Third Quarter Report

2018

UNITED PLANTATIONS BERHAD
(Company No.240 A)
Jendarata Estate • 36009 Teluk Intan • Perak Darul Ridzuan • Malaysia

United Plantations Berhad

Condensed Consolidated Statement of Comprehensive Income for the Nine Months Ended 30 September 2018

(The figures have not been audited)

(RM'000)	Quarter ended 30 September				9 Months ended 30 September			
	2018	2017 (Reported under MFRS)	Changes (%)	2017 (Previously reported under FRS)	2018	2017 (Reported under MFRS)	Changes (%)	2017 (Previously reported under FRS)
Revenue	**340,858**	370,820	-8.1%	370,820	**976,332**	1,105,315	-11.7%	1,105,315
Operating expenses	**(225,804)**	(254,299)	-11.2%	(254,299)	**(658,520)**	(766,828)	-14.1%	(766,828)
Other operating income	**799**	6,057	-86.8%	5,878	**34,920**	23,234	50.3%	17,966
Finance costs	**(7)**	(25)	-72.0%	(25)	**(18)**	(35)	-48.6%	(35)
Interest income	**7,280**	6,860	6.1%	6,860	**22,072**	18,599	18.7%	18,599
Share of results of joint venture	**(661)**	-	-	-	**(1,227)**	-	-	-
Profit before taxation	**122,465**	129,413	-5.4%	129,234	**373,559**	380,285	-1.8%	375,017
Income tax expense	**(27,349)**	(29,931)	-8.6%	(29,888)	**(89,453)**	(88,470)	1.1%	(87,206)
Profit after taxation	**95,116**	99,482	-4.4%	99,346	**284,106**	291,815	-2.6%	287,811
Profit for the period	**95,116**	99,482	-4.4%	99,346	**284,106**	291,815	-2.6%	287,811
Net profit attributable to:								
Equity holders of the parent	**94,853**	98,928	-4.1%	98,764	**282,599**	290,206	-2.6%	286,184
Non-controlling interests	**263**	554	-52.5%	582	**1,507**	1,609	-6.3%	1,627
	95,116	99,482	-4.4%	99,346	**284,106**	291,815	-2.6%	287,811
Earnings per share								
(i) Basic - based on an average 207,792,492 (2017:207,792,492) ordinary shares (sen)	**45.65**	47.61	-4.1%	47.53	**136.00**	139.66	-2.6%	137.73
(ii) Fully diluted (not applicable)	**-**	-	-	-	**-**	-	-	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2017.

United Plantations Berhad

Condensed Consolidated Statement of Comprehensive Income for the Nine Months Ended 30 September 2018

(The figures have not been audited)

(RM'000)	Quarter ended 30 September 2018	Quarter ended 30 September 2017 (Reported under MFRS)	Changes (%)	2017 (Previously reported under FRS)	9 Months ended 30 September 2018	9 Months ended 30 September 2017 (Reported under MFRS)	Changes (%)	2017 (Previously reported under FRS)
Profit for the period	**95,116**	99,482	-4.4%	99,346	**284,106**	291,815	-2.6%	287,811
Currency translation differences arising from consolidation	**(1,971)**	(3,688)	-46.6%	(3,688)	**(10,997)**	(7,601)	44.7%	(7,601)
Total Comprehensive income	**93,145**	95,794	-2.8%	95,658	**273,109**	284,214	-3.9%	280,210
Total comprehensive income attributable to:								
Equity holders of the parent	**92,977**	95,423	-2.6%	95,259	**272,582**	282,974	-3.7%	278,952
Non-controlling interests	**168**	371	-54.7%	399	**527**	1,240	-57.5%	1,258
	93,145	95,794	-2.8%	95,658	**273,109**	284,214	-3.9%	280,210

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2017.

