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PRESS RELEASE

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Sime Darby Berhad Registers Net Profit of RM443 million for 1Q FY2016/2017

The Group sets a Key Performance Indicator (KPI) Net Earnings target of RM2.2 billion and a Return on Average Shareholders' Equity (ROASE) target of 6.4% for FY2016/17

Kuala Lumpur, 25 November 2016 – Sime Darby Berhad posted a pre-tax profit of RM629 million and a net profit of RM443 million for the first quarter ended 30 September 2016 (1Q FY2017), representing an improvement of 36 percent and 37 percent respectively, compared with the same period in the last financial year.

"The Group's results are a reflection of the operating environment today which is uncertain on many fronts. Politically and economically, we are experiencing uncertainties and ambiguity in just about every sector. Considering the circumstances, Sime Darby has recorded a satisfactory financial performance in the quarter under review due largely to the performance of the Motors Division, continuing efforts to monetise assets and a reduction in finance costs," said Tan Sri Dato' Seri Mohd Bakke Salleh, Sime Darby's President and Group Chief Executive.

The continuing impact of last year's El Niño weather phenomenon and a significant increase in replanting activities affected the Plantation Division's fresh fruit bunch (FFB) production in the period under review, impacting earnings. The Industrial Division's earnings declined compared to the previous corresponding quarter due to lower equipment deliveries and an overall reduction in product support sales. However, the Division's Australasian business performed better due in large part to a 72 percent improvement in the parts and services segment's earnings as well as savings from cost reduction initiatives. The Property Division's higher profit was boosted by a gain on the disposal of another commercial property in Singapore. The Motors Division registered improved contributions from six of its operating regions. Declines in Vietnam, Australia and Macau were the only dampener on an otherwise credible showing compared to the previous financial year. Meanwhile, the Group has strengthened its financial position following the successful private placement of 5 percent of its ordinary shares in October 2016.

In recent months, the Group has seen positive signs in the commodity markets. Crude palm oil (CPO) prices are trending at about RM2,800/MT on the back of tight supplies with crop production expected to recover in the coming months. The continued rally in coal prices has boosted mining activities in Australia. In addition, the launch of upcoming new models will be a catalyst for the Motors Division's performance in key markets.

1Q FY2017 versus 1Q FY2016 Year-on-Year (YoY) Comparison

The **Plantation Division** reported a PBIT of RM273 million in the quarter under review compared to RM302 million in the previous year's corresponding quarter, representing a 10 percent decrease. However, excluding an exchange gain of RM45 million and a gain on disposal of an oleochemical asset of RM21 million recorded in 1Q FY2016, the Division's PBIT for the current quarter was higher by 16 percent on the back of higher average CPO price realised of RM2,592/MT in the current quarter versus RM2,088/MT in 1Q FY2016. Nevertheless, the Division's earnings were impacted by lower FFB production which resulted in a decline in sales volume. Overall FFB production was lower by 24 percent compared to the same quarter last year. The lingering effects of the Super El Niño continued to impact production particularly in South Kalimantan and Sabah.

Another factor that affected production in the immediate term was the increase in replanting activities in Malaysia and Indonesia. The replanting with superior planting materials at an accelerated level will, in the longer term, allow the Division to reap positive returns as the palms mature.

Overall oil extraction rate (OER) decreased from 22.0 percent in the last corresponding quarter to 21.3 percent in 1Q FY2017. The Division continues to undertake yield improvement initiatives such as better water conservation and irrigation to mitigate dry weather and enhanced fertiliser management to improve soil fertility.

The Midstream and Downstream segment recorded a PBIT of RM38 million in the quarter under review, an improvement of 19 percent from RM32 million in the previous corresponding period. This was mainly due to an increase in sales volume of specialty products, higher selling price and lower overhead costs.

The **Industrial Division** posted a PBIT of RM51 million for the period under review, compared to RM63 million in 1Q FY2016. The PBIT decline of 19 percent was attributable to lower equipment deliveries and product support sales in Malaysia, Singapore and China/Hong Kong (HK). On a positive note, the Australasian operations achieved a PBIT of RM21 million in the current quarter compared to a loss of RM5 million in the previous corresponding quarter attributable to higher profit from the parts and services segment and improved margins arising from cost savings and manpower efficiency. The Malaysian operations sustained flattish earnings despite being affected by a reduction in margins as a result of the depreciation of the Ringgit against the US Dollar. In Singapore, engine deliveries were delayed due to a slowdown in the marine and shipyard sectors. China/HK operations faced weaker demand from the construction and mining sectors.

The **Motors Division's** PBIT improved by 53 percent to RM130 million for the current quarter compared with RM85 million in 1Q FY2016. Malaysia and Singapore achieved a YoY PBIT increase of 186 percent and 44 percent respectively. This was due to the improved performance of the mass vehicle segment in Malaysia and the luxury segment in Singapore. In Vietnam, the changes to the Special Consumption Tax resulted in lower contribution from the luxury segment. China/HK operations posted a YoY PBIT increase of 93 percent largely attributable to the improved performance from the super luxury segment and a gain on disposal of an investment property in HK. Despite a lower contribution from the luxury segment in Australia, the higher profits from the Commercial Vehicle operations in New Zealand (NZ) drove the Division's Australia/NZ PBIT up by 29 percent.

For the quarter under review, the **Property Division** reported a PBIT of RM172 million compared with RM102 million in the first quarter of FY2016. The 69 percent YoY PBIT improvement in the current quarter was mainly due to a gain on disposal of a 100 percent equity interest in Sime Darby Property (Alexandra) Ltd. in Singapore amounting to RM131 million, to Aster Investment Holding Pte. Ltd. The Division also completed the disposal of 10 percent of its equity interest and the warrants in Eastern & Oriental Bhd. for a gain of RM35 million. Excluding these gains, the Division's PBIT declined by 94 percent due to lower construction progress in several townships in Selangor and Negeri Sembilan. In the first quarter of FY2017, the Division achieved an overall Gross Sales Value of RM436 million as at 30 September 2016 against RM150 million as at 30 September 2015, representing a YoY increase of 191 percent. On the international front, the completed units of Phase 1 of the Battersea Power Station regeneration project will be handed over to buyers in stages over a six month period, beginning December 2016.

The **Logistics Division** registered a PBIT of RM12 million for the first quarter of FY2017 against RM17 million in the previous corresponding period. The RM5 million decline in PBIT was mainly due to lower average tariff rates for the ports operations. The Jining ports recorded lower throughputs as a result of tighter environmental controls and also increased competition from neighbouring ports. However, Weifang Port's throughput in the current quarter rose by 2 percent YoY on the back of the increasing container business as well as the commencement of operations for the 3X30,000 MT berths beginning August 2016. The water management entity also had better results in view of higher water consumption in the period under review.

Headline Key Performance Indicators (KPIs)

The Group also announced its KPIs for the financial year ending 30 June 2017, with a Net Earnings target of RM2.2 billion and an ROASE target of 6.4 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 logistics. 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 over 120,000 employees in 25 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 RM53 billion (USD12 billion) as at 24 November 2016.