Third Quarter Report 2017

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

United Plantations Berhad

Condensed Consolidated Statement of Comprehensive Income for the Nine Months Ended 30 September 2017

(The figures have not been audited)

	Individual Quarter 3 months ended 30 September			Cumulative Quarter 9 Months ended 30 September		
(RM'000)	2017	2016	Changes (%)	2017	2016	Changes (%)
Revenue	**370,820**	293,671	26.3%	**1,105,315**	830,985	33.0%
Operating expenses	**(254,299)**	(198,267)	28.3%	**(766,828)**	(626,642)	22.4%
Other operating income	**5,878**	6,353	-7.5%	**17,966**	54,541	-67.1%
Finance costs	**(25)**	(6)	316.7%	**(35)**	(18)	94.4%
Interest income	**6,860**	6,729	1.9%	**18,599**	20,724	-10.3%
Profit before taxation	**129,234**	108,480	19.1%	**375,017**	279,590	34.1%
Income tax expense	**(29,888)**	(25,193)	18.6%	**(87,206)**	(63,886)	36.5%
Profit after taxation	**99,346**	83,287	19.3%	**287,811**	215,704	33.4%
Profit for the period	**99,346**	83,287	19.3%	**287,811**	215,704	33.4%
Net profit attributable to:						
Equity holders of the parent	**98,764**	83,137	18.8%	**286,184**	215,244	33.0%
Non-controlling interests	**582**	150	288.0%	**1,627**	460	253.7%
	99,346	83,287	19.3%	**287,811**	215,704	33.4%
Earnings per share						
(i) Basic - based on an average 207,792,492 (2016:207,792,492) ordinary shares (sen)	**47.53**	40.01	18.8%	**137.73**	103.59	33.0%
(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 2016.

United Plantations Berhad

Condensed Consolidated Statement of Comprehensive Income for the Nine Months Ended 30 September 2017

(The figures have not been audited)

	Individual Quarter 3 months ended 30 September			Cumulative Quarter 9 Months ended 30 September		
(RM'000)	2017	2016	Changes (%)	2017	2016	Changes (%)
Profit for the period	**99,346**	83,287	19.3%	**287,811**	215,704	33.4%
Currency translation differences arising from consolidation	**(3,688)**	3,245	-213.7%	**(7,601)**	1,968	-486.2%
Reversal of available for sale reserve	**-**	-	0.0%	**-**	(893)	-100.0%
Total Comprehensive income	**95,658**	86,532	10.5%	**280,210**	216,779	29.3%
Total comprehensive income attributable to:						
Equity holders of the parent	**95,259**	86,050	10.7%	**278,952**	215,675	29.3%
Non-controlling interests	**399**	482	-17.2%	**1,258**	1,104	13.9%
	95,658	86,532	10.5%	**280,210**	216,779	29.3%

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016.

United Plantations Berhad

Condensed Consolidated Statement of Financial Position as at 30 September 2017

(The figures have not been audited)

(RM'000)	30 September 2017	31 December 2016
ASSETS		
Non-Current Assets		
Biological assets	**448,929**	448,731
Property, plant and equipment	**1,023,639**	970,642
Land Use Rights	**35,403**	36,192
Associated company	**50**	50
Joint venture	**15,000**	- *
Total non-current assets	**1,523,021**	1,455,615
Current Assets		
Inventories	**146,713**	189,958
Trade & other receivables	**247,476**	293,239
Prepayments	**3,225**	2,475
Tax recoverable	**-**	6,247
Derivatives	**2,486**	3,456
Cash and bank balances	**476,433**	272,292
Short term funds	**346,947**	418,622
Total current assets	**1,223,280**	1,186,289
Total assets	**2,746,301**	2,641,904
Equity and liabilities		
Equity attributable to equity holders of the parent		
Share capital	**390,054**	208,134
Share premium	**-**	181,920
Treasury shares	**(8,635)**	(8,635)
Other reserves	**23,754**	30,986
Retained profits	**2,059,377**	1,949,817
	2,464,550	2,362,222
Non-controlling interests	**6,602**	5,344
Total Equity	**2,471,152**	2,367,566
Non-Current Liabilities		
Retirement benefit obligations	**13,338**	13,254
Provision for deferred taxation	**125,318**	115,184
Derivatives	**2,011**	178
Total non-current liabilities	**140,667**	128,616
Current Liabilities		
Trade & other payables	**106,372**	114,403
Tax Payable	**27,340**	16,152
Retirement benefit obligations	**754**	749
Derivatives	**-**	14,312
Bank borrowings	**16**	106
Total current liabilities	**134,482**	145,722
Total liabilities	**275,149**	274,338
Total equity and liabilities	**2,746,301**	2,641,904
Net assets per share (RM)	**11.86**	**11.37**

* The carrying amount of the investment in joint venture as at 31 December 2016 was RM1.00

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016.

