



QUARTERLY REPORT

On the consolidated results for the first quarter ended 30 September 2021

The Directors are pleased to announce the following:

Unaudited Condensed Consolidated Statement of Profit or Loss Amounts in RM million unless otherwise stated

| | Note | Quarter ended 30 September | | % +/(-) |
|---|------|-------------------------------|------------|---------------|
| | | 2021 | 2020 | |
| Revenue | A7 | 10,673 | 10,877 | (1.9) |
| Operating expenses | | (10,346) | (10,534) | |
| Other operating income | | 45 | 67 | |
| Other gains and losses | | - | 16 | |
| Operating profit | | 372 | 426 | (12.7) |
| Share of results of joint ventures | | 14 | 16 | |
| Share of results of associates | | 8 | 5 | |
| Profit before interest and tax | A7 | 394 | 447 | (11.9) |
| Finance income | | 13 | 12 | |
| Finance costs | | (33) | (33) | |
| Profit before tax | B5 | 374 | 426 | (12.2) |
| Taxation | B6 | (107) | (120) | |
| Profit for the period | | 267 | 306 | (12.7) |
| Attributable to owners of: | | | | |
| - the Company | | 236 | 281 | (16.0) |
| - non-controlling interests | | 31 | 25 | |
| Profit for the period | | 267 | 306 | (12.7) |
| | | Sen | Sen | |
| Basic earnings per share attributable to owners of the Company | B12 | 3.5 | 4.1 | (14.6) |

The unaudited Condensed Consolidated Statement of Profit or Loss should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2021.

SIME DARBY BERHAD
(Company No: 200601032645 (752404-U))

Unaudited Condensed Consolidated Statement of Comprehensive Income
Amounts in RM million unless otherwise stated

| | Quarter ended | |
|--|----------------------|-------------|
| | 30 September | |
| | 2021 | 2020 |
| Profit for the period | <u>267</u> | <u>306</u> |
| Other comprehensive income: | | |
| Items that will be reclassified subsequently to profit or loss: | | |
| Currency translation differences | (142) | (13) |
| Share of other comprehensive income of joint ventures and associates | (1) | (7) |
| Net changes in fair value of cash flow hedges | (5) | 5 |
| Tax credit/(expense) | - | (1) |
| | <u>(148)</u> | <u>(16)</u> |
| Currency translation differences on repayment of net investment reclassified to profit or loss | - | (10) |
| Changes in fair value of cash flow hedges reclassified to profit or loss and inventories | (4) | (2) |
| Tax credit | 1 | - |
| | <u>(151)</u> | <u>(28)</u> |
| Items that will not be reclassified subsequently to profit or loss: | | |
| Share of actuarial gain on defined benefit pension plans of a joint venture | - | 2 |
| Total other comprehensive income | <u>(151)</u> | <u>(26)</u> |
| Total comprehensive income for the period | <u>116</u> | <u>280</u> |
| Attributable to owners of: | | |
| - the Company | 84 | 257 |
| - non-controlling interests | 32 | 23 |
| Total comprehensive income for the period | <u>116</u> | <u>280</u> |

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2021.

SIME DARBY BERHAD
(Company No: 200601032645 (752404-U))

Unaudited Condensed Consolidated Statement of Financial Position
Amounts in RM million unless otherwise stated

| | Note | Unaudited As at 30 September 2021 | Audited As at 30 June 2021 |
|---|-------|---|----------------------------------|
| <u>Non-current assets</u> | | | |
| Property, plant and equipment | | 6,201 | 6,225 |
| Right-of-use assets | | 2,037 | 2,038 |
| Investment properties | | 273 | 275 |
| Intangible assets | | 1,557 | 1,629 |
| Joint ventures and associates | | 1,257 | 1,236 |
| Financial assets at fair value through profit or loss | | 144 | 130 |
| Deferred tax assets | | 587 | 590 |
| Tax recoverable | | 39 | 41 |
| Receivables and other assets | | 320 | 373 |
| | | 12,415 | 12,537 |
| <u>Current assets</u> | | | |
| Inventories | | 7,480 | 8,320 |
| Financial assets at fair value through profit or loss | | 17 | 16 |
| Receivables, contract assets and other assets | | 4,819 | 4,416 |
| Prepayments | | 771 | 673 |
| Tax recoverable | | 51 | 48 |
| Derivative assets | B9(a) | 3 | 4 |
| Bank balances, deposits and cash | | 1,722 | 2,473 |
| | | 14,863 | 15,950 |
| Total assets | | 27,278 | 28,487 |
| <u>Equity</u> | | | |
| Share capital | | 9,302 | 9,302 |
| Reserves | | 6,056 | 6,581 |
| Attributable to owners of the Company | | 15,358 | 15,883 |
| Non-controlling interests | | 409 | 377 |
| Total equity | | 15,767 | 16,260 |
| <u>Non-current liabilities</u> | | | |
| Borrowings | B8 | 324 | 373 |
| Lease liabilities | | 1,480 | 1,506 |
| Payables, contract liabilities and other liabilities | | 189 | 184 |
| Government grants | | 69 | 69 |
| Provisions | | 29 | 24 |
| Deferred tax liabilities | | 306 | 307 |
| | | 2,397 | 2,463 |
| <u>Current liabilities</u> | | | |
| Borrowings | B8 | 1,231 | 1,454 |
| Lease liabilities | | 394 | 401 |
| Derivative liabilities | B9(a) | 27 | 11 |
| Payables and other liabilities | | 4,925 | 5,285 |
| Contract liabilities | | 1,919 | 1,961 |
| Provisions | | 403 | 420 |
| Tax payable | | 215 | 232 |
| | | 9,114 | 9,764 |
| Total liabilities | | 11,511 | 12,227 |
| Total equity and liabilities | | 27,278 | 28,487 |
| Net assets per share attributable to owners of the Company (RM) | | 2.26 | 2.33 |

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2021.

