PRESS RELEASE

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Sime Darby Plantation Registers RM457 million in Profit Before Tax (PBT) for the Six Months Ended 31 December 2018

Impact of the lower average crude palm oil (CPO) and palm kernel (PK) prices realised mitigated by improvements in operational efficiencies and higher Downstream earnings

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Kuala Lumpur, 28 February 2019 – For the six-month financial period ended 31 December 2018 (FP 2018), Sime Darby Plantation (SD Plantation) Group registered a PBT of RM457 million, on the back of weak average crude palm oil (CPO) and palm kernel (PK) prices realised mitigated by continued earnings improvement from its Downstream operations. PBT declined by 76 percent compared to the corresponding period of the previous year, wholly attributable to the sharp decline in the average CPO and PK realised prices. The average CPO price realised declined by 26 percent year-on-year (YoY) from RM2,672 per MT to RM1,974 per MT whilst the average PK price realised was lower by 38 percent YoY from RM2,374 per MT to RM1,479 per MT. The adverse price impact was partially mitigated by a 2 percent YoY rise in fresh fruit bunch (FFB) production, improved oil extraction rate (OER) from 20.96 percent to 21.17 percent as well as lower costs.

The Group reported a net profit for the FP 2018 of RM244 million, comprising a recurring net profit of RM230 million and a non-recurring net profit of RM14 million. In comparison with the net profit for the corresponding period in the previous year of RM1,448 million, the decline was largely due to the non-recurring net profit of RM749 million recorded in the previous year related to the gain on sale of land to a related company and a one-off writeback of donation to Yayasan Sime Darby.

For the quarter ended 31 December 2018, the Group's PBT and net profit declined to RM245 million and RM129 million respectively, whilst the Group's PBIT fell to RM300 million as compared to RM673 million recorded in the corresponding quarter of the previous year. The 55 percent YoY decline in PBIT was attributable to lower profits from the Upstream segment arising from lower average CPO and PK prices realised, which declined by 30 percent YoY and 49 percent YoY respectively. This was compensated by an increase in FFB production and OER, as well as an improvement in earnings by the Downstream operations in the quarter under review.

"This financial period continued to present a challenging environment for the Group's operations. Despite an overall increase in our FFB production and OER, the palm oil industry continued to weather prevailing low CPO and PK prices, arising from the pressures on the United States-China trade war, as well as the relentless negative sentiment on palm oil from Europe," said Tan Sri Dato' Seri Mohd Bakke Salleh, SD Plantation's Executive Deputy Chairman and Managing Director.

"On a brighter note, the industry is off to a reasonable start in 2019 with inventories declining on the back of the seasonal low production cycle and the reduction of India's import duties on palm oil, resulting in CPO prices rebounding. This augurs well for SD Plantation's performance moving forward, as the Group continues to drive operational efficiency through productivity enhancements and cost rationalisation. SD Plantation's diversified Upstream operations across different territories will also continue to complement each other in driving our overall FFB productivity and OER performance, as can be seen during this quarter ended 31 December 2018," added Mohd Bakke.

"SD Plantation is also encouraged by the performance of our Downstream operations and we are fortunate that our international reach has allowed the business to fare well in this current environment. We are optimistic that new developments to our Downstream business, which will be announced very soon, will take it to even greater heights," he added.

In view of the various recognitions awarded to the Company recently in the sphere of sustainability, Mohd Bakke reaffirmed that SD Plantation's sustainability agenda will always remain at the forefront of the company's operations. The Company recently won five awards at the inaugural Sustainable Business Awards Malaysia 2018. This achievement, according to Mohd Bakke, is a testament to the Group's commitment in pursuing the Sustainable Development Goals.

"As declared in our Responsible Agriculture Charter (RAC), SD Plantation will continue to uphold our No Deforestation, No Peat, No Exploitation (NDPE) commitments. We will continuously review our internal processes and strengthen our due diligence to ensure that we only source from suppliers which adhere to our Responsible Sourcing Guidelines (RSG)," he added.

