



Plantation

# Financial Year Ending 31 December 2020 Results Announcement

## First Quarter ended 31 March 2020

22 May 2020

# Financial Highlights

Net profit improved to RM468 million largely due to higher earnings from both Upstream and Sime Darby Oils



<i>in RM'mn</i>	Q1 FY2020	Q1 FY2019	YOY%
<b>CONTINUING OPERATIONS</b>			
<b>Revenue</b>	<b>3,044</b>	<b>2,999</b>	<b>2%</b>
<b>PBIT</b>	<b>642</b>	<b>196</b>	<b>&gt;100%</b>
<b>PATAMI</b>	<b>394</b>	<b>90</b>	<b>&gt;100%</b>
<b>DISCONTINUED OPERATIONS</b>			
<b>PATAMI</b>	<b>74</b>	<b>-16</b>	<b>&gt;100%</b>
<b>TOTAL</b>			
<b>PATAMI</b>	<b>468</b>	<b>74</b>	<b>&gt;100%</b>
<b>Basic EPS <i>(RM'sen)</i></b>			
<b>Continuing Operations</b>	<b>5.7</b>	<b>1.3</b>	<b>&gt;100%</b>
<b>Discontinued Operations</b>	<b>1.1</b>	<b>-0.2</b>	<b>&gt;100%</b>



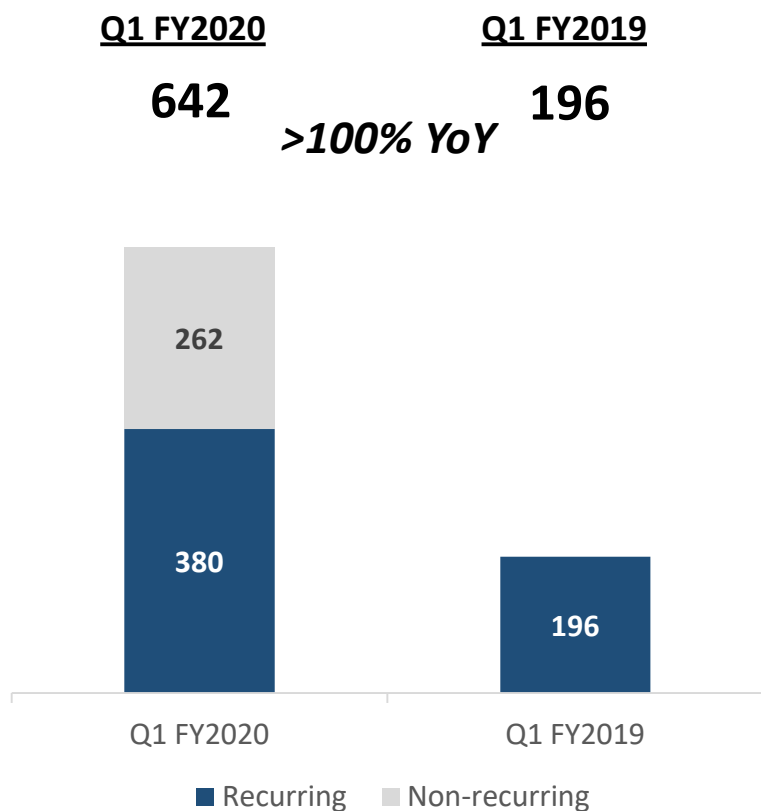
# Financial Performance by Segment – Continuing Operations

Better earnings driven by higher average CPO & PK prices realised and increased in oil extraction rates, compensated for the lower FFB production and foreign currency exchange loss



