

Second Quarter Report 2023

The logo consists of the letters 'U' and 'P' in a bold, blue, serif font. The letters are three-dimensional, with a dark blue shadow on the right side, giving them a 3D appearance.

UNITED PLANTATIONS BERHAD
(Company Registration No. 191701000045 (240 A))
Jendarata Estate • 36009 Teluk Intan • Perak Darul Ridzuan • Malaysia

United Plantations Berhad

Condensed Consolidated Statement of Comprehensive Income for the Six Months Ended 30 June 2023 (The figures have not been audited)

| (RM'000) | ----- Quarter ended 30 June ----- | | | ----- 6 Months ended 30 June ----- | | |
|---|-----------------------------------|-----------|-------------|------------------------------------|-------------|-------------|
| | 2023 | 2022 | Changes (%) | 2023 | 2022 | Changes (%) |
| Revenue | 470,074 | 701,258 | -33.0% | 930,061 | 1,344,166 | -30.8% |
| Operating expenses | (324,236) | (442,988) | -26.8% | (681,756) | (1,029,718) | -33.8% |
| Other operating income | 55,747 | 280 | 19,809.6% | 96,033 | 20,681 | 364.4% |
| Finance costs | (181) | (1,278) | -85.8% | (362) | (1,324) | -72.7% |
| Interest income | 7,108 | 1,399 | 408.1% | 13,580 | 2,459 | 452.3% |
| Share of results of joint ventures | (1,341) | 248 | -640.7% | (351) | (594) | -40.9% |
| Profit before taxation | 207,171 | 258,919 | -20.0% | 357,205 | 335,670 | 6.4% |
| Income tax expense | (47,176) | (73,195) | -35.5% | (84,751) | (88,336) | -4.1% |
| Profit after taxation | 159,995 | 185,724 | -13.9% | 272,454 | 247,334 | 10.2% |
| Profit for the period | 159,995 | 185,724 | -13.9% | 272,454 | 247,334 | 10.2% |
| Net profit attributable to: | | | | | | |
| Equity holders of the parent | 159,015 | 184,632 | -13.9% | 271,105 | 244,325 | 11.0% |
| Non-controlling interests | 980 | 1,092 | -10.3% | 1,349 | 3,009 | -55.2% |
| | 159,995 | 185,724 | -13.9% | 272,454 | 247,334 | 10.2% |
| Earnings per share | | | | | | |
| (i) Basic - based on an average 414,784,984 (2022:414,784,984) ordinary shares (sen) | 38.34 | 44.51 | -13.9% | 65.36 | 58.90 | 11.0% |
| (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 2022.

United Plantations Berhad

Condensed Consolidated Statement of Comprehensive Income for the Six Months Ended 30 June 2023 (The figures have not been audited)

| (RM'000) | ----- Quarter ended 30 June ----- | | | ----- 6 Months ended 30 June ----- | | |
|---|-----------------------------------|----------------|---------------|------------------------------------|----------------|-------------|
| | 2023 | 2022 | Changes (%) | 2023 | 2022 | Changes (%) |
| Profit for the period | 159,995 | 185,724 | -13.9% | 272,454 | 247,334 | 10.2% |
| Other comprehensive income: | | | | | | |
| Items that will be reclassified subsequently to profit or loss: | | | | | | |
| Currency translation differences arising from consolidation | 17,034 | 2,204 | 672.9% | 29,607 | 3,493 | 747.6% |
| Cash flow hedge | | | | | | |
| - changes in fair value | (28,333) | 24,280 | -216.7% | 274,329 | (197,983) | 238.6% |
| - transfers to profit or loss | (36,060) | 58,369 | -161.8% | (294,134) | 208,445 | -241.1% |
| Total Comprehensive income | 112,636 | 270,577 | -58.4% | 282,256 | 261,289 | 8.0% |
| Total comprehensive income attributable to: | | | | | | |
| Equity holders of the parent | 110,804 | 269,375 | -58.9% | 279,426 | 258,109 | 8.3% |
| Non-controlling interests | 1,832 | 1,202 | 52.4% | 2,830 | 3,180 | -11.0% |
| | 112,636 | 270,577 | -58.4% | 282,256 | 261,289 | 8.0% |

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 2022.

