FGV HOLDINGS BERHAD

FINANCIAL RESULTS BRIEFING

2nd Quarter for the Financial Period Ended 30 June 2019

Wednesday, 28 August 2019

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EXECUTIVE SUMMARY

1. FGV's results are primarily driven by CPO. Prices have been volatile from a high of RM2,500/MT to the low of RM1,717/MT recorded in November 2018.

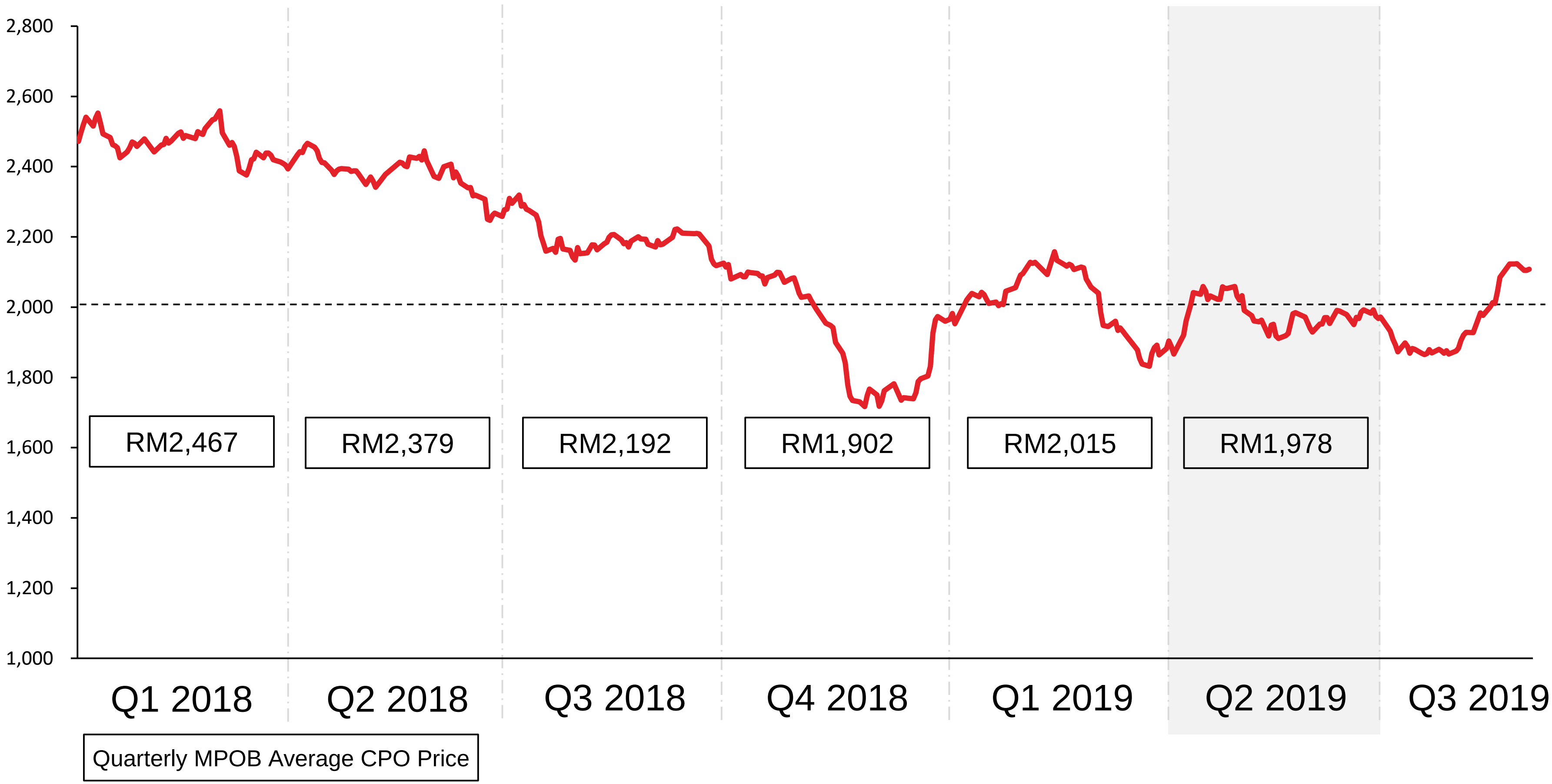
2. FGV's revenue dipped by a comparatively low 5%, due in large part to higher yields and improved CPO sales volume.

