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# PRESS RELEASE

**For Immediate Release**
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## Sime Darby Berhad Registers Net Profit of RM273 million for 2Q FY2015/2016

*Lower earnings attributable to weak commodity prices, adverse weather conditions and a challenging macroeconomic environment*

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**Kuala Lumpur, 24 February 2016** – Sime Darby Berhad reported a pre-tax profit of RM463.5 million and a net profit of RM273.3 million for the second quarter ended 31 December 2015 (2Q FY2015/2016), representing a decline of 22 percent and 38 percent respectively, compared with the same quarter of the previous financial year.

For the half year ended 31 December 2015 (1H FY2015/2016), the Group recorded a pre-tax profit of RM934.5 million and a net profit of RM601.7 million. The Group's pre-tax profit and net profit for 1H FY2015/2016 declined by 26 percent and 36 percent respectively, against the previous corresponding first six months.

"We are halfway through the earnings reporting period and the numbers reflect the challenging business environment that the Group operates in. Lower average crude palm oil (CPO) price realised and fresh fruit bunch (FFB) production during the quarter under review coupled with a significantly more challenging business environment weighed down the earnings contribution of the Plantation Division. The mining sector downturn and slowing growth in China continue to significantly impact the Industrial Division while consumer-driven businesses remain tested by bearish sentiment. Notwithstanding these headwinds, I am encouraged by the higher profit contributions from the Motors and Property Divisions in 2Q FY2015/2016 in light of higher sales from the luxury car segment and increased contribution from the Pagoh Education Hub," said Tan Sri Dato' Seri Mohd Bakke Salleh, Sime Darby's President and Group Chief Executive.

Commenting further, Tan Sri Bakke said that the Management continues to undertake and evaluate deleveraging efforts and rightsizing actions to ensure that the Group has the right capacity in place to face the tough business conditions. Sime Darby had recently proposed an RM3 billion perpetual subordinated Sukuk programme to improve the Group's gearing profile. The Group has also embarked on customer centric innovation within each Division, driven through focused organic growth prioritisation and increased operational productivity. In April this year, the Plantation Division will begin its field planting of selected premium seeds that will significantly increase oil yield per hectare.

***2Q FY2015/2016 versus 2Q FY2014/2015 (Year-on-Year Comparison)***

The **Plantation Division** posted a profit before interest and tax (PBIT) of RM148.4 million for 2Q FY2015/2016, compared to RM269.8 million in 2Q FY2014/2015. The decline was largely due to lower profit contribution from the Upstream segment at RM79.9 million. However, the reduced earnings from the Upstream segment was partially offset by a much stronger performance in the Midstream and Downstream operations which recorded a PBIT of RM68.5 million.

FFB production across all regions was impacted by severe weather conditions resulting in a 4% decline in the FFB production in Malaysia for 2Q FY2015/2016, against the same quarter last year. This decline was offset by the increase in Indonesian FFB production of 13%. During the quarter under review, NBPOL's Upstream performance was significantly hit by the prolonged drought caused by El Niño across Papua New Guinea and Solomon Islands, which affected all crops including its cattle business. The adverse weather, combined with the foreign exchange impact and the lower contracted CPO selling prices, had affected NBPOL's performance for the quarter. Overall, the Division recorded an FFB production of 2.6 million MT for the period under review.

In addition, the Division's average CPO price realised was lower at RM2,066/MT compared to the same quarter last year of RM2,123/MT. The decline of three percent in the current quarter was largely due to the lower average CPO price realised in Indonesia arising from the impact of the USD50/MT export levy on CPO by the Indonesian government which took effect on 16 July 2015.

The Division continues its focus on innovative ways to improve water and agro-managements practices to mitigate the impact of weather. Additionally, the Division has increased replanting activities to improve yields and reduce the overall average age profile of its oil palm trees, to make the most of prevailing CPO prices.

The Midstream and Downstream segments posted a 5-fold increase in PBIT to RM68.5 million compared with RM14.4 million in the previous corresponding period. This was mainly attributable to higher sales volume, increased refinery utilisation and significant increase in profits from the Thailand and South African operations.

The **Industrial Division's** PBIT declined by 46 percent to RM68.4 million in the current quarter compared with RM126.1 million in the previous corresponding quarter. This was due to lower equipment deliveries and margin pressure in the product support business in the Australasia region as a result of the mining downturn, further compounded by a charge taken for restructuring of RM14.5 million in Australia.

The China/Hong Kong (HK), Malaysia and Singapore operations recorded poor performances as a result of the weaker business sentiments in the construction, mining, marine and oil & gas sectors. The weaker Ringgit Malaysia against the US Dollar has increased the cost of imports in Malaysia, thus lowering margins.

The Division's PBIT for the current quarter improved by 26 percent compared to the preceding quarter due to the cost saving initiatives undertaken previously and higher sales in Singapore.

The Division continues to aggressively reduce operating costs to match market conditions while focusing on productivity improvements. These efforts include further staff rightsizing and asset monetisation to ensure profit sustainability in the future. The Division is also looking at diversifying into alternative energy solutions. The Division's order book stands at RM1.6 billion as at 2Q FY2015/2016 with a time span of between 2 and 18 months.

The **Motors Division** delivered a PBIT of RM145.9 million in 2Q FY2015/2016 compared with RM138.2 million in the previous corresponding quarter. The 6 percent improvement was mainly due to increased earnings from the Singapore, Vietnam and China operations. The Singapore and Vietnam operations were the main drivers of the Southeast Asia operations (excluding Malaysia) with a two-fold PBIT increase to RM69.4 million on the back of strong performance from the luxury segment. Higher sales from both the luxury and super luxury operations in China also contributed to the increase in PBIT.

The Malaysia operations were impacted by tighter lending conditions on vehicle financing and lower profit margins resulting from the weakened Ringgit Malaysia against major currencies. The reduced earnings from the Australia/ New Zealand operations were due to lower performances of mass brand vehicles and Trucks operations.

For the quarter under review, the **Property Division** registered a PBIT of RM84.6 million compared with RM62.1 million in the second quarter of FY2014/2015, representing an improvement of 36 percent. This was largely attributable to higher contribution from the construction progress at Pagoh Education Hub in Johor and the development works at KL East Melawati township in Selangor along with lower marketing expenses for the Battersea Power Station project. Sime Darby Property's affordable homes and industrial properties continue to be in demand while consumer sentiment towards high-end residential and commercial properties remain subdued. The Division's unbilled sales stood at RM1.2 billion as at 31$^{st}$ December 2015.

The **Energy & Utilities Division** reported a PBIT of RM41.6 million for 2Q FY2015/2016, 13 percent lower compared with RM47.8 million in 2Q FY2014/2015. The decline in earnings were mainly due to lower throughput from the port operations as a result of the slowdown in the Chinese economy.

***Interim Dividend***

The Group announced an interim dividend of 6.0 sen per share for the financial year ending 30 June 2016.

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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 RM50.36 billion (USD 11.95 billion) as at 23 February 2016.