United Plantations Berhad

Condensed Consolidated Statement of Financial Position as at 30 June 2023

(The figures have not been audited)

| (RM'000) | 30 June 2023 | 31 December 2022 |
|---|------------------|---------------------|
| ASSETS | | |
| Non-Current Assets | | |
| Property, plant and equipment | 1,257,511 | 1,241,751 |
| Right-of-use assets | 410,504 | 406,068 |
| Associated company | 50 | 50 |
| Joint Ventures | 53,148 | 53,499 |
| Goodwill | 356,856 | 356,856 |
| Other receivables | 708 | 692 |
| Derivatives | - | 11,342 |
| Deferred tax assets | 2,044 | 2,134 |
| Total non-current assets | 2,080,821 | 2,072,392 |
| Current Assets | | |
| Biological assets | 51,954 | 45,643 |
| Inventories | 231,235 | 219,549 |
| Trade & other receivables | 141,880 | 160,664 |
| Prepayments | 5,271 | 6,515 |
| Tax recoverable | 7,465 | 37 |
| Derivatives | 19,192 | 34,486 |
| Cash and bank balances | 548,619 | 537,232 |
| Short term funds | 111,218 | 242,282 |
| Total current assets | 1,116,834 | 1,246,408 |
| Total assets | 3,197,655 | 3,318,800 |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the parent | | |
| Share capital | 390,054 | 390,054 |
| Treasury shares | (18,668) | (18,668) |
| Other reserves | 35,450 | 27,129 |
| Retained profits | 2,348,538 | 2,492,218 |
| | 2,755,374 | 2,890,733 |
| Non-controlling interests | 16,858 | 14,028 |
| Total equity | 2,772,232 | 2,904,761 |
| Non-Current Liabilities | | |
| Deferred tax liabilities | 165,205 | 180,148 |
| Retirement benefit obligations | 15,265 | 12,805 |
| Derivatives | 5,751 | - |
| Lease liabilities | 12,328 | 11,969 |
| Total non-current liabilities | 198,549 | 204,922 |
| Current Liabilities | | |
| Trade & other payables | 182,327 | 153,521 |
| Tax payable | 23,005 | 52,674 |
| Retirement benefit obligations | 976 | 2,674 |
| Derivatives | 20,566 | - |
| Bank borrowings | - | 248 |
| Total current liabilities | 226,874 | 209,117 |
| Total liabilities | 425,423 | 414,039 |
| Total equity and liabilities | 3,197,655 | 3,318,800 |
| Net assets per share (RM) | 6.64 | 6.96 |

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 2022.

United Plantations Berhad

Condensed Statement of Changes in Equity for the Six Months Ended 30 June 2023 (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 | Cash flow hedge reserve | Capital reserve | Translation reserve | | | |
| (RM'000) | | | | | | | | | |
| Balance at 1 January 2023 | 390,054 | (18,668) | 2,492,218 | 31,160 | 21,798 | (25,829) | 2,890,733 | 14,028 | 2,904,761 |
| Total comprehensive income for the period | - | - | 271,105 | (19,805) | - | 28,126 | 279,426 | 2,830 | 282,256 |
| Dividends, representing total transaction with owners | - | - | (414,785) | - | - | - | (414,785) | - | (414,785) |
| Balance at 30 June 2023 | 390,054 | (18,668) | 2,348,538 | 11,355 | 21,798 | 2,297 | 2,755,374 | 16,858 | 2,772,232 |
| Balance at 1 January 2022 | 390,054 | (18,668) | 2,407,380 | (109,825) | 21,798 | (15,935) | 2,674,804 | 10,669 | 2,685,473 |
| Total comprehensive income for the period | - | - | 244,325 | 10,462 | - | 3,322 | 258,109 | 3,180 | 261,289 |
| Dividends, representing total transaction with owners | - | - | (352,567) | - | - | - | (352,567) | - | (352,567) |
| Balance at 30 June 2022 | 390,054 | (18,668) | 2,299,138 | (99,363) | 21,798 | (12,613) | 2,580,346 | 13,849 | 2,594,195 |

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 2022.

