



**Plantation**

## **PRESS RELEASE**

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### **Sime Darby Plantation's results for 2019 impacted by a one-off impairment charge of RM235 million on its Liberia assets**

The Group reports a net loss of RM200 million for 2019 but expects the recovery in palm product prices to contribute positively to its 2020 performance

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**Kuala Lumpur, 28 February 2020** – For the financial year ended 31 December 2019, Sime Darby Plantation (SD Plantation) Group reported an unaudited net profit of RM122 million from its continuing operations compared to RM729 million in the corresponding period of the previous year. The weaker performance was attributable to lower crude palm oil (CPO) and palm kernel (PK) prices realised, as well as lower fresh fruit bunch (FFB) production in the year under review. This was partially offset by lower non-recurring losses, finance costs and a tax credit registered for the financial year. The Group's discontinuing operations, which comprise its Liberian operations and joint ventures in the oleochemical and biomass businesses, recorded a net loss of RM322 million mainly arising from the impairment of assets in Liberia. Accordingly, the Group posted a net loss of RM200 million for the full year compared to a net profit of RM523 million in the previous year.

For the fourth quarter of the financial year ended 31 December 2019 (Q4 FY2019), the Group's continuing operations reported a net loss of RM45 million against a net profit of RM172 million in the same quarter last year. The decline in profit was largely due to lower FFB production and lower contribution from Sime Darby Oils (Downstream) operations in the quarter under review. This was partially cushioned by higher CPO prices realised, lower finance costs and lower tax expense in Q4 FY2019. With the Group's discontinuing operations recording a net loss of RM13 million, the Group's net loss totalled RM58 million in this quarter against a net profit of RM129 million in the corresponding quarter of the previous year.

"The financial year 2019 proved to be challenging for the plantation industry and Sime Darby Plantation as we continued to face unfavourable weather conditions and the low CPO and PK prices for the most part of the year. However, we are progressing into the new year 2020 with renewed enthusiasm. CPO prices have rebounded towards the end of 2019 and this may offer some respite to the industry players if the price recovery is sustained," said Tan Sri Dato' A. Ghani Othman, SD Plantation's Chairman.

"We are cognisant that factors beyond our control, such as the recent outbreak of the Covid-19 in China, may have negative implications on global economic growth and demand for palm oil. The impact from restrictions placed by India on imports of refined palm oil will also be negative to the industry. Nevertheless, this will not affect our focus and

determination to improve our financial performance as we continue to rely on the Group's resilience," he added.

In January 2020, SD Plantation divested its entire equity interest in Sime Darby Plantation (Liberia) Inc. to Mano Palm Oil Industries Limited (MPOI). The decision to exit was made in view of various operating challenges the Group had faced since its foray into the West African country in 2009. The Group believes the divestment, whilst stemming future losses from its operations in Liberia, will enable SD Plantation to reallocate financial resources to generate higher value for its shareholders.

SD Plantation's Group Managing Director, Mohamad Helmy Othman Basha further reiterated that the disposal of the Group's Liberia operations ended a legacy issue that has hampered the Group's financial performance. In his first year as SD Plantation's Group Managing Director, Helmy is confident that the Group remains on track in its strategies of increasing profit contribution from its Downstream segment, improving operational efficiencies in its Upstream operations as well as in maintaining disciplined management of cost and liquidity.

"The Group continues to place priority in its deleveraging efforts and completed the refinancing of its credit facilities worth approximately RM3.9 billion on marginally improved terms in December 2019. The refinancing exercise was rated as credit positive by Moody's Investors Service.

"This refinancing exercise has not only resulted in a lower cost of debt for us, but it has also strengthened our balance sheet and provided financial flexibility to manage our operations and finances. With this plan set in motion, we are one step closer to realising our aspirations to reduce the Group's gross gearing ratio from 49 percent as at 31 December 2019 to approximately 30 percent within the next three years," added Helmy.

## **Outlook**

The expectation of a slowdown in crop production in Malaysia and Indonesia in 2020 has resulted in the price recovery of palm products. However, the rise in prices is expected to be moderated over concerns on the global economic growth with the outbreak of the Covid-19. Moreover, restrictions placed by India on imports of refined palm oil may have an impact on these prices. Despite these uncertainties, other factors such as biodiesel mandates in Malaysia and Indonesia are expected to keep palm product prices resilient in the near term.

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## **APPENDIX 1**

### ***Fourth Quarter Ended 31 December 2019 versus Quarter Ended 31 December 2018 (Year-on-year (YoY) Comparison)***

The Group's continuing operations reported a profit before interest and tax (PBIT) of RM73 million in Q4 FY2019 against RM343 million in the corresponding period of the previous year. The PBIT for the current quarter included non-recurring profit of RM11 million from the disposal of land in Malaysia and Thailand.

