



Plantation

PRESS RELEASE

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Sime Darby Plantation Reports a Profit Before Tax of RM125 million for the First Quarter Ended 31 March 2019

- 31 percent YoY increase in Sime Darby Oils' PBIT driven by earnings from bulk products, differentiated products and trading operations
- Improvements in operational efficiencies and higher earnings from Sime Darby Oils mitigated the impact of lower average crude palm oil and palm kernel prices realised

Kuala Lumpur, 31 May 2019 – For the first quarter of its financial year ending 31 December 2019 (Q1 FY2019), Sime Darby Plantation (SD Plantation) Group recorded a profit before tax (PBT) of RM125 million, 64 percent lower compared to the corresponding quarter of the previous year (Quarter ended 31 March 2018). The lower PBT was attributable to the sharp decline in the average crude palm oil (CPO) and palm kernel (PK) realised prices year-on-year (YoY) and higher finance costs, partially mitigated by higher fresh fruit bunch (FFB) production and improved oil extraction rate (OER), as well as continued earnings improvement from Sime Darby Oils, the rebranded Downstream segment of the Group. The average CPO price realised declined by 18 percent YoY from RM2,452 per MT to RM2,012 per MT whilst the average PK price realised was lower by 43 percent YoY from RM2,094 per MT to RM1,204 per MT. The Group also benefited from an 8 percent YoY rise in FFB production and a higher OER from 21.03 percent to 21.41 percent, but these improvements were not sufficient to compensate for the adverse price impact.

For the quarter under review, the Group registered a net profit of RM74 million compared to RM249 million in the corresponding quarter of the previous year. The decline was due to the reduction in PBT as indicated above and a one-off net gain of RM26 million registered in the corresponding quarter of the previous year.

"The challenging business environment for the palm oil industry with prevailing low CPO and PK prices, as well as a volatile external environment influenced by the US-China trade war has continued to impact the industry's performance.

We remain encouraged by higher FFB production and OER recorded from our Upstream segment as well as continuing profitability of Sime Darby Oils during the quarter under review. We believe the decision to rebrand our Downstream business would augur well with our strategy for a more balanced profit contribution from our Upstream and Downstream segments, moving forward," said Tan Sri Dato' Seri Mohd Bakke Salleh, SD Plantation's Executive Deputy Chairman and Managing Director.

External factors including the negative perception on the palm oil industry due to deforestation have inevitably played a role in the decline of global CPO prices. As the leading producer of sustainable palm oil, SD Plantation shares the concern that the rapid rate of deforestation has become an urgent challenge that calls for a meaningful response from various stakeholders. To address this issue and ensure the industry's long-term prospects, SD Plantation introduced a pioneering initiative called 'Crosscheck' on 23 May 2019.

"We believe that traceability is the next frontier in halting deforestation and 'Crosscheck' is a major step forward for the Company towards a deforestation-free supply chain. This open access online tool enables traceability across our supply chain down to the mill level, making it possible for everyone to identify where problems may exist, so that action can be taken," said Mohd Bakke.

SD Plantation has also been ranked first among 250 listed companies across South East Asia in the recent 'Human Rights Disclosure in ASEAN' study conducted by ASEAN CSR Network, the Institute of Human Rights and Peace Studies, Mahidol University and Article 30.

"The honour came as a testament to the great strides we have made to act beyond compliance with our human rights commitments, due diligence efforts, risk management and overall corrective actions. I am truly proud of our people who embody the culture of good governance and transparency, and hope to see further development in this area in the future," added Mohd Bakke Salleh.

First Quarter Ended 31 March 2019 versus Quarter Ended 31 March 2018 (YoY Comparison)

Sime Darby Plantation changed its financial year end from 30 June to 31 December with effect from 1 July 2018. Due to the change in the financial year, the performance of the current quarter ended 31 March 2019 (Q1 FY2019) is not comparable with the first quarter of the previous financial year ended 30 June 2018, instead the performance is comparable against the quarter ended 31 March 2018 i.e. the corresponding quarter of the previous year.