in RM'mn

## TOTAL PBIT



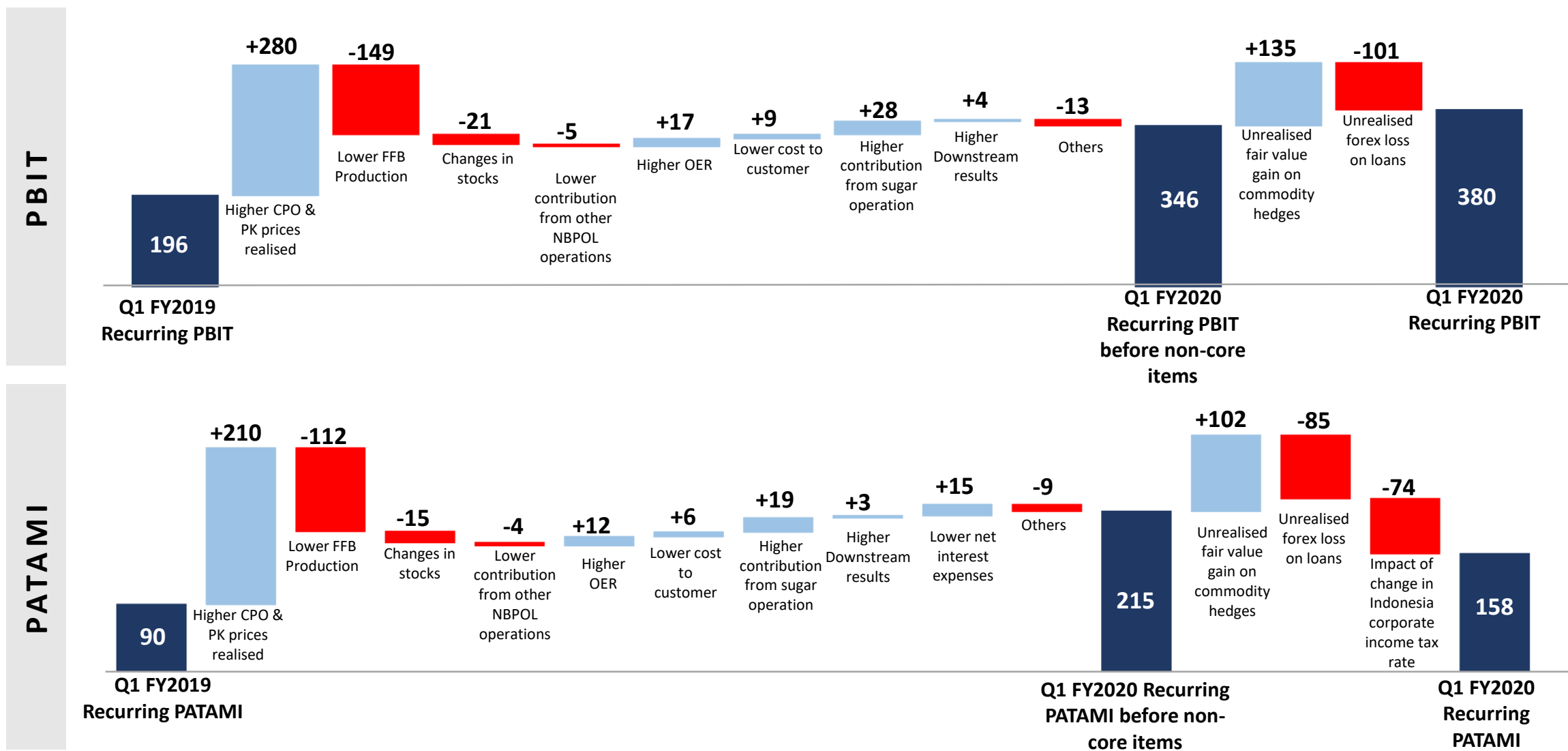
	Q1 FY2020	Q1 FY2019	YoY%
Recurring PBIT (RM'mn)			
<b>Upstream</b>	<b>288</b>	<b>103</b>	<b>&gt;100%</b>
Upstream Malaysia	175	113	55%
Upstream Indonesia	39	9	>100%
Upstream PNG/SI	74	-19	>100%
<b>Downstream</b>	<b>89</b>	<b>85</b>	<b>5%</b>
<b>Others*</b>	<b>3</b>	<b>8</b>	<b>-63%</b>
<b>Total</b>			
Recurring PBIT	380	196	94%

Note: \* Others (Continuing operations) refers to Sime Darby Agri-Bio Sdn Bhd, Sime Darby Research Sdn Bhd, Sime Darby Technology Sdn Bhd, Sime Darby Biotech Lab Sdn Bhd, Sime Darby Seeds Sdn Bhd, as well as investment holding companies, associates and JVs

# Recurring Profits – Continuing Operations

Improved earnings largely due to higher CPO and PK realised prices, compensated for lower FFB production