3. FGV's PBIT of RM23 mil is 54% lower than in previous year, due mainly to losses in the sugar segment, lower palm oil margin and higher charge for change in fair value of LLA liability.

4. Losses in sugar segment is attributed to higher finance cost and depreciation upon commercialization of Johor plant. In addition, the segment is also affected by lower sales volume and sales price during the period.

5. FGV's Transformation Plan is on track as evidenced by:
   - 19% YOY increase in FFB yield.
   - 23% YOY reduction in ex-mill costs.
   - 24% YOY increase in Utilisation Factor.

MPOB CPO PRICE TREND



- Traded lower in Q2'19, mainly due to lower export volume. Forecasted higher production in 2H with the escalating US-China trade war.
- Despite strong demand for biodiesel, stockpiles are still historically high at 2.4 mil MT.
- Deepening price war between Malaysia and Indonesia due to increased supply of cheaper Indonesian palm oil flooding the market.

Q2 2019 RESULTS SUMMARY

Q2 2019 FINANCIAL RESULTS

FINANCIAL (RM mil)	Quarter			YTD		
	Q2'19	Q2'18	YOY	1H'19	1H'18	YOY
Revenue	**3,279**	3,437	▼ 5%	**6,555**	7,040	▼ 7%
Profit/(Loss) BIT	**23**	50	▼ 54%	**102**	146	▼ 30%
Profit/(Loss) BZT	**(57)**	1	▼ <100%	**(33)**	27	▼ <100%
Profit/(Loss) ATAMI	**(52)**	(23)	▼ <100%	**(56)**	(22)	▼ <100%
Average CPO Price	**1,955**	2,419	▼ 19%	**1,972**	2,447	▼ 19%

Q2'19 vs Q2'18 (YOY)