United Plantations Berhad

Condensed Consolidated Statement of Financial Position as at 30 September 2018

(The figures have not been audited)

(RM'000)	**30 September 2018**	31 December 2017 (Reported under MFRS)	1 January 2017 (Reported under MFRS)
ASSETS			
Non-Current Assets			
Property, plant and equipment	**1,485,467**	1,474,059	1,419,373
Land use rights	**35,447**	34,115	36,192
Associated company	**50**	50	50
Joint venture	**28,672**	29,899	- *
Derivatives	**709**	3,417	-
Deferred tax assets	**4,995**	3,524	1,732
Total non-current assets	**1,555,340**	1,545,064	1,457,347
Current Assets			
Inventories	**150,236**	156,833	189,958
Biological assets	**34,080**	31,388	28,262
Trade & other receivables	**250,405**	237,588	293,239
Prepayments	**2,841**	3,211	2,475
Tax recoverable	**309**	3,848	6,247
Derivatives	**1,203**	20,244	3,456
Cash and bank balances	**149,491**	473,711	272,292
Short term funds	**697,041**	377,874	418,622
Total current assets	**1,285,606**	1,304,697	1,214,551
Total assets	**2,840,946**	2,849,761	2,671,898
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	**390,054**	390,054	208,134
Share premium	**-**	-	181,920
Treasury shares	**(8,635)**	(8,635)	(8,635)
Other reserves	**(1,706)**	8,311	21,798
Retained profits	**2,167,491**	2,134,243	1,980,240
	2,547,204	2,523,973	2,383,457
Non-controlling interests	**7,420**	6,893	5,588
Total equity	**2,554,624**	2,530,866	2,389,045
Non-Current Liabilities			
Retirement benefit obligations	**15,279**	13,626	13,254
Deferred tax liabilities	**149,370**	140,332	123,699
Derivatives	**522**	1,115	178
Total non-current liabilities	**165,171**	155,073	137,131
Current Liabilities			
Trade & other payables	**100,158**	137,749	114,403
Tax payable	**19,900**	13,333	16,152
Retirement benefit obligations	**993**	971	749
Derivatives	**-**	11,658	14,312
Bank borrowings	**100**	111	106
Total current liabilities	**121,151**	163,822	145,722
Total liabilities	**286,322**	318,895	282,853
Total equity and liabilities	**2,840,946**	2,849,761	2,671,898
Net assets per share (RM)	**12.26**	12.15	11.47

* The carrying amount of the investment in joint venture as at 1 January 2017 was RM1.00

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2017.

United Plantations Berhad

Condensed Statement of Changes in Equity
for the Nine Months Ended 30 September 2018
(The figures have not been audited)

(RM'000)	Share Capital	Treasury shares	Retained profits	Share premium	Capital reserve	Translation reserve	Total	Non-controlling interests	Total equity
	← Attributable to Equity Holders of the Parent →								
Balance at 1 January 2018. as previously stated	390,054	(8,635)	2,101,379	-	21,798	(4,299)	2,500,297	6,714	2,507,011
Effects on adoption of MFRS	-	-	32,864	-	-	(9,188)	23,676	179	23,855
Balance at 1 January 2018. as reported under MFRS	390,054	(8,635)	2,134,243	-	21,798	(13,487)	2,523,973	6,893	2,530,866
Total comprehensive income for the period	-	-	282,599	-	-	(10,017)	272,582	527	273,109
Dividends, representing total transaction with owners	-	-	(249,351)	-	-	-	(249,351)	-	(249,351)
Balance at 30 September 2018	**390,054**	**(8,635)**	**2,167,491**	**-**	**21,798**	**(23,504)**	**2,547,204**	**7,420**	**2,554,624**
Balance at 1 January 2017. as previously stated	208,134	(8,635)	1,949,817	181,920	21,798	9,188	2,362,222	5,344	2,367,566
Effects on adoption of MFRS	-	-	30,423	-	-	(9,188)	21,235	244	21,479
Balance at 1 January 2017. as reported under MFRS	208,134	(8,635)	1,980,240	181,920	21,798	-	2,383,457	5,588	2,389,045
Total comprehensive income for the period	-	-	290,206	-	-	(7,232)	282,974	1,240	284,214
Dividends, representing total transaction owners	-	-	(176,624)	-	-	-	(176,624)	-	(176,624)
	208,134	(8,635)	2,093,822	181,920	21,798	(7,232)	2,489,807	6,828	2,496,635
Transfer pursuant to S618(2) of CA 2016 *	181,920	-	-	(181,920)	-	-	-	-	-
Balance at 30 September 2017	**390,054**	**(8,635)**	**2,093,822**	**-**	**21,798**	**(7,232)**	**2,489,807**	**6,828**	**2,496,635**

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.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes and the Annual Audited Financial Statements for the year ended 31 December 2017.

