

QUARTERLY REPORT

On the consolidated results for the third quarter ended 30 September 2022

The Directors are pleased to announce the following:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Amounts in RM million unless otherwise stated

	Note	Quarter ended 30 September		%	Three quarters ended 30 September		%
		2022	2021 Re-presented **		2022	2021 Re-presented **	
Revenue	A8, A9	5,392	5,061	7	15,360	13,145	17
Operating expenses		(4,964)	(4,085)		(13,348)	(10,636)	
Other operating income		67	67		607	248	
Other gains/(losses)		123	(148)		137	(189)	
Operating profit	B5, A9	618	895	(31)	2,756	2,568	7
Share of results of joint ventures		- *	(1)		59	14	
Share of results of associates		4	5		13	13	
Profit before interest and tax	A9	622	899	(31)	2,828	2,595	9
Finance income		2	3		8	8	
Finance costs		(39)	(24)		(87)	(59)	
Profit before tax		585	878	(33)	2,749	2,544	8
Tax expense	B6	(154)	(208)		(676)	(590)	
Profit for the financial period		431	670	(36)	2,073	1,954	6
Profit for the financial period attributable to:							
– equity holders of the Company		396	609	(35)	1,926	1,788	8
– Perpetual Sukuk		31	31		93	93	
– non-controlling interests		4	30		54	73	
		431	670	(36)	2,073	1,954	6
Basic earnings per share attributable to equity holders of the Company:							
Basic (sen)	B13	5.7	8.8	(35)	27.8	25.9	8

** Refer to Note A14

The unaudited condensed consolidated statement of profit or loss should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2021.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Amounts in RM million unless otherwise stated

	Quarter ended 30 September		%	Three quarters ended 30 September		%
	2022	2021 Re-presented **		2022	2021 Re-presented **	
Profit for the financial period	431	670	(36)	2,073	1,954	6
Other comprehensive income/(loss):						
Items that will be reclassified subsequently to profit or loss:						
Currency translation differences gains/(loss):						
– subsidiaries	324	97		626	197	
– joint ventures and associates	(8)	-		(22)	6	
Net change in fair value:						
– cash flow hedges loss	99	(300)		12	(701)	
– transfer to profit or loss	64	197		360	578	
Tax credit relating to components through other comprehensive income	(39)	27		(96)	35	
	440	21		880	115	
Items that will be not reclassified subsequently to profit or loss:						
Actuarial loss on defined benefit pension plans	(1)	-		(2)	(50)	
Tax credit relating to components through other comprehensive loss	- *	(1)		- *	2	
	(1)	(1)		(2)	(48)	
Total other comprehensive income for the financial period	439	20		878	67	
Total comprehensive income for the financial period	870	690		2,951	2,021	
Total comprehensive income for the financial period attributable to:						
– equity holders of the Company	833	625	33	2,803	1,849	52
– Perpetual Sukuk	31	31	-	93	93	-
– non-controlling interests	6	34	(82)	55	79	(30)
Total	870	690	26	2,951	2,021	46

* Less than 1 million

** Refer to Note A14

The unaudited condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2021.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in RM million unless otherwise stated

		Unaudited	Unaudited
	Note	As at 30 September 2022	As at 31 December 2021 Re-presented **
Non-current assets			
Property, plant and equipment		18,006	17,247
Investment properties		9	9
Right-of-use assets		2,029	1,998
Joint ventures		401	332
Associates		53	46
Intangible assets		3,077	2,824
Investments at fair value through other comprehensive income ("FVOCI")		30	30
Deferred tax assets		486	574
Tax recoverable		157	169
Trade and other receivables		39	89
		24,287	23,318
Current assets			
Inventories		3,455	2,469
Biological assets		202	284
Trade and other receivables		2,558	2,878
Tax recoverable		299	150
Amounts due from related parties		-	-
Derivatives	B9	486	26
Bank balances, deposits and cash		934	602
		7,934	6,409
Non-current assets held for sale ⁽¹⁾		561	608
Total assets	A9	32,782	30,335
Equity			
Share capital		1,634	1,634
Reserves		14,809	13,554
Attributable to equity holders of the Company		16,443	15,188
Perpetual Sukuk		2,199	2,231
Non-controlling interests		436	437
Total equity		19,078	17,856

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

Amounts in RM million unless otherwise stated

		Unaudited As at 30 September 2022	Unaudited As at 31 December 2021 Re-presented **
Non-current liabilities			
Retirement benefits		179	184
Deferred tax liabilities		2,882	2,761
Borrowings	B8	3,628	4,019
Lease liabilities		146	155
Trade and other payables		52	36
		6,887	7,155
Current liabilities			
Trade and other payables		2,257	2,180
Contract liabilities		35	24
Amounts due to related parties		9	19
Retirement benefits		12	13
Lease liabilities		24	23
Tax payable		484	465
Derivatives	B9	169	229
Borrowings	B8	3,003	2,232
Dividend payable		692	-
		6,685	5,185
Liabilities directly associated with non-current assets held for sale ⁽²⁾		132	139
Total liabilities		13,704	12,479
Total equity and liabilities		32,782	30,335
Net assets per share attributable to equity holders of the Company (RM)		2.38	2.20

Note:

⁽¹⁾ **Non-current assets held for sale**

Non-current assets held for sale			
– property, plant and equipment		9	17
Disposal group held for sale			
– property, plant and equipment		264	248
– right of use assets		29	28
– tax assets		109	93
– receivables		52	106
– bank balances		1	63
– other assets		97	53
		561	608

⁽²⁾ **Liabilities directly associated with non-current assets held for sale**

Disposal group held for sale			
– payables		110	108
– retirement benefits		15	18
– tax liabilities		5	12
– other liabilities		2	1
		132	139

* Less than 1 million

** Refer to Note A14

The unaudited condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2021.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Amounts in RM million unless otherwise stated

	Attributable to equity holders of the Company										
	Share capital	Capital reserve	Hedging reserve	Merger reserve	Investments at FVOCI reserve	Exchange reserve	Retained profits	Total	Perpetual Sukuk	Non-controlling interests	Total equity
Three quarters ended 30 September 2022											
At 1 January 2022	1,634	9	(126)	(18)	27	645	13,017	15,188	2,231	437	17,856
Profit for the financial year	-	-	-	-	-	-	1,926	1,926	93	54	2,073
Other comprehensive income/(loss) for the financial year	-	-	276	-	-	605	(4)	877	-	1	878
Total comprehensive income for the financial year	-	-	276	-	-	605	1,922	2,803	93	55	2,951
Transactions with equity holders:											
Dividends	-	-	-	-	-	-	(1,548)	(1,548)	-	(56)	(1,604)
Distribution to Perpetual Sukuk holders	-	-	-	-	-	-	-	-	(125)	-	(125)
At 30 September 2022	1,634	9	150	(18)	27	1,250	13,391	16,443	2,199	436	19,078

