



FGV HOLDINGS BERHAD

FINANCIAL RESULTS BRIEFING

4th Quarter for the Financial Period Ended 31 December 2019

Friday, 28 February 2020

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Executive Summary

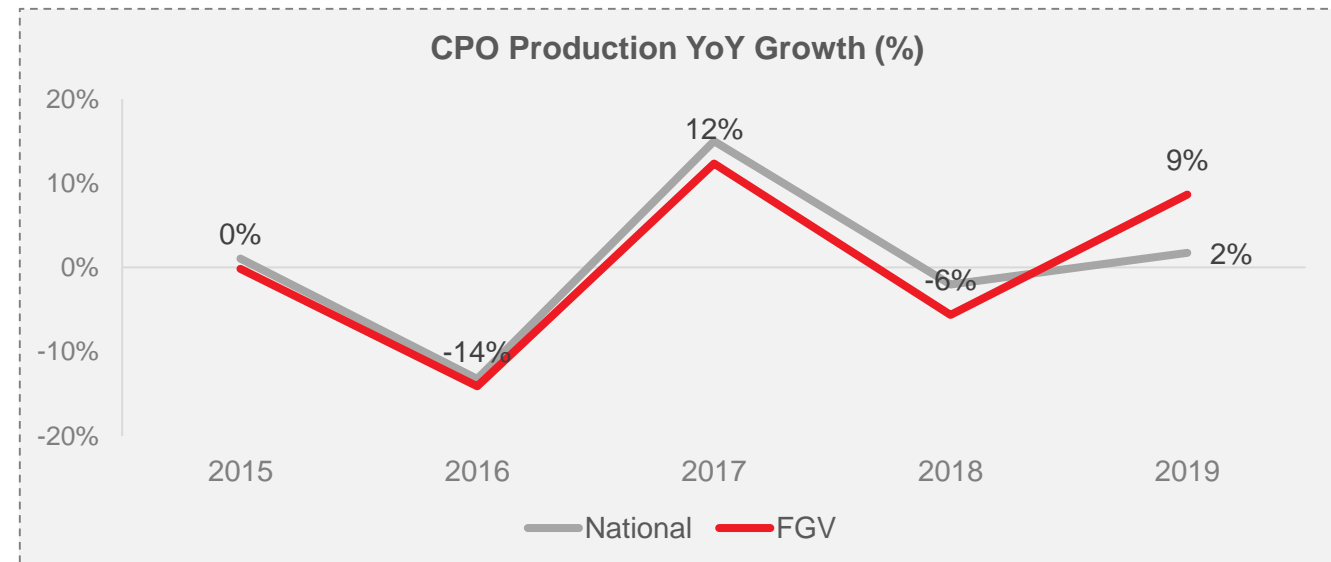
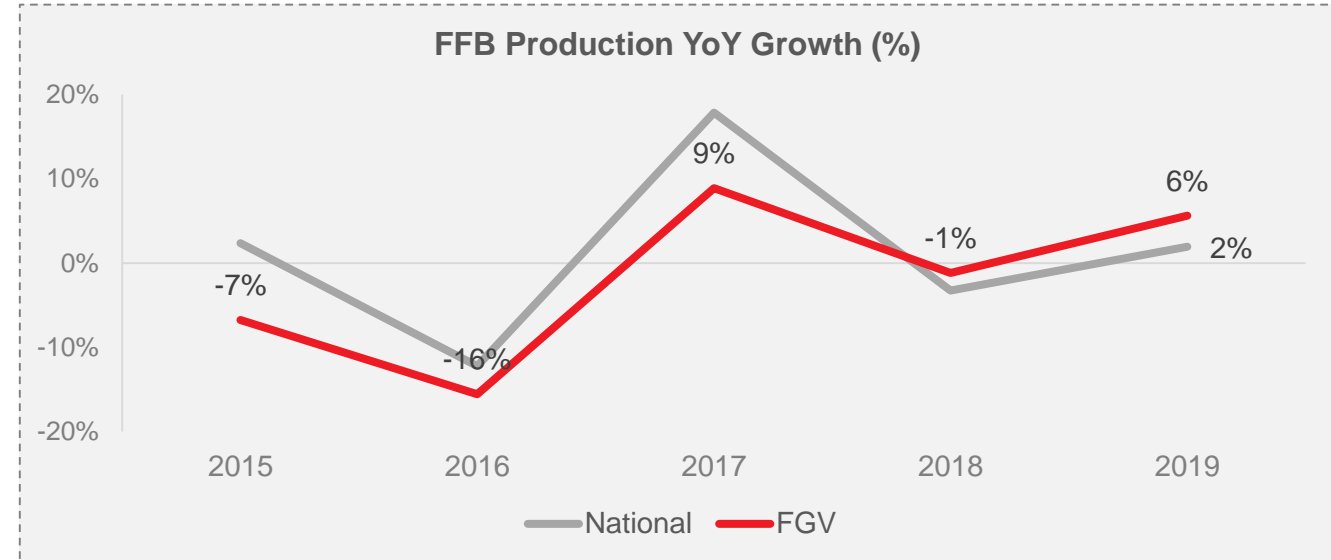


- Despite facing several challenges throughout 2019, FGV recorded its first quarterly net profit after 6 consecutive quarters of losses.
- Following stronger financial position in 2019 as a result of positive operational performance from the Plantation sector and a healthy balance sheet, the Board is recommending 2 sen final dividend payment in FY2019, subject to shareholders' approval at the next AGM.
- The progress of transformation and key initiatives has shown improvements in the Plantation business. The Sugar business is facing challenges and the Logistics business continues to support the Group.
- The strong recovery in CPO prices in late 4Q19 resulted in an increase in average selling price to RM2,159/MT and RM2,021/MT for quarterly and full year average prices, respectively.
- While palm oil is still FGV's mainstay, the Group has identified several key new growth areas which will contribute to our bottom line positively in the next few years.
- We look forward to 2020 and remain focused on delivering better results and driving forward our key business plan.

FGV's Production vs National Production Growth



- Our transformation plan has led to improvements in our operation evidenced by the growth of our FFB and CPO productions against the national average growth.
- FFB and CPO production recorded (YoY) growth of 6% and 9% compared to national growth of 2% respectively.



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FGV Group recorded RM46 million PBZT and RM76 million PATAMI in 4Q19



4Q19

REVENUE (RM)

3,154 mil
-2% YoY

Lower average price in Sugar business and absence of a disposed subsidiary revenue

Operating Profit* (RM)

26 mil
-4% YoY

Improved margin in palm products offsetted by loss in Sugar business

PBZT (RM)

46 mil
>100% YoY

FV gain in LLA and lower net impairment losses

PATAMI (RM)

76 mil
>100% YoY

FY 2019

REVENUE (RM)

13,259 mil
-2% YoY

Lower average CPO Price despite higher volume sold

Operating Profit* (RM)

312 mil
-15% YoY

Lower gross margin in Sugar business

LBZT (RM)

(350) mil
+66% YoY

Lower net impairment and improved share of results

LATAMI (RM)

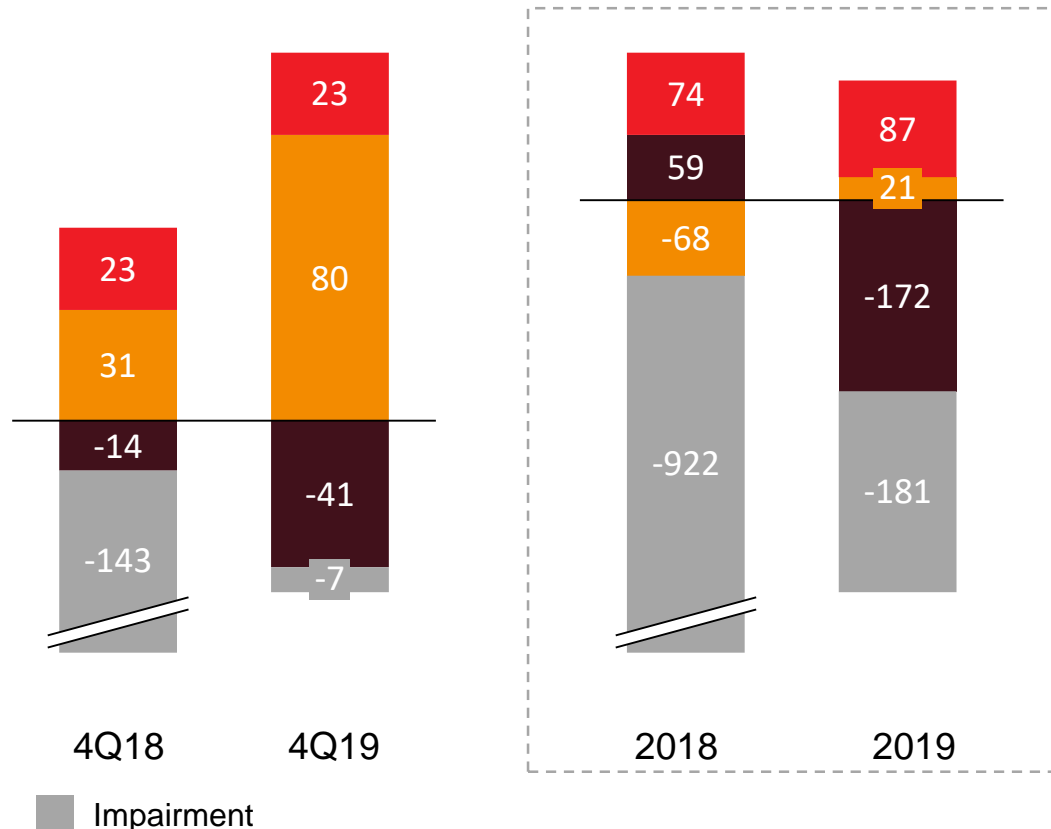
(242) mil
+78% YoY

* before LLA & Impairment

P/(L)BZT by Sector



PBZT/(L)BZT* (RM mil)