#### **Upstream Operations**

In Q4 FY2019, Upstream operations registered a loss before interest and tax (LBIT) of RM10 million compared to a PBIT of RM208 million in the corresponding quarter of the previous year. The weaker performance was largely attributable to lower FFB production and weaker average PK price realised. The Group's continuing operations reported FFB production of 2.23 million MT in the current quarter compared to 2.78 million MT in the same quarter last year. Average PK price declined by 12 percent YoY from RM1,348 per MT to RM1,186 per MT. The adverse impact from the above was partially compensated by the 20 percent YoY improvement in average CPO price realised from RM1,871 per MT to RM2,240 per MT, and the improved oil extraction rate (OER) from 21.27 percent to 21.83 percent.

Upstream Malaysia reported a LBIT of RM67 million in the quarter under review versus a PBIT RM176 million in the corresponding quarter of the previous year. The weaker performance was mainly due to lower FFB production which declined from 1.51 million MT to 1.12 million MT amid prolonged dry weather in Peninsular Malaysia in 2019 which impacted the development of oil palm inflorescence. Its earnings were also affected by lower average PK price realised which declined by 8 percent YoY to RM1,321 per MT, as well as the unrealised losses of RM140 million arising from fair value of commodity hedges on the back of the sharp increase in market prices in November and December 2019. Nevertheless, average CPO price realised was 15 percent higher YoY at RM2,229 per MT this quarter compared to RM1,939 per MT in the same quarter last year. OER also improved from 20.68 percent to 21.05 percent as a result of dry weather conditions being more conducive for harvesting and crop evacuation.

Upstream Indonesia posted a PBIT of RM99 million in Q4 FY2019 compared to RM5 million in the corresponding quarter of the previous year. The improvement in this quarter was mainly driven by average CPO price realised which increased by 37 percent YoY to RM2,274 per MT and OER which increased by one percentage point to 22.24 percent arising from better crop quality delivered to mills. However, FFB production was lower in the quarter under review at 0.73 million MT against 0.79 million MT in the same quarter last year, due to a prolonged severe rainfall deficit in parts of Kalimantan and Sumatera which interrupted bunch formation.

Upstream PNG and Solomon Islands (SI) reported a LBIT of RM42 million in the quarter under review against a PBIT of RM27 million in the corresponding quarter of the previous year. The decline was primarily due to lower FFB production and was further exacerbated by lower fair value of biological assets arising from the expectation of lower cane production in the coming season as it is still recovering from the severe pest issue. FFB production for the quarter was lower by 21 percent YoY at 0.38 million MT, impacted by higher seasonal rainfall particularly in West New Britain which affected bunch pollination. On the other hand, the average CPO price realised and OER improved to RM2,190 per MT and 23.15 percent, respectively in the quarter under review.

## **Downstream Operations**

Sime Darby Oils registered a lower PBIT in Q4 FY2019 of RM72 million as compared to RM98 million in the corresponding quarter of the previous year. Although there was an increase in sales volumes, the decline in earnings was attributable to unrealised losses arising from fair value of commodity contracts as at 31 December 2019 and weaker contribution from certain differentiated businesses.

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### **For further information, please contact:**

#### ***Eliza Mohamed***

*Chief Communications Officer  
Sime Darby Plantation Berhad  
Tel: 03-78485415 (Off), 012-2193059 (HP)  
E-mail: eliza.mohamed@simedarbyplantation.com*

#### ***Azneal Azam***

*Tel: 03-78485369 (Off), 016-3376160 (HP)  
E-mail: azneal.azam@simedarbyplantation.com*

#### ***Hisyam Samad***

*Tel: 0378484410 (Off), 012-6929358 (HP)  
E-mail: hisyam.samad@simedarbyplantation.com*

### **About Sime Darby Plantation**

*Sime Darby Plantation is the world's largest oil palm plantation company by planted area, producing about 4 percent of the global CPO output. It is also the world's largest producer of Certified Sustainable Palm Oil (CSPO), with a CSPO production capacity of over 2.46 million MT.*

*As a globally integrated plantation company, Sime Darby Plantation is involved in the full spectrum of the palm oil value chain, from upstream to downstream activities, R&D, renewables and agribusiness. Its upstream operations which consist predominantly of oil palm cultivation, harvesting and milling are spread across Malaysia, Indonesia, Papua New Guinea and the Solomon Islands. Its downstream business, known as Sime Darby Oils, spanning across 14 countries worldwide, involves the manufacturing as well as the sales and marketing of oils and fats products, oleochemicals, palm oil-based biodiesel, nutraceuticals and other derivatives. Sime Darby Plantation is also involved in rubber and sugarcane plantations, as well as cattle rearing.*

*With a workforce of over 95,000 employees and a strong focus on operational excellence, research, innovation and sustainability, Sime Darby Plantation is one of the largest companies on Bursa Malaysia with a market capitalisation of RM34.49 bn (USD8.17 bn) as at 27 February 2020.*