



# FGV Group Financial Results for the First Quarter Ended 31 March 2016

*24 May 2016*



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# Q1 2016 Financial Highlights



Loss before tax recorded as low volume of crop processed and increase in production costs.

Income Statement (RM mil)	2016	2015	Changes %	
Revenue	3,755	2,710	39%	●
Cost of sales	(3,477)	(2,328)	-49%	●
Gross profit	278	382	-27%	●
Operating (loss)/profit	(10)	150	<100%	●
LLA liabilities (Fair value charge)	(90)	(74)	-22%	●
Associates & JV	75	43	74%	●
<b>(LBT)/PBT (&amp; zakat)</b>	<b>(70)</b>	<b>73</b>	<b>&lt;100%</b>	<b>●</b>
(Loss)/Profit from continuing operations	(59)	54	<100%	●
Loss from discontinued operations	(1)	(24)	96%	●
<b>NET (LOSS)/PROFIT</b>	<b>(60)</b>	<b>30</b>	<b>&lt;100%</b>	<b>●</b>
<b>(L)/PATAMI</b>	<b>(66)</b>	<b>4</b>	<b>&lt;100%</b>	<b>●</b>
EPS (sen)	(1.8)	0.1	<100%	●

- The Group revenue increased by 39% mainly due to:
  - Higher average CPO price of RM2,303 per mt compared to RM2,279 per mt in 2015;
  - Higher CPO sales volume by 13% (2016: 0.45 mil mt, 2015: 0.40 mil mt);
  - Increase in sales volume for Sugar segment.
- The Group recorded loss before tax mainly due to:
  - **Higher CPO production cost (ex-mill) per mt** by 15% (2016: RM1,824 per mt, 2015: RM1,580 per mt);
  - **Lower FFB production** of 781 thousand compared to 930 thousand recorded last year (FFB yield of 2.94 mt/ha, 2015: 3.60 mt/ha);
  - **Increase in fair value charge of LLA** to RM89.72 mil in 2016 compared to RM73.51 mil in 2015.
- Share of results recorded for associates and joint ventures increased by 74% due to higher unrealised forex gain.

# Q1 2016 Vs Q4 2015 Financial Highlights



*Weak performance in Q1 2016 due to lower FFB production, lower sales volume for sugar segment and fair value charge in LLA.*

Income Statement (RM mil)	Q1 2016	Q4 2015	Changes %	
Revenue	3,755	4,148	-9%	●
Cost of sales	(3,477)	(3,726)	7%	●
Gross profit	278	422	-34%	●
Operating profit	(10)	132	<100%	●
LLA liabilities (Fair value changes)	(90)	7	<100%	●
Associates & JV	75	33	>100%	●
<b>(LBT)/PBT (&amp; zakat)</b>	<b>(70)</b>	<b>160</b>	<b>&lt;100%</b>	<b>●</b>
(Loss)/Profit from continuing operations	(59)	134	<100%	●
Loss from discontinued operations*	(1)	14	<100%	●
<b>NET (LOSS)/PROFIT</b>	<b>(60)</b>	<b>148</b>	<b>&lt;100%</b>	<b>●</b>
<b>(L)/PATAMI</b>	<b>(66)</b>	<b>91</b>	<b>&lt;100%</b>	<b>●</b>
EPS (sen)	(1.8)	2.5	<100%	●

- The Group recorded **lower revenue** compared to Q4 2015 due to:
  - Lower volume of CPO sold by 36% (Q1 2016: 0.45 mil mt, Q4 2015: 0.71 mil mt) despite higher average CPO price realised of RM2,303 per mt (Q4 2015: RM2,153 per mt);
  - Lower sales volume recorded in Sugar segment.
- **Loss before tax** was due to :
  - **FV charge in LLA** of RM89.72 mil compared to fair value gain of RM6.87 mill in Q4 2015;
  - **Lower volume of FFB processed** of 2.36 mil mt (Q4 2015: 3.53 mil mt) and lower OER of 20.56% compared to 21.46% in Q4 2015;
  - **Higher CPO production cost (ex-mill) per mt** by 40% (Q1 2016: RM1,824 per mt, Q4 2015: RM1,307 per mt);
  - **Lower profit contribution from Sugar segment** due to high raw sugar cost;
  - **Negative margin for Malaysian rubber** business in Q1 2016.

# EBITDA 2015 vs 2015



The Group achieved lower EBITDA of RM104 mil vs RM219 mil in 2015 and Adjusted PATAMI of negative RM61 mil vs negative RM3 mil recorded in 2015.

