PRESS RELEASE

For Immediate Release
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Sime Darby Plantation Reports Stronger Q1 FY2020 Results

- Improved Net Profit of RM468 million
- Higher earnings from both Upstream and Sime Darby Oils

Kuala Lumpur, 22 May 2020 – For the first quarter of its financial year ending 31 December 2020 (Q1 FY2020), Sime Darby Plantation (SD Plantation) Group recorded an unaudited net profit of RM394 million from its continuing operations, compared to RM90 million in the corresponding period of the previous year. The stronger performance was attributable to higher contributions from both Upstream and Sime Darby Oils (Downstream) operations and lower finance costs.

The Group posted a recurring profit before interest and tax (PBIT) of RM380 million compared to RM196 million in the corresponding quarter of the previous year. It also registered a non-recurring PBIT of RM262 million derived from land sales in line with the asset monetisation plan undertaken by the Group.

The Group, accordingly, posted a net profit of RM468 million in comparison with RM74 million recorded in the corresponding quarter of the previous year.

"With our continuous drive to improve operational efficiencies and reduce costs, Sime Darby Plantation has been able to capitalise on the industry's brief respite from low CPO and PK prices to record satisfactory results for Q1 FY2020. However, the Group remains cognisant that it will continue to face a challenging environment as countries around the world grapple with the spread of the COVID-19 virus and manage the economic repercussions of the pandemic," said Tan Sri Dato' A. Ghani Othman, SD Plantation's Chairman.

"Whilst the Group will not be insulated from the impact of this global crisis, we are fortunate to be operating in an industry that provides essential products to the world. As a key ingredient for both food and non-food products, we are reassured that the demand for palm oil will remain intact in the long term. In addition, we believe our focus on value creation strategy and prudent cost management will continue to place our operations and finances in a satisfactory position to weather the challenges ahead," he added.

According to Mohamad Helmy Othman Basha, SD Plantation's Group Managing Director, SD Plantation is prepared to embrace a "New Normal" in mitigating the impact of the pandemic to the Group's business. This includes implementing additional precautionary measures to ensure the health and safety of its people whilst striving to minimise potential disruption to its operations.

"We expect to face challenges due to disruptions in logistics and supply chain in the event of a prolonged global pandemic. The domino effect of the looming global recession eventually may spill over to the palm oil industry impacting the Group's value chain as well as the global demand for palm oil. The Group has, thus, carried out a business assessment and implemented some mitigation plans to counter these threats," said Mohamad Helmy.

"Sime Darby Plantation is committed in delivering value to our stakeholders which would entail improving operational excellence, deleveraging via asset monetisation of non-core and under-performing assets, cost rationalisation and the growth plan for Sime Darby Oils to create a more balanced profit contribution from our Upstream and Downstream businesses," added Mohamad Helmy further.

With the outbreak of the COVID-19 virus, SD Plantation played its part to assist the brave efforts of front liners to contain the pandemic and save human lives. The Sime Darby Foundation or Yayasan Sime Darby (YSD) pledged over RM4.4 million to support efforts to address the immediate needs of individuals and communities impacted by the COVID-19 pandemic.

In addition to what we have channelled via YSD, Sime Darby Plantation has pledged an additional RM3 million as cash or in-kind contribution to various official disaster relief networks and hospitals that have been designated to deal with infected cases in Malaysia, Indonesia as well as Papua New Guinea and the Solomon Islands, where we have our main operations. We hope that our contribution would help to alleviate the burden of the less fortunate communities during this difficult time," said Mohamad Helmy.

Outlook

The global economic upheaval sparked by the COVID-19 pandemic poses unprecedented challenges and uncertainties to the business environment. To contain the virus, most countries have enforced restricted movement measures resulting in disruptions both on the supply and demand of commodities. The restrictions have not yet had any material impact to the Group's operations.

