FELDA GLOBAL VENTURES HOLDINGS BERHAD

Financial Results Briefing

2nd Quarter for the Financial Period Ended 30 June 2017

Presented by:
Officer In-Charge
Interim Chief Financial Officer
30/08/2017

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Q2 2017 RESULT SUMMARY

FINANCIAL (RM mil)	Q2’17	Q1’17	QOQ	Q2’16*	YOY	YTD 1H17	YTD 1H16*	YOY
Revenue	**4,224**	4,323	▼ 2%	4,140	▲ 2%	8,547	7,895	▲ 8%
Operating Profit	**134**	89	▲ 51%	228	▼ 41%	224	207	▲ 8%
Profit/Loss Before Tax	**87**	(31)	▲ >100%	123	▼ 29%	56	42	▲ 33%
P/(LATAMI)	**26**	2	▲ >100%	74	▼ 65%	28	(7)	▲ 100%

*restated

OPERATIONAL	Q2’17	Q1’17	QOQ	Q2’16	YOY	YTD 1H17	YTD 1H16	YOY
FFB Production (‘000 MT)	**1,043**	804	▲ 30%	1,076	▼ 3%	1,847	1,857	▼ 0.5%
OER (%)	**19.77**	19.82	▼ 0.3%	20.40	▼ 3%	19.79	20.47	▼ 3%
CPO Production (‘000 MT)	**716**	565	▲ 27%	659	▲ 9%	1,281	1,145	▲ 12%
Avg. CPO Production Cost, Ex-mill (RM)	**1,649**	1,739	▼ 5%	1,669	▼ 1%	1,691	1,736	▼ 3%

2017 BUSINESS UPDATES

PLANTATION SECTOR

PALM UPSTREAM

- Recorded higher PBT of RM109.3 mil in Q2 2017 against RM66.0 mil in last quarter.
- FFB production recorded at 1.04 mil MT, an increased by 30% QoQ, however slight decreased by 3% YoY due to slower recovery of younger age trees and labour shortages.
- CPO production was at 716,000 MT, a 27% QoQ and 9% YoY increase respectively. We recorded higher average CPO price of RM2,796/MT as compared to RM2,570/MT Q2 2016.
- Average CPO production cost (ex-mill) reduced to RM1,649/MT as compared to RM1,739/MT in Q1 2017 and RM1,669 in the same quarter last year.
- Felling of around 10,000 Ha and out of this, 1,478 Ha has been fully planted with RM103 mil spent for replanting as of 1H 2017.
- To date, FGV has hired 1,026 foreign workers from Bangladesh, Indonesia and India.

PALM DOWNSTREAM

- Expand new markets in the ASEAN region, Middle-East and Africa.
- Intensified efforts to improve Saji market share by focusing on promotions, including the deployment of the Saji Food truck throughout Peninsular Malaysia.

TRADING

- Focus on trading internal oil with close coordination on production and logistic operations.

2017 BUSINESS UPDATES

LOGISTICS & OTHERS SECTOR

- Construction of additional 38,000 MT storage in Pakistan is on track with 15,000 MT completed in May 2017.
- Converted Lahad Datu refinery to storage business with capacity of 9,000 MT.
- Under ‘Waste to Wealth’, the Group consolidated Palm Kernel Shell (PKS) business with shipments to Japan totalling of 40,000 MT.

SUGAR SECTOR

- To date, the sugar refinery in Tanjung Langsat, Johor is 61% completed and on track to begin its operation in 2018.
- Refining cost reduced by 14% as compared the same period last year.
- Recorded domestic sugar sales of 235,000 MT in 1H 2017, a 5% increased from last year.

STRENGTHEN FINANCIAL POSITION

- Achieved lower administrative expenses by 5% to RM439 mil in 1H 2017 as compared to RM462 mil in 1H 2016.
- As of June 2017, our cash reserves stand at RM1.8 bil with total assets of RM21 bil.

