PRESS RELEASE

For Immediate Release
Friday, 25 August 2017

*NOTE: On 27 February 2017, the Company announced the proposed distribution and the subsequent listings of the Company's entire shareholdings in Sime Darby Plantation Berhad and Sime Darby Property Berhad on the Main Market of Bursa Malaysia Securities Berhad ("the Proposal"). The Proposal is progressing on schedule and is expected to be completed in the fourth quarter of 2017. Accordingly, the results of the Plantation and Property businesses have been classified as **Discontinuing Operations** and, upon completion of the Proposal, both Sime Darby Plantation Berhad and Sime Darby Property Berhad would be deconsolidated from the Sime Darby Berhad Group. Going forward, the Group's businesses would be Industrial, Motors, Logistics and Others **(Continuing Operations)**.*

Sime Darby Berhad Beats KPI target by 11 percent for the financial year ended 30 June 2017

The Group achieves overall Net Earnings of RM2.44 billion for FY2016/2017

Kuala Lumpur, 25 Aug 2017 – Sime Darby Berhad has exceeded its key performance indicator target by 11 percent, posting Net Earnings of RM2.44 billion for the financial year ended 30 June 2017 (FY2017). Return on Average Shareholders' Equity (ROASE) at 7.0 percent for FY2017 was 0.6 percentage points higher than the ROASE KPI target of 6.4 percent.

The Group's profit before interest and tax (PBIT) for the year was RM3.56 billion, up 13% from the previous RM3.15 billion. The results were achieved despite impairments and provisions totaling RM605 million in the fourth quarter and RM684 million for the full financial year ended 30 June 2017.

The Group's Net Earnings for both Continuing and Discontinuing Operations of RM2.44 billion were slightly up on the previous year's RM2.42 billion. Without the impairments, Net Earnings for the year would have been RM3.1 billion. For the fourth quarter ended 30 June 2017 (4Q FY2017), Net Earnings came in at RM571 million, compared to RM1,226 million registered in the same period last year, representing a decline of 53 percent year-on-year (YoY).

"I am pleased to report that we have managed to beat our KPI targets despite an uncertain operating landscape and impairments of almost RM700 million. Our underlying earnings is evidence of our strength and resilience," said Sime Darby President and Group Chief Executive, Tan Sri Dato' Seri Mohd Bakke Salleh. "The Group's results were boosted by the performance of both the Plantation and the Motors Divisions. The Plantation Division enjoyed the fruits of higher average crude palm oil (CPO) price and increased FFB production, while the Motors Division's Malaysia and China operations were the main drivers behind its strong performance."

Following a review of its operations, the Plantation Division made an impairment in the fourth quarter of FY2017 amounting to RM202 million in respect of its Liberia operations and RM39 million for Emery Oleochemicals in which it has a 50% stake. The Liberia operations were affected by a number of factors, including the Ebola outbreak and more stringent environmental standards that have stalled expansion plans since 2014. With the downturn in the Australian mining sector, the Industrial Division took an impairment of its Bucyrus distribution rights of RM214 million. The Division also made a provision of RM43 million for onerous contracts on the lease of Bucyrus equipment. The Motors Division recorded a goodwill impairment of RM19 million in Vietnam. Against a backdrop of soft property market conditions, the Property Division made a provision of RM70 million for its inventories in the fourth quarter under review and RM149 million for the full financial year.

4Q FY2017 versus 4Q FY2016 YoY Comparison

<u>Continuing Operations</u>

The **Motors Division** achieved a PBIT of RM241 million for the quarter under review compared with RM198 million in the previous corresponding quarter. The PBIT improvement of 22 percent YoY was driven by higher contributions from the luxury segment in Malaysia and China/HK. Malaysia operations posted an almost three-fold YoY PBIT increase to RM154 million for the current quarter while China/Hong Kong (HK) operations registered a PBIT improvement of 67 percent YoY for the same quarter. Notwithstanding the better performance from its trucks operations, PBIT from the Australia/New Zealand operations declined by a marginal RM3 million for the period under review to RM38 million as a result of restructuring costs.

For the full year, the Division chalked up a PBIT of RM633 million, up 26 percent from the previous year's RM503 million.

