



KUALA LUMPUR KEPONG BERHAD

(15043-V)

(Incorporated in Malaysia)

**Interim Financial Report
For the third quarter ended 30 June 2018**



KUALA LUMPUR KEPONG BERHAD

(15043-V)
(Incorporated in Malaysia)

The Directors are pleased to announce the unaudited financial results of the Group for the third quarter ended 30 June 2018.

Condensed Consolidated Statement of Profit or Loss For the third quarter ended 30 June 2018

(The figures have not been audited.)

	Individual Quarter			Cumulative Quarter		
	3 months ended		+ / (-)	9 months ended		+ / (-)
	30 June			30 June		
	2018	2017		2018	2017	
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	4,331,732	4,873,184	(11.1)	14,209,524	15,840,254	(10.3)
Operating expenses	(4,077,716)	(4,626,534)	(11.9)	(13,319,293)	(14,774,638)	(9.9)
Other operating income	11,781	1,525	672.5	192,230	136,741	40.6
Finance costs	(44,819)	(44,521)	0.7	(131,937)	(129,364)	2.0
Share of results of associates	1,906	1,109	71.9	6,534	8,485	(23.0)
Share of results of joint ventures	(6,140)	(3,332)	84.3	(9,868)	(12,075)	(18.3)
Profit before taxation	216,744	201,431	7.6	947,190	1,069,403	(11.4)
Taxation	(67,159)	(79,599)	(15.6)	(246,666)	(268,376)	(8.1)
Net profit for the period	<u>149,585</u>	<u>121,832</u>	22.8	<u>700,524</u>	<u>801,027</u>	(12.5)
Attributable to:-						
Equity holders of the Company	141,928	112,761	25.9	651,828	763,006	(14.6)
Non-controlling interests	<u>7,657</u>	<u>9,071</u>	(15.6)	<u>48,696</u>	<u>38,021</u>	28.1
	<u>149,585</u>	<u>121,832</u>	22.8	<u>700,524</u>	<u>801,027</u>	(12.5)
	Sen	Sen		Sen	Sen	
Earnings per share - basic	<u>13.3</u>	<u>10.6</u>		<u>61.2</u>	<u>71.6</u>	
Earnings per share - diluted	<u>N/A</u>	<u>N/A</u>		<u>N/A</u>	<u>N/A</u>	

N/A - Not applicable

The Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the Annual Financial Report for the year ended 30 September 2017.

**KUALA LUMPUR KEPONG BERHAD**

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**Condensed Consolidated Statement of Other Comprehensive Income
For the third quarter ended 30 June 2018**

(The figures have not been audited.)

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	3 months ended		9 months ended	
	30 June		30 June	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	<u>149,585</u>	<u>121,832</u>	<u>700,524</u>	<u>801,027</u>
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss				
Currency translation differences	36,128	(98,038)	(499,334)	193,549
Net change in fair value of available-for-sale investments	146,519	41,919	34,627	480,886
Realisation on fair value of available-for-sale investments	-	(4,028)	(2,278)	(2,987)
	<u>182,647</u>	<u>(60,147)</u>	<u>(466,985)</u>	<u>671,448</u>
Other comprehensive income/(loss) that will not be reclassified subsequently to profit or loss				
Remeasurement of defined benefit plans	-	6	-	(1,047)
Total other comprehensive income/(loss) for the period	<u>182,647</u>	<u>(60,141)</u>	<u>(466,985)</u>	<u>670,401</u>
Total comprehensive income for the period	<u>332,232</u>	<u>61,691</u>	<u>233,539</u>	<u>1,471,428</u>
Attributable to:-				
Equity holders of the Company	325,827	57,495	201,112	1,431,214
Non-controlling interests	<u>6,405</u>	<u>4,196</u>	<u>32,427</u>	<u>40,214</u>
	<u>332,232</u>	<u>61,691</u>	<u>233,539</u>	<u>1,471,428</u>

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 30 September 2017.



KUALA LUMPUR KEPONG BERHAD

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(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position As at 30 June 2018

(The figures have not been audited.)

	30 June 2018	30 September 2017
	RM'000	RM'000
Assets		
Property, plant and equipment	5,146,965	5,220,852
Investment property	19,629	-
Prepaid lease payments	291,066	309,611
Biological assets	2,496,909	2,624,038
Land held for property development	1,096,966	1,091,471
Goodwill on consolidation	310,215	324,686
Intangible assets	22,702	15,325
Investments in associates	152,648	144,538
Investments in joint ventures	160,946	158,902
Available-for-sale investments	2,307,249	2,270,239
Other receivable	192,190	210,272
Deferred tax assets	400,119	439,794
Total non-current assets	<u>12,597,604</u>	<u>12,809,728</u>
Inventories	2,241,484	1,796,929
Biological assets	29,856	37,806
Trade and other receivables	2,151,681	2,514,389
Tax recoverable	52,797	38,642
Property development costs	155,967	154,696
Derivative financial assets	57,642	110,748
Short term funds	625,998	578,489
Cash and cash equivalents	1,172,182	1,462,687
Total current assets	<u>6,487,607</u>	<u>6,694,386</u>
Total assets	<u>19,085,211</u>	<u>19,504,114</u>
Equity		
Share capital	1,195,234	1,184,764
Reserves	10,055,317	10,397,158
	<u>11,250,551</u>	<u>11,581,922</u>
Less: Cost of treasury shares	(13,447)	(13,447)
Total equity attributable to equity holders of the Company	11,237,104	11,568,475
Non-controlling interests	891,769	871,567
Total equity	<u>12,128,873</u>	<u>12,440,042</u>
Liabilities		
Deferred tax liabilities	274,272	259,056
Deferred income	121,218	117,365
Provision for retirement benefits	458,252	479,132
Borrowings	3,140,561	3,067,168
Total non-current liabilities	<u>3,994,303</u>	<u>3,922,721</u>
Trade and other payables	1,445,593	1,562,823
Deferred income	7,704	7,808
Borrowings	1,244,769	1,375,596
Tax payable	57,648	90,511
Derivative financial liabilities	46,576	104,613
Dividend payable	159,745	-
Total current liabilities	<u>2,962,035</u>	<u>3,141,351</u>
Total liabilities	<u>6,956,338</u>	<u>7,064,072</u>
Total equity and liabilities	<u>19,085,211</u>	<u>19,504,114</u>
Net assets per share attributable to equity holders of the Company (RM)	10.55	10.86