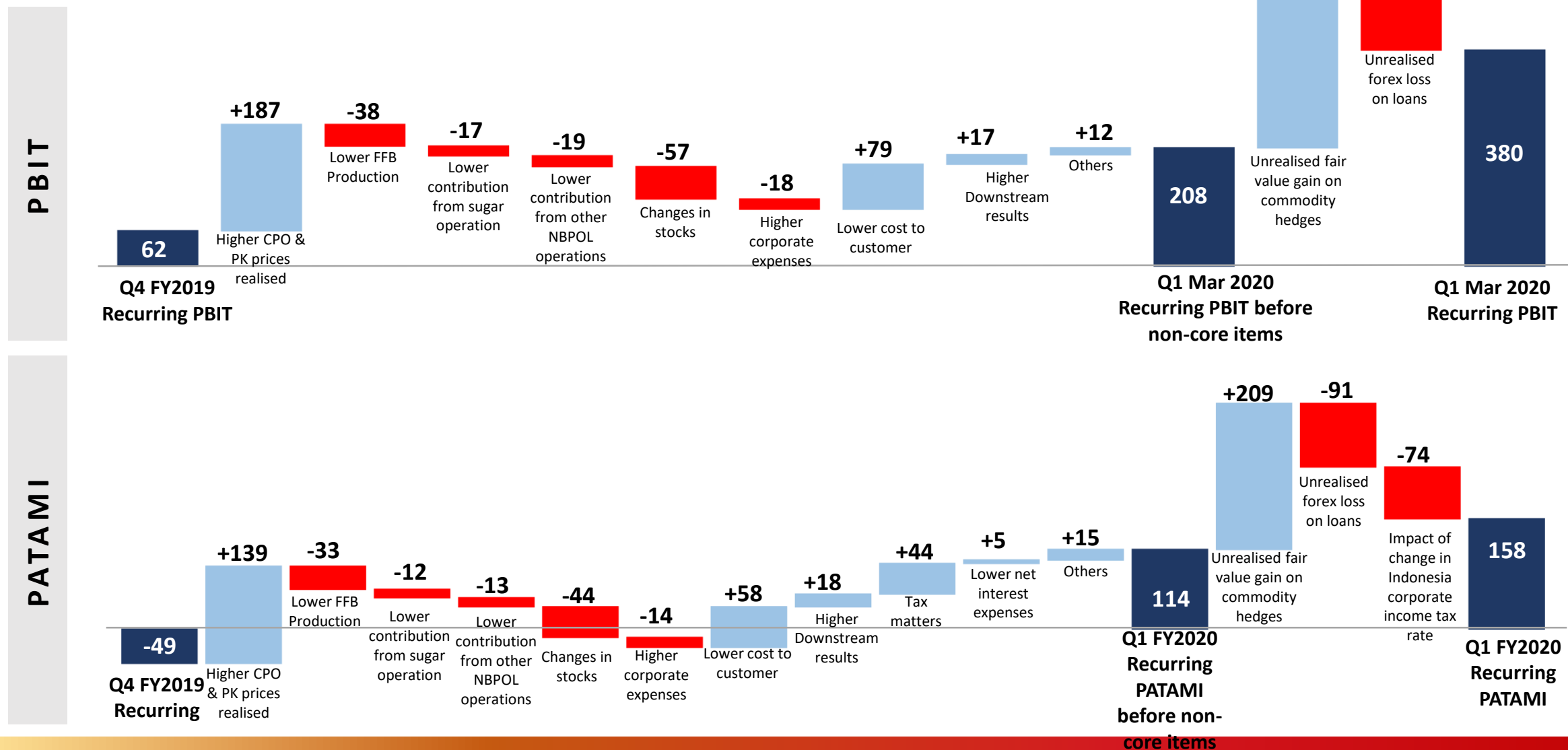
Q1 FY2020 vs Q1 FY2019



# Recurring Profits – Continuing Operations

Improved earnings largely due to higher CPO and PK realised prices and lower cost to customer, compensated for lower FFB production

## Q1 FY2020 vs Q4 FY2019



# Non-core items Impacting Our Results

## Fair value of Commodity hedges

Fair value of commodity hedges in SDP Group refers to the mark-to-market of the following financial instruments at each month end:

- Bursa Malaysia Derivatives (“BMD”) CPO futures sale and purchase contracts
- BMD option contracts
- Sale and purchase contracts of CPO and palm products with customers and suppliers, which fulfil the definition of financial instruments.

Gain/(Loss) from movement in fair value of commodity hedges are as follows (RM’ mn)	Q1 FY2020	Q1 FY2019	Q4 FY2019
CPO futures and options	136	1	(140)
CPO and palm products contracts	62	-*	(48)
<b>Total</b>	<b>198</b>	<b>-*</b>	<b>(188)</b>

\* Less than RM1 million

As at 31 March 2020, the unrealised fair value on commodities in the balance sheet stood at RM32 million. As the SDP Group is at a net sell position for commodity hedges, this position may turn into a fair value loss if the market prices subsequently increase.

## Foreign exchange loss

For Q1 FY 2020, the Group suffered unrealized forex loss charged to P&L of RM63 million, mainly due to the adverse impact on USD denominated borrowings arising from the appreciation of the currency against MYR (+5%) and IDR (+18%) during the quarter.

Unrealised forex gain/(loss) in the P&L are as follows:

(RM’ million)	Q1 FY2020	Q1 FY2019	Q4 FY2020
Corporate loans	(89)	12	15
Other monetary items	26	18	(24)
<b>Total</b>	<b>(63)</b>	<b>30</b>	<b>(9)</b>

As at 30 March 2020, total USD denominated borrowings amounted to RM4.26 billion, mostly in companies which functional currencies are other than USD. Hence movement in USD against MYR and IDR will results in unrealised gain or loss in the Group P&L.