United Plantations Berhad

Condensed Consolidated Cash Flow Statements
for the Nine Months Ended 30 September 2018
(The figures have not been audited)

(RM'000)	9 Months ended 30 September **2018**	2017
Operating Activities		
-Receipts from operations	**1,003,938**	1,111,629
-Operating payments	**(621,054)**	(615,538)
Cash flow from operations	**382,884**	496,091
Other operating receipts	**45,188**	16,044
Taxes paid	**(72,113)**	(59,903)
Cash flow from operating activities	**355,959**	452,232
Investing Activities		
- Proceeds from sale of property, plant and equipment	**2,402**	250
- Investment in a joint venture	**-**	(15,000)
- Interest received	**18,762**	16,331
- Purchase of property, plant and equipment	**(57,752)**	(114,606)
- Deposit on purchase of land	**(41,357)**	-
- Pre-cropping expenditure incurred	**(30,530)**	(29,041)
- Prepaid lease payments made	**(3,157)**	(951)
- Net change in short term funds	**(319,167)**	71,675
Cash flow from investing activities	**(430,799)**	(71,342)
Financing Activities		
- Dividends paid	**(249,351)**	(176,624)
- Finance costs paid	**(18)**	(35)
Cash flow from financing activities	**(249,369)**	(176,659)
Net Change in Cash & Cash Equivalents	**(324,209)**	204,231
Cash & Cash Equivalents at beginning of year	**473,600**	272,186
Cash & Cash Equivalents at end of period	**149,391**	476,417

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2017.

Short Term Funds of RM697,041,000 (2017: RM346,947,000) 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.

Notes To The Interim Financial Report

A1) **ACCOUNTING POLICIES AND BASIS OF PREPARATION**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 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 2017. 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 2017.

The interim financial statements of the Group for the financial period ended 31 March 2018 was the first set of financial statements prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") Framework. The date of transition to the MFRS Framework was on 1 January 2017.

The Group has consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017 and throughout all comparable interim periods presented, as if these policies had always been in effect. Comparative information in these interim financial statements have been restated to give effect to these changes and the financial impact on transition from FRS in Malaysia to MFRS as disclosed as follows:

a) <u>Bearer plants</u>
The amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will be within the scope of MFRS 116. After initial recognition, bearer plants will now be measured under MFRS 116 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). As the Group is currently measuring the bearer biological assets at cost less amortisation, the change in accounting policies is limited to reclassification of the bearer assets from biological assets to property, plant and equipment and thus, the change will not impact comprehensive income or equity.

b) <u>Biological assets</u>
Prior to the adoption of the Amendments to MFRS 116 and MFRS 141 Agriculture: Bearer Plants, biological assets which form part of the bearer plants were not recognised. With the adoption of the Amendments to MFRS 116 and MFRS 141, the biological assets within the scope of MFRS 141 are measured at fair value less costs to sell. The changes in fair value less costs to sell of the biological assets was recognised in profit or loss.

c) <u>Business combinations</u>
As part of its transition to MFRS, the Group elected to apply the optional exemption not to restate those business combinations that occurred before the date of transition, 1 January 2017.

Notes To The Interim Financial Report

d) Cumulative translation differences
As part of its transition to MFRS, the Group elected to apply the optional exemption whereby the cumulative translation differences for all foreign operations are deemed to be zero at the date of transition, 1 January 2017. The entire balance of RM9,188,000 for the Group in the exchange translation reserve at the date of transition has been transferred to retained profits, so as to give the exchange translation differences a fresh-start measurement of zero.