SIME DARBY BERHAD
(Company No: 200601032645 (752404-U))

Unaudited Condensed Consolidated Statement of Changes in Equity
Amounts in RM million unless otherwise stated

| | Share capital | Share grant reserve | Capital reserve | Legal reserve | Hedging reserve | Exchange reserve | Retained profits | Reserves | Attributable to owners of the Company | Non-controlling interests | Total equity |
|--|---------------|---------------------|-----------------|---------------|-----------------|------------------|------------------|----------|---------------------------------------|---------------------------|--------------|
| Quarter ended 30 September 2021 | | | | | | | | | | | |
| At 1 July 2021 | 9,302 | 21 | 243 | 119 | (5) | 624 | 5,579 | 6,581 | 15,883 | 377 | 16,260 |
| Total comprehensive (loss)/income for the period | - | - | - | - | (8) | (144) | 236 | 84 | 84 | 32 | 116 |
| Dividends paid | - | - | - | - | - | - | (612) | (612) | (612) | - | (612) |
| Performance-based employee share scheme expenses | - | 3 | - | - | - | - | - | 3 | 3 | - | 3 |
| Transfer between reserves | - | - | (11) | - | - | - | 11 | - | - | - | - |
| At 30 September 2021 | 9,302 | 24 | 232 | 119 | (13) | 480 | 5,214 | 6,056 | 15,358 | 409 | 15,767 |

SIME DARBY BERHAD
(Company No: 200601032645 (752404-U))

Unaudited Condensed Consolidated Statement of Changes in Equity
Amounts in RM million unless otherwise stated

| | Share capital | Share grant reserve | Capital reserve | Legal reserve | Hedging reserve | Exchange reserve | Retained profits | Reserves | Attributable to owners of the Company | Non-controlling interests | Total equity |
|--|---------------|---------------------|-----------------|---------------|-----------------|------------------|------------------|----------|---------------------------------------|---------------------------|--------------|
| Quarter ended 30 September 2020 | | | | | | | | | | | |
| At 1 July 2020 | 9,300 | 15 | 233 | 111 | 3 | 178 | 5,157 | 5,697 | 14,997 | 416 | 15,413 |
| Total comprehensive income for the period | – | – | – | – | 3 | (29) | 283 | 257 | 257 | 23 | 280 |
| Dividends paid | – | – | – | – | – | – | – | – | – | (5) | (5) |
| Dividends payable | – | – | – | – | – | – | (544) | (544) | (544) | – | (544) |
| Performance-based employee share scheme expenses | – | 4 | – | – | – | – | – | 4 | 4 | – | 4 |
| Transfer between reserves | – | – | – | 1 | – | – | (1) | – | – | – | – |
| At 30 September 2020 | 9,300 | 19 | 233 | 112 | 6 | 149 | 4,895 | 5,414 | 14,714 | 434 | 15,148 |

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2021.

SIME DARBY BERHAD
(Company No: 200601032645 (752404-U))

Unaudited Condensed Consolidated Statement of Cash Flows
Amounts in RM million unless otherwise stated

| Note | Quarter ended 30 September | |
|---|-------------------------------|--------------|
| | 2021 | 2020 |
| Cash flow from operating activities | | |
| Profit for the period | 267 | 306 |
| Adjustments for: | | |
| Share of results of joint ventures and associates | (22) | (21) |
| Finance income | (13) | (12) |
| Finance costs | 33 | 33 |
| Taxation | 107 | 120 |
| Net gain on disposal of fixed assets | (1) | (2) |
| Depreciation and amortisation | 279 | 294 |
| Reversal of impairment of receivables (net) | (11) | (2) |
| (Reversal of inventory write-down and provision)/Inventory write-down and provision (net) | (11) | 28 |
| Fair value (gain)/loss on financial assets at fair value | (1) | 1 |
| Other non-cash items | 6 | (17) |
| | 633 | 728 |
| Changes in working capital: | | |
| Inventories | 883 | 1,049 |
| Rental assets | (184) | (200) |
| Trade, other receivables and prepayments | (456) | (485) |
| Trade, other payables and provisions | (329) | 192 |
| Cash generated from operations | 547 | 1,284 |
| Tax paid | (113) | (111) |
| Dividends received from associates and joint ventures | – | 98 |
| Net cash from operating activities | 434 | 1,271 |
| Cash flow from investing activities | | |
| Finance income received | 10 | 7 |
| Purchase of fixed assets | (134) | (112) |
| Acquisition of businesses | – | (19) |
| Subscription of shares in an associate | – | (1) |
| Addition to financial assets at fair value through profit or loss | (12) | (1) |
| Proceeds from sale of fixed assets | 3 | 127 |
| Loans to joint ventures | (30) | – |
| Net cash (used in)/from investing activities | (163) | 1 |

Fixed assets consist of property, plant and equipment, right-of-use assets, investment properties and intangible assets.

