



GROUP BUSINESS REVIEW: *Plantation*

WHO WE ARE & WHAT WE DO

Plantation is a core business of IOI, which is engaged in the cultivation of oil palm and processing of palm oil with operations in seed breeding, cultivation and crop oil extraction. Today, we have 98 estates, 14 palm oil mills, four research and development (“R&D”) centres and one biotechnology centre across Malaysia and Indonesia. Our harvested fresh fruit bunches (“FFB”) are processed by our own 14 milling facilities with a total installed capacity of 971 metric tonne (“MT”) per hour of FFB.

Our current total planted area (including subsidiary companies) stands at 176,202 hectares (“ha”) (FY2023: 176,925 ha), while our associate companies’ planted area stands at about 127,800 ha (as of 30 June 2024). Our total oil palm planted area is 98% (FY2024: 172,107 ha compared to FY2023: 173,818 ha) and 86% (FY2023: 84%) is classified as mature. The weighted average oil palm age for the Group is 14 years.





IOI is diversifying into other higher value crops such as coconuts to generate higher returns from our existing landbank. As of FY2024, we have planted 3,131 ha of coconuts and target to plant 634 ha by next year. We have also started producing our own planting materials, including hybrid *Matag* coconuts, at our newly established seed garden, which has been set up to develop new and improved materials for the future expansion of the Group. Other non-palm segment crops include durians and avocados. As of FY2024, we have planted 87 ha of durians, and we plan to plant 20 ha of durians and 8 ha of avocados by next year.

In addition, we are increasing our crop diversity through intercropping to optimise the revenue of our operating units which are undergoing replanting programmes. As of FY2024, we have planted 568 ha of bananas and 49 ha of pineapples, which are considered cash crops, and we target to plant 150 ha of bananas and 10 ha of pineapples by next year.

IOI emphasises heavily on Environmental, Social and Governance (“ESG”), a crucial element for businesses in sustainability development, and has made marked improvements in various ESG efforts. We secured a second consecutive Gold Award for Plantation Sector (Equity Category) at The Edge Malaysia ESG Awards 2023 on 6 November 2023, reinforcing our leadership position in the ESG dimension and our commitment to adopting good ESG practices in our operations. We are consistently advancing the integration of ESG into our business strategies to achieve continuous progress each year.

KEY FOCUS AREAS

With a strategy on “Driving Innovation in Enhancing Yields and Cost Efficiency,” we are committed to the following key focus areas to enable us to strive for sustainable business growth.

 <p>Innovating to produce high-yielding planting materials</p>	 <p>Reduce dependency on workers via mechanisation, increase productivity and operational efficiency</p>	 <p>Digitalisation and automation of business process</p>	 <p>Diversifying crops and exploring other profitable crops</p>
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KEY BUSINESS HIGHLIGHTS

The total FFB production for the Group is 2.80 million MT in FY2024 compared to 2.69 million MT in FY2023. The FFB yield recorded in FY2024 is 19.34 MT per ha compared to 18.66 MT per ha in the previous year. The higher FFB productivity and yields are primarily due to having sufficient foreign workers this year compared with last year, coupled with the good yield from young mature palms in Indonesia and a higher crop trend in Peninsular Malaysia. Other factors, such as the prompt completion of our manuring programme, weeding and pruning, lower harvesting interval, higher FFB loose fruit collection, and mechanisation and digitalisation efforts, also contributed to the uptrend in our crop production, leading to higher crude palm oil (“CPO”) production output.

Notwithstanding the higher CPO production, the unfavourable weather conditions affected our harvesting activities. In view of that, we continuously worked on improvements in road access and irrigation management, installing cableways in Indonesia to expedite crop evacuation while avoiding the sea route, and implementing infield mechanisation.


In FY2024, approximately 11,261 ha of young palms were brought into maturity, whilst 8,631 ha of old palms were replanted. Replanting remains a priority for the Group and we have replanted about 48,228 ha since FY2019 to improve the Group’s overall average age profile. Our replanting programme is augmented through the use of our elite clonal palms and high-yielding third-generation hybrid palm seedlings to increase oil palm yields.

