Interim 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 Six Months Ended 30 June 2016

(The figures have not been audited)

(RM '000)	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
	2016	2015	**2016**	2015
Revenue	**277,734**	255,692	**537,314**	489,608
Operating expenses	**(213,435)**	(175,323)	**(428,375)**	(344,839)
Other operating income	**15,831**	3,587	**48,188**	16,768
Finance costs	**(7)**	(7)	**(12)**	(15)
Interest income	**6,852**	6,740	**13,995**	13,548
Share of results of jointly controlled entity	-	(609)	-	(3,302)
Profit before taxation	**86,975**	90,080	**171,110**	171,768
Income tax expense	**(14,412)**	(19,853)	**(38,693)**	(40,228)
Profit after taxation	**72,563**	70,227	**132,417**	131,540
Profit for the period	**72,563**	70,227	**132,417**	131,540
Net profit attributable to:				
Equity holders of the parent	**72,352**	69,685	**132,107**	130,835
Non-controlling interests	**211**	542	**310**	704
	72,563	70,227	**132,417**	131,539
Earnings per share				
(i) Basic - based on an average 207,792,492 (2015:207,792,492) ordinary shares (sen)	**34.82**	33.54	**63.58**	62.96
(ii) Fully diluted (not applicable)	-	-	-	-

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 Comprehensive Income for the Six Months ended 30 June 2016

(The figures have not been audited)

	Individual Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
(RM '000)	**2016**	2015	**2016**	2015
Profit for the period	**72,563**	70,227	**132,417**	131,539
Currency translation differences arising from consolidation	**1,824**	66	**(2,170)**	239
Total Comprehensive income	**74,387**	70,293	**130,247**	131,778
Total comprehensive income attributable to:				
Equity holders of the parent	**73,605**	69,751	**129,625**	131,074
Non-controlling interests	**782**	542	**622**	704
	74,387	70,293	**130,247**	131,778

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 30 June 2016

(The figures have not been audited)

(RM '000)	**30 June 2016**	31 December 2015
Assets		
Non-Current Assets		
Biological assets	**432,089**	424,747
Property, plant and equipment	**941,691**	936,861
Land Use Rights	**35,157**	33,890
Associated company	**50**	50
Available for sale financial assets	**-**	6,446
Derivatives	**10,961**	-
Total non-current assets	**1,419,948**	1,401,994
Current Assets		
Inventories	**115,386**	110,987
Trade & other receivables	**199,061**	206,910
Prepayments	**3,894**	1,616
Tax recoverable	**15,682**	985
Derivatives	**1,760**	1,239
Cash and bank balances	**227,228**	400,005
Short term funds	**477,788**	352,843
Total current assets	**1,040,799**	1,074,585
Total assets	**2,460,747**	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	**23,376**	25,858
Retained profits	**1,814,773**	1,828,121
	2,219,568	2,235,398
Non-controlling interests	**3,780**	3,158
Total Equity	**2,223,348**	2,238,556
Non-Current Liabilities		
Retirement benefit obligations	**12,089**	10,728
Provision for deferred taxation	**121,982**	107,417
Derivatives	**-**	2,154
Total non-current liabilities	**134,071**	120,299
Current Liabilities		
Trade & other payables	**93,499**	71,881
Tax Payable	**8,797**	11,526
Retirement benefit obligations	**1,024**	1,126
Derivatives	**-**	33,179
Bank borrowings	**8**	12
Total current liabilities	**103,328**	117,724
Total liabilities	**237,399**	238,023
Total equity and liabilities	**2,460,747**	2,476,579
Net assets per share (RM)	**10.68**	10.76

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 Six Months Ended at 30 June 2016

(The figures have not been audited)

	------------------Attributable to Equity Holders of the Parent----------------									
(RM '000)	Share capital	Treasury shares	Retained profits	Available for sale reserve	Share premium	Capital reserve	Translation reserve	Total	Non-controlling interests	Total equity
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	-	-	132,107	(893)	-	-	(1,589)	129,625	622	130,247
Dividends, representing total transaction with owners	-	-	(145,455)	-	-	-	-	(145,455)	-	(145,455)
Balance at 30 June 2016	**208,134**	**(8,635)**	**1,814,773**	**-**	**181,920**	**21,798**	**1,578**	**2,219,568**	**3,780**	**2,223,348**
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	-	-	130,835	-	-	-	239	131,074	704	131,778
Dividends, representing total transaction with owners	-	-	(124,675)	-	-	-	-	(124,675)	-	(124,675)
Balance at 30 June 2015	208,134	(8,635)	1,729,744	893	181,920	21,798	(2,944)	2,130,910	3,121	2,134,031

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 Six Months Ended 30 June 2016

(The figures have not been audited)

