



Plantation

PRESS RELEASE

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Sime Darby Plantation Registers 93 percent Increase in Net Profit for Nine Months Ended 31 March 2018

Company Posts Net Profit of RM249 million for 3Q FY2017/2018

Kuala Lumpur, 31 May 2018 – Sime Darby Plantation Berhad (SD Plantation), the world’s largest producer of Certified Sustainable Palm Oil (CSPO), posted a profit before tax (PBT) of RM2,228 million and a net profit of RM1,697 million for the nine months ended 31 March 2018 (9M FY2018), representing an increase of 70 percent and 93 percent respectively compared with the previous corresponding period. The better performance was attributable to stronger overall fresh fruit bunches (FFB) production, lower finance costs and non-recurring gains.

For the third quarter ended 31 March 2018 (3Q FY2018), the Group recorded a PBT of RM352 million and a net profit of RM249 million, a decrease of 42 percent and 39 percent respectively, against the same period in the last financial year.

The Group’s third quarter performance was affected by lower production of FFB particularly in Indonesia, Papua New Guinea and Solomon Islands, as well as lower average crude palm oil (CPO) price and palm kernel (PK) price realised. However, this was mitigated by lower finance costs incurred in line with lower borrowings during the quarter.

“We are encouraged by our earnings for the financial year to-date notwithstanding the challenging business environment that has impacted the Group’s performance in this quarter,” said Tan Sri Dato’ Seri Mohd Bakke Salleh, SD Plantation’s Executive Deputy Chairman and Managing Director.

“As we move towards the final quarter, we remain steadfast to deliver satisfactory results and we believe we are on track to achieve this on the back of continuous efforts to enhance productivity and cost efficiency. We are confident that the various efforts to improve operational performance such as accelerated replanting, mechanisation and water management at our estates, in addition to numerous other initiatives for cost reduction, will support the achievement of our targets,” said Mohd Bakke.

3Q FY2018 versus 3Q FY2017 Year-on-Year (YoY) Comparison

For the quarter under review, the recurring profit before interest and tax (PBIT) declined by 50 percent to RM362 million compared to RM721 million in the previous year corresponding quarter, on the back of lower profit from the Upstream operations arising from weaker FFB production and lower CPO and PK price realised. The Group's FFB production declined by 5 percent from 2.46 million MT in 3Q FY2017 to 2.34 million MT in 3Q FY2018 due to lower FFB production from Indonesia and Papua New Guinea and Solomon Islands. Average CPO price realised declined by 20 percent YoY to RM2,452 per MT in the quarter under review largely on account of weaker sentiment in the market.

The Group expects the full year FFB production to improve from the previous financial year as the El Nino effect tapers off. Although this is expected to continue putting downward pressure on CPO prices, the upcoming festive season, and possible tariffs by China on soybean imports from the US could lend support to palm oil demand.

Upstream Operations

Upstream Malaysia registered a PBIT of RM253 million in 3Q FY2018 versus RM417 million in 3Q FY2017, representing a decrease of 39 percent YoY. This was largely attributable to the lower average CPO price realised at RM2,480 per MT compared to RM2,994 per MT during the same quarter last year. Meanwhile, FFB production in the region improved by 6 percent to 1.37 million MT from 1.29 million MT in the previous year corresponding quarter, mainly stemming from replanting activities showing positive yields.

Upstream Indonesia reported a profit of RM11 million this quarter compared to RM138 million the same quarter last year. The decline in profit was mainly attributable to lower average CPO price realised at RM2,270 per MT in 3Q FY2018 versus RM2,932 per MT in 3Q FY2017, and adverse weather conditions. The weaker performance was due to a reduction in FFB production of 0.52 million MT this quarter versus 0.64 million MT in the same quarter of the previous year.

Upstream Papua New Guinea and Solomon Islands reported lower earnings of RM38 million in 3Q FY2018 against RM181 million in 3Q FY2017, which represents a decrease of 79 percent YoY. FFB production reduced by 16 percent as compared to the same quarter last year, and average CPO price realised declined by 20 percent to RM2,644 per MT in the current quarter versus RM3,304 per MT in the previous year corresponding quarter, whereas production costs are lower in the current quarter.

Upstream Liberia registered a lower loss of RM19 million this quarter versus a loss of RM67 million the same quarter last year.

Downstream Operations

Downstream operations recorded earnings of RM65 million in the current period, 52 percent higher compared to RM43 million in the previous corresponding period. This was mainly attributable to our Differentiated product business, driven by higher sales volume and better contribution margin, resulting from greater capacity utilisation of our speciality refineries in the current quarter.

Other Operations

Other operations reported a PBIT of RM13 million in the current quarter versus RM9 million the same quarter last year. The recognition of dividend income of RM21 million compensated the higher losses from associates and joint ventures.

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About Sime Darby Plantation:

Sime Darby Plantation is the world's largest oil palm plantation company by planted area, producing about 4% of the global CPO output. It is also the world's largest producer of Certified Sustainable Palm Oil, accounting for around 20% market share of the world production by capacity.

As a globally integrated plantation company, Sime Darby Plantation is involved in the full spectrum of the palm oil value chain, from upstream to downstream activities, R&D, renewables and agribusiness. Its upstream operations which consist predominantly of oil palm cultivation, harvesting and milling are spread across Malaysia, Indonesia, Papua New Guinea, the Solomon Islands and Liberia. Its downstream business spanning across 16 countries worldwide, involves the manufacturing as well as the sales and marketing of oils and fats products, oleochemicals, palm oil-based biodiesel, nutraceuticals and other derivatives. Sime Darby Plantation is also involved in rubber and sugarcane plantations, as well as cattle rearing.

With a workforce of over 100,000 employees and a strong focus on operational excellence, research, innovation and sustainability, Sime Darby Plantation is one of the largest companies on Bursa Malaysia with a market capitalisation of RM 36.79 bn (USD 9.23 bn) as at 30 May 2018.