Developing Sustainable Futures

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PRESS RELEASE

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Sime Darby Berhad Registers Net Profit of RM328 million for 1Q FY2015/2016

The Plantation Division, bolstered by New Britain Palm Oil Limited (NBPOL), achieved an improved operational performance

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Kuala Lumpur, 26 November 2015 – Sime Darby Berhad posted a pre-tax profit of RM471.0 million and a net profit of RM328.4 million for the first quarter ended 30 September 2015 (1Q FY2015/2016), representing a decline of 30 percent and 34 percent respectively, compared with the same quarter of the previous financial year.

The Group's earnings were adversely impacted by weak commodity prices and volatile market conditions in the period under review. The Plantation Division achieved an improvement in overall crude palm oil (CPO) production and sales volume, with both increasing by 18 percent, boosted by contributions from NBPOL.

"The Group's financial results for the period under review reflects the difficult market environment faced across the Divisions. Weaker demand in consumer businesses and persistently low CPO and coal prices have impacted profitability. We will consistently deploy our capital and resources in line with our long-term strategy for each of the business activities. The Group remains committed to managing its cost base and accelerating strategic initiatives to improve operating margins and capitalise on market opportunities. We remain confident that the Group will be able to weather the downturn." said Tan Sri Dato' Seri Mohd Bakke Salleh, Sime Darby's President and Group Chief Executive.

1Q FY2015/2016 versus 1Q FY2014/2015 (Year-on-Year Comparison)

The **Plantation Division** achieved a PBIT of RM312.0 million for 1Q FY2015/2016, an improvement of 8 percent compared with RM289.3 million in 1Q FY2014/2015 largely due to improved contributions from Malaysia and NBPOL operations as well as a realised exchange gain of RM45.4 million. Upstream operations in Malaysia registered a higher profit as a result of lower unit cost of production, and a 1.4 percent increase in fresh fruit bunch (FFB) production to 1.65 mn MT compared to the first quarter of the previous financial year. NBPOL contributed RM49.7 million to the Division's profit before interest and tax (PBIT) for the quarter. The Division's average CPO price realised of RM2,088/MT for the period under review remained flat against RM2,187/MT for the previous corresponding quarter with Indonesian CPO prices hit by the levy on CPO exports that was introduced by the Indonesian government in July this year.

Overall, the Division recorded a 12 percent increase in FFB production over that of the corresponding period last year largely due to the FFB production by NBPOL of 387,000 MT. The Division's oil extraction rate (OER) has also improved from 21.7 percent to 21.9 percent. The FFB production in Indonesia for 1Q FY2015/2016, against the same quarter last year, declined by 12 percent due to prolonged dry weather experienced in the second half of 2014 which severely affected the yields in Kalimantan Selatan.

The Midstream and Downstream segment recorded a PBIT of RM29.8 million compared with a loss of RM18.9 million in the previous corresponding period. The profit was largely due to the Division's 50 percent share of its gain on the disposal of the oleochemical assets and business in Dusseldorf, Germany by Emery Oleochemicals.

The **Industrial Division's** PBIT dropped significantly by 71.4 percent to RM54.3 million in the current quarter compared with RM190.1 million in the previous quarter due to weaker performances across all regions. The Australasian operations were mainly impacted by low coal prices which had resulted in lower equipment deliveries and margin pressures in the product support business as well as gains from the sale and leaseback of rental fleet recognised in the previous corresponding quarter. The lower earnings were compounded by the provision for aged equipment stock of RM12.0 million and the recognition of impairment of investment in an associate, Nova Power Pty Ltd of RM10.5 million.

China/Hong Kong operations were affected by lower equipment deliveries to the construction and mining sectors on the back of a 50 percent contraction in market size. In Malaysia and Singapore, markets also contracted significantly, resulting in lower equipment and engine deliveries. In addition, the Malaysian operations had to operate on a thin profit margin as a result of a strengthening United States Dollar (USD) which led to higher cost of imports.

In view of the poor market conditions coupled with the appreciation of the USD, the Division continues to undertake vigorous performance reviews to drive down its cost of operations. Gains in market share and enhancing productivity will remain the prime operational focus. Together with a reduction in controllable expenses, the Division is expected to mitigate shortfalls in profitability with further rightsizing and cost-savings.

For the quarter under review, the **Motors Division** posted a PBIT of RM85.2 million compared with RM110.0 million in the previous corresponding quarter. The 23 percent decline was largely due to lower contributions from Malaysia and New Zealand and the initial startup losses in Taiwan. In Malaysia, tight lending rules on hire purchase and the continued weakening of Ringgit Malaysia against major currencies has resulted in more expensive imports and erosion of margins. The lower results from the operations in New Zealand were attributable to a lower contribution from Trucks operations.

However, China/HK operations delivered a PBIT of RM29.6 million in 1Q FY2015/2016, a 63 percent increase compared with RM18.2 million in 1Q FY2014/2015. The higher performance was due to improved contributions from the luxury segment. The Singapore operations achieved a 9-fold PBIT improvement to RM17.4 million, boosted by the higher supply of car Certificates of Entitlement and the introduction of new models, while the newly-acquired luxury segments continue to drive earnings in Vietnam and Australia.

The **Property Division** registered a PBIT of RM102.4 million in the current period compared with RM137.1 million in the first quarter of FY2014/2015, representing a decline of 25 percent. This was largely attributable to the RM55.5 million gain on the sale of a 9.9 percent equity interest in Eastern & Oriental Berhad in the previous corresponding period. Excluding the gain, the Division's profit improved by 26 percent due to higher profit recognition from the KL East township in the Klang Valley and the Nilai Impian township in Negeri Sembilan as well as the construction progress at Pagoh Education Hub.

The **Energy & Utilities Division** reported a PBIT of RM1.1 million for 1Q FY2015/2016 against RM21.7 million in 1Q FY2014/2015. The lower earnings were mainly due to unrealised exchange loss on provision for a legacy oil and gas project which is denominated in USD. China operations registered a lower profit during the period under review due to the slowdown in the Chinese economy and stiff competition from neighbouring ports in the Shandong province. This was mitigated by higher profits from water operations on the back of lower operating costs and higher tariff rates.

Headline Key Performance Indicators (KPIs)

The Group also announced its KPIs for the financial year ending 30 June 2016, with a Net Earnings target of RM2.0 billion and a Return on Average Shareholders' Equity target of 6.3 percent.

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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 RM50.12 billion (USD 11.89 billion) as at 25 November 2015.