FINANCIAL HIGHLIGHTS

As of 30 June 2024, the Group’s plantation segment’s revenue increased 4% from RM2.7 billion in FY2023 to RM2.8 billion in FY2024. This year-on-year improvement was contributed by higher CPO and palm kernel (“PK”) sales volume. The average CPO price for FY2024 was lower by RM262 per MT (FY2024: RM3,856 per MT compared to FY2023: RM4,118 per MT) and the average PK price was also lower by RM23 per MT (FY2024: RM2,210 per MT compared to FY2023: RM2,233 per MT).

The plantation profit for FY2024 was RM1,209.3 million compared to RM1,151.3 million for FY2023. Excluding the net fair value gain on biological assets and derivative financial instruments of RM8.0 million (FY2023: loss of RM14.8 million), and impairment loss on plasma receivables of RM5.5 million, there was an underlying profit of RM1,206.8 million for FY2024 compared to RM1,166.1 million for FY2023. The higher profit reported was due mainly to higher FFB production and oil extraction rate (“OER”) as well as higher share of associate results (FY2024: RM205.6 million vs FY2023: RM185.8 million), partially offset by lower CPO and PK prices realised.

The plantation segment incurred RM555.5 million in capital expenditure (“Capex”) in FY2024 compared with RM444.5 million in FY2023. The investment primarily consisted of expenditure in replanting (East Malaysia), plant and machinery, plantation development infrastructure and a new mill in Indonesia.




Total Planted Area

176,202
Hectares*

* Excludes area owned by associate companies

Top 3 Largest Companies* in Plantation Sector




* By market capitalisation on Bursa Malaysia

Total Oil Palm Estates

98*

* Located in Malaysia and Indonesia





192,560 Hectares & **14** Mills

RSPO*-Certified in Malaysian and Indonesian Operations

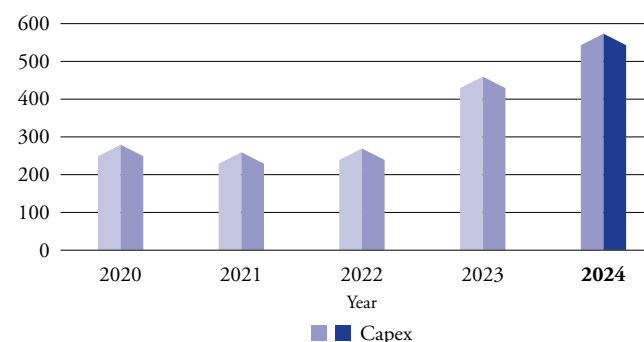
* Roundtable on Sustainable Palm Oil



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CAPEX

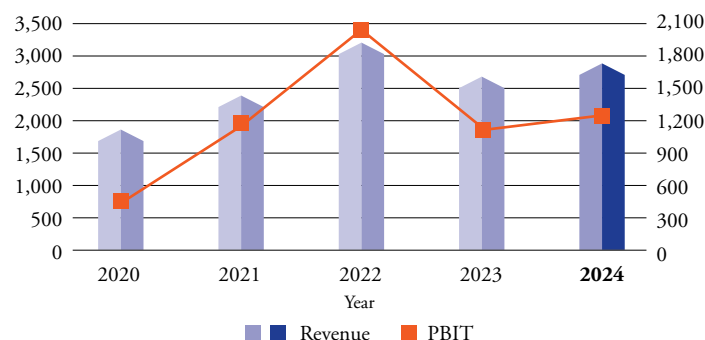
RM Million



REVENUE AND PROFIT BEFORE INTEREST AND TAX ("PBIT")

Revenue (RM Million)

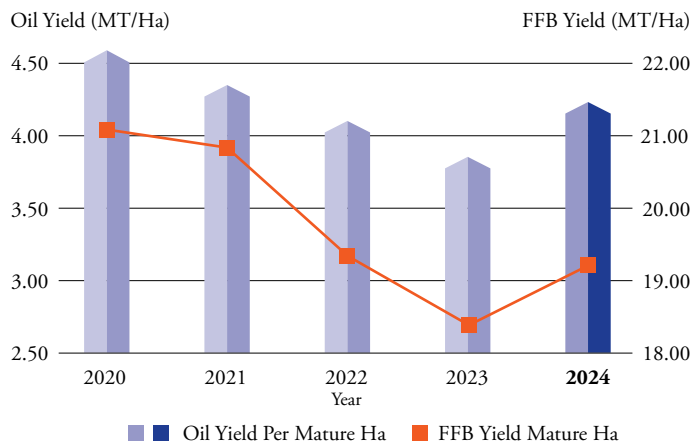
PBIT (RM Million)