Three Months Ended 31 December 2018 versus Three Months Ended 31 December 2017 (YoY Comparison)

Upstream Operations

In the quarter ended 31 December 2018, Upstream operations reported a recurring PBIT of RM185 million in comparison with RM577 million reported in the corresponding quarter last year. The weaker performance was largely due to lower average CPO and PK prices realised. Average CPO price realised declined by 30 percent from RM2,654 per MT to RM1,870 per MT, whereas average PK price realised declined by 49 percent from RM2,624 per MT to RM1,338 per MT in the quarter under review. However, the Group's FFB production increased by 2 percent in the current quarter from 2.76 million MT to 2.81 million MT. Furthermore, OER also improved YoY from 21.00 percent to 21.28 percent.

For the quarter under review, Upstream Malaysia registered a recurring PBIT of RM176 million, representing a decrease of 57 percent YoY from RM414 million in the corresponding quarter last year. The weaker performance was largely due to the lower average CPO and PK prices realised. Average CPO price realised for the quarter under review declined by 28 percent YoY from RM2,706 per MT to RM1,939 per MT, whereas average PK price realised declined by 47 percent YoY from RM2,694 per MT to RM1,434 per MT. FFB production in Malaysia stood at 1.51 million MT this quarter versus 1.69 million MT in the corresponding quarter of the previous year. This represents an 11 percent YoY decline, which was attributable to the bumper harvest experienced in the same quarter last year. Nevertheless, OER increased YoY from 20.21 percent to 20.68 percent as a result of crop quality improvements with better agriculture management.

Recurring PBIT of Upstream Indonesia decreased by 97 percent from RM144 million to RM5 million this quarter, primarily due to the significantly lower average CPO and PK prices realised, which declined by 34 percent YoY from RM2,533 per MT to RM1,663 per MT and 51 percent YoY from RM2,344 per MT to RM1,140 per MT, respectively. The prices were driven to below global market prices due to the bumper crop and high inventory levels in Indonesia. OER for the three-month period ended 31 December 2018 stood at 21.24 percent as compared to 21.87 percent in the same quarter last year. The YoY decline was due to crop quality being affected by heavy rainfall in certain areas in the Kalimantan region. However, this was partially mitigated by the higher FFB production, which increased by 12 percent from 0.71 million MT in the same quarter last year to 0.79 million MT this quarter, driven by our continuous operational improvements such as fertiliser application, water management and other agricultural management practices.

Upstream Papua New Guinea (PNG) and Solomon Islands (SI) reported a lower recurring PBIT of RM27 million in the quarter under review against RM39 million in the previous year corresponding quarter. The decline in profit was attributable to the weaker average CPO price realised which had declined by 21 percent YoY from RM2,713 per MT to RM2,155 per MT this quarter. Nevertheless, its earnings were supported by higher FFB production which improved by 41 percent from 0.34 million MT to 0.48 million MT as it recovers from a low harvest in the corresponding quarter last year. OER also improved from 22.71 percent to 22.95 percent this quarter, resulting from our continuous crop quality improvement initiatives.

Upstream Liberia registered a higher loss before interest and tax of RM23 million this quarter versus a loss of RM20 million in the same quarter last year as a result of lower average CPO and PK prices realised, which was partially mitigated by an increase in FFB production by 73 percent YoY from 0.02 million MT to 0.03 Million MT.

Downstream Operations

For the quarter under review, Downstream operations reported a recurring profit of RM98 million as compared to RM64 million in the previous year corresponding quarter, representing an increase of 53 percent YoY. Both bulk and differentiated products businesses, particularly for the operations in Asia Pacific, have registered better performance mainly due to higher sales volume and better margins. This compensated the lower profit contribution from the differentiated products businesses in Europe, Middle East and Africa, which were impacted by lower demand.

Other Operations

Other operations registered a recurring PBIT of RM3 million in the current quarter compared to RM32 million in the previous year corresponding quarter. The decline in profits was largely due to the recognition of a one-off dividend income of RM39 million from an investment in the same quarter of the previous year.

Dividend

A final single tier dividend of 1.7 sen per share in respect of the financial period ended 31 December 2018 has been approved by the Board and will be paid on 21 May 2019.

<u>About Sime Darby Plantation</u>

Sime Darby Plantation is the world's largest oil palm plantation company by planted area, producing about 4 percent of the global CPO output. It is also the world's largest producer of Certified Sustainable Palm Oil (CSPO), with a CSPO production capacity of over 2.46 million MT.

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 97,000 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 RM35.04 bn (USD8.62 bn) as at 27 February 2019.