First Quarter Report
2016

UNITED PLANTATIONS BERHAD
(Company no. 240-A)
Jendarata Estate • 36009 Teluk Intan • Darul Ridzuan • Malaysia

Condensed Consolidated Statement Of Comprehensive Income for the Three Months Ended 31 March 2016

(The figures have not been audited)

	Individual Quarter 3 months ended 31 March		Cumulative Quarter 3 months ended 31 March	
(RM ’000)	**2016**	2015	**2016**	2015
Revenue	**259,580**	233,916	**259,580**	233,916
Operating expenses	**(214,940)**	(169,517)	**(214,940)**	(169,517)
Other operating income	**32,357**	13,181	**32,357**	13,181
Finance costs	**(5)**	(8)	**(5)**	(8)
Interest income	**7,143**	6,808	**7,143**	6,808
Share of results of jointly controlled entity	**-**	(2,693)	**-**	(2,693)
Profit before taxation	**84,135**	81,687	**84,135**	81,687
Income tax expense	**(24,281)**	(20,375)	**(24,281)**	(20,375)
Profit after taxation	**59,854**	61,312	**59,854**	61,312
Profit for the period	**59,854**	61,312	**59,854**	61,312
Net profit attributable to:				
Equity holders of the parent	**59,755**	61,150	**59,755**	61,150
Non-controlling interests	**99**	162	**99**	162
	59,854	61,312	**59,854**	61,312
Earnings per share				
(i) Basic - based on an average 207,792,492 (2015:207,792,492) ordinary shares (sen)	**28.76**	29.43	**28.76**	29.43
(ii) Fully diluted (not applicable)	-	-	-	-

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015.

Condensed Consolidated Statement of Comprehensive Income for the Three Months ended 31 March 2016

(The figures have not been audited)

	Individual Quarter 3 months ended 31 March		Cumulative Quarter 3 months ended 31 March	
(RM '000)	**2016**	2015	**2016**	2015
Profit for the period	**59,854**	61,312	**59,854**	61,312
Currency translation differences arising from consolidation	**(3,994)**	173	**(3,994)**	173
Total Comprehensive income	**55,860**	61,485	**55,860**	61,485
Total comprehensive income attributable to:				
Equity holders of the parent	**56,020**	61,323	**56,020**	61,323
Non-controlling interests	**(160)**	162	**(160)**	162
	55,860	61,485	**55,860**	61,485

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015.

Condensed Consolidated Statement of Financial Position as at 31 March 2016
(The figures have not been audited)

(RM '000)	31 March 2016	31 December 2015
Assets		
Non-Current Assets		
Biological assets	**425,034**	424,747
Property, plant and equipment	**929,628**	936,861
Land Use Rights	**34,313**	33,890
Associated company	**50**	50
Available for sale financial assets	**6,446**	6,446
Derivatives	**3,169**	-
Total non-current assets	**1,398,640**	1,401,994
Current Assets		
Inventories	**113,438**	110,987
Trade & other receivables	**204,344**	206,910
Prepayments	**1,692**	1,616
Tax recoverable	**9,880**	985
Derivatives	**5,617**	1,239
Cash, bank balances	**273,366**	400,005
Short term funds	**503,469**	352,843
Total current assets	**1,111,806**	1,074,585
Total assets	**2,510,446**	2,476,579
Equity and liabilities		
Equity attributable to equity holders of the parent		
Share capital	**208,134**	208,134
Share premium	**181,920**	181,920
Treasury shares	**(8,635)**	(8,635)
Other reserves	**22,123**	25,858
Retained profits	**1,887,876**	1,828,121
	2,291,418	2,235,398
Non-controlling interests	**2,998**	3,158
Total Equity	**2,294,416**	2,238,556
Non-Current Liabilities		
Retirement benefit obligations	**11,242**	10,728
Provision for deferred taxation	**117,762**	107,417
Derivatives	-	2,154
Total non-current liabilities	**129,004**	120,299
Current Liabilities		
Trade & other payables	**76,517**	71,881
Tax Payable	**9,400**	11,526
Retirement benefit obligations	**1,095**	1,126
Derivatives	-	33,179
Bank borrowings	**14**	12
Total current liabilities	**87,026**	117,724
Total liabilities	**216,030**	238,023
Total equity and liabilities	**2,510,446**	2,476,579
Net assets per share (RM)	**11.03**	10.76

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The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015.