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 30 September 2017.



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Condensed Consolidated Statement of Changes in Equity For the third quarter ended 30 June 2018

(The figures have not been audited.)

	← Attributable to the equity holders of the Company →							Non-controlling interests	Total Equity	
	Share capital	Capital reserve	Revaluation reserve	Exchange fluctuation reserve	Fair value reserve	Retained earnings	Treasury shares			Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 October 2017	1,184,764	1,028,225	78,725	558,268	1,216,661	7,515,279	(13,447)	11,568,475	871,567	12,440,042
Net change in fair value of available-for-sale investments	-	-	-	-	34,627	-	-	34,627	-	34,627
Realisation on fair value of available-for sale investments	-	-	-	-	(2,278)	-	-	(2,278)	-	(2,278)
Transfer from retained earnings to reserves	-	1,527	-	-	-	(1,527)	-	-	-	-
Currency translation differences	-	(634)	-	(482,431)	-	-	-	(483,065)	(16,269)	(499,334)
Total other comprehensive income/(loss) for the period	-	893	-	(482,431)	32,349	(1,527)	-	(450,716)	(16,269)	(466,985)
Profit for the period	-	-	-	-	-	651,828	-	651,828	48,696	700,524
Total comprehensive income/(loss) for the period	-	893	-	(482,431)	32,349	650,301	-	201,112	32,427	233,539
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	15,499	15,499
Redemption of redeemable preference shares	10,470	-	-	-	-	(10,470)	-	-	-	-
Dividend paid	-	-	-	-	-	(372,738)	-	(372,738)	-	(372,738)
Dividend payable	-	-	-	-	-	(159,745)	-	(159,745)	-	(159,745)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(27,724)	(27,724)
Total transactions with owners of the Company	10,470	-	-	-	-	(542,953)	-	(532,483)	(12,225)	(544,708)
At 30 June 2018	1,195,234	1,029,118	78,725	75,837	1,249,010	7,622,627	(13,447)	11,237,104	891,769	12,128,873



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Condensed Consolidated Statement of Changes in Equity For the third quarter ended 30 June 2018

(Continued)

(The figures have not been audited.)

	← Attributable to the equity holders of the Company →							Total	Non-controlling interests	Total Equity	
	Share capital	Capital reserve	Revaluation reserve	Capital redemption reserve	Exchange fluctuation reserve	Fair value reserve	Retained earnings				Treasury shares
	RM000	RM000	RM000	RM000	RM000	RM000	RM000	RM000	RM000	RM000	
At 1 October 2016	1,067,505	1,022,528	78,725	62,007	442,630	702,441	7,082,180	(13,447)	10,444,569	843,457	11,288,026
Net change in fair value of available-for-sale investments	-	-	-	-	-	480,886	-	-	480,886	-	480,886
Realisation on fair value of available-for sale investments	-	-	-	-	-	(2,987)	-	-	(2,987)	-	(2,987)
Transfer from retained earnings to reserves	-	4,829	-	-	-	-	(4,829)	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-	-	-	(976)	-	(976)	(71)	(1,047)
Currency translation differences	-	201	-	2	191,082	-	-	-	191,285	2,264	193,549
Total other comprehensive income/(loss) for the period	-	5,030	-	2	191,082	477,899	(5,805)	-	668,208	2,193	670,401
Profit for the period	-	-	-	-	-	-	763,006	-	763,006	38,021	801,027
Total comprehensive income for the period	-	5,030	-	2	191,082	477,899	757,201	-	1,431,214	40,214	1,471,428
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	-	-	10,292	10,292
Redemption of redeemable preference shares	15,950	-	-	-	-	-	(15,950)	-	-	-	-
Dividend paid	-	-	-	-	-	-	(372,738)	-	(372,738)	-	(372,738)
Dividend payable	-	-	-	-	-	-	(159,745)	-	(159,745)	-	(159,745)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(36,818)	(36,818)
Total transactions with owners of the Company	15,950	-	-	-	-	-	(548,433)	-	(532,483)	(26,526)	(559,009)
Reclassification of capital redemption reserve to share capital pursuant to Section 618(2) of the Companies Act 2016	62,009	-	-	(62,009)	-	-	-	-	-	-	-
At 30 June 2017	1,145,464	1,027,558	78,725	-	633,712	1,180,340	7,290,948	(13,447)	11,343,300	857,145	12,200,445

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 30 September 2017.