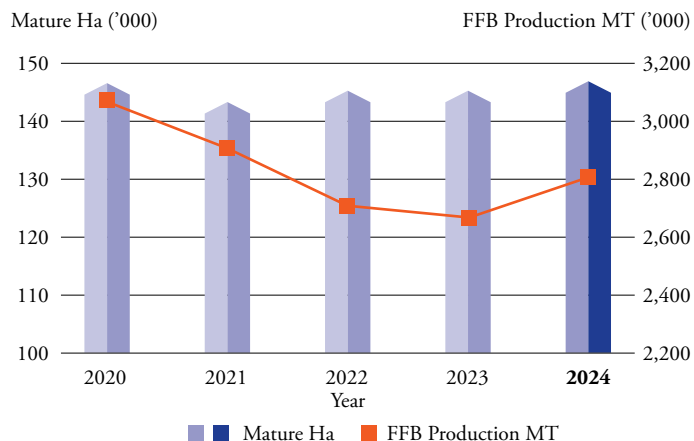
5-YEAR PLANTATION PERFORMANCE STATISTICS

CROP STATEMENT	2024	2023	2022	2021	2020
OIL PALM					
Average mature area harvested (Ha)	144,959	143,996	141,011	140,418	145,802
FFB production (MT)	2,803,965	2,686,356	2,726,516	2,917,621	3,097,262
Yield per mature hectare (MT/Ha)	19.34	18.66	19.34	20.78	21.24
Mill production (MT)					
Crude palm oil	625,127	580,688	607,200	646,692	708,212
Palm kernel	112,059	114,818	124,114	135,853	151,473
Oil extraction rate (%)					
Crude palm oil	21.77	20.92	21.39	21.39	21.83
Palm kernel	3.90	4.14	4.37	4.49	4.67
Average selling price (RM/MT)					
Crude palm oil	3,856	4,118	4,688	3,076	2,314
Palm kernel	2,210	2,233	3,593	2,115	1,375
AREA STATEMENT IN HECTARES					
OIL PALM					
Mature	147,152	146,069	143,787	143,749	146,856
Immature	24,955	27,749	31,405	33,177	30,053
Total oil palm planted area	172,107	173,818	175,192	176,926	176,909
COCONUT					
Mature	249	249	54	54	54
Immature	2,882	1,921	909	236	196
	3,131	2,170	963	290	250
Others	964	937	825	889	909
Total planted area	176,202	176,925	176,980	178,105	178,068
Nursery	338	358	324	254	248
Estate under development	378	462	532	554	836
Labour lines, building sites and others	28,155	29,384	29,277	28,074	27,415
Total area	205,073	207,129	207,113	206,987	206,567