Variance	Plantation	Sugar	Logistics
4Q19 vs 4Q18	▲ >100%	▼ <100%	▲ 5%
2019 vs 2018	▲ >100%	▼ <100%	▲ 18%

4Q19 vs 4Q18

- **Plantation** Sector recorded higher PBZT due to improved margin in CPO, fair value gain in LLA and lower FFB production mitigated by higher CPO average selling price of RM2,159/MT (4Q18:RM2,055/MT).
- **Sugar** Sector recorded higher losses YoY due to lower gross profit margin of 3% compared to 10% as well as low utilisation rate in Johor plant.
- **Logistics** Sector recorded a slight increase in PBZT of RM23 mil supported by increase in transportation rate and tonnage carried.

FY2019 vs FY2018

- **Plantation** Sector recorded a significant improvement in profits due to higher FFB yield and OER.
- **Sugar** Sector recorded a loss due to lower gross profit margin and higher finance cost due to loan modification.
- **Logistics** Sector recorded higher profit due to increase in throughput handled and bulking rental income.

* PBZT/(L)BZT by Sector is excluding Others business, Corporate HQ and elimination.

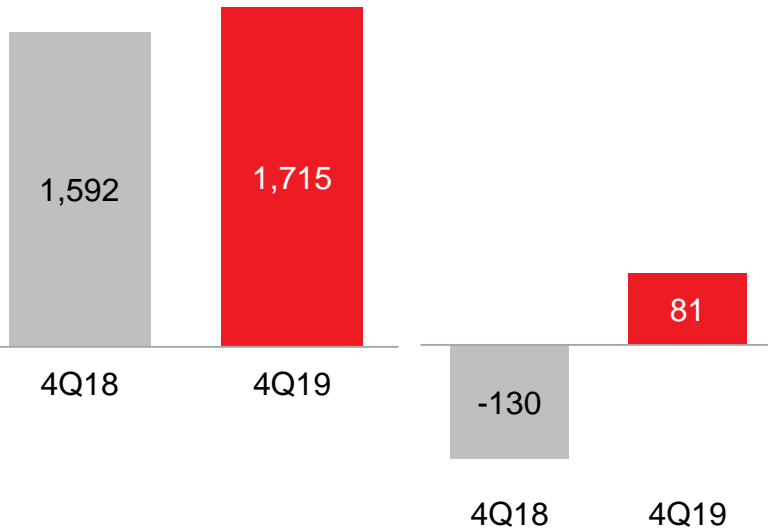
Plantation Sector Results - 4Q19



Upstream & Trading

Revenue (RM mil)

P/(L)BZT (RM mil)



4Q19 vs 4Q18

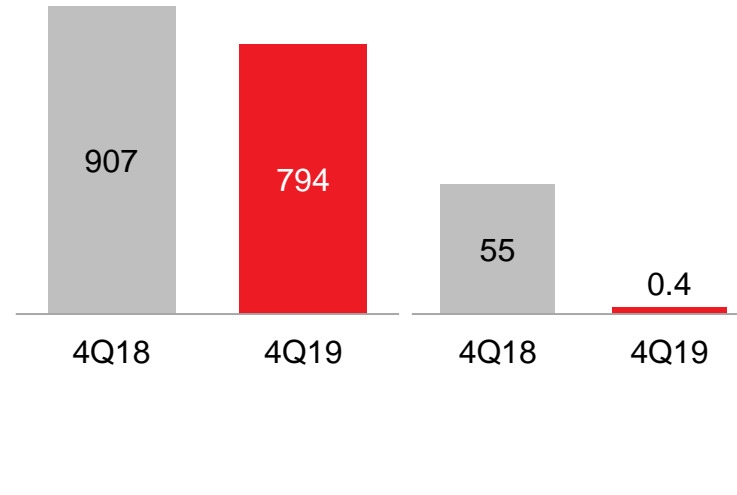
Profit in 4Q19 due to

- Improved CPO margin in tandem with higher CPO price and lower cost.
- Significant impairment recognised in 4Q18 of RM88 mil.

Downstream

Revenue (RM mil)

PBZT (RM mil)



4Q19 vs 4Q18

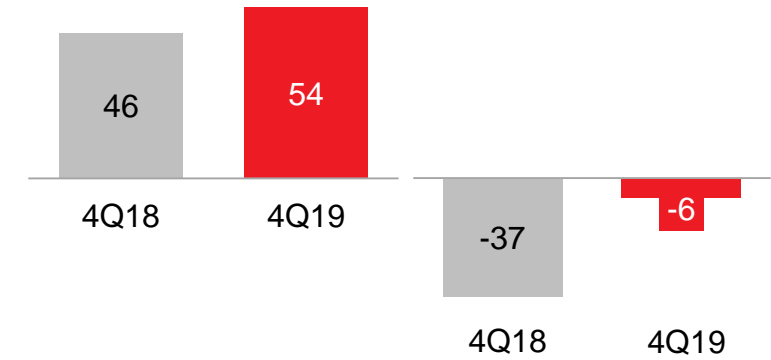
Lower Profit in 4Q19 due to

- Lower RBDPKO margin achieved due to decrease in average selling price of palm kernel products.
- Higher share of results in 4Q18 due to insurance claim received from FIGS.

R&D and Fertiliser

Revenue (RM mil)

LBZT (RM mil)



4Q19 vs 4Q18

Lower loss in 4Q19 due to

- Significant impairment of RM41 mil in 4Q18.
- Higher fertiliser sales volume.

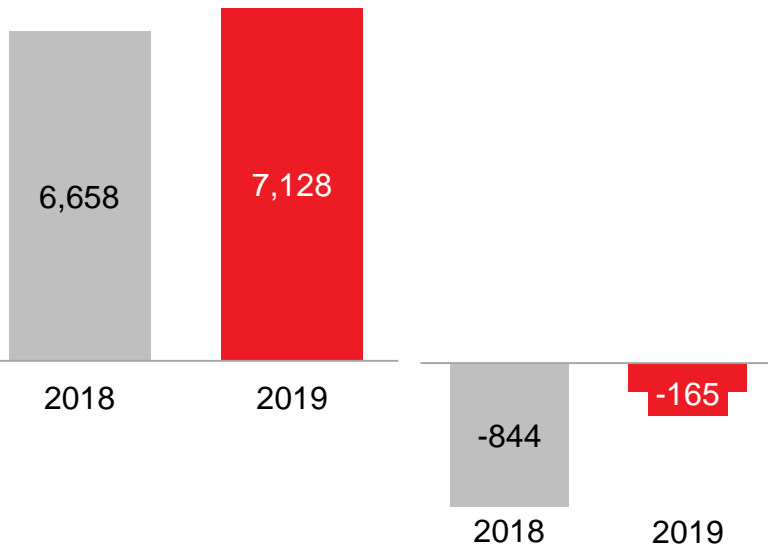
Plantation Sector Results - FY 2019



Upstream & Trading

Revenue (RM mil)

LBZT (RM mil)



FY2019 vs FY2018

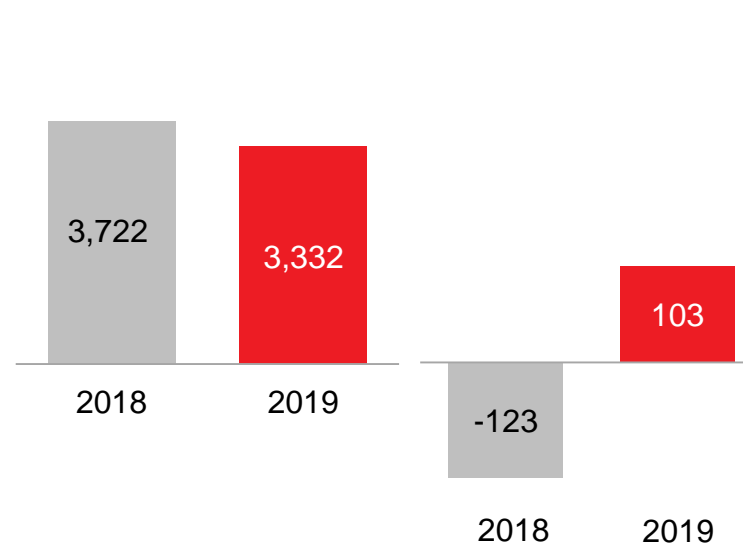
Lower losses in FY2019 due to

- Higher FFB Production, FFB Yield and OER.
- Significant impairment recognised in 2018 of RM681 mil.

