



Plantation

Financial Year Ending 31 December 2019 Results Announcement Second Quarter ended 30 June 2019

30 August 2019

Financial Highlights

Q2 FY2019 earnings continued to be negatively impacted by weak CPO & PK prices but cushioned by lower finance costs and lower net tax

in RM'mn (YoY %)

Q2 FY2019¹

1H FY2019¹

Revenue

2,875

QE Jun 2018: 3,084 (-7%)

5,881

6ME Jun 2018: 6,743 (-13%)

PBIT

1

QE Jun 2018: 189 (-99%)

181

6ME Jun 2018: 578 (-69%)

PATAMI

Attributable to owners of the Company

27

QE Jun 2018: 30 (-10%)

101

6ME Jun 2018: 278 (-64%)

Recurring PATAMI

18

QE Jun 2018: 313 (-94%)

92

6ME Jun 2018: 536 (-83%)

Non-Recurring PATAMI

9

QE Jun 2018: -283 (>-100%)

9

6ME Jun 2018: -257 (>-100%)

Basic EPS

(RM'sen)

0.4

QE Jun 2018: 0.4 (-11%)

1.5

6ME Jun 2018: 4.1 (-64%)

Recurring EPS

0.3

QE Jun 2018: 4.6 (-94%)

1.3

6ME Jun 2018: 7.9 (-83%)

Non-Recurring EPS

0.1

QE Jun 2018: -4.2 (>+100%)

0.1

6ME Jun 2018: -3.8 (>+100%)

Note: (1) Due to the change in the financial year, the performance of the current second quarter ended 30 June 2019 (Q2 FY2019) is not comparable with the second quarter of the previous financial year ended 30 June 2018, instead the performance is comparable against the quarter ended 30 June 2018 i.e. the corresponding quarter of the previous year (QE June 2018).

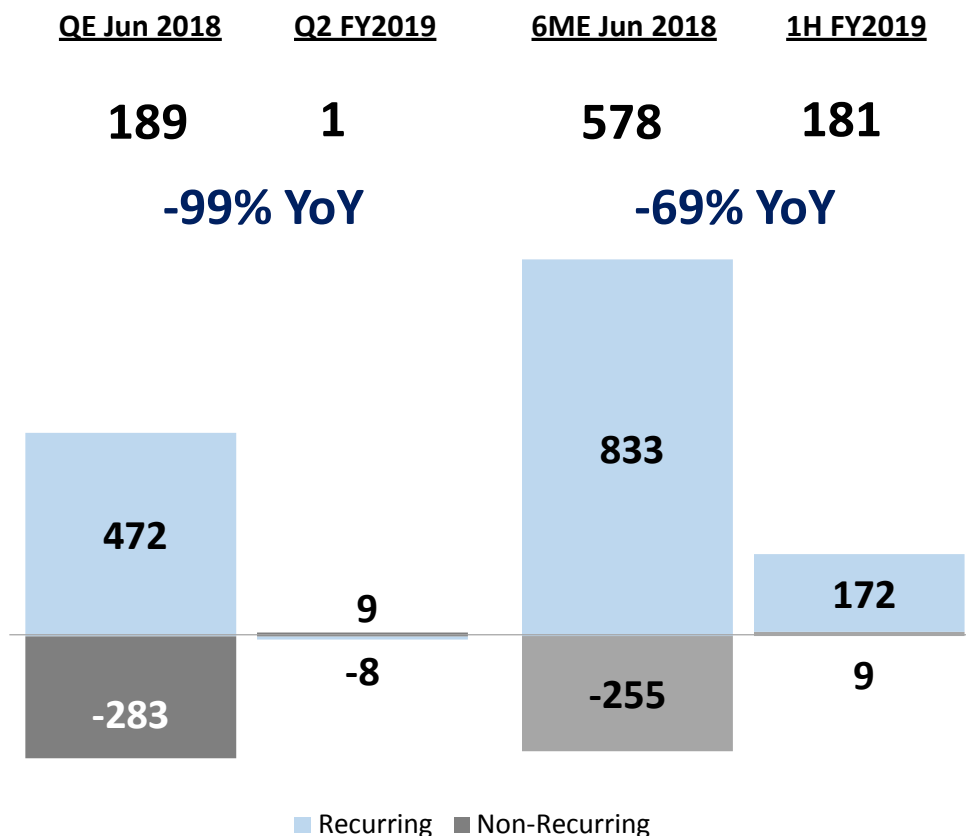
The first half of the financial year ending 31 December 2019 (1H FY2019) is comparable again the six months ended 30 June 2018 (6ME June 2018).

Financial Performance by Segment

Weaker Q2 FY2019 Upstream performance was largely driven by the decline in CPO & PK realised prices as well as lower sales volume

in RM'mn (YoY %)

TOTAL PBIT



Recurring PBIT

Upstream

Upstream Malaysia
Upstream Indonesia
Upstream PNG/SI
Upstream Liberia

Q2 FY2019

-64

QE Jun 2018: 403 (>-100%)

43

QE Jun 2018: 243 (-82%)

-11

QE Jun 2018: 92 (>-100%)

-76

QE Jun 2018: 77 (>-100%)

-20

QE Jun 2018: -9 (>-100%)

1H FY2019

19

6ME Jun 2018: 686 (-97%)

156

6ME Jun 2018: 496 (-69%)

-2

6ME Jun 2018: 103 (>-100%)

-95

6ME Jun 2018: 115 (>-100%)

-40

6ME Jun 2018: -28 (-43%)

Downstream

51

QE Jun 2018: 68 (-25%)

136

6ME Jun 2018: 133 (+2%)

Others*

5

QE Jun 2018: 1 (>+100%)

