

# First Quarter Report 2017



UNITED PLANTATIONS BERHAD

(Company no. 240-A)

Jendarata Estate • 36009 Teluk Intan • Darul Ridzuan • Malaysia

# United Plantations Berhad

## Condensed Consolidated Statement Of Comprehensive Income for the Three Months Ended 31 March 2017

(The figures have not been audited)

(RM '000)	Individual Quarter 3 months ended 31 March		Cumulative Quarter 3 months ended 31 March	
	2017	2016	2017	2016
Revenue	<b>379,233</b>	259,580	<b>379,233</b>	259,580
Operating expenses	<b>(284,686)</b>	(214,940)	<b>(284,686)</b>	(214,940)
Other operating income	<b>3,069</b>	32,357	<b>3,069</b>	32,357
Finance costs	-	(5)	-	(5)
Interest income	<b>5,608</b>	7,143	<b>5,608</b>	7,143
<b>Profit before taxation</b>	<b>103,224</b>	84,135	<b>103,224</b>	84,135
Income tax expense	<b>(25,037)</b>	(24,281)	<b>(25,037)</b>	(24,281)
<b>Profit after taxation</b>	<b>78,187</b>	59,854	<b>78,187</b>	59,854
<b>Profit for the period</b>	<b>78,187</b>	59,854	<b>78,187</b>	59,854
Net profit attributable to:				
Equity holders of the parent	<b>77,668</b>	59,755	<b>77,668</b>	59,755
Non-controlling interests	<b>519</b>	99	<b>519</b>	99
	<b>78,187</b>	59,854	<b>78,187</b>	59,854
Earnings per share				
(i) Basic - based on an average 207,792,492 (2016:207,792,492) ordinary shares (sen)	<b>37.38</b>	28.76	<b>37.38</b>	28.76
(ii) Fully diluted (not applicable)	-	-	-	-

**The Condensed Consolidated Income Statement should be read in conjunction with  
the Annual Audited Financial Statements for the year ended 31 December 2016.**

# United Plantations Berhad

## Condensed Consolidated Statement of Comprehensive Income for the Three Months ended 31 March 2017

(The figures have not been audited)

(RM '000)	Individual Quarter 3 months ended 31 March		Cumulative Quarter 3 months ended 31 March	
	2017	2016	2017	2016
Profit for the period	<b>78,187</b>	59,854	<b>78,187</b>	59,854
Currency translation differences arising from consolidation	<b>(361)</b>	(3,994)	<b>(361)</b>	(3,994)
<b>Total Comprehensive income</b>	<b>77,826</b>	55,860	<b>77,826</b>	55,860
Total comprehensive income attributable to:				
Equity holders of the parent	<b>77,318</b>	56,020	<b>77,318</b>	56,020
Non-controlling interests	<b>508</b>	(160)	<b>508</b>	(160)
	<b>77,826</b>	55,860	<b>77,826</b>	55,860

**The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016.**

# United Plantations Berhad

## Condensed Consolidated Statement of Financial Position as at 31 March 2017

(The figures have not been audited)

(RM '000)	31 March 2017	31 December 2016
<b>Assets</b>		
Non-Current Assets		
Biological assets	450,893	448,731
Property, plant and equipment	989,567	970,642
Land Use Rights	36,575	36,192
Associated company	50	50
Joint venture	-*	-*
<b>Total non-current assets</b>	<b>1,477,085</b>	1,455,615
Current Assets		
Inventories	184,800	189,958
Trade & other receivables	235,685	293,239
Prepayments	3,793	2,475
Tax recoverable	1,959	6,247
Derivatives	-	3,456
Cash, bank balances	400,762	272,292
Short term funds	375,479	418,622
<b>Total current assets</b>	<b>1,202,478</b>	1,186,289
<b>Total assets</b>	<b>2,679,563</b>	2,641,904
<b>Equity and liabilities</b>		
Equity attributable to equity holders of the parent		
Share capital	390,054	208,134
Share premium	-	181,920
Treasury shares	(8,635)	(8,635)
Other reserves	30,636	30,986
Retained profits	2,027,485	1,949,817
	<b>2,439,540</b>	2,362,222
Non-controlling interests	5,852	5,344
<b>Total Equity</b>	<b>2,445,392</b>	2,367,566
Non-Current Liabilities		
Retirement benefit obligations	14,027	13,254
Provision for deferred taxation	118,375	115,184
Derivatives	3,333	178
<b>Total non-current liabilities</b>	<b>135,735</b>	128,616
Current Liabilities		
Trade & other payables	71,253	114,403
Tax Payable	19,983	16,152
Retirement benefit obligations	756	749
Derivatives	6,435	14,312
Bank borrowings	9	106
<b>Total current liabilities</b>	<b>98,436</b>	145,722
<b>Total liabilities</b>	<b>234,171</b>	274,338
<b>Total equity and liabilities</b>	<b>2,679,563</b>	2,641,904
Net assets per share (RM)	11.74	11.37