The impact of the changes in accounting policy on the financial statements as a result of the transition to the MFRS Framework are as follows:

Condensed Consolidated Statement of Financial Position

	As at 31 December 2017			As at 1 January 2017		
(RM'000)	Previously reported under FRS	Effects on adoption of MFRS	Reported under MFRS	Previously reported under FRS	Effects on adoption of MFRS	Reported under MFRS
Non-current assets						
Property, plant and equipment	1,029,474	444,585	1,474,059	970,642	448,731	1,419,373
Biological assets	444,585	(444,585)	-	448,731	(448,731)	-
Current assets						
Biological assets	-	31,388	31,388	-	28,262	28,262
Equity						
Other reserves	17,499	(9,188)	8,311	30,986	(9,188)	21,798
Retained profits	2,101,379	32,864	2,134,243	1,949,817	30,423	1,980,240
Non-controlling interests	6,714	179	6,893	5,344	244	5,588
Non-current liabilities						
Deferred tax liabilities	132,799	7,533	140,332	116,916	6,783	123,699

Notes To The Interim Financial Report

Condensed Consolidated Statement of Comprehensive Income

(RM'000)	Corresponding quarter			Corresponding period		
	Previously reported under FRS	**Effects on adoption of MFRS**	**Reported under MFRS**	**Previously reported under FRS**	**Effects on adoption of MFRS**	**Reported under MFRS**
Other operating income	5,878	179	6,057	17,966	5,268	23,234
Profit before tax	129,234	179	129,413	375,017	5,268	380,285
Income tax expense	(29,888)	(43)	(29,931)	(87,206)	(1,264)	(88,470)
Profit after taxation	**99,346**	**136**	**99,482**	**287,811**	**4,004**	**291,815**
Net profit attributable to:						
Equity holders of the parent	98,764	164	98,928	286,184	4,022	290,206
Non-controlling interests	582	(28)	554	1,627	(18)	1,609
	99,346	**136**	**99,482**	**287,811**	**4,004**	**291,815**

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

FRS, IC Interpretation and Amendments to IC Interpretations	**Effective for annual periods beginning on or after**
• MFRS 16 Leases	1 Jan 2019
• MFRS 17: Insurance Contracts	1 Jan 2021
• Amendments to FRS 10 and FRS 128 Sale and Contribution of Assets between an Investor and its Associates or Joint Venture	Deferred

A2) **AUDIT REPORT**

The auditor’s report on the financial statements for the financial year ended 31 December 2017 was not qualified.

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.

Notes To The Interim Financial Report

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 Niño and La Niña

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 period.

A5) **CHANGES IN ESTIMATES**

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

A6) **EQUITY AND DEBT SECURITIES**

As at 30 September 2018, the number of treasury shares held remained at 341,774 shares as there were no share buy-back nor any cancellation, re-sale or distribution of treasury shares in the current period. There was also no issuance of new shares or debt instruments in the current period.

A7) **DIVIDENDS PAID**

The following dividends were paid on 18 May 2018 in respect of the financial year ended 31 December 2017: -

Ordinary	RM'000
Final 20 sen paid	41,559
Special 100 sen paid	207,792
Total	249,351

A8) **SEGMENTAL INFORMATION**

Segmental information for the current period:

(RM'000)	Plantations	Refining	Other Segments	Elimination	Total
Segment Revenue:					
External sales	294,603	680,512	1,217	-	976,332
Inter-segment sales	238,912	-	-	(238,912)	-
	533,515	680,512	1,217	(238,912)	976,332
Segment Results:					
Profit before tax	312,432	54,089	7,038	-	373,559

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 2017.

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 period 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 10 November 2018.

B1) **DIRECTORS' ANALYSIS OF THE GROUP'S PERFORMANCE FOR 9 MONTHS ENDED 30 SEPTEMBER 2018**

The Group's revenue for the current period at RM976.3 million was lower by 11.7% as compared to RM1,105.3 million recorded in the corresponding period, mainly due to the decrease in revenue for the plantations and refinery segments by 10.8% and 13.9% respectively in the current period.

The Group's profit before tax at RM373.6 million for the current period was lower by 1.8% as compared to RM380.3 million in the corresponding period. The analysis of the performance in accordance to the segments are as follows:

<u>Plantations</u>

This major segment of the Group's revenue decreased by 10.8% to RM533.5 million in the current period from RM598.2 million in the corresponding period which resulted in the decline of profit before tax by 4.4% to RM312.4 million from RM326.7 million in the period under review. The decrease in revenue was mainly due to the lower PK price in the Malaysian operations by 24.1%, and lower CPO and PK prices in the Indonesian operations by 20.5% and 28.0% respectively in the current period compared to the corresponding period. The increase in Group CPO and PK production by 3.7% and 3.4% respectively cushioned this decrease in revenues in the current period as compared to the corresponding period. Cost of production of CPO was higher in the current period by 2.0% mainly due to higher manuring costs, while cost of production of PK was lower by 2.5% in the period under review.