17

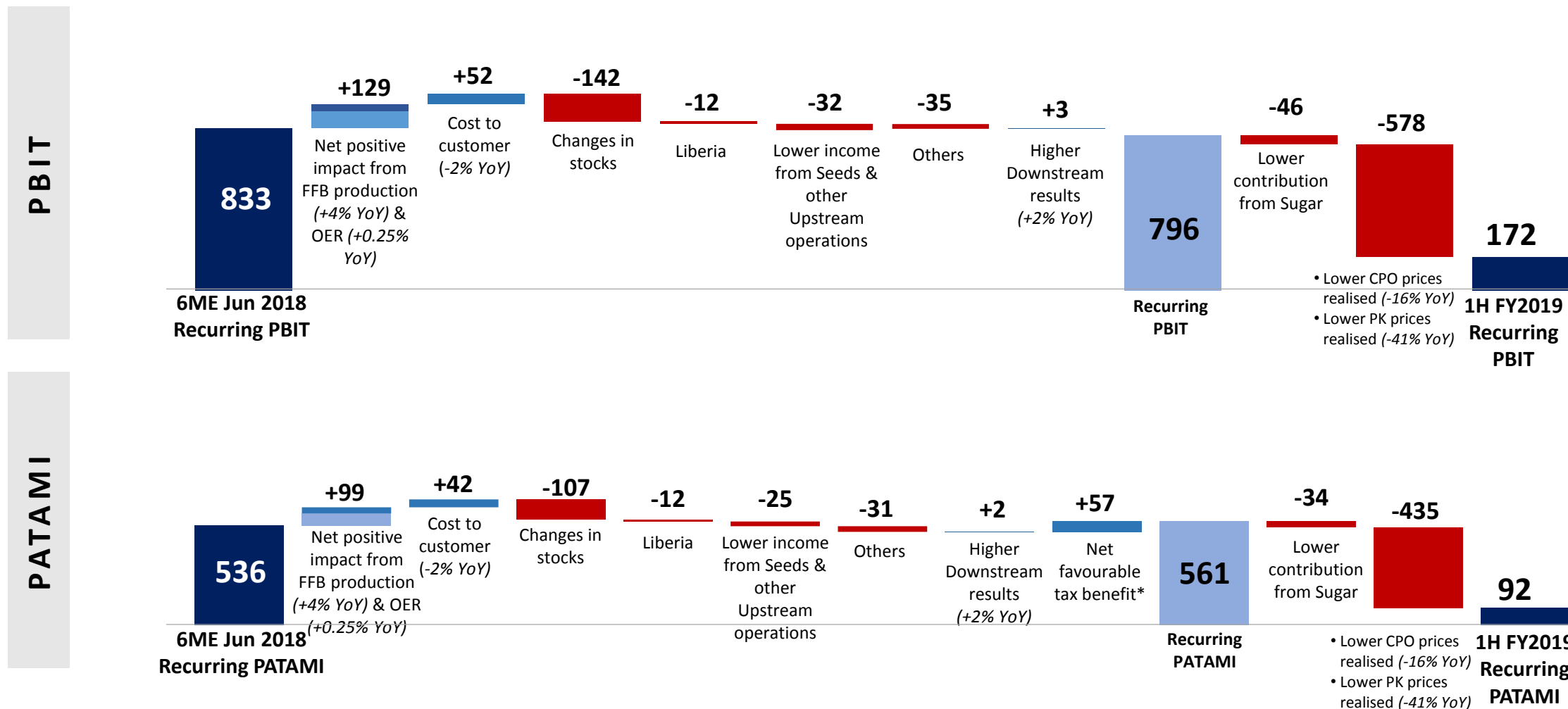
6ME Jun 2018: 14 (+21%)

* Others 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

Lower YoY recurring profits primarily due to lower CPO and PK realised prices and sales volume, exacerbated by lower contribution from other Upstream operations

1H FY2019 vs 6ME Jun 2018



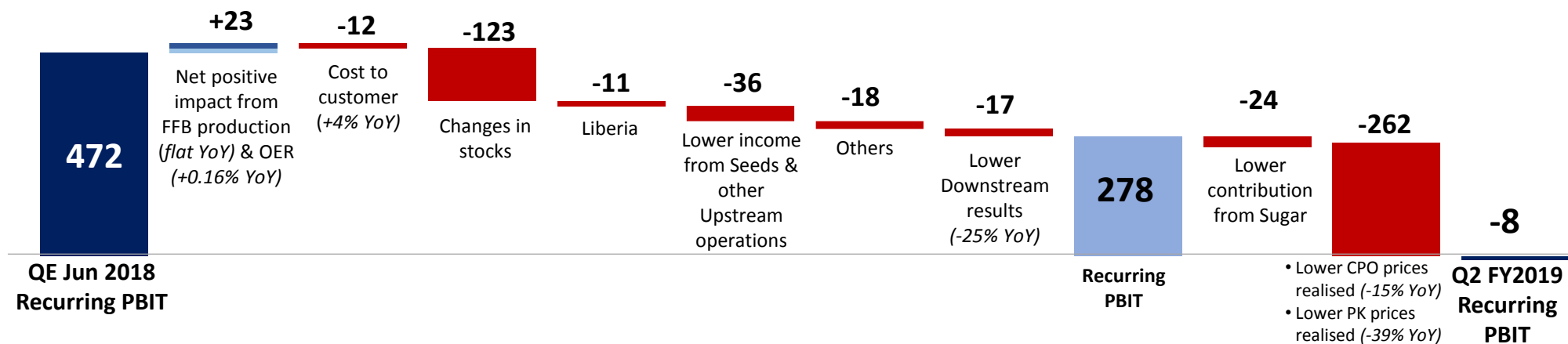
Note: * Tax benefit from the disposal of a subsidiary, net of an incentive of lower tax rate in June 2018

Recurring Profits

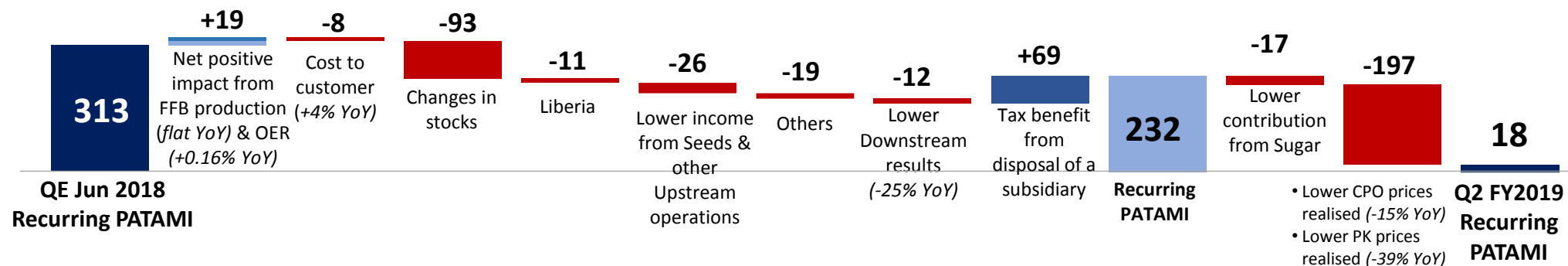
Lower YoY recurring profits primarily due to lower CPO and PK realised prices and sales volume, exacerbated by lower contribution from other Upstream operations

