



Plantation

PRESS RELEASE

For Immediate Release
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Sime Darby Plantation Records RM303 million in Profit Before Interest and Tax in First Quarter of FY2023

- *Lower average realised prices and continued challenges to productivity impacted profits*
- *Increased arrival of foreign workers is expected to improve operational performance*

Petaling Jaya, 24 May 2023 – Sime Darby Plantation Berhad (SDP) registered a Profit Before Interest and Tax (PBIT) of RM303 million in the first quarter of its financial year ending 31 December 2023 (1Q FY2023), a decrease from the RM1,060 million PBIT recorded in 1Q FY2022. SDP's net profit declined by 90% to RM69 million as compared to RM718 million.

The decline in profits was mainly attributable to lower year-on-year (YoY) average realised crude palm oil (CPO) and palm kernel (PK) prices, lower fresh fruit bunch (FFB) production as well as higher finance costs with increased benchmark interest rates. Realised CPO prices in 1Q FY2023 averaged RM3,887 per metric tonne (MT), a YoY decline of 13% compared to RM4,465 per MT the year before, whilst average realised PK prices declined significantly by 56% YoY to RM1,794 per MT from RM4,105 per MT in the previous period. The Group's overall FFB production declined by 5% YoY as its Malaysian upstream operations continued to be impacted by the lingering effects from the prolonged acute labour shortage resulting in a 11% decline whilst both its operations in Indonesia and Papua New Guinea recorded a 1% growth.

The Group's downstream operations, Sime Darby Oils (SDO), experienced a challenging quarter registering a PBIT of RM68 million, as compared to RM161 million in the previous year. SDO recorded lower sales volumes and margins in its Asia Pacific bulk and differentiated operations. However, its European operations recorded improved performance in both sales volumes and margins.

Key Highlights

	1Q FY2023	1Q FY2022	YoY + / (-)
Revenue (RM mil)	4,069	4,381	(7)%
PBIT (RM mil)	303	1,060	(71)%
Net Profit (RM mil)	69	718	(90)%
CPO Price Realised (RM/ MT)	3,887	4,465	(13)%
FFB Production (MT mil)	1.82	1.91	(5)%

Oil Extraction Rate (OER) (%)	21.02	21.36	(0.34)
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- The Group's 1Q FY2023 profits declined in its recurring segment and there were no profits from non-recurring transactions in the period.

Chairman, Tan Sri Dato' Seri Haji Megat Najmuddin bin Datuk Seri Dr Haji Megat Khas said:

"Having successfully navigated a multitude of challenges over the last few years, I am confident that the Group will address any lingering issues swiftly. We will build on our strengths and forge ahead to sustain our market leadership, delivering value to our stakeholders."

Group Managing Director, Mohamad Helmy Othman Basha said:

"Our performance was affected by the sharp decline in average CPO prices and the impact of the prolonged labour shortage in Malaysia, which is only now in the nascent stages of recovery.

We are thus giving the highest priority to the factors within our control, namely the rehabilitation of Upstream Malaysia and the bold initiative to reduce dependence on manual and foreign workers through the mechanisation, automation and digitalisation of our estates.

These efforts will be the foundation of more sustainable, productive, and efficient operations for us in the future, as we continue to recover our productivity and reinvent our plantation operations this financial year."

OUTLOOK FOR FY2023:

CPO prices are expected to trade at current levels in the near term with price competitiveness of CPO being dependent on a few factors, including the supply outlook of competing oils as well as Indonesia's palm oil export policies. Macroeconomic and geopolitical challenges, including concerns of slowing economic growth and high interest rates could limit the upside potential of commodity prices. Furthermore, the lower demand and higher stockpiles in major importing countries could pose further challenges to CPO prices this year.

The Group anticipates registering improved FFB production this year with the easing of labour shortage in Malaysia. Additionally, with the Group's intensive mechanisation, automation and digitalisation efforts in its operations, the Group is optimistic of achieving improved productivity this year.

The Group expects its FY2023 performance to remain challenging.

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ABOUT SIME DARBY PLANTATION

Sime Darby Plantation is the world's largest producer of Certified Sustainable Palm Oil (CSPO), producing 1.887 million MT or 15% of the world's total CSPO production (as of 31 December 2022).

As a fully integrated global plantation company, SDP is involved in various activities along the full spectrum of the palm oil value chain, including upstream and downstream operations, Research & Development, renewables as well as agri-business. Its upstream operations are spread across Malaysia, Indonesia, Papua New Guinea and the Solomon Islands. Its downstream business, also known as Sime Darby Oils, spans 13 countries worldwide and involves the trading, manufacturing, as well as the sales and marketing of refined oils and fats products, oleochemicals, palm oil-based biodiesel, nutraceuticals and other palm oil derivatives.

With a workforce of about 80,000 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 RM30.98 billion (USD6.81 billion) as of 23 May 2023.