to favourable forward hedging of refining margins. Trading positions in commodities and foreign exchange also contributed positively during the period.

Others

The holding companies' investments in Indonesia recorded a RM1.4 million unrealized foreign exchange gain from IDR loans extended to Indonesian subsidiaries in the current period as compared to unrealized loss of RM 31.2 million reported in the corresponding period.

B2) Comparison of Results with Preceding Quarter

Profit before tax increased by 52.5% from RM 63.0 million in the preceding quarter to RM 96.1 million for the quarter under review. The improvement was mainly due to higher production of CPO and PK by 15.3% and 28.4% and lower production costs of CPO and PK by 14.5% and 27.7% in the current quarter as compared to the corresponding quarter.

The lower production of CPO and PK in the preceeding quarter had been a consequence of the worst spring drought in 25 years experienced in January to the end March 2014.

The higher profit before tax was also due to higher contribution from the refinery unit in the current quarter and depreciation of the IDR in the preceeding quarter. The refinery as the result of higher trading and hedging gains recorded a 106.8% surge in profit before tax in the current quarter from the preceding quarter. The IDR depreciated 6.1% in the preceding quarter resulting in the holding companies' investments in Indonesia recording a RM 13.5 million unrealised foreign exchange loss from IDR loans extended to Indonesian subsidiaries as compared to RM 1.4 million unrealised foreign exchange loss in the current quarter.

Notes to the Interim Financial Report

B3) Prospects and Outlook

During the 3rd quarter of 2014, the palm oil market experienced volatile trading between RM2,436/ MT and a new 5½ year low at RM1,914/MT. The 3rd quarter ended off the lows and settled at RM2,217/ MT due to a strong month of September where prices increased by RM300/MT primarily due to good export demand mainly from India and China.

The current supply of both grains, oilseeds and vegetable oils is abundant with the Malaysian palm oil stock exceeding 2 million MT. and the all-time record high US soy bean yields (47.1 bushels per acre vs. the 2009 record at 44 bushels per acre) as key factors. Also the prospects for another record crop of soy beans out of Brazil/Argentina (which is planted during 4th quarter) has weighed on prices.

On the more positive side, the Malaysian Government announced that there will be no duty on Crude Palm Oil exports out of Malaysia for the remaining part of 2014 which has had a positive effect on prices. In addition, the USD appreciation against the Malaysian Ringgit has supported prices in Ringgit terms.

Looking at Q4 price developments as well as expectations for 2015, the South American planting weather together with palm oil production and the downward trend in mineral oil prices are key variables that seem likely to keep a lid on vegetable oil prices, subject to unusual weather conditions in the main crop producing regions.

In addition, Geopolitical turmoil, like the conflicts in Syria, Iraq and Ukraine, the Ebola epidemic and uncertainties surrounding global growth (for example China experiencing the slowest growth rate in 5 years) are factors which may impact the global economy negatively.

In accordance with its replanting policy, United Plantations has continued to replant large areas of its old oil palms in Malaysia during 2014. All areas in its Indonesian operations are in production in 2014 which have compensated for the crop loss from the replanted areas in Malaysia.

In view of the above, and with the current prices of palm oil and palm kernels prevailing in the market the factors going forward look slightly more challenging. Nevertheless, with the prices contracted under our forward sales policy and with the Indonesian production compensating for the production drop from the replanted areas in Malaysia, the Board of Directors expects that the results for 2014, will be satisfactory.

B4) Profit Forecasts

The Group has not issued any profit forecasts for the period under review.

Notes to the Interim Financial Report

B5) Taxation

The charge for taxation for the period ended 30 September 2014 comprises:

(RM '000)	Current Quarter	Current year-to-date
Current taxation	20,953	53,332
Deferred taxation	3,380	9,117
	24,333	62,449
Profit before taxation	96,106	268,770
Tax at the statutory income tax rate of 25%	24,027	67,193
Tax effects of expenses not deductible/(income not taxable) in determining taxable profit :		
Depreciation on non-qualifying assets	270	810
Double deductions for research and development	(156)	(468)
Overprovision of taxes in prior years	(435)	(435)
Others	627	(4,651)
Tax expense	**24,333**	**62,449**

B6) Corporate Proposals

There were no corporate proposals which were announced but not completed as at 22 November 2014.

B7) Group Borrowings

All Group borrowings were unsecured, short term and denominated in Ringgit Malaysia only and outstanding balance as at 30 September 2014 was RM 72,000.

B8) Material Litigation

There was no material litigation as at 22 November 2014.

B9) Proposed Dividends

The Directors have on 22 November 2014 declared an interim single tier dividend of 20% per share (2013: 25% gross per share less 25% tax or 18.75 sen net per share) and a special single tier dividend of 10% per share (2013: 12.495% gross per share less 25% tax or 9.37 sen net per share and a single tier dividend of 2% or 2 sen per share) for the year ending 31 December 2014 on the issued ordinary share capital of the Company. The dividend is payable on 19 December 2014.

Notes to the Interim Financial Report

B10) Earnings Per Share (EPS)

The calculation of EPS is based on profit attributable to the ordinary equity holders of the parent company of RM 205,277,000 (2013: RM 160,761,000) and the weighted average number of ordinary shares of 207,792,492 (2013: 208,134,266) in issue during the period.

B11) Disclosure of Realised and Unrealised Profits/Loss

(RM' 000)	**As at 30/09/2014**	As at 31/12/2013
Total retained profits of the Company and its subsidiaries:		
- Realised	**1,810,789**	1,906,157
- Unrealised	**(79,523)**	(54,369)
	1,731,266	1,851,788
Total share of accumulated losses from an jointly controlled entity:		
- Realised	**(1,210)**	(381)
Associated company:		
- Realised	**(51)**	(51)
	1,730,005	1,851,356
Consolidation adjustments	**(16,836)**	(55,152)
Total Group retained profits as per consolidated financial statements	**1,713,169**	1,796,204

Notes to the Interim Financial Report

B12) Others

As United International Enterprises Limited which is the largest shareholder of the Company is listed in NASDAQ OMX Copenhagen A/S (Nasdaq CPH) and to comply with the directive of the Danish Business Authority, the Directors had under Note 10 (a) of the Annual Report 2013 presented the financial effect on the financial statements of the Group had biological assets been measured at fair value in accordance with IAS 41 Agriculture.

The fair valuation of the biological assets is based on the discounted cash flow method with the assumptions of prices, yield, costs etc based on long term historical averages. The Directors have as at 30 September 2014 reassessed these assumptions and are of the opinion these have not changed significantly and the fair value is therefore not materially different from the valuation made as at 31 December 2013.

By Order of the Board

A. Ganapathy
Company Secretary

Jendarata Estate
36009 Teluk Intan
Perak Darul Ridzuan
Malaysia

22 November 2014

Contact information

United Plantations Berhad
Jendarata Estate
36009 Teluk Intan
Perak Darul Ridzuan
Malaysia

Company Secretary:	Mr. A. Ganapathy
E-mail:	up@unitedplantions.com
Phone:	006 05 6411411
Fax:	006 05 6411876
Website:	www.unitedplantations.com