Q2 FY2019 vs QE Jun 2018

PBIT



PATAMI

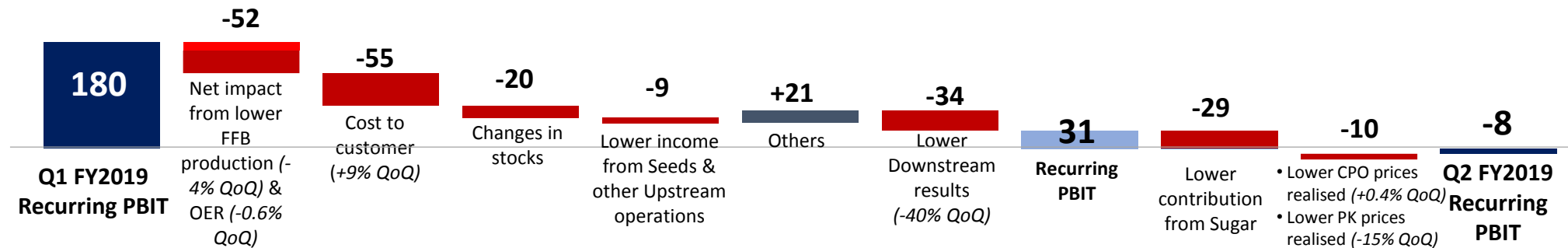


Recurring Profits

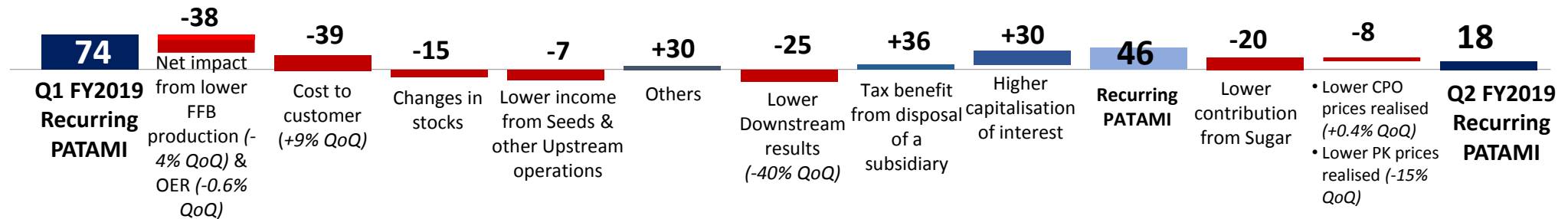
Lower Q2 FY2019 QoQ recurring profits amid challenging business environment

Q2 FY2019 vs Q1 FY2019

PBIT



PATAMI



Non-Recurring Profits

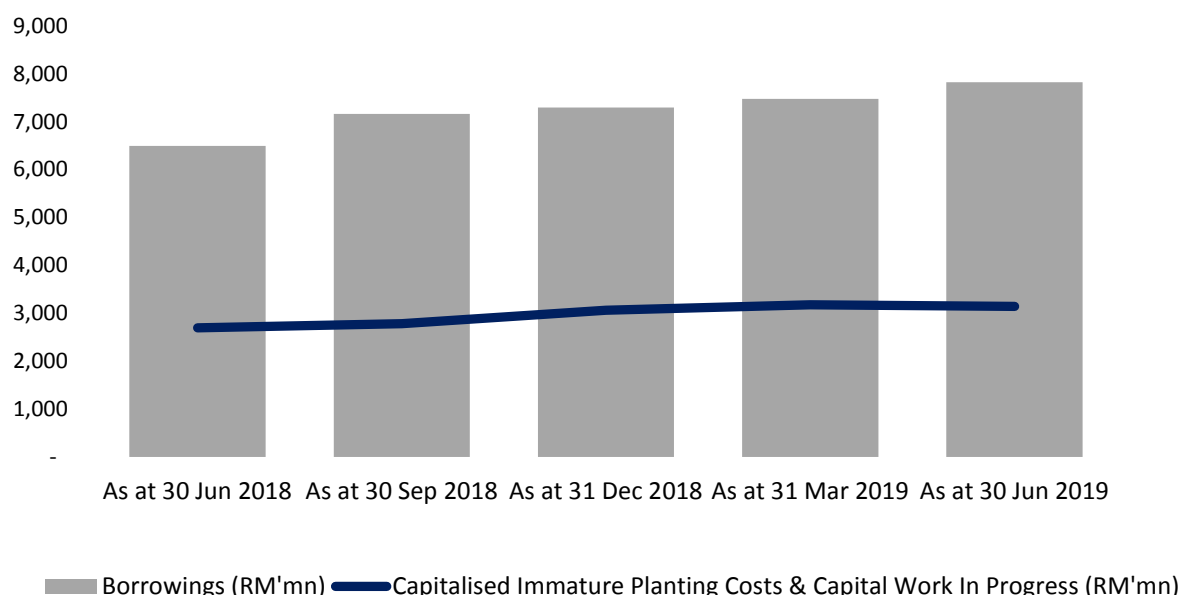
A gain on disposal in PT Mitra Austral Sejahtera (PT MAS) this quarter against impairment losses in the previous corresponding period

