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# PRESS RELEASE

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## Sime Darby Berhad Registers Net Profit of RM989 million for 4Q FY2014/2015

*The Group reports reduced earnings on the back of soft commodity prices and challenging business conditions but makes progress on its strategic initiatives*

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**Kuala Lumpur, 26 August 2015** – Sime Darby Berhad posted a pre-tax profit of RM1.1 billion and a net profit of RM988.7 million for the fourth quarter ended 30 June 2015 (4Q FY2014/2015). Both the Group's pre-tax profit and net profit for 4Q FY2014/2015 declined by 17 percent, compared with the same period last financial year.

For the financial year ended 30 June 2015 (FY2014/2015), the Group registered a pre-tax profit of RM3.0 billion and a net profit of RM2.3 billion, a decline of 24 percent and 31 percent respectively. The net profit is 7.5 percent below the Group's net profit key performance indicator (KPI) target of RM2.5 billion for the full year. The Return on Average Shareholders' Fund was 7.8 percent versus the KPI target of 8.5 percent.

"The Group continued to be adversely impacted by bearish commodity prices and volatile market conditions in the period under review. Crude palm oil (CPO) and coal prices have been on a downward trend and the challenging business environment has resulted in subdued demand in most of our business activities, thus culminating in a weaker set of earnings," said Tan Sri Dato' Seri Mohd Bakke Salleh, Sime Darby's President and Group Chief Executive.

"Despite these tough challenges, the Group has accomplished good progress on both the operational and strategic fronts. The post-merger integration following the recent acquisition of New Britain Palm Oil Limited (NBPOL) is proceeding smoothly. Since the acquisition in March 2015, NBPOL has contributed RM102.6 million to the Division's profit before interest and tax (PBIT) for FY2014/2015. The Property Division too has been able to unlock value from its strategic partnerships. The disposal of land to Eastern & Oriental Berhad and Sime Darby Sunsuria Development Sdn Bhd, for example, will be a catalyst for the surrounding development within Sime Darby Property's City of Elmina and Serenia City respectively," he added.

"The challenging business climate is expected to continue amid an environment of economic stagnation, particularly in the markets where the Group operates. The weak outlook for commodity prices coupled with cautious consumer spending and stricter monetary policies will be some of the major headwinds that the Group is expected to face. In view of these challenges, the Group remains resolute in its focus to implement strategic cost-saving initiatives on the back of stricter capital management."

***4Q FY2014/2015 versus 4Q FY2013/2014 Year-on-Year (YoY) Comparison***

The **Plantation Division** registered a PBIT profit of RM489.4 million for 4Q FY2014/2015, lower by 26 percent compared with RM657.7 million in 4Q FY2013/2014. This was mainly due to the lower average CPO price realised of RM2,242/MT for the quarter under review versus RM2,474/MT in the previous corresponding quarter. The collective fresh fruit bunch (FFB) production in Malaysia and Indonesia for 4Q FY2014/2015 increased by 5 percent against the same quarter last year, despite prolonged dry weather experienced in early 2014. Including Papua New Guinea, the Group recorded a 27 percent increase in FFB production for the corresponding period. The seasonal and prolonged dry weather is a crucial climatic factor that has high impact on FFB yields. As such, the Division is continuously deploying innovative ways to improve the water and agro-management practices to mitigate such dry conditions.

Adverse weather resulted in the forced ripening of fruits for the period under review, thus negatively impacting the oil extraction rate (OER) which reduced slightly from 21.87 percent in 4Q FY2013/2014 to 21.52 percent in 4Q FY2014/2015. Higher replanting activities were also carried out with the aim to improve future yields significantly as well as to reduce the overall average age profile.

The Midstream and Downstream segment posted a PBIT of RM25.4 million in the current quarter under review compared with RM84.6 million in the previous corresponding period. The decline in earnings by 70 percent was due to losses from the oil & fats segments which registered lower sales volume to the European and Asia Pacific markets.