Condensed Consolidated Statement of Changes in Equity for the Three Months Ended at 31 March 2016

(The figures have not been audited)

(RM '000)	Share capital	Treasury shares	Retained profits	Available for sale reserve	Share premium	Capital reserve	Translation reserve	Total	Non-controlling interests	Total equity
	------------------Attributable to Equity Holders of the Parent----------------									
Balance at 1 January 2016	208,134	(8,635)	1,828,121	893	181,920	21,798	3,167	2,235,398	3,158	2,238,556
Total comprehensive income for the quarter	-	-	59,755	-	-	-	(3,735)	56,020	(160)	55,860
Dividends, representing total transaction with owners	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2016	**208,134**	**(8,635)**	**1,887,876**	**893**	**181,920**	**21,798**	**(568)**	**2,291,418**	**2,998**	**2,294,416**
Balance at 1 January 2015	208,134	(8,635)	1,723,584	893	181,920	21,798	(3,183)	2,124,511	2,417	2,126,928
Total comprehensive income for the quarter	-	-	61,150	-	-	-	173	61,323	162	61,485
Dividends, representing total transaction with owners	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2015	208,134	(8,635)	1,784,734	893	181,920	21,798	(3,010)	2,185,834	2,579	2,188,413

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015.

Condensed Consolidated Cash Flow Statements for the Three Months Ended 31 March 2016

(The figures have not been audited)

	3 months ended 31 March	
(RM '000)	**2016**	2015
Operating Activities		
-Receipts from operations	**273,171**	234,874
-Operating payments	**(207,898)**	(149,258)
Cash flow from operations	**65,273**	85,616
Other operating receipts	**2,392**	2,191
Taxes paid	**(25,469)**	(15,709)
Cash flow from operating activities	**42,196**	72,098
Investing Activities		
- Proceeds from sale of property, plant and equipment	**23**	10,314
- Interest received	**8,611**	9,198
- Purchase of property, plant and equipment	**(16,605)**	(12,909)
- Pre-cropping expenditure incurred	**(9,754)**	(9,749)
- Prepaid lease payments made	**(481)**	(141)
- Investment in jointly controlled entity	**-**	(2,000)
Cash flow from investing activities	**(18,206)**	(5,287)
Financing Activities		
- Interest paid	**(5)**	(8)
Cash flow from financing activities	**(5)**	(8)
Net Change in Cash & Cash Equivalents	**23,985**	66,803
Cash & Cash Equivalents at beginning of year	**752,836**	737,586
Cash & Cash Equivalents at end of period	**776,821**	804,389

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015.

Notes to the Interim Financial Report

A1) Accounting Policies and Basis of Preparation

The Group falls within the scope definition of Transitioning Entities which are allowed to defer adoption of the Malaysian Financial Reporting Standards ("MFRS") Framework. Adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. For the financial year ending 31 December 2016, the Group will continue to prepare financial statements using Financial Reporting Standards ("FRS").

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2015.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2015, except for the adoption of the following new Financial Reporting Standards (FRS), Amendments to FRS and IC Interpretations with effect from 1 January 2016.

On 1 January 2016, the Group adopted the following Amendments to FRS:-

- Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements to FRSs 2012-2014 Cycle)
- Amendments to FRS 7: Financial Instruments: Disclosures (Annual Improvements to FRSs 2012-2014 Cycle)
- Amendments to FRS 10: Consolidated Financial Statements Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to FRS 10 and FRS 128)
- Amendments to FRS 11: Accounting for Acquisitions of Interest in Joint Operations
- Amendments to FRS 14: Regulatory Deferral Accounts
- Amendments to FRS 101: Presentation of Financial Statements: Disclosure Initiative
- Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortization
- Amendments to FRS 119: Employee Benefits (Annual Improvements to FRSs 2012-2014 Cycle)
- Amendments to FRS 127: Equity Method in Separate Financial Statements
- Amendments to FRS 134: Interim Financial Reporting (Annual Improvements to FRSs 2012-2014 Cycle)

Adoption of the above Amendments to FRS did not have any effect on the financial performance, position or presentation of financials of the Group.