	Attributable to equity holders of the Company										
	Share capital	Capital reserve	Hedging reserve	Merger reserve	Investments at FVOCI reserve	Exchange reserve	Retained profits	Total	Perpetual Sukuk	Non-controlling interests	Total equity
Three quarters ended 30 September 2021											
At 1 January 2021	1,506	9	(194)	(18)	25	463	11,864	13,655	2,231	384	16,270
Profit for the financial year	-	-	-	-	-	-	1,788	1,788	93	73	1,954
Other comprehensive (loss)/income for the financial year	-	-	(88)	-	-	188	(39)	61	-	6	67
Total comprehensive (loss)/income for the financial year	-	-	(88)	-	-	188	1,749	1,849	93	79	2,021
Transactions with equity holders:											
Share issue	128	-	-	-	-	-	-	128	-	-	128
Dividends	-	-	-	-	-	-	(1,077)	(1,077)	-	(39)	(1,116)
Distribution to Perpetual Sukuk holders	-	-	-	-	-	-	-	-	(124)	-	(124)
At 30 September 2021	1,634	9	(282)	(18)	25	651	12,536	14,555	2,200	424	17,179

The unaudited condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2021.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Amounts in RM million unless otherwise stated

	Note	Three quarters ended 30 September	
		2022	2021 Re-presented **
Cash flows from operating activities			
Profit for the financial period		2,073	1,954
Adjustments for:			
Share of results of joint ventures and associates		(72)	(27)
Finance income		(8)	(8)
Finance costs		87	59
Gain on disposal of:			
– property, plant and equipment	B5	(15)	(40)
– non-current assets held for sale	B5	(276)	(126)
Depreciation and amortisation	B5	1,015	986
Fair value (gains)/losses:			
– commodities contracts	B5	(252)	17
– forward foreign exchange contracts	B5	64	(3)
Unrealised foreign exchange losses	B5	51	50
Tax expense	B6	676	590
Fair value changes on biological assets		105	(53)
Retirement benefits		23	(72)
Net impairment of:			
– property, plant and equipment	B5	4	19
– right-of-use assets	B5	- *	12
– non-current assets held for sale	B5	-	1
– trade and other receivables	B5	6	-
– joint ventures	B5	-	70
Write offs:			
– property, plant and equipment	B5	18	20
– intangible assets	B5	1	-
Write down of inventories	B5	85	20
Bad debts written off	B5	-	-
Dividend income from FVOCI		(9)	(1)
		3,576	3,468
Changes in working capital:			
Inventories		(1,042)	(871)
Trade and other receivables		400	(51)
Trade and other payables		309	235
Intercompany and related party balances		(10)	(11)
Cash generated from operations		3,233	2,770
Tax paid		(926)	(259)
Retirement benefits paid		(23)	(18)
Net cash generated from operating activities		2,284	2,493
Cash flows from investing activities			
Finance income received		8	8
Purchase of:			
– property, plant and equipment		(1,097)	(934)
– intangibles assets		(11)	(10)
Advances for plasma plantation projects		(3)	(6)
Repayment of advances for plasma plantation projects		49	9
Proceeds from sale of:			
– property, plant and equipment		19	40
– non-current assets held for sale		285	138
Dividend received from:			
– FVOCI		9	1
– joint venture		3	-
– an associate		4	3
Net cash used in investing activities		(734)	(751)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Amounts in RM million unless otherwise stated

	Note	Three quarters ended 30 September	
		2022	2021 Re-presented **
Cash flows from financing activities			
Distribution to Perpetual Sukuk holders		(125)	(124)
Finance costs paid		(120)	(98)
Loans raised		2,935	4,558
Loan repayments		(3,024)	(4,328)
Repayment of lease liabilities		(21)	(19)
Dividends paid to shareholders		(856)	(403)
Dividends paid to non-controlling interests of subsidiaries		(48)	(39)
Net cash used in financing activities		(1,259)	(453)
Net changes in cash and cash equivalents during the financial period		291	1,289
Foreign exchange difference		(21)	4
Cash and cash equivalents at beginning of the period		665	309
Cash and cash equivalents at end of the period		935	1,602
Included in cash and cash equivalents per the balance sheet		934	1,532
Included in the assets of the disposal group		1	70
Cash and cash equivalents at end of the period		935	1,602

* Less than 1 million

** Refer to Note A14

The unaudited condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 31 December 2021.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 2022

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of preparation

This interim financial report is prepared in accordance with the requirements of paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and complies with the requirements of the Malaysian Financial Reporting Standard ("MFRS") 134 "Interim Financial Reporting" and other MFRSs issued by the Malaysian Accounting Standards Board ("MASB"). The interim financial report is unaudited and should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2021.

A2. Accounting policies

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited consolidated financial statements for the financial year ended 31 December 2021 except as described below.

(a) Accounting pronouncements that are effective and have been adopted in preparing these financial statements:

- (i) Amendments that are effective on or after 1 January 2022
 - Amendment to MFRS 16 "Covid-19 - Related Rent Concessions beyond 30 June 2021"
 - Amendments to MFRS 116 "Property, Plant and Equipment: Proceeds before Intended Use"
 - Amendments to MFRS 137 "Onerous Contracts - Cost of Fulfilling a Contract"
 - Amendments to MFRS 141 "Taxation in Fair Value Measurements"
 - Amendments to MFRS 3 "Reference to Conceptual Framework"
 - Annual Improvements to MFRS 9 "Fees in the 10% Test for Derecognition of Financial Liabilities"

The adoption of these amendments does not have any significant impact on the current period or any prior periods and is not likely to affect future periods.

(b) Accounting pronouncements that are not yet effective and have not been early adopted in preparing these financial statements:

- (i) Amendments that are effective on or after 1 January 2023
 - Amendments to MFRS 101 "Classification of Liabilities as Current or Non-current"
 - Amendments to MFRS 101 "Disclosure of Accounting Policies"
 - Amendments to MFRS 108 "Definition of Accounting Estimates"
 - Amendments to MFRS 112 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"
 - Amendment to MFRS 17 "Insurance Contracts"

The amendments shall be applied retrospectively.

A3. Seasonal and cyclical factors

The Group's operations are not materially affected by seasonal or cyclical factors except for the fresh fruit bunch production which may be affected by the vagaries of weather and cropping patterns.

A4. Unusual items affecting assets, liabilities, equity, net income or cash flows

Except as disclosed in Notes B1 and B2, there were no material unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the quarter under review.

A5. Material changes in estimates

There were no material effects from estimates made in prior periods or previous year.

A6. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 2022

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A7. Dividends paid

No dividend was paid during the quarter under review.