United Plantations Berhad

Condensed Consolidated Cash Flow Statements for the Six Months Ended 30 June 2023 (The figures have not been audited)

| (RM'000) | 6 Months ended 30 June | |
|--|---------------------------|----------------|
| | 2023 | 2022 |
| Operating Activities | | |
| -Receipts from operations | 1,004,987 | 1,252,757 |
| -Operating payments | (593,251) | (1,098,294) |
| -Recovery/(placement) of deposits in derivative operations | (28,744) | (14,208) |
| Cash flow from operations | 382,992 | 140,255 |
| Other operating receipts | 95,247 | 20,125 |
| Taxes paid | (130,186) | (79,173) |
| Cash flow from operating activities | 348,053 | 81,207 |
| Investing Activities | | |
| - Proceeds from sale of property, plant and equipment | 786 | 359 |
| - Interest received | 13,714 | 2,757 |
| - Purchase of property, plant and equipment | (65,037) | (61,180) |
| - Payment for right-of-use assets | (2,100) | (194) |
| - Net change in short term funds | 131,064 | 176,586 |
| Cash flow from investing activities | 78,427 | 118,328 |
| Financing Activities | | |
| - Dividends paid | (414,785) | (352,567) |
| - Finance costs paid | (3) | (1,324) |
| - Associated company | 7 | (3) |
| - Joint ventures | (64) | 19,891 |
| - Net drawdown from short term borrowings | - | 335,000 |
| Cash flow from financing activities | (414,845) | 997 |
| Net Change in Cash & Cash Equivalents | 11,635 | 200,532 |
| Cash & Cash Equivalents at beginning of year | 536,984 | 299,661 |
| Cash & Cash Equivalents at end of period | 548,619 | 500,193 |

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2022.

Short Term Funds of RM111,218,000 (2022: RM1,584,000) are excluded from Cash Flow Statements due to reclassification of Short Term Funds from Cash & Cash Equivalents.

United Plantations Berhad

Notes To The Interim Financial Report

A1) ACCOUNTING POLICIES AND BASIS OF PREPARATION

The interim financial statements of the Group for the financial period ended 30 June 2023 are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standard (“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 2022. 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 2022.

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

| MFRS | Effective for annual periods beginning on or after |
|--|--|
| • Amendments to MFRS 101: Presentation of Financial Statements (Classification of Liabilities as Current or Non-current) | 1 Jan 2024 |
| • Amendments to MFRS 16: Leases (Lease Liability in a Sale and Leaseback) | 1 Jan 2024 |
| • Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures (Supplier Finance Arrangements) | 1 Jan 2024 |
| • Amendments to MFRS 10 and MFRS 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 2022 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.

Crop production is seasonal. Based on statistics, the Group’s production of crude palm oil (“CPO”) and palm kernel (“PK”) gradually increases from March/April, 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 and La Nina.

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 period.

United Plantations Berhad

Notes To The Interim Financial Report

A6) EQUITY AND DEBT SECURITIES

As at 30 June 2023, the number of treasury shares held was 1,483,548 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 17 May 2023 in respect of the financial year ended 31 December 2022: -

| | |
|---------------------------------|----------------|
| Ordinary | RM'000 |
| Final Dividend of 70 sen paid | 290,350 |
| Special Dividend of 30 sen paid | <u>124,435</u> |
| Total | <u>414,785</u> |