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Condensed Consolidated Statement of Cash Flows For the third quarter ended 30 June 2018

(The figures have not been audited.)

	9 months ended 30 June	
	2018	2017
	RM'000	RM'000
Cash Flows from Operating Activities		
Profit before taxation	947,190	1,069,403
Adjustment for non-cash flow:-		
Non-cash items	439,525	298,216
Non-operating items	31,921	26,399
Operating profit before working capital changes	1,418,636	1,394,018
Working capital changes:-		
Net change in current assets	(153,216)	(303,701)
Net change in current liabilities	(156,023)	65,663
Cash generated from operations	1,109,397	1,155,980
Interest paid	(112,053)	(115,897)
Tax paid	(283,430)	(222,578)
Retirement benefits paid	(22,449)	(25,506)
Net cash generated from operating activities	691,465	791,999
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(258,775)	(397,641)
Payments of prepaid lease	(456)	(1,816)
Plantation development expenditure	(65,320)	(96,884)
Property development expenditure	(5,495)	(14,244)
Purchase of shares in a subsidiary, net of cash acquired	(172,082)	-
Purchase of available-for-sale investments	(53,865)	(274,466)
Purchase of investment property	(8,944)	-
Purchase of intangible assets	(819)	(37)
Proceeds from disposal of property, plant and equipment	3,525	12,394
Compensation from government on land acquired	25,546	7,011
Proceeds from disposal of available-for-sale investments	7,591	130,883
Advance to joint ventures	(19,990)	-
(Increase)/Decrease in short term funds	(58,374)	363,564
Dividends received from associates	6,449	8,294
Dividends received from investments	21,950	32,651
Interest received	46,019	34,891
Net cash used in investing activities	(533,040)	(195,400)
Cash Flows from Financing Activities		
Term loans received	198,929	105,723
Repayment of term loans	(9,349)	(90,816)
Repayment of Islamic medium term notes	-	(300,000)
Net (repayment)/drawdown of short term borrowings	(128,486)	474,344
Dividends paid to shareholders of the Company	(372,738)	(372,738)
Dividends paid to non-controlling interests	(27,724)	(36,818)
Issuance of shares to non-controlling interests	15,499	10,292
Decrease in other receivable	6,835	4,691
Net cash used in financing activities	(317,034)	(205,322)
Net (decrease)/increase in cash and cash equivalents	(158,609)	391,277
Cash and cash equivalents at 1 October	1,338,563	929,650
	1,179,954	1,320,927
Currency translation differences on opening balances	(68,923)	12,024
Cash and cash equivalents at 30 June	1,111,031	1,332,951
Cash and cash equivalents consist of:-		
Cash and bank balances	389,255	398,598
Deposits with licensed banks	633,191	1,056,815
Short term funds	149,736	-
Bank overdrafts	(61,151)	(122,462)
	1,111,031	1,332,951

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 30 September 2017.



Notes to Interim Financial Report

A Explanatory Notes as required by FRS 134

A1. Basis of Preparation

The Interim Financial Report is unaudited and has been prepared in compliance with Financial Reporting Standard ("FRS") 134 *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board and paragraph 9.22 of the Main Market Listing Requirements of the Bursa Malaysia Securities Berhad ("BMSB"). The report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 September 2017.

The accounting policies and methods of computation adopted by the Group in this Interim Financial Report are consistent with those adopted in the audited financial statements for the year ended 30 September 2017 except for the adoption of the following FRS and amendments to FRSs:-

Amendments to FRSs effective for annual periods beginning on or after 1 January 2017

- Amendments to FRS 12 *Disclosure of Interests in Other Entities (Annual Improvements to FRS Standards 2014-2016 Cycle)*
- Amendments to FRS 107 *Statement of Cash Flows – Disclosure Initiative*
- Amendments to FRS 112 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The application of these amendments to FRSs has no significant effect to the financial statements of the Group.

A2. Seasonal and Cyclical Factors

The Group's plantation operations are affected by seasonal crop production, weather conditions and fluctuating commodity prices.

A3. Unusual Items

There were no items affecting the assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size, or incidence.

A4. Changes in Estimates

There were no significant changes in the amount of estimates reported in prior interim periods or prior financial years that have a material effect in the current interim period.

A5. Changes in Debt and Equity Securities

There were no issuances, repurchases and repayments of debt and equity securities during the current financial year-to-date.

A6. Dividends Paid

	9 months ended 30 June	
	2018	2017
	RM'000	RM'000
Dividend proposed in Year 2017, paid in Year 2018:-		
Final single tier dividend 35 sen (2017: 35 sen) per share	<u>372,738</u>	<u>372,738</u>

Dividends are paid on the number of outstanding shares in issue and fully paid of 1,064,965,692 (2017: 1,064,965,692).



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Notes to Interim Financial Report (Continued)

A7. Segment Information

Segment information is presented in respect of the Group's reportable segments which are based on the Group's management and internal reporting structure.

