

FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

Financial Results Briefing

2nd Quarter for the Financial Period Ended 30 June 2018



28 August 2018

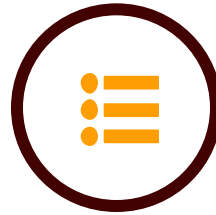
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Q2 2018 RESULT SUMMARY



Q2 2018 PRIORITIES UPDATES



BUSINESS OUTLOOK



FINANCIAL AND OPERATIONAL OVERVIEW

Q2 2018 RESULT SUMMARY



| FINANCIAL (RM mil) | Q2'18 | Q1'18 | QOQ | Q2'17 | YOY | YTD | | | |
|---|-------|-------|---------|-------|---------|-------|-------|---------|--|
| | | | | | | 1H'18 | 1H'17 | YOY | |
| Revenue (RM mil) | 3,437 | 3,603 | ▼ 5% | 4,213 | ▼ 18% | 7,040 | 8,528 | ▼ 17% | |
| Profit Before Zakat and Tax (RM mil) | 1.3 | 26 | ▼ 95% | 102 | ▼ 99% | 27 | 70 | ▼ 61% | |
| PAT (RM mil) | 1.1 | 8 | ▼ 86% | 40 | ▼ 97% | 9 | 8 | ▲ 28% | |
| (L)/PATAMI (RM mil) | (23) | 1.3 | ▼ <100% | 37 | ▼ <100% | (22) | 39 | ▼ <100% | |

Group recorded lower Revenue in Q2 YTD 2018 by 17% mainly due to:

- Lower average CPO price at RM2,447 per MT (Q2 YTD 2017: RM2,916 per MT)
- Lower sales volume and average selling price in Sugar, Rubber, Fatty Acid and Kernel related products.

Group recorded lower Profit Before Zakat and Tax in Q2 YTD 2018 by 61% mainly due to:

- Lower CPO/PK margin associated with lower average CPO price realised and higher CPO production cost ex-mill of RM1,811 per MT (Q2 YTD 2017: RM1,691 per MT)
- Losses suffered in kernel business
- Lower sales volume of fertiliser affected R&D business
- Share of loss from joint ventures and associates

RESULT SUMMARY BY SECTORS

PLANTATION



REVENUE
RM2,613 mil
(Q1'18: RM2,831 mil)



PBZT
-RM6 mil
(Q1'18: RM18 mil)

- Loss incurred due to lower average CPO price at RM2,419 per MT in Q2 2018 compared to RM2,472 per MT in Q1 2018 and compounded by lower CPO sales and higher production cost

SUGAR



REVENUE
RM573 mil
(Q1'18: RM540 mil)



PBZT
RM28 mil
(Q1'18: RM22 mil)

- Increased profit in Q2 2018 due to lower average raw sugar material cost

LOGISTICS AND SUPPORT BUSINESSES



REVENUE
RM245 mil
(Q1'18: RM226 mil)



PBZT
RM31 mil
(Q1'17: RM25 mil)

- Increased profit in Q2 2018 due to higher contribution from Support business and better margin in sales of commodities

**The above numbers exclude other investment holding companies.*

Q2 2018 RESULT SUMMARY







| | OPERATIONAL | Q2'18 | Q1'18 | QOQ | Q2'17 | YOY | YTD | | |
|---|-------------|--------------|-------|--------|-------|-------|-------|-------|------|
| | | | | | | | 1H'18 | 1H'17 | YOY |
| FFB Production ('000 MT) | | 994 | 991 | ▲ 0.3% | 1,043 | ▼ 5% | 1,984 | 1,847 | ▲ 7% |
| FFB Yield (MT/Ha) | | 3.61 | 3.60 | ▲ 0.3% | 3.78 | ▼ 4% | 7.21 | 6.69 | ▲ 8% |
| OER (%) | | 20.62 | 19.75 | ▲ 4% | 19.77 | ▲ 4% | 20.17 | 19.79 | ▲ 2% |
| CPO Production ('000 MT) | | 651 | 670 | ▼ 3% | 716 | ▼ 9% | 1,321 | 1,282 | ▲ 3% |
| Avg. CPO Production Cost, Ex-mill (RM/MT) | | 1,884 | 1,728 | ▲ 9% | 1,657 | ▲ 14% | 1,811 | 1,691 | ▲ 7% |

- FFB production and yield increased marginally by 0.3% in Q2 2018.
- OER has improved by 4% in Q2 2018 as the weather recovers and produce higher oil-to-bunch ratio.
- CPO production decreased by 3% in Q2 2018, mainly due to drop in FFB supply in tandem with weaker FFB production nationwide.
- Average CPO production cost (ex-mill) was higher by 9% in Q2 2018 due to lower FFB processed, higher expenses incurred for estate rehabilitation, manuring (60% fertiliser applied) and labour recruitment cost.