Reconciliation	Q1 2016 RM mil	Q1 2015 RM mil	Changes %
<u>EBITDA Reconciliation</u>			
Operating (loss)/profit before LLA	(10)	150	<100%
<i>add: Share of results</i>	75	43	74%
<i>add : Depreciation</i>	126	123	2%
<i>Others - other (losses)/gains</i>	(24)	(11)	<100%
<i>add: EBITDA for Discontinued operation</i>	-	(24)	100%
<b>EBITDA (exclude LLA)</b>	<b>167</b>	<b>281</b>	<b>-41%</b>
<i>less: LLA Cash Paid</i>	(63)	(62)	-2%
<b>EBITDA (after cash LLA)</b>	<b>104</b>	<b>219</b>	<b>-53%</b>
<u>PATAMI Reconciliation</u>			
PATAMI	(66)	4	<100%
Net LLA	68	55	24%
<i>less: Cash Paid</i>	(63)	(62)	-2%
<b>Adjusted PATAMI</b>	<b>(61)</b>	<b>(3)</b>	<b>&gt;100%</b>

# Core Profit 2016 Vs 2015

The Group's Core Profit decreased to a loss of RM61 mil compared to loss of RM44 mil.



Core Profit Reconciliation	Q1 2016 RM mil	Q1 2015 RM mil
<b>(L)/PATAMI</b>	<b>-66</b>	4
LLA (credit) / charge, net of tax	<b>68</b>	55
Gain on disposal of AACo	-	<b>-29</b>
Share of gain on disposal of FGV China Oil	-	<b>-12</b>
<i>Total adjustment</i>	<b>68</b>	14
<b>Adjusted PATAMI</b>	<b>2</b>	18
<i>less: LLA cash paid</i>	<b>-63</b>	<b>-62</b>
<b>CORE PROFIT</b>	<b>-61</b>	<b>-44</b>

## CORE PROFIT DEFINITION :

Core net profit relates to the net profit after minority interests excluding one-off item (that are not recurring). The purpose is to find out the recurring operating profit of the group. The non-recurring will include items like (1) non operational related forex gains; (2) one-off gain from sale of shares/assets; (3) LLA and (4) potentially any one-off provisions or gains etc,

# Key Financial Ratios



Overall the key financial ratios for 2016 weakened against 2015 due to challenging economic environment.

	UOM	31-Mar-16	31-Dec-15	Changes	Changes
Total Assets	RM mil	21,390	21,388	-0.01%	●
Total Liabilities	RM mil	12,552	12,402	1%	●
Cash and Cash Equivalents	RM mil	2,401	2,503	-4%	●
Net Tangible Assets (NTA) per Share	RM	1.27	1.34	-6%	●
Earning per Share (EPS)	sen	(1.80)	2.90	<100%	●
Return on Shareholders' Fund (ROSF)	%	(1.04)	1.66	<100%	●
Liquidity Ratio		1.30	1.39	-6%	●
Gearing Ratio *		1.60	1.56	3%	●
Gearing Ratio (excluding LLA)		0.86	0.84	2%	●

\* Gearing ratio equals to Borrowings, Loan due to a significant shareholder, LLA liability (in Current Liabilities and Non-Current Liabilities) divided by Shareholders' Fund.

## Performance by Clusters



# Segment Reporting by Clusters



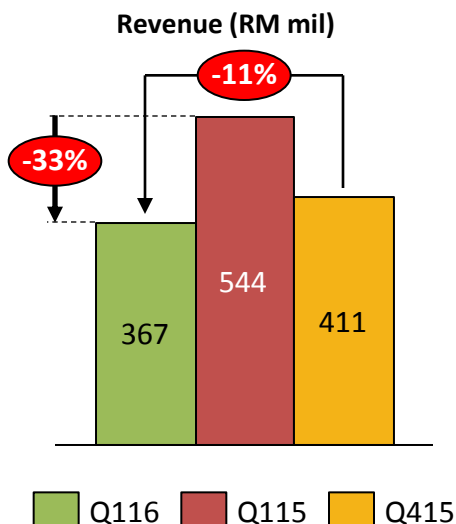
Lower contributions recorded in 2016 mainly due to loss in Palm Upstream and Others segments.