Downstream

Revenue (RM mil)

P/(L)BZT (RM mil)



FY2019 vs FY2018

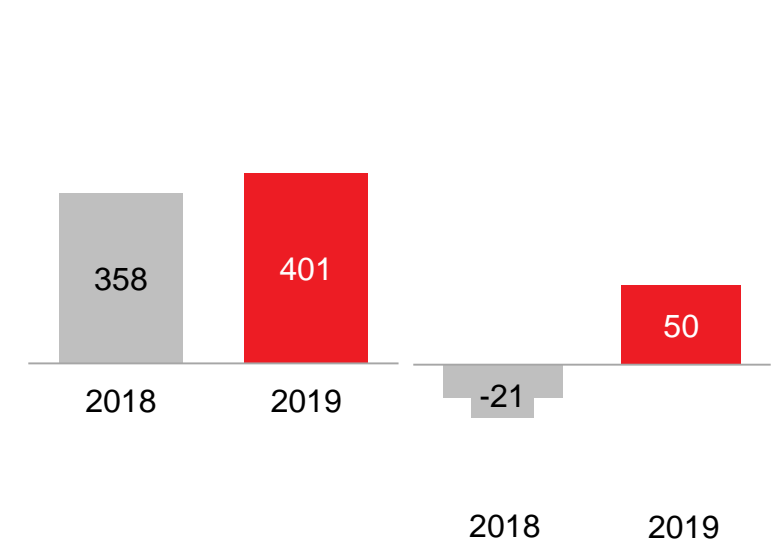
Profit in FY2019 due to

- Higher margin in palm kernel products as a result of bearish market price movement of palm kernel.
- Significant impairment recognised in 2018 of RM191 mil.

R&D and Fertiliser

Revenue (RM mil)

P/(L)BZT (RM mil)



FY2019 vs FY2018

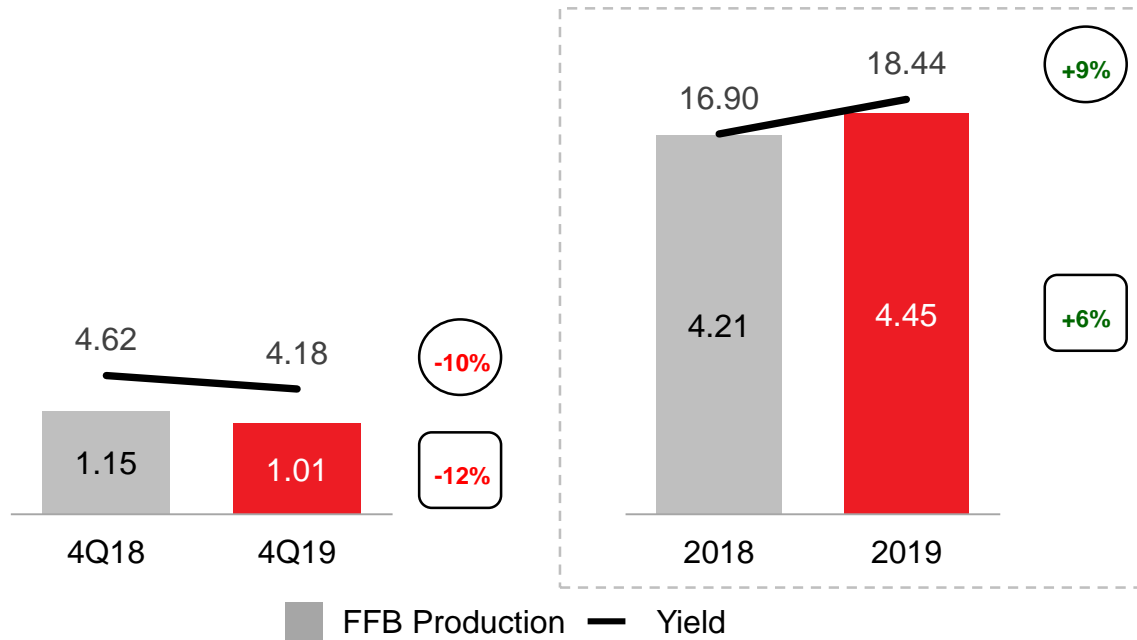
Profit in FY2019 due to

- Net reversal of impairment on the back of settlement of receivables.
- Increase in fertiliser sales quantity.

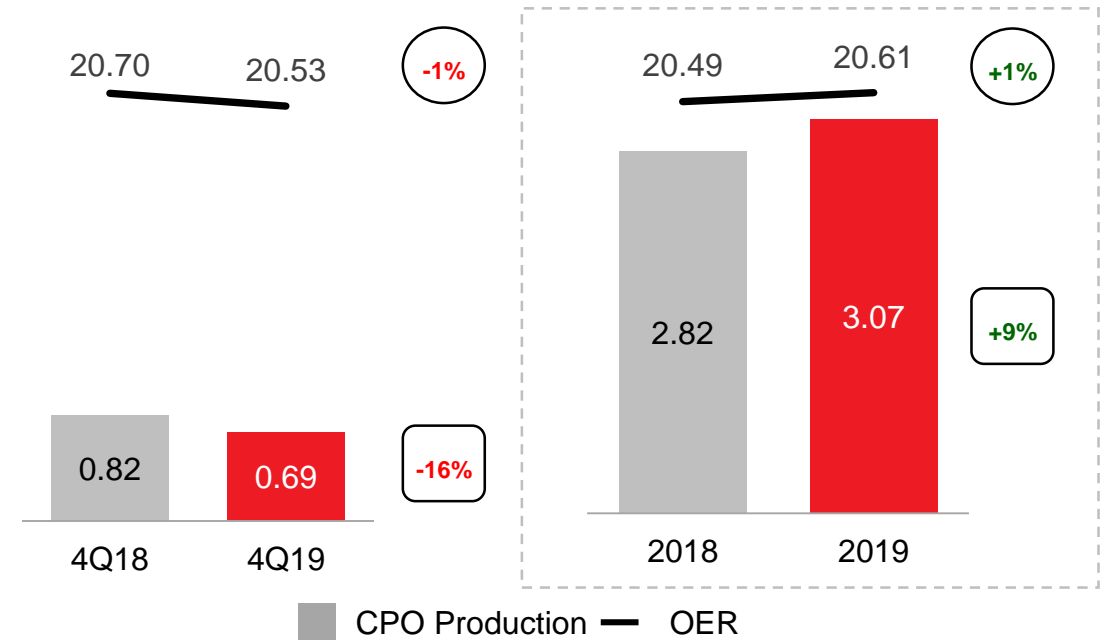
Upstream Operational Highlights



FFB Production (Mil MT) & Yield (MT/Ha)



CPO Production (Mil MT) & OER (%)



FY2019 vs FY2018

- FFB production increased by 6% YoY due to improved work method and better crop recovery, supported by improved age profile.