A8) SEGMENTAL INFORMATION

The revenues and profit generated by each of the Group's operating segments and segment assets and liabilities are summarised as follows:

| (RM'000) | 6 months ended 30 June 2023 | | | | Total |
|-------------------------------------|-----------------------------|----------|----------------|-------------|------------------|
| | Plantations | Refining | Other Segments | Elimination | |
| Segment Revenue: | | | | | |
| External sales | 327,466 | 602,595 | - | - | 930,061 |
| Inter-segment sales | 240,923 | - | - | (240,923) | - |
| | 568,389 | 602,595 | - | (240,923) | 930,061 |
| Segment Results: | | | | | |
| Operating profit/(loss) | 277,161 | 67,105 | 72 | - | 344,338 |
| Investment and interest income | 7,606 | 5,887 | 107 | (20) | 13,580 |
| Interest expense | (361) | (21) | - | 20 | (362) |
| Share of results of joint ventures | (2) | (349) | - | - | (351) |
| Profit before tax | 284,404 | 72,622 | 179 | - | 357,205 |
| Taxation | (65,853) | (18,879) | (19) | - | (84,751) |
| Profit after tax | 218,551 | 53,743 | 160 | - | 272,454 |
| Assets: | | | | | |
| Segment assets | 2,371,599 | 766,328 | 6,530 | - | 3,144,457 |
| Investment in an associated company | - | - | 50 | - | 50 |
| Investment in joint ventures | (6) | 53,154 | - | - | <u>53,148</u> |
| Consolidated assets | | | | | <u>3,197,655</u> |
| Consolidated liabilities | 310,649 | 114,712 | 62 | - | <u>425,423</u> |

United Plantations Berhad

Notes To The Interim Financial Report

| (RM'000) | 6 months ended 30 June 2022 | | | | |
|-------------------------------------|-----------------------------|----------|----------------|-------------|-----------|
| | Plantations | Refining | Other Segments | Elimination | Total |
| Segment Revenue: | | | | | |
| External sales | 383,319 | 960,847 | - | - | 1,344,166 |
| Inter-segment sales | 258,581 | - | - | (258,581) | - |
| | 641,900 | 960,847 | - | (258,581) | 1,344,166 |
| Segment Results: | | | | | |
| Operating profit/(loss) | 365,369 | (29,300) | (940) | - | 335,129 |
| Investment and interest income | 6,790 | 545 | 162 | (5,038) | 2,459 |
| Interest expense | (1,323) | (5,039) | - | 5,038 | (1,324) |
| Share of results of joint ventures | - | (594) | - | - | (594) |
| Profit/(loss) before tax | 370,836 | (34,388) | (778) | - | 335,670 |
| Taxation | (103,809) | 15,483 | (10) | - | (88,336) |
| Profit/(loss) after tax | 267,027 | (18,905) | (788) | - | 247,334 |
| Assets: | | | | | |
| Segment assets | 2,477,421 | 882,757 | 6,706 | - | 3,366,884 |
| Investment in an associated company | - | - | 50 | - | 50 |
| Investment in joint ventures | - | 39,607 | - | - | 39,607 |
| Consolidated assets | | | | | 3,406,541 |
| Consolidated liabilities | 641,909 | 170,392 | 45 | - | 812,346 |

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 2022.

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 24 July 2023.

United Plantations Berhad

Notes To The Interim Financial Report

B1) DIRECTORS' ANALYSIS OF THE GROUP'S PERFORMANCE FOR 6 MONTHS ENDED 30 JUNE 2023

The Group's revenue for the current period at RM930.1 million was lower by 30.8% as compared to RM1,344.2 million recorded in the corresponding period, due to the decreases in revenues for the plantation and refinery segments by 11.5% and 37.3% respectively in the current period.

The Group's profit before tax at RM357.2 million for the current period was higher by 6.4% as compared to RM335.7 million in the corresponding period. The analysis of the performance in accordance with the segments is as follows:

Plantations

The lower revenue from the major segment of the Group in the current period was due to lower CPO and PK production, and lower average prices. CPO and PK production decreased by 6.8% and 8.9% respectively, and the average CPO and PK prices decreased by 4.3% and 37.7% respectively in the current period.

The average selling prices of CPO and PK for the current and corresponding periods were as shown below.

| Countries | Products | June 2023 Current Period (RM/MT) | June 2022 Corresponding Period (RM/MT) |
|-----------|----------|--|--|
| Malaysia | CPO | 3,893 | 3,894 |
| Indonesia | CPO | 3,352 | 4,228 |
| Average | CPO | 3,790 | 3,958 |
| Malaysia | PK | 2,038 | 3,137 |
| Indonesia | PK | 1,662 | 3,214 |
| Average | PK | 1,964 | 3,152 |

The factors above, together with higher costs of production in the current period as a result of higher fertiliser inputs, higher minimum wages and the new collective agreement which was concluded in the second half of 2022 resulted in the decrease of the profit before tax of this segment by 23.3% in the current period when compared to the corresponding period.