<i>in RM'mn</i>	Q2 FY2019	QE Jun 2018	YoY	1H FY2019	6ME Jun 2018	YoY
Non-Recurring PBIT	9	-283	<i>>+100%</i>	9	-255	<i>>+100%</i>
■ Gain on disposal of 100% equity stake in PT MAS, Indonesia	9	-		9	-	
■ Impairment on assets in Liberia	-	-112		-	-112	
■ Impairment of investment in Verdezyne Inc	-	-157		-	-157	
■ Gain of sale of land in Melaka	-	-		-	118	
■ Impairment of rubber asset in Indonesia	-	-		-	-68	
■ Others	-	-14		-	-36	
Non-Recurring PATAMI	9	-283	<i>>+100%</i>	9	-257	<i>>+100%</i>

Borrowings & Gearing Ratios

Higher borrowings arising from lower cash generated from operations amid weak CPO & PK prices, as well as the appreciation of foreign currencies

Gross Gearing ¹	40%	43%	46%	46%	48%
Net Gearing ²	38%	40%	43%	43%	46%
Borrowings (in RM'mn)	6,489	7,159	7,297	7,472	7,819



RM533mn
NET CASH GENERATED
FROM OPERATING
ACTIVITIES

-RM468mn
NET CASH USED IN
INVESTING ACTIVITIES

-RM186mn
NET CASH USED IN
FINANCING ACTIVITIES

Borrowings as at 30 Jun 2019 increased by RM347mn compared to 31 Mar 2019 attributable to:

- Net loans raised totaling RM234mn due to lower cash generated from operations
- Borrowings increased due to the appreciation of USD and EUR against RM by 2% and 3%, respectively resulting in an impact of RM111mn

Finance costs in Q2 FY2019 reduced by RM15mn (34% YoY) due to:

- Capitalisation of higher borrowing costs (RM34mn) on immature planting costs and capital WIP, which compensated the higher interest expense (-RM19mn)

¹ Gross Gearing is based on Total Borrowings divided by Total Equity

² Net Gearing is based on Total Borrowings less Bank Balances, Deposits & Cash divided by Total Equity

Credit Ratings

Moody's reaffirmed SD Plantation's credit ratings – A testament to the Group's financial stability



Baa1, Stable

Affirmed on 3 Jul'19

"SD Plantation's Baa1 ratings reflect:

- 1) its position as the largest palm oil producer globally by planted area,*
- 2) Moody's expectation that SDP will **maintain efficient and profitable operations that span across the palm oil value chain**, and*
- 3) SDP maintains prudent financial policies, including a conservative approach to further investments."*



AAA, Stable

Affirmed on 14 Sep'18

FitchRatings

BBB+, Stable

Affirmed on 15 Nov'18

Operational Performance – Upstream

Strong Q2 FY2019 improvement in Malaysia and Liberia offset by lower output from Indonesia and PNG/SI



FFB PRODUCTION

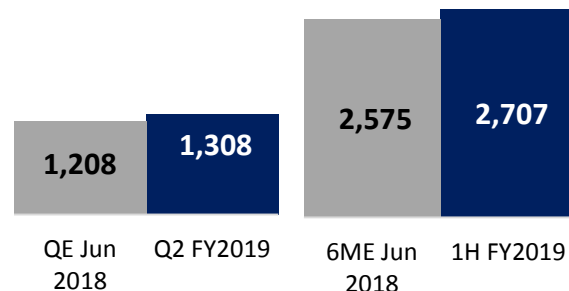
in '000 MT (YoY %)



MALAYSIA

+8%

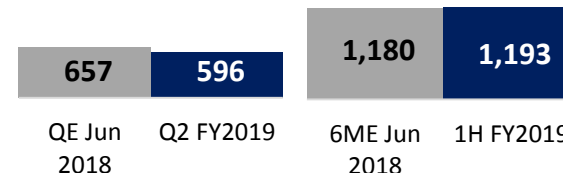
+5%



INDONESIA

-9%

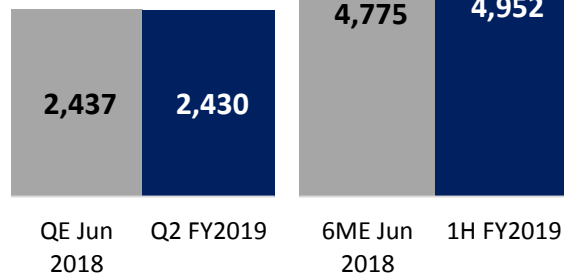
+1%



TOTAL UPSTREAM

-0.3%

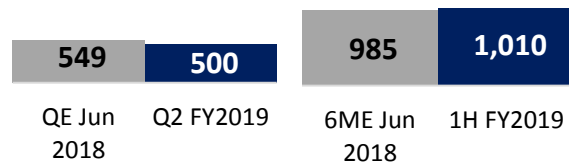
+4%



PNG/SI

-9%

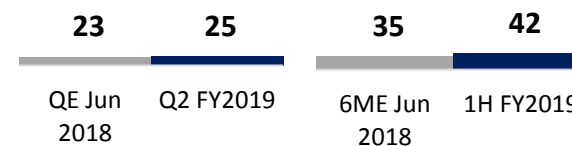
+3%



LIBERIA

+8%

+19%



- **Malaysia:** Higher productivity on the back of a 7% YoY increase in planted area moving into prime maturity
- **Indonesia & PNG/SI:** FFB production was impacted by heavy rainfall which hindered harvesting activities and crop evacuation in April 2019
- **Liberia:** FFB production was 8% higher YoY in Q2 FY2019 due to improving age profile

Operational Performance – Upstream

Strong recovery of OER in Malaysia, Indonesia and Liberia, offset lower OER in PNG/SI



CPO EXTRACTION RATE

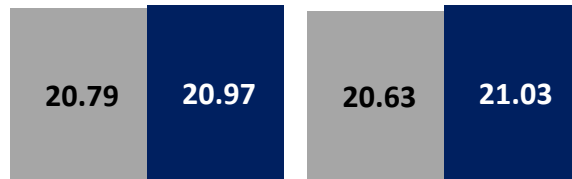
in % (YoY %)