SIME DARBY BERHAD
(Company No: 200601032645 (752404-U))

Unaudited Condensed Consolidated Statement of Cash Flows (continued)
Amounts in RM million unless otherwise stated

| | Note | Quarter ended 30 September 2021 | 2020 |
|--|------|---------------------------------------|---------------------|
| Cash flow from financing activities | | | |
| Finance costs paid | | (13) | (12) |
| Net borrowings repaid | | (251) | (712) |
| Repayment of lease liabilities | | (129) | (119) |
| Dividends paid to shareholders | | (612) | – |
| Dividends paid to non-controlling interests ¹ | | (15) | (15) |
| Net cash used in financing activities | | (1,020) | (858) |
| Net (decrease)/increase in cash and cash equivalents | | (749) | 414 |
| Foreign exchange differences | | 4 | (15) |
| Cash and cash equivalents at beginning of the period | | <u>2,417</u> | <u>1,650</u> |
| Cash and cash equivalents at end of the period | | <u>1,672</u> | <u>2,049</u> |
| For the purpose of the Statement of Cash Flows, cash and cash equivalents comprised the following: | | | |
| Bank balances, deposits and cash | | 1,722 | 2,080 |
| Less: | | | |
| Bank overdrafts | B8 | <u>(50)</u> | <u>(31)</u> |
| | | <u>1,672</u> | <u>2,049</u> |

¹ Dividends paid to other shareholders of non-wholly owned subsidiaries. The amount paid in the current period includes RM15 million declared in the previous financial year.

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying explanatory notes and the audited financial statements for the financial year ended 30 June 2021.

EXPLANATORY NOTES

This interim financial report is prepared in accordance with the requirements of paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and complies with the requirements of the Malaysian Financial Reporting Standard (“MFRS”) 134 – Interim Financial Reporting and other MFRS issued by the Malaysian Accounting Standards Board (“MASB”). The interim financial report is unaudited and should be read in conjunction with the Group’s audited annual financial statements for the financial year ended 30 June 2021.

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

The accounting policies and presentation adopted for this interim financial report are consistent with those adopted for the audited annual financial statements for the financial year ended 30 June 2021, except as set out below.

a) New accounting pronouncements

i) Accounting pronouncements adopted for this interim financial report that do not have any significant impact to the Group are set out below:

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 ‘Interest Rate Benchmark Reform – Phase 2’

ii) Accounting pronouncements that are not yet effective are set out below:

Effective for annual reporting periods beginning on or after 1 January 2022

- Annual Improvements to MFRS Standards 2018 – 2020: Amendments to MFRS 9 ‘Fees in the 10% Test for Derecognition of Financial Liabilities’ and Illustrative Examples accompanying MFRS 16 ‘Lease incentives’.
- Amendments to MFRS 3 ‘Reference to Conceptual Framework’
- Amendments to MFRS 116 ‘Proceeds before Intended Use’
- Amendments to MFRS 137 ‘Onerous Contracts – Cost of Fulfilling a Contract’

Effective for annual reporting periods beginning on or after 1 January 2023

- MFRS 17 – Insurance Contracts and Amendments to MFRS 17
- Amendments to MFRS 101 ‘Classification of Liabilities as Current or Non-current’
- Amendments to MFRS 101 ‘Disclosure of Accounting Policies’
- Amendments to MFRS 108 ‘Definition of Accounting Estimates’
- Amendments to MFRS 112 ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction’

iii) Accounting pronouncement where the effective date has been deferred to a date to be determined by MASB is set out below:

- Amendments to MFRS 10 and MFRS 128 ‘Sale or Contribution of Assets between an Investor and its Associate or Joint Venture’

SIME DARBY BERHAD
(Company No: 200601032645 (752404-U))

Explanatory Notes on the Quarterly Report – 30 September 2021
Amounts in RM million unless otherwise stated

A2. Seasonal or Cyclical Factors

The Group's operations are not materially affected by seasonal or cyclical factors.

A3. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

Except as disclosed in the financial statements on pages 1 to 7 and Notes B1 and B2 there were no material unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the financial period under review.

A4. Material Changes in Estimates

Except as disclosed in notes B1 and B2, there were no material changes in the estimates of amounts reported in the previous financial years that have a material effect on the results for the current quarter under review.

A5. Debt and Equity Securities

Save for the following, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the financial period under review.

A6. Dividends Paid to Shareholders

The second interim dividend of 8.0 sen per share amounting to RM544 million and special dividend of 1.0 sen per share amounting to RM68 million for the financial year ended 30 June 2021 which totalled RM612 million was paid by way of cash on 30 September 2021.