The **Industrial Division** posted a loss before interest and tax of RM192 million for 4Q FY2017 compared to a PBIT of RM130 million in the previous corresponding quarter. The loss was largely attributable to the Bucyrus impairments. Excluding these one-off charges, the Division's earnings for the period under review were RM65 million, representing a 50 percent decline against 4Q FY2016. This was mainly due to lower margins from the product mix across regions, losses registered by an associate in Singapore and restructuring costs. For Malaysia and Singapore, PBIT declined 57 percent and 56 percent respectively in the current period, due to lower equipment and engine deliveries as well as a decline in product support sales under current soft market conditions. Excluding the Bucyrus impairments, Australasia's PBIT declined by 69 percent YoY for the same period due to additional inventory provisions and restructuring costs. Despite improved contributions from product support sales in the mining and construction sectors, the PBIT of the China/HK operations declined by RM5 million in 4Q FY2017 against 4Q FY2016 due to delays in engine deliveries.

For the full year, the Industrial Division registered a loss before interest and tax of RM4 million, compared to the previous corresponding year's PBIT of RM341 million.

The **Logistics Division** recorded a PBIT of RM28 million for 4Q FY2017 against RM34 million in 4Q FY2016, representing a decline of 18 percent. Excluding a disposal gain of RM18.3 million accounted for in the last quarter of the previous financial year and RM10 million in the current quarter, the Division achieved a PBIT improvement of 13 percent to RM16 million. This was mainly due to improved contributions from the 3 X 30,000 MT berth which commenced operations in August 2016 and higher water consumption.

For the full year, the Logistics Division earned a PBIT of RM64 million, a decline of 38 percent on the previous year's PBIT of RM103 million.

Discontinuing Operations

The **Plantation Division** registered a PBIT of RM352 million for 4Q FY2017, lower by 30 percent compared with RM502 million in 4Q FY2016. This was mainly due to the Liberia impairment and losses in Downstream operations amounting to RM59 million. Excluding the impairment, the Division notched up a PBIT of RM554 million for the current period, 10 percent higher than the previous corresponding period.

During the quarter under review, New Britain Palm Oil Limited (NBPOL) posted a two-fold PBIT increase to RM246 million against RM116 million in the same period of the previous year. The Division achieved a higher average CPO price realised of RM2,813/MT in 4Q FY2017 versus RM2,636/MT in 4Q FY2016. Overall fresh fruit bunch (FFB) production was higher by 17 percent in the current period, indicating recovery from the impact of El Nino. FFB production in Malaysia, Indonesia and Papua New Guinea & Solomon Islands increased by 17 percent, 15 percent and 14 percent, respectively against the same period last year. The Division's oil extraction rate decreased marginally from 21.47 percent in 4Q FY2016 to 21.16 percent in 4Q FY2017.

The Midstream and Downstream segment reported an overall loss of RM88 million in the quarter under review compared with a PBIT of RM79 million in the previous corresponding quarter. This was mainly due to the share of impairment of assets in the Emery joint-venture of RM39 million and negative kernel crushing margins due to the sharp drop in palm kernel oil prices.

For the full year ended 30 June 2017, the Division posted a PBIT of RM1.98 billion, an increase of 92 percent from the previous year's RM1.03 billion.

For the period under review, the **Property Division** reported a PBIT of RM413 million compared with RM493 million in the last quarter of FY2016, representing a decline of 16 percent. The one-off gains for the current quarter amounted to RM271 million compared to RM399 million in the previous corresponding quarter. Excluding these one-off items, the Division's earnings were higher for the current period due to the contribution from the Battersea Development project of RM53 million and better earnings from the Elmina West and

Serenia City townships. The Division launched a total of 21 projects in FY2017, namely in the City of Elmina and Bandar Bukit Raja in Selangor, Bandar Universiti Pagoh in Johor and Bandar Ainsdale in Negeri Sembilan. On the international front, 321 units of Battersea's Phase 1 were successfully delivered for the same period.

For the full year ended 30 June 2017, the Property Division recorded a PBIT of RM801 million, down 32 percent from the previous year's RM1.18 billion.

Dividend

A final dividend of 17 sen per share is proposed for FY2017. Together with the earlier interim dividend of 6 sen per share, the total dividend for the year is 23 sen per share.

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 (USD15 billion) as at 24 August 2017.