Clusters	REVENUE			PBT		
	2016	2015		2016	2015	
	RM'000	RM'000	%	RM'000	RM'000	%
Palm upstream	367,473	544,420	-33%	-100,548	-1,573	>100%
Palm downstream	915,780	847,174	8%	1,801	-21,691	<100%
Sugar	554,513	508,485	9%	66,498	92,137	-28%
TML	1,573,726	542,917	>100%	17,772	15,958	11%
Others (Rubber, R&D and Services)	343,957	266,895	29%	-15,058	26,928	<100%
*Others	-	-	-	-40,444	-38,274	-6%
<b>TOTAL</b>	<b>3,755,449</b>	<b>2,709,891</b>	<b>39%</b>	<b>-69,979</b>	<b>73,485</b>	<b>&lt;100%</b>

\* Others consists of investment holding companies and consolidation adjustments

# Palm Upstream Cluster

*33% drop in YoY Revenue as lower CPO production as a chain effect from lower crop production.*



## YoY Results Overview

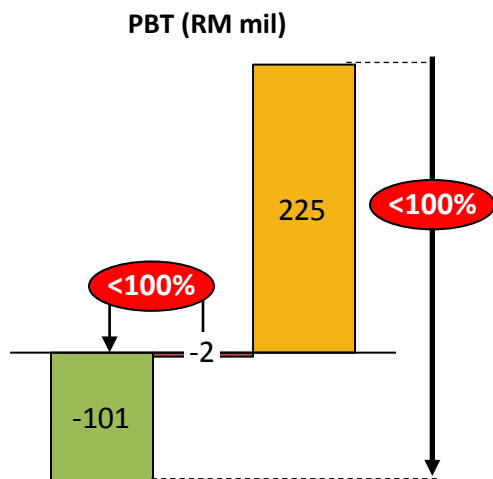
### ➤ Lower revenue and loss before tax recorded in 2016 due to:

- Lower CPO production of 14% (0.49 mil mt, 2016: 0.57 mil mt) resulting from:
  - a) Lower estate yield of 2.94 mt per hectare from 3.60 mt per hectare in 2015;
  - b) Lower FFB processed of 2.36 mil mt (2015: 2.76 mil mt);
  - c) Higher fair value charge in LLA to RM89.72 mil compared to RM73.51 mil in 2015;
- Higher CPO production cost by 15% to RM1,824 per mt (2015: RM1,580 per mt).

## QoQ Results Overview

### • Lower revenue and loss before tax in Q1 2016 compared to Q4 2015 was due to:

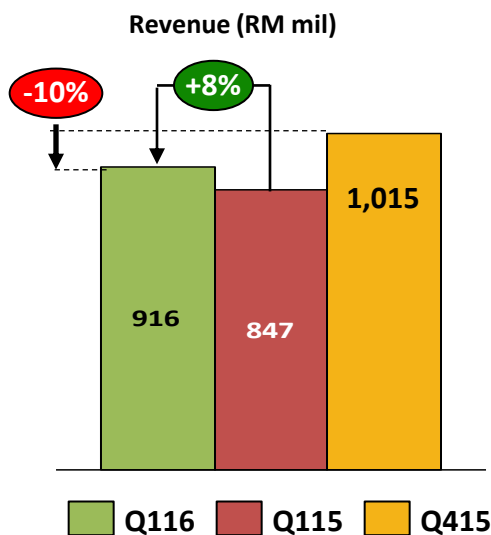
- a) Lower volume of FFB processed by 33% (2.36 mil mt, Q415: 3.53 mil mt) which led to lower CPO production by 36% (0.49 mil mt, Q415: 0.76 mil mt);
- b) Lower estate yield of 2.94 mt per hectare against 4.54 mt per hectare in Q415;
- c) FV charge in LLA of RM89.72 mil compared to fair value gain of RM6.87 mil in Q4 2015;
- d) Lower OER achieved of 20.56% (Q4 2015: 21.46%);
- e) Higher CPO production cost of RM1,824 per mt compared to RM1,307 per mt.



# Palm Downstream Cluster

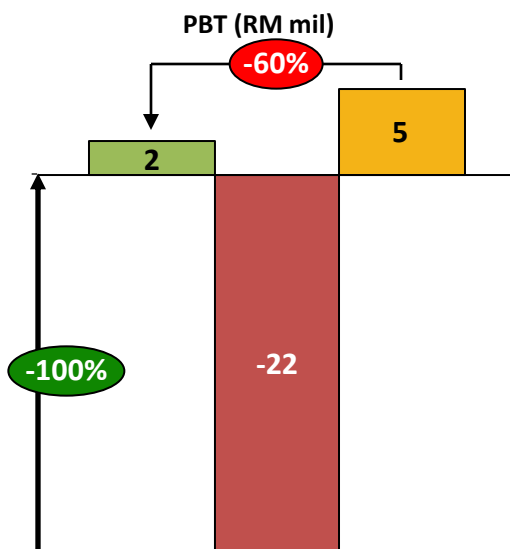


Improved against 2015 due to better margin from kernel crushing and fatty acid business.