## Non-Recurring Profits

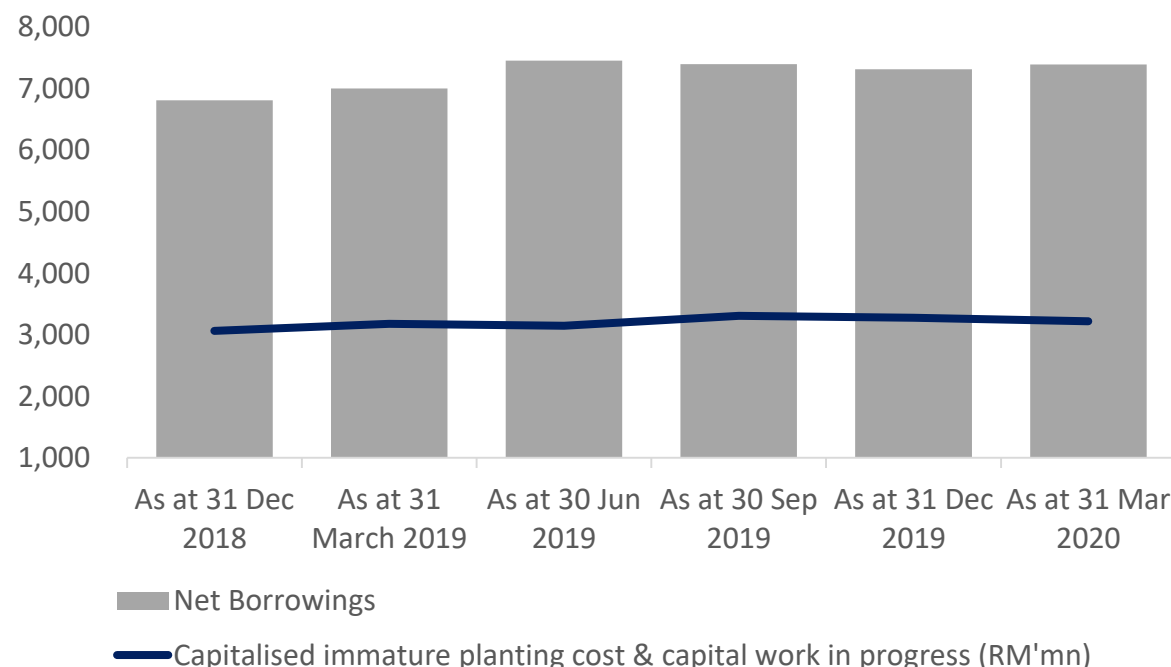
The non-recurring profits in Q1FY2020 arose from gains on land disposal in Malaysia following the asset monetisation exercise, and gain on divestment of Liberia operations

<i>in RM'mn</i>	Q1 FY2020	Q1 FY2019
<b>Non-recurring PBIT</b>	<b>336</b>	<b>-</b>
Continuing operations: Gains on land disposal in Malaysia	262	-
Discontinued operations: Gain on divestment of Liberia operations	74	-
<b>Non-recurring PATAMI</b>	<b>310</b>	<b>-</b>
Continuing operations: Gains on land disposal in Malaysia	236	-
Discontinued operations: Gain on divestment of Liberia operations	74	-

# Borrowings & Gearing Ratios

Increase in borrowings partially compensated by higher cash balances

Net Gearing <sup>1</sup>	<b>43%</b>	<b>43%</b>	<b>46%</b>	<b>46%</b>	<b>46%</b>	<b>47%</b>
Borrowings (in RM'mn)	<b>7,297</b>	<b>7,472</b>	<b>7,819</b>	<b>7,899</b>	<b>7,745</b>	<b>8,105</b>
Bank balances, deposits & cash	<b>491</b>	<b>470</b>	<b>364</b>	<b>501</b>	<b>431</b>	<b>714</b>
Net Borrowings (RM'mn)	<b>6,806</b>	<b>7,002</b>	<b>7,455</b>	<b>7,398</b>	<b>7,314</b>	<b>7,391</b>



Note: <sup>1</sup> Net Gearing is based on Total Borrowings less Bank Balances, Deposits & Cash divided by Total Equity

## FIRST QUARTER ENDED 31 MARCH 2020

**RM480mn**

NET CASH GENERATED  
FROM OPERATING  
ACTIVITIES

**-RM29mn**

NET CASH USED IN  
INVESTING ACTIVITIES

**-RM149mn**

NET CASH USED IN  
FINANCING ACTIVITIES

**Net borrowings as at 31 March 2020 increased by RM77mn compared to 31 Dec 2019 mainly attributable to:**

- Appreciation of foreign currencies particularly USD against RM and IDR resulting in increase of RM378mn in borrowings balance
- Increase in cash balances of RM283 million during the quarter
- Net borrowing repayment of RM18 million



# Operational Performance – Upstream

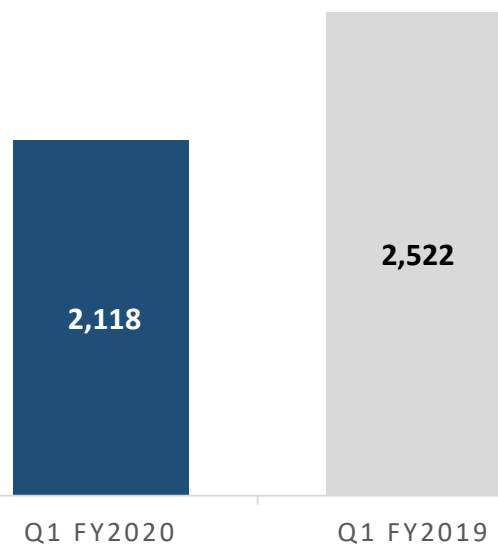
Lower FFB production due to lower mature areas in Malaysia and Indonesia, adverse weather in PNG/SI and peak crop pattern in Q1 2019



## FFB PRODUCTION

in '000 MT

**TOTAL  
UPSTREAM**  
from all operations  
**-16% YoY**



FFB Production ('000 MT)	Q1 FY2020	Q1 FY2019	YoY%
<b>Continuing</b>	<b>2,118</b>	<b>2,505</b>	<b>-15%</b>
Upstream Malaysia	1,074	1,399	-23%
Upstream Indonesia	578	596	-3%
Upstream PNG/SI	466	510	-9%
<b>Discontinued operations</b>			
Upstream Liberia	-	16	*
<b>Total</b>	<b>2,118</b>	<b>2,522</b>	<b>-16%</b>

▪ **Malaysia:** Lower FFB production due to prolonged dry weather impacting the development of oil palm inflorescence.