A8. Revenue

The Group derived the following types of revenue:

	Note	Three quarters ended 30 September	
		2022	2021
Revenue from contracts with customers	A8(a)	15,333	13,132
Revenue from other sources	A8(b)	27	13
Total revenue		15,360	13,145
(a) Disaggregation of revenue from contracts with customers			
Upstream			
– Malaysia		395	281
– Indonesia		662	901
– Papua New Guinea and Solomon Islands ("PNG/SI")		95	533
Downstream		14,100	11,366
Other operations		81	51
		15,333	13,132
Sales of palm based products, other refined edible oils, rubber, sugar, beef and other agricultural products		15,042	12,971
Freight services		185	158
Tolling services		106	3
		15,333	13,132
Timing of revenue recognition			
– at point in time		15,042	12,971
– over time		291	161
		15,333	13,132
(b) Revenue from other sources			
Dividend (gross) received/receivable from investments		9	1
Rental income		18	12
		27	13
(c) Revenue expected to be recognised in relation to unsatisfied performance obligations			

The following table shows the revenue expected to be recognised in the future relating to performance obligations that were unsatisfied (or partially unsatisfied) as at 30 September 2022:

	<u>Expected timing of recognition</u> During the quarter ending 31 December 2022
Freight income	35

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 2022

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A9. Segment information

	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI	Downstream	Other operations	Inter- segment elimination	Total
Three quarters ended 30 September 2022							
Segment revenue:							
External sales	419	662	95	14,103	81	-	15,360
Inter-segment sales	2,987	1,055	2,263	72	383	(6,760)	-
Total revenue	3,406	1,717	2,358	14,175	464	(6,760)	15,360

Segment results:

Operating profit:							
– recurring activities	145	624	937	711	46	-	2,463
– non-recurring transactions	273	-	-	-	20	-	293
Share of results of joint ventures and associates	-	-	-	61	11	-	72
Profit before interest and tax	418	624	937	772	77	-	2,828

	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI	Downstream	Other operations	Inter- segment elimination	Total
Three quarters ended 30 September 2021							
Segment revenue:							
External sales	292	901	533	11,368	51	-	13,145
Inter-segment sales	3,000	1,005	1,544	101	239	(5,889)	-
Total revenue	3,292	1,906	2,077	11,469	290	(5,889)	13,145

Segment results, Re-presented:**

Operating profit:							
– recurring activities	717	841	686	260	32	-	2,536
– non-recurring transactions	126	-	(24)	(70)	-	-	32
Share of results of joint ventures and associates	-	-	-	16	11	-	27
Profit before interest and tax	843	841	662	206	43	-	2,595

** Refer to Note A14

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 2022

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)

A9. Segment information (continued)

	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI	Downstream	Other operations	Inter- segment elimination	Total
As at 30 September 2022							
Segment assets:							
Operating assets	10,070	5,571	8,961	5,887	336	-	30,825
Joint ventures and associates	-	-	-	411	43	-	454
Non-current assets held for sale	9	443	-	-	-	-	452
	10,079	6,014	8,961	6,298	379	-	31,731
Tax assets							942
Tax assets from non-current assets held for sale							109
Total assets							32,782

	Upstream Malaysia	Upstream Indonesia	Upstream PNG/SI	Downstream	Other operations	Inter- segment elimination	Total
As at 30 September 2021							
Segment assets, Re-presented:**							
Operating assets	10,161	5,079	8,227	5,156	215	-	28,838
Joint ventures and associates	-	-	-	183	43	-	226
Non-current assets held for sale	19	523	-	-	-	-	542
	10,180	5,602	8,227	5,339	258	-	29,606
Tax assets							885
Tax assets from non-current assets held for sale							104
Total assets							30,595

** Refer to Note A14

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 2022

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**A10. Capital commitments**

Authorised capital expenditure not provided for in the interim financial report are as follows:

	Unaudited	Audited
	As at	As at
	30 September	31 December
	2022	2021
Property, plant and equipment		
– contracted	724	337
– not contracted	499	513
	1,223	850
Other capital expenditure		
– not contracted	254	932
	254	932
	1,477	1,782

A11. Significant related party transactions

Significant related party transactions conducted were as follows:

	Three quarters ended	
	30 September	
	2022	2021
(a) Transactions with a joint venture		
(i) Sale of goods and tolling services		
– Emery Oleochemicals (M) Sdn Bhd	-	26
(b) Transactions with associates		
(i) Purchase of palm oil		
– Rizhao Sime Darby Oils & Fats Co. Ltd.	-	2
– Thai Eastern Trat Company Limited	116	69

(c) Transactions with related parties

Permodalan Nasional Berhad ("PNB") and the fund managed by its subsidiary, Amanah Saham Nasional Berhad, together owns 55.645% as at 30 September 2022 of the issued share capital of the Company. PNB is an entity controlled by the Malaysian Government through Yayasan Pelaburan Bumiputra ("YPB"). The Group considers that, for the purpose of MFRS 124 "Related Party Disclosures", the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government's controlled bodies (collectively referred to as government related entities) are related parties of the Group and the Company.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 2022

Amounts in RM million unless otherwise stated

A. EXPLANATORY NOTES PURSUANT TO MFRS 134 (CONTINUED)**A11. Significant related party transactions (continued)**

Significant related party transactions conducted were as follows: (continued)

(c) Transactions with related parties (continued)

Transactions entered into with Government related entities include the following:

	Three quarters ended 30 September	
	2022	2021
(i) Purchase of heavy equipment, spare parts and services		
– Sime Darby Industrial Holdings Sdn Bhd	18	11
– Kubota Malaysia Sdn Bhd	22	8
(ii) Lease of agricultural land		
– Kumpulan Sime Darby Berhad	14	10
(iii) Rental expenses		
– Sime Darby Property Bhd	4	3

A12. Material events subsequent to the end of the financial year

There were no material events in the interval between the end of the quarter under review and 16 November 2022, being a date not earlier than 7 days from the date of issuance of the report.

A13. Commitments and contingent liabilities – unsecured

(a) Guarantees

In the ordinary course of business, the Group may issue surety bonds and letters of credit, which the Group provides to customers to secure advance payment, performance under contracts or in lieu of retention being withheld on contracts. A liability from the performance guarantees would only arise in the event the Group fails to fulfil its contractual obligations.

The financial guarantees are as follows:

	As at 30 September 2022	As at 31 December 2021
Guarantees in respect of credit facilities granted to:		
– a joint venture	3	4
– plasma stakeholders	157	74
	160	78

A14. Re-presentation of the comparatives

As disclosed in the previous quarterly report, the Group's joint ventures in the oleochemical business sector ceased to meet the classification criteria in accordance with MFRS 5 on "Non-current Assets Held for Sale and Discontinued Operations" on 1 November 2021. In addition, given the Group's decision to put on hold the disposal of one of its subsidiaries in Indonesia for strategic reason, this disposal group also no longer meets the criteria under MFRS 5. Therefore, in this quarterly report, the prior periods' share of results in the joint ventures and the related depreciation of this disposal group since the day it was classified as an asset to be held for sale are re-presented in the Group's comparative profit or loss from continuing operations to ensure consistency and comparability.

In addition, the Group has reassessed the segregation of its operating segments and reclassified the Group's share of results from joint ventures from the oleochemical business from Other Segment to the Downstream Segment in order to strengthen the monitoring of its performance. The comparatives have been re-presented for comparability.