United Plantations Berhad

Condensed Statement of Changes in Equity
for the Nine Months Ended 30 September 2017
(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 2017	208,134	(8,635)	1,949,817	-	181,920	21,798	9,188	2,362,222	5,344	2,367,566
Total comprehensive income for the quarter	-	-	286,184	-	-	-	(7,232)	278,952	1,258	280,210
Dividends, representing total transaction with owners	-	-	(176,624)	-	-	-	-	(176,624)	-	(176,624)
	208,134	(8,635)	2,059,377	-	181,920	21,798	1,956	2,464,550	6,602	2,471,152
Transfer pursuant to S618(2) of CA 2016 *	181,920	-	-	-	(181,920)	-	-	-	-	-
Balance at 30 September 2017	**390,054**	**(8,635)**	**2,059,377**	**-**	**-**	**21,798**	**1,956**	**2,464,550**	**6,602**	**2,471,152**

Note: * Pursuant to Section 618(2) of the Companies Act 2016 ("CA 2016"), any outstanding share premium and capital redemption reserve accounts shall become part of Share Capital.

(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	-	-	215,244	(893)	-	-	1,324	215,675	1,104	216,779
Dividends, representing total transaction owners	-	-	(145,455)	-	-	-	-	(145,455)	-	(145,455)
Balance at 30 September 2016	**208,134**	**(8,635)**	**1,897,910**	**-**	**181,920**	**21,798**	**4,491**	**2,305,618**	**4,262**	**2,309,880**

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 2016.

United Plantations Berhad

Condensed Consolidated Cash Flow Statements
for the Nine Months Ended 30 September 2017
(The figures have not been audited)

(RM'000)	9 Months ended 30 September 2017	2016
Operating Activities		
-Receipts from operations	1,111,629	820,679
-Operating payments	(615,538)	(581,706)
Cash flow from operations	496,091	238,973
Other operating receipts	16,044	14,070
Taxes paid	(59,903)	(64,797)
Cash flow from operating activities	452,232	188,246
Investing Activities		
- Proceeds from sale of property, plant and equipment	250	8,728
- Investment in a joint venture	(15,000)	-
- Proceeds from disposal of investment	-	21,030
- Interest received	16,331	23,598
- Purchase of property, plant and equipment	(114,606)	(55,354)
- Pre-cropping expenditure incurred	(29,041)	(30,609)
- Prepaid lease payments made	(951)	(912)
- Net change in short term funds	71,675	(252,279)
Cash flow from investing activities	(71,342)	(285,798)
Financing Activities		
- Dividends paid	(176,624)	(145,455)
- Interest paid	(35)	(18)
Cash flow from financing activities	(176,659)	(145,473)
Net Change in Cash & Cash Equivalents	204,231	(243,025)
Cash & Cash Equivalents at beginning of year	272,186	399,993
Cash & Cash Equivalents at end of period	476,417	156,968

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016.

Short Term Funds of RM346,947,000 (2016: RM605,122,000) are excluded 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 2017, 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 2016. 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 2016.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016, except for the adoption of the following new Financial Reporting Standards (FRS), Amendments to FRS and IC Interpretations with effect from 1 January 2017:

- FRS 107 Disclosures Initiatives (Amendments to FRS 107)
- FRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112)

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 Interpretation and Amendments to IC Interpretations	**Effective for annual periods beginning on or after**
• FRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to FRS 2)	1 Jan 2018
• FRS 15 Revenue from Contracts with Customers	1 Jan 2018
• FRS 9 Financial Instruments	1 Jan 2018
• FRS 16 Leases	1 Jan 2019
• Amendments to FRS 10 and FRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Notes To The Interim Financial Report

A2) AUDIT REPORT

The auditor's report on the financial statements for the financial year ended 31 December 2016 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 and La Nina.

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 September 2017, 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.

A7) DIVIDENDS PAID

The following dividends were paid on 17 May 2017 in respect of the financial year ended 31 December 2016: -

Ordinary	RM'000
Final 20.0% Paid	41,559
Special 65.0% Paid	135,065
Total	176,624

A8) SEGMENTAL INFORMATION

Segmental information for the current period:

(RM'000)	Plantations	Refining	Other Segments	Elimination	Total
Segment Revenue:					
External Sales	313,900	790,313	1,102	-	1,105,315
Inter-segment Sales	284,293	-	-	(284,293)	-
	598,193	790,313	1,102	(284,293)	1,105,315
Segment Results:					
Profit before tax	321,452	56,528	(2,963)	-	375,017

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 2016.

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 11 November 2017.