\* The carrying amount of the investment in joint venture is RM1.00

**The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016.**

# United Plantations Berhad

## Condensed Consolidated Statement of Changes in Equity for the Three Months Ended at 31 March 2017 (The figures have not been audited)

	-----Attributable to Equity Holders of the Parent-----							Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Retained profits	Available for sale reserve	Share premium	Capital reserve	Translation reserve			
(RM '000)										
Balance at										
1 January 2017	208,134	(8,635)	1,949,817	-	181,920	21,798	9,188	2,362,222	5,344	2,367,566
Total comprehensive										
income for the quarter	-	-	77,668	-	-	-	(350)	77,318	508	77,826
	208,134	(8,635)	2,027,485	-	181,920	21,798	8,838	2,439,540	5,852	2,445,392
Transfer pursuant to										
S618(2) of CA 2016*	181,920	-	-	-	(181,920)	-	-	-	-	-
Balance at										
31 March 2017	390,054	(8,635)	2,027,485	-	-	21,798	8,838	2,439,540	5,852	2,445,392
<i>Note: *pursuant to Section 618(2) of the Companies Act 2016 ("CA 2016"), any outstanding share premium and capital redemption reserve accounts shall become part of Share Capital.</i>										
Balance at										
1 January 2016	208,134	(8,635)	1,828,121	893	181,920	21,798	3,167	2,235,398	3,158	2,238,556
Total comprehensive										
income for the quarter	-	-	59,755	-	-	-	(3,735)	56,020	(160)	55,860
Balance at										
31 March 2016	208,134	(8,635)	1,887,876	893	181,920	21,798	(568)	2,291,418	2,998	2,294,416

**The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016.**

# United Plantations Berhad

## Condensed Consolidated Cash Flow Statements for the Three Months Ended 31 March 2017

(The figures have not been audited)

(RM '000)	3 months ended 31 March	
	2017	2016
Operating Activities		
-Receipts from operations	362,940	273,171
-Operating payments	(227,684)	(207,898)
Cash flow from operations	135,256	65,273
Other operating receipts	2,616	2,392
Taxes paid	(13,740)	(25,469)
Cash flow from operating activities	124,132	42,196
Investing Activities		
- Proceeds from sale of property, plant and equipment	196	23
- Interest received	4,172	8,611
- Purchase of property, plant and equipment	(33,322)	(16,605)
- Pre-cropping expenditure incurred	(9,264)	(9,754)
- Prepaid lease payments made	(490)	(481)
- Net change in short term funds	43,143	(150,626)
Cash flow from investing activities	4,435	(168,832)
Financing Activities		
- Interest paid	-	(5)
Cash flow from financing activities	-	(5)
<b>Net Change in Cash &amp; Cash Equivalents</b>	<b>128,567</b>	<b>(126,641)</b>
<b>Cash &amp; Cash Equivalents at beginning of year</b>	<b>272,186</b>	<b>399,993</b>
<b>Cash &amp; Cash Equivalents at end of period</b>	<b>400,753</b>	<b>273,352</b>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2016.

Short Term Funds of RM375,479,000 (2016: RM503,469,000) are excluded from Cash Flow Statements due to reclassification of Short Term Funds from Cash & Cash Equivalents as reported in the last Annual Audited Financial Statements.

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## Notes to the Interim Financial Report

### A1) Accounting Policies and Basis of Preparation

The Group falls within the scope definition of Transitioning Entities which are allowed to defer adoption of the Malaysian Financial Reporting Standards (“MFRS”) Framework. Adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

Accordingly, the Group will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2018. For the financial year ending 31 December 2017, the Group will continue to prepare financial statements using Financial Reporting Standards (“FRS”).