	6 months ended 30 June	
(RM '000)	**2016**	2015
Operating Activities		
-Receipts from operations	**518,506**	483,523
-Operating payments	**(340,965)**	(335,228)
Cash flow from operations	**177,541**	148,295
Other operating receipts	**3,597**	10,929
Taxes paid	**(42,783)**	(35,460)
Cash flow from operating activities	**138,355**	123,764
Investing Activities		
- Proceeds from sale of property, plant and equipment	**64**	11,020
- Interest received	**16,436**	13,941
- Net Change in short term funds	**(124,945)**	18,610
- Purchase of property, plant and equipment	**(37,141)**	(36,021)
- Pre-cropping expenditure incurred	**(19,430)**	(20,491)
- Prepaid lease payments made	**(645)**	(106)
- Investment in jointly controlled entity	**-**	(2,000)
Cash flow from investing activities	**(165,661)**	(15,047)
Financing Activities		
- Dividends paid	**(145,455)**	(124,675)
- Associated Company	**-**	-
- Interest paid	**(12)**	(15)
- Purchase of treasury shares	**-**	-
Cash flow from financing activities	**(145,467)**	(124,690)
Net Change in Cash & Cash Equivalents	**(172,773)**	**(15,973)**
Cash & Cash Equivalents at beginning of year	**399,993**	541,350
Cash & Cash Equivalents at end of period	**227,220**	**525,377**

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2015. Short Term Funds of RM477,788,000 (2015: RM177,626,000) are exluded from Cash Flow Statements due to reclassification of Short Term Funds from Cash & Cash Equivalents as reported in the last Annual Audited Financial Statements.

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 Interests in Joint Operations
- 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)

Notes to the Interim Financial Report

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

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 period.

A5) Changes in Estimates

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

A6) Equity and Debt Securities

As at 30 June 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 period. There was also no issuance of new shares or debt instruments in the current period.

Notes to the Interim Financial Report

A7) Dividends Paid

The following dividends were paid on 18 May 2016 in respect of the financial year ended 31 December 2015:

Ordinary	RM'000
Final 20.0% Paid	41,558
Special 50.0% Paid	103,897
Total	145,455

A8) Segmental Information

Segmental information for the current period:

(RM '000)	Plantations	Refining	Other Segments	Elimination	Total
Segment Revenue:					
External Sales	160,788	375,847	679	-	537,314
Inter-segment Sales	135,957	-	-	(135,957)	-
	296,745	375,847	679	(135,957)	537,314
Segment Results:					
Profit before tax	138,389	34,502	(1,781)	-	171,110

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 period 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 30 July 2016.

Notes to the Interim Financial Report

B1) Directors' Analysis of the Group's Performance for 6 Months Ended 30 June 2016

The Group's profit before tax at RM171.1 million for the current period was marginally lower than RM171.8 million achieved in the corresponding period. The analysis of the performance in accordance to the segments are as follows:-

Plantations

This major segment of the Group's profit before tax for the current period decreased by 14.9% to RM138.4 million from RM162.6 million from the corresponding period. The drop in profit before tax was mainly due to lower production caused primarily by the lag effect of the nationwide drought during the first four months of the year as well as higher costs of production in the current period than the corresponding period. The higher profit recorded in the corresponding period was also due to the non-recurring gain of RM9.9 million recorded from lands acquisition by the government authorities in relation to the new West Coast Highway. The comparative weaker performance of the current period was buffered by the non-recurring gain of RM15.2 million from the disposal of the available-for-sale investment.

CPO and PK production decreased by 16.1% and 15.2%, primarily a function of the lower production arising from the drought, and cost of production of CPO and PK increased by 34.4% and 22.2% respectively. The higher cost of production of CPO was due to higher manuring cost in the period under review. The average selling prices of CPO and PK achieved for the period were as follows:-

Countries	Products	**June 2016 Current Period (RM/MT)**	June 2015 Corresponding Period (RM/MT)
Malaysia	CPO	**2,282**	2,153
Indonesia	CPO	**2,132**	2,070
Average	CPO	**2,245**	2,131
Malaysia	PK	**1,854**	1,614
Indonesia	PK	**1,602**	1,311
Average	PK	**1,800**	1,546

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 and PK prices in the current period were higher than the corresponding period by 5.3% and 16.4% respectively.

RM460,000 of windfall gain tax was incurred in the current period and no incurrence of such tax in the corresponding period 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 3.3% in the current period from the corresponding period due to higher rates obtained.

Notes to the Interim Financial Report

Refinery

The profit before tax of the refinery surged to RM34.5 million from RM10.7 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 period. Favorable hedging and trading positions also contributed to this significant increase.

Notwithstanding the above, the extraordinary performance of the refinery for the period 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 RM4.09 million unrealized foreign exchange losses from IDR loans extended to Indonesian subsidiaries in the current period as compared to unrealized gain of RM0.63 million reported in the corresponding period.