GOVERNANCE & SUSTAINABILITY

- Governance Quantum Leap’ to improve business processes in the areas:
  - ➢ Financial Management;
  - ➢ Procurement; and
  - ➢ Whistleblowing.
- Completed training with smallholders from 18 Felda settlements on RSPO/MSPO initiatives.

BUSINESS FOCUS AND OUTLOOK

01

CORE BUSINESS

- Revising FGV's 2017 FFB production target to 4.3 mil MT
- On track to achieve our replanting target of 14,000 Ha. We have 4,000 Ha of felling and 12,522 Ha of replanting area to be completed in 2H 2017
- Tightening the external FFB purchase mechanism to increase profit

02

LABOR HIRING PROGRAMME

- Continuous G2G engagement with Bangladesh, Indonesia and India
- Recruitment of local talents to reduce dependency on foreign workers
- Conduct R&D in the areas of mechanisation to ease the workload and operations efficiency

03

CPO AND SUGAR PRICE

- Favourable CPO price expected to be in the range of RM2,700 – 2,900 per MT in 2H 2017
- Estimated positive raw sugar price in the range of USD0.14 – 0.15 per lb in 2H 2017. Expect gross margin to improve as the ringgit strengthen and average down raw sugar cost.

BUSINESS FOCUS AND OUTLOOK

04

STORAGE AND LOGISTICS

- Additional storage tanks of 31,000 MT in Pasir Gudang, to be completed by end 2017
- Leveraging on our integrated logistic capabilities to provide multi-modal transport operator (MTO) services on various infrastructures projects

05

OTHER PALM RELATED BUSINESS

- Shipped 40,000 MT of PKS to Japan and expect to ship another 30,000 MT with potential revenue of RM21 mil
- Other ‘Waste to Wealth’ by-product initiatives such as sludge oil, biomass and biogas expecting an additional revenue up to RM40 mil for local market.

06

DISPOSAL OF NON-PERFORMING/NON-RELATED BUSINESS

- AXA Affin – pending BNM’s approval and expected to complete end 2017
- Focusing to dispose shares in few non-performing assets
- Rationalisation plan - 2 mills, 2 rubber processing plants and 1 palm oil refinery have been rationalised. Another 2 mills to be rationalised by Q4 2017

Q2 2017 VS Q1 2017 FINANCIAL HIGHLIGHTS

The Group recorded Q2 2017 PBT of RM87 mil and PATAMI of RM26 mil on the back of RM4.2 bil revenue

Income Statement *(RM million)*	**Q2 2017**	**Q1 2017**	**Changes %**	
Revenue	4,224	4,323	-2%	●
Cost of sales	(3,825)	(3,947)	3%	●
Gross profit	399	376	6%	●
Operating profit	134	89	51%	●
LLA liabilities (Fair value changes)	(23)	(98)	<76%	●
Associates & JV	10	10	-	●
P/(LBT) (& zakat)	**87**	**(31)**	**>100%**	●
NET PROFIT/(LOSS)	**28**	**(31)**	**>100%**	●
PATAMI	**26**	**2**	**>100%**	●
EPS (sen)	0.7	0.1	>100%	●

- **The Group revenue declined slightly by 2%** QoQ but GP margin grew by 6% due to the following:
  - 20% increase in volume of CPO sold; and
  - **Lower CPO production cost** by 5%;

- **Higher operating profit** mainly due to:
  - **Higher impairment of receivables** and **provision for litigation loss** recognised in Plantation Sector in Q1 2017.
  - Offset partially by **higher raw sugar cost.**

- Other than above:
  - **Higher PBT** was attributed by **lower FV charge in LLA** of RM23.07 mil compared to RM97.50 mil in Q117
  - **Higher PATAMI** QoQ of RM26 mil