Hence, arising from the above reclassifications, the prior period's comparatives are unaudited.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 2022

Amounts in RM million unless otherwise stated

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of group performance

(a) Current quarter ended 30 September 2022 against the previous year corresponding quarter ended 30 September 2021

	Quarter ended 30 September		+/(–) %
	2022	2021 Re-presented **	
Revenue	5,392	5,061	7
Segment results:			
Upstream Malaysia	(145)	327	<(100)
Upstream Indonesia	365	330	11
Upstream PNG/SI	29	255	(89)
Downstream	337	6	>100
Other operations	22	16	38
Recurring profit before interest and tax	608	934	(35)
Non-recurring transactions	14	(35)	>100
Profit before interest and tax	622	899	(31)
Finance income	2	3	
Finance costs	(39)	(24)	
Profit before tax	585	878	(33)
Tax expense	(154)	(208)	
Profit for the financial period	431	670	(36)
Perpetual Sukuk	(31)	(31)	
Non-controlling interests	(4)	(30)	
Profit after tax attributable to equity holders of the Company	396	609	(35)

** Refer to Note A14

For the quarter ended 30 September 2022, the Group registered a net profit of RM396 million, 35% lower than the earnings of the corresponding quarter of the previous year, impacted by lower recurring profit before interest and tax ("PBIT") from the Upstream segment but was partially compensated by improved profits from Downstream.

Non-recurring profit in the current quarter comprised of earned-out compensation received subsequent to the disposal of a former subsidiary in Liberia, whilst the non-recurring loss in the previous corresponding period was attributed to impairment charges in a joint venture and a mill in Papua New Guinea.

Finance costs increased to RM39 million, due to higher interest rates arising from an increase in benchmark interest rates.

The Group's effective tax rate for the quarter was 26% mainly due to withholding tax paid on dividend by a foreign subsidiary.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 2022

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**B1. Review of group performance (continued)****(a) Current quarter ended 30 September 2022 against the previous year corresponding quarter ended 30 September 2021 (continued)**

An analysis of the results of each segment is as follows:

Upstream

Despite higher realised average CPO price which increased by 13%, recurring PBIT for the Upstream segment declined to RM249 million, 73% lower than the previous corresponding quarter's PBIT of RM912 million, primarily due to the 8% decline in fresh fruit bunch ("FFB") production and lower oil extraction rate ("OER") which fell from 21.59% to 20.88%. Furthermore, the sharp decline in market prices during the current quarter led to valuation losses on its oil inventory and biological assets.

The loss incurred by the operation in Malaysia was largely driven by the acute labour shortage which adversely impacted harvesting activities, resulting in a significant decline in FFB production and OER.

Segment	CPO price realised (RM per MT)			FFB production (MT'000)		
	Quarter ended 30 September		+/(-)	Quarter ended 30 September		+/(-)
	2022	2021	%	2022	2021	%
Upstream Malaysia	4,497	3,611	25	900	1,232	(27)
Upstream Indonesia	2,913	3,483	(16)	775	641	21
Upstream PNG/SI	5,845	4,475	31	475	469	1
Total	4,277	3,770	13	2,150	2,342	(8)

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Quarter ended 30 September		+/(-)	Quarter ended 30 September		+/(-)
	2022	2021	%	2022	2021	
Upstream Malaysia	2,423	2,521	(4)	19.89	21.08	(1.19)
Upstream Indonesia	1,370	1,779	(23)	20.98	21.52	(0.54)
Upstream PNG/SI	-	-	-	22.45	22.91	(0.46)
Total	1,940	2,274	(15)	20.88	21.59	(0.71)

Downstream

PBIT from the Downstream sector increased to RM337 million in the current quarter, mainly due to higher margins generated by the Asia Pacific bulk and differentiated operations, mitigating lower margins recorded by the European refineries and a decline in sales volumes in all territories.

Other operations

Other operations reported higher profits mainly due to higher contribution from the Group's agribio and research units.

Non-recurring transactions

Profits from non-recurring transactions in the current quarter were mainly comprised of gain from earned-out settlement subsequent to disposal of a former Liberian subsidiary in prior year.

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B1. Review of group performance (continued)

(b) Current three quarters ended 30 September 2022 against the previous three quarters ended 30 September 2021

	Three quarters ended 30 September		+/(–)
	2022	2021 Re-presented **	%
Revenue	15,360	13,145	17
Segment results:			
Upstream Malaysia	145	717	(80)
Upstream Indonesia	624	841	(26)
Upstream PNG/SI	937	686	37
Downstream	772	276	>100
Other operations	57	43	33
Recurring profit before interest and tax	2,535	2,563	(1)
Non-recurring transactions	293	32	>100
Profit before interest and tax	2,828	2,595	9
Finance income	8	8	
Finance costs	(87)	(59)	
Profit before tax	2,749	2,544	8
Tax expense	(676)	(590)	
Profit for the financial period	2,073	1,954	6
Perpetual Sukuk	(93)	(93)	
Non-controlling interests	(54)	(73)	
Profit after tax attributable to equity holders of the Company	1,926	1,788	8

** Refer to Note A14

For the three quarters ended 30 September 2022, the Group posted net earnings of RM1.93 billion, 8% higher than the previous year, due to higher recurring PBIT earned from Downstream segment and non-recurring activities, which compensated for lower recurring profits from the Upstream segment.

Non-recurring profits were mainly derived from disposal gains of land in Malaysia and earned-out settlement for disposal of a former subsidiary in Liberia.

Finance costs were 47% higher than the previous corresponding period, as a result of the increase in benchmark lending rates, but were mitigated by lower average borrowing balances.

The Group's effective tax rate for the period stood at 25%.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 2022

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B1. Review of group performance (continued)

(b) Current three quarters ended 30 September 2022 against the previous three quarters ended 30 September 2021 (continued)

An analysis of the results of each segment is as follows:

Upstream

Despite higher average CPO and PK prices realised, which increased by 31% and 32%, respectively, the Upstream segment reported a total recurring PBIT of RM1.71 billion for the three quarters ended 30 September 2022, 24% lower than the RM2.24 billion recorded in the previous year, primarily due to a 12% decline in FFB production to 6.1 million, and lower OER which declined from 21.53% to 21.16%.

In addition, PBIT in the previous corresponding period included a one-off gain of RM102 million, as a result of the amendments to Indonesia's Omnibus Law relating to retirement benefits.

Segment	CPO price realised (RM per MT)			FFB production (MT'000)		
	Three quarters ended		+/(–) %	Three quarters ended		+/(–) %
	30 September			30 September		
	2022	2021		2022	2021	
Upstream Malaysia	4,439	3,441	29	2,648	3,558	(26)
Upstream Indonesia	3,640	3,161	15	2,053	2,004	2
Upstream PNG/SI	6,050	4,262	42	1,432	1,443	(1)
Total	4,648	3,545	31	6,133	7,005	(12)

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Three quarters ended		+/(–) %	Three quarters ended		+/(–)
	30 September			30 September		
	2022	2021		2022	2021	
Upstream Malaysia	3,523	2,564	37	20.10	20.92	(0.82)
Upstream Indonesia	2,378	1,844	29	21.39	21.61	(0.22)
Upstream PNG/SI	-	-	-	22.68	22.76	(0.08)
Total	3,046	2,299	32	21.16	21.53	(0.37)

Downstream

The Downstream segment reported a PBIT of RM772 million compared to RM276 million in the previous year, driven by higher profits from all regions. Improved margins in the current period were, however, weighed down by lower sales volumes.

Other operations

Other operations registered a higher PBIT of RM57 million against RM43 million in the previous year corresponding period, due to higher profits from the Group's agribio and research units.

Non-recurring transactions

The non-recurring profits of RM279 million comprised gains from the disposal of land in Malaysia and earned-out settlement for disposal of a former subsidiary in Liberia.