## YoY Results Overview

- Higher revenue by 8% compared to previous year due to 6% increase in total sales volume of fatty acid business and 7% increase in sales volume of local FMCG business.
- Downstream Cluster recorded a profit of RM1.80 mi in 2016, a turnaround compared to loss of RM21.69 mil in 2015 due to:
  - Better results recorded under the new business model, eliminating the risk of negative refining margin recorded in Q1 2015;
  - Better RBDPKO and CPKO margin and higher volume achieved for kernel crushing business.



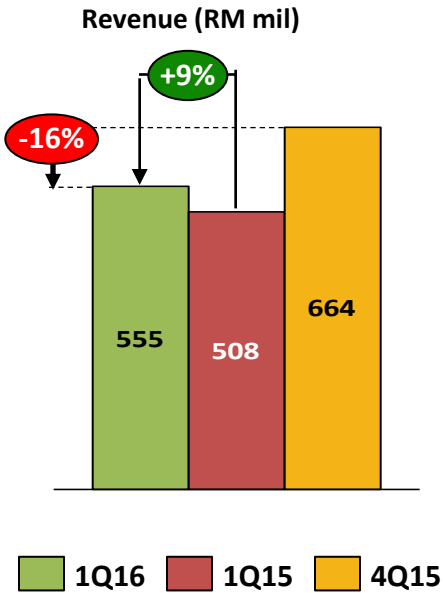
## QoQ Results Overview

- Profit was lower in Q1 2016 compared to Q4 2015 due to:
  - Loss in FMCG business as export segment was hit by unrealised forex loss of RM4.42 mil.
  - Loss in bulk palm oil sales in China .

# Sugar Cluster

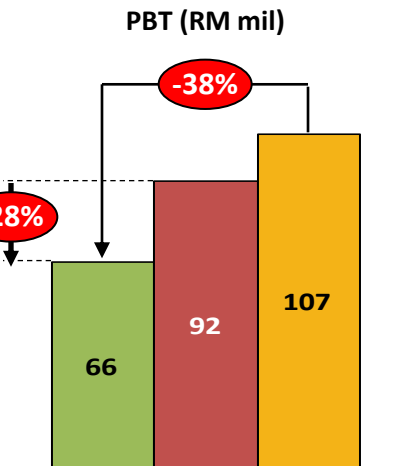


Gross profit hit by higher sugar costs and weakening Ringgit on the back of 8% growth in revenue.



## YoY Results Overview

- Revenue grew 8.8% driven higher volume of sugar sales for domestic and export segments which increased by 11% and 21% respectively.
- Lower PBT by 28% mainly due to:
  - Lower gross margin recorded versus 2015 due to the effect of higher raw sugar and weakening Ringgit which drove up the cost of production.
  - Unrealised loss in foreign exchange of RM3.5 million.
  - Slightly higher admin expense compared yoy due to one time ground-breaking event of Johor Refinery and launched of Dubai Office



## QoQ Results Overview

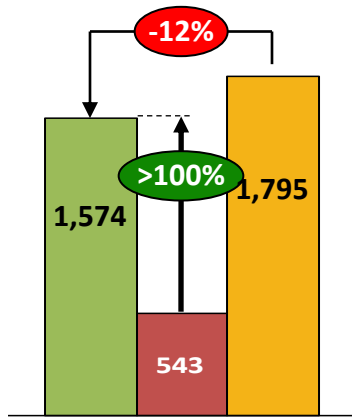
- Revenue and PBT were down by 16% and 38% compared to the preceding quarter.
- Notwithstanding the reduced profitability, the GP Margin and Net Profit Margin improved to 18.8% and 11% compared to 17.8% and 9.2% respectively.

# TML Cluster

Higher revenue and PBT as trading activities are in full force.

