

FGV HOLDINGS BERHAD

Financial Results Briefing
2nd Quarter FY2022

30 Aug 2022



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TODAY'S AGENDA

An aerial photograph of a vast palm oil plantation, showing neat rows of young palm trees stretching across a green landscape under a blue sky with scattered white clouds. The image is partially obscured by a large, semi-circular graphic element on the right side of the slide.

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EXECUTIVE SUMMARY



Malaysia's GDP is targeted to continue its recovery momentum in FY2022, with a projected growth of 5.3% to 6.3% (*BNM report, 12 August 2022*) amid concerns over a slower global economic growth rate of 3.2% this year.

The country's total CPO production is expected to improve slightly to 18.5 mn MT in FY2022 despite the 1H FY2022's production being 1% lower than 1H FY2021 due to seasonal factors, as well as assumptions on the increase in matured planted areas and favourable weather conditions.

The prolonged Russia-Ukraine conflict and low supply of substitute edible oils globally are expected to support the year's CPO forecast price range from RM4,500/MT to RM5,000/MT despite the recent sharp decrease in prices caused by Indonesia's policy shift.

As of July, FGV estate workers' coverage stands at 62%. In addressing the labour shortage issue, the Group actively recruits workers from host countries, such as Indonesia and India, and has recently received 647 foreign workers from India.

On the sustainability front, according to the recent FLA report, no non-compliances were identified based on the FLA forced labour benchmark as FGV is making significant progress in its business operations. The RSPO Complaints Panel has also lifted the suspension of certification for FGV's Serting Mill and its supply bases in July 2022.

Overall, FGV recorded a PATAMI of RM374 mn in the 2Q FY2022, an increase of 10% from RM339 mn reported last year. The Group's PATAMI for the 1H FY2022 increased significantly to RM743 mn, on the back of RM13,281 mn in revenue.

The Board has approved an interim dividend payment of 4.0 sen per share, for a total dividend payout of RM146 mn.

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2Q FY2022 FINANCIAL HIGHLIGHTS

FGV's Operating Profit doubled to RM667 mn, largely contributed by the strong CPO price.

Income Statement (RM mn)	2Q FY2022	2Q FY2021	Var. (%)	
Revenue	7,427	4,682	59	▲
Operating Profit	667	335	99	▲
Fair value charge in LLA	(58)	180	>(100)	▼
Impairment - (net)	4	4	0	-
EBIT	613	519	18	▲
Share of results - Assoc & JV	12	12	0	-
Finance costs (net)	(25)	(30)	(17)	▼
PBT	600	501	20	▲
Zakat and Taxation	(244)	(137)	78	▲
PAT	356	364	(2)	▼
PATAMI	374	339	10	▲

Higher Operating Profit is mainly attributed to:

- Increased palm products' margins were driven by a 58% increase in average CPO price and higher CPO sales volume by 41%.
- Higher margins from downstream and fertiliser businesses.
- Better handling and transportation rates in the Logistics Sector.

However, the Sugar Sector recorded an operating loss due to higher production costs by 20%.

Operating Profit

BUSINESS	2Q FY2022	2Q FY2021	Var. (%)
Plantation	659	294	>100
Sugar	(21)	23	>(100)
Logistics	25	21	19
Others	4	(3)	>100
Total	667	335	99

1H FY2022 FINANCIAL HIGHLIGHTS

FGV's Operating Profit increased significantly to RM1.34 bn due to the strong CPO price and improved performance in the Logistics Sector.

Income Statement (RM mn)	1H FY2022	1H FY2021	Var. (%)	
Revenue	13,281	8,075	64	▲
Operating Profit	1,337	527	>100	▲
Fair value charge in LLA	(217)	37	>(100)	▼
Impairment - (net)	2	(3)	>100	▲
EBIT	1,122	561	>100	▲
Share of results - Assoc & JV	35	14	>100	▲
Finance costs (net)	(56)	(58)	(3)	▼
PBT	1,101	516	>100	▲
Zakat and Taxation	(379)	(165)	>100	▲
PAT	722	351	>100	▲
PATAMI	743	303	>100	▲

Higher Operating Profit is mainly attributed to:

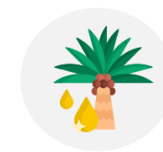
- Increased palm products' margins due to higher average CPO price realised by 58%.
- Better handling and transportation rates, and higher throughput volume in the Logistics Sector.

