MEDIA RELEASE

FGV posts Net Profit of RM76 million in 4Q2019

- **Financial performance boosted by higher CPO price and improved cost management**
- **Board recommends dividend of 2 sen per share**

Kuala Lumpur, 28th February 2020 – FGV Holdings Berhad (FGV) recorded a net profit of RM76 million for its 4Q2019, compared to a net loss of RM209 million in the previous corresponding quarter. This was achieved despite a 2.4% decline in revenue to RM3.15 billion for the quarter in review, compared to RM3.23 billion previously.

The far improved financial performance was due to improved crude palm oil (CPO) margins, and significantly reduced operating costs as a result of tighter controls and improved efficiencies across the Group. In addition, FGV recorded lower impairment losses in 4Q2019 amounting to RM17 million, as compared to RM151 million in 4Q2018.

The decline in revenue was due largely to lower yields, which is in line with the national average, as a result of the lag effect from prolonged dry weather and lower rainfall in late 2018 and early 2019.

“I am pleased to report a quarterly net profit of RM76 million, achieved on the back of FGV’s aggressive transformation programme driven by the Board and Management,” Dato’ Haris Fadzilah Hassan, FGV’s Group Chief Executive Officer said. “We reached far into the core of the Group to effect change at every level. Our intention is to institutionalise this change, to protect and enhance the interests of the owners of this company, now and in the future.”

Following FGV’s stronger financial position which is attributable to positive operational performance from the Plantation Sector, improved tax recoverability and debt management, and with proceeds from divestments, the Board of Directors of FGV is recommending a final dividend payment of 2 sen per share for the financial year ended 31 December 2019. The dividend is expected to be paid by mid-July 2020, subject to shareholders’ approval at the next Annual General Meeting.

The decline in revenue for 4Q2019 was mainly due to lower fresh fruit bunch (FFB) production of 1.01million MT, a decline of 12% from 1.15 million MT in the previous corresponding quarter. This decline was mitigated by higher CPO price realized of RM2,159 per MT, compared to RM2,055 per MT before. Oil Extraction Rate (OER) for the period under review was 1% lower at 20.53% compared to 20.70% previously. As a result of lower production volume, ex-mill costs increased marginally by 3% to RM1,691 per MT, compared to RM1,638 per MT in 4Q2018.

For the full year ended December 2019, FGV posted a net loss of RM242 million, compared to a net loss of RM1.08 billion in FY2018. Revenue for FY2019 was RM13.26 billion, down slightly by 1.5% from RM13.46 billion in the previous year, although average CPO price realized for FY2019 declined 11% to RM2,021 per MT compared to RM2,282 per MT in FY2018. This is due to improved full year CPO ex-mill costs which averaged at RM1,503 per MT compared to RM1,800 per MT in FY2018.

Additionally, Group wide cost rationalization and improved procurement processes resulted in savings of approximately RM170 million for the full year.

As a result of the transformation programme, for the financial year ended 31 December 2019 the Plantation Sector's FFB production increased by 6%, to 4.45 million MT, in comparison to 4.21 million MT FY2018. Combined with increased OER, the Sector's CPO production rose by 9%, to 3.07 million MT compared to 2.82 million MT in FY2018. Improved production volumes, together with enhanced operational efficiencies, resulted in lower ex-mill costs of RM1,503 per MT, 17% lower than RM 1,800 per MT in the previous financial year. Meanwhile, mill utilization factor (UF) increased by 9% to 74%, compared to FY2018.

The Sugar Sector under MSM Malaysia Holdings Berhad (MSM), recorded a higher loss before zakat and tax (LBZT) of RM44 million compared to LBZT of RM13 million in the previous corresponding quarter. For the financial year ended 31 December 2019, the Sector recorded a LBZT of RM320 million, a steep decline from a PBZT of RM59 million in FY2018. This is due to lower gross profit margins of 0.5% compared to 9% in the previous year, as well as low utilisation rates in its Johor plant. Decrease in revenue from the Sector of 9% was mainly due to the drop in average selling price by 6% (2019: RM2,117 per MT, 2018: RM2,263 per MT)

"The higher losses incurred for the sugar business were mainly attributable to lower gross profit margins, negative impacts from old raw sugar contracts of RM90 million, higher refining costs and low utilisation rate in MSM Johor," Haris Fadzilah said. "We expect that the worst is over for MSM, and there are plans already underway to address its issues around excess capacity."

The Logistics Sector registered a PBZT of RM23 million, an increase of 5% compared to RM22 million in the previous corresponding quarter. This is attributable to an increase in tonnage carried and storage volume.

Going forward

FGV's plans to diversify its revenue streams is well underway. In FY2020 FGV expects additional revenues of RM45 million from its integrated farming, renewable energy and animal feed businesses.

"While palm oil will remain our mainstay, this is an exciting diversification that will bring us and our smallholder partners added revenue and opportunities for growth," Haris Fadzilah said.

FGV recently announced the acquisition of a 60% stake in dairy milk producer RedAgri Sdn Bhd, a first step towards its move into the sector. FGV has also increased its capacity in the animal feed business, with significant opportunities for further growth.

“These strategic moves to harness the potential within FGV’s circular economy is in line with the government’s plans to improve Malaysia’s self-sufficiency levels (SSL) for food and to seek avenues for import substitution,” Haris Fadzilah noted. “Our strong links to hundreds of thousands of farmers, combined with existing opportunities within FGV’s vast operations bode well for a future with reduced risk and higher earnings potential.”

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About FGV Holdings Berhad

FGV Holdings Berhad (“FGV”) is Malaysia’s leading global agri-business and is among the largest producer of Crude Palm Oil (“CPO”). FGV’s operations stretch across more than nine countries in Asia, the Middle East, North America and Europe and are focused on three main sectors; Plantation, Sugar and Logistics. As the Group's core business, the Plantation Sector is enhanced through a fully integrated palm value chain of upstream, processing and downstream activities. FGV is the world's third largest oil palm plantation operator, has the world’s largest bulking and storage facilities for vegetable oil and is Malaysia’s top refined sugar producer. It also specializes in the production of renewable bio-fuels, oleo chemicals, oils and fats and rubber processing activities. With a workforce of more than 45,000, FGV aspires to be one of the world’s leading agri-business companies. For more information please visit www.fgvholdings.com