SIME DARBY BERHAD
(Company No: 200601032645 (752404-U))

Explanatory Notes on the Quarterly Report – 30 September 2021
Amounts in RM million unless otherwise stated

A7. Segment information (continued)

Revenue comprise the following:

| | Quarter ended 30 September | |
|---------------------------------------|-------------------------------|---------------|
| | 2021 | 2020 |
| Revenue from contracts with customers | 10,484 | 10,682 |
| Rental income | 189 | 195 |
| | 10,673 | 10,877 |

Analysis of the Group's revenue from contracts with customers is as follows:

| Quarter ended 30 September 2021 | Industrial | Motors | Logistics | Others | Total |
|---|--------------|--------------|-----------|----------|---------------|
| Major goods and services | | | | | |
| Sale of equipment and vehicles | 1,822 | 5,679 | – | – | 7,501 |
| Sale of parts, assembly charges and provision of after-sales services | 1,714 | 1,019 | – | – | 2,733 |
| Engineering services | 96 | – | – | – | 96 |
| Port and related charges | – | – | 38 | – | 38 |
| Commission, handling fees and others | – | 108 | – | 8 | 116 |
| | 3,632 | 6,806 | 38 | 8 | 10,484 |
| Geographical location | | | | | |
| Malaysia | 219 | 828 | – | 6 | 1,053 |
| China | 754 | 3,673 | 38 | 1 | 4,466 |
| Other countries in Asia | 187 | 1,243 | – | 1 | 1,431 |
| Australasia | 2,472 | 1,062 | – | – | 3,534 |
| | 3,632 | 6,806 | 38 | 8 | 10,484 |
| Timing of revenue recognition | | | | | |
| At a point in time | 2,875 | 5,884 | – | 6 | 8,765 |
| Over time | 757 | 922 | 38 | 2 | 1,719 |
| | 3,632 | 6,806 | 38 | 8 | 10,484 |

| Quarter ended 30 September 2020 | Industrial | Motors | Logistics | Others | Total |
|---|--------------|--------------|-----------|----------|---------------|
| Major goods and services | | | | | |
| Sale of equipment and vehicles | 1,813 | 5,929 | – | – | 7,742 |
| Sale of parts, assembly charges and provision of after-sales services | 1,700 | 1,005 | – | – | 2,705 |
| Engineering services | 70 | – | – | – | 70 |
| Port and related charges | – | – | 44 | – | 44 |
| Commission, handling fees and others | – | 113 | – | 8 | 121 |
| | 3,583 | 7,047 | 44 | 8 | 10,682 |

SIME DARBY BERHAD
(Company No: 200601032645 (752404-U))

Explanatory Notes on the Quarterly Report – 30 September 2021
Amounts in RM million unless otherwise stated

A7. Segment information (continued)

Analysis of the Group's revenue from contracts with customers is as follows: (continued)

| Quarter ended 30 September 2020 | Industrial | Motors | Logistics | Others | Total |
|--|-------------------|---------------|------------------|---------------|---------------|
| Geographical location | | | | | |
| Malaysia | 222 | 1,242 | – | 6 | 1,470 |
| China | 1,080 | 3,506 | 44 | 1 | 4,631 |
| Other countries in Asia | 142 | 1,258 | – | 1 | 1,401 |
| Australasia | 2,139 | 1,041 | – | – | 3,180 |
| | 3,583 | 7,047 | 44 | 8 | 10,682 |
| Timing of revenue recognition | | | | | |
| At a point in time | 2,843 | 6,072 | – | 6 | 8,921 |
| Over time | 740 | 975 | 44 | 2 | 1,761 |
| | 3,583 | 7,047 | 44 | 8 | 10,682 |

A8. Capital Commitments

Contracted capital expenditure not provided for in the interim financial report is as follows:

| | As at 30 September 2021 | As at 30 June 2021 |
|---------------------------------|------------------------------------|-------------------------------|
| Contracted: | | |
| - Property, plant and equipment | 314 | 342 |
| - Other capital expenditure | 14 | 6 |
| | 328 | 348 |

A9. Significant Related Party Transactions

Significant related party transactions conducted during for the quarter ended 30 September are as follows:

| | Quarter ended 30 September | |
|--|---------------------------------------|-----------------|
| | 2021 | 2020 |
| a. Transactions with joint ventures and associates | | |
| Purchase of products and services from Sitech Construction Systems Pty Ltd | 6 | 5 |
| Contribution paid to Yayasan Sime Darby | 10 | – |
| Loans to Weifang Sime Darby West Port Co Ltd | 4 | 26 ¹ |
| Loans repaid by Weifang Sime Darby West Port Co Ltd | – | 26 ¹ |
| Loans to Weifang Sime Darby Liquid Terminal Co Ltd | 26 | – |

¹ Relates to exercise to effect change in the lending entity

SIME DARBY BERHAD
(Company No: 200601032645 (752404-U))

Explanatory Notes on the Quarterly Report – 30 September 2021
 Amounts in RM million unless otherwise stated

A9. Significant Related Party Transactions (continued)

Significant related party transactions conducted during the quarter ended 30 September are as follows:
 (continued)

| | Quarter ended 30 September | |
|---|-------------------------------|----------------|
| | 2021 | 2020 |
| b. Transactions between subsidiaries and non-controlling interests | | |
| Contract assembly service provided by Inokom Corporation Sdn Bhd (“ICSB”) to Mazda Malaysia Sdn Bhd | 9 | 13 |
| Rental income received by ICSB from Mazda Malaysia Sdn Bhd | 1 | – ² |
| Sale of motor vehicles and parts by Jaguar Land Rover (M) Sdn Bhd to Sisma Auto Sdn Bhd | 4 | 6 |

² Less than RM1 million

c. Transactions with shareholders and their related companies

Permodalan Nasional Berhad (“PNB”) and the funds managed by its subsidiary, Amanah Saham Nasional Berhad together, as at 30 September 2021, own approximately 51% of the issued share capital of the Company. PNB is an entity controlled by the Malaysian Government through Yayasan Pelaburan Bumiputra (“YPB”). The Group considers that, for the purpose of MFRS 124 – Related Party Disclosures, YPB and the Malaysian Government are in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government’s controlled bodies (collectively referred to as government-related entities) are related parties of the Group and the Company.