Upstream Operations

In Q1 FY2019, Upstream operations posted a recurring profit before interest and tax (PBIT) of RM83 million versus RM283 million in the corresponding quarter of the previous year due to the 18 percent and 43 percent YoY decline in average CPO and PK prices realised, respectively. Nonetheless, the Group's FFB production improved by 8 percent in the current quarter from 2.34 million MT to 2.52 million MT, while OER also increased YoY from 21.03 percent to 21.41 percent.

Upstream Malaysia registered a recurring PBIT of RM113 million in comparison with RM253 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 was partially compensated by the higher FFB production and OER. Average CPO price realised in Q1 FY2019 declined by 19 percent YoY from RM2,480 per MT to RM1,998 per MT, whereas average PK price realised declined by 38 percent YoY from RM2,145 per MT to RM1,322 per MT. FFB production in Malaysia stood at 1.40 million MT this quarter versus 1.37 million MT in the corresponding quarter of the previous year. The 2 percent YoY increase was attributable to a higher percentage of trees moving into prime maturity, resulting in an increase in productivity. OER was also higher YoY from 20.48 percent to 21.09 percent due to more efficient crop evacuation on the back of favourable weather conditions.

Upstream Indonesia reported a lower recurring PBIT of RM9 million as compared to RM11 million in the corresponding quarter of the previous year primarily due to the significantly lower average CPO and PK prices realised, which declined by 12 percent YoY from RM2,270 per MT to RM2,002 per MT, and 47 percent YoY from RM1,861 per MT to RM994 per MT, respectively. Nevertheless, its earnings were supported by the 14 percent YoY higher FFB production of 0.60 million MT this quarter versus 0.52 million MT in the same quarter last year, driven by more area coming into maturity as a result of the accelerated replanting activities carried out in the preceding years. OER for the quarter stood 1 percent higher YoY at 21.98 percent compared to 21.79 percent in the corresponding quarter as a result of crop quality improvements with better agriculture management.

Upstream Papua New Guinea (PNG) and Solomon Islands (SI) registered a loss before interest and tax of RM19 million in the quarter under review against a PBIT of RM38 million in the corresponding quarter of the previous year. The decline in profit was attributable to the weaker average CPO price realised which had declined by 22 percent YoY from RM2,644 per MT to RM2,063 per MT this quarter. OER for the quarter was also lower at 21.52 percent from 22.00 percent in the corresponding quarter as a result of the rainy season experienced in West New Britain. Nevertheless, FFB production improved by 17 percent YoY from 0.44 million MT to 0.51 million MT.

Upstream Liberia reported a loss before interest and tax of RM20 million this quarter versus a loss of RM19 million in the same quarter last year as a result of YoY decline in the average CPO and PK prices realised at 5 percent and 71 percent, respectively. However, FFB production was 33 percent higher YoY at 0.02 million MT from 0.01 million MT in the corresponding quarter of the previous year. OER was also higher at 21.63 percent versus 18.12 percent in the same quarter last year.

Sime Darby Oils

For the quarter under review, Sime Darby Oils posted a recurring PBIT of RM85 million as compared to RM65 million in the corresponding quarter of the previous year, representing an increase of 31 percent YoY, attributable to better earnings from bulk products, differentiated products and trading operations. The improved performance from the bulk business was due to higher sales volume and better margins driven by favourable import duties in India as well as zero export levies in Indonesia since December 2018. Differentiated products in Asia Pacific registered higher margins this quarter, compensating for the weaker contribution from the differentiated segment in Europe, Middle East and Africa.

Other Operations

Other operations registered a recurring PBIT of RM12 million in the current quarter compared to RM14 million in the corresponding quarter of the previous year. Despite better results reported by associates and joint ventures in the current quarter, PBIT was still higher in the corresponding quarter of the previous year due to the one-off dividend income from an investment.

For further information, please contact:

Eliza Mohamed

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

Azneal Azam

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

Asmad Putra

Tel: 03-78485363 (Off), 019-2995571 (HP)
Email: asmad.putra@simedarbyplantation.com

Priya Menon

Tel: 03-78484100 (Off), 012-9150049 (HP)
Email: priya.menon@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, the Solomon Islands and Liberia. Its downstream business, represented by its subsidiary Sime Darby Oils, spans across 14 countries worldwide and involves the manufacturing as well as the sales and marketing of oils and fats products, 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 RM31.83 bn as at 21 May 2019.