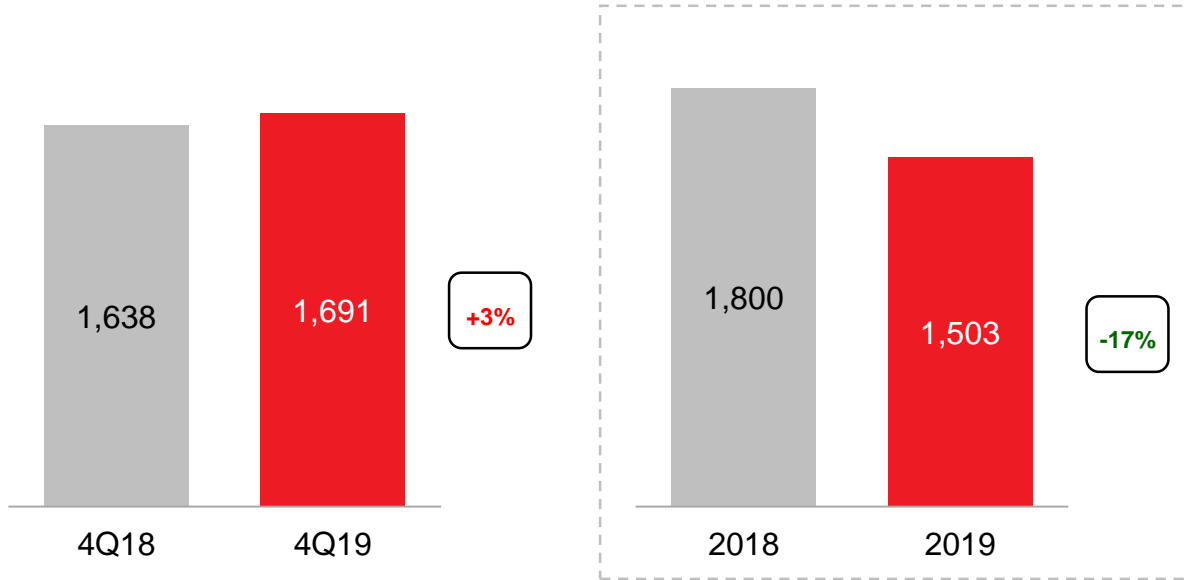
FY2019 vs FY2018

- CPO Production increased 9% YoY due to increased FFB processed and better crop recovery.
- OER also improved to 20.61% YoY due to better FFB quality.

Upstream Operational Highlights



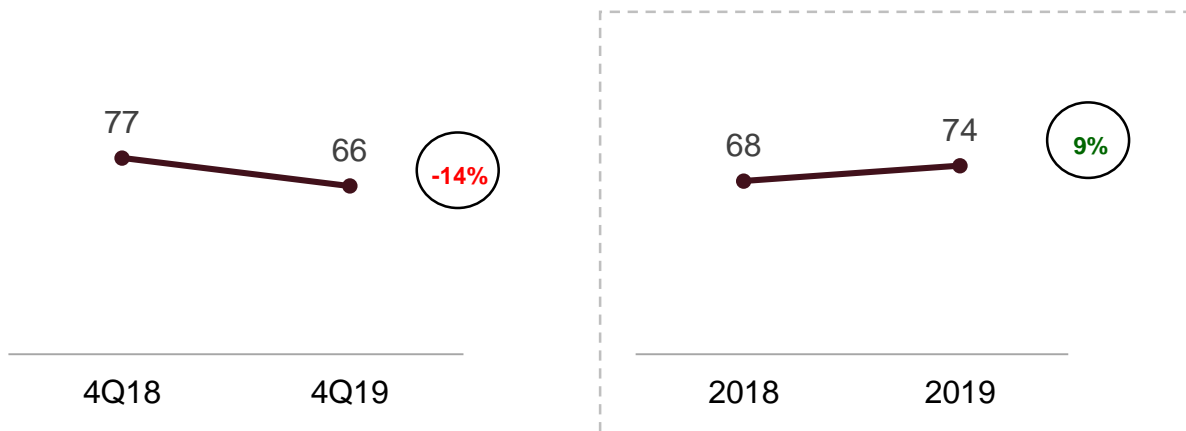
CPO Cost Ex-Mill (RM/MT)



FY2019 vs FY2018

- CPO Cost Ex-Mill reduced by 17% due to operational improvements and higher FFB production.

Utilisation Factor (%)



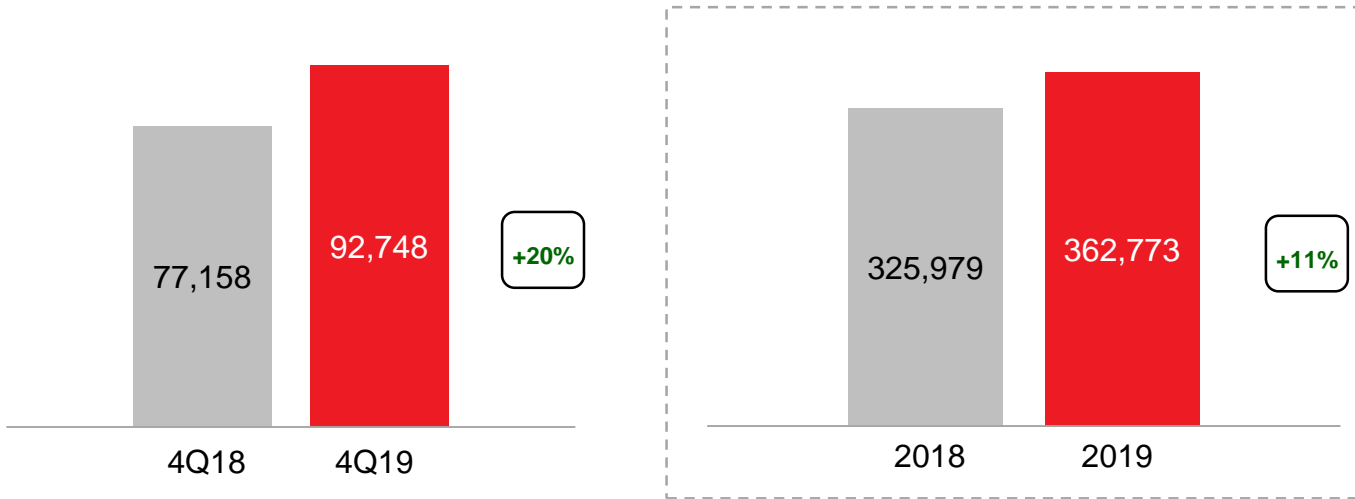
FY2019 vs FY2018

- Utilisation factor increased to 74% due to increased FFB Processed.

Downstream Operational Highlights



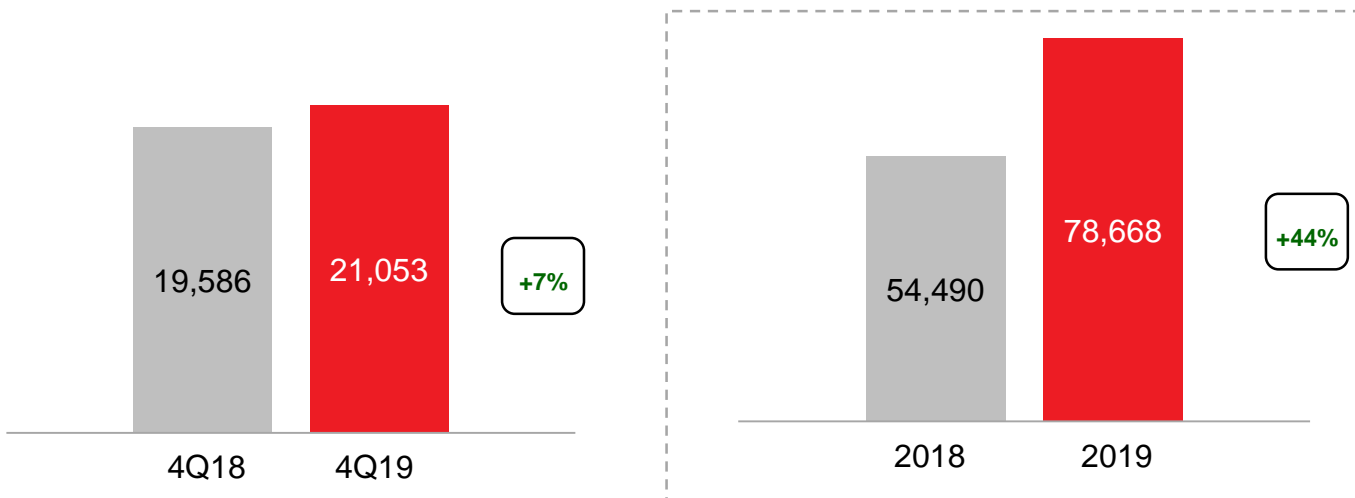
FMCG Sales Volume (MT)



FY2019 vs FY2018

- FMCG sales volume increased by 11% YoY driven by increase in local and export sales volume.