However, this result was partially offset by the losses incurred in the Sugar Sector, mainly due to higher production costs by 27%.

Operating Profit

BUSINESS	1H FY2022	1H FY2021	Var. (%)
Plantation	1,322	400	>100
Sugar	(45)	86	>(100)
Logistics	52	37	41
Others	8	4	>100
Total	1,337	527	>100

SECTOR PERFORMANCE: PLANTATION



The Sector's performance was driven by higher CPO price despite the increase in production and processing costs.

PLANTATION (RM mn)	2Q FY2022	2Q FY2021	Var. (%)	
Revenue				
Upstream	4,603	2,670	72	▲
Downstream	1,843	1,221	51	▲
R&D and Fertiliser	265	149	78	▲
Total Revenue	6,711	4,040	66	▲
Operating Profit				
Upstream	567	249	>100	▲
Downstream	39	29	34	▲
R&D and Fertiliser	53	16	>100	▲
Total Operating Profit	659	294	>100	▲
FV charge in LLA	(58)	180	>(100)	▼

Upstream

- Higher palm products' margins were driven by a 58% increase in average CPO price at RM5,254/MT (2Q FY2021: RM3,333/MT).
- Improved OER by 2% to 20.63% (2Q FY2021: 20.16%).

However, CPO Cost Ex-Mill increased by 30% to RM2,203/MT (2Q FY2021: RM1,699/MT), caused by the increase in production and processing costs.

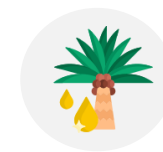
Downstream

- Increased oils & fats sales volume for packed products by 8% due to higher intake from local and export customers.
- Higher margin from the oleochemical segment.

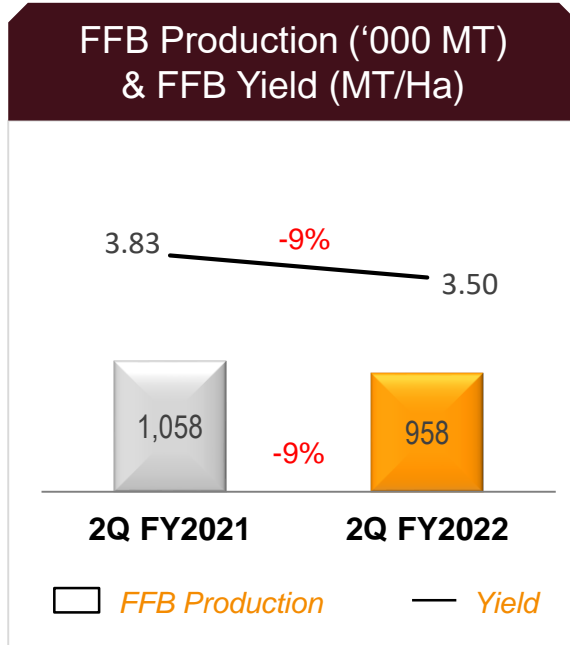
R&D and Fertiliser

- Increased margin from the fertiliser segment.
- Improved sales volume in seed products by 50% due to higher intake from local customers.

SECTOR PERFORMANCE: PLANTATION



Upstream Operation

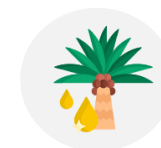


FFB ('000 MT)	2Q FY2022	2Q FY2021	Var. (%)
Internal	945	1,042	▼ (9)
External	927	980	▼ (5)
Settlers	1,543	1,455	▲ 6
Total FFB Processed	3,415	3,477	▼ (2)

- FFB production and yield decreased by 9% due to labour shortages in most regions.
- FGV's current labour shortage is at 38%.