Significant related party transactions with the Sime Darby Plantation Berhad group are as follows:

| | Quarter ended 30 September | |
|--|-------------------------------|------|
| | 2021 | 2020 |
| Sales, servicing and leasing of equipment and vehicles | 5 | 4 |
| Rental income | 3 | 2 |
| Foreign currency payment arrangement | – | 27 |

A10. Material Events Subsequent to the End of the Financial Period

There were no material events subsequent to the end of the current quarter under review to 23 November 2021, being a date not earlier than 7 days from the date of issue of the quarterly report other than the following:

- a) On 1 October 2021, the Group completed the acquisition of the entire equity interest of Salmon Earthmoving Holdings Pty Ltd for a purchase consideration of AUD115 million (approximately RM346 million). Salmon Earthmoving is a leading provider of rental and maintenance services in Australia servicing the civil construction, agricultural and mining sectors.
- b) On 27 October 2021, Kumpulan Sime Darby Berhad (“KSDB”), an indirect wholly-owned subsidiary of the Group entered into a Sale and Purchase Agreement (“SPA”) with Sime Darby Property (MVV Central) Sdn. Bhd. (“MVV Central”), a wholly-owned subsidiary of Sime Darby Property Berhad, for the disposal of 760.12 acres of land in Labu, Negeri Sembilan, to MVV Central for a cash consideration of RM280 million. The agreement is expected to be completed within 15 months from the date of SPA, subject to further extension as may be mutually agreed.

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Explanatory Notes on the Quarterly Report – 30 September 2021
Amounts in RM million unless otherwise stated

A11. Effect of Significant Changes in the Composition of the Group

There were no significant changes in the composition of the Group during the quarter.

A12. Contingent Liabilities – unsecured

a) Guarantees

In the ordinary course of business, the Group issues surety bonds and letters of credit, which the Group provides to customers to secure advance payment, performance under contracts or in lieu of retention being withheld on contracts. Financial guarantees are also issued to financial institutions in respect of credit facilities granted to certain joint ventures. A liability from the performance and financial guarantees would only arise in the event the Group fails to fulfil its contractual obligations.

The performance guarantees and financial guarantees are as follows:

| | As at 30 September 2021 | As at 30 June 2021 |
|---|------------------------------------|-------------------------------|
| Performance guarantees and advance payment guarantees to customers of the Group | 2,259 | 2,228 |
| Guarantees in respect of credit facilities granted to certain joint ventures | <u>164</u> | <u>197</u> |
| | <u>2,423</u> | <u>2,425</u> |

In addition, the Group guarantees the payment from its customers under a risk sharing arrangement with a third party leasing company in connection with the sale of its equipment up to a pre-determined amount. As at 30 September 2021, the total outstanding risk sharing amount on which the Group has an obligation to pay the leasing company should the customers default, amounted to RM376 million (30 June 2021: RM431 million).

b) Claims

| | As at 30 September 2021 | As at 30 June 2021 |
|------------------|------------------------------------|-------------------------------|
| Potential claims | <u>11</u> | <u>18</u> |

The claims include disputed amounts for the supply of goods and services.

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Explanatory Notes on the Quarterly Report – 30 September 2021
Amounts in RM million unless otherwise stated

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

B1. Review of Group Performance

| | Quarter ended 30 September | | |
|---|-------------------------------|---------------|---------------|
| | 2021 | 2020 | % +/(–) |
| Revenue | <u>10,673</u> | <u>10,877</u> | (1.9) |
| Segment results: | | | |
| Industrial | 160 | 196 | (18.4) |
| Motors | 227 | 223 | 1.8 |
| Logistics | 3 | 6 | (50.0) |
| Healthcare | 13 | 14 | (7.1) |
| Others | <u>4</u> | <u>13</u> | (69.2) |
| | 407 | 452 | (10.0) |
| Foreign exchange gain from repayment of net investments | – | 10 | |
| Corporate expenses | <u>(13)</u> | <u>(15)</u> | |
| Profit before interest and tax | 394 | 447 | (11.9) |
| Finance income | 13 | 12 | |
| Finance costs | <u>(33)</u> | <u>(33)</u> | |
| Profit before tax | 374 | 426 | (12.2) |
| Taxation | <u>(107)</u> | <u>(120)</u> | |
| Profit for the period | 267 | 306 | (12.7) |
| Non-controlling interests | <u>(31)</u> | <u>(25)</u> | |
| Profit attributable to owners of the Company | 236 | 281 | (16.0) |

The Group's profit attributable to owners of the Company ("Net Profit") decreased by 16.0% mainly due to the lower profit from the Industrial division and foreign exchange gains recorded in the previous corresponding period.