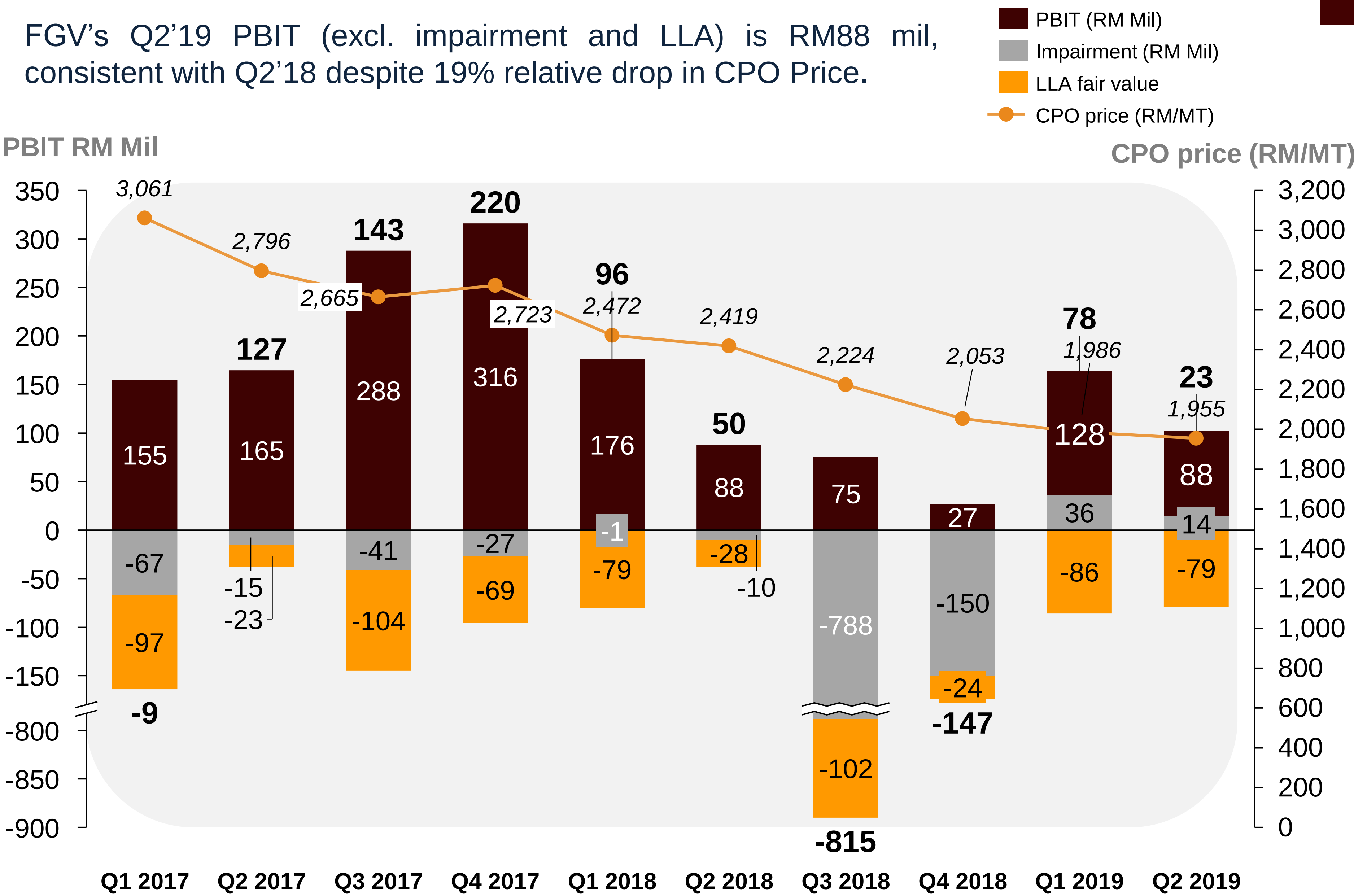
Revenue decreased by 5% YOY despite a 19% drop in CPO price at RM1,955/MT (Q2'18: RM2,419/MT).

PBIT decreased by 54% YOY mainly due to:
- Loss of RM21 mil in the Sugar sector due to lower sales vol. by 7% and higher refining cost by 8%.
- Lower palm product (CPO and PK) margin by 84% as a result of lower CPO price.
- Higher charge for change in fair value of LLA liability of RM79 mil (Q2'18: RM28 mil).

The lower profitability was partially offset by:
- Improved FFB production by 15% at 1.15 mil MT and FFB yield by 19% at 4.76 MT/Ha.
- Much improved ex-mill cost at RM1,455/MT.