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B2. Material changes in profit for the current quarter as compared with the immediate preceding quarter

	Quarter ended		+/(–) %
	30 Sep 2022	30 Jun 2022	
Revenue	5,392	5,587	(3)
Segment results:			
Upstream Malaysia	(145)	66	<(100)
Upstream Indonesia	365	106	>100
Upstream PNG/SI	29	446	(93)
Downstream	337	275	23
Other operations	22	21	5
Recurring profit before interest and tax	608	914	(33)
Non-recurring transactions	14	232	(94)
Profit before interest and tax	622	1,146	(46)
Finance income	2	3	
Finance costs	(39)	(28)	
Profit before tax	585	1,121	(48)
Tax expense	(154)	(259)	
Profit for the financial period	431	862	(50)
Perpetual Sukuk	(31)	(31)	
Non-controlling interests	(4)	(19)	
Profit after tax attributable to equity holders of the Company	396	812	(51)

The Group registered net earnings of RM396 million attributed to lower profits from both recurring activities and non-recurring transactions. The lower recurring PBIT from the Upstream segment was partially mitigated by improved performance from the Downstream segment.

Finance costs were 39% higher than the preceding quarter, due to the continued increase in benchmark lending rates.

An effective tax rate of 26% was recorded mainly due to withholding tax paid on dividend by a foreign subsidiary.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 2022

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED) (CONTINUED)

B2. Material changes in profit for the current quarter as compared with the immediate preceding quarter (continued)

An analysis of the results of each segment is as follows:

Upstream

The Upstream segment reported a PBIT of RM249 million, a 60% decline from the preceding quarter, affected by the following factors:

- (i) lower average CPO and PK realised prices, which declined by 18% and 42%, respectively.
- (ii) OER decreased from 21.26% to 20.88%.
- (iii) valuation losses on oil inventory and biological assets due to a sharp decline in market prices during the current quarter.

The above was partially mitigated by an increase in FFB production by 4% in the current quarter.

Segment	CPO price realised (RM per MT)			FFB production (MT'000)		
	Quarter ended		+/(–)	Quarter ended		+/(–)
	Sep 2022	Jun 2022	%	Sep 2022	Jun 2022	%
Upstream Malaysia	4,497	4,676	(4)	900	866	4
Upstream Indonesia	2,913	4,352	(33)	775	718	8
Upstream PNG/SI	5,845	6,570	(11)	475	491	(3)
Total	4,277	5,213	(18)	2,150	2,075	4

Segment	PK price realised (RM per MT)			CPO Extraction Rate (%)		
	Quarter ended		+/(–)	Quarter ended		+/(–)
	Sep 2022	Jun 2022	%	Sep 2022	Jun 2022	
Upstream Malaysia	2,423	3,734	(35)	19.89	20.17	(0.28)
Upstream Indonesia	1,370	2,766	(50)	20.98	21.51	(0.53)
Upstream PNG/SI	-	-	-	22.45	22.75	(0.30)
Total	1,940	3,339	(42)	20.88	21.26	(0.38)

Downstream

The Downstream segment reported a PBIT of RM337 million, 23% higher than the RM275 million profit recorded in the preceding quarter, due to higher sales volumes but lower margins from all regions.

Other operations

A PBIT of RM22 million was recorded, slightly higher than the preceding quarter.

Non-recurring transactions

The Group generated a non-recurring PBIT of RM14 million during the current quarter, comprising of earned-out settlement for disposal of a former subsidiary in Liberia.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 2022

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B3. Prospects

Inventory levels in the global palm oil market has started to improve as Indonesia has relaxed export restrictions, loosened supply chain bottlenecks and allowed for higher exports. Indonesia's recent re-introduction of export levies on palm oil products in November 2022, which had been waived since mid-July 2022 in an effort to reduce inventories, is expected to be supportive to palm oil price.

The Group expects its overall FFB production to be lower than the previous year due to the slow inflow of foreign workers into Malaysia. Nevertheless, the Group is optimistic for 2023 production as more foreign workers are expected to arrive, and ongoing efforts to digitalise, mechanise and automate operations are expected to increase productivity, particularly in Malaysia.

Crude palm oil (CPO) price, which peaked in the first half of 2022, has now stabilised as increased supply in producing countries fulfils pent-up global demand. The CPO price is anticipated to remain attractive in comparison to alternative vegetable oils which would continue to support demand.

B4. Variance of actual profit from profit forecast or profit guarantee

There was no profit forecast or profit guarantee issued during the quarter under review.

B5. Operating profit and finance costs

Included in the operating profit are:

	Quarter ended 30 September		Three quarters ended 30 September	
	2022	2021 Re-presented **	2022	2021 Re-presented **
Depreciation and amortisation	(345)	(331)	(1,015)	(986)
Fair value gains/(losses):				
– commodities contracts	167	(70)	252	(17)
– forward foreign exchange contracts	(43)	12	(64)	3
Gain on disposals of:				
– property, plant and equipment	3	38	15	40
– non-current assets held for sale	1	1	276	126
Impairment loss of :				
– right-of-use assets	-	-	-	(12)
– non-current assets held for sale	-	-	-	(1)
– property, plant and equipment	(4)	(19)	(4)	(19)
– joint venture	-	(24)	-	(70)
– trade and other receivables	(6)	-	(6)	-
Unrealised foreign exchange losses	(13)	(11)	(51)	(50)
Write down of inventories	6	(19)	(85)	(20)
Write off of:				
– property, plant and equipment	(9)	(4)	(18)	(20)
– intangible assets	-	-	(1)	-
Included in finance costs is:				
Finance costs on interest rate swap contracts	-	(1)	1	(4)

** Refer to Note A14

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 2022

Amounts in RM million unless otherwise stated

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**B6. Tax expense**

	Quarter ended 30 September		Three quarters ended 30 September	
	2022	2021	2022	2021
In respect of current financial year:				
– current tax	160	204	753	547
– deferred tax	(10)	4	(81)	37
	<u>150</u>	<u>208</u>	<u>671</u>	<u>584</u>
In respect of prior financial years:				
– current tax	4	-	5	6
Tax expenses	<u>154</u>	<u>208</u>	<u>676</u>	<u>590</u>

* Less than 1 million

For the quarter ended 30 September 2022, the Group reported a total tax expense of RM154 million on the back of a profit before tax from operations of RM585 million, with an effective tax rate of 26%.

Similarly, for the three quarters ended 30 September 2022, an effective tax rate of 25% was recorded, with total tax expense of RM676 million on the back of profit before tax of RM2.75 billion.

B7. Status of announced corporate proposals

There are no corporate proposals announced but not completed as at 22 November 2022.