a) Industrial

Profit before interest and tax ("PBIT") decreased by 18.4% to RM160 million mainly due to a 72.4% decline in profit from the China operations from RM58 million to RM16 million. This mainly stemmed from lower equipment deliveries and rental revenue due to the slowdown in China's construction activities as the previous corresponding period benefited from fiscal stimulus measures.

b) Motors

PBIT was slightly higher as higher profits in Malaysia were largely offset by lower profits in Singapore and Australasia. PBIT in Malaysia was higher mainly due to higher vehicle margins, higher profit from assembly operations and reversal of inventory provisions. The Singapore operations were adversely affected by lower sales margins while the Australasian operations' results were affected by COVID-19 restrictions in Sydney and New Zealand.

c) Logistics

PBIT was lower mainly due to foreign exchange gain of RM5 million in the previous corresponding period.

d) Others

The results for the quarter included foreign exchange loss of RM2 million from the legacy oil & gas operations against a foreign exchange gain of RM7 million in the previous corresponding period.

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Explanatory Notes on the Quarterly Report – 30 September 2021
Amounts in RM million unless otherwise stated

B2. Material Changes in Profit for the Current Quarter as Compared to the Results of the Preceding Quarter

| | Quarter ended | | % +/(-) |
|---|----------------------|-----------------|------------|
| | 30 September 2021 | 30 June 2021 | |
| Revenue | <u>10,673</u> | <u>11,342</u> | (5.9) |
| Segment results: | | | |
| Industrial | 160 | 246 | (35.0) |
| Motors | 227 | 295 | (23.1) |
| Logistics | 3 | (73) | >100.0 |
| Healthcare | 13 | (4) | >100.0 |
| Others | 4 | 3 | 33.3 |
| | <u>407</u> | <u>467</u> | (12.8) |
| Foreign exchange loss from repayment of net investments | - | (15) | |
| Corporate expenses | <u>(13)</u> | <u>(24)</u> | |
| Profit before interest and tax | 394 | 428 | (7.9) |
| Finance income | 13 | 14 | |
| Finance costs | <u>(33)</u> | <u>(33)</u> | |
| Profit before tax | 374 | 409 | (8.6) |
| Taxation | <u>(107)</u> | <u>(178)</u> | |
| Profit for the period | 267 | 231 | 15.6 |
| Non-controlling interests | <u>(31)</u> | <u>(20)</u> | |
| Profit attributable to owners of the Company | 236 | 211 | 11.8 |

The Group's Net Profit was 11.8% higher against the preceding quarter mainly due to net one-off losses in the preceding quarter (see commentary below).

a) Industrial

PBIT in the current quarter was lower by 35.0% mainly due to a 34.7% decline in profit from the Australasia operations from RM199 million to RM130 million that stemmed from lower equipment revenue and weaker parts margins. The China operations also registered a lower profit as explained in Note B1.

b) Motors

PBIT in the current quarter declined by 23.1% as the preceding quarter included dividend income of RM113 million, gain on disposal of properties of RM38 million and impairment of leasehold land of RM89 million. Excluding these, profits were slightly lower in the current quarter mainly due to lower profit from Australasia which was impacted by COVID-19 restrictions as explained in Note B1.

c) Logistics

The loss in the preceding quarter was mainly due to impairment of assets of RM85 million.

d) Healthcare

The results for the quarter improved as the preceding quarter included losses from write-down of deferred tax assets and impairment of assets.

e) Corporate expenses

The corporate expenses for the quarter were lower as the preceding quarter included higher accrued expenses.

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B3. Prospects

The Group's results in the current quarter were impacted by the market contraction for industrial equipment in China and COVID-19 restrictions in certain countries. Some of the restrictions have since eased and together with government stimulus/incentives, sales are expected to recover.

The outlook for the Industrial division is mixed. While strong commodity prices and government fiscal stimulus in certain countries would support equipment sales and servicing, competition from local Chinese manufacturers may continue to impact the Industrial business in China. There is also uncertainty whether recent softening of the China equipment market after last year's government stimulus would continue.

For the Motors division, demand for luxury vehicles is expected to remain strong, especially in China. Although there are supply issues for certain models, this may be partly mitigated by better margins from vehicle sales. However, the risk of COVID-19 restrictions being tightened or reintroduced remains.

The Malaysia Finance Bill 2021 tabled for first reading on 9 November 2021 proposes to tax foreign sourced income received in Malaysia. As the Group has significant foreign operations, the taxing of the foreign sourced income may materially impact the Group's profit after tax in the future. The actual impact of this proposal cannot be accurately ascertained at the moment pending further clarification on the application of this proposal.

Taking into consideration the net one-off gains recorded in the previous financial year and barring any unforeseen circumstances, the Board expects the Group's financial performance for the financial year ending 30 June 2022 to be satisfactory.

B4. Variance of Actual Profit from Profit Forecast or Profit Guarantee

Not applicable as there was no profit forecast or profit guarantee issued.