MALAYSIA

+0.18%

+0.40%



QE Jun 2018 Q2 FY2019 6ME Jun 2018 1H FY2019



INDONESIA

+0.55%

+0.45%

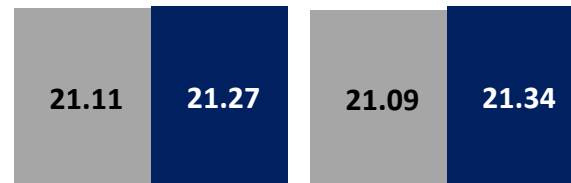


QE Jun 2018 Q2 FY2019 6ME Jun 2018 1H FY2019

TOTAL UPSTREAM

+0.16%

+0.25%



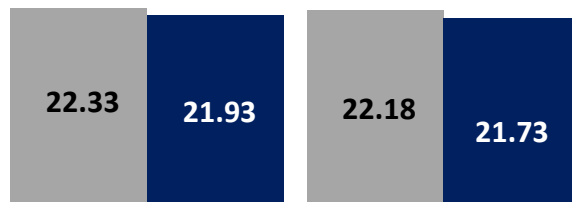
QE Jun 2018 Q2 FY2019 6ME Jun 2018 1H FY2019



PNG/SI

-0.40%

-0.45%



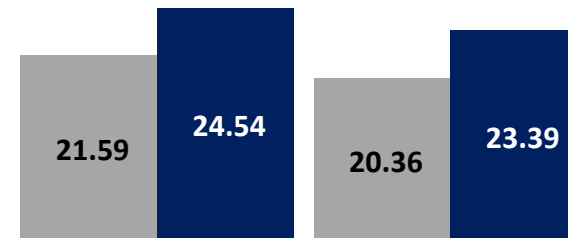
QE Jun 2018 Q2 FY2019 6ME Jun 2018 1H FY2019



LIBERIA

+2.95%

+3.03%



QE Jun 2018 Q2 FY2019 6ME Jun 2018 1H FY2019

- Malaysia:** Better OER due to improved oil-to-bunch ratio from palms in prime maturity, as well as efficient crop evacuation on the back of favourable weather conditions
- Indonesia:** OER improvement was driven by better crop quality delivered to mills resulting from the expansion of mechanisation area and the construction of all-weather roads
- PNG/SI:** OER was affected by the heavy rainfall in West New Britain which affected crop quality
- Liberia:** OER was higher YoY due to crop quality improvement and continuous efforts to minimise oil loss

Operational Performance – Upstream

Upstream performance adversely affected by weaker CPO prices realised under the current challenging external environment

in RM/MT
(YoY %)

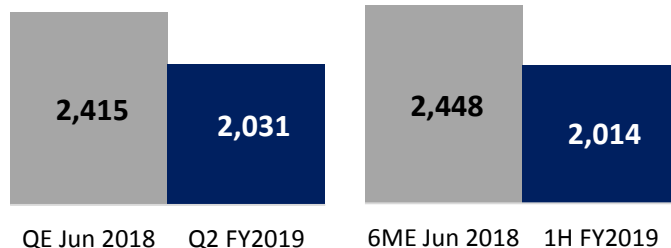
AVERAGE CPO PRICE REALISED



MALAYSIA

-16%

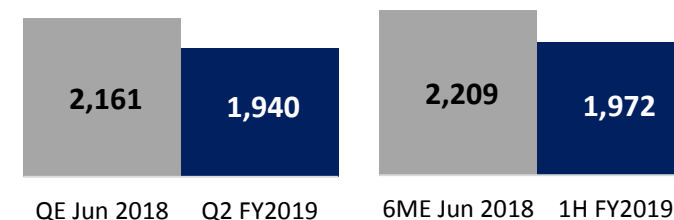
-18%



INDONESIA

-10%

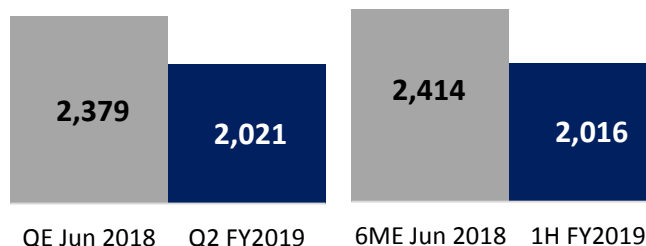
-11%



TOTAL UPSTREAM

-15%

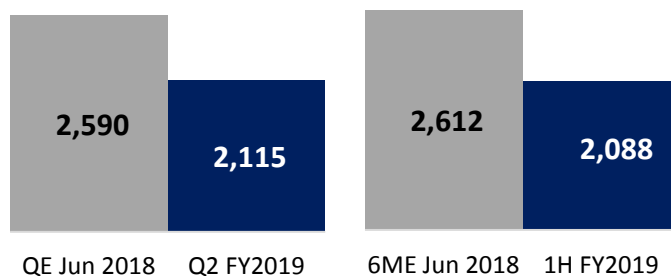
-16%



PNG/SI

-18%

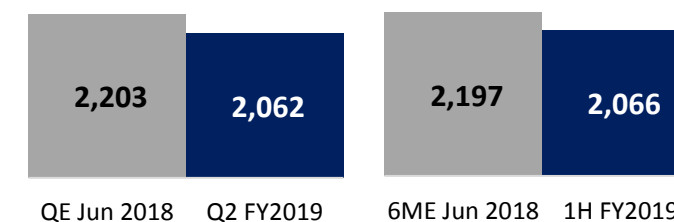
-20%



LIBERIA

-6%

-6%



Recurring Profit

Note: * Average selling price realised (in RM/MT palm product)

Continued Improvements in Operational Efficiencies

Our strategic initiatives continue to yield positive results in 1H FY2019

+4% YoY¹
FFB PRODUCTION

+0.25% YoY¹
OIL EXTRACTION RATE

-2% YoY¹
COST TO CUSTOMER

Initiatives Contributing To Operational Efficiencies

REPLANTING WITH SUPERIOR PLANTING MATERIALS

- SD Premium
- Genome Select
- Super Family Dami



▲ 7% YoY

Hectarage of trees moving into prime maturity (9-14 years)



▲ 36% YoY

Hectarage of trees moving into young maturity (4-8 years)