▪ **Indonesia:** Lower FFB production due to lower mature areas subsequent to the disposal of a loss-making subsidiary with 7,282 Ha of estates in June 2019

▪ **PNG/SI:** Weaker production amid high rainfall and flood particularly in West New Britain

\*Divestment of Sime Darby Plantation (Liberia) Inc completed on 16 Jan 2020

# Operational Performance – Upstream

Better OER in Q1 FY2020 due to favourable weather in Indonesia and better organization of harvesting activities in PNG/Si, compensated for adverse weather in Malaysia



## CPO EXTRACTION RATE

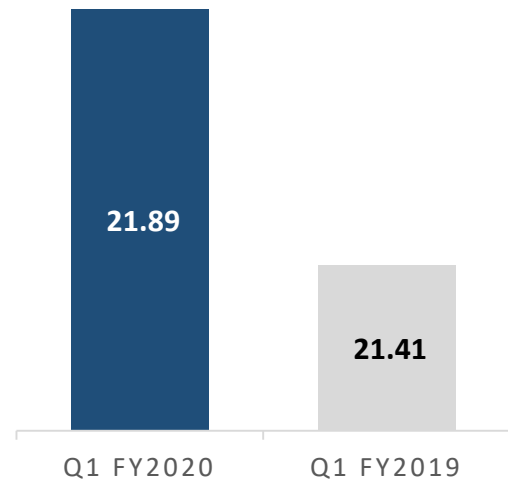
in %

### TOTAL UPSTREAM

from all operations

**+0.48**

**p.p. YoY**



Note: p.p. – Percentage points

\*Divestment of Sime Darby Plantation (Liberia) Inc completed on 16 Jan 2020

	CPO Extraction Rate (OER) (%)	Q1 FY2020	Q1 FY2019	YoY%
<b>Continuing</b>		<b>21.89</b>	<b>21.41</b>	<b>0.48</b>
Upstream Malaysia		21.05	21.09	-0.04
Upstream Indonesia		22.93	21.98	0.95
Upstream PNG/Si		22.40	21.52	0.88
<b>Discontinued operations</b>				
Upstream Liberia		-	21.63	*
<b>Total</b>		<b>21.89</b>	<b>21.41</b>	<b>0.48</b>

▪ **Malaysia:** Lower OER due to lower oil content in fruits resulted from prolonged dry period which has also impacted FFB production

▪ **Indonesia:** Better OER as favourable weather conditions were conducive for harvesting and crop evacuation

▪ **PNG/Si:** OER was better in Q1 FY2020 due to improvement in harvesting and collection processes

# Operational Performance – Upstream

Higher CPO prices realised in Q1 FY2020 offered brief respite for the Group



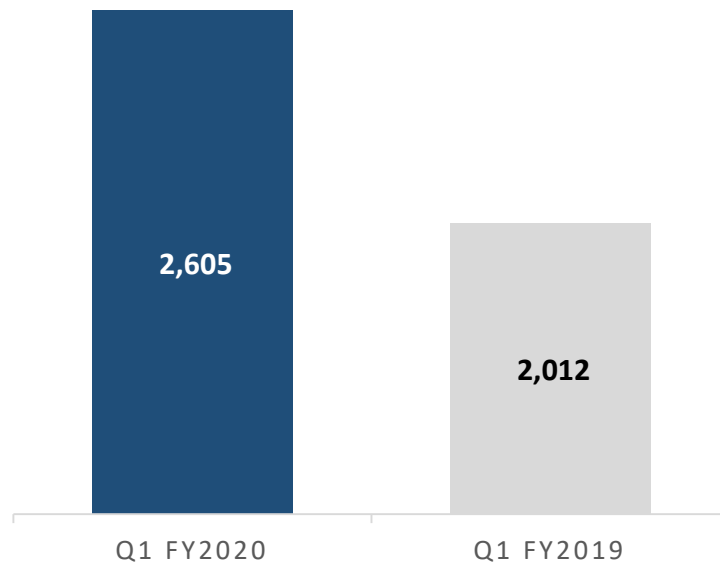
## AVERAGE CPO PRICES REALISED

*in RM/MT*

**GROUP AVERAGE**

for all operations

**+29% YoY**



<i>Average CPO Prices Realised (RM/MT)</i>	Q1 FY2020	Q1 FY2019	YoY%
<b>Continuing</b>	<b>2,605</b>	<b>2,012</b>	<b>29%</b>
Upstream Malaysia	2,491	1,998	25%
Upstream Indonesia	2,613	2,002	31%
Upstream PNG/SI	2,828	2,063	37%
<b>Discontinued operations</b>			
Upstream Liberia	-	2,070	*
<b>Total</b>	<b>2,605</b>	<b>2,012</b>	<b>29%</b>