Notes To The Interim Financial Report

The profit before tax of this segment was positively impacted by a gain of RM23.3 million in the current period due to the fair valuation of the commodity contracts at the reporting date.

The average selling prices of CPO and PK achieved for the period were as follows: -

Countries	Products	**September 2018 Current Period (RM/MT)**	September 2017 Corresponding Period (RM/MT)
Malaysia	CPO	**2,621**	2,562
Indonesia	CPO	**2,077**	2,612
Average	CPO	**2,487**	2,574
Malaysia	PK	**2,132**	2,808
Indonesia	PK	**1,456**	2,021
Average	PK	**1,993**	2,654

On average, the CPO and PK prices for the Group were lower by 3.4% and 24.9% respectively in the current period as compared to the prices in the corresponding period.

Interest income for the Group was higher by 18.7% in the current period as compared to the corresponding period due to higher bank deposits and higher rates obtained.

Refinery

The revenue for the refinery segment decreased by 13.9% to RM680.5 million in the current period from RM790.3 million in the corresponding period mainly due to lower CPKO prices in the current period. This decrease in revenue resulted in a decrease in the profit before tax of the refinery from RM56.5 million in the corresponding period to RM54.1 million in the current period.

Others

As a result of the Indonesian Rupiah (IDR) weakening by 4.6% against Malaysian Ringgit in the current period, the holding companies' investments in Indonesia recorded a total of RM7.1 million in foreign exchange losses from IDR loans extended to Indonesian subsidiaries in the current period, as compared to the foreign exchange losses totaling RM9.0 million reported in the corresponding period when the IDR weakened by 5.8%.

Notes To The Interim Financial Report

B2) **COMPARISON OF RESULTS WITH PRECEDING QUARTER**

(RM'000)	Current Quarter 30/9/2018	Preceding Quarter 30/6/2018	Changes %
Revenue	340,858	309,930	10.0%
Interest income	7,280	7,215	0.9%
Profit Before Tax	122,465	110,003	11.3%
Profit After Tax	95,116	88,077	8.0%

The Group's revenue for the current quarter at RM340.9 million was higher by 10.0% as compared to RM309.9 million recorded in the preceding quarter, due to the increase in the revenue from the plantation and refinery segments by 7.1% and 13.2% respectively in the current quarter.

Profit before tax for the current quarter at RM122.5 million was higher by 11.3% as compared to RM110.0 million recorded in the preceding quarter.

Plantations

The plantation segment registered an increase in revenue of 7.1% in the current quarter from the preceding quarter mainly to higher production of CPO and PK by 25.6% and 25.7% respectively in the Malaysian operations. This was slightly offset by a lower production of CPO and PK in the Indonesian operations by 2.7% and 2.4% respectively. The higher fair valuation gain on the commodity contracts of RM3.4 million in the current quarter as compared to RM0.3 million in the preceding quarter also contributed to the increase in profit before tax in the current quarter, which increased by 11.3% as compared to the preceding quarter.

Group CPO and PK production increased by 18.1% and 19.3% respectively in the current quarter as compared to the preceding quarter. Cost of production of CPO increased by 4.3% in the current quarter as compared to the preceding quarter, mainly due to higher manuring costs in the current quarter.

Interest income for the Group was marginally higher by 0.9% in the current quarter as compared to the preceding quarter due to higher rates obtained for bank deposits in the current quarter.

Refinery

The refinery segment recorded an increase in revenue and profit before tax of 13.2% and 127.2% respectively in the current quarter mainly due to higher sales volume and favourable commodities and currency hedging positions in the current quarter as compared to the preceding quarter.

Notes To The Interim Financial Report

Others

The weakening of the Indonesian Rupiah against the Malaysian Ringgit during the period under review as compared to the preceding quarter resulted in foreign exchange losses totaling RM1.4 million in the current quarter, as compared to the foreign exchange gains totaling RM0.4 million in the preceding quarter.