1H 2017 FINANCIAL HIGHLIGHTS

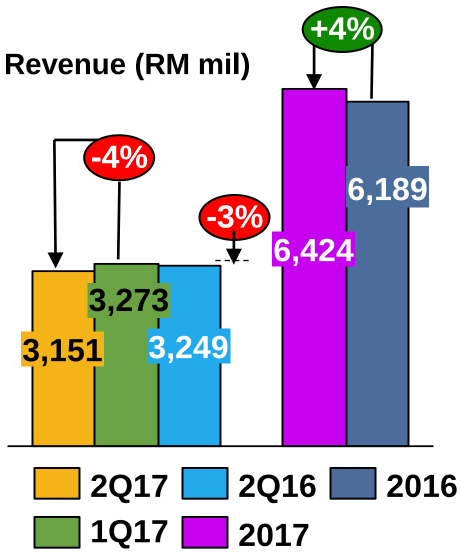
The Group recorded 1H 2017 PBT of RM56 mil and PATAMI of RM28 mil on the back of RM8.5 bil revenue

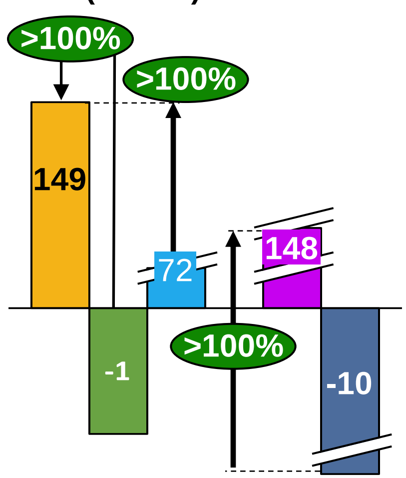
Income Statement *(RM million)*	**2017**	**2016 (Restated)**	**Changes %**	
Revenue	8,547	7,895	8%	●
Cost of sales	(7,772)	(7,180)	-8%	●
Gross profit	775	715	8%	●
Operating profit/(loss)	224	207	8%	●
LLA liabilities (Fair value changes)	(121)	(102)	-19%	●
Associates & JV	20	38	-47%	●
PBT (& zakat)	**56**	**42**	**33%**	●
NET LOSS	**(3)**	**(4)**	**25%**	●
P/(LATAMI)	**28**	**(7)**	>100%	●
EPS (sen)	0.8	(0.2)	**>100%**	●

- The **Group revenue increased by 8%** mainly due to:
  - **Higher price and sales volume** for **RBDPKO** and **CPKO;**
  - **Higher average selling price** by 21% and 5% increase in sales volume for domestic segment in **Sugar** business;
  - **Surge in price** of 71% for **Rubber** segment.
- Other than stated above, the **Group recorded a higher profit** before tax mainly due to:
  - **Lower finance costs** by 28%; and
  - **Lower CPO production cost (ex-mill)** by 3%
- Higher YTD PBT of RM28 mil was offsetted by:
  - **Increase in FV charge** for LLA ;
  - **Impairment of receivables** and **provision for litigation loss** in Plantation Sector.

PLANTATION SECTOR

PBT increased by more than 100% for both QoQ and YoY





QoQ Results Overview

➢ **Decrease in REVENUE QoQ due to**:

- **Lower average CPO price** of RM2,796 per mt (Q117: RM3,061 per mt) despite 21% higher in CPO sales volume; and

➢ **Increased in PROFIT QoQ** due to:

- **Decrease in FV charge in LLA** of RM23.07 mil compared to RM97.50 mil in Q1 2017; and
- **Impairment of receivables** and **provision for litigation loss** recognised in Q1 of RM62.30 mil (Q217: RM18.21 mil);

➢ Operationally:

- **Higher CPO production** by 27% in tandem with **higher FFB production** of 1.04 mil mt (Q117: 0.80 mil mt); and
- **OER** achieved was at 19.77% compared to 19.82% in Q1 2017.