(a) Segment revenue and results

	Plantations	Manufacturing	Property Development	Investment Holding/ Others	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
9 months ended						
30 June 2018						
Revenue						
External revenue	6,212,965	7,692,554	106,144	197,861	-	14,209,524
Inter-segment revenue	628,859	-	-	113,440	(742,299)	-
Total revenue	<u>6,841,824</u>	<u>7,692,554</u>	<u>106,144</u>	<u>311,301</u>	<u>(742,299)</u>	<u>14,209,524</u>
Results						
Operating results	591,060	379,908	14,492	43,314	-	1,028,774
Interest income	808	4,882	488	82,825	(26,154)	62,849
Finance costs	(13,313)	(48,963)	-	(95,815)	26,154	(131,937)
Share of results of associates	4,525	400	1,609	-	-	6,534
Share of results of joint ventures	(8,608)	-	-	(1,260)	-	(9,868)
Segment results	<u>574,472</u>	<u>336,227</u>	<u>16,589</u>	<u>29,064</u>	<u>-</u>	<u>956,352</u>
Corporate expense						<u>(9,162)</u>
Profit before taxation						<u>947,190</u>
9 months ended						
30 June 2017						
Revenue						
External revenue	8,151,620	7,367,029	97,096	224,509	-	15,840,254
Inter-segment revenue	1,217,298	-	-	55,036	(1,272,334)	-
Total revenue	<u>9,368,918</u>	<u>7,367,029</u>	<u>97,096</u>	<u>279,545</u>	<u>(1,272,334)</u>	<u>15,840,254</u>
Results						
Operating results	1,018,724	101,024	17,897	66,123	-	1,203,768
Interest income	475	4,752	244	79,620	(30,638)	54,453
Finance costs	(10,010)	(51,443)	-	(98,549)	30,638	(129,364)
Share of results of associates	6,416	650	1,419	-	-	8,485
Share of results of joint ventures	(10,704)	-	-	(1,371)	-	(12,075)
Segment results	<u>1,004,901</u>	<u>54,983</u>	<u>19,560</u>	<u>45,823</u>	<u>-</u>	<u>1,125,267</u>
Corporate expense						<u>(55,864)</u>
Profit before taxation						<u>1,069,403</u>



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Notes to Interim Financial Report (Continued)

(b) Segment assets

	Plantations	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 June 2018					
Operating assets	6,056,429	6,976,246	1,428,378	3,857,648	18,318,701
Associates	72,306	7,254	73,088	-	152,648
Joint ventures	154,228	-	-	6,718	160,946
Segment assets	<u>6,282,963</u>	<u>6,983,500</u>	<u>1,501,466</u>	<u>3,864,366</u>	<u>18,632,295</u>
Tax assets					452,916
Total assets					<u>19,085,211</u>
As at 30 September 2017					
Operating assets	6,493,109	6,759,093	1,385,280	4,084,756	18,722,238
Associates	65,845	7,214	71,479	-	144,538
Joint ventures	150,556	-	-	8,346	158,902
Segment assets	<u>6,709,510</u>	<u>6,766,307</u>	<u>1,456,759</u>	<u>4,093,102</u>	<u>19,025,678</u>
Tax assets					478,436
Total assets					<u>19,504,114</u>

(c) Segment liabilities

	Plantations	Manufacturing	Property Development	Investment Holding/ Others	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 30 June 2018					
Segment liabilities	<u>1,213,288</u>	<u>2,560,744</u>	<u>78,678</u>	<u>2,611,963</u>	<u>6,464,673</u>
Tax liabilities and dividend payable					491,665
Total liabilities					<u>6,956,338</u>
As at 30 September 2017					
Segment liabilities	<u>1,515,797</u>	<u>2,522,196</u>	<u>67,139</u>	<u>2,609,373</u>	<u>6,714,505</u>
Tax liabilities					349,567
Total liabilities					<u>7,064,072</u>

A8. Event Subsequent to Reporting Date

In the interval between the end of the reporting period and the date of this report, no material events have arisen which have not been reflected in the interim report.

A9. Changes in the Composition of the Group

- (a) The proposed subscription of 75% equity interest in PT Perindustrian Sawit Synergi ("PSS") by the Company's wholly-owned subsidiary, KL-Kepong Plantation Holdings Sdn Bhd was completed on 31 May 2018. Following the completion, PSS is now a subsidiary of the Company.
- (b) Kubahi Marine Services Ltd ("KMS"), a subsidiary of the Company, has submitted an application to the Registrar of Companies ("ROC") Papua New Guinea ("PNG") for the removal of KMS from the Companies Register of PNG. The ROC has approved the application on 28 June 2018.

Following such approval, KMS ceased to be a subsidiary of the Company. The removal of KMS from the Companies Register of PNG will not have any material operational and financial impact on the net assets and earnings of the Group for the financial year ending 30 September 2018.

A10. Changes in Contingent Liabilities and Contingent Assets

There were no material changes in the contingent liabilities or contingent assets since the last annual reporting date.

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Notes to Interim Financial Report

(Continued)

A11. Capital Commitments

	30 June 2018	30 September 2017
	RM'000	RM'000
Capital expenditure		
Approved and contracted	84,805	120,589
Approved but not contracted	268,686	539,995
	<u>353,491</u>	<u>660,584</u>
Acquisition of shares in a subsidiary		
Approved and contracted	<u>1,187</u>	<u>1,322</u>

A12. Significant Related Party Transactions

The significant related party transactions set out below were carried out in the normal course of business and on terms and conditions not more materially different from those obtainable in transactions with unrelated parties.

