PRESS RELEASE

For Immediate Release
Friday, 23 November 2018

Sime Darby Plantation Reports A Net Profit of RM115 million for the Three Months Ended 30 September 2018

Impact of lower average crude palm oil (CPO) and palm kernel (PK) prices realised mitigated by improvements in operational efficiencies

---

Kuala Lumpur, 23 November 2018 – For the financial period ended 30 September 2018, Sime Darby Plantation Berhad (SD Plantation) registered a profit before tax (PBT) of RM212 million on the back of weaker average CPO and PK prices realised, which was partly mitigated by higher FFB production and improved oil extraction rate (OER), as well as lower production and finance costs.

The Group reported a recurring profit before interest and tax (PBIT) of RM259 million this quarter as compared to RM512 million recorded in the last quarter. Recurring PBIT declined by 49 percent year-on-year (YoY) due to lower profit contributions from both the Upstream and Downstream segments arising from lower average CPO and PK prices realised, and reduced margins from the differentiated products business. The average CPO price realised declined by 21 percent YoY from RM2,693 per MT to RM2,117 per MT, whereas the average PK price realised declined by 22 percent YoY from RM2,109 per MT to RM1,649 per MT. The decline in earnings was partially mitigated by higher FFB production, which had increased by 2 percent from 2.70 million MT in the previous corresponding period to 2.75 million MT in the three-month period ended 30 September 2018. OER in this quarter also improved slightly YoY from 20.93 percent to 21.06 percent.

“We are well into the half-way mark of the six-month financial period as SD Plantation moves towards 31 December 2018. The business environment remains challenging as the CPO price traded at a low of RM2,065 per MT on 28 September 2018. Nevertheless, we remain steadfast in our drive to improve operational efficiency.

The Group has incorporated new breakthrough technologies and innovations into our operations in line with the aspirations of Industry 4.0. With higher levels of mechanisation and automation, the Group endeavours to increase productivity and contribute to the up-skilling of our workforce. This will mitigate the impact of the upcoming new rate of minimum wage as we maintain prudent cost management,” said Tan Sri Dato’ Seri Mohd Bakke Salleh, SD Plantation’s Executive Deputy Chairman and Managing Director.

Despite a challenging period for the industry, the Malaysian Rating Corp Bhd (MARC) affirmed the Company’s corporate credit rating at AAA with a stable outlook, whilst Fitch Ratings affirmed SD Plantation at BBB+ with a stable outlook. Moody’s has also recently affirmed SD Plantation's rating at Baa1 with a stable outlook. According to Moody's Investors Service, Malaysian oil palm planters, particularly companies which comply with tighter sustainability standards of the Roundtable on Sustainable Palm Oil (RSPO), will have better support in their credit ratings. Moody's report further states that amongst its rated oil palm planter issuers, SD Plantation is best positioned for sustainable practices as it is the largest global producer of certified sustainable palm oil.

"Fundamentally, our operations and finances remain strong. The affirmation by various rating agencies over the course of the past few months augurs well for our business as we move forward into the new financial year in January 2019," added Mohd Bakke.

Three Months Ended 30 September 2018 versus Three Months Ended 30 September 2017 YoY Comparison

Upstream Operations

In the three-month period ended 30 September 2018, Upstream Malaysia registered a recurring PBIT of RM125 million, representing a decrease of 59 percent YoY from RM304 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 19 percent YoY from RM2,730 per MT to RM2,223 per MT, whereas average PK price realised declined by 18 percent YoY from RM2,162 per MT to RM1,767 per MT. FFB production in Malaysia was lower by 17 percent YoY from 1.55 million MT in the previous corresponding quarter to 1.29 million MT this quarter, on the back of a lower production cycle as compared to the bumper harvest experienced last year. Nevertheless, OER in this quarter improved slightly YoY from 20.21 percent to 20.66 percent as a result of our continuous crop quality improvement initiatives.

Recurring PBIT of Upstream Indonesia decreased by 46 percent from RM117 million to RM63 million this quarter, primarily due to lower average CPO and PK prices realised, which declined by 32 percent YoY from RM2,635 per MT to RM1,803 per MT and 30 percent YoY from RM1,901 per MT to RM1,337 per MT, respectively. This was partially mitigated by higher FFB production, which has increased by 27 percent from 0.73 million MT in the same quarter last year to 0.92 million MT this quarter mainly attributable to our progressive replanting efforts in the previous years showing positive yields. OER for the three-month period ended 30 September 2018 stood at 21.04 percent as compared to 21.33 percent in the same period last year. The YoY decline was due to an increase in newly matured areas with lower oil to bunch ratio.

Upstream Papua New Guinea (PNG) and Solomon Islands (SI) reported a lower recurring PBIT of RM30 million in the period under review against RM38 million in the previous year corresponding quarter. The decline in profit was attributable to the weaker average CPO price realised which had declined by 15 percent YoY from RM2,690 per MT to RM2,289 per MT this quarter, as well as YoY decline in OER from 22.69 percent to 22.11 percent. The decline in OER was attributable to crop quality being affected by the longer harvesting intervals as a result of the increase in crop production. Nevertheless, its earnings were supported by higher FFB production which improved by 27 percent from 0.40 million MT to 0.51 million MT on the back of favourable weather conditions.

Upstream Liberia registered a lower loss of RM18 million this quarter versus a loss of RM23 million in the same quarter last year, on the back of a 86 percent YoY increase in FFB production and lower production costs which cushioned the impact of lower average CPO and PK prices realised.

Downstream Operations

For the quarter under review, Downstream operations reported a recurring profit of RM48 million as compared to RM70 million in the previous corresponding period. The weaker performance was mainly due to lower contribution from the differentiated products business. This was largely attributable to lower sales volume and margins in view of higher competition coupled with the lower seasonal demand. The decline in earnings was partially mitigated by improved performance from the bulk products business due to better margins in Indonesia amid high inventory levels in the country.

Other Operations

Other operations registered a recurring PBIT of RM11 million in the current quarter, representing an increase of 83 percent YoY, mainly contributed by a lower share of losses from associates.

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

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 (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 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 97,000 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 RM35.23 bn (USD8.40 bn) as at 22 November 2018.