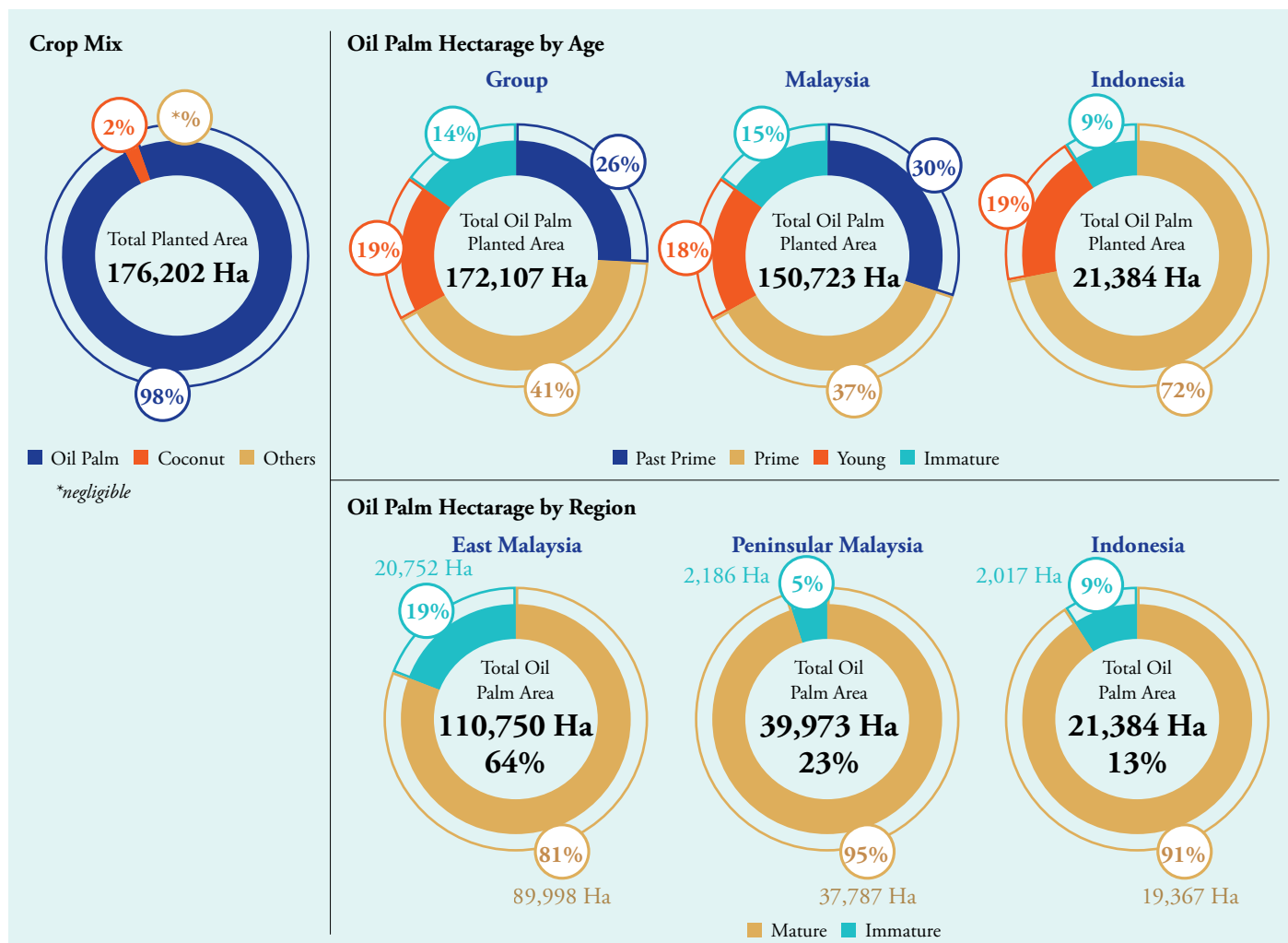
OIL YIELDS AND FFB YIELDS



AVERAGE MATURE OIL PALM AREA HARVESTED AND FFB PRODUCTION

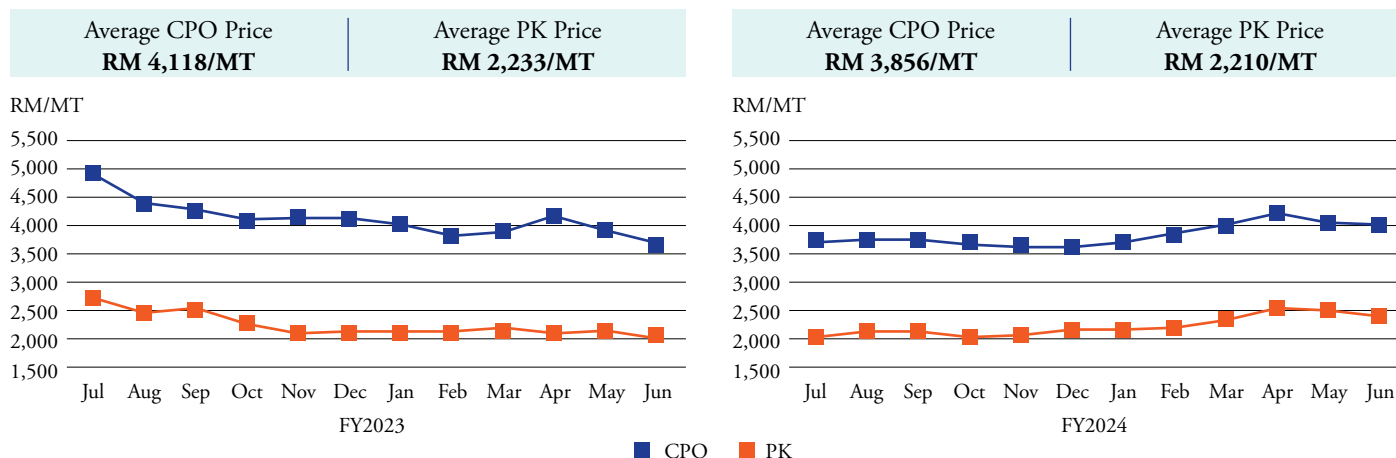


PLANTATION STATISTICS



GROUP BUSINESS REVIEW: PLANTATION

AVERAGE REALISED CPO AND PK PRICES



BUSINESS PERFORMANCE REVIEW 2024

Strategic Objectives	Key Initiatives	Achievements In FY2024																
<p>Innovating to produce high-yielding planting materials</p>	<ul style="list-style-type: none"> Digitalisation Mechanisation Continued investment in R&D Better worker management Driving to maximise oil yields by innovating with high-yielding clonal palms, superior planting materials and achieving high early yields from young mature palms Embarking on conservation projects to minimise crop loss during adverse weather conditions 	<ol style="list-style-type: none"> IOI continued to achieve high yields, as indicated by our top three best-performing estates compared with the industry's average yield of 3.14 MT/ha (Year 2023). <table border="1"> <thead> <tr> <th>ESTATE</th> <th>OIL YIELD</th> </tr> </thead> <tbody> <tr> <td>a) Detas</td> <td>7.03 MT/ha</td> </tr> <tr> <td>b) Bertam</td> <td>7.02 MT/ha</td> </tr> <tr> <td>c) Mamor</td> <td>6.22 MT/ha</td> </tr> </tbody> </table> Our mills continued to achieve high OERs due to FFB crops derived from superior high-yielding palms, as indicated by our top three best-performing mills compared with the industry's average of 19.86% (Year 2023). <table border="1"> <thead> <tr> <th>MILL</th> <th>OER</th> </tr> </thead> <tbody> <tr> <td>a) Baturong (Sabah)</td> <td>25.18%</td> </tr> <tr> <td>b) Morisem (Sabah)</td> <td>23.48%</td> </tr> <tr> <td>c) Mayvin (Sabah)</td> <td>22.76%</td> </tr> </tbody> </table> All our Malaysian plantation operating units are fully integrated with the SAP system and the electronic plantation monitoring system while 100% have been implemented with the e-wallet salary crediting system. We have successfully initiated various mechanisation efforts: <ol style="list-style-type: none"> Implemented mechanised mainline FFB evacuation system (using FFB grabber in combination with bin transport system) in about 99% of terrain-suitable estates across Malaysia, which have improved productivity and enabled the workers to earn better wages. Implemented mechanised assisted infield FFB evacuation system (using motorised power barrow, mechanical cart, mini tractor grabber, etc) in 64% of potential hectareage in our Malaysian estates, which has increased harvesters' productivity by 25% to 32%, and reduced dependency on workers by improving harvester-to-land ratio from 1:16 ha to 1:21 ha. Implemented mechanical fertiliser spreader and mechanical weed sprayers at flat and undulating area for upkeep work to reduce manual labour dependency. Implemented mechanical front-end loader attached to a tractor for organic farming to increase the productivity of empty fruit bunch ("EFB") and dry palm oil mill effluent ("POME") application in the