	9 months ended 30 June	
	2018	2017
	RM'000	RM'000
(i) Transactions with associates and joint ventures		
Sale of goods	240,960	2,437
Purchase of goods	971,878	959,485
Service charges paid	1,722	1,939
Research and development services paid	<u>11,084</u>	<u>10,433</u>
(ii) Transactions with companies in which certain Directors are common directors and/or have direct or deemed interest		
Sale of goods		
PT Satu Sembilan Delapan	9,256	5,040
Siam Taiko Marketing Co Ltd	2,405	2,752
Taiko Marketing Sdn Bhd	5,828	5,468
Taiko Marketing (Singapore) Pte Ltd	<u>1,098</u>	<u>2,309</u>
Storage tanks rental received		
Taiko Marketing Sdn Bhd	<u>2,987</u>	<u>2,758</u>
Purchases of goods		
Borneo Taiko Clay Sdn Bhd	3,645	3,446
Bukit Katho Estate Sdn Bhd	3,547	3,562
Kampar Rubber & Tin Co Sdn Bhd	5,158	5,754
Kekal Deras Sdn Bhd	1,295	1,493
Ladang Tai Tak (Kota Tinggi) Sdn Bhd	553	568
Malay Rubber Plantations (M) Sdn Bhd	5,348	6,268
PT Agro Makmur Abadi	65,951	67,469
PT Safari Riau	26,193	30,999
PT Satu Sembilan Delapan	7,655	10,866
Taiko Acid Works Sdn Bhd	2,323	717
Taiko Clay Marketing Sdn Bhd	1,700	1,822
Taiko Drum Industries Sdn Bhd	2,305	1,847
Taiko Marketing Sdn Bhd	<u>41,254</u>	<u>22,051</u>
Rental of office paid		
Batu Kawan Holdings Sdn Bhd	<u>3,356</u>	<u>3,247</u>
Aircraft operating expenses and management services paid		
Smooth Route Sdn Bhd	<u>1,423</u>	<u>1,390</u>
Supply of contract labour and engineering works		
K7 Engineering Sdn Bhd	<u>918</u>	<u>1,970</u>

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	9 months ended 30 June	
	2018 RM'000	2017 RM'000
(iii) Transactions between subsidiaries and non-controlling interests		
Sale of goods		
Mitsubishi Corporation	38,541	52,745
Mitsui & Co Ltd	265,410	328,834
Tejana Trading & Management Services Sdn Bhd	<u>3,047</u>	<u>9,333</u>
Purchases of goods		
Mitsubishi Gas Chemical Singapore Pte Ltd	11,970	-
PT Letawa	2,661	-
PT Tanjung Bina Lestari	27,746	188,822
PT Tanjung Sarana Lestari	988,654	1,251,870
Tejana Trading & Management Services Sdn Bhd	<u>1,361</u>	<u>-</u>

B Explanatory Notes as required by the BMSB Revised Listing Requirements**B1. Analysis of Performance****3rd Quarter FY2018 vs 3rd Quarter FY2017**

	Quarter Ended		+ / (-) %
	30/6/2018 RM'000	30/6/2017 RM'000	
Revenue	<u>4,331,732</u>	<u>4,873,184</u>	(11.1)
Segment results:			
Plantations	127,806	226,598	(43.6)
Manufacturing	83,516	(21,882)	-
Property development	8,259	2,461	235.6
Investment holding/Others	<u>16,269</u>	<u>21,264</u>	(23.5)
	235,850	228,441	3.2
Corporate expense	<u>(19,106)</u>	<u>(27,010)</u>	(29.3)
Profit before taxation	<u>216,744</u>	<u>201,431</u>	7.6

The Group's pre-tax profit for the 3rd quarter improved 7.6% to RM216.7 million (3QFY2017: profit RM201.4 million) despite a decline of 11.1% in revenue to RM4.332 billion (3QFY2017: RM4.873 billion).

Comments on the business sectors are as follows:-

Plantations

Plantations segment reported a 43.6% reduction in the current quarter's profit to RM127.8 million (3QFY2017: profit RM226.6 million). Whilst the net unrealised foreign exchange translation loss on loans advanced and bank borrowings to Indonesia subsidiaries was much lower at RM2.9 million (3QFY2017: net loss RM25.7 million), the results of this segment was affected by:-

- Drop in the selling prices of CPO and PK realised as shown below:-

	3QFY2018	3QFY2017	% Change
Crude Palm Oil (RM/mt ex-mill)	2,302	2,674	(13.9)
Palm Kernel (RM/mt ex-mill)	1,695	2,211	(23.3)

- Negative contribution from processing and trading operations.



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Manufacturing

Manufacturing segment achieved a profit of RM83.5 million (3QFY2017: loss RM21.9 million – impacted by high volatility of raw material prices and stocks write-down) on the back of a 4.2% increase in revenue to RM2.499 billion (3QFY2017: RM2.398 billion). Favourable margins were achieved with lower raw materials cost. However, the changes in fair value on outstanding derivative contracts had generated an unrealised loss of RM50.8 million (3QFY2017: unrealised gain RM454,000) which had partly offset the improvement in the current quarter's result.