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2016, except for the adoption of the following new Financial Reporting Standards (FRS), Amendments to FRS and IC Interpretations with effect from 1 January 2017:

- FRS 107 Disclosures Initiatives (Amendments to FRS 107)
- FRS 112 Recognition of Deferred Tax for Unrealised Losses (Amendments to FRS 112)

Adoption of the above Amendments to FRS did not have any effect on the financial performance, position or presentation of financials of the Group.

At the date of authorization of these interim financial statements, the following FRS, IC Interpretations and Amendments to IC Interpretations were issued but not yet effective and have not been applied by the Group:

<b>FRS, IC Interpretations and Amendments to IC Interpretations</b>	<b>Effective for annual periods beginning on or after</b>
• FRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments to FRS 2)	1 Jan 2018
• FRS 15 Revenue from Contracts with Customers	1 Jan 2018
• FRS 9 Financial Instruments	1 Jan 2018
• FRS 16 Leases	1 Jan 2019
• Amendments to FRS 10 and FRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

### A2) Audit Report

The auditor’s report on the financial statements for the financial year ended 31 December 2016 was not qualified.

# United Plantations Berhad

## Notes to the Interim Financial Report

### A3) Seasonal and Cyclical Nature of Group's Products and Operations

The prices for the Group's products are not within the total control of the Group but are determined by the global supply and demand situation for edible oils and it is somewhat related to the price of mineral oil.

Crop production is seasonal. Based on statistics, the Group's production of crude palm oil ("CPO") and palm kernel ("PK") gradually increases from March, peaking around July to September, and then declines from October to February. This pattern can be affected by severe global weather conditions such as El-Nino.

The prices obtainable for the Group's products as well as the volume of production, which is cyclical in nature, will determine the profits for the Group.

### A4) Exceptional and Extraordinary Items

There were no exceptional or extraordinary items for the current quarter.

### A5) Changes in Estimates

There were no material changes to estimates made in prior quarter.

### A6) Equity and Debt Securities

As at 31 March 2017, the number of treasury shares held remained at 341,774 shares of RM1.00 each as there were no share buy-back nor any cancellation, re-sale or distribution of treasury shares in the current quarter. There was also no issuance of new shares or debt instruments in the current quarter.

### A7) Dividends Paid

There was no dividend paid in the current quarter.

### A8) Segmental Information

Segmental information for the current quarter:

(RM '000)	Plantations	Refining	Other Segments	Elimination	Total
Segment Revenue:					
External Sales	73,916	304,955	362	-	379,233
Inter-segment Sales	98,727	-	-	(98,727)	-
	172,643	304,955	362	(98,727)	379,233
Segment Results:					
Profit before tax	87,756	14,844	624*	-	103,224

\* The higher profit before tax than revenue under this segment is due to interest and other incomes.



# United Plantations Berhad

## Notes to the Interim Financial Report

### A9) Valuation of Property, Plant and Equipment

The valuations of land and buildings have been brought forward without amendment from the financial statements for the year ended 31 December 2016.

### A10) Events after the Balance Sheet Date

There were no material events after the balance sheet date.

### A11) Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the quarter including business combination, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations.

### A12) Contingent Liabilities and Contingent Assets

There were no contingent liabilities or contingent assets as at 22 April 2017.

### B1) Directors' Analysis of the Group's Performance for 3 Months Ended 31 March 2017

The Group's profit before tax increased by 22.7% in the current quarter to RM103.2 million from RM84.1 million in the corresponding quarter, resulting from the following business areas:

#### Plantations

This major segment of the Group's profit before tax for the quarter increased by 45.6% to RM87.8 million from RM60.3 million in the corresponding quarter. The increase in profit before tax was mainly due to higher productions as well as lower costs of production in the current quarter as compared to the corresponding quarter in 2016. CPO and PK production increased by 11.7% and 13.4% and cost of production of CPO and PK decreased by 16.4% and 1.1% respectively. The average selling prices of CPO and PK achieved for the quarter were as follows:-

Countries	Products	March 2017 Current Period (RM/MT)	March 2016 Corresponding Period (RM/MT)
Malaysia	CPO	2,169	2,209
Indonesia	CPO	2,855	1,913
Average	CPO	2,329	2,137
Malaysia	PK	3,329	1,799
Indonesia	PK	2,629	1,395
Average	PK	3,193	1,721

# United Plantations Berhad

## Notes to the Interim Financial Report

The overall average prices including Indonesia were higher than the corresponding quarter last year, however, the lower average CPO price achieved for Malaysia was due to certain CPO quantities having been sold earlier, based on our forward sales policy, at lower prices than the market prices in the first quarter.