Biodiesel Sales Volume (MT)



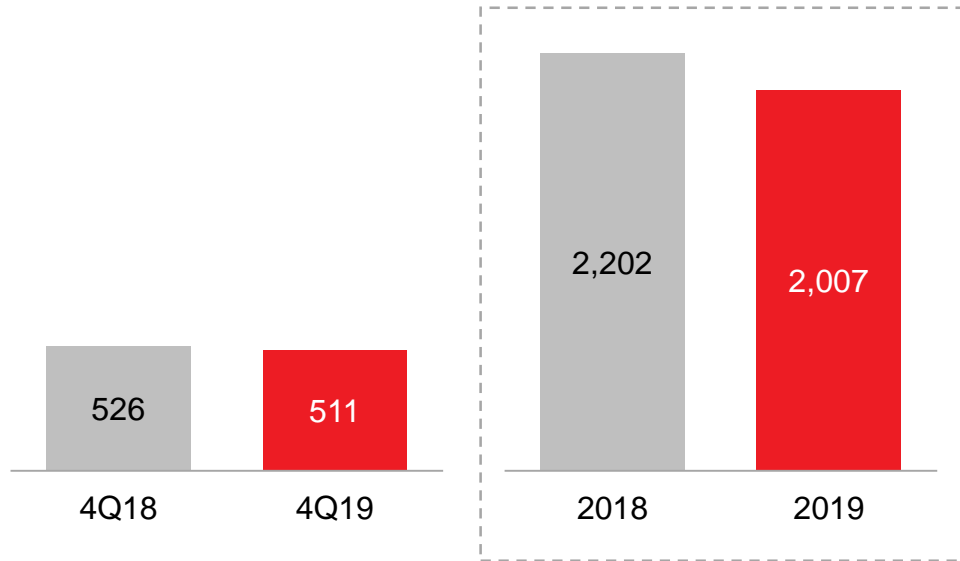
FY2019 vs FY2018

- PME sales volume increased by 44% due to the implementation of B10 and B7 biodiesel mandate which increased national consumption.

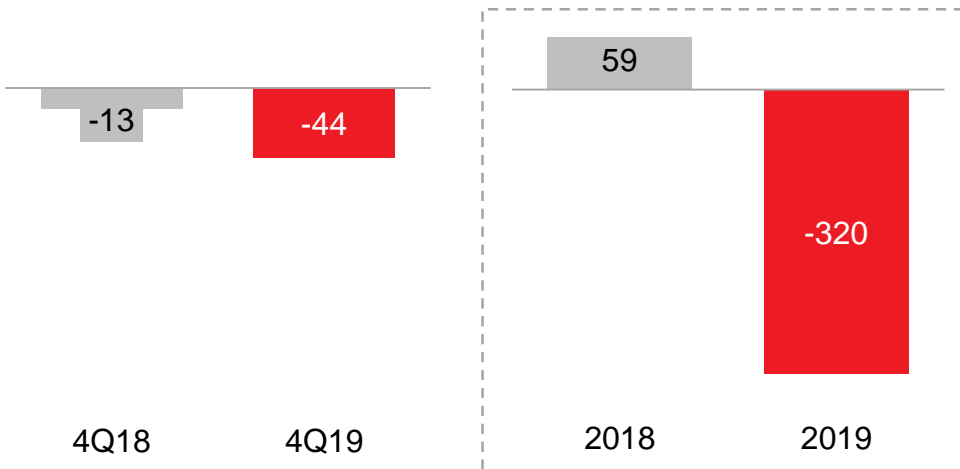
Sugar Sector Results and Operational Highlights



Revenue (RM mil)



P/(L)BZT (RM mil)



Operational Highlights

	4Q18	4Q19	YoY	2018	2019	YoY
Sales Volume (MT)	241,489	247,798	3%	947,848	946,055	-1%
Utilisation Factor (%)	80	49	-39%	77	48	-38%
Avg. Selling Price (RM/MT)	2,217	2,098	-5%	2,263	2,117	-6%

FY2019 vs FY2018

Sugar sector recorded LBZT in FY2019 due to

- Lower average selling price in line with reduction of industry average selling price due to excess supply and negative/lower export margin.
- Higher average refining cost due to low utilisation rate and high depreciation cost in MSM Johor.
- Impairment of Property, Plant and Equipment of RM143 mil under assets and operational rationalisation initiative.
- Increase in finance cost due to loan modification.

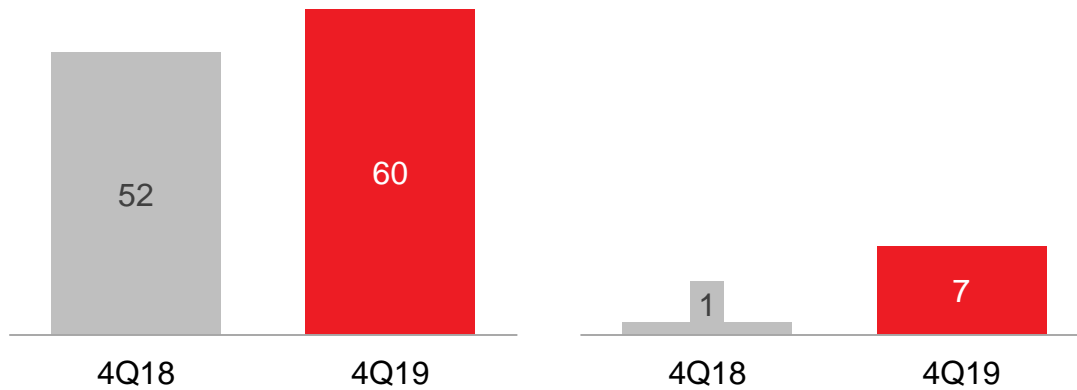
Logistics Sector Results - 4Q19



Transport

Revenue* (RM mil)

PBZT (RM mil)



4Q19 vs 4Q18

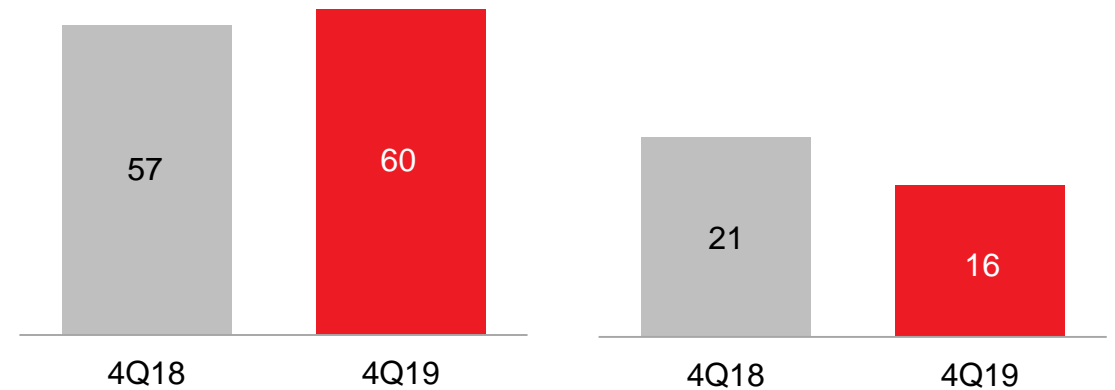
- PBZT increased >100% YoY due to increased tonnage carried and lower operational cost and administrative cost.

*Revenue is as per amalgamated numbers

Bulking

Revenue* (RM mil)

PBZT (RM mil)



4Q19 vs 4Q18

- Lower PBZT by 24% YoY due to lower handling rate despite higher throughput handled.

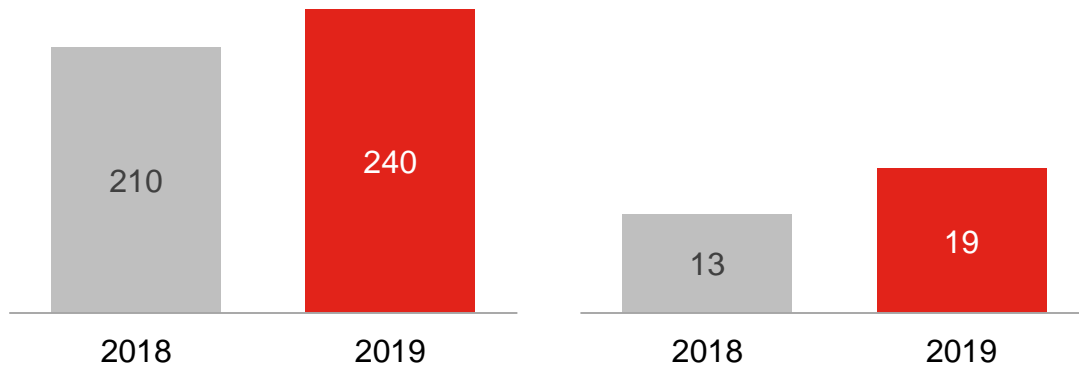
Logistics Sector Results - FY 2019



Transport

Revenue* (RM mil)

PBZT (RM mil)



FY2019 vs FY2018

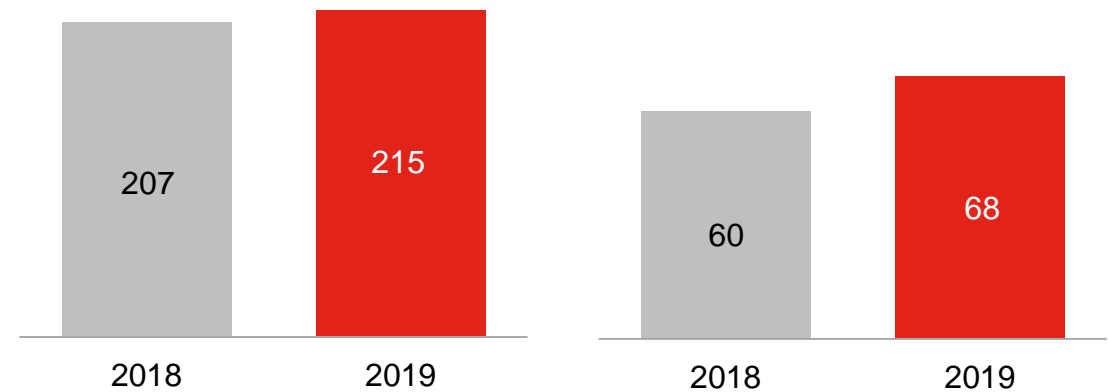
- Higher profit in FY2019 due to increase in tonnage carried.