B1) DIRECTORS' ANALYSIS OF THE GROUP'S PERFORMANCE FOR 9 MONTHS ENDED 30 SEPTEMBER 2017

The Group's revenue for the current period of RM1,105.3 million was higher by 33.0% as compared to RM831.0 million recorded in the corresponding period, mainly due to the increase in revenue for the plantations and refinery segments by 35.7% and 32.7% respectively in the current period.

The Group's profit before tax at RM375.0 million for the current period was higher by 34.1% as compared to RM279.6 million 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 revenue increased by 35.7% to RM598.2 million in the current period from RM440.8 million in the corresponding period whereas profit before tax increased by 44.0% to RM321.5 million from RM223.2 million in the corresponding period. The increase in revenue and profit before tax was mainly due to higher production and higher CPO and PK prices in the current period as compared to the corresponding period. Lower cost of production further contributed to the increase in the profit before tax in the current period. However, CPO and PK production increased by 20.7% and 20.4% and cost of production of CPO and PK decreased by 15.2% and 2.9% respectively. The average selling prices of CPO and PK achieved for the period were as follows: -

Countries	Products	**September 2017 Current Period (RM/MT)**	September 2016 Corresponding Period (RM/MT)
Malaysia	CPO	**2,562**	2,327
Indonesia	CPO	**2,612**	2,197
Average	CPO	**2,574**	2,297
Malaysia	PK	**2,808**	1,924
Indonesia	PK	**2,021**	1,746
Average	PK	**2,654**	1,889

The overall average prices including Indonesia were higher than the corresponding period last year. However, the lower average CPO price achieved for Malaysia was due to certain CPO quantities having been sold earlier, based on our forward sales policy, at lower prices than the market prices in the current period.

On average, the CPO and PK prices for the Group in the current period was higher by 12.1% and 40.5% respectively as compared to the prices in the corresponding period.

As the result of higher production and higher CPO prices, CPO windfall gain tax incurred for the period at RM5.8 million was 364% higher than RM1.3 million incurred in the corresponding period .

Interest income for the Group was lower by 10.3% in the current period as compared to the corresponding period mainly due to lower rates obtained.

Refinery

The revenue for the refinery increased by 32.7% to RM790.3 million in the current period from RM595.7 million in the corresponding period mainly due to higher sales volume in the current period. Favourable commodities and currency hedging positions in the current period further resulted in the increase in the profit before tax of the refinery from RM49.5 million in the corresponding period to RM56.5 million in the current period.

Others

As a result of a weaker Indonesian Rupiah against the Malaysian Ringgit, the holding companies' investments in Indonesia recorded a RM9.0 million foreign exchange loss from IDR loans extended to the Indonesian subsidiaries in the current period, as compared to the RM3.1 million foreign exchange gain reported in the corresponding period.

B2) COMPARISON OF RESULTS WITH PRECEDING QUARTER

(RM'000)	Current Quarter 30/9/2017	Preceding Quarter 30/6/2017	Changes %
Revenue	370,820	355,262	4.4%
Interest income	6,860	6,131	11.9%
Profit Before Tax	129,234	142,559	-9.3%
Profit After Tax	99,346	110,278	-9.9%

The Group's revenue for the current quarter at RM370.8 million was higher by 4.4% as compared to RM355.3 million recorded in the preceding quarter, mainly due to the increase in revenue at the refinery by 14.7% in the current quarter.

Profit before tax for the current quarter at RM129.2 million was lower by 9.3% as compared to RM142.6 million recorded in the preceding quarter.

Plantations

The plantation segment registered decreases of 9.0% and 12.2% in the revenue and profit before tax respectively in the current quarter from the preceding quarter mainly due to average CPO and PK prices achieved in the current quarter which were lower by 2.8% and 30.5% respectively than in the preceding quarter.

CPO and PK production increased by 2.3% and 3.2% respectively in the current quarter as compared to the preceding quarter. Cost of production of CPO increased by 13.2% in the current quarter as compared to the preceding quarter, while cost of production of PK decreased by 9.0%.

Interest income for the Group was higher by 11.9% in the current quarter as compared to the preceding quarter mainly due to higher deposits placed with banks.

Refinery

The refinery recorded increases of 14.7% and 6.0% in revenue and profit before tax respectively, mainly due to higher sales volume and more favourable commodities and currency hedging positions in the current quarter when compared with the preceding quarter.

Others

The IDR continued to weaken against the RM resulting in foreign exchange losses totaling RM3.6 million in the current quarter, which was slightly lower than the losses totaling RM4.6m million in the preceding quarter. This is as a result of the weakening of Indonesian Rupiah against Malaysian Ringgit to a lesser degree in the current quarter as compared to the previous quarter.