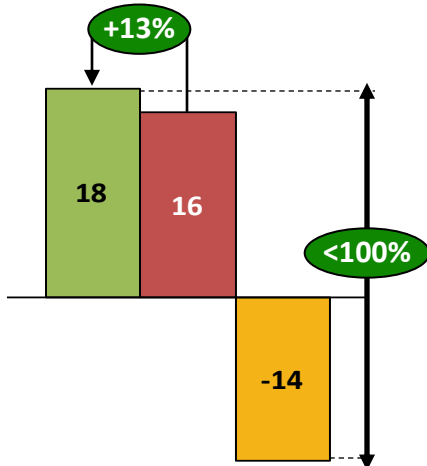


Revenue (RM mil)



1Q16 1Q15 4Q15

PBT (RM thousand)



## YoY Results Overview

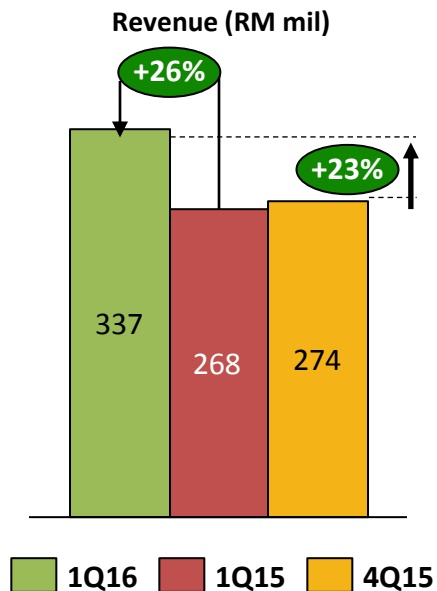
- Profit for TML cluster was **higher in 2016** as full quarter result and better trading performance was recorded in Trading company.
- The external CPO and PPO sales for trading only commenced in February 2015.
- Additionally, Bulking Group had recorded higher revenue as more spot cargo handled despite lower total volume handled.

## QoQ Results Overview

- Lower revenue was recorded by TML cluster as sales volume for CPO and PPO by Trading company decreased.
- Profit recorded in current quarter compared to loss in Q4 2015 due to:
  - Better trading performance coupled with foreign exchange gain.

# Other Cluster

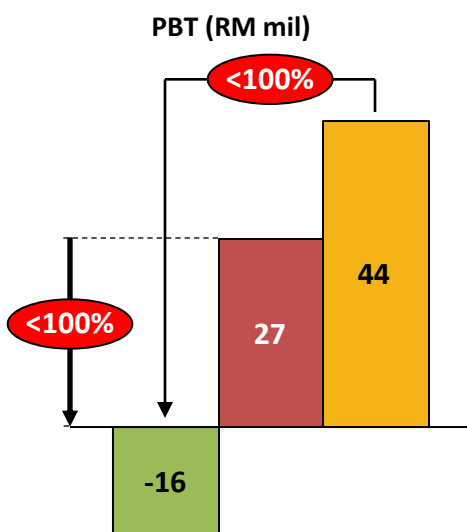
Loss due to lower rubber and fertiliser margin.



## YoY Results Overview

➤ Others cluster recorded loss before tax due to:

- Low fertiliser margin and unrealised forex losses of RM15 mil as raw material was purchased in USD;
- Negative rubber processing margin;
- Lower R&D income and seeds sales; and
- Higher staff costs for security service company.



## QoQ Results Overview

➤ Higher revenue recorded in Q1 2016 compared to Q4 2015 was due to:

- Higher selling price for fertiliser;

➤ Loss before tax recorded in Q116 due to:

- Lower margin in rubber business
- Lower sales volume for seedlings

THANK YOU

# MOVEMENT OF LAND LEASE LIABILITY IN FGVPM



RM mil	Q1 2016	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015
At the start of the period	<b>4,627.2</b>	4,680.8	4,692.2	4,674.4	4,703.1	<b>4,680.8</b>
Total payments made during the period	<b>(62.7)</b>	(62.1)	(68.1)	(79.2)	(69.1)	<b>(278.5)</b>
Recurring income statement charges/(credits)	<b>91.0</b>	89.5	85.2	95.7	90.3	<b>360.7</b>
<b>Total income statement charges/(credits) from revisions in projections</b>	<b>(1.3)</b>	(16.0)	(34.9)	12.2	(97.1)	<b>(135.8)</b>
Total charge/(credit) to the income statement	<b>89.7</b>	73.5	50.3	107.9	(6.8)	<b>224.9</b>
Additional land acquisition	-	-	-	-	-	-
<b>Closing LLA liability balance</b>	<b>4,654.2</b>	4,692.2	4,674.4	4,703.1	4,627.2	<b>4,627.2</b>

Total (credit)/charge to Income Statement

RM mi	2016	2015
Fixed lease consideration	61.1	248.4
Discounting effect	28.5	154.0
Revisions in projections and other adjustments	0.1	(287.2)
<b>Total (credit)/charge to the Income Statement</b>	<b>89.7</b>	<b>73.5</b>