B2) Comparison of Results with Preceding Quarter

Profit before tax for the current quarter at RM87.0 million was 3.4% higher than RM84.1 million recorded in the preceding quarter.

The plantation division, despite recorded lower production of CPO and PK by 5.6% and 8.6% respectively in the current quarter from the previous quarter, registered a 29.6% increase in the profit before tax mainly due to the non-recurring gain of RM15.2 million from the disposal of the available-for-sale investment.

The refinery recorded a 98% drop in profit before tax mainly due to the partial reversal of unrealized foreign exchange gain recorded in the previous quarter due to the weakening of RM against USD.

The holding companies' investments in Indonesia recorded a RM7.21 million unrealized foreign exchange gain from IDR loans extended in the current quarter due to the strengthening of Indonesian Rupiah against Malaysian Ringgit as compared to a RM11.3 million unrealized foreign exchange losses recorded in the preceding quarter.

B3) Prospects and Outlook

As a consequence of the El Niño that affected East Malaysia, Kalimantan and Sumatra in 2015 as well as the renewed drought impacting most parts of Malaysia during late January to May 2016, there has been a considerable nationwide decline in Palm Oil production during the first half of the year.

This contributed to a significant drop in Palm Oil stocks which in turn resulted in a notable recovery in prices from the lows of RM 1,900/MT to levels of around RM 2,650/MT during the 2nd quarter of 2016. However, with The US and South American soybean crop looking favorable combined with the prospect of higher stocks there has been a recent reversal in the price. This was further exacerbated by the prospects of palm oil production entering its peak period within the next 2-3 months. This has resulted in prices falling back to around RM 2,300/MT.

Furthermore, it is anticipated that there may appear a La Nina following the strong El Niño experienced. That would likely bring significantly more rain and flooding affecting crop evacuation in the later part of the year.

Notes to the Interim Financial Report

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 on demand for palm oil 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 certain gaps in the labour force. The decision imposes a fundamental risk for the Palm Oil Industry and 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 unavoidably impact all plantation companies during the forthcoming peak crop expected in July-Sep 2016. It is therefore hoped that the suspension of Guest workers will be lifted as soon as possible by the Malaysian Government in order to minimize the risk of serious crop losses in the field arising from the chronic labour shortages currently experienced throughout Malaysia including United Plantations.

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.

Nevertheless, in spite of the above and with the assumption that prices will remain within the present price range and that the present freeze on recruiting guest workers will be lifted within the foreseeable future the Board of Directors, expects that the results for 2016 will be satisfactory.

B4) Profit Forecasts

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

B5) Taxation

The charge for taxation for the period ended 30 June 2016 comprises:

(RM '000)	Current Quarter	Current year-to-date
Current taxation	10,830	25,357
Deferred taxation	3,582	13,336
	14,412	38,693
Profit before taxation	86,975	171,110
Tax at the statutory income tax rate of 25%	20,874	41,066
Tax effects of expenses not deductible/(income not taxable) in determining taxable profit :		
Depreciation on non-qualifying assets	270	540
Double deductions for research and development	(156)	(312)
Overprovision of taxes in prior years	(579)	(283)
Others	(5,997)	(2,318)
Tax expense	**14,412**	**38,693**

Notes to the Interim Financial Report

B6) Corporate Proposals

There were no corporate proposals which were announced but not completed as at 30 July 2016.

B7) Group Borrowings

All Group borrowings were unsecured, short term and denominated in Ringgit Malaysia only and outstanding balance as at 30 June 2016 was RM8,000.

B8) Material Litigation

There was no material litigation as at 30 July 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 RM132,107,000 (2015: RM130,835,000) and the weighted average number of ordinary shares of 207,792,492 (2015: 207,792,492) in issue during the period.

B11) Disclosure of Realised and Unrealised Profits/Loss

(RM' 000)	**As at 30/06/2016**	As at 31/12/2015
Total retained profits of the Company and its subsidiaries:		
- Realised	**1,911,862**	1,919,201
- Unrealised	**(97,183)**	(82,618)
	1,814,679	1,836,583
Total share of accumulated losses from an jointly controlled entity:		
- Realised	**-**	(8,576)
Associated company:		
- Realised	**(51)**	(51)
	1,814,628	1,827,956
Consolidation adjustments	**145**	165
Total Group retained profits as per consolidated financial statements	**1,814,773**	1,828,121

Notes to the Interim Financial Report

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 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 30 June 2016 are as follows:

	Increase/(Decrease)	
	30/6/2016	30/06/2015
	RM'000	RM'000
Comprehensive Income	3,060	(5,633)
Biological Assets	3,060	(5,633)
Deferred Taxation	(734)	1,408
Equity	2,326	(4,225)

By Order of the Board

A. Ganapathy
Company Secretary

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Malaysia

30 July 2016

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