In addition, due to the buying back of earlier BMD sales in order to sell physical CPO forward to our refinery at higher market prices including additional sustainability premiums, the average prices achieved in the first quarter were further depressed. The realized losses when buying back the earlier quantities sold through the BMD futures market are reflected immediately in the average sales prices, however, the corresponding physical CPO sales at higher prices to our refinery will only be reflected upon delivery in the second and third quarters thereby improving the average prices during these periods significantly.

On average, the CPO price for the Group in the current quarter was 9.0% higher than the corresponding quarter whereas the average PK price was 85.5% higher in the same period.

Interest income for the Group was lower by 21.5% in the current quarter as compared to the corresponding quarter in 2016 due to lower rates obtained.

### Refinery

The profit before tax of the refinery decreased from RM34.0 million in the corresponding quarter in 2016 to RM14.8 million in the current quarter. The main reason for the sharp decline vs the corresponding quarter of 2016 was due to the reversal of the unrealized foreign exchange losses of RM22 million provided as at 31 December 2015 which impacted the corresponding quarter of 2016 positively due to the strengthening of the Malaysian Ringgit against the USD.

### Others

As the result of the strengthening of Indonesian Rupiah against Malaysian Ringgit, the holding companies' investments in Indonesia recorded RM0.7 million unrealized foreign exchange losses from IDR loans extended to Indonesian subsidiaries in the current quarter, which is smaller than the unrealized losses totaling RM11.3 million reported in the corresponding quarter of 2016.

## B2) Comparison of Results with Preceding Quarter

Profit before tax for the current quarter at RM103.2 million was lower than RM139.7 million recorded in the preceding quarter.

The plantation division registered a 23.6% drop in the profit before tax in the current quarter from the previous quarter mainly due to a combination of lower production of CPO, higher cost of production of CPO and a lower average CPO price achieved as explained under Note B1. CPO production decreased by 5% in the current quarter as compared to the preceding quarter, while PK production increased marginally by 2.5%. Cost of production of CPO increased by 33.8% in the current quarter as compared to the preceding quarter, while cost of production of PK decreased marginally by 1.0%. The higher cost of production of CPO was mainly due to higher manuring cost in the quarter under review.

The refinery recorded a 14.6% increase in profit before tax mainly due to more favourable hedging and trading positions in the current quarter when compared with the previous quarter.

## Notes to the Interim Financial Report

### B3) Prospects and Outlook

The set back in FFB production arising from the consequences of the significant El Nino experienced in 2015/2016 has now come to an end. Oil Palms across vast parts of South East Asia, notably Indonesia, Malaysia and Thailand have now recovered fully resulting in a considerably surge in production during the 1st Quarter of 2017. This recovery is expected to gain momentum in the forthcoming months facilitating a build-up of the depleted stocks.

As a function of the above prices for palm oil have now come under pressure and have started to weaken by 12-15% in the span of the last 3 months. This has clearly shifted market sentiments that have now become more bearish.

Increased U.S. soy bean plantings and a continuous increase of the South American soy bean production combined with a slight improvement in the Malaysian Currency vs the USD are also factors pressurizing the market prices for vegetable oils further.

The future of U.S. biofuel policies have been surrounded with great uncertainties lately, however, it is still expected that the US Biofuel program will continue. In addition, the Indonesian Biofuels program is also expected to continue to convert large volumes of Palm Oil into biodiesel, thereby keeping a floor under prices. The impact of World Biodiesel production therefore continues to be a key variable affecting the overall demand for vegetable oils.

Whilst production is increasing, it is important to acknowledge that global vegetable oil stocks are still historically low and therefore any disruption of global vegetable oil production would be a bullish factor on prices.

Special attention continues to be given towards addressing the acute labour shortages experienced throughout our Malaysian estates during 2016 and which continue to linger on in 2017. Fortunately, approval has been given during the first quarter to receive additional guest workers without which significant crop losses would be a reality going forward.

In accordance with its replanting policy, UP will continue to replant large areas of its older and less productive oil palm stands in Malaysia during 2017. Cost efficiencies and improved productivity will therefore continue as a vital part of sustaining our positive development.