The CPO windfall tax incurred at RM11.7 million was 75.4% lower than the corresponding period due to lower production as well as lower MPOB CPO prices in the current period.

Group net interest income at RM13.6 million was 452.3% higher than RM2.5 million recorded in the corresponding period as a result of much higher deposits in the current period and higher interest rates obtained from the banks.

Refinery

The revenue for the refinery segment decreased by 37.3% to RM602.6 million in the current period from RM960.8 million in the corresponding period mainly due to lower CPO and CPKO prices. This segment made a strong recovery from a pretax loss of RM34.4 million in the corresponding period to a pretax profit of RM72.6 million in the current period. The positive results were mainly because of net hedging gains realised through buy back of earlier sold BMD futures in a falling market as opposed to the huge hedging losses incurred in the corresponding period in a rising market.

The profit before tax of the refinery segment as reported above includes the share of results of the joint-venture, Unifuji Sdn Bhd which has been equity accounted. The share of results of the joint venture in the current period is a loss of RM0.35 million in the current period compared to a loss of RM0.59 million in the corresponding period.

United Plantations Berhad

Notes To The Interim Financial Report

B2) COMPARISON OF RESULTS WITH PRECEDING QUARTER

| (RM'000) | Current Quarter 30/6/2023 | Preceding Quarter 31/3/2023 | Changes % |
|-------------------|------------------------------|--------------------------------|--------------|
| Revenue | 470,074 | 459,987 | 2.2% |
| Interest income | 7,108 | 6,472 | 9.8% |
| Profit Before Tax | 207,171 | 150,034 | 38.1% |
| Profit After Tax | 159,995 | 112,459 | 42.3% |

The Group's revenue for the current quarter at RM470.1 million was higher by 2.2% as compared to RM460.0 million recorded in the preceding quarter mainly as a result of the higher revenue from the plantation segment by 9.4%.

The profit before tax for the current quarter at RM207.2 million was higher by 38.1% as compared to RM150.0 million recorded in the preceding quarter due to higher profit from the plantation segment. The quarterly segmental analysis is as follows:

Plantations

The revenue for plantation segment increased by 9.4% in the current quarter from the preceding quarter due to higher production and higher CPO price. CPO and PK production increased by 15.6% and 14.7% respectively, and the average CPO price was higher by 5.8%.

These, coupled with the lower cost of production resulted in the increase in profit before tax by 65.2% in the current quarter from the preceding quarter. The lower MPOB CPO prices in the current quarter resulted in a 8.1% lower CPO windfall tax incurred when compared with the preceding quarter.

Interest income for the Group increased by 9.8% in the current quarter from the preceding quarter due to higher deposits and higher rates obtained in the current quarter.

Refinery

The refinery segment recorded a 1.8% decrease in revenue in the current quarter due to lower sales volume.

The profit before tax of RM29.9 million for this segment in the current quarter was 30.2% lower than the preceding quarter. This was due to lower sales, lower margins as well as lower hedging gains recorded in the current quarter.

The profit before tax of the refinery segment as reported above includes a share of loss of the joint-venture, Unifuji Sdn Bhd which has been equity accounted. The share of results of the joint venture in the current quarter is a loss of RM1.33 million, against a RM0.99 million profit in the preceding quarter mainly due to unrealised foreign exchange losses in the current quarter.

Notes To The Interim Financial Report

B3) PROSPECTS AND OUTLOOK

During the second quarter of 2023 prices have traded in a wide range between RM3,194/MT-RM3,995/MT for the third month position.

The price decline experienced in April and May came mainly as a function of anticipated palm oil production increases in Malaysia and Indonesia as well as the major central banks continuing to increase interest rates in an attempt to curb inflation which in turn has dampened the global economy putting pressure on equity and commodity prices. As a result, palm oil prices briefly dropped below RM3,200/MT for the third month position.