The oleochemical division achieved a profit of RM85.1 million (3QFY2017: loss RM26.1 million) whilst the other manufacturing units recorded a loss of RM1.6 million (3QFY2017: profit RM4.2 million).

Property Development

Properties segment posted a sharp rise in profit to RM8.3 million (3QFY2017: profit RM2.5 million) on the back of a much higher revenue of RM50.6 million (3QFY2017: RM14.0 million).

Todate 3rd Quarter FY2018 vs Totate 3rd Quarter FY2017

	Totade Ended		+ / (-) %
	30/6/2018	30/6/2017	
	RM'000	RM'000	
Revenue	14,209,524	15,840,254	(10.3)
Segment results:			
Plantations	574,472	1,004,901	(42.8)
Manufacturing	336,227	54,983	511.5
Property development	16,589	19,560	(15.2)
Investment holding/Others	29,064	45,823	(36.6)
	956,352	1,125,267	(15.0)
Corporate expense	(9,162)	(55,864)	(83.6)
Profit before taxation	947,190	1,069,403	(11.4)

The profit before taxation of the Group for the period under review dipped 11.4% to RM947.2 million (Totade 3QFY2017: profit RM1.069 billion) and revenue was down 10.3% to RM14.210 billion (Totade 3QFY2017: RM15.840 billion).

The performance of the business sectors are summarised below:-

Plantations

Plantations profit fell substantially by 42.8% to RM574.5 million (Totade 3QFY2017: profit RM1.005 billion), impacted by the following factors:-

- CPO and PK selling prices realised had declined to:-

	Todate 3QFY2018	Todate 3QFY2017	% Change
Crude Palm Oil (RM/mt ex-mill)	2,428	2,793	(13.1)
Palm Kernel (RM/mt ex-mill)	2,094	2,664	(21.4)

- Net unrealised foreign exchange translation loss of RM68.3 million (Totade 3QFY2017: net gain RM14.9 million) on loans advanced and bank borrowings to Indonesia subsidiaries.

- Negative contribution from processing and trading operations.



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Manufacturing

Manufacturing segment achieved a significant improvement in the 9 months profit to RM336.2 million (Todate 3QFY2017: profit RM55.0 million – affected by high volatility of raw material prices and write-down of stocks) supported by the increase of 4.4% in revenue to RM7.693 billion (Todate 3QFY2017: RM7.367 billion) due to higher sales volume. Profit margins had improved through lower raw materials cost.

The oleochemical division's profit was substantially higher at RM338.0 million (Todate 3QFY2017: profit RM39.4 million) whilst the other manufacturing units incurred a loss of RM1.8 million (Todate 3QFY2017: profit RM15.6 million).

Property Development

Properties profit was 15.2% lower at RM16.6 million (Todate 3QFY2017: profit RM19.6 million) although revenue had increased 9.3% to RM106.1 million (Todate 3QFY2017: RM97.1 million) with the recognition of development profits from a particular phase with lower gross margin.

Investment Holding/Others

Farming sector's profit had decreased 40.1% to RM11.0 million (Todate 3QFY2017: profit RM18.3 million) despite better grain prices. Revenue shrunk 21.3% to RM80.9 million (Todate 3QFY2017: RM102.8 million) as a result of lower crop production due to the drop in yield.

Corporate Income

The Group result had recognised a surplus of RM24.2 million arising from the acquisition of plantation land by government.

B2. Variation of Results to Immediate Preceding Quarter

3rd Quarter FY2018 vs 2nd Quarter FY2018

	Current Quarter Ended 30/6/2018 RM'000	Immediate Preceding Quarter Ended 31/3/2018 RM'000	+ / (-) %
Revenue	<u>4,331,732</u>	<u>4,685,251</u>	(7.5)
Segment results:			
Plantations	127,806	180,257	(29.1)
Manufacturing	83,516	110,894	(24.7)
Property development	8,259	6,598	25.2
Investment holding/Others	<u>16,269</u>	<u>(13,410)</u>	-
	235,850	284,339	(17.1)
Corporate (expense)/income	<u>(19,106)</u>	<u>4,603</u>	-
Profit before taxation	<u>216,744</u>	<u>288,942</u>	(25.0)

The Group for the current quarter recorded a 25.0% lower profit of RM216.7 million (2QFY2018: profit RM288.9 million) whilst revenue declined 7.5% to RM4.332 billion (2QFY2018: RM4.685 billion).

Plantations

Plantations profit at RM127.8 million had dropped by 29.1% when compared to the preceding quarter's profit of RM180.3 million. The following factors had affected the results of this segment:-

- Weaker selling prices of CPO and PK realised as follows:-

	3QFY2018	2QFY2018	% Change
Crude Palm Oil (RM/mt ex-mill)	2,302	2,398	(4.0)
Palm Kernel (RM/mt ex-mill)	1,695	2,075	(18.3)



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- Decrease in CPO and PK sales volume.
- Lower FFB production by 3.4% at 925,517 mt leading to a higher cost of CPO production.

However, the net unrealised foreign exchange translation loss on loans advanced and bank borrowings to Indonesia subsidiaries had reduced to RM2.9 million (2QFY2018: net loss RM35.7 million).