YoY Results Overview

➢ **Higher REVENUE YoY** mainly due to **increase in kernel related products price.**

	2017	2016
RBDPKO (RM per mt)	5,897	4,445
CPKO (RM per mt)	5,487	4,544

➢ Operationally:

- **OER** achieved was **lower** at 19.79% compared to 2016 at 20.47%;
- **CPO production increased by 12%** to 1.28 mil; and
- **Lower estate yield** of 6.69 mt per hectare (2016: 6.91 mt per hectare)

➢ **Higher PROFIT YoY due to:**

- **Higher margin** achieved due higher CPO price and lower CPO production cost of RM1,691 per mt (2016: RM1,736 per mt).
- **Higher margin** achieved in RBDPKO (2017: RM289 per mt, 2016: RM59 per mt);
- **Decrease in external finance cost** by RM20.3 mil mainly due to fee charged on the early redemption and refinancing for APL's loan last year;
- **Gain in foreign exchange** in fertiliser business of RM3.81 mil (2016: loss RM11.20 mil)

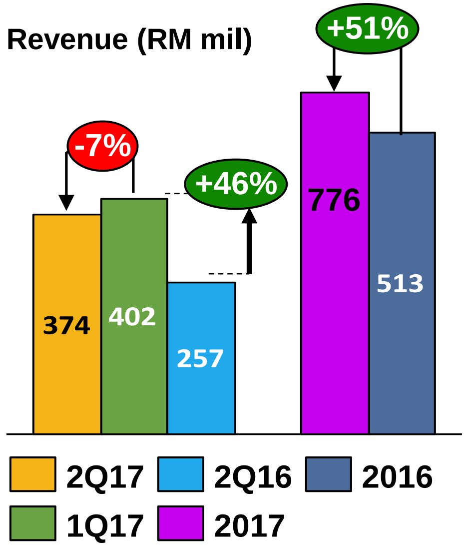
➢ The profits were partly offset by the:

- Increase in **fair value charge for LLA** to RM120.6 mil in 2017 compared to RM102.0 mil in 2016;
- **Impairment of receivables** of RM47.62 mil and **provision for litigation loss** of RM32.84 mil.

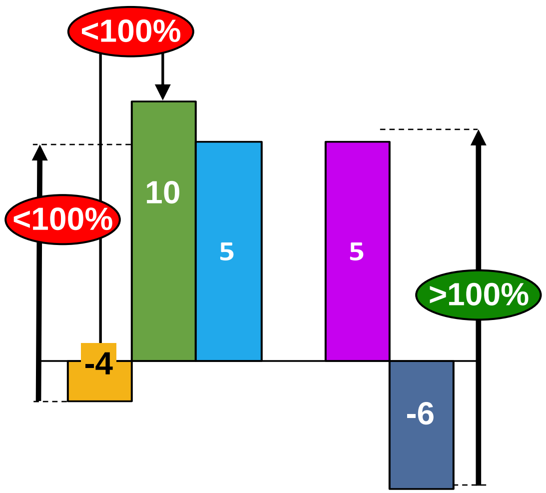
LOGISTICS AND OTHERS SECTOR

Weaker QoQ but higher YoY Revenue and PBT

Revenue (RM mil)



PBT (RM thousand)



QoQ Results Overview

- Loss in Q217 was mainly due to:
  - **Lower** contribution from **travelling business** in current quarter due to fasting month;
  - **Impairment in receivables** of RM4.09 mil in Others sector.
- The loss was partially offset by higher throughput and tonnage carried by Logistics Sector in tandem with the higher CPO production in Q2.

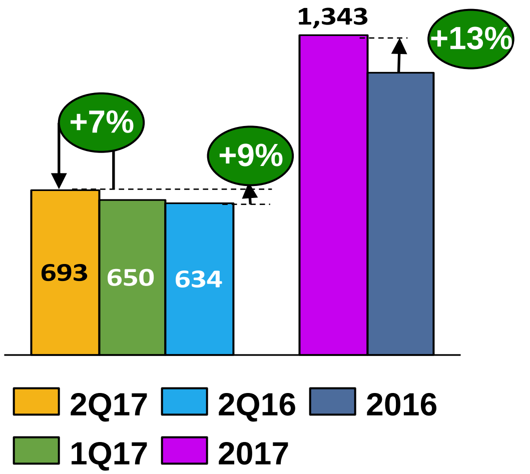
YoY Results Overview

- 2017 results was better than 2016 due to the followings:
  - **Higher tonnage carried** and **throughput** handled by Group's transport operation in tandem with the increase in CPO production volumes;
- The results was **partly offset** by:
  - **Lower income received** by Engineering division due to closure of operation in Sabah and Regional Office;
  - Lower contribution from Other Services companies due to **reduction in projects handled** compared to 2016;
  - **Continuous negative margin** for Rubber business.