Notes to the Interim Financial Report

At the date of authorization of these interim financial statements, the following FRS, IC Interpretations and Amendments to IC Interpretations were issued but not yet effective and have not been applied by the Group:

FRS, IC Interpretations and Amendments to IC Interpretations	Effective for annual periods beginning on or after
• MFRS 9 Financial Instruments	1 January 2018

A2) Audit Report

The auditor's report on the financial statements for the financial year ended 31 December 2015 was not qualified.

A3) Seasonal and Cyclical Nature of Group's Products and Operations

The prices for the Group's products are not within the total control of the Group but are determined by the global supply and demand situation for edible oils and it is somewhat related to the price of mineral oil.

Crop production is seasonal. Based on statistics, the Group's production of crude palm oil ("CPO") and palm kernel ("PK") gradually increases from March, peaking around July to September, and then declines from October to February. This pattern can be affected by severe global weather conditions such as El-Nino.

The prices obtainable for the Group's products as well as the volume of production, which is cyclical in nature, will determine the profits for the Group.

A4) Exceptional and Extraordinary Items

There were no exceptional or extraordinary items for the current quarter.

A5) Changes in Estimates

There were no material changes to estimates made in prior quarter.

A6) Equity and Debt Securities

As at 31 March 2016, the number of treasury shares held remained at 341,774 shares of RM1.00 each as there were no share buy-back nor any cancellation, re-sale or distribution of treasury shares in the current quarter. There was also no issuance of new shares or debt instruments in the current quarter.

A7) Dividends Paid

There was no dividend paid in the current quarter.

Notes to the Interim Financial Report

A8) Segmental Information

Segmental information for the current quarter:

(RM '000)	Plantations	Refining	Other Segments	Elimination	Total
Segment Revenue:					
External Sales	90,212	168,923	445	-	259,580
Inter-segment Sales	57,880	-	-	(57,880)	-
	148,092	168,923	445	(57,880)	259,580
Segment Results:					
Profit before tax	60,280	33,985	(10,130)	-	84,135

A9) Valuation of Property, Plant and Equipment

The valuations of land and buildings have been brought forward without amendment from the financial statements for the year ended 31 December 2015.

A10) Events after the Balance Sheet Date

There were no material events after the balance sheet date.

A11) Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the quarter including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

A12) Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 23 April 2016.

B1) Directors' Analysis of the Group's Performance for 3 Months Ended 31 March 2016

The Group's profit before tax increased by 2.9% in the current quarter to RM84.1 million from RM81.7 million in the corresponding quarter resulting from:

Plantations

This major segment of the Group's profit before tax for the quarter decreased by 24.8% to RM60.3 million from RM80.2 million from the corresponding quarter. The drop in profit before tax was mainly due to lower productions as well as higher costs of production in the current quarter than the corresponding quarter. CPO and PK production decreased by 9.1% and 6.3% and cost of production of CPO and PK increased by 19.2% and 7.1% respectively. The higher cost of production of CPO was due to higher manuring cost in the quarter under review. The higher profit before tax in the corresponding

Notes to the Interim Financial Report

quarter was also due to the non-recurring gain of RM9.9 million recorded from land acquisition by the government authorities in relation to the new West Coast Expressway. The average selling prices of CPO and PK achieved for the quarter were as follows:-

Countries	Products	**March 2016 Current Period (RM/MT)**	March 2015 Corresponding Period (RM/MT)
Malaysia	CPO	**2,209**	2,149
Indonesia	CPO	**1,913**	2,154
Average	CPO	**2,137**	2,150
Malaysia	PK	**1,799**	1,774
Indonesia	PK	**1,395**	1,415
Average	PK	**1,721**	1,701

The main difference in CPO and PK prices between Malaysia and Indonesia is due to the different duty structures of CPO/PK and the refined products in the two countries.