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B8. Borrowings and debt securities

Borrowings of the Group as at 30 September 2022 are as follows:

	Secured	Unsecured	Total
Long-term			
Term loans	-	1,376	1,376
Revolving credits-i	-	1,810	1,810
Bonds	-	451	451
Unamortised deferred financing expenses	-	(9)	(9)
	-	3,628	3,628
Short-term			
Term loans	-	686	686
Revolving credits	-	1,751	1,751
Trade facilities	- *	-	- *
Multi-currency Sukuk	-	568	568
Unamortised deferred financing expenses	-	(2)	(2)
	-	3,003	3,003
Total	-	6,631	6,631
Borrowings of the Group consist of:			
– principal	-	6,642	6,642
– unamortised deferred financing expenses	-	(11)	(11)
	-	6,631	6,631

Borrowings of the Group in RM equivalent analysed by currencies in which they are denominated are as follows:

	Long-term	Short-term	Total
European Union Euro	451	68	519
Ringgit Malaysia	510	828	1,338
Thailand Baht	-	77	77
United States Dollar	2,667	2,030	4,697
	3,628	3,003	6,631

* Less than 1 million

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B9. Derivatives

The Group uses forward foreign exchange contracts, commodity forward and futures contracts to manage its exposure to various financial risks.

The fair values of these derivatives as at 30 September 2022 are as follows:

	Classification in Statement of Financial Position				Net fair value
	Assets		Liabilities		
	Non-current	Current	Non-current	Current	
Forward foreign exchange contracts	-	53	-	42	11
Commodities contracts	-	433	-	127	306
	-	486	-	169	317

The description, notional amount and maturity profile of each derivative are as follows:

Forward foreign exchange contracts

Forward foreign exchange contracts were entered into by subsidiaries in currencies other than their functional currencies in order to manage exposure to fluctuations in foreign currency exchange rates on specific transactions.

The forward foreign currency contracts are stated at fair value, using the prevailing market rates. All changes in fair value of the forward foreign currency contracts are recognised in the statement of other comprehensive income unless it does not meet the conditions for the application of hedge accounting, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

As at 30 September 2022, the notional amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

Maturity tenor	Notional amount	Net fair value assets
Less than 1 year	2,734	11

Commodities contracts

Commodity forward and futures contracts were entered into by the Group to manage exposure to adverse movements in crude palm oil prices. Certain contracts are entered into and continue to be held for the purpose of the receipt or delivery of the physical commodity in accordance with the Group's expected purchase, sale or usage requirements, except for those contracts below.

The outstanding contracts as at 30 September 2022 that were not held for the purpose of physical delivery are as follows:

	Quantity (metric tonne)	Notional amount	Net fair value assets/ (liabilities)
Less than 1 year:			
– Purchase contracts	74,752	428	433
– Sale contracts	258,161	1,343	(127)
			306

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B9. Derivatives (continued)

The description, notional amount and maturity profile of each derivative are as follows: (continued)

Interest rate swap contracts

The Group has entered into interest rate swap contracts to convert floating rate liabilities to fixed rate liabilities to mitigate the Group's exposure from adverse fluctuations in interest rates on underlying debt instruments.

The differences between the rates calculated by reference to the agreed notional principal amounts were exchanged at periodic intervals. All changes in fair value during the financial year are recognised in the other comprehensive income statement unless it does not meet the conditions for the application of hedge accounting, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

The interest rate swap contracts, all plain vanilla, effective from 17 August 2021 to 4 February 2022 have been all settled.

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B10. Material litigation

Save as disclosed below, there were no pending material litigations against the Group which might materially and adversely affect the Group's financial position.

(a) **New Britain Palm Oil Limited ("NBPOL") v. Masile Incorporated Land Group ("Masile"), NBPOL v. Rikau Incorporated Land Group ("Rikau") & NBPOL v. Meloks Incorporated Land Group ("Meloks") (collectively, "Defendants")**

NBPOL, a wholly-owned subsidiary of SDP, had on 31 August 2011 initiated 3 separate legal actions against the Defendants in the National Court of Justice at Waigani, Papua New Guinea (Court). All 3 actions relate to the same cause of action whereby the Defendants had defaulted in their obligations to surrender their Special Agricultural Business Leases (SABL) to NBPOL for registration of the sub-leases despite having received benefits from NBPOL under the sub-lease agreements (SLA). Such benefits received by the Defendants include rental paid by NBPOL for 3,720 Ha of land under the SABL (Land), royalties for the FFB harvested from the Land, and 31,250 ordinary shares in NBPOL respectively issued to each of the Defendants.

On 25 June 2018, the Court rendered its decision on NBPOL's claims against Meloks in NBPOL's favour. In its decision, the Court declared the SLA entered into between NBPOL and Meloks to be valid and an order of specific performance was made against Meloks to deliver the SABL to NBPOL and to do all acts and things necessary to enable NBPOL to register the SLA entered into between NBPOL and Meloks. On 10 October 2018, Meloks surrendered the SABL to NBPOL. However, in view that Meloks had laminated the SABL, Meloks had to execute an application for the official copy of the SABL which NBPOL lodged with the registrar of titles together with NBPOL's application for registration of the SLA. The laminated plastic has since dislodged from Melok's SABL. However NBPOL and Meloks are in the process of executing a new SLA to facilitate the registration of the SLA as the date of the SLA has to be the same or after the date of the SABL.

Masile and Rikau were considering whether to continue defending against NBPOL's claims in view of the Court's decision on the trial relating to NBPOL's claims against Meloks or to conclude on the same basis as Meloks given that the facts, issues and evidences are similar. Parties then agreed to enter into Consent Court Orders (CCOs) on terms similar to the order made in respect of Meloks and the CCOs were formally endorsed by the Court on 15 December 2020. Masile and Rikau surrendered their respective SABLs to NBPOL on 30 July 2020. However, the SABL received from Masile was laminated whilst the SABL received from Rikau is a copy and therefore NBPOL is in the process of obtaining an official copy of the SABLs and compiling the relevant documents (including execution of new SLAs) before it can proceed with the registration of the SLAs.

(b) **PT Mulia Agro Persada ("PT MAP") and PT Palma Sejahtera ("PT PS") vs. PT Minamas Gemilang ("PT MGG"), PT Anugerah Sumbermakmur ("PT ASM") and PT Indotruba Tengah ("PT ITH")**

PT MGG and PT ASM, both indirect wholly-owned subsidiaries of SDP, and PT ITH, a 50%-owned subsidiary of the SDP Group, are involved in a lawsuit brought by Yayasan Kartika Eka Paksi (YKEP) against PT MAP, PT PS and others. PT MGG and PT ASM are shareholders of PT ITH, each holding 25% equity interest. YKEP holds the remaining 50% share in PT ITH.

YKEP sold and transferred its shares in PT ITH to PT MAP in December 2008 but thereafter YKEP filed a lawsuit to invalidate and nullify the transfer of shares as it is against law and regulations. The purchase of shares in PT ITH by PT MAP was funded by PT PS. Subsequently, on 31 May 2016, the Supreme Court decided the Judicial Review (1st Judicial Review Decision) application by Darsono CS (ex-officer of YKEP) in favour of YKEP. This decision reinforced the earlier District Court decision which had invalidated and nullified the transfer of the ordinary shares of PT ITH from YKEP to PT MAP.

In that regard, YKEP then filed a petition at the Central Jakarta District Court to execute the 1st Judicial Review Decision, demanding that (i) the 6,200 ordinary shares in PT ITH be returned to YKEP and (ii) PT MAP and the former officers of YKEP to pay compensation for damages to YKEP in the amount of IDR 200.0 billion (equivalent to around RM60.8 million). YKEP's petition was granted under a Warning Letter (Surat Aanmaning) issued by the Central Jakarta District Court which obligates PT MAP and the former officers of YKEP to comply with the 1st Judicial Review Decision.