\*Divestment of Sime Darby Plantation (Liberia) Inc completed on 16 Jan 2020

# Financial Performance – Downstream

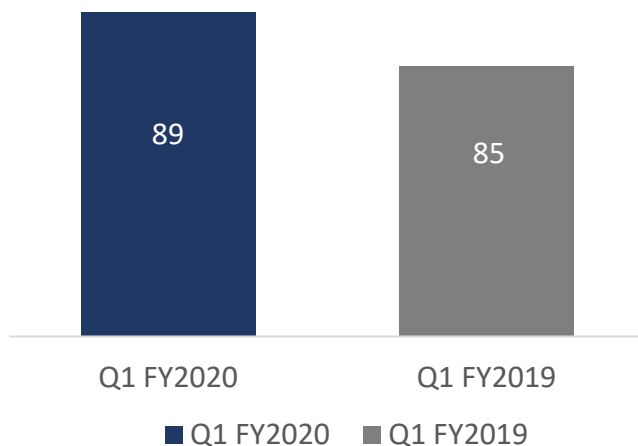


Improved earnings attributable to gains on commodity hedges and better contributions from differentiated businesses in Europe, compensating the weaker profits from Bulk and Trading businesses

## TOTAL DOWNSTREAM

in RM'mil

+5% YoY



*Recurring PBIT  
(RM'mn)\**

**Q1  
FY2020**

**Q1  
FY2019**

*YoY%*

### Downstream

Differentiated	140	38	>100%
Trading	13	18	-28%
Bulk	-62	33	>-100%

Sime Darby Oils registered profit of 5% higher YoY in Q1 FY2020 mainly due to:

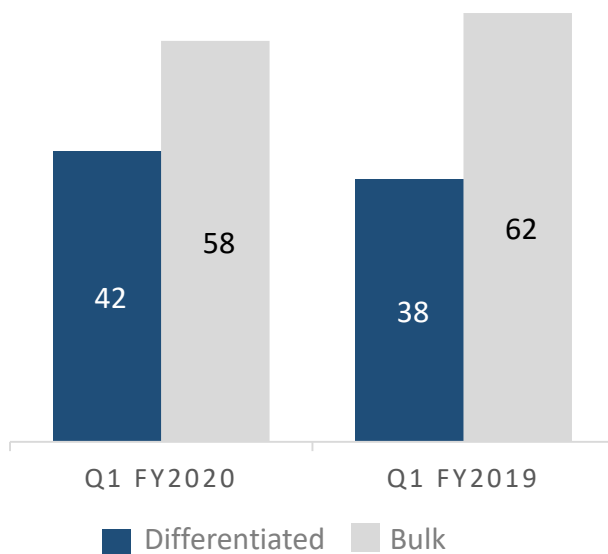
- Improved performance from the differentiated businesses due to;
  - higher sales volumes and better margins in Europe
  - gain arising from fair value on commodity hedges of RM62 mil
- Offset by weaker performance from Bulk and Trading operations due to lower demand particularly from China and India
  - Bulk operations were also impacted by declining margins amid falling palm product prices

# Operational Performance – Downstream

Lower capacity utilization and sales volume due to lower demand for Bulk businesses particularly from China and India markets

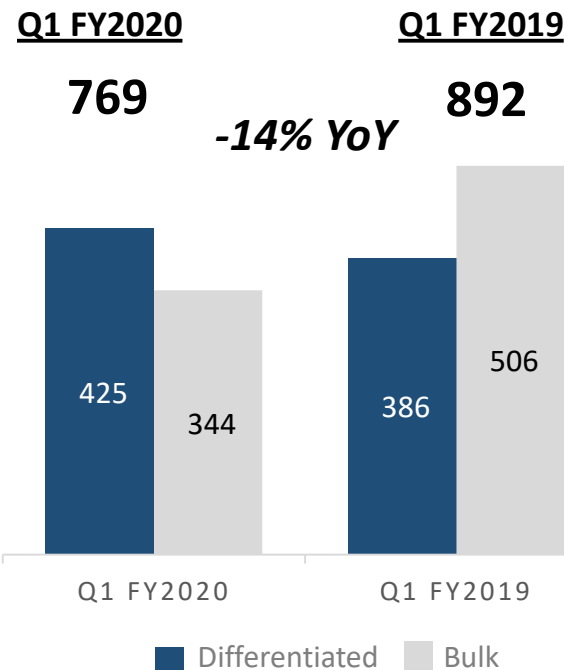
## PRODUCT RATIO

in %



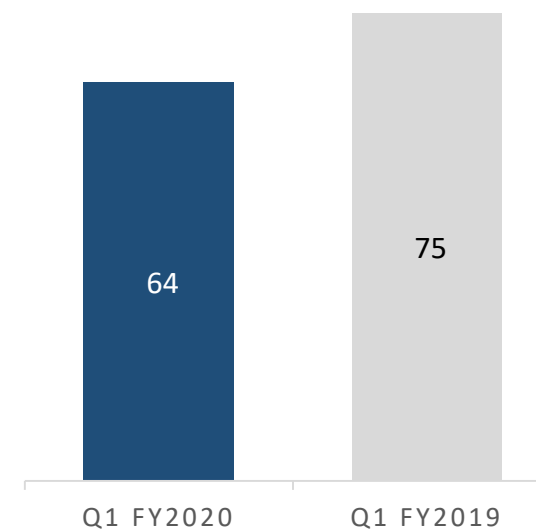
## SALES VOLUME

in '000  
MT



## CAPACITY UTILISATION

in %





# Asset Monetisation Exercise

SD Plantation's pipeline of cashflow from the asset monetisation exercise

*Cashflow in RM'mn*

**Q1  
FY2020**

**FY2020 &  
FY2021**

## Land disposal in Malaysia

**279**

**>1,000**

PROGRESS TO-DATE	No. of SPA	Acres
SPA signed and pending completion	5	1,394.1
Completed	7	929.1
Total SPA	12	2,323.2
Sales aborted/forfeited*	4	933.8

