



**Plantation**

## **PRESS RELEASE**

**For Immediate Release  
Thursday, 30 August 2018**

### **Sime Darby Plantation Reports Net Profit of RM1.7 billion for the Financial Year Ended 30 June 2018**

The Group proposes a total dividend of 17.5 sen per share for FY2018

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**Kuala Lumpur, 30 August 2018** – For the financial year ended 30 June 2018 (FY2018), Sime Darby Plantation Berhad (SD Plantation) registered a profit before tax (PBT) of RM2,377 million, on the back of an improved overall Fresh Fruit Bunch (FFB) production by its Upstream division in the year under review, and continued earnings improvement from its Downstream operations. However, the PBT represents a decline of 41 percent compared to the PBT recorded in the previous corresponding year, primarily due to a lower non-recurring net profit, although partially mitigated by lower finance costs.

The Group reported a non-recurring profit before interest and tax (PBIT) of RM517 million this year in comparison with a non-recurring net profit of RM2,228 million recorded last year, arising primarily from a gain on sale of land. Recurring PBIT declined by 9 percent year-on-year (YoY) attributable to weaker average crude palm oil (CPO) and palm kernel (PK) prices realised. The Group registered a net profit of RM1,727 million for the full year.

For the fourth quarter ended 30 June 2018 (4Q FY2018), the Group's PBT and net profit declined to RM149 million and RM30 million respectively. The results were attributable to non-recurring impairment charges of RM283 million compared to a non-recurring net profit of RM2,228 million reported in the corresponding quarter last year, as well as a lower recurring PBIT. The non-recurring impairment charges in the quarter under review primarily consist of an impairment charge of RM112 million relating to the Group's long term assets in Liberia and an impairment charge of RM157 million in its investment in Verdezyne Inc. (Verdezyne) which is an associate company. The recurring PBIT fell by 22 percent amid weaker CPO and PK prices realised, and marginally lower FFB production posted over the quarter. The decline in earnings was mitigated by lower finance costs of RM44 million arising from lower borrowings during the quarter under review.

"We are operating in a very challenging business environment. This year, despite achieving the strongest yield performance in Malaysia in the last five years, uncertainties surrounding the US-China trade disputes have resulted in greater CPO price volatility, which has impacted the Group's performance in FY2018. Nevertheless, our continuous efforts to improve operational efficiency, particularly on replanting, mechanisation and water management, have contributed a 5 percent growth in FFB production for FY2018. These initiatives will continue to drive our performance as we move forward into the new financial period," said Tan Sri Dato' Seri Mohd Bakke Salleh, SD Plantation's Executive Deputy Chairman and Managing Director.

"In addition to our continuous drive to improve productivity, two new developments will also provide new synergies to our business. SD Plantation has recently acquired Markham Farming Company Limited (MFCL) in Papua New Guinea (PNG) which brings to the Group 6,110 hectares of agriculture land in Markham Valley, PNG, and two copra mills. The oil palm plantation is well located close to Lae, PNG's largest port, and has the ability to integrate with New Britain Palm Oil Limited's (NBPOL) existing supply chain. Moreover, MFCL is the largest exporter of coconut oil in PNG and the acquisition enables SD Plantation/NBPOL to expand its lauric oils business into coconut oil production for captive supply for its refinery blends in Europe," he added.

"In China, a Memorandum of Understanding with COFCO Group Co. Ltd. on a number of palm oil related ventures has also been signed. This newly formed relationship is expected to create greater demand for our certified sustainable palm oil and increase trade volume between the two companies," said Tan Sri Dato' Seri Mohd Bakke Salleh.

#### **4Q FY2018 versus 4Q FY2017 Year-on-Year Comparison**

For the quarter under review, recurring PBIT declined by 22 percent to RM472 million compared to RM606 million in the corresponding period last year. The decline in earnings was due to lower profit contribution from the Upstream operations arising from lower average CPO and PK prices realised, and marginally weaker production of FFB. Average CPO price realised declined by 15 percent to RM2,379 per MT whereas average PK price realised declined by 9 percent to RM1,682 per MT in the quarter under review. The Group's FFB production declined by 1 percent from 2.46 million MT in 4Q FY2017 to 2.44 million MT in 4Q FY 2018.

#### **Upstream Operations**

In 4Q FY2018, Upstream Malaysia registered a recurring PBIT of RM243 million, representing a decrease of 36 percent YoY from RM380 million. The weaker performance was largely due to the lower average CPO and PK prices realised. Average CPO price realised for the quarter under review declined by 14 percent YoY to RM2,415 per MT, whereas average PK price realised declined by 6 percent YoY to RM1,763 per MT. FFB production in Malaysia was lower by 14 percent YoY from 1.41 million MT in 4Q FY2017 to 1.21 million MT in 4Q FY2018. However, the full year FFB production of 5.82 million MT was notably higher compared to the 5.29 million MT in the previous corresponding year, representing an increase of 10%.

Recurring PBIT of Upstream Indonesia increased by 96 percent from RM47 million to RM92 million this quarter, primarily due to higher FFB production and lower production costs. FFB production improved by 26 percent from 0.52 million MT in the same quarter last year to 0.66 million MT this quarter. However, average CPO and PK prices realised for the period under review declined to RM2,161 per MT and RM1,388 per MT respectively in this quarter, representing a 21 percent YoY decrease for both.

Upstream PNG and Solomon Islands reported lower recurring PBIT of RM77 million in the period under review against RM219 million in the previous year corresponding quarter. The decline in profit was attributable to the weaker average CPO price realised which had declined 10 percent YoY to RM2,590 per MT this quarter. Nevertheless, its earnings were supported by better FFB production which improved by 7 percent to 0.55 million MT.

Upstream Liberia registered a lower loss of RM9 million this quarter versus a loss of RM26 million in the same quarter last year, on the back of a 53% increase in FFB production, partially offset by lower average CPO price realised.

## **Downstream Operations**

In 4Q FY2018, Downstream operations reported a recurring profit of RM68 million as compared to RM7 million in 4Q FY2017. The improved performance was driven by better earnings from the differentiated products business as a result of higher sales volume, and better contribution margin due to higher capacity utilisation of the speciality refineries.

## **Other Operations**

Other operations registered a recurring PBIT of RM1 million in the current quarter compared to a loss of RM21 million in the same quarter last year, mainly attributable to a lower share of losses reported by joint ventures, as well as discontinuance in recognising share of losses from an associate subsequent to the full impairment of the carrying amount in the Group's consolidated financial statements.

## **Dividend**

The Group has recommended a final dividend of 8.0 sen per share, which together with the interim dividend of 3.5 sen per share, will translate into a single tier dividend of 11.5 sen per share for FY2018.

The following special single tier dividends have also been declared and proposed:

- (i) a cash interim dividend of 3.0 sen per share
- (ii) a final dividend of 3.0 sen per share.

Both the final dividend of 8.0 sen per share and the special final dividend of 3.0 sen per share are subject to the approval of the shareholders of the Company at the forthcoming Annual General Meeting.

The Company proposes to undertake a dividend reinvestment plan, which is subject to the relevant regulatory approvals and shareholders' approval being obtained at an Extraordinary General Meeting, and if approved, will apply to the final dividend and the special final dividend.

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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% of the global CPO output. It is also the world's largest producer of Certified Sustainable Palm Oil, accounting for around 20% market share of the world production by capacity.*

*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 spanning across 16 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 100,000 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 RM 36.32 bn (USD 8.85 bn) as at 29 August 2018.*