Manufacturing

Manufacturing segment's profit shrunk 24.7% to RM83.5 million (2QFY2018: profit RM110.9 million) and revenue was 6.5% down to RM2.499 billion (2QFY2018: RM2.673 billion) as a result of the drop in selling prices. The current quarter's result was affected by the recognition of the unrealised loss of RM50.8 million (2QFY2018: unrealised gain RM21.3 million) from the fair value changes on outstanding derivative contracts. The profit for the 3rd quarter was underpinned by better margins with reduced cost of raw materials.

The oleochemical division's profit fell 23.9% to RM85.1 million (2QFY2018: profit RM111.8 million) and the other manufacturing units suffered a higher loss of RM1.6 million (2QFY2018: loss RM951,000).

Property Development

Properties segment's profit was up 25.2% to RM8.3 million (2QFY2018: profit RM6.6 million) in line with the 34.2% increase in revenue to RM50.6 million (2QFY2018: RM37.7 million).

Investment Holding/Others

This segment had accounted for dividend income of RM35.9 million from overseas investments, Synthomer plc and M.P. Evans Group.

B3. Current Year Prospects

With the current weak CPO price, plantations profit will be lower. However, the decline in plantations profit will be mitigated by the better performance of the oleochemical operations, achieved through higher capacity utilisations and operational efficiencies along with lower raw material prices.

Overall, the Group expects a lower profit for the current financial year.

B4. Profit Forecast and Profit Guarantee

The Group did not issue any profit forecast or profit guarantee during the current financial year-to-date.



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B5. Taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 June		30 June	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian taxation	30,732	45,888	113,225	128,502
Overseas taxation	33,131	32,884	123,821	134,192
	<u>63,863</u>	<u>78,772</u>	<u>237,046</u>	<u>262,694</u>
Deferred tax				
Origination and reversal of temporary differences	(6,127)	6,666	(6,899)	9,951
Under/(Over) provision in respect of previous years	3,184	(3,294)	9,251	(3,047)
	<u>(2,943)</u>	<u>3,372</u>	<u>2,352</u>	<u>6,904</u>
	60,920	82,144	239,398	269,598
(Over)/Under provision in respect of previous years				
Malaysian taxation	(1,265)	(4,428)	(1,482)	(2,174)
Overseas taxation	7,504	1,883	8,750	952
	<u>6,239</u>	<u>(2,545)</u>	<u>7,268</u>	<u>(1,222)</u>
Total	<u>67,159</u>	<u>79,599</u>	<u>246,666</u>	<u>268,376</u>
Profit before taxation	<u>216,744</u>	<u>201,431</u>	<u>947,190</u>	<u>1,069,403</u>
Tax at Malaysian income tax rate of 24% (FY2017: 24%)	52,019	48,343	227,326	256,657
Effect of different tax rates in foreign jurisdictions	(25)	805	(2,159)	8,684
Withholding tax on foreign dividend and interest income	9,137	15,158	15,631	27,608
Expenses not deductible for tax purposes	10,459	14,555	54,351	33,569
Tax exempt and non-taxable income	(16,029)	(18,713)	(48,933)	(69,086)
Tax incentives	(946)	(1,629)	(2,705)	(3,523)
Deferred tax (liabilities)/assets not recognised during the period	(151)	16,793	398	20,273
Utilisation of previously unrecognised tax losses and unabsorbed capital allowances	(1,767)	7,985	(10,532)	(6,398)
Tax effect on associates' and joint ventures' results	1,016	534	800	862
Recognition of deferred tax assets not taken up previously	3,320	71	(6,240)	(266)
Under/(Over) provision of tax expense in respect of previous years	6,239	(2,545)	7,268	(1,222)
Under/(Over) provision of deferred tax in respect of previous years	3,184	(3,294)	9,251	(3,047)
Others	703	1,536	2,210	4,265
Tax expense	<u>67,159</u>	<u>79,599</u>	<u>246,666</u>	<u>268,376</u>



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B6. Status of Corporate Proposals Announced

There were no corporate proposals announced.

B7. Group Borrowings

As at the end of the reporting period, the Group's borrowings were as follows:-

	As at 3rd quarter ended 30 June 2018					
	Long Term		Short Term		Total Borrowings	
	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination
	'000	RM'000	'000	RM'000	'000	RM'000
Secured						
Term loans	Euro 7,607	35,753	Euro 2,498	11,741	Euro 10,105	47,494
Unsecured						
Bank overdrafts	-	-	Euro 13,012	61,151	Euro 13,012	61,151
Revolving credit	-	-	USD 7,974	32,224	USD 7,974	32,224
	-	-	Euro 33,000	155,090	Euro 33,000	155,090
Trade financing	-	-	USD 49,404	199,642	USD 49,404	199,642
Term loans	USD 37,500	152,214	USD 12,500	50,738	USD 50,000	202,952
	Euro 75,000	352,594	Euro 14,000	65,830	Euro 89,000	418,424
Export credit refinancing	-	-	-	206,998	-	206,998
Bankers' acceptance	-	-	-	461,355	-	461,355
Islamic medium term notes	-	2,600,000	-	-	-	2,600,000
Total		3,140,561		1,244,769		4,385,330