*Revenue is as per amalgamated numbers

Bulking

Revenue* (RM mil)

PBZT (RM mil)



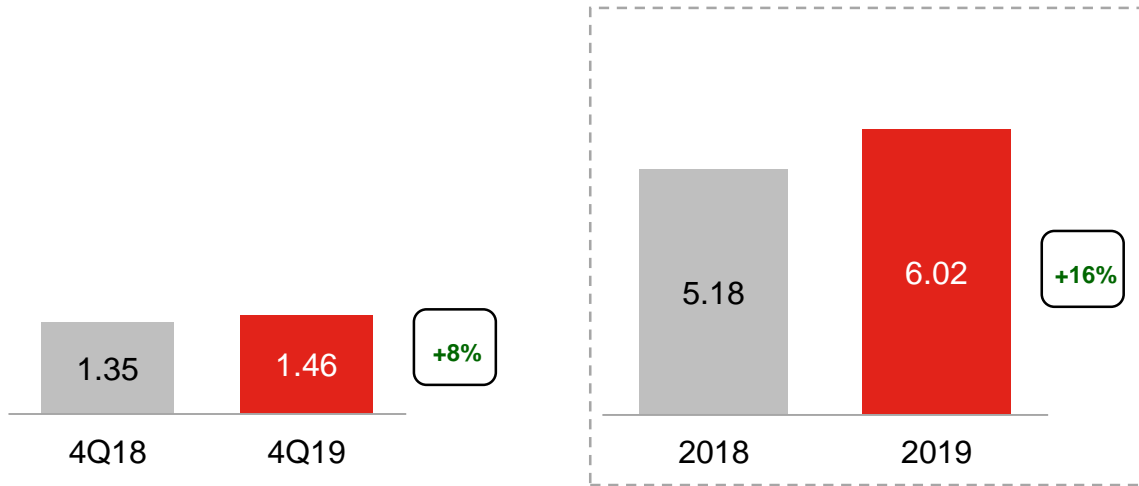
FY2019 vs FY2018

- Higher profit in FY2019 due to higher throughput handled and increase in bulking rental income.

Logistics Operational Highlights



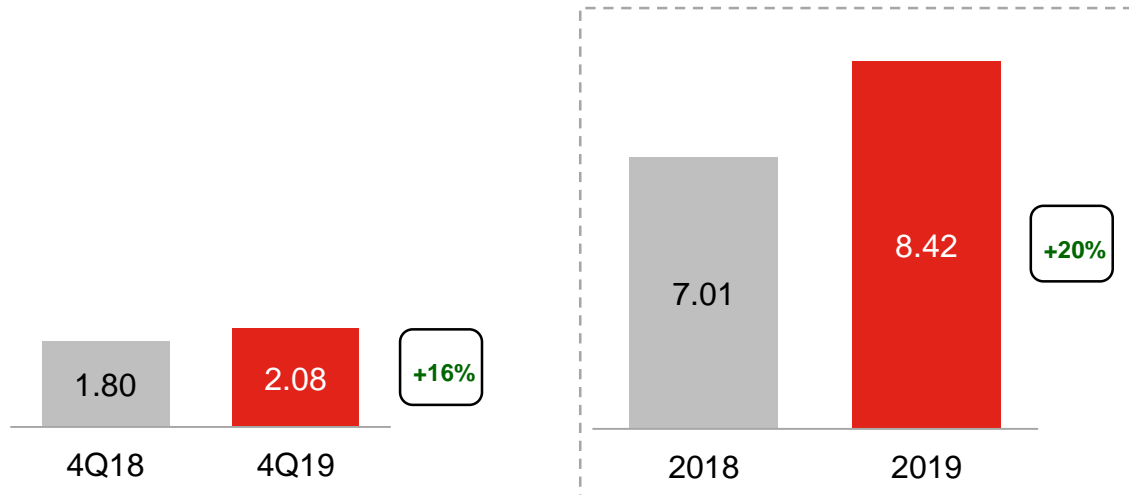
Transport Volume (mil MT)



FY2019 vs FY2018

- Transport volume increased by 16% YoY due to higher tonnage carried for palm related products.

Bulking Volume (mil MT)



FY2019 vs FY2018

- Bulking volume increased by 20% due to higher throughput volume from major customers.

Key Financial Highlights



	<u>Note</u>	2019	2018	YoY (%)
Cash and Cash Equivalents <i>(RM mil)</i>	(i)	1,618	1,220	+33%
Total Borrowings without LLA <i>(RM mil)</i>		4,906	5,403	-9%
Liquidity Ratio <i>(times)</i>	(ii)	1.00	1.02	-2%
Gearing Ratio* without LLA <i>(times)</i>	(iii)	0.80	0.82	-2%

*Gearing ratio equals to Borrowings, Loan due to a significant shareholder divided by Total Equity.

Note

- (i) Cash & Cash Equivalents increased due to improved working capital management, improved tax recoverability and sales proceeds from disposal of investments.
- (ii) Reduction in Liquidity Ratio due to repayment of long term loan.
- (iii) Improvement in Gearing Ratio without LLA due to reduction in Total Borrowings.

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FY 2019 HIGHLIGHTS



<p>Normalised Oil Palm Age Profile</p>	<p>Rubber Operations Turnaround RM3.84 million profit <i>2018: Loss of RM30.28 million</i></p>	<p>Premium Quality Oil 1,975MT Produced</p>	<p>Established 2 Model Estates & 2 Model Mills <i>Replication in 2020</i></p>
<p>Widen our Distribution in HoReCa <i>Partnership with DKSH</i></p>	<p>Animal Feed 21,652 MT Sold <i>Increased by 113% (2018: 10,182MT)</i></p>	<p>New Sugar Products Liquid & Premix Sugar</p>	<p>Diversified into Basic Chemical Storage <i>Total: 14,223 MT of Caustic Soda</i></p>
<p>RM170 million Procurement Cost Savings</p>	<p>RM129 million Non-Core & Non-Performing Businesses Divestment</p>	<p>68 MSPO 33 RSPO Certified Mills <i>As at 28th February 2020</i></p>	<p>MS ISO37001:2006 Anti Bribery Management System</p>