Q2 2018 PRIORITIES UPDATES



-  Completed around 10,500 Ha of felling with total cost utilisation of RM128 mil. (2018 (f): 15,000 Ha of replanting, total cost: RM272 mil)
-  93% of the foreign workers requirement has been met. (total of 33,828 foreign workers)
-  Produced around 85,000 MT of Palm Kernel Shell (PKS) with a current Shell Recovery Rate (SRR) of 1.35%. (2018 (f): 168,000 MT of PKS, 1.2% SRR)
-  MSM Johor refinery had started its commercial operation in July 2018.
-  Completed divestment of Taiko Clay Chemicals with one-off disposal gain of RM16.1 mil.
-  Received RSPO certification for additional 4 mills. (Total of 16 mills out of 69 mills)

1

- CPO price is expected to be traded in the range of RM2,200 – 2,400 per MT.
- Average raw sugar price is estimated in the range of US\$0.10 – 0.13 per lb.

2

- To receive the proceeds from divestment of Taiko Clay Chemicals of around RM100 mil in Q3 2018 which will be used to reduce the Group's gearing.

3

- The Board anticipates a challenging year given the bearish CPO price outlook, operational inefficiencies and unrealized returns from investments. As a result, the Company has embarked on a group transformation programme that is expected to reverse positively and overcome the challenges faced by Group.

Q2 2018 FINANCIAL OVERVIEW



Lower profit due to weaker results in Plantation Sector, share of loss but partially mitigated by improvement in Sugar Sector.

| Income Statement (RM million) | 2018 | 2017 | Changes % | |
|--------------------------------------|-------------|-----------|-----------------|---|
| Revenue | 7,040 | 8,528 | -17% | ● |
| Cost of sales | (6,272) | (7,780) | 19% | ● |
| Gross profit | 768 | 748 | 3% | ● |
| Operating profit | 242 | 238 | 2% | ● |
| LLA liabilities (Fair value changes) | (107) | (121) | 12% | ● |
| Share of results - Associates & JV | (32) | 20 | <100% | ● |
| PBT (& zakat) | 27 | 70 | -61% | ● |
| NET PROFIT | 9 | 8 | 28% | ● |
| (L)/PATAMI | (22) | 39 | <100% | ● |
| EPS (sen) | (0.6) | 1.1 | <100% | ● |

- The **Group revenue decreased by 17%** mainly due to:
 - **Decrease in average CPO price** realised of RM2,447 per mt (2017: RM2,916 per mt);
 - **Decrease in sales volume and average selling price in Sugar and Rubber segment**; and
 - **Decline in average price for fatty acid and kernel related products.**
- The **Group recorded lower PBT** mainly due to:
 - **Decrease in CPO/PK margin** due to lower average CPO price realised and higher CPO production cost ex-mill per mt by 7%;
 - **Losses suffered in kernel business**
 - **Unfavourable results in R&D business** due to lower sales volume;
 - **Share of loss** from joint ventures and associates; and
- The lower result was partially compensated by:
 - **Improvement in Sugar's profit** due to lower raw sugar cost; and
 - **Lower fair value charge in LLA** of RM107m (2017: RM121m).

Q2 2018 VS Q1 2018 FINANCIAL OVERVIEW



Profit decreased in Q2 2018 due to lower contribution from Plantation Sector but partially offset by lower FV charge in LLA.

| Income Statement (RM million) | Q2 2018 | Q1 2018 | Changes % | |
|--------------------------------------|---------|---------|-----------------|---|
| Revenue | 3,437 | 3,603 | -5% | ● |
| Cost of sales | (3,085) | (3,187) | 3% | ● |
| Gross profit | 352 | 416 | -15% | ● |
| Operating profit | 73 | 169 | -57% | ● |
| LLA liabilities (Fair value changes) | (28) | (79) | 64% | ● |
| Share of results - Associates & JV | (16) | (16) | - | ● |
| PBT (& zakat) | 1 | 26 | -95% | ● |
| NET PROFIT | 1 | 8 | 87% | ● |
| (L)/PATAMI | (23) | 1 | <100% | ● |
| EPS (sen) | (0.6) | 0.04 | <100% | ● |

➤ **Lower PBT** due to:

- **Lower average CPO price** of RM2,419 per mt (Q118: RM2,472 per mt) compounded by **decrease in CPO sales volume** by 8% and **increase in CPO production cost per mt**;
- **Share of loss** from JV

➤ The **lower result was partially mitigated** by:

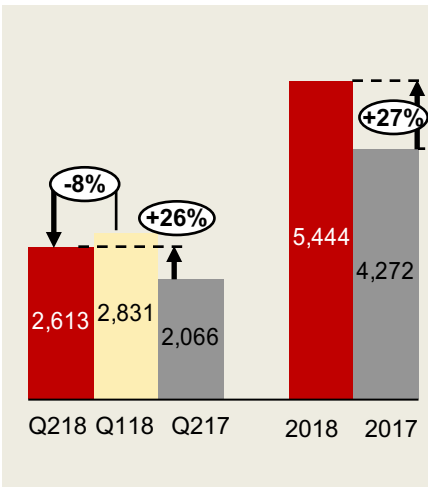
- **Lower fair value charge** in LLA RM28m (Q118: RM79m); and
- **Higher margin in kernel** business in the absence of NRV impact which pulled down Q118 result.

PLANTATION SECTOR

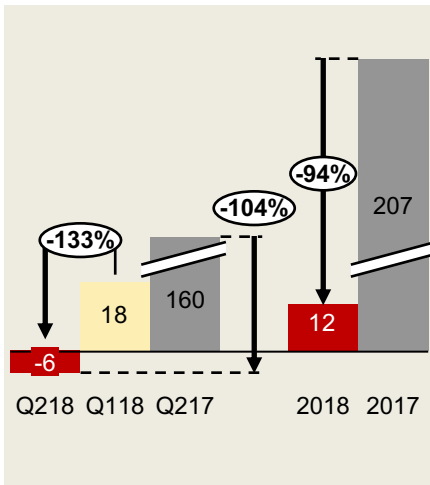


Weaker results achieved due to drop in CPO prices, lower margin in kernel crushing, drop in sales volume for R&D business and lower share of results.

Revenue



PBT



QoQ Results Overview

➤ Decline in profit due to:

- **Lower average CPO price realised** of RM2,419 per mt (Q118: RM2,472 per mt) coupled with **decrease in CPO sales volume** by 8% and **increase in CPO production cost**;
- **Share of loss** from joint ventures; and

➤ The lower results was partially mitigated by:

- **Higher margin** from kernel crushing as there was NRV loss which pulled down the results of Q118; and
- **Lower FV charge** in LLA of RM28m (Q118: RM79m);

Operationally:

- FFB production remain flat at 0.99m mt, while CPO production decreased slightly to 0.65m mt from 0.67m mt in Q118; and
- OER was higher at 20.61% in Q218 compared to 19.75% in Q118.

YoY Results Overview

➤ **Lower profit** YoY mainly due to:

- **Lower CPO and PK margin** due to lower selling price and higher CPO production cost;
- **Loss incurred in kernel business** due to narrower margin in RBDPKO products;
- **Lower margin and decrease in sales of planting material** in R&D business;
- **Drop in sales volume for fertiliser business** coupled with foreign exchange loss amounting to RM3m (2017: gain RM4m);
- **Loss in share of results** from JV of RM33m (2017: profit RM8m); and

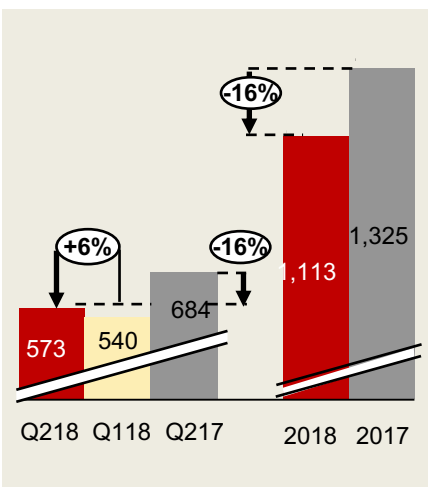
➤ The lower profit was partly cushioned by **decrease in FV charge in LLA** of RM107m (2017: RM121m).

SUGAR SECTOR



Improved profit due to lower raw sugar cost and strengthening Ringgit

Revenue



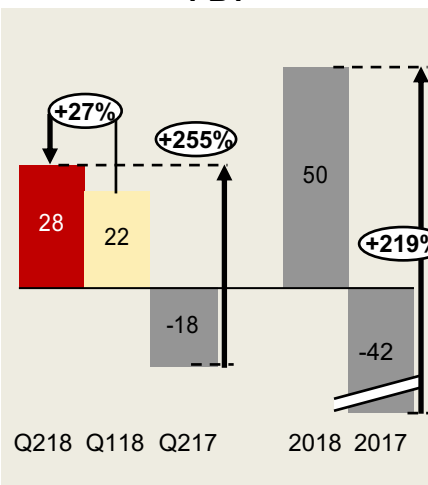
QoQ Results Overview

- **Higher profit due to decrease in average raw sugar material cost** (2018: RM1,644 per mt, Q118: RM1,734 per mt).
- The profit was partially **offset by 6% decrease in average sugar price** (Q218: RM2,297 per mt, Q118: RM2,443 per mt) despite higher sales volume.