B3) PROSPECTS AND OUTLOOK

Whilst the palm oil production recovery during the first half of 2017 was significantly higher compared to the same period last year, the 3rd quarter production was moderate and as a result prices appreciated during the 3rd quarter from the RM2,400/MT lows experienced in May and June to above RM2,700/MT in September.

The anticipated recovery in overall palm oil production for the full year 2017, may therefore not be as large as initially expected. Combined with the strong consumption and exports, prices are expected to stay at levels above RM2,700/MT for the remaining part of 2017.

In the U.S., the soy bean harvest is in full swing and weather has been favorable, hence, the U.S. soy bean production is expected to be historically high due to the increased planted acreage in combination with good yields. In South America, the soy bean plantings are delayed in Argentina due to excessive moisture and in the northern part of Brazil due to dry conditions, however, at time of writing it's still too early to ignore an expected South American bumper crop. The increase in soy bean production is therefore expected to have a negative impact on prices during 2018 as global vegetable oil stocks are expected to recover from current levels.

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 2017. 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 kernels in the market and with the prices contracted under our forward sales policy, coupled with large areas steadily coming into maturity from our replanted areas, the Board of Directors, whilst acknowledging the challenges ahead, expects that the results for 2017 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 September 2017 comprises:

(RM '000)	*Current Quarter*	*Current year- to-date*
Current taxation	25,080	77,338
Deferred taxation	4,808	9,868
	29,888	87,206
Profit before taxation	129,310	375,093
Tax at the statutory income tax rate of 24 %	31,034	90,022
Tax effects of expenses not deductible / (income not taxable) in determining taxable profit:		
Depreciation on non-qualifying assets	268	804
Reinvestment allowance and double deductions for research and development	(930)	(2,190)
Under/(over) provision of taxes in prior years	985	1,344
Others	(1,469)	(2,774)
Tax expense	29,888	87,206

B6) CORPORATE PROPOSALS

There were no corporate proposals which were announced but not completed as at 11 November 2017.

B7) **GROUP BORROWINGS**

All Group borrowings were unsecured, short term and denominated in Ringgit Malaysia only and outstanding balance as at 30 September 2017 was RM16,000.

B8) **MATERIAL LITIGATION**

There was no material litigation as at 11 November 2017.

B9) **PROPOSED DIVIDENDS**

The Directors have on 11 November 2017 declared an interim dividend of 20 sen per share (2016:20 sen per share) and a special dividend of 10 sen per share (2016: 10 sen per share) for the year ending 31 December 2017 on the issued ordinary share capital of the Company. The dividend is payable on 14 December 2017.

B10) **EARNINGS PER SHARE (EPS)**

The calculation of EPS is based on profit attributable to the ordinary equity holders of the parent company of RM286,184,000 (2016: RM215,244,000) and the weighted average number of ordinary shares of 207,792,492 (2016: 207,792,492) in issue during the period.

B11) **DISCLOSURE OF REALISED AND UNREALISED PROFIT /LOSS**

(RM'000)	As at 30/9/2017	As at 31/12/2016
Total retained profits of the Company and its subsidiaries:		
- Realised	**2,168,456**	2,030,781
- Unrealised	**(106,072)**	(82,244)
	2,062,384	1,948,537
Associated company: -		
- Realised	**(51)**	(51)
	2,062,333	1,948,486
Consolidation adjustments	**(2,956)**	1,331
Total Group retained profits as per consolidated financial statements	**2,059,377**	1,949,817

B12) **OTHERS**

United International Enterprises Limited which is the largest shareholder of the Company and listed on 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 will be 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 31 of the Annual Report 2016 disclosed the financial effects of adoption of MFRS141 and will continue to make such disclosure until adoption of these standards in 2018.

Currently, the application of the amendments of MFRS141 are being discussed at the moment and there is no consensus as to how to measure the fruit growing on the palms. 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. Based on the method of valuation adopted by the Group, the financial effects of the amendments of MFRS 141 as at 30 September 2017 are as follows:

	Increase/(Decrease)	
	30/9/2017	30/9/2016
	RM'000	RM'000
Comprehensive Income	179	5,474
Biological Assets	179	5,474
Deferred Taxation	(43)	(1,314)
Equity	136	4,160

By Order of the Board

Ng Eng Ho
Company Secretary

Jendarata Estate
36009 Teluk Intan
Perak Darul Ridzuan
Malaysia

11 November 2017

Contact information

United Plantations Berhad
Jendarata Estate
36009 Teluk Intan
Perak Darul Ridzuan
Malaysia

Company Secretary:	Mr. Ng Eng Ho
E-mail:	up@unitedplantations.com
Phone:	006 05 6411411
Fax:	006 05 6411876
Website:	www.unitedplantations.com