In view of the above and the current prevailing prices of palm oil and palm kernel oil in the market and with the prices contracted under our forward sales policy, coupled with large areas steadily coming into maturity from our replanted areas, the Board of Directors whilst acknowledging the challenges ahead, expects that the results for 2017 will be satisfactory.

### B4) Profit Forecasts

The Group has not issued any profit forecasts for the quarter under review.

# United Plantations Berhad

## Notes to the Interim Financial Report

### B5) Taxation

The charge for taxation for the period ended 31 March 2016 comprises:

(RM '000)	Current Quarter	Current year-to-date
Current taxation	21,589	21,589
Deferred taxation	3,178	3,178
	25,037	25,037
Profit before taxation	103,224	103,224
Tax at the statutory income tax rate of 24%	24,774	24,774
Tax effects of expenses not deductible/(income not taxable) in determining taxable profit :		
Depreciation on non-qualifying assets	268	268
Reinvestment allowance and double deductions for research and development	(330)	(330)
Underprovision of taxes in prior years	364	364
Others	(39)	(39)
<b>Tax expense</b>	<b>25,037</b>	<b>25,037</b>

### B6) Corporate Proposals

There were no corporate proposals which were announced but not completed as at 22 April 2017.

### B7) Group Borrowings

All Group borrowings were unsecured, short term and denominated in Ringgit Malaysia only and outstanding balance as at 31 March 2017 was RM9,000.

### B8) Material Litigation

There was no material litigation as at 22 April 2017.

### B9) Proposed Dividends

No interim dividend has been declared or proposed for the year ending 31 December 2017.

### B10) Earnings Per Share (EPS)

The calculation of EPS is based on profit attributable to the ordinary equity holders of the parent company of RM77,668,000 (2016: RM59,755,000) and the weighted average number of ordinary shares of 207,792,492 (2016: 207,792,492) in issue during the quarter.

# United Plantations Berhad

## Notes to the Interim Financial Report

### B11) Disclosure of Realised and Unrealised Profits/Loss

(RM' 000)	As at 31/03/2017	As at 31/12/2016
Total retained profits of the Company and its subsidiaries:		
- Realised	2,101,090	2,030,781
- Unrealised	(72,605)	(82,244)
	<b>2,029,385</b>	1,948,537
Associated company:		
- Realised	(51)	(51)
	<b>2,029,334</b>	1,948,486
Consolidation adjustments	(1,849)	1,331
Total Group retained profits as per consolidated financial statements	<b>2,027,485</b>	1,949,817

### B12) Others

United International Enterprises Limited which is the largest shareholder of the Company and listed on NASDAQ OMX Copenhagen A/S (Nasdaq CPH) had early adopted Amendments to IAS16 and IAS41 for bearer plants issued by International Accounting Standard Board (IASB) which is equivalent to Amendments to MFRS116 and MFRS141 Agriculture: Bearer Plants as issued by Malaysian Accounting Standard Board (MASB). The Group did not early adopt these standards which will be effective 1 January 2018.

In compliance with Part D-Thorough Public Dissemination under Chapter 9 of Bursa's listing requirements which stipulated that disclosure should not be made on selective basis, the Group had under Note 31 of the Annual Report 2016 disclosed the financial effects of adoption of MFRS141 and will continue to make such disclosure until adoption of these standards in 2018.

Currently, the application of the amendments of MFRS141 are being discussed at the moment and there is no consensus as to how to measure the fruit growing on the palms. The Group is currently adopting a method of valuation that it believes best reflects the biological transformation of fruit bunches on palm trees and coconuts. The Group will, however, follow the development of an industry practice closely and it will align with the emerged consensus on how to measure the produce growing on the bearer assets upon issuance of a guidance.

# United Plantations Berhad

## Notes to the Interim Financial Report

Based on the method of valuation adopted by the Group, the financial effects of the amendments of MFRS 141 as at 31 March 2017 are as follows:

	Increase/(Decrease)	
	31/3/2017	31/3/2016
	RM'000	RM'000
Comprehensive Income	5,635	2,412
Biological Assets	5,635	2,412
Deferred Taxation	(1,352)	(579)
Equity	4,283	1,833

By Order of the Board

**Ng Eng Ho**  
Company Secretary

Jendarata Estate  
36009 Teluk Intan  
Perak Darul Ridzuan  
Malaysia

22 April 2017

# United Plantations Berhad

## Contact information

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