WATER MANAGEMENT



15,957 ha

Total area irrigated²

CROP QUALITY IMPROVEMENTS

Improving and streamlining processes to enhance crop evacuation

COST MANAGEMENT

- Labour rationalisation
- Fertiliser cost reduction via precise application
- Managing a more cost-efficient harvesting, weeding & sanitation schedule
- Reducing transport costs

¹ 1H FY2019 vs 6ME Jun 2018

² As at 30 Jun 2019

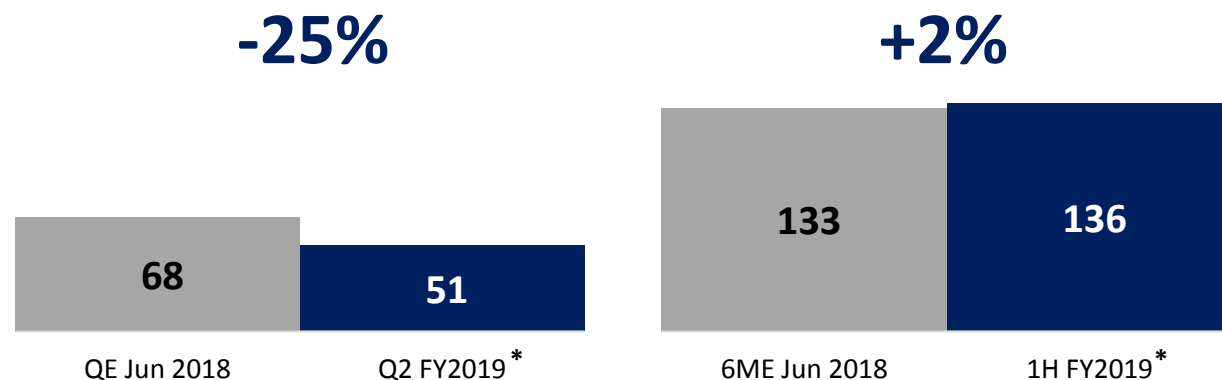
Financial Performance – Downstream



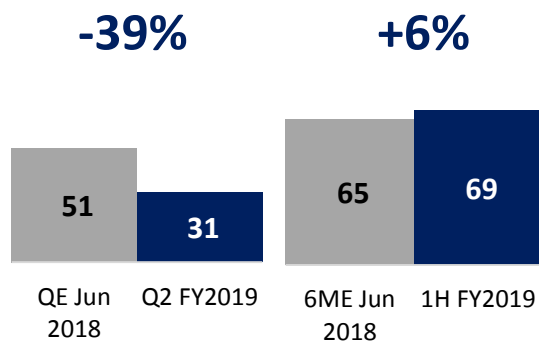
Lower profit in Q2 FY2019 impacted by weaker earnings from the differentiated businesses, compensated by better contribution from the bulk businesses

Recurring PBIT in
RM'mn (YoY %)

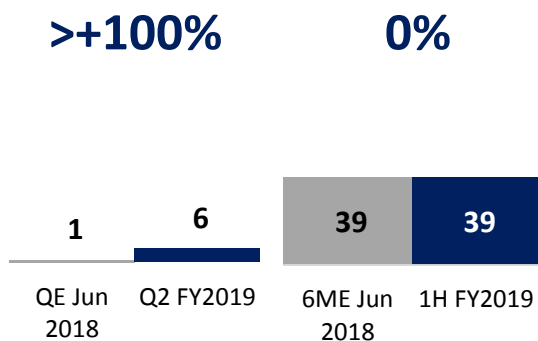
DOWNSTREAM



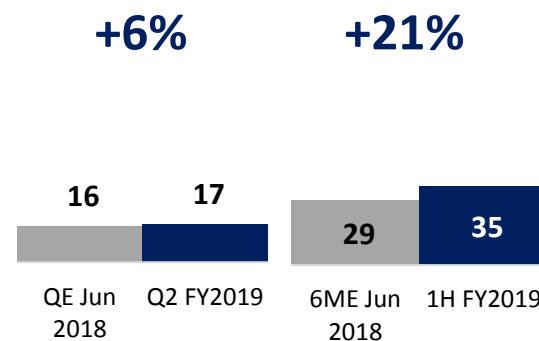
DIFFERENTIATED



BULK



TRADING



- Downstream profit in Q2 FY2019 was lower mainly due to:
 - Weaker contribution from the differentiated businesses in APAC, Middle East and Africa due to a competitive market environment
 - More stringent Glycidyl Ester (GE) compliance requirement in Europe impacted margins from the differentiated businesses in the region, as the exercise resulted higher processing costs
- This was offset by improved results from the bulk product businesses, which experienced higher sales volumes and better margins resulting from lower feedstock costs in Q2 FY2019

APAC – Asia Pacific

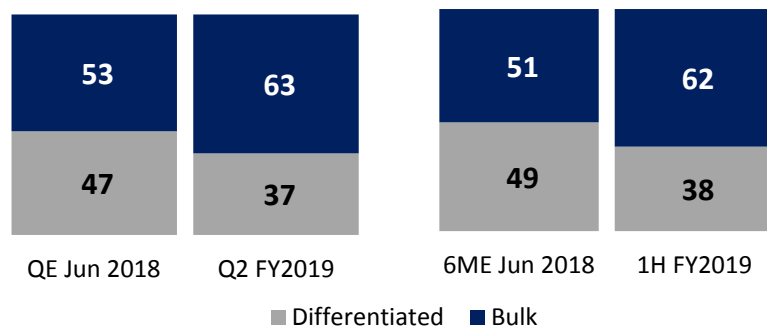
* After deducting corporate expenses of RM3 million registered in Q2 FY2019 and RM7 million in 1H FY2019

Operational Performance – Downstream



Increase in sales volume and margins driven by the bulk product businesses

in %

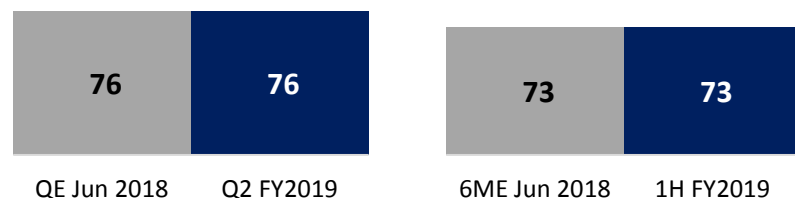


PRODUCT RATIO

Higher ratio of bulk products as demand and margins increased particularly from India on the back of a preferential trade agreement policy whereby:

- Malaysia has a slight advantage over its ASEAN peers on refined palm oil into India as the revised duties is lower at 45% (*Other Southeast Asian nations: 50%*)

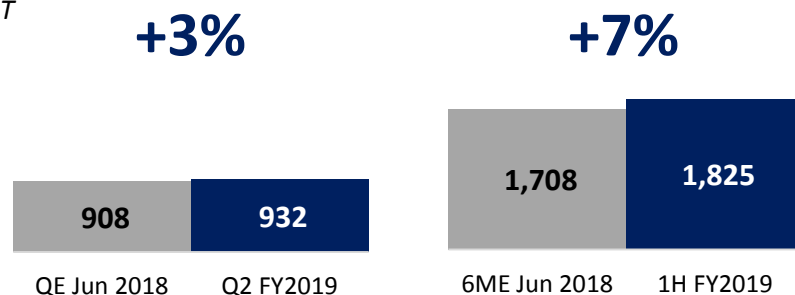
in %



CAPACITY UTILISATION

- Capacity utilisation remains resilient despite a challenging business environment

in '000 MT
(YoY %)

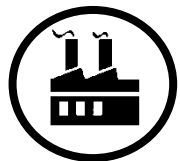


SALES VOLUME

- Sales volume of refined palm oil in Q2 FY2019 was higher by 3% YoY attributable to the higher contribution from the bulk product businesses

Sime Darby Oils' (SDO) Strategic Partnership with Abu Dhabi Vegetable Oil Co (ADVOC)

Expanding the Group's Downstream market reach



OPERATION

- SDO and ADVOC will operate in the region as a single sales and marketing team to support customers in the Middle East and North Africa (MENA) region through bespoke solutions
- Enables SDO to establish an on-the-ground presence through enhanced local market knowledge and capabilities, as well as create opportunities for sustainable products and supply chain



BENEFITS

- Regional customers benefit from access to combined sales expertise, production capabilities and extensive product range
- By connecting ADVOC's local market understanding with SDO's extensive oils and fats know-how and expertise, the collaboration represents a step-change in the way both entities address the needs of the market



FOCUS

- Basic and specialty fats (*including bakery fats, shortening, industrial margarines, spread fats, dairy replacers, confectionary fats and cocoa butter substitutes and replacers*)
- Unlock the full potential of global expertise and local requirements, and place clients on an optimal path for success



Plantation



WHY ADVOC?

Over the last two decades, ADVOC has earned the reputation of being a customer driven and reliable supplier of a wide variety of oils and fats in the MENA region



A BRS COMPANY

Asset Monetisation Exercise

The Group targets to raise approximately RM1 billion in FY2019 from the asset monetisation exercise

Following the demerger in November 2017, Sime Darby Plantation continues its strategy to unlock value by focusing on the growth of its core business whilst realising cash from underperforming assets or assets which have achieved its value potential

COMPLETED



Entire 51% equity stake in Golden Hope-Nha Be Edible Oils Company (GHNBE)



Entire 100% equity stake in PT Mitra Austral Sejahtera (PT MAS)

WORK-IN-PROGRESS

- ① **Land sales in Malaysia** – land identified for:
 - Property development
 - Government infrastructure projects

	No. of SPA	Acres
Total SPA	16	~3,300
SPA signed to-date	10	~1,600

- ② **Non-core and non-strategic assets**
- ③ **Non-profitable assets**
- ④ **Low yielding assets**
- ⑤ **Adjacent investments**

Sustainability

Strengthening our commitment to achieve a sustainable supply chain



FTSE4Good

SD Plantation has successfully maintained its position as a constituent of the **FTSE4Good Bursa Malaysia Index and FTSE4Good Emerging Index** as at June 2019

The FTSE4Good Index Series acknowledges companies that demonstrate strong ESG practices measured against globally recognised standards

'Working With Suppliers To Draw The Line On Deforestation' Policy

The policy builds on SDP's existing practice and maps a step forward to meet the No Deforestation, No Peat, No Exploitation (NDPE) standards as well as SD Plantation's expectation that suppliers adhere to those same standards

Based on the policy, if a supplier is found to be in violation of our NDPE standards:

- ✓ The supplier would have to immediately cease work on the land
- ✓ The supplier must also develop two types of plan: a time-bound plan for the restoration of cleared land, and a time-bound plan to upgrade their operational practice
- ✓ If that supplier is unwilling to meet these conditions, they will be suspended

For more information: [Sime Darby Plantation's Policy for Working With Suppliers](#)