B5. Profit before tax

| | Quarter ended 30 September | |
|---|-------------------------------|-------|
| | 2021 | 2020 |
| Included in operating profit are: | | |
| Depreciation and amortisation | (279) | (294) |
| Reversal of inventory write-down and provision/(Inventory write-down and provision) (net) | 11 | (28) |
| Reversal of impairment of receivables (net) | 11 | 2 |
| Net gain on disposal of fixed assets | 1 | 2 |
| Net foreign exchange (loss)/gain | (3) | 14 |
| Fair value gain/(loss) on financial assets at fair value | 1 | (1) |
| Net gain on derivatives | 1 | 1 |

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B6. Taxation

| | Quarter ended 30 September | |
|---|-------------------------------|------|
| | 2021 | 2020 |
| Current tax: | | |
| - current year | 86 | 105 |
| - previous years | 11 | 1 |
| | 97 | 106 |
| Deferred tax: | | |
| - origination and reversal of temporary differences and other deferred tax adjustments | 10 | 14 |
| | 107 | 120 |

The effective tax rate excluding share of results of associates and joint ventures for the current quarter ended 30 September 2021 of 30.4% was higher than the applicable tax rate for the current quarter of 25.6%, mainly due to adjustments to previous year taxes and non-deductible expenses.

B7. Status of Corporate Proposals

The corporate proposal announced but not completed as at 23 November 2021 is as follows:

On 27 October 2021, Kumpulan Sime Darby Berhad (“KSDB”), an indirect wholly-owned subsidiary of the Group entered into a Sale and Purchase Agreement (“SPA”) with Sime Darby Property (MVV Central) Sdn. Bhd. (“MVV Central”), a wholly-owned subsidiary of Sime Darby Property Berhad, for the disposal of 760.12 acres of land in Labu, Negeri Sembilan, to MVV Central for a cash consideration of RM280 million.

The agreement is expected to be completed within 15 months from the date of SPA, subject to further extension as may be mutually agreed.

B8. Group Borrowings

The breakdown of the borrowings as at 30 September 2021 is as follows:

| | Secured | Unsecured | Total |
|---|---------|-----------|-------|
| <u>Long-term</u> | | | |
| Term loans | 22 | 302 | 324 |
| | 22 | 302 | 324 |
| <u>Short-term</u> | | | |
| Term loans due within one year | 9 | 72 | 81 |
| Bank overdrafts | - | 50 | 50 |
| Revolving credits, bankers acceptances, trade facilities and other short-term borrowings | - | 1,100 | 1,100 |
| | 9 | 1,222 | 1,231 |
| Total borrowings | 31 | 1,524 | 1,555 |

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B8. Group Borrowings (continued)

The Group borrowings in RM equivalent analysed by currency are as follows:

| | Long-term borrowings | Short-term borrowings | Total |
|----------------------|-------------------------|--------------------------|--------------|
| Ringgit Malaysia | – | 62 | 62 |
| Australian dollar | – | 365 | 365 |
| Chinese renminbi | – | 316 | 316 |
| Hong Kong dollar | – | 59 | 59 |
| New Zealand dollar | 302 | 302 | 604 |
| Pacific franc | 22 | 23 | 45 |
| Thailand baht | – | 47 | 47 |
| United States dollar | – | 38 | 38 |
| Singapore dollar | – | 19 | 19 |
| Total borrowings | <u>324</u> | <u>1,231</u> | <u>1,555</u> |

Secured borrowings are secured by fixed and floating charges over property, plant and equipment and inventories in New Caledonian subsidiaries.

B9. Financial Instruments

a) Derivatives

The Group uses forward foreign exchange contracts to primarily manage its exposure to foreign exchange risk. The fair values of these contracts as at 30 September 2021 are as follows:

| | Classification in Statement of Financial Position | | Net fair value |
|------------------------------------|--|------------------------|-------------------|
| | Assets Current | Liabilities Current | |
| Forward foreign exchange contracts | <u>3</u> | <u>(27)</u> | <u>(24)</u> |

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 30 June 2021 other than an embedded forward contract in an agreement containing a commitment by the Group to invest in a company. The carrying value of this embedded derivative is immaterial to the financial results of the Group.

The description, notional amount and maturity profile of the derivatives are shown below:

Forward foreign exchange contracts

The forward foreign currency contracts are stated at fair value, using the prevailing market rates. Changes in fair value of the forward foreign currency contracts are recognised in other comprehensive income unless hedge accounting is not applied, in which case, the changes to the fair value of the derivatives are taken to profit or loss.

As at 30 September 2021, the notional amount, fair value and maturity tenor of the forward foreign exchange contracts are as follows:

| | Notional amount | Net fair value liabilities |
|--------------------|--------------------|----------------------------------|
| - less than 1 year | <u>3,617</u> | <u>(24)</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.

B10. Material Litigation

Changes in material litigation since the date of the last audited annual statement of financial position up to 23 November 2021 are as follows:

a) Qatar Petroleum Project (“QP Project”), Maersk Oil Qatar Project (“MOQ Project”) and the Marine Project Civil Suit (“Oil & Gas Suit”)

On 23 December 2010, Sime Darby Berhad and four subsidiaries (collectively, “the Plaintiffs”) filed a civil suit against Dato’ Seri Ahmad Zubair @ Ahmad Zubir Hj Murshid, Dato’ Mohamad Shukri Baharom, Abdul Rahim Ismail, Abdul Kadir Alias and Mohd Zaki Othman (collectively, “the Defendants”) for damages arising from the Defendants’ negligence and breaches of duty relating to the QP Project, the MOQ Project and the project relating to the construction of a derrick lay barge for an aggregate amount of RM93 million and USD79 million (approximately RM331 million) together with general and aggravated damages and other relief.