field. Provided continuous training and briefing for our estates' personnel, and increased the number of skilled workers. We have continued to initiate various digitalisation efforts: <ol style="list-style-type: none"> Expanded more functionalities in robotic process automation ("RPA"), SAP Fiori and SAP Business Warehouse for smarter digitalisation. Implemented IOI ESG Digitalisation Platform. Continued implementing Enterprise Resource Planning ("ERP") system for Indonesia's plantation operating units. Started pilot phase for cognitive technology and artificial intelligence in bunch audit and bunch counting to improve efficiency and accuracy in operations. Started pilot phase for fleet management system to accurately monitor our fertilising vehicles and other vehicles used for FFB evacuation. Enabled smarter digitalisation by digitalising end-to-end FFB evacuation process with integration to SAP for accurate and faster data processing for precision agriculture management. 	ESTATE	OIL YIELD	a) Detas	7.03 MT/ha	b) Bertam	7.02 MT/ha	c) Mamor	6.22 MT/ha	MILL	OER	a) Baturong (Sabah)	25.18%	b) Morisem (Sabah)	23.48%	c) Mayvin (Sabah)	22.76%
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Challenges/Risks	Mitigation Actions
<p>Shortage of foreign workers directly impacted the supply chain (from FFB harvesting to CPO and PK production and sales) leading to lower FFB and oil yields, and negatively impacting revenue.</p>	<ol style="list-style-type: none"> 1. Actively recruit more local workers with competitive incentives, improve employee welfare and amenities, and introduce a “worker-get-worker” scheme. 2. Introduce better work processes and intensify mechanisation or automation to improve the effectiveness and efficiency of the production chain. 3. Annually review pay rates for workers to remain competitive whilst addressing the falling exchange rate impact. 4. Liaise with the relevant authorities such as Ministry of Home Affairs, Ministry of Human Resources, Ministry of Plantation and Commodities and other government agencies through the Malaysian Palm Oil Association or East Malaysia Planters Association on labour-related issues and policies. 5. Strategic deployment of harvesters from replanting areas to cover other tall palm areas when there is a worker shortage.
<p>Sporadic droughts in Peninsular Malaysia plus heavy rainfall and floods in Sabah and Indonesia, which impacted crop productivity and affected FFB production.</p>	<ol style="list-style-type: none"> 1. Accelerate mechanisation to enhance efficiency of FFB evacuation, particularly in areas with wet weather conditions. 2. Employ water conservation practices such as constructing conservation terraces, silt pits and bunds to retain soil and water. 3. Construct weirs at drainage and irrigation systems to maintain soil moisture. 4. Apply EFB as mulch to increase water holding capacity and maintain soil fertility. 5. Locate sites for water catchment areas such as unplatable steep ravines and low-lying waterlogged basins. 6. Desilt annually and improve drains to lead away excessive water during heavy rainfall.