CERTIFICATION STATUS

As at 30 June 2019

R
S
P
O



100%
MALAYSIA



100%
INDONESIA



100%
PNG & SI

M
S
P
O



Plantation

100%
MSPO-certified

I
S
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Plantation

100%
ISPO-certified

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APPENDIX

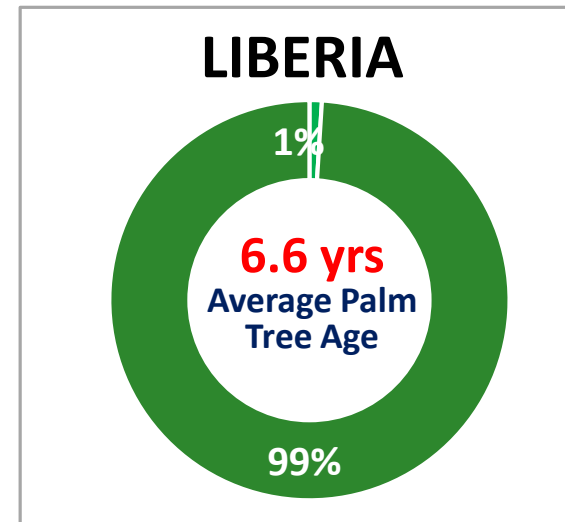
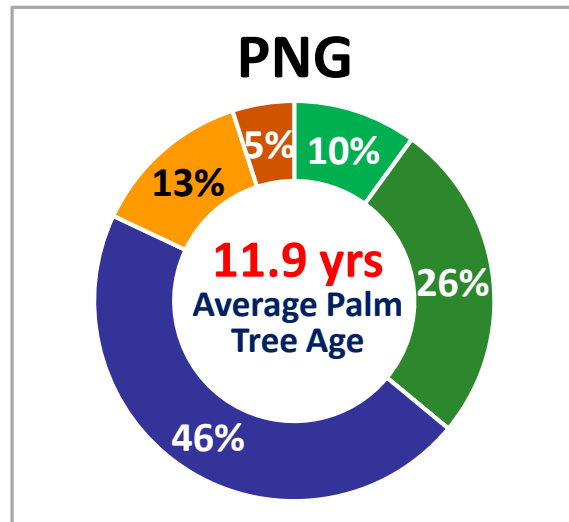
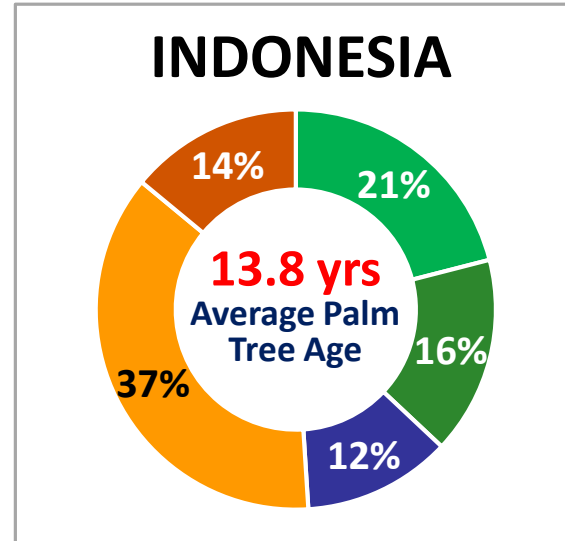
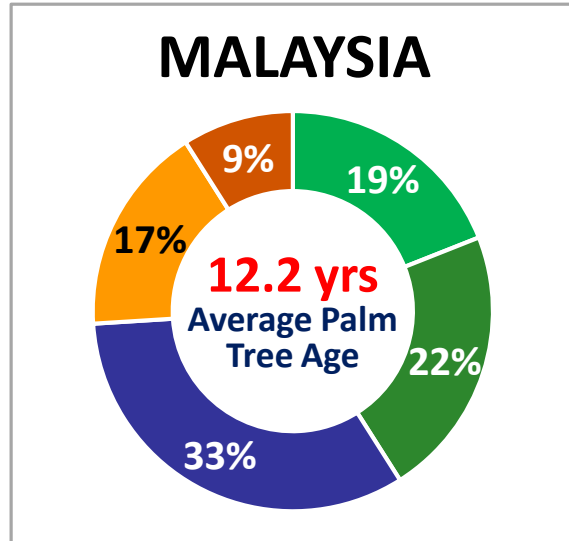
Summary of Operational Statistics

As at 30 June 2019

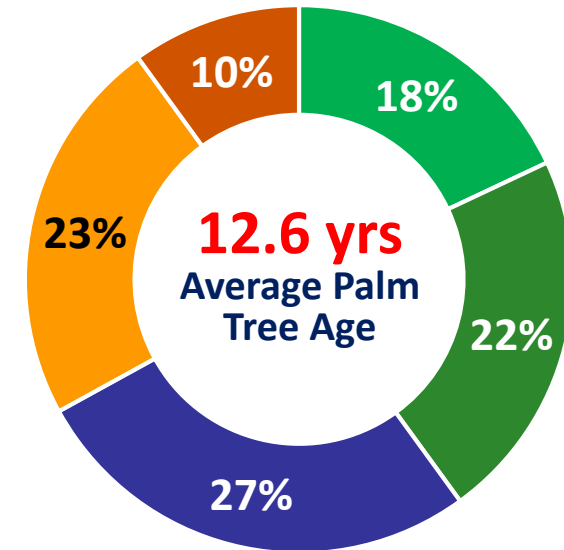
For the 6 Months Ended	Malaysia		YoY %	Indonesia		YoY %	PNG		YoY %	Liberia		YoY %	Group		YoY %
	30 Jun 2019	30 Jun 2018		30 Jun 2019	30 Jun 2018		30 Jun 2019	30 Jun 2018		30 Jun 2019	30 Jun 2018		30 Jun 2019	30 Jun 2018	
FFB Production ('000 MT)	2,707	2,575	5%	1,193	1,180	1%	1,010	985	3%	42	35	19%	4,952	4,775	4%
FFB Yield per mature ha (MT/Ha)	11.09	10.30	8%	7.53	7.48	1%	12.56	12.60	0%	4.13	3.66	13%	10.04	9.63	4%
CPO Production (Own) ('000 MT)	572	537	6%	257	250	3%	221	219	1%	10	7	31%	1,060	1,013	5%
CPO Production (Total) ('000 MT)	657	648	1%	335	322	4%	283	282	0%	10	9	13%	1,285	1,261	2%
PK Production (Own) ('000 MT)	142	134	7%	56	56	1%	58	56	4%	2	2	30%	259	247	5%
PK Production (Total) ('000 MT)	163	163	0%	74	72	3%	76	72	5%	2	2	8%	315	309	2%
CPO Extraction Rate (%)	21.03	20.63	0.40%	21.59	21.14	0.45%	21.73	22.18	-0.45%	23.39	20.36	3.03%	21.34	21.09	0.25%
PK Extraction Rate (%)	5.22	5.19	0.04%	4.76	4.73	0.03%	5.81	5.67	0.15%	5.11	4.64	0.46%	5.23	5.17	0.06%
Average CPO Selling Price (RM/MT)	2,014	2,448	-18%	1,972	2,209	-11%	2,088	2,612	-20%	2,066	2,197	-6%	2,016	2,414	-16%
Average PK Selling Price (RM/MT)	1,215	1,963	-38%	936	1,618	-42%	-	-	-	347	1,075	-68%	1,116	1,897	-41%

Breakdown of Age Profile

As at 30 June 2019



GROUP



SD Plantation has 602,090 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

THANK YOU



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