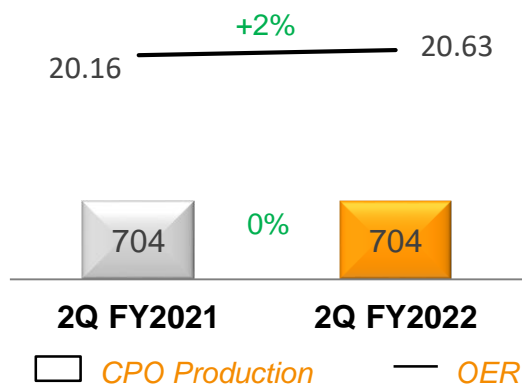
The total FFB processed in 2Q FY2022 decreased by 2% to 3.42 mn MT from the previous year's figure of 3.48 mn MT. From the total, 0.95 mn MT (28%) were produced internally, 1.54 mn MT (45%) were sourced from FELDA Settlers, and 0.93 MT (27%) were received from third parties.

SECTOR PERFORMANCE: PLANTATION



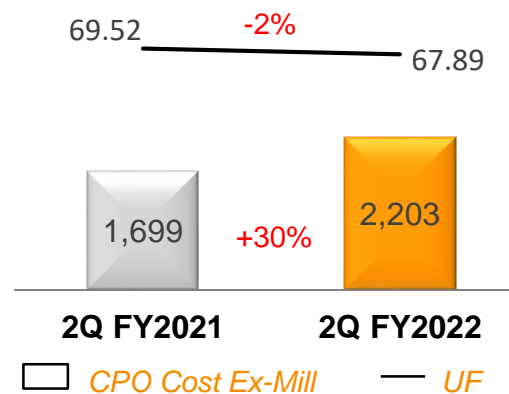
Upstream Operation

CPO Production ('000 MT) & OER (%)



- Despite a 2% decrease in FFB processed, CPO production remains constant due to the higher OER achieved by 2%.
- Higher OER was achieved as a result of better mill performance from the stringent process control and improvement in crop ripeness.

CPO Cost Ex-Mill (RM/MT) & Utilisation Factor (%)



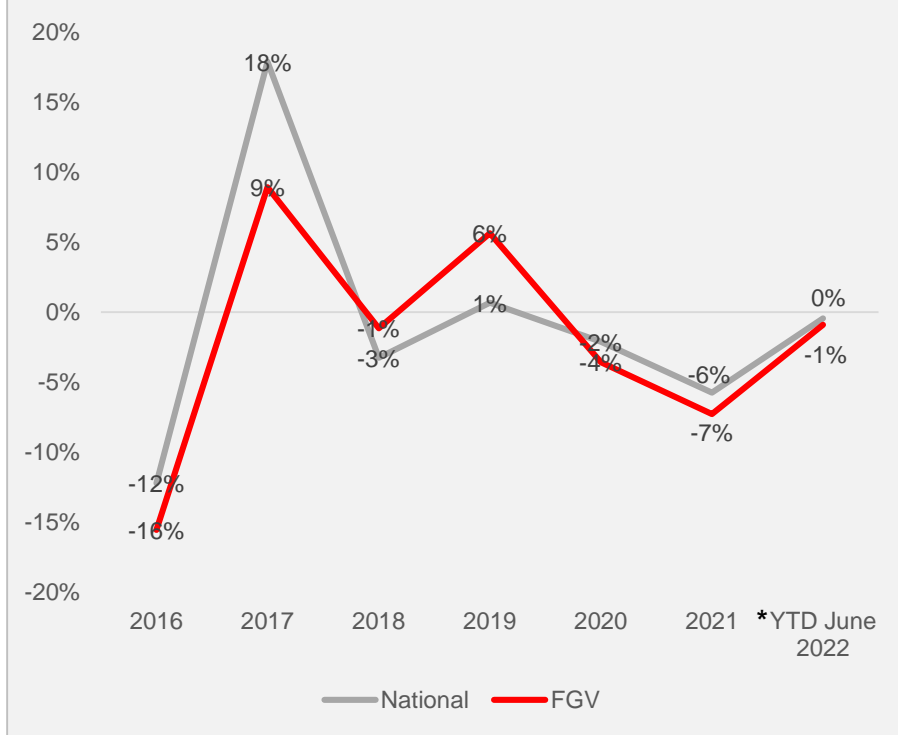
- CPO Cost Ex-Mill increased by 30% due to the increase in production and processing costs.
- UF decreased by 2% due to the lower FFB received.