*\* For reasons such as compulsory acquisition by government*

## Non-core and non-strategic assets, non-profitable assets, low yielding assets, and adjacent investments

**-**

**>500**

**TOTAL IMPACT ON CASHFLOW**

**279**

**>1,500**

# Post COVID-19 Strategy & Transformation

Opportunities for long-term value creation

## MCO (March – May 2020)

### Protect & Stabilise



- Employees safety and wellbeing
- Work from home (WFH) arrangements
- Travel ban and people movements



- Manage remote working risks
- Manage risk of operational closures
- Limit supply chain and logistic disruptions



- Strengthening cash control and enhance liquidity management
- Stress testing
- Stakeholder management



- Identify immediate demand and supply impact to the business
- Reprioritise investment and resource allocation

## Post MCO (May 2020 onwards)

### Recover & Restart



- Managing productivity & performance through WFH arrangement
- Maintaining safety and wellbeing



- Strengthening supply chain
- New workplace - managing productivity impact
- Limiting foreign workers disruption



- Cash management:
  - ✓ Capex review
  - ✓ Asset monetisation
- Debt management



- Identify structural changes & impact to the business
- Review projects & growth plans

## Going Forward

### New Strategic Direction



- New working environment:
  - ✓ Changing talent requirements
  - ✓ Manpower optimisation



- Digitalisation Across Businesses
- Quantum leap – R&D and innovation
- Automation and mechanisation
- Restructuring of logistic & supply chains



- Maintain robust financial forecasts and scenario planning
- Stress test corporate model and capital structure



- Develop scenario-based value creation strategies
- Review expansion plans



People



Operational



Financial



Strategic

# Sustainability

Sime Darby Plantation's (SDP) sustainability agenda remains at the forefront of the company's operations



## SDP's COVID-19 Sustainability Practices



- SDP utmost priority is to ensure the health and safety of workers throughout our global operations.
- We have been abiding by the respective national regulations and local health advisory in our countries of operations to contain the spread of COVID-19 whilst actively educating our employees on the virus and recommended prevention methods.
- We are implementing key-risk minimizing measures as standard operating procedures in all our upstream and downstream operations.

## Modern Slavery and Human Trafficking Statement FY2019

- SDP continues to monitor and verify the progress of human rights initiatives within our operations through our Human Rights Task Force.
- In addition to our existing grievance procedures, we have also established the Workers' Voice ("Suara Kami") Helpline, specifically addressing the needs of our migrant workforce.
- Decent Rural Living Initiative has advanced to the third phase of its implementation to further design and deliver pilots, using the initiative as a means to identify and secure support to scale solutions to improve the protection of labour rights of oil palm workers in rural Indonesia.

## Sustainability Report 2019



This Sustainability Report provides details on our sustainability performance, initiatives and achievements for the past two years, and has been prepared based on key material sustainability issues broadly agreed upon through our annually reviewed Sustainability Blueprint, management meetings and stakeholder engagements.