On 13 June 2014, all the Defendants consented to an Interlocutory Judgement being recorded on the Defendants’ liability with damages to be assessed by the Court. The Plaintiffs shall be permitted to enforce any final judgement entered after the assessment of damages, upon recovering all claims from the QP and MOQ projects and proceeds from the sale of the derrick lay barge, or after the expiry of 3 years from the date of final judgement, whichever is earlier.

The Plaintiffs have filed a Notice of Application for directions to assess damages.

The hearing for the assessment of damages was supposed to be heard from 20 to 22 October 2021. However, on 20 October 2021, the Court granted further adjournment upon the request of the 1st Defendant’s counsel. The Court then fixed the hearing for the assessment of damages on 10 to 13 January 2022.

b) Bakun Hydroelectric Project (“Bakun Project”) and the Indemnity Agreement Civil Suit (“Bakun Suit”)

On 24 December 2010, Sime Darby Berhad and three subsidiaries (collectively, “the Plaintiffs”) filed a civil suit against Dato’ Seri Ahmad Zubair @ Ahmad Zubir Hj Murshid, Dato’ Mohamad Shukri Baharom (“DMS”) and Abdul Rahim Ismail (collectively, “the Defendants”) for damages in connection with the Defendants’ negligence and breaches of duty relating to the Package CW2-Main Civil Works for the Bakun Project and in respect of the Receipt, Discharge and Indemnity Agreement dated 12 January 2010 given to DMS for an aggregate amount of RM91 million together with general and aggravated damages to be assessed and other relief.

On 13 June 2014, all the Defendants consented to an Interlocutory Judgement being recorded on the Defendants’ liability and for damages to be assessed by the Court. The Plaintiffs shall be permitted to enforce any final judgement entered after the assessment of damages, upon the Malaysia-China Hydro Joint Venture receiving full settlement from Sarawak Hidro Sdn Bhd or the Ministry of Finance in relation to the Bakun Project, or after the expiry of 3 years from the date of final judgement, whichever is earlier.

The Plaintiffs have filed a Notice of Application for directions to assess damages. The Registrar directed that the Plaintiffs’ application for assessment of damages for the Oil & Gas Suit and the Bakun Suit be heard separately and that the assessment of damages for the Oil & Gas Suit will be heard first before the Bakun Suit.

c) B-193 Process Platform Project (“PP Project”)

Sime Darby Engineering Sdn Bhd (“SDE”) and Swiber Offshore Construction Pte Ltd (“SOC”) entered into a Consortium Agreement to govern their relationship as a consortium (“the Consortium”) to undertake works relating to the PP Project awarded by Oil and Natural Gas Corporation Ltd (“ONGC”). A contract dated 3 July 2010 was executed for a total contract price of USD618 million (approximately RM2.6 billion).

Disputes have arisen between the Consortium and ONGC and on 1 June 2016, the Consortium initiated arbitration proceedings against ONGC. SDE’s portion of the Consortium’s claim is circa USD76 million (approximately RM318 million).

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B10. Material Litigation (continued)

Changes in material litigation since the date of the last audited annual statement of financial position up to 23 November 2021 are as follows: (continued)

c) B-193 Process Platform Project (“PP Project”) (continued)

On 22 March 2018, the tribunal ordered ONGC to pay the Consortium a net sum of USD5.12 million (approximately RM21 million) as full and final settlement of all claims. On 27 March 2018, ONGC filed an application at the High Court in Mumbai, India to set aside the arbitration award.

On 16 October 2020, SDE and Swiber filed an execution application against ONGC to seek recovery of the arbitration award. The warrant of attachment for movable properties was issued by the Court and the Court’s bailiff executed the warrant on 5 April 2021. On 19 April 2021, ONGC deposited a sum of INR 447 million (approximately RM25 million), which includes costs and interest, to the Court and the Consortium’s warrant of attachment against ONGC has been stayed until the Court hears ONGC’s application to set aside the arbitration award, the date of which has yet to be fixed.

B11. Dividend

On 25 August 2021, the Board declared a second interim dividend and a special dividend in respect of the financial year ended 30 June 2021, which were paid on 30 September 2021.

The total dividends were as follows:

| | Per share (sen) | Total dividends |
|-------------------------|----------------------------|----------------------------|
| Second interim dividend | 8.0 | 544 |
| Special dividend | 1.0 | 68 |
| | <u>9.0</u> | <u>612</u> |

B12. Earnings Per Share

| | Quarter ended 30 September | |
|---|---------------------------------------|--------------|
| | 2021 | 2020 |
| Basic earnings per share attributable to owners of the Company are computed as follows: | | |
| Profit attributable to owners of the Company | <u>236</u> | <u>281</u> |
| Weighted average number of ordinary shares in issue (million) | <u>6,803</u> | <u>6,801</u> |
| Basic earnings per share (sen) | <u>3.5</u> | <u>4.1</u> |

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

Petaling Jaya
 29 November 2021

By Order of the Board
 Noor Zita Hassan
 Group Secretary