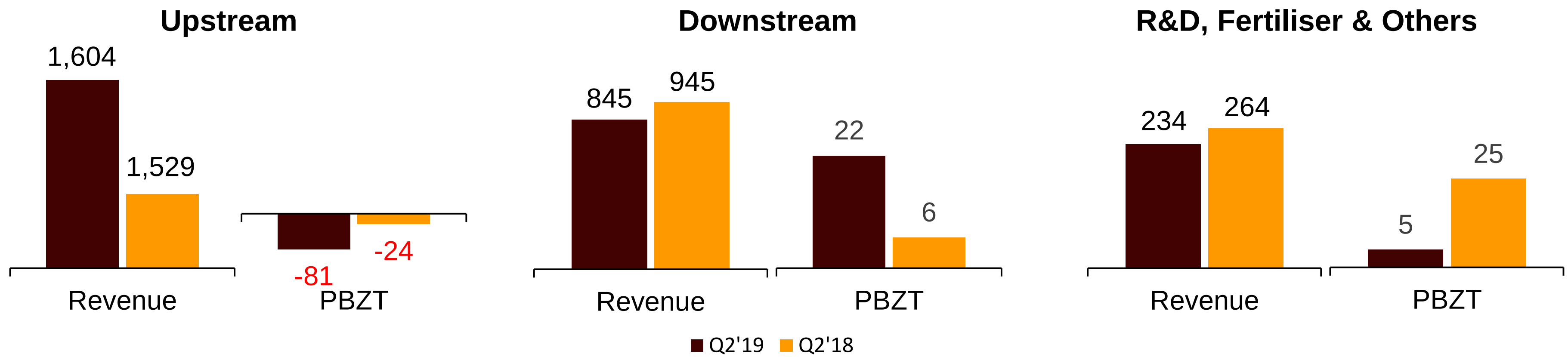
QUARTERLY PBIT vs CPO Price

FGV's Q2'19 PBIT (excl. impairment and LLA) is RM88 mil, consistent with Q2'18 despite 19% relative drop in CPO Price.



Q2 2019 RESULTS SUMMARY BY SECTORS : PLANTATION

FINANCIAL (RM MIL)	Quarter					YTD		
	Q2'19	Q2'18	YOY	Q1'19	QOQ	1H'19	1H'18	YOY
Revenue	**2,683**	2,738	▼ 2%	2,714	▼ 1%	**5,398**	5,691	▼ 5%
Profit/(Loss) BZT	**(54)**	7	▼ <100%	40	▼ <100%	**(14)**	27	▼ <100%



Q2'19 vs Q2'18 (YOY)

Plantation recorded a loss in Q2'19 due to:

Upstream
- Lower CPO and PK margin due to softer CPO price at RM1,955/MT.
- Higher fair value charge in LLA of RM79 mil.

Results are offset by:
- Higher FFB and CPO production; lower ex-mill cost.

Downstream
- Higher margin contribution from the palm kernel related products and better sales volume from the oleochemical business.

R&D and Fertiliser
- Lower fertiliser sales volume.

Q2 2019 RESULTS SUMMARY BY SECTORS : PLANTATION

OPERATION	Quarter					YTD		
	Q2'19	Q2'18	YOY	Q1'19	QOQ	1H'19	1H'18	YOY
PLANTATION								
UPSTREAM								
FFB Production ('000 MT)	**1,148**	994	▲ 15%	1,056	▲ 9%	**2,204**	1,983	▲ 11%
FFB Yield (MT/Ha)*	**4.76**	3.97	▲ 19%	4.38	▲ 9%	**9.14**	7.94	▲ 15%
OER (%)	**20.22**	20.62	▼ 2%	20.76	▼ 3%	**20.48**	20.17	▲ 2%
CPO Production ('000 MT)	**787**	652	▲ 21%	762	▲ 3%	**1,549**	1,320	▲ 17%
CPO Cost ex-mill (RM/MT)	**1,455**	1,884	▼ 23%	1,379	▲ 6%	**1,416**	1,867	▼ 24%
Utilisation Factor (%)	**77**	62	▲ 24%	72	▲ 7%	**75**	64	▲ 17%
DOWNSTREAM								
Packed Products/FMCG Sales Vol. (MT)	**90,560**	80,278	▲ 13%	85,433	▲ 6%	**176,004**	168,708	▲ 4%
Lauric Sales Vol. (MT)	**68,072**	58,163	▲ 17%	68,630	▼ 1%	**136,072**	125,528	▲ 8%
Biodiesel Sales Vol. (MT)	**15,920**	10,974	▲ 45%	16,616	▼ 4%	**32,536**	21,485	▲ 51%
Oleochemical Sales Vol. ('000 lbs)	**71,362**	66,694	▲ 7%	75,274	▼ 5%	**146,636**	132,882	▲ 10%