YoY Results Overview

- **Lower revenue** due to:
 - **lower overall total sugar sales volume;**
 - **lower average sugar price** for all segments.
- **Improved PBT** due to:
 - **decrease in average raw sugar cost** of RM1,772 per mt (2017: RM2,330 per mt);
 - **strengthening Ringgit** compared to last year.

PBT

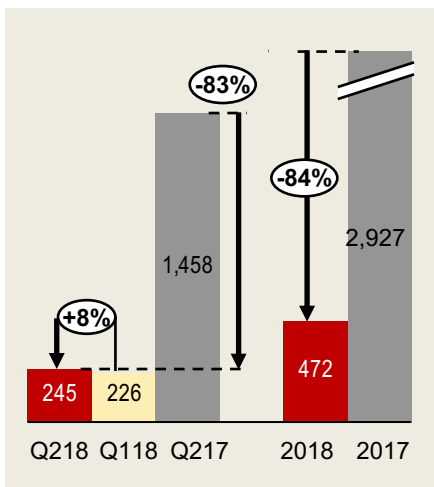


LOGISTICS AND SUPPORT BUSINESS SECTOR



Better results YoY due to higher tonnage carried by Group's transport. Included in previous year was a provision for litigation loss amounted to RM33m and impairment of receivables of RM11m.

Revenue



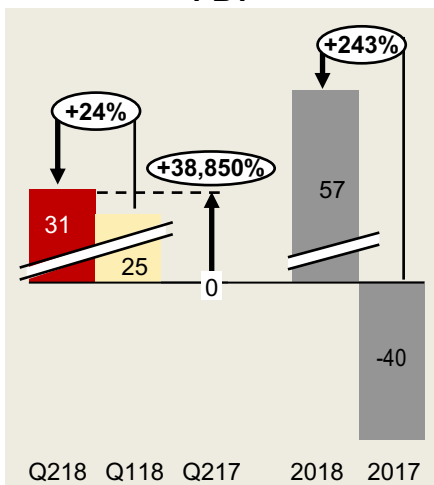
QoQ Results Overview

- Higher profit in Q218 mainly due to:
 - **Better margin in commodities** marketing business; and
 - **Higher contribution** from **engineering** services company.
- The increase in profit was partially offset by:
 - Lower performance in transport and bulking operation; and
 - Decrease in profit for travel business due to fasting month and general election occurred in Q218.

YoY Results Overview

- 2018 results was better than 2017 due to:
 - **Change in business model** whereby Trading segment is now based on sales commission starting January 2018;
 - **No provision for litigation loss and impairment** recorded this year (2017: RM44m); and
 - **Overall higher throughput and tonnage** carried by overall Group's transport operation and increase in handling rate in bulking business; and
 - Increase contribution from security services provided as new rate was implemented.

PBT



MOVEMENT OF LAND LEASE LIABILITY IN FGVP



| RM million | Q1 2018 | Q2 2018 | 2018 | Q1 2017 | Q2 2017 | Q3 2017 | Q4 2017 | 2017 |
|---|------------|------------|---------|------------|------------|------------|------------|---------|
| At the start of the period | 4,393.3 | 4,400.0 | 4,393.3 | 4,407.6 | 4,429.0 | 4,372.6 | 4,404.2 | 4,407.6 |
| Total payments made during the period | (72.0) | (83.0) | (155.0) | (76.1) | (79.5) | (71.9) | (79.6) | (307.1) |
| Recurring income statement charges/(credits) | 93.2 | 86.0 | 179.2 | 94.4 | 85.0 | 103.7 | 87.3 | 370.4 |
| Total income statement charges/(credits) from revisions in projections | (14.5) | (57.8) | (72.3) | 3.1 | (61.9) | (0.2) | (18.6) | (77.6) |
| Total charge/(credit) to the income statement | 78.7 | 28.2 | 106.9 | 97.5 | 23.1 | 103.5 | 68.7 | 292.8 |
| Closing LLA liability balance | 4,400.0 | 4,345.1 | 4,345.1 | 4,429.0 | 4,372.6 | 4,404.2 | 4,393.3 | 4,393.3 |

Total (credit)/charge to Income Statement

| RM million | 2018 | 2017 |
|--|--------------|--------------|
| Fixed lease consideration | - | 201.4 |
| Unwinding of discounts | 179.2 | - |
| Discounting effect | - | (22.0) |
| Revisions in projections and other adjustments | (72.3) | (58.8) |
| Total (credit)/charge to the Income Statement | 106.9 | 120.6 |

THANK YOU



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