B3) **PROSPECTS AND OUTLOOK**

The third quarter experienced relatively quiet trading with crude palm oil prices ranging from RM2,200 to RM2,300 per MT. The market was mainly influenced by lower than expected Malaysian palm oil production and increased Biodiesel production as bullish price influencing factors and very good US soy bean yields, expansion of the South American soy bean planting areas as well as the possible trade conflict between the US and China as bearish price influencing factors.

Malaysian palm oil production experienced very slow growth during July and August with numbers even below the production experienced during the 2016-El Niño year. However, during September the production was back on track exceeding both September 2016 and 2017. Due to a similar poor growth in exports (especially during July and August), Malaysian end of September stocks increased to a historic high level of 2.54 million tonnes which is ½ million tonnes more compared to September last year and 1 million tonnes more than September 2016. This put pressure on the nearby prices of crude palm oil.

The world 2018/2019 soy bean production is expected to hit an all-time record. In the Northern Hemisphere, the US farmers are experiencing record high yields and it is expected that they will harvest 128 million tonnes, up from 120 million tonnes last year (up 6.5%). In South America, the farmers have expanded their planted acreage due to expectations of increased demand from China as a result of the ongoing US/China trade conflict. In Argentina, they expect a recovery in their production this year of around 52 million tonnes compared to the bad harvest in 2017 of around 35 million tonnes (up 48%). In Brazil, farmers expect an all-time high record harvest of 122 million tonnes compared to the bumper crop of 119 million tonnes experienced last year (up 2.5%). In total, World 2018/2019 soy bean production is expected to grow by 30 million tonnes (up 8.8%) with World stocks expected to increase to an impressive record of 109 million tonnes. These factors have put vegetable oil prices under pressure.

The 2018 world biodiesel output is, according to Oilworld Hamburg, estimated to increase to a record 39.9 million tonnes, up by 4 million tonnes versus last year. This sharp increase is a result of lower vegetable oil prices, rising mineral oil prices and increased political mandates for biofuels. The increased biodiesel production is an important tool for reducing the vegetable oil surplus and Oilworld estimate that 13.9 million tonnes of palm oil will be used for biodiesel production in 2018, roughly 35% of world biodiesel production, up 2.7 million tonnes from 2017.

According to Indonesian ministry officials, the 2019 biodiesel production could rise to 7 million tonnes (Oilworld estimates 6 million tonnes), up 40% from an estimated 5 million tonnes in 2018. In September, Indonesia initiated a policy for diesel fuel to contain a minimum. 20% biodiesel content. How the implementation will take place will be interesting to follow.

Notes To The Interim Financial Report

On the 9th October, the Australian Bureau of Meteorology revised their ENSO Outlook to El Niño alert, which means that the risk of El Niño forming in 2018 is around 70% (50% in September report) equal to triple the normal likelihood. El Niño alert is not a guarantee that it will occur; it is an indication that most typical precursors of an event are in place. While this would be late for an event to develop, it is not unprecedented. Nevertheless, it is not expected to have any significant price impact in the near future.

With the large increases in soy bean production and with Malaysian palm oil production back on track, the supply situation is considered comfortable. Furthermore, the record high stocks at origin (Malaysia/Indonesia) are expected to prevent the palm oil market from making any sudden price rally and therefore it is expected that prices will continue to be under pressure.

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 2018. Cost efficiencies and improved productivity will therefore continue as a vital part of sustaining our positive development.

With the prices contracted under our forward sales policy and with our Indonesian production improving coupled with large areas steadily coming into maturity from our replanted areas in Malaysia, the Board of Directors expects that the results for 2018 will be satisfactory.