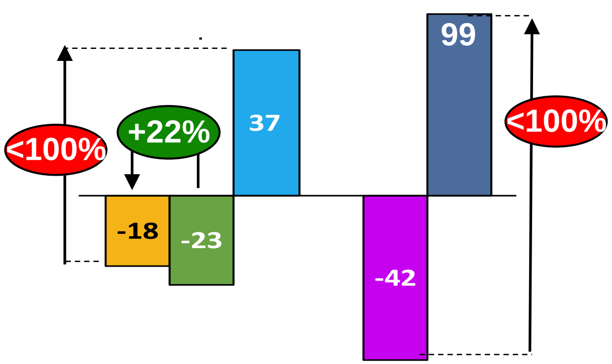
SUGAR SECTOR

YTD Loss due to continuous increase in raw sugar material and strengthening US Dollar

Revenue (RM mil)



PBT (RM mil)



QoQ Results Overview

- Group sales revenue for the 2Q increased by 7% due to higher sales in Domestic and Industry segments of 5% and 11% respectively.
- Total QoQ sales tonnage also increase for the local market at around 601K mt higher compared to 559K mt in tandem with higher intake of refined sugar during Hari Raya season.
- Due to the above, the sector registered **lower loss** during current quarter but was affected by higher raw sugar material cost locked earlier.

YoY Results Overview

- The **revenue** was 13% higher as **increase in average selling price** and **higher domestic sales volume** by 5%.
- Total sales tonnage YoY was 509K mt as compared to 523K mt at a higher average price compared to YoY.
- Higher revenue was attributed to higher price in overall segments which is 21%.
- **Lower PBT** due to **continuous increase in average raw sugar cost** and **weakening Ringgit** compared to last year.

MOVEMENT ON LAND LEASE LIABILITY IN FGVPM

RM million	Q1 2017	Q2 2017	YTD Q2 2017	Q1 2016	Q2 2016	YTD Q2 2016
At the start of the period	4,407.6	4,429.0	4,407.6	4,627.2	**4,654.2**	**4,627.2**
Total payments made during the period	(76.1)	(79.5)	(155.6)	(62.7)	**(58.4)**	**(121.1)**
Recurring income statement charges/(credits)	94.4	85.0	179.4	91.0	**107.1**	**198.1**
Total income statement charges/(credits) from revisions in projections	3.1	(61.9)	(58.8)	(1.3)	**(94.9)**	**(96.2)**
Total charge/(credit) to the income statement	97.5	23.1	120.6	89.7	**12.2**	**101.9**
Closing LLA liability balance	4,429.0	4,372.6	4,372.6	4,654.2	**4,608.1**	**4,608.1**

Total (credit)/charge to Income Statement

RM million	2017	2016
Fixed lease consideration	201.4	244.4
Discounting effect	(22.0)	153.4
Revisions in projections and other adjustments	(58.8)	(329.5)
Total (credit)/charge to the Income Statement	**120.6**	**68.3**

Q&A SESSION

OUR PRIORITIES GOING FORWARD

1

Improve core business to achieve:

- 4.3 mil MT FFB
- Lower CPO production cost of RM1,450 per MT
- Better plantation supervision

2

Strengthen financial position through:

- Divestment of non-core/ non-performing business
- Prudent administrative spending
- Optimise cashflow utilisation and management

3

Enhance Corporate Governance and practice:

- Embarking on Governance Quantum Leap initiatives
- Review of policies and procedures

THANK YOU