Nevertheless, in June there was a sharp recovery in prices due to significantly lower than expected production in Malaysia and Indonesia and with that lower stocks. In addition, the USDA revised US farmers soyabean plantings and stocks downwards by more than 5% and 15% respectively. These factors resulted in prices of soy and palm oil rallying and hitting a three-month high at the end of the 2nd quarter with palm oil prices almost reaching RM4,000/MT for the third month position.

The key factor to watch in the coming months will be how production in Malaysia and Indonesia will perform. Weather has been good and with new recruitment having taken place in the plantation industry, it is expected that supply will increase and thereby reverse the negative production trend experienced in the first half of 2023. This could put some pressure on prices if the onboarding and up-skilling process of new workers have been timely enough to secure the crop in the fields and thereby limit production losses which was very widespread in the Malaysian plantation industry during 2022.

The global economic growth sentiments for the remaining of 2023 is another factor that will influence both equity and commodity prices. With the likelihood of continued interest rate hikes to curb inflation further there is a downside risk on prices as demand is likely to slow from the large economies of US, India and China on the back on inflationary pressure coupled with tight household spending.

Based on the above, UP is mindful of the challenges which the second half of 2023 will bring, especially amidst the uncertainties of high inflation and recession fears coupled with the ongoing Russia-Ukraine war and its continued impact on global supply chains.

Whilst costs of energy, fertilisers, chemicals, building materials and spare parts have come down from earlier highs, they are still above levels experienced a few years ago, resulting in our cost base increasing to its highest levels ever.

Concerted efforts to alleviate these challenges are a vital part of our daily operations as we continue to identify areas that can improve our cost efficiencies without compromising on quality. Whilst labour shortages and field operations have improved significantly with the re-opening of borders and a new inflow of guest workers, special attention is being focused on the importance of up-skilling new guest workers in order to achieve higher productivities and yields. This will be pursued relentlessly through continued mechanization efforts and replanting of the older and less productive oil palm stands in order to take full advantage of our latest superior planting materials produced at our research department as a vital part of sustaining our positive development.

Based on the current palm oil prices and the Company's focus on securing the budgeted crop in the second half of 2023, the Board of Directors expects that the results for the year will be satisfactory.

United Plantations Berhad

Notes To The Interim Financial Report

B4) PROFIT FORECASTS

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

B5) OPERATING PROFIT

Included in the operating profit are the following:

| <i>(RM'000)</i> | <i>Current Quarter</i> | <i>Current year-to-date</i> |
|--|----------------------------|---------------------------------|
| Depreciation and amortisation | (26,832) | (53,410) |
| Realised foreign exchange gains/(losses) | (2,077) | (7,047) |
| Realised gains/(losses) on commodities futures contracts | 48,114 | 85,850 |
| Fair value gains/(losses): | | |
| - Forward foreign exchange contracts | (13,155) | (14,953) |
| - Commodities futures contracts | (1,873) | (3,985) |
| Gain/(loss) on disposal of property, plant and equipment | 520 | 608 |

B6) TAXATION

The charge for taxation for the period ended 30 June 2023 comprises:

| <i>(RM '000)</i> | <i>Current Quarter</i> | <i>Current year-to-date</i> |
|---|----------------------------|---------------------------------|
| Current taxation | 60,498 | 93,089 |
| Deferred taxation | (13,322) | (8,338) |
| | 47,176 | 84,751 |
| Profit before taxation | 207,171 | 357,205 |
| Tax at the statutory income tax rate of 24% | 49,721 | 85,729 |
| Tax effect of different tax rate in other country | (501) | (741) |
| Tax effects in determining taxable profit: | | |
| Tax effects on share of results of joint ventures | 322 | 84 |
| Double deductions for research and development | (125) | (250) |
| Income not subject to tax | (2,403) | (4,166) |
| Expenses not deductible | 162 | 4,095 |
| Tax expense | 47,176 | 84,751 |

B7) CORPORATE PROPOSALS

There were no corporate proposals announced but not completed as at 24 July 2023.