FGV'S PRODUCTION VS. NATIONAL PRODUCTION TREND



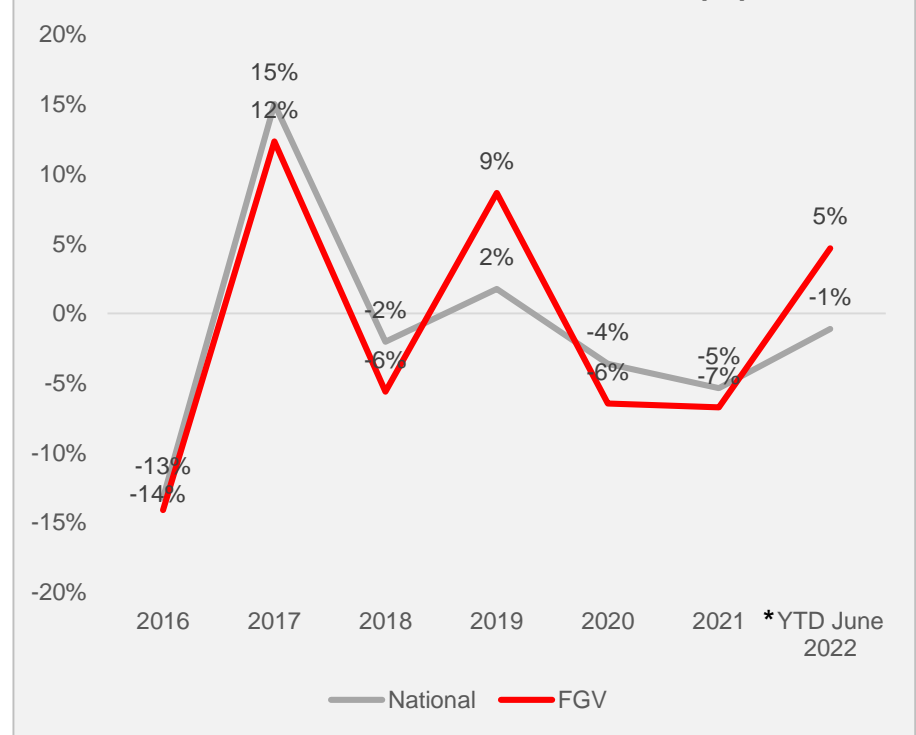
FGV's FFB and CPO productions are in line with the national trend.

FFB Production YoY Growth (%)



FFB production growth is consistent with the yearly pattern of increased output, despite difficulties caused by labour shortages.