# APPENDIX

# Summary of Operational Statistics

As at 31 March 2020

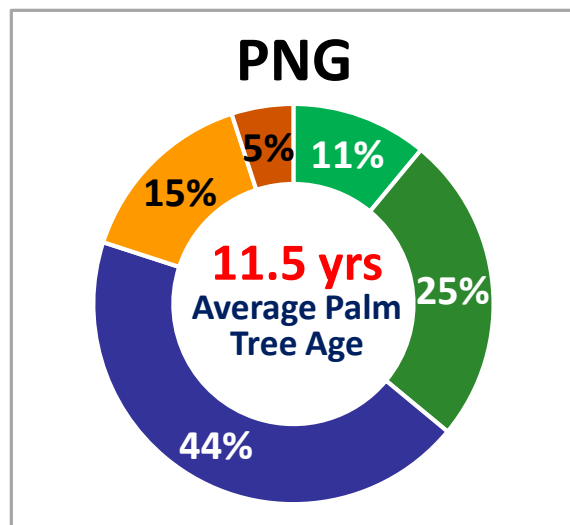
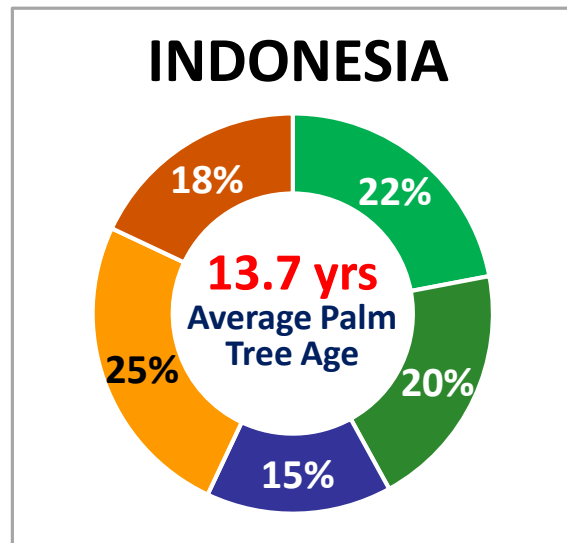
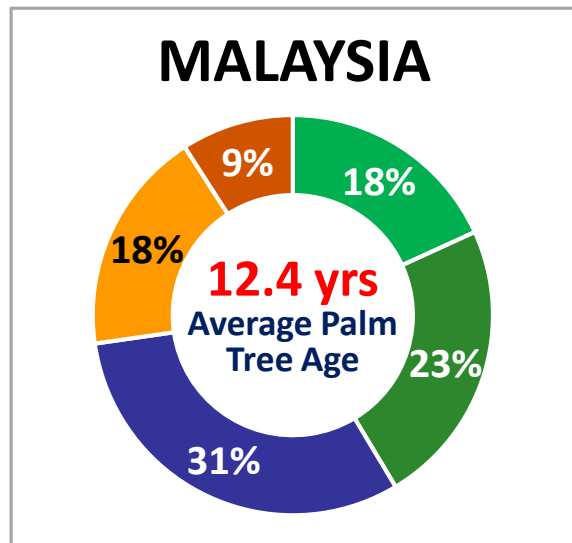
For the 3 Months Ended	Malaysia		YoY %	Indonesia		YoY %	PNG		YoY %	GROUP (Continuing Operations)		YoY %	Liberia		YoY %*	GROUP (all operations)		YoY %
	31 Mar 2020	31 Mar 2019		31 Mar 2020	31 Mar 2019		31 Mar 2020	31 Mar 2019		31 Mar 2020	31 Mar 2019		31 Mar 2020	31 Mar 2019		31 Mar 2020	31 Mar 2019	
FFB Production ('000 MT)	1,074	1,399	-23%	578	596	-3%	466	510	-9%	2,118	2,505	-15%	-	16	-*	2,118	2,522	-16%
FFB Yield per mature ha (MT/Ha)	4.39	5.70	-23%	3.80	3.76	1%	5.81	6.40	-9%	4.44	5.17	-14%	-	1.63	-*	4.44	5.10	-12.9%
CPO Production (Own) ('000 MT)	228	296	-23%	132	131	1%	104	110	-5%	465	537	-13%	-	4	-*	465	541	-14%
CPO Production (Total) ('000 MT)	266	342	-22%	164	171	-4%	138	141	-1.7%	569	653	-13%	-	4	-*	569	657	-13%
PK Production (Own) ('000 MT)	57	76	-28%	26	29	-10%	26	29	12%	109	134	-19%	-	1	-*	108	135	-20%
PK Production (Total) ('000 MT)	66	87	-25%	32	38	-15%	34	37	-9%	132	162	-19%	-	1	-*	132	163	-19%
CPO Extraction Rate (%)	21.05	21.09	-0.04	22.93	21.98	0.95	22.40	21.52	0.88	21.89	21.41	0.48	-	21.63	-*	21.89	21.41	0.48
PK Extraction Rate (%)	5.20	5.38	-3.4%	4.51	4.87	-7.4%	5.49	5.70	-3.8%	5.08	5.32	-4.5%	-	5.35	-*	5.08	5.32	-4.5%
Average CPO Selling Price (RM/MT)	2,491	1,998	25%	2,613	2,002	31%	2,828	2,063	37%	2,605	2,012	29%	-	2,070	-*	2,605	2,012	29%
Average PK Selling Price (RM/MT)	1,667	1,322	26%	1,246	994	25%	-	-	-	1,519	1,213	25%	-	337	-*	1,519	1,204	26%

\*Divestment of Sime Darby Plantation (Liberia) Inc on 16 Jan 2020

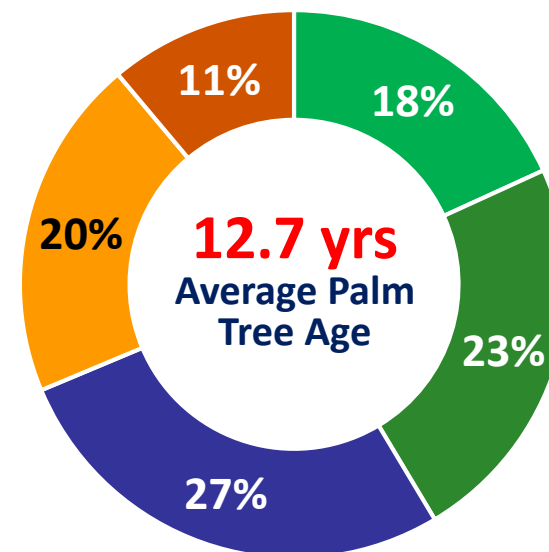


# Breakdown of Age Profile

As at 31 March 2020



## GROUP



**SD Plantation has 583,973 ha of oil palm planted area of which 82% is mature and 18% is immature**

■ Immature 
 ■ 4 – 8 Years 
 ■ 9 – 18 Years 
 ■ 19 – 22 Years 
 ■ Above 22 Years

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