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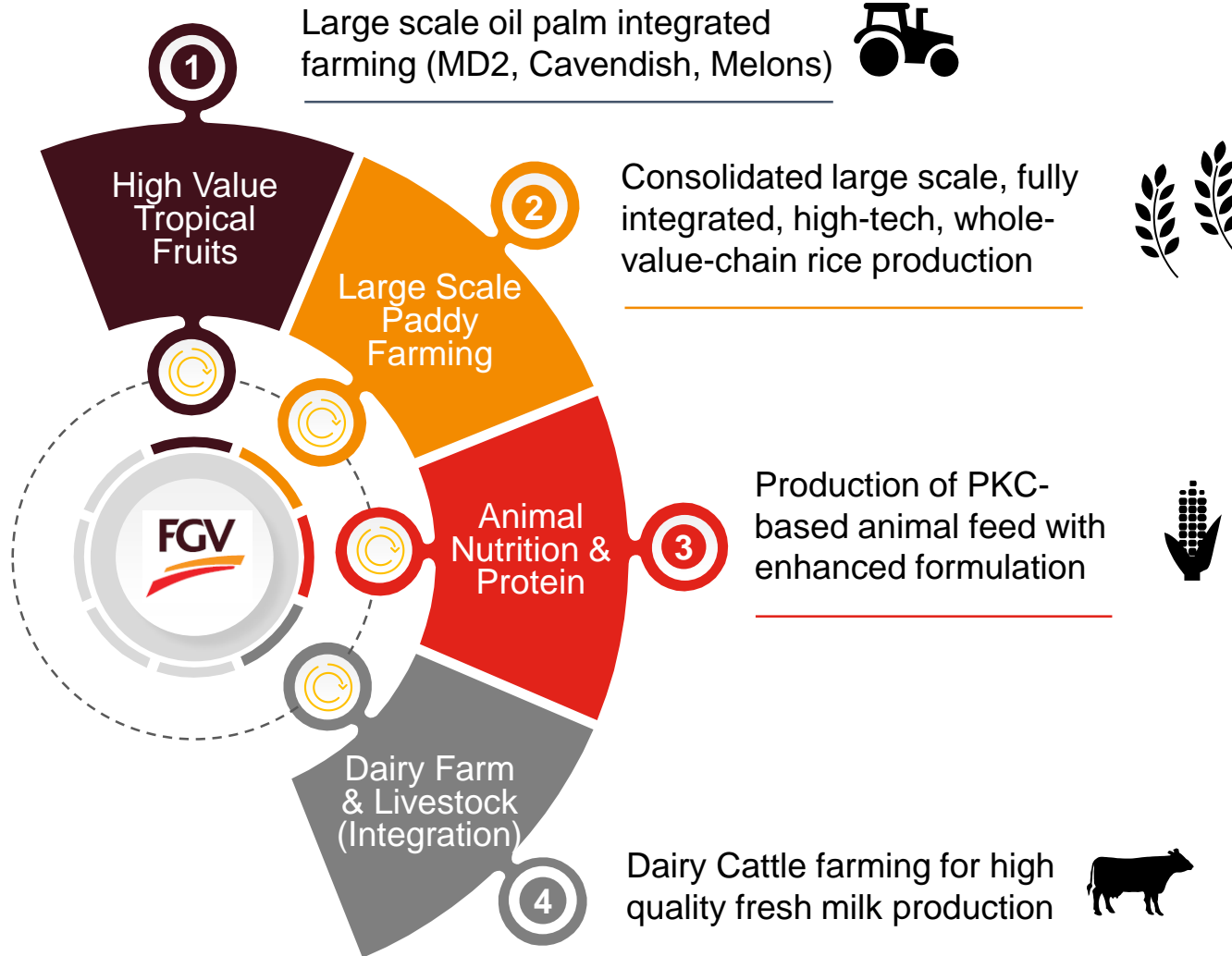
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Integrated Farming



1. Cash Crops

- Established MD2 Pineapple seed garden in Johor
- Contract farming for Cavendish banana
- Utilisation of 15,000 Ha of Oil Palm replanting area (intercropping)

2. Paddy Farming

- Development of MRQ76 paddy seeds garden by 4Q20
- Collaboration with MADA and PPK for large scale paddy farming
- Launching 'Beras SAJI' in 2Q20 for domestic market

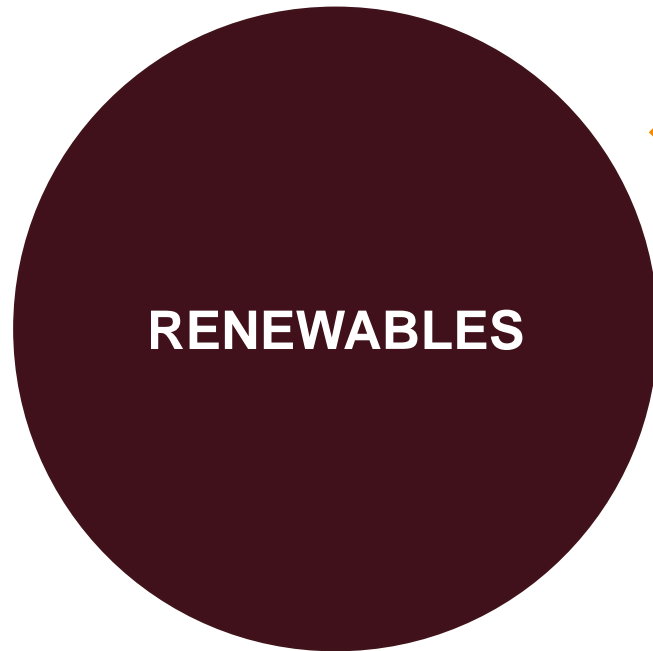
3. Animal Feed

- 2019 domestic sales increased by 113% from 21,645 MT against 10,182 MT in 2018
- January 2020 sales achieved 3,613 MT, increased by 369% against same month in 2019
- Launching 4 new products formulated for dairy cattle in 2Q20

4. Dairy Farming

- 60% equity in Red Agri Farm Sdn Bhd
- Currently processing 4,000 litres/day of fresh milk
- Target to process 20,000 litres/day of fresh milk by 2022

Renewables



1

Revenue & Profit

In 2019, renewables business achieved a revenue of RM109 mil and PBT of RM42 mil.

2

Segments

By-products:

- Empty Fruit Bunch (EFB)
- Palm Kernel Shell (PKS)
- Mesocarp Fibre
- Sludge Oil
- Bunch Ash

Renewables:

- IPP Sahabat
- Rural electrification (Ayu, Umas, Miri, Cenderawasih, Desa Kencana)
- 11 FiT Biogas Plants
- Sg. Tengi BioCNG – 1st in the world BioCNG from POME
- 4 compost plants

3

Strategy

- 30 biogas capture plants in operation.
- Focus on zero-investment projects (biogas, BioCNG, Biofuel, pulp paper).
- Maximise profits from PKS / Sludge Oil.
- Focus on end-users for by-products.
- Powering towns using renewable energy sources.

4

Prospect

Target to reach an annual revenue of around RM200 – RM300 mil in the next 5 years.

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FY 2020 Outlook

CPO Price

- CPO price is expected to trade within the range of RM2,200-RM2,400 in FY 2020.

Growth Area

- Diversify income through Integrated Farming business.
- Commercialise by-products and renewable energy business.
- Increase Animal Feed production and sales.
- Expansion into new key markets for downstream business.

Environmental, Social and Governance (ESG)

- After achieving 100% MSPO certification, we are working towards completing our RSPO certification by 2nd quarter 2021.

Others

- Divestment of non-core & non-performing businesses, we have identified approximately RM150 million worth of assets to be divested in 2020.

FY 2020 Operational Guidance



Improvements

FFB Yield

- Increase in manpower and mature area

4% - 6%

FFB Production

- Increase in manpower and mature area

2% - 4%

OER

- Better crop quality

1% - 2%

CPO Production

- Increase in FFB processed

1% - 2%

Transport Volume

- Supported by palm oil business and strategic partnership

6% - 8%

Sugar Sales Volume

- Value added products and better export market sales

1% - 3%

CPO Cost Ex-Mill (*RM/MT*)