	As at 3rd quarter ended 30 June 2017					
	Long Term		Short Term		Total Borrowings	
	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination	Foreign Denomination	RM Denomination
	'000	RM'000	'000	RM'000	'000	RM'000
Secured						
Term loans	Euro 4,622	22,683	Euro 2,097	10,293	Euro 6,719	32,976
Unsecured						
Bank overdrafts	-	-	Euro 24,954	122,462	Euro 24,954	122,462
Revolving credit	-	-	USD 14,870	63,852	USD 14,870	63,852
	-	-	Euro 43,000	211,013	Euro 43,000	211,013
	-	-	Rmb 122,000	77,275	Rmb 122,000	77,275
Trade financing	-	-	USD 113,682	488,151	USD 113,682	488,151
Term loans	USD 50,000	214,635	-	-	USD 50,000	214,635
	Euro 50,000	245,380	-	-	Euro 50,000	245,380
Export credit refinancing	-	-	-	201,721	-	201,721
Bankers' acceptance	-	-	-	588,049	-	588,049
Islamic medium term notes	-	2,600,000	-	-	-	2,600,000
Total		3,082,698		1,762,816		4,845,514

Exchange Rates Applied	As at 30 June	
	2018	2017
USD / RM	4.0410	4.2940
Euro / RM	4.6997	4.9076
Rmb / RM	-	0.6334

B8. Derivative Financial Instruments

The forward foreign exchange contracts are entered into by the Group as hedges for committed sales and purchases denominated in foreign currencies. The hedging of the foreign currencies is to minimise the exposure of the Group to fluctuations in foreign exchange on receipts and payments.

The commodity future contracts are entered into with the objective of managing and hedging the Group's exposure to the adverse price movements in the vegetable oil commodities.



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As at 30 June 2018, the values and maturity analysis of the outstanding derivatives are as follows:-

Derivatives	Contract/Notional	Fair value
	Value Net long/(short) RM'000	Net gains/(losses) RM'000
(i) Forward foreign exchange contracts		
- Less than 1 year	(988,512)	(10,786)
- 1 year to 3 years	-	-
- More than 3 years	-	-
(ii) Commodity futures contracts		
- Less than 1 year	(129,868)	21,852
- 1 year to 3 years	-	-
- More than 3 years	-	-

With the adoption of FRS 139, derivative financial instruments are recognised at fair value on contract dates and are subsequently re-measured at fair value through profit or loss. The resulting gain or loss from the re-measurement is recognised in profit or loss.

For the quarter ended 30 June 2018, there have been no significant changes to the Group's exposure to credit risk, market risk and liquidity risk from the previous financial year. Since the previous financial year, there have been no changes to the Group's risk management objectives, policies and processes.

B9. Fair Value Changes of Financial Liabilities

The Group does not have any financial liabilities which are measured at fair value through profit or loss except for derivative financial instruments.

B10. Material Litigation

There was no pending material litigation as at the date of this report.

B11. Dividend

- An interim single tier dividend of 15 sen (2017: 15 sen) per share has been authorised by the Directors in respect of the financial year ending 30 September 2018 and was paid on 7 August 2018.
- The total dividend for the current financial year to-date is single tier dividend of 15 sen (2017: 15 sen) per share.

B12. Earnings Per Share

Basic earnings per share

The earnings per share is calculated by dividing the net profit for the period attributable to equity holders of the Company by the weighted average number of shares of the Company in issue during the period.

	Individual Quarter		Cumulative Quarter	
	3 months ended		9 months ended	
	30 June		30 June	
	2018	2017	2018	2017
(a) Net profit for the period attributable to equity holders of the Company (RM'000)	141,928	112,761	651,828	763,006
(b) Weighted average number of shares	1,064,965,692	1,064,965,692	1,064,965,692	1,064,965,692
(c) Earnings per share (sen)	13.3	10.6	61.2	71.6



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B13. Audit Report

The audit report for the financial year ended 30 September 2017 was not subject to any qualifications.

B14. Profit Before Taxation

Profit before taxation is arrived at after charging and (crediting) the following:

	Individual Quarter		Cumulative Quarter	
	3 months ended 30 June		9 months ended 30 June	
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Interest income	(19,950)	(21,136)	(62,849)	(54,453)
Other income including dividend income	(42,911)	(46,698)	(65,791)	(86,511)
Interest expense	44,819	44,521	131,937	129,364
Depreciation and amortisation	118,949	113,370	357,287	360,704
(Reversal of write-off)/Provision for and write-off of receivables	(1,361)	810	(646)	5,336
Provision for and write-off of inventories	5,946	40,096	24,051	50,252
Surplus on disposal of quoted or unquoted investments	-	(5,417)	(2,566)	(3,503)
Surplus on disposal of land	(745)	(218)	(1,527)	(4,829)
Surplus on government acquisition of land	(187)	(4,892)	(24,176)	(4,892)
Impairment of property, plant and equipment	-	-	-	-
Impairment of available-for-sale investments	-	31,932	-	31,932
Foreign exchange (gain)/loss	(30,799)	4,903	7,349	9,568
Loss/(Gain) on derivatives	44,640	(2,276)	(24,671)	1,737
Exceptional items	-	-	-	-

By Order of the Board
YAP MIOW KIEN
Company Secretary

14 August 2018