<p>Volatility of CPO prices caused by ongoing Russia-Ukraine crisis, trade friction between the United States and China, and drought in South America which affected soybean production.</p>	<ol style="list-style-type: none"> 1. Manage costs strategically by continuously improving operational efficiency and productivity through digitalisation and mechanisation efforts that reduce dependency on foreign workers. 2. Diversify to other crops to mitigate risk of relying solely on oil palm. 3. Enter into forward sales contracts to partly mitigate volatility of CPO prices.
<p>Outbreak of insect pests (such as nettle caterpillars), vertebrate pests (such as rats and wild boars) and diseases (such as <i>Ganoderma</i> fungus), which damaged crops and attacked oil palm trees.</p>	<ol style="list-style-type: none"> 1. Implement integrated pest management approaches that prioritise biological control over chemical pesticides. 2. Employ different techniques during replanting such as soil ripping and ploughing to prevent <i>Ganoderma</i> outbreak; and pulverising trunk chips to minimise breeding of rhinoceros beetles in immature and young mature palms.
<p>Approximately 26% of IOI’s current oil palm trees are categorised as past prime (more than 21 years old and above), which are due for replanting, causing revenue and profit to be impacted by low FFB production.</p>	<ol style="list-style-type: none"> 1. Accelerate replanting programme by replanting 5% to 6% of planted area per year with superior planting materials to achieve early and high yields from a young mature palm age. 2. Replant with third-generation Limited Breeding Programme materials crossed with valid progeny-tested AVROS pisifera, which are expected to generate more than 33.0 MT of FFB per ha and have potential to generate more than 8.4 MT of CPO per ha from the seventh year onwards after planting. 3. Plan systematic 4% replanting per year of land area after completion of the 10-year replanting programme. 4. Replant with Advanced Planting Materials aged 16 to 18 months for early maturity.

OUTLOOK & PROSPECTS

FFB production is projected to be higher in FY2025 compared to FY2024 despite the accelerated replanting programme in Sabah. The growth is expected to be driven by the continuing labour productivity improvement in Peninsular Malaysia and increased FFB production from our young trees. Consequently, CPO production costs are anticipated to be lower than in FY2024 due to reductions in the costs of inputs such as fertiliser, diesel and chemicals.

In Sabah, we are continuing our accelerated replanting programme in our estates to maintain a good age profile for sustainable growth. We expect to replant about 6.0% of our Malaysian planted area with superior planting materials in FY2025. Overall, we are optimistic about the outlook and financial performance of the plantation segment in FY2025.