** Yield is based on normalised area.*

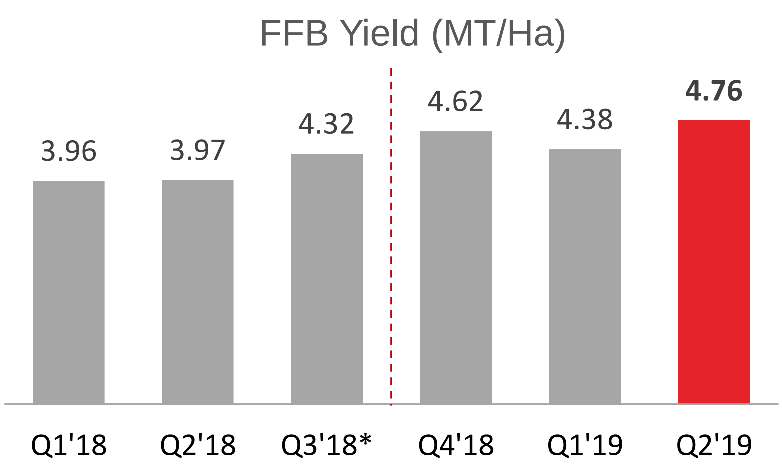
Q2 2019 RESULTS SUMMARY BY SECTORS : PLANTATION

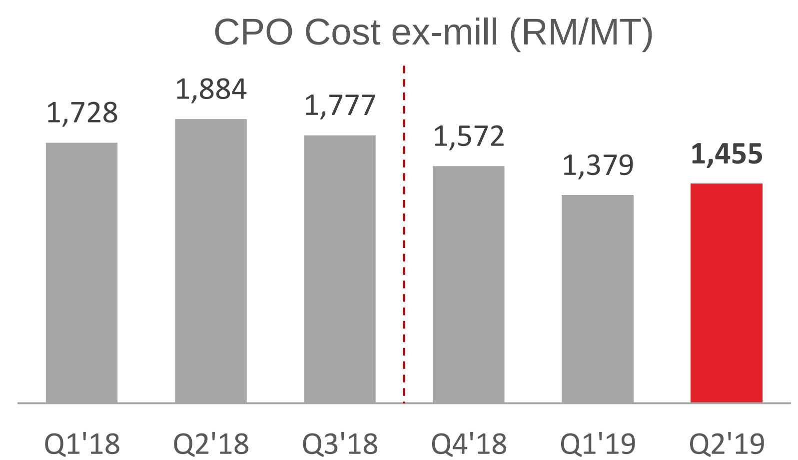
Q2’19 vs Q2’18 (YOY)

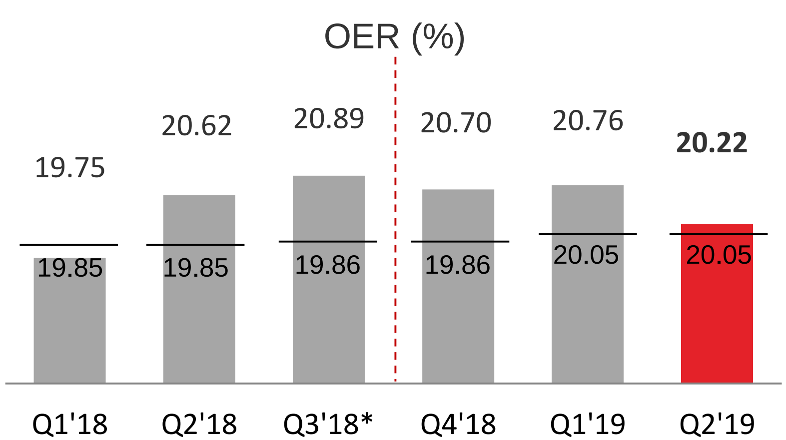
- FFB production and yield increased by 15% and 19% respectively. This is mainly due to improved plantation management and work method, completion of estates rehabilitation and better crop evacuation methods.
- OER decreased by 2%. This is due to lower quality FFB processed arising from rainfalls after long dry season.
- Improved average CPO ex-mill cost by 23%. This is attributed to higher FFB production and processed volume, as well as improved mill utilisation factor (UF) at 77%.
- Higher sales volume for Packed Products / FMCG segment by 13%. This is driven by higher demand on local industry products (bulk) such as palm stearin, PFAD and olein.
- Higher Biodiesel sales volume by 45%. This is consistent with the implementation of the B10 and B7 biodiesel mandate effective Feb 2019 and July 2019, respectively.
- Oleochemical sales volume improved by 7% with a favorable margin of 7% attributed to a good products’ ownership position.

