

PRESS RELEASE

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Sime Darby Berhad Registers Net Profit of RM644 million for 2Q FY2016/2017

Strong Overall Results underline Improved Earnings from Plantation and Property

Kuala Lumpur, 27 February 2017 – Sime Darby Berhad reported a pre-tax profit of RM921 million and a net profit of RM644 million for the second quarter ended 31 December 2016 (2Q FY2017), representing an increase of 94 percent and 126 percent respectively, compared with the same quarter of the previous financial year.

For the half year ended 31 December 2016 (1H FY2017), the Group recorded a pre-tax profit of RM1.6 billion and a net profit of RM1.1 billion. The Group's pre-tax profit and net profit for 1H FY2017 improved by 66 percent and 79 percent respectively, against the previous corresponding first six months.

"This significant improvement in our earnings can be attributed largely to the increase in crude palm oil (CPO) prices and better production of fresh fruit bunches (FFB) over the period in review," said Tan Sri Dato' Seri Mohd Bakke Salleh, Sime Darby's President and Group Chief Executive.

2Q FY2016/2017 versus 2Q FY2015/2016 (Year-on-Year Comparison)

The **Plantation Division's** profit before interest and tax (PBIT) increased almost four-fold to RM568 million in 2Q FY2017 from RM159 million in 2Q FY2016. This was mainly due to higher average CPO price realised and better FFB production in the current period, especially in Indonesia and Papua New Guinea. The Division's average CPO price realised was RM2,835/MT for the quarter under review versus RM2,066/MT in the previous corresponding quarter. The price increase was mainly driven by an industry-wide production deficit due to the lingering effects of 2015's El Nino weather phenomenon. The Division's overall FFB production improved by 5 percent in the current quarter with Malaysia and Indonesia posting a year-on-year increase of 0.3 percent and 4 percent, respectively. New Britain Palm Oil Limited (NBPOL) achieved a FFB production growth of 21 percent compared to the same quarter last year.

The Division's strong performance was also supported by the Midstream and Downstream segments which reported a PBIT of RM83 million against RM71 million in the previous corresponding period. The 17 percent improvement was mainly attributable to better selling prices and lower overheads as a result of the Division's strategic focus of moving into high margin differentiated products and improving cost efficiency.

The **Industrial Division** reported a PBIT of RM55 million in the current quarter compared with RM72 million in the same quarter last financial year, representing a 24 percent decline. This was primarily due to lower engine deliveries and reduced trading margins across Asian dealerships, mainly in Singapore and China/Hong Kong (HK). Weak market conditions in the marine and shipyard sectors in Singapore and China/HK continued to hamper profitability, resulting in a PBIT decline of 86 percent and 5 percent respectively. The Division's results were also impacted by reduced earnings of associates, additional inventory provisions and restructuring costs.

On a positive note, the Malaysian and Australasian operations registered a PBIT improvement of 60 percent and 200 percent respectively on the back of better performance from the product support business segment in the current period. This was mainly driven by product support sales to the construction and mining sectors. The lower earnings from China/HK were partially cushioned by higher equipment deliveries due to better demand for small-medium equipment in the construction and mining sectors.

The **Motors Division** posted a PBIT of RM136 million in 2Q FY2017 compared with RM146 million in the previous corresponding quarter, representing a 7 percent decline. Earnings from Singapore in the period under review dropped by 20 percent due to reduced contribution from the luxury segment which was impacted by the downtrend in Certificates of Entitlement (COE) bidding. In Vietnam, PBIT was lower by 71% in 2Q FY2017 due to changes to the Special Consumption Tax which has been impacting its performance.

However, the China operations (excluding HK and Macau) delivered a PBIT increase of 69 percent in the current quarter, driven by the luxury and super luxury segments. The Australia/New Zealand operations achieved a PBIT growth of 38 percent in the period under review, boosted by the improved performance of the luxury and commercial vehicle segments, respectively. Despite being faced with challenges such as tighter lending conditions and weakened currency, the Malaysian operations sustained its performance on the back of higher contributions from its luxury segment.

For the quarter under review, the **Property Division** registered a PBIT of RM137 million compared with RM85 million in the second quarter of FY2016, representing an improvement of 61 percent. This was largely attributable to contributions of RM95 million from the Battersea Power Station project and a gain of RM58 million on compulsory land acquisition for the Damansara – Shah Alam Elevated Expressway (DASH). The Battersea Power Station project recognised its maiden profit from the completion of two residential block units under Phase 1.

The **Logistics Division** reported a PBIT of RM11 million for the current period, 71 percent lower compared with RM38 million in the previous corresponding period. The lower earnings this year was mainly due to the recognition of deferred income (government grant) of RM19 million recorded in the second quarter of last financial year. Apart from this, the lower PBIT was mainly attributable to reduced average tariff resulting from stiff competition from neighbouring ports.

Interim Dividend

The Group announced an interim dividend of 6.0 sen per share for the financial year ending 30 June 2017.

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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 RM63 billion (USD14 billion) as at 24 February 2017.