B8) GROUP BORROWINGS

There were no group borrowings as at 30 June 2023.

United Plantations Berhad

Notes To The Interim Financial Report

B9) FINANCIAL INSTRUMENTS

a) Derivatives

Derivatives not designated as hedging instruments

The Group uses forward currency contracts and commodity futures contracts to manage its exposure to currency and price risks, as well as to take advantage of favourable market conditions. The forward currency contract is not designated as cash flow or fair value hedges and is entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting.

Derivatives designated as hedging instruments – Cash flow hedge

Commencing from 1 October 2018, the Group has designated certain commodity futures contracts as hedging derivatives to reduce the volatility attributable to price fluctuations of crude palm oil ("CPO"). Hedging of the price volatility of forecast CPO is in accordance with the risk management strategy outlined by the Board of Directors.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the commodity price and commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships between the CPO sold and the forward commodity contracts as the underlying risk of the commodity price and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The fair values of these derivatives as at 30 June 2023 are as follows:

| | Contract/ Notional Amount RM'000 | Assets RM'000 | Liabilities RM'000 |
|---------------------------------|--|------------------|-----------------------|
| Current | | | |
| Non-hedging derivatives: | | | |
| Forward currency contracts | 319,405 | - | (20,566) |
| Commodity futures contracts | 276,268 | 3,940 | - |
| Hedging derivatives: | | | |
| Commodity futures contracts | 771,207 | 15,252 | - |
| | | <u>19,192</u> | <u>(20,566)</u> |
| Non-current | | | |
| Non-hedging derivatives: | | | |
| Commodity futures contracts | 77,101 | - | (5,440) |
| Hedging derivatives: | | | |
| Commodity futures contracts | 50,604 | - | (311) |
| | | <u>-</u> | <u>(5,751)</u> |
| Total derivatives | | <u>19,192</u> | <u>(26,317)</u> |

United Plantations Berhad

Notes To The Interim Financial Report

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 2022.

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 June 2023, the notional amount, fair value and maturity tenor of the forward currency contracts are as follows:

| | Contract/ Notional Amount RM'000 | Fair Value Assets/ (Liabilities) RM'000 |
|-------------------------------|--|---|
| - less than 1 year | 319,405 | (20,566) |
| - 1 year to less than 3 years | - | - |
| - more than 3 years | - | - |
| | <u>319,405</u> | <u>(20,566)</u> |

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 June 2023, the notional amount, fair value and maturity tenor of the commodity futures contracts are as follows:

| | Contract/ Notional Amount RM'000 | Fair Value Assets/ (Liabilities) RM'000 |
|-------------------------------|--|---|
| - less than 1 year | 1,047,475 | 19,192 |
| - 1 year to less than 3 years | 127,705 | (5,751) |
| - more than 3 years | - | - |
| | <u>1,175,180</u> | <u>13,441</u> |

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.

Notes To The Interim Financial Report

B10) MATERIAL LITIGATION

There was no material litigation as at 24 July 2023.

B11) PROPOSED DIVIDENDS

No interim dividend has been declared or proposed for the year ending 31 December 2023.

B12) EARNINGS PER SHARE (EPS)

The calculation of EPS is based on profit attributable to the ordinary equity holders of the parent company of RM271,105,000 (2022: RM244,325,000) and the weighted average number of ordinary shares of 414,784,984 (2022: 414,784,984) in issue during the period.

By Order of the Board

Ng Eng Ho
Company Secretary

Jendarata Estate
36009 Teluk Intan
Perak Darul Ridzuan
Malaysia

24 July 2023

Contact information

United Plantations Berhad
Jendarata Estate
36009 Teluk Intan
Perak Darul Ridzuan
Malaysia

| | |
|--------------------|--|
| Company Secretary: | Mr. Ng Eng Ho |
| E-mail: | up@unitedplantations.com |
| Phone: | 006 05 6411411 |
| Fax: | 006 05 6411876 |
| Website: | www.unitedplantations.com |