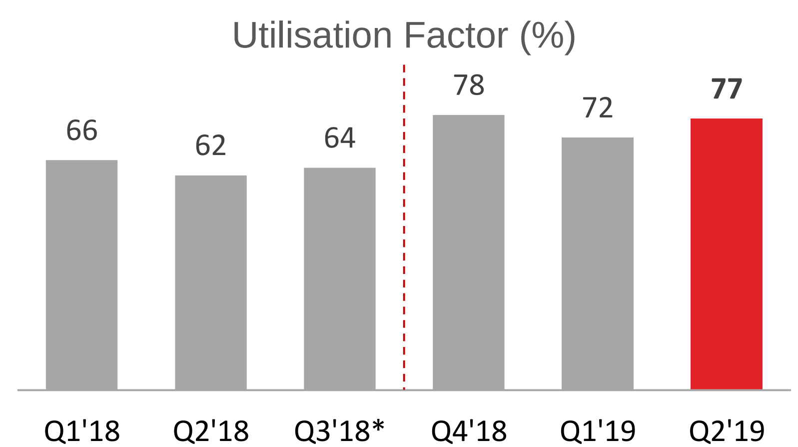
Q2 2019 RESULTS SUMMARY BY SECTORS : PLANTATION

QUARTERLY UPSTREAM OPERATIONAL TRENDS









Transformation Plan started in late Q3'18

Q2 2019 RESULTS SUMMARY BY SECTORS : SUGAR

FINANCIAL (RM MIL)	Quarter					YTD		
	Q2'19	Q2'18	YOY	Q1'19	QOQ	1H'19	1H'18	YOY
FINANCIAL (RM Mil)								
Revenue	**474**	573	▼ 17%	486	▼ 2%	**960**	1,113	▼ 14%
Profit/(Loss) BZT	**(53)**	28	▼ <100%	(3)	▼ <100%	**(56)**	50	▼ <100%
OPERATIONAL								
Sales Volume (MT)	**221,799**	239,413	▼ 7%	224,000	▼ 1%	**446,032**	462,092	▼ 3%

Q2'19 vs Q2'18 (YOY)

LBZT in Q2'19 is due to:

- Loss of approximately RM65 mil from the Johor refinery as commercialization started in April 2019.
- Decreased sales volume by 7% to 221,799 MT because of increased APs to import refined sugar, and lower export volume.
- Increased finance cost due to loan modification.

Q2 2019 RESULTS SUMMARY BY SECTORS : LOGISTICS & OTHERS

FINANCIAL (RM MIL)	Quarter					YTD		
	Q2'19	Q2'18	YOY	Q1'19	QOQ	1H'19	1H'18	YOY
FINANCIAL (RM Mil)								
Revenue	**99**	113	▼ 12%	75	▲ 32%	**174**	210	▼ 17%
Profit/(Loss) BZT	**43**	15	▲ >100%	(17)	▲ >100%	**26**	38	▼ 32%
OPERATIONAL								
Transport/Tonnage Carried (Mil MT)	**1.49**	1.27	▲ 17%	1.39	▲ 7%	**2.88**	2.57	▲ 12%
Bulk/Storage Volume (Mil MT)	**2.19**	1.64	▲ 34%	1.85	▲ 18%	**4.04**	3.53	▲ 14%
Storage Tank Utilisation Rate (Times)	**2.29**	1.72	▲ 33%	1.93	▲ 19%	**4.28**	3.71	▲ 15%

Q2'19 vs Q2'18 (YOY)

Higher PBZT in Q2'19 is attributed to:

- Higher transport volume of 1.49 mil MT, 17% YOY improvement.
- Improved tanks utilisation by 33% at 2.29 times and better bulk/storage volume by 34% at 2.19 mil MT.
- Reversal of impairment RM20 mil mainly due to settlement received from customers.

