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Plantation

# PRESS RELEASE

**For Immediate Release**
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## Sime Darby Plantation Registers a Nine-Month Net Loss of RM142 million due to an Impairment Charge of RM256 million following the Planned Exit from its Liberian Operations

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**Kuala Lumpur, 29 November 2019** – For the nine months ended 30 September 2019, Sime Darby Plantation (SD Plantation) Group reported a net profit of RM167 million from its continuing operations against net profit of RM556 million in the corresponding period of the previous year. The Group's PBIT from its continuing operations in the current period of RM333 million was lower on the back of weaker crude palm oil (CPO) and palm kernel (PK) prices but was partially cushioned by better earnings from its Sime Darby Oils (Downstream) operations. In the same period, discontinuing operations which comprises of the Liberian operations and joint ventures in oleochemical and biomass, recorded a net loss of RM309 million mainly due to the impairment of assets in Liberia of RM256 million. As a result, the Group posted a net loss of RM142 million in the nine-month period compared to a net profit of RM393 million in the corresponding period of the previous year.

For the third quarter of its financial year ending 31 December 2019 (Q3 FY2019), the Group posted a net loss of RM243 million against a net profit of RM115 million in the corresponding quarter of the previous year largely due to a net loss registered by its discontinuing operations of RM275 million, arising mainly from the impairment of assets in Liberia. From its continuing operations, the Group reported a net profit of RM32 million in comparison with a net profit of RM126 million in the same quarter last year. The decline in profit was due to weaker average CPO and PK prices realised which was further exacerbated by lower FFB production in the quarter under review. This was partially cushioned by stronger performance and contribution from Sime Darby Oils (Downstream) operations, lower finance costs and lower tax expense.

"SD Plantation's performance was adversely impacted by volatile commodity prices and unpredictable weather. The results were also largely affected by the impairment charges for our assets in Liberia as we prepare to exit our business there. Our operations in Liberia continue to face challenges and uncertainties. It continues to report losses to-date since its commencement. Despite these difficulties, I believe the Group will be more resilient as we put performance improvement measures in place to overcome the challenges and strive for greater profitability and productivity targets," said Mohamad Helmy Othman Basha, SD Plantation's Group Managing Director.

"Far from being discouraged, the Group is now even more determined in pursuing our latest strategies to thrive in the prevalent challenging business environment. This includes balancing the profit contribution from both our Upstream and Downstream segments, strengthening our approach to improve operational efficiencies as well as maintaining disciplined management of our cost and liquidity," added Mohamad Helmy.

"Given the Group's committed forward sales, the recent improvements in CPO and PK prices will have minimal impact on the Group's results for the financial year ending 31 December 2019 (FY2019). Nevertheless, should the prices continue to rally, the Group's prospects will improve in the next financial year. By then, SD Plantation's legacy issues impacting the Group's current results are also expected to be fully resolved," stated Mohamad Helmy.

***Third Quarter Ended 30 September 2019 versus Quarter Ended 30 September 2018 (YoY Comparison)***

From its continuing operations, the Group recorded a PBIT of RM118 million in Q3 FY2019 against a PBIT of RM270 million in the corresponding period of the previous year. The PBIT for the current quarter included non-recurring losses of RM44 million, comprising the impairments of a non-operating asset in Indonesia and a loan due from a joint venture in China.

**Upstream Operations**

In Q3 FY2019, Upstream operations posted a PBIT of RM76 million compared to RM218 million in the corresponding quarter of the previous year. The weaker performance was attributable to lower CPO and PK realised prices, lower FFB production and lower profit from the sugar operations in Papua New Guinea (PNG) which was inflicted by a pest attack. Average CPO prices realised was lower by 6 percent YoY from RM2,119 per MT to RM1,990 per MT while average PK price realised was lower by 37 percent YoY from RM1,661 per MT to RM1,040 per MT. The Group's FFB production achieved in the current quarter of 2.44 million MT was 11 percent YoY lower compared to 2.73 million MT achieved in the same quarter last year. The adverse impact from the above was partially compensated by an improvement in oil extraction rate (OER) from 21.07 percent to 21.85 percent.

Upstream Malaysia registered a PBIT of RM88 million versus RM125 million in the corresponding quarter of the previous year. The weaker performance was mainly due to the lower average CPO and PK prices realised which declined by 9 percent YoY to RM2,028 per MT, and by 35 percent YoY to RM1,144 per MT, respectively. FFB production in this quarter was marginally lower at 1.28 million MT against 1.29 million MT in the same quarter last year, primarily attributable to prolonged dry weather which caused delays in the ripening of fruits. On the other hand, OER increased from 20.66 percent to 21.59 percent as the dry weather was conducive for harvesting and crop evacuation.

Upstream Indonesia reported a PBIT of RM90 million in comparison with RM63 million in the corresponding quarter of the previous year. Earnings were driven primarily by higher CPO sales volume and OER which improved by 1.15 percentage points to 22.19 percent in the quarter under review compared to 21.04 percent in the same quarter last year. However, earnings were adversely impacted by lower PK prices which declined by 35 percent YoY to RM874 per MT and lower FFB production at 0.74 million MT, a drop of 19 percent YoY, largely due to dry weather conditions in the South Kalimantan region.

Upstream PNG and Solomon Islands (SI) recorded a loss before interest and tax (LBIT) of RM102 million in the quarter under review against a PBIT of RM30 million in the corresponding quarter of the previous year. The decline was primarily due to weaker CPO price realised which declined by 13 percent YoY and was further exacerbated by lower profit from the sugar operations which suffered a 30 percent YoY decline in cane production. The average CPO price realised declined from RM2,289 per MT to RM1,985 per MT this quarter. FFB production for the quarter was also lower by 18 percent YoY at 0.42 million MT, impacted by heavy rainfall which interrupted bunch pollination. The unfavourable weather conditions had also delayed harvesting which caused OER to decline from 22.11 percent to 22.01 percent.

## Downstream Operations

Sime Darby Oils (Downstream) continued to register strong growth and posted a higher PBIT of RM68 million as compared to RM48 million in the corresponding quarter of the previous year, representing an increase of 42 percent YoY attributable to better earnings from differentiated businesses and trading operations. The improved performance of differentiated businesses was largely due to higher sales volumes and better margins in Asia Pacific, compensating for weaker contribution from differentiated businesses in Africa which faced stiff competition. The trading operations posted better results attributable to higher margins arising from the zero export duty for both Malaysia and Indonesia in Q3 FY2019.

## Other Operations

Other operations registered a PBIT of RM18 million in the current quarter compared to RM4 million in the corresponding quarter of the previous year due to better results from joint ventures and associates in the current quarter.

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*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, the Solomon Islands and Liberia. 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 RM34.77 bn (USD8.33 bn) as at 28 November 2019.*