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B10. Material litigation (continued)

Save as disclosed below, there were no pending material litigations against the Group which might materially and adversely affect the Group's financial position. (continued)

(b) PT Mulia Agro Persada ("PT MAP") and PT Palma Sejahtera ("PT PS") vs. PT Minamas Gemilang ("PT MGG"), PT Anugerah Sumbermakmur ("PT ASM") and PT Indotruba Tengah ("PT ITH") (continued)

In response, the former officers of YKEP (some of them were represented by their heirs) filed a Third Party Opposition Suit (Gugatan Perlawanan) registered under case number 537/PDT.PLW/2017/PN.Jkt.Pst dated 18 October 2017, seeking nullification towards both the Warning Letter (Surat Aanmaning) issued by the Central Jakarta District Court and the execution of the 1st Judicial Review Decision, on the basis that (i) the 6,200 ordinary shares in PT ITH are currently owned by YKEP; (ii) YKEP has also received dividends as a shareholder of PT ITH; and (iii) there are conflicting decisions on the matter of legality of transfer of the 6,200 shares in PT ITH between (i) the 1st Judicial Review Decision No. 196 PK/Pdt/2016, which nullified such transfer of shares, and (ii) the Decision of East Jakarta District Court No. 130/Pdt.G/2015/PN.Jkt.tim dated 7 July 2015 (Decision of East Jakarta District Court), which declared the transfer of 6,200 ordinary shares in PT ITH from YKEP to PT MAP as legally valid. However, neither YKEP, PT ITH, PT MGG nor PT ASM were included as parties under the Decision of East Jakarta District Court. On 12 April 2018, the Central Jakarta District Court rejected the Third Party Opposition Suit (Gugatan Perlawanan) by the former officers of YKEP. The former officers of YKEP then filed an appeal at the Jakarta High Court against the decision of the Central Jakarta District Court. On 4 March 2019, PT ITH was notified that the former officers' appeal was rejected by the Jakarta High Court. No appeal was filed against the decision of the Jakarta High Court.

Despite the 1st Judicial Review Decision, PT MAP and PT PS still filed a lawsuit at the South Jakarta District Court seeking compensation from the defendants (and a number of individuals), individually or jointly and severally, namely PT ITH, PT MGG, PT ASM and YKEP. The compensation sought by PT MAP and PT PS comprised of: (i) material damages (direct loss) in the amount of IDR247.0 billion (equivalent to around RM75.1 million) with an interest of 3% per month of the amount of IDR137.2 billion (equivalent to around RM41.7 million) until the payment is made to PT MAP and PT PS; (ii) fine (dwangsom) in the amount of IDR250 billion (equivalent to around RM76.0 million); and (iii) immaterial damages (indirect loss) in the amount of IDR500 billion (equivalent to around RM152.0 million). The potential exposure of PT MGG, PT ASM and PT ITH could be up to IDR997.0 billion (equivalent to around RM303.1 million), being the total sum of the above material damages (excluding the 3% interest), fine and immaterial damages claimed by PT MAP and PT PS from all the 11 defendants, individually or jointly and severally. The term "individually or jointly and severally" means that one or more defendants can be pursued to pay all amounts demanded. In other words, PT MAP and PT PS may recover all the damages from any of the defendants regardless of their individual share of the liability.

To that extent, the South Jakarta District Court and the Jakarta High Court, which previously adjudicated and examined this case, rejected PT MAP and PT PS's lawsuit. In response, PT MAP and PT PS filed an appeal to the Supreme Court which was subsequently rejected. PT MAP and PT PS then filed a judicial review (Jakarta Selatan Judicial Review) in the Supreme Court against the Supreme Court's decision but the judicial review was rejected by the Supreme Court.

Separately, PT PS filed a judicial review in the Supreme Court against the 1st Judicial Review Decision. The judicial review was rejected by the Supreme Court.

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Amounts in RM million unless otherwise stated

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B10. Material litigation (continued)

Save as disclosed below, there were no pending material litigations against the Group which might materially and adversely affect the Group's financial position. (continued)

(c) Chantico Ship Management Ltd ("Chantico") vs. Sime Darby Oils Zwijndrecht Refinery B.V. (formerly known as Sime Darby Unimills B.V.) ("SDOZR")

SDOZR, an indirect wholly-owned subsidiary of SDP, is involved in litigation in respect of a vessel known as the mv Geraki (formerly known as mv Cap Thanos). This vessel was carrying vegetable oils for 9 different cargo owners (7 European cargo owners including SDOZR, and 2 Algerian cargo owners). The percentage of SDOZR's cargo on board was about 14.4%. The vessel was auctioned and in April 2011 was sold to Chantico. All cargo were eventually discharged in April/May 2013. Beginning in 2012, Chantico started various proceedings against the cargo owners.

The following two lawsuits proceeded to trial:

(i) Proceedings before the Court of Piraeus which started in October 2014 ("Lawsuit 1")

The claims by Chantico are based on alleged actions in tort (i.e. alleged delay of discharge of cargo) and the current total amount claimed from all 9 cargo owners, jointly and severally, is EUR6 million (approximately RM27.0 million). The hearing for Lawsuit 1 concluded on 25 September 2018.

(ii) Proceedings before the Court of Piraeus which started in December 2015 ("Lawsuit 2")

The claim in these proceedings is based on the alleged damage to the vessel and loss of profit caused by the alleged actions in tort during transshipment and heating of the cargo. The claim against the 9 cargo owners and the third party, jointly and severally, amounts to EUR9.3 million (approximately RM41.9 million) and an additional claim was filed against all cargo owners, jointly and severally, of EUR380,000 (approximately RM1.7 million) for port and anchorage dues. The hearing for Lawsuit 2 concluded on 25 September 2018.

On 25 November 2020 the Court of Piraeus rendered its judgement dismissing all of Chantico's claims in Lawsuit 1 and Lawsuit 2. Chantico is able to appeal against the judgments however the time limit of 60 days to file an appeal from the date of service of judgment was suspended due to Covid-19 restrictions in Greece. When the Greek courts re-opened in early of May 2021, the judgements were served on Chantico and Chantico has since filed a timely appeal in the Piraeus Court of Appeal against the judgments. The appeals for Lawsuit 1 and Lawsuit 2 which were set for hearing on 2 June 2022 have been adjourned to 17 November 2022 on application by Chantico and the Algerian cargo owner. SDOZR's Greek lawyer estimates the exposure of SDOZR (and all of the other 8 cargo owners, jointly and severally) at EUR2.1 million (approximately RM9.5 million) for Lawsuit 1 and EUR145,000 (approximately RM0.7 million) for Lawsuit 2, all amounts inclusive of interest. As at this juncture, adequate provision has been made.