B4) **PROFIT FORECASTS**

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

B5) **TAXATION**

The charge for taxation for the period ended 30 September 2018 comprises:

(RM '000)	*Current Quarter*	*Current year-to-date*
Current taxation	27,550	82,219
Deferred taxation	(201)	7,234
	27,349	89,453
Profit before taxation	122,465	373,559
Tax at the statutory income tax rate of 24%	29,391	89,654
Tax effects of expenses not deductible / (income not taxable) in determining taxable profit:		
Depreciation on non-qualifying assets	268	804
Reinvestment allowance and double deductions for research and development	(83)	(248)
Under/(over) provision of tax in prior year	(468)	(2,164)
Others	(1,759)	1,407
Tax expense	27,349	89,453

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B6) **CORPORATE PROPOSALS**

The corporate proposal announced but not completed as at 10 November 2018 is as follows:

On 21 September 2018, United Plantations Bhd entered into 3 conditional sale and purchase agreements ("SPAs") with Pinehill Pacific Berhad's group of companies to purchase agriculture lands measuring approximately 8,999 acres together with a palm oil mill in Daerah Hilir Perak for a total combined purchase consideration of RM413.57 million ("Proposed Acquisition"). Barring unforeseen circumstances, this Proposed Acquisition is expected to be completed by March/April 2019.

There were no other corporate proposals which were announced but not completed as at 10 November 2018.

B7) **GROUP BORROWINGS**

All Group borrowings were unsecured, short term and denominated in Ringgit Malaysia only and outstanding balance as at 30 September 2018 was RM100,000.

B8) **FINANCIAL INSTRUMENTS**

a) Derivatives

The Group uses forward currency contracts and commodity futures contracts to manage its exposure to currency and price risks. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

The fair values of these derivatives as at 30 September 2018 are as follows:

	Net Notional Amount Sales / (Purchases) RM'000	Assets RM'000	Liabilities RM'000
Non-hedging derivatives:			
Current			
Forward currency contracts	198,929	563	-
Commodity futures contracts	(475)	640	-
		1,203	-
Non-current			
Forward currency contracts	17,632	709	-
Commodity futures contracts	594	-	(522)
		709	(522)
Total derivatives		1,912	(522)

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the financial year ended 31 December 2017.

The description, notional amount and maturity profile of each derivative are shown below:

i) Forward currency contracts

Forward currency contracts are used to hedge the Group's sales and purchases denominated in USD for which firm commitments existed at the reporting date.

The forward currency contracts are stated at fair value. Fair value of the forward currency contracts is determined by reference to the difference between the contracted rate and the market rate as at the reporting date.

As at 30 September 2018, the notional amount, fair value and maturity tenor of the forward currency contracts are as follows:

	Net Notional Amount Sales / (Purchases) RM'000	Fair Value Assets/ (Liabilities) RM'000
- less than 1 year	198,929	563
- 1 year to less than 3 years	17,632	709
- More than 3 years	-	-
	216,561	1,272

ii) Commodity futures contracts

Commodity futures contracts are used to manage and hedge the Group's exposure to adverse price movements in vegetable oil commodities

The commodity futures contracts are stated at fair value. Fair value of the commodity futures contracts is determined by reference to the difference between the contracted rate and the forward rate as at the reporting date.

As at 30 September 2018, the notional amount, fair value and maturity tenor of the commodity futures contracts are as follows:

	Net Notional Amount Sales / (Purchases) RM'000	Fair Value Assets/ (Liabilities) RM'000
- less than 1 year	(475)	640
- 1 year to less than 3 years	594	(522)
- More than 3 years	-	-
	119	118

b) Fair Value Changes of Financial Liabilities

Other than derivatives which are classified as liabilities only when they are at fair value loss position as at the end of the reporting period, the Group does not remeasure its financial liabilities at fair value after the initial recognition.

B9) **MATERIAL LITIGATION**

There was no material litigation as at 10 November 2018.

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B10) **PROPOSED DIVIDENDS**

The Directors have on 10 November 2018 declared an interim dividend of 20 sen per share (2017: 20 sen per share) and a special dividend of 10 sen per share (2017: 10 sen per share) for the year ending 31 December 2018 on the issued ordinary share capital of the Company. The dividend is payable on 12 December 2018.

B11) **EARNINGS PER SHARE (EPS)**

The calculation of EPS is based on profit attributable to the ordinary equity holders of the parent company of RM282,599,000 (2017: RM290,206,000) and the weighted average number of ordinary shares of 207,792,492 (2017: 207,792,492) in issue during the period.

By Order of the Board

Ng Eng Ho
Company Secretary

Jendarata Estate
36009 Teluk Intan
Perak Darul Ridzuan
Malaysia

10 November 2018

Contact information

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