Q2 2019 BUSINESS UPDATES

Q2 2019 TRANSFORMATION UPDATES

Plantation Sector

- Revised replanting area to 11,000 Ha for 2019.
- On track to achieve 100% foreign labour requirement in 2H of 2019.
- Applied 30% of fertiliser in estates.
- Improved mechanisation to achieve harvester's ratio of 1:25 Ha.
- Launched "Adela Gold" to penetrate mass blended oil market.
- Seri Pelangi margarine ranked No.1 in Kantar TNS 2019 survey, with 40% market share.

Sugar Sector

- Improved process efficiency and energy cost savings initiative to reduce refining cost.
- Disposal of the Chuping Land is in progress.

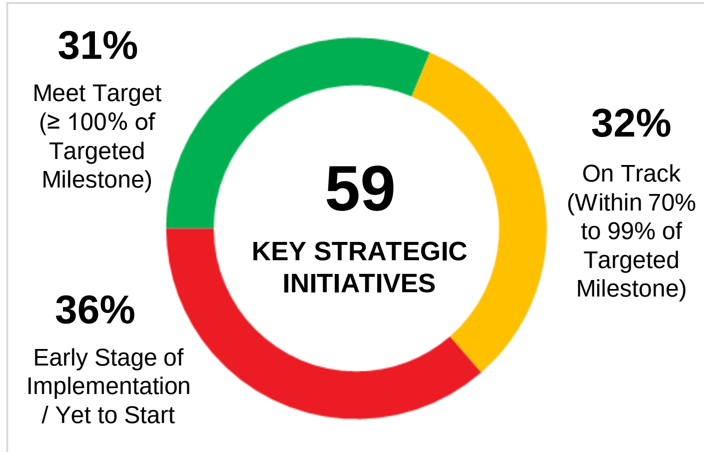
Logistics & Others Sector

- Received 1st shipment of caustic soda in P. Gudang, marking FGV's 1st foray into chemical bulking.
- FWQ (FGV's Indirect Subsidiary in Pakistan) and Johor Port Berhad formed a consortium and passed the pre-qualification as tenderers to build Clean Bulk Terminal in Karachi Port.
- Penetrated into the FMCG logistics to enhance capabilities towards achieving 3PL operations.

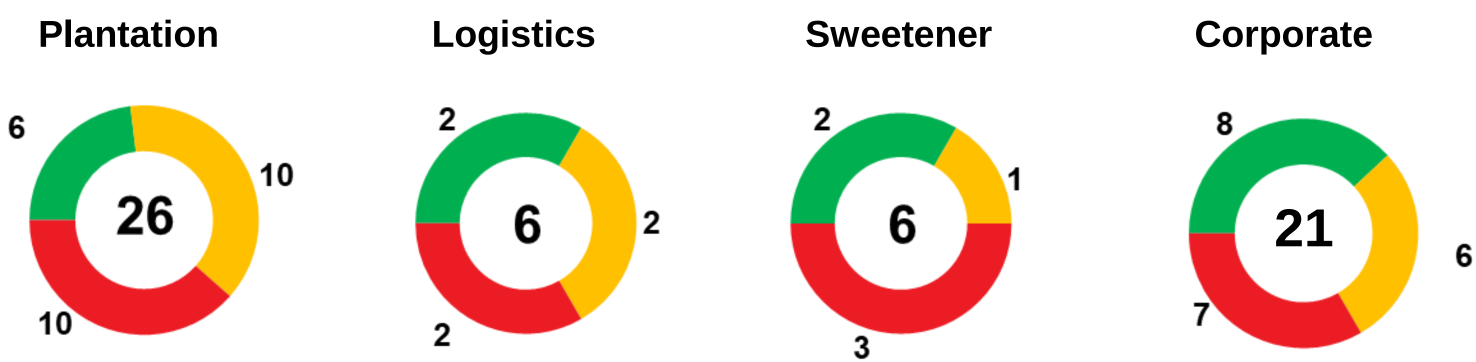
Others

- Achieved RM88.9 mil in procurement savings through contract renegotiations and other efforts.
- Signed SPAs in relation to two divestments worth RM129 mil, executing the Condition Precedents. Other key divestment projects are ongoing.
- Received RSPO certification for 2 mills (YTD total: 34/68 mills) and MSPO certification for 9 mills (YTD total: 22/68 mills)