The CPO price in the current quarter was marginally lower than the corresponding quarter whereas the PK selling price was 1.2% higher in the same period.

RM46,000 of windfall gain tax was incurred in the current quarter and no incurrence of such tax in the corresponding quarter as the market monthly average prices of CPO were below the windfall gain tax threshold price of RM2,500/MT.

Interest income for the Group was marginally higher by 4.9% in the current quarter from the corresponding quarter due to higher rates obtained.

Refinery

The profit before tax of the refinery surged to RM34.0 million from RM3.5 million, mainly due to the reversal of unrealized foreign exchange losses booked in its accounts as at 31 December 2015 as the result of the strengthening of the Malaysian Ringgit against USD in the current quarter. Favorable hedging and trading positions also contributed to this significant increase.

Notwithstanding the above, the extraordinary performance of the refinery for the first quarter is not a realistic reflection of the expected performance for the remaining quarters of 2016.

Others

As the result of weakening of Indonesian Rupiah against Malaysian Ringgit, the holding companies' investments in Indonesia recorded a RM11.3 million unrealized foreign exchange losses from IDR loans extended to Indonesian subsidiaries in the current quarter as compared to unrealized gain of RM0.3 million reported in the corresponding quarter.

Notes to the Interim Financial Report

B2) Comparison of Results with Preceding Quarter

Profit before tax for the current quarter at RM84.1 million was marginally lower than RM84.7 million recorded in the preceding quarter.

The plantation division registered a 2.6% drop in the profit before tax in the current quarter from the previous quarter mainly due to lower production and higher cost of CPO production.

The refinery recorded a 171% surge in profit before tax mainly due to the strengthening of RM against USD. This very strong performance of the refinery unit in the current quarter compensated for the RM11.3 million unrealized foreign exchange losses incurred from IDR loans extended to Indonesian subsidiaries due to the weakening of Indonesian Rupiah against Malaysian Ringgit. In the preceding quarter, the Group recorded a RM8.8 million unrealized foreign exchange gain from these loans.

B3) Prospects and Outlook

As a consequence of the worst El Niño in over 2 decades affecting East Malaysia, Kalimantan and Sumatra in 2015, production on our Indonesian estates have declined very considerably in the first quarter of 2016.

Whilst the climatic conditions on our Indonesian estates have improved in 2016, the climatic conditions in Malaysia and especially on the north and west coast in Peninsular Malaysia have worsened and are now engulfed in a most serious El Niño, predicted to be the worst seen in more than 30 years. The severe spike in temperatures often gaged between 37– 40°C combined with the unprecedented low rainfall has stressed palm fitness and impacted bunch sizes resulting in a concerning decline in palm oil production during the first quarter 2016.

The above factors have contributed to a significant nationwide drop in Palm Oil stocks in Malaysia which in turn has resulted in a notable recovery in prices turning the market view from bearish into bullish.

Prices have recovered from the lows of RM 1,900 to the current level of around RM 2,650, however, with the US and South American soybean crop production and stocks expected to increase during 2016, a further recovery in prices will likely be difficult.

In addition, with the significant decline in mineral oil prices, it is expected that there will be a reduction in the amount of vegetable oils being converted into biodiesel. It is therefore unlikely that this year's 20% biodiesel admixture mandate in Indonesia will be fulfilled which in turn would be a dampening factor for demand and with that prices .

The Malaysian government in February 2016 decided to suspend the recruitment of all guest workers to Malaysia in order to assess gaps in the labour force. The decision imposes a fundamental risk for the Palm Oil Industry. If the suspension continues for much longer, it will undoubtedly have a negative impact on the overall production for United Plantations arising from the acute shortfall in its workforce assigned to crop harvesting and evacuation. This will especially impact all plantation companies during the forthcoming peak crop expected in July-September 2016. It is hoped that the suspension of guest workers will be lifted soon in order to minimize the impact of this most serious situation.

Notes to the Interim Financial Report

In accordance with its replanting policy, UP will continue to replant large areas of its older and less productive oil palm stands in Malaysia during 2016. Cost efficiencies and improved productivity will therefore continue as a vital part of sustaining our positive development.