The **Industrial Division**'s PBIT for the period under review declined by 38 percent to RM125.8 million in 4Q FY2014/2015 from RM202.5 million in the same period last year. This was mainly attributable to lower equipment deliveries across all regions. The operations in Malaysia and Singapore were affected by reduced equipment demand in the mining, construction and plantation sectors owing to the weak market conditions. China/Hong Kong (HK) operations too faced a slowdown in the construction and mining sectors as well as delayed infrastructure projects. Despite the tough operating conditions in Australasia, the Division achieved a PBIT of RM38.8 million in the fourth quarter of FY2014/2015 compared with RM34.5 million in the fourth quarter of FY2013/2014. Lower operating expenses contributed to the PBIT increase of 12 percent.

The **Motors Division** reported a PBIT of RM142.4 million for the quarter under review compared with RM231.6 million in the previous corresponding quarter. The 39 percent decline was largely due to lower profits from Malaysia, Singapore and China/HK. In addition to weaker consumer sentiments due to tighter lending rules, the Goods & Services Tax (GST) together with the weakening of the Ringgit Malaysia against the US Dollar have impacted the Malaysian operations negatively. The higher cost of the Certificate of Entitlement (COE) in Singapore and the slowdown in China's economy have resulted in lower contributions from both regions. On a positive note, Australia/New Zealand operations doubled their PBIT to RM39.3 million in

4Q FY2014/2015 driven by the luxury car segment and Trucks operations in both countries, respectively.

For the quarter under review, the **Property Division** achieved a PBIT of RM416.4 million compared with RM356.5 million in the last quarter of FY2013/2014. The 17 percent increase was largely due to the gain on disposal of the 50% equity interest in Sime Darby Sunsuria Development Sdn Bhd amounting to RM157.2 million. The Division also achieved higher construction progress from the Bandar Bukit Raja, City of Elmina, Nilai Impian, Serenia City and Taman Pasir Putih townships. For the full financial year of 2014/2015, the Division generated a Gross Sales Value of RM2.1 billion with 1,659 total units sold.

The **Energy & Utilities Division** posted a PBIT of RM37.3 million for 4Q FY2014/2015 against RM6.9 million in 4Q FY2013/2014. The higher PBIT was primarily due to the write back of litigation provisions, higher port throughput and water consumption. In addition, increased average tariffs were achieved for both ports and water operations in the period under review.

***Outlook***

The Group expects the global economic and business environment to remain challenging in view of the economic slowdown coupled with currency devaluation, potential interest rate hikes and volatility in the foreign exchange rates. Despite the persistent downward pressure on CPO prices, long-term fundamentals for palm oil remain strong. The Plantation Division is currently exploring more innovative approaches in its operations, processes and technologies while pursuing strategies that will maintain its leadership position in the long-term. For the Industrial Division, prolonged low coal prices and a slowdown in economic growth, particularly in China, continue to result in lower equipment deliveries. The Division is expecting to benefit from cost reductions through aggressive cost-containment measures and the rebalancing of manpower requirements. Notwithstanding the negative impact of stricter lending policies in Malaysia and China, the Motors Division's profit pool and growth prospects will be expanded through the increased contribution of the newly acquired dealerships in Australia and Vietnam. Singapore operations is also expected to gain from the increased number of Certificate of Entitlement (COEs) in the current quarter. The Malaysian residential market is forecasted to remain subdued, underpinned by cautious consumer sentiment and tighter lending policies. However, there is sustained demand for the Property Division's landed properties in sought-after locations within the Greater Kuala Lumpur region. The operating environment for the Utilities business in China remains volatile amidst stringent government legislation and increased competition. The Division's on-going expansion plan for its ports will continue to support throughput growth in the future.

***Dividend***

A final dividend of 19 sen per share is proposed for FY2014/2015. Together with the earlier interim dividend of 6 sen per share, the total dividend for the year is 25 sen per share.

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**About Sime Darby**

Sime Darby is a Malaysia-based diversified multinational involved in key growth sectors, namely, plantation, industrial equipment, motors, property and energy & utilities. Founded in 1910, its business divisions seek to create positive benefits in the economy, environment and society where it has a presence.

With a workforce of 132,000 employees in 26 countries and 4 territories, Sime Darby is committed to building a sustainable future for all its stakeholders. It is one of the largest companies on Bursa Malaysia with a market capitalisation of RM44.22 billion (USD10.43 billion) as at 25 August 2015.