Q2 2019 SCORECARD - 59 KEY STRATEGIC INITIATIVES



Key Strategic Initiatives – by Sector



BUSINESS OUTLOOK

2019 BUSINESS OUTLOOK

CPO Price

- CPO is expected to trade within the range of RM2,000-RM2,200 despite positive catalysts like better export outlook and increase in demand for biodiesel.

New Opportunities

- Venture into Circular Economy to diversify revenue stream through the development of 35 Bio-CNG (Compressed Natural Gas) sites for industrial consumption and vehicle conversion.
- Integrated Farming Blueprint to be introduced in 2H 2019 as part of FGV's strategy to make productive use of marginal land.
- Introduce new packed products and penetrate markets through new distribution channels such as HORECA and Industrial.

Environmental, Social and Governance (ESG)

- RSPO lifted the suspension of certification for Serting Complex on 5th August 2019. By end of 2019, 18 mills to be RSPO certified and 46 mills to receive MSPO certification.
- Engage Independent Third Party Assessors to review the labour recruitment processes and procedures.
- Strengthen internal governance and performance accountability with the target of receiving MS ISO 37001 ABS in Q4'19.

THANK YOU

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OPERATIONAL HIGHLIGHTS

	Quarter					YTD		
	Q2'19	Q2'18	YOY	Q1'19	QOQ	1H'19	1H'18	YOY
FFB Prod ('000 MT)	1,148	984	15%	1,056	9%	2,204	1,983	11%
FFB Yield (MT/Ha)*	4.76	3.97	19%	4.38	9%	9.14	7.94	15%
CPO Production ('000 MT)	787	652	21%	762	3%	1,549	1,320	17%
PK Production ('000 MT)	200	168	19%	198	1%	398	349	14%
OER (%)	20.22	20.62	-2%	20.76	-3%	20.48	20.17	2%
KER (%)	5.15	5.32	-3%	5.39	-4%	5.26	5.33	-1%
Avg. PK Price (RM/MT)	1,063	1,732	- 39%	1,245	- 15%	1,155	1,933	-40%
Avg. CPO Price (RM/MT)	1,955	2,419	- 19%	1,986	- 2%	1,972	2,447	-19%
CPO Cost Ex-mill (RM/MT)	1,455	1,884	- 23%	1,379	6%	1,416	1,867	-24%

**yield based on normalised mature area*

MOVEMENT OF LAND LEASE LIABILITY IN FGVPM

RM million	Q1 2019	Q2 2019	2019	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018
At the start of the period	4,328.0	4,353.4	4,328.0	4,393.3	4,400.0	4,345.1	4,382.8	4,393.3
Total payments made during the period	(61.0)	(62.0)	(123.0)	(72.0)	(83.0)	(64.7)	(79.0)	(298.7)
Recurring income statement charges/(credits)	94.6	103.5	198.1	93.2	86.0	118.4	104.0	401.6
Total income statement charges/(credits) from revisions in projections	(8.2)	(24.6)	(32.8)	(14.5)	(57.8)	(16.1)	(79.8)	(168.2)
Total charge/(credit) to the income statement	86.4	78.9	165.3	78.7	28.2	102.3	24.2	233.4
Closing LLA liability balance	4,353.4	4,370.3	4,370.3	4,400.0	4,345.1	4,382.8	4,328.0	4,328.0

Total (credit)/charge to Income Statement

RM million	2019	2018
Unwinding of discounts	202.5	179.2
Reversal of over accrual for current quarter	(4.4)	-
Revisions in projections and other adjustments	(32.8)	(72.3)
Total (credit)/charge to the Income Statement	**165.3**	**106.9**