(d) PT Asa Karya Multi Pratama ("AKMP") vs Sime Darby Plantation Berhad ("SDP"), Guthrie International Investments (L) Limited ("2nd Defendant"), Mulligan International B.V. ("3rd Defendant"), PT Anugerah Sumbermakmur ("4th Defendant") and PT Minamas Gemilang ("5th Defendant")

AKMP filed a civil claim in the Pengadilan Negeri Jakarta Pusat against SDP and its wholly-owned subsidiaries, the 2nd, 3rd, 4th and 5th Defendants (collectively with SDP, "defendants"). However, to date, SDP and the 2nd and 3rd Defendants have not been legally and properly served with any court summons regarding the civil claim.

The 4th and 5th Defendants being the shareholders of PT Ladangrumpun Suburabadi ("LSI") and PT Sajang Huelang ("SHE") had entered into negotiations with AKMP for the disposal of their shares in LSI and SHE to AKMP. However, no definitive agreement was concluded between the parties in respect of the transaction.

AKMP in its claim alleged that:

(i) an agreement between AKMP and the 4th and 5th Defendants in respect of the sale and purchase of shares of LSI and SHE for the sum IDR1.65 trillion (approximately RM501.6 million) has been established based on correspondences between AKMP and the 4th and 5th Defendants and the fact that the down payment was made by AKMP to the 4th and 5th Defendants although soon after the down payment was returned to AKMP;

(ii) the conditional sale and purchase agreement ("CSPA") between AKMP and the 4th and 5th Defendants that was scheduled to be signed on 1 September 2021 has not been executed;

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B10. Material litigation (continued)

Save as disclosed below, there were no pending material litigations against the Group which might materially and adversely affect the Group's financial position. (continued)

(d) PT Asa Karya Multi Pratama (“AKMP”) vs Sime Darby Plantation Berhad (“SDP”), Guthrie International Investments (L) Limited (“2nd Defendant”), Mulligan International B.V. (“3rd Defendant”), PT Anugerah Sumbermakmur (“4th Defendant”) and PT Minamas Gemilang (“5th Defendant”) (continued)

- (iii) the 4th and 5th Defendants acted in bad faith by denying the existence of an agreement for the sale and purchase of shares;
- (iv) the defendants have committed unlawful acts as follows:
 - (a) SDP interfered with the sale and purchase transaction between AKMP and the 4th and 5th Defendants by instructing the 4th and 5th Defendants not to proceed with the sale and purchase transaction with AKMP;
 - (b) the 2nd and 3rd Defendants as the shareholders of the 4th and 5th Defendants for failure to act when SDP unlawfully offered the shares of the 4th and 5th Defendants in LSI and SHE to a third party;
 - (c) the 4th and 5th Defendants have not provided the shares of LSI and SHE to AKMP who is considered as a good faith buyer; and
 - (d) the 4th and 5th Defendants have committed fraud by conveying that the sale and purchase transaction requires further approval from SDP's board.

AKMP is inter alia seeking the following reliefs:

- (i) declarations that:
 - (a) the defendants have committed an unlawful act;
 - (b) the sale and purchase of LSI and SHE's shares are valid; and
 - (c) AKMP is a good faith buyer;
- (ii) an order that the defendants handover the shares of LSI and SHE to AKMP;
- (iii) an order for the defendants to pay material compensation in the amount of IDR882.5 billion (approximately RM268.3 million);
- (iv) an order for the defendants to pay immaterial compensation in the amount of IDR5 trillion (equivalent to approximately RM1.52 billion) for, among others, loss of reputation and the efforts that have been spent for the process of the transactions; and
- (v) a security seizure on the assets of the defendants to secure the material and immaterial damages suffered by AKMP.

At the first hearing on 10 October 2022, the 4th and 5th Defendants were informed that although AKMP submitted a request vide letter dated 17 June 2022 to revoke its claim, AKMP had submitted another request vide letter dated 30 June 2022 to cancel the revocation of the claim. As such the matter would proceed. Given that the summons have not been properly and legally served on SDP and the 2nd and 3rd Defendants, the hearing was adjourned to 14 February 2023.

SDP has been advised by its solicitors in Indonesia that the defendants have sufficient legal basis and merits to defend their position in this claim. The claim is also misdirected to SDP because, among others, SDP does not have any contractual relationship with AKMP.

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B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)

B11. Withhold Release Order (WRO) issued by the U.S. Customs and Border Protection (US CBP)

In July 2020, a non-governmental organisation, Liberty Shared ("the petitioner"), made public a summary of a petition it had filed against the Group to the United States Customs and Border Protection ("USCBP"). Subsequently, the Group engaged the petitioner and the USCBP, seeking clarification on the allegations and appropriate next steps.

On 30 December 2020, the USCBP issued a press release stating that a Withhold Release Order ("WRO") had been imposed on the palm products produced in the Group's Malaysian operations. The Group continued to engage with the USCBP, as well as relevant Malaysian authorities, customers, financiers, investors, analysts, and various other key stakeholders. On 28 January 2022, the USCBP issued a notice of finding on the palm products produced in the Group's Malaysian operations.

On 1 March 2021, the Group appointed an ethical trade consultancy, Impactt Limited ("Impactt"), to conduct a comprehensive third-party evaluation of the labour practices across its Malaysian operations, mapped against the International Labour Organisation's 11 indicators of forced labour. The Group's Board Sustainability Committee has undertaken the important oversight function over the evaluation exercise.

On 15 February 2022, the Group announced several improvements and changes to its governance structures, policies and procedures and the implementation of new measures, all with the primary goal of ensuring the wellbeing of its workers. The Group has reimbursed foreign workers currently within its employ who may have paid recruitment fees to unethical persons, in contravention of the Group's policies, to secure employment with SDP. A sinking fund has also been established to reimburse former foreign workers who may have paid recruitment fees to secure employment with SDP. Additionally, SDP has established an improved Responsible Recruitment Procedure to ensure that tighter controls are in place for the protection of new recruits. The Group has also established new platforms for better social dialogue with its workers.

On 26 April 2022, SDP's submission to the USCBP was undertaken by the Group's lawyers in the United States. The submission included details of SDP's operations mapped against the ILO indicators of forced labour, reports from third party consultants and relevant supporting documents. The Group continues to engage and cooperate with the USCBP, responding to any queries promptly. The Group also engages with key stakeholders on a regular basis.

EXPLANATORY NOTES ON THE QUARTERLY REPORT – 30 SEPTEMBER 2022

Amounts in RM million unless otherwise stated

B. EXPLANATORY NOTES PURSUANT TO PARAGRAPH 9.22 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (CONTINUED)**B12. Dividend**

No dividend has been declared by the Company for the quarter under review.

B13. Earnings per share

Basic earnings per share attributable to equity holders of the Company are computed as follows:

	Quarter ended 30 September		Three quarters ended 30 September	
	2022	2021 Re-presented **	2022	2021 Re-presented **
Profit for the financial period	396	609	1,926	1,788
Weighted average number of ordinary shares in issue (million units)	6,916	6,916	6,916	6,916
Basic earnings per share (sen)	5.7	8.8	27.8	25.9

The diluted earnings per share of the Group is similar to the basic earnings per share as the Group does not have any material potential dilutive ordinary shares in issue.

** Refer to Note A14

By Order of the Board

Petaling Jaya
22 November 2022

Azrin Nashiha Abdul Aziz
Group Secretary