1,400 – 1,500

THANK YOU

Investor Relations

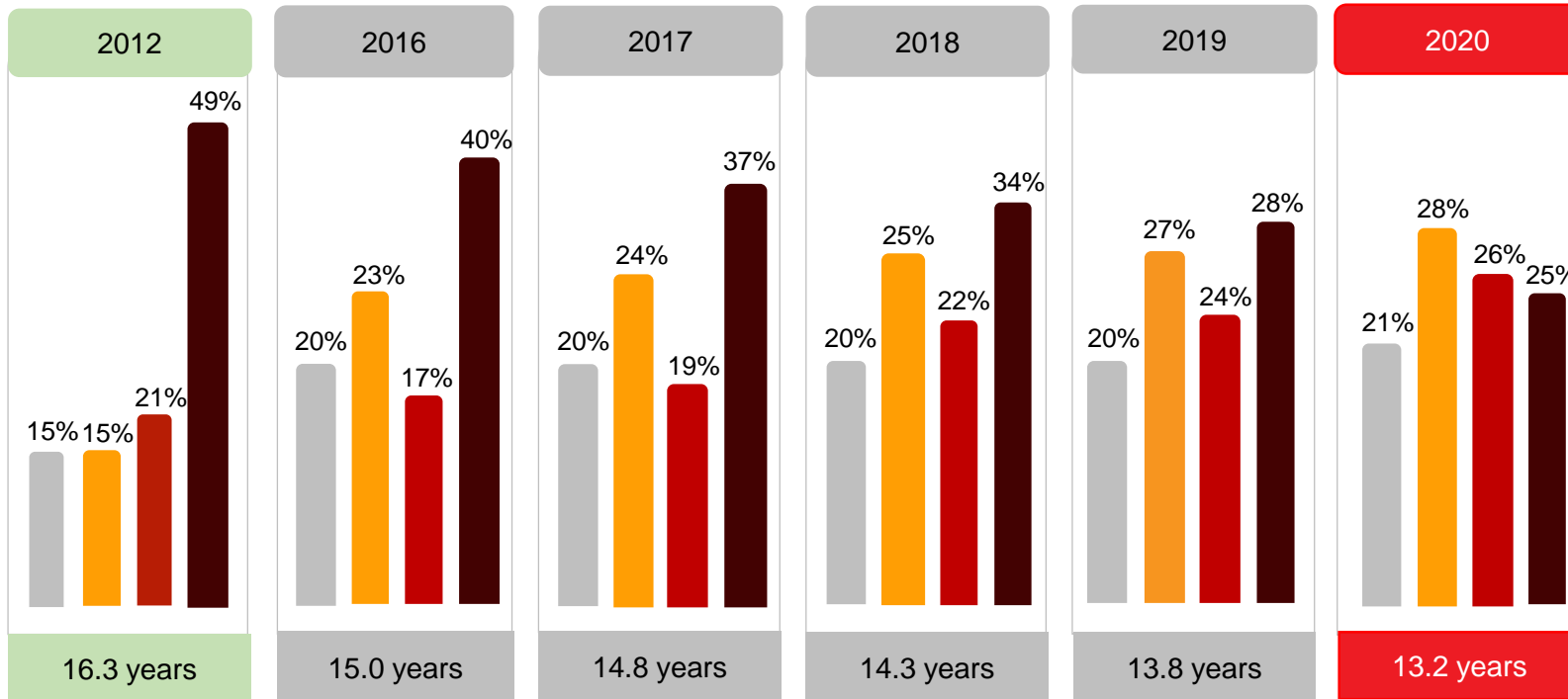
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Age Profile



*Age profile distribution without M&A

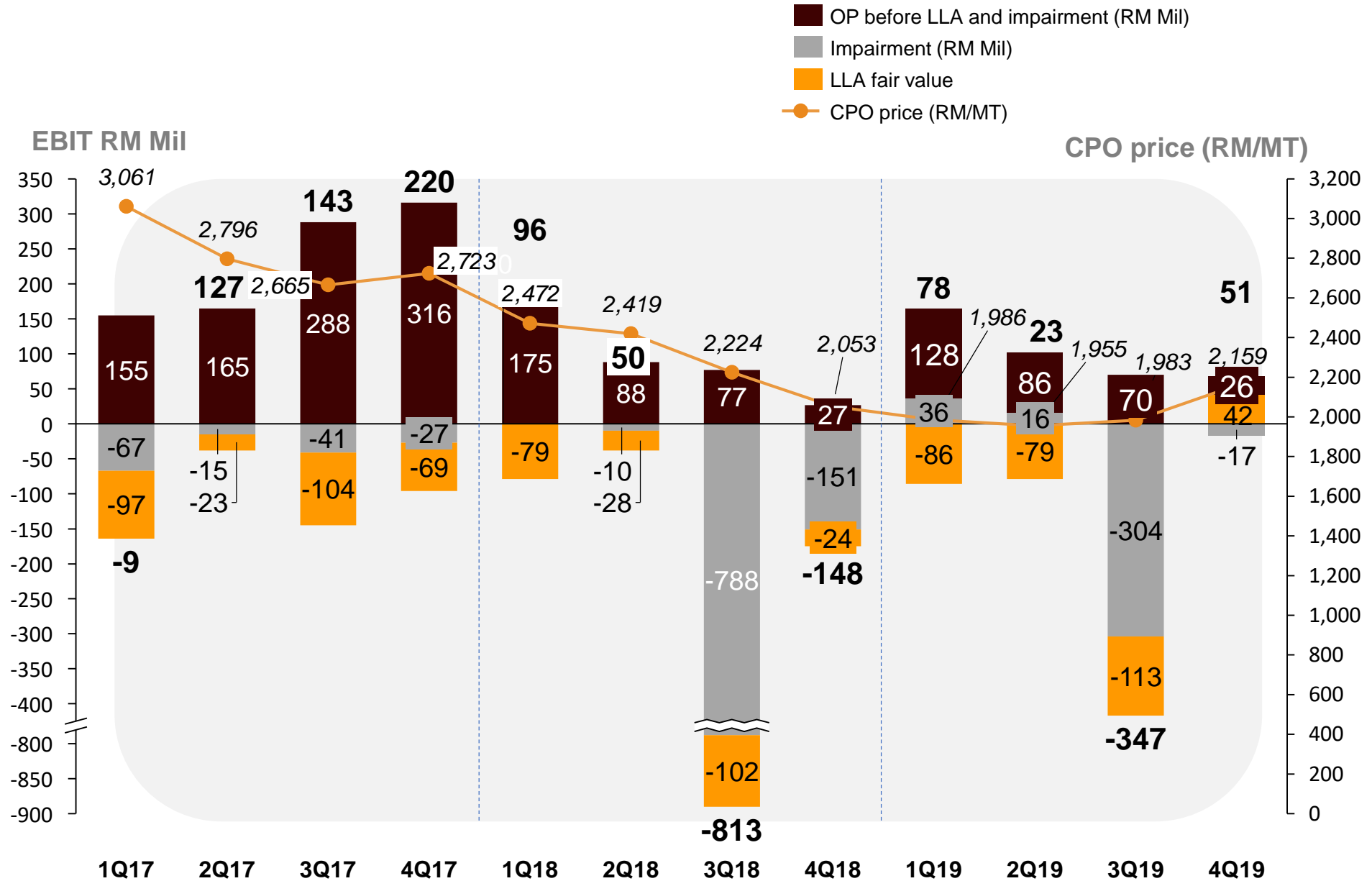
■ Immature (0 -3) ■ Young (4 -9) ■ Prime (10 - 20) ■ Old (> 21)

During IPO, 49% of the planted area had trees aged 21 years old and above.

Our disciplined replanting plan has increased our prime age hectareage leading to increased FFB production.

We expect the young and prime age oil palm tree hectareage to surpass old trees hectareage in the year 2020.

Quarterly EBIT vs CPO Price



Operational Highlights



	Quarter					YTD		
	Q4'19	Q4'18	YOY	Q3'19	QOQ	2019	2018	YOY
FFB Prod ('000 MT)	1,007	1,150	-12%	1,235	-18%	4,447	4,208	6%
FFB Yield (MT/Ha)	4.18	4.62	-10%	5.12	-18%	18.44	16.90	9%
CPO Production ('000 MT)	688	815	-16%	832	-17%	3,069	2,820	9%
PK Production ('000 MT)	173	203	-15%	203	-15%	775	721	7%
OER (%)	20.53	20.70	-1%	20.91	-2%	20.61	20.49	1%
KER (%)	5.17	5.15	-	5.11	1%	5.20	5.23	-1%
Avg. PK Price (RM/MT)	1,340	1,387	3%	1,101	22%	1,174	1,430	-18%
Avg. CPO Price (RM/MT)	2,159	2,055	5%	1,983	9%	2,021	2,282	-11%
CPO Cost Ex-mill (RM/MT)	1,691	1,638	3%	1,500	13%	1,503	1,800	-17%
Lauric Sales Vol. (MT)	72,128	61,649	17%	67,543	7%	276,373	248,300	11%
Oleochemical Sales Vol. ('000 lbs)	68,370	68,160	1%	71,867	-5%	286,873	271,394	6%

Movement in Land Lease Liability in FGVPM



RM million	Q1 2019	Q2 2019	Q3 2019	Q4 2019	2019	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018
At the start of the period	4,328.0	4,353.4	4,370.3	4,418.7	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)	(64.8)	(61.0)	(248.8)	(72.0)	(83.0)	(64.7)	(79.0)	(298.7)
Recurring income statement charges/(credits)	94.6	103.5	109.0	99.1	406.2	93.2	86.0	118.4	104.0	401.6
Total income statement charges/(credits) from revisions in projections	(8.2)	(24.6)	4.2	(140.7)	(169.3)	(14.5)	(57.8)	(16.1)	(79.8)	(168.2)
Total charge/(credit) to the income statement	86.4	78.9	113.2	(41.6)	236.9	78.7	28.2	102.3	24.2	233.4
Closing LLA liability balance	4,353.4	4,370.3	4,418.7	4,316.1	4,316.1	4,400.0	4,345.1	4,382.8	4,328.0	4,328.0

Total (credit)/charge to Income Statement

RM million	YTD 2019	YTD 2018
Unwinding of discounts	409.5	401.6
Reversal of over accrual for current quarter	(3.3)	-
Revisions in projections and other adjustments	(169.3)	(168.2)
Total (credit)/charge to the Income Statement	236.9	233.4