The Group has assessed the potential impact of COVID-19 on its operations and financial performance which included, amongst others, rising risks of customers deferring or defaulting on contracts, customer credit risks, and volatility from foreign exchange fluctuations. The outlook of the Group's performance for the financial year ending 31 December 2020 will be impacted by volatility of CPO and PK prices and impediment to operations, should a prolonged or worsening pandemic continue to affect global business activities.

APPENDIX 1

First Quarter Ended 31 March 2020 versus First Quarter Ended 31 March 2019 (Year-on-year (YoY) Comparison)

The Group's continuing operations reported a PBIT of RM642 million in Q1 FY2020 against RM196 million in the corresponding period of the previous year. The higher recurring PBIT in the quarter under review was contributed by both Upstream and Downstream operations. The Group also registered a non-recurring PBIT of RM262 million in the current quarter, comprising gains on land disposal in Malaysia.

Upstream Operations

In Q1 FY2020, Upstream operations registered a PBIT of RM288 million compared to RM103 million in the corresponding quarter of the previous year, representing an increase of 180 percent. The improved performance was largely attributable to higher average CPO and PK prices realised which increased by 29 percent to RM2,605 per MT and by 25 percent to RM1,519 per MT, respectively, compared to the same quarter last year. The Group's average oil extraction rate (OER) improved by 0.48 percent to 21.89 percent in the quarter under review. It also registered an unrealised gain of RM136 million arising from fair value of commodity hedges. The improved performance has compensated for the lower fresh fruit bunch (FFB) production which declined by 15 percent to 2.12 million MT in the current quarter under review.

Upstream Malaysia's PBIT increased by 55 percent to RM175 million in the current quarter compared to RM113 million in the corresponding quarter of the previous year. The better performance was mainly due to higher average CPO and PK prices realised which improved by 25 percent to RM2,491 per MT and by 26 percent to RM1,667 per MT, respectively, in the quarter under review. However, Upstream Malaysia's performance was partially offset by lower FFB production and OER.

Upstream Indonesia posted a PBIT of RM39 million in Q1 FY2020 compared to RM9 million in the corresponding quarter of the previous year. The improvement in this quarter was mainly driven by average CPO and PK prices realised which increased by 31 percent YoY to RM2,613 per MT and by 25 percent to RM1,246 per MT, respectively. The operations also recorded an improvement in OER by 0.95 percent to 22.93 percent which has compensated for its lower FFB production and unrealised foreign currency exchange loss of RM53 million on borrowings arising from the appreciation of USD against IDR in the current quarter.

Upstream PNG and Solomon Islands (SI) reported a PBIT of RM74 million in the quarter under review against a loss before interest and tax (LBIT) of RM19 million in the corresponding quarter of the previous year. The improvement was primarily driven by higher CPO price realised and OER, which increased by 37 percent to 2,828 per MT and by 0.88 percent to 22.40 percent, respectively.

Downstream Operations

Sime Darby Oils registered a PBIT of RM89 million in Q1 FY2020, representing a 5 percent increase compared to RM85 million in the corresponding quarter of the previous year. The improved performance, largely driven by differentiated businesses in Europe, was due to higher sales volume, better margins as well as fair value gains on commodity hedges recorded in the current quarter. This has compensated for the weaker performance from the Asia Pacific operations affected by the fair value loss on derivatives and lower demand for refined products, particularly from China and India.

For further information, please contact:

Eliza Mohamed
Chief Communications Officer
Sime Darby Plantation Berhad
Tel: 03-78485415 (Off), 012-2193059 (HP)
E-mail: eliza.mohamed@simedarbyplantation.com

Azneal Azam
Tel: 03-78485369 (Off), 016-3376160 (HP)
E-mail: azneal.azam@simedarbyplantation.com

Hisyam Samad
Tel: 0378484410 (Off), 012-6929358 (HP)
E-mail: *hisyam.samad@simedarbyplantation.com*

<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 and the Solomon Islands. Its downstream business, known as Sime Darby Oils, 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 94,000 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 RM34.28 bn (USD7.88 bn) as at 21 May 2020.