In view of the above and the current prevailing prices of palm oil and palm kernel oil in the market and with the prices contracted under our forward sales policy, the Board of Directors whilst acknowledging the challenges ahead, expects that the results for 2016 to nevertheless be satisfactory.

B4) Profit Forecasts

The Group has not issued any profit forecasts for the quarter under review.

B5) Taxation

The charge for taxation for the period ended 31 March 2016 comprises:

(RM '000)	Current Quarter	Current year-to-date
Current taxation	14,527	14,527
Deferred taxation	9,754	9,754
	24,281	24,281
Profit before taxation	84,135	84,135
Tax at the statutory income tax rate of 25%	20,192	20,192
Tax effects of expenses not deductible/(income not taxable) in determining taxable profit :		
Depreciation on non-qualifying assets	270	270
Double deductions for research and development	(156)	(156)
Overprovision of taxes in prior years	296	296
Others	3,679	3,679
Tax expense	**24,281**	**24,281**

B6) Corporate Proposals

There were no corporate proposals which were announced but not completed as at 23 April 2016.

B7) Group Borrowings

All Group borrowings were unsecured, short term and denominated in Ringgit Malaysia only and outstanding balance as at 31 March 2016 was RM14,000.

Notes to the Interim Financial Report

B8) Material Litigation

There was no material litigation as at 23 April 2016.

B9) Proposed Dividends

No interim dividend has been declared or proposed for the year ending 31 December 2016.

B10) Earnings Per Share (EPS)

The calculation of EPS is based on profit attributable to the ordinary equity holders of the parent company of RM59,755,000 (2015: RM61,150,000) and the weighted average number of ordinary shares of 207,792,492 (2015: 207,792,492) in issue during the quarter.

B11) Disclosure of Realised and Unrealised Profits/Loss

(RM' 000)	**As at 31/03/2016**	As at 31/12/2015
Total retained profits of the Company and its subsidiaries:		
- Realised	**1,980,824**	1,919,201
- Unrealised	**(92,963)**	(82,618)
	1,887,861	1,836,583
Total share of accumulated losses from an jointly controlled entity:		
- Realised	**-**	(8,576)
Associated company:		
- Realised	**(51)**	(51)
	1,887,810	1,827,956
Consolidation adjustments	**66**	165
Total Group retained profits as per consolidated financial statements	**1,887,876**	1,828,121

B12) Others

United International Enterprises Limited which is the largest shareholder of the Company listed in NASDAQ OMX Copenhagen A/S (Nasdaq CPH) had early adopted Amendments to IAS16 and IAS41 for bearer plants issued by International Accounting Standard Board (IASB) which is equivalent to

Notes to the Interim Financial Report

Amendments to MFRS116 and MFRS141 Agriculture: Bearer Plants as issued by Malaysian Accounting Standard Board (MASB). The Group does not early adopt these standards which are mandatory effective 1 January 2018.

In compliance with Part D-Thorough Public Dissemination under Chapter 9 of Bursa's listing requirements which stipulated that disclosure should not be made on selective basis, the Group had under Note 32 of the Annual Report 2015 disclosed the financial effects of adoption of MFRS141 and would continue to make such disclosure until adoption of these standards in 2018.

Currently, the application of the amendments of MFRS141 are being discussed and hence, there appears to be at the moment, no consensus on how to measure the fruits growing on the trees. The Group is currently adopting a method of valuation that it believes best reflects the biological transformation of fruit bunches on palm trees and coconuts. The Group will, however, follow the development of an industry practice closely and it will align with the emerged consensus on how to measure the produce growing on the bearer assets upon issuance of a guidance. Under the envisaged method, the financial effects of the amendments of MFRS 141 as at 31 March 2016 are as follows:

	Increase/(Decrease)	
	31/3/2016	31/12/2015
	RM'000	RM'000
Comprehensive Income	2,412	(320)
Biological Assets	2,412	(320)
Deferred Taxation	(579)	76
Equity	1,833	(244)

By Order of the Board

A. Ganapathy
Company Secretary

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23 April 2016

Contact information

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