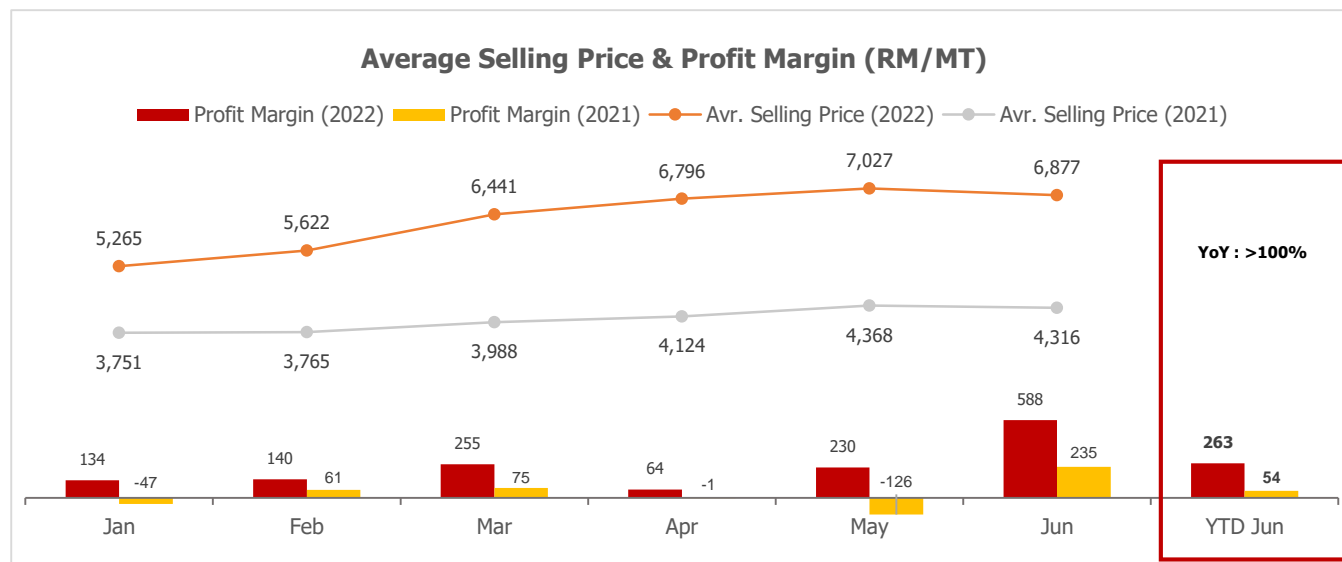
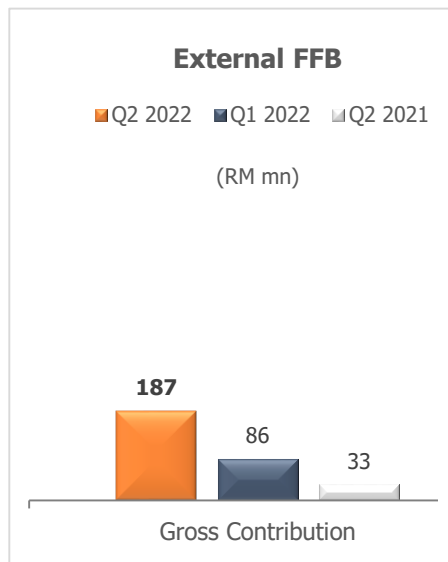
CPO Production YoY Growth (%)



Better CPO production is attributed to the improvement in OER performance, despite the decrease in FGV's FFB processed.

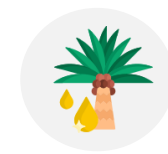
Sources: MPOB, Company internal data.
*Against corresponding period in 2021.

PROFIT/(LOSS) FROM UPSTREAM OPERATIONS - EXTERNAL



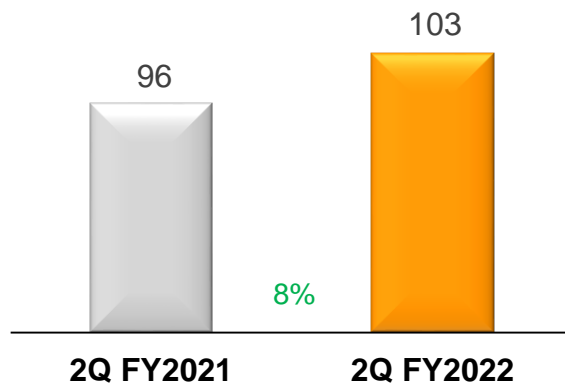
- External FFB gross contribution after OER margin increased by more than 100% from the preceding quarter (RM86 mn) and the same quarter last year (RM33 mn) to RM187 mn.
- This was primarily due to higher external CPO/PPO deliveries (2Q FY2022: 590,116 MT) at a higher margin of RM317/MT, compared to previous quarter deliveries of 448,918 MT at a margin of RM191/MT, combined with a 34% increase in OER margin (2Q FY2022: 1.36%, 1Q FY2022: 1.02%). The amount of FFB processed in 2Q FY2022 increased by 24% to 3.29 mn MT against the preceding quarter of 2.66 mn MT.
- The increase in gross contribution in 2Q FY2022 also contributed to a higher unrealised mark-to-market of RM22.58 mn, compared to the RM9.31 mn loss in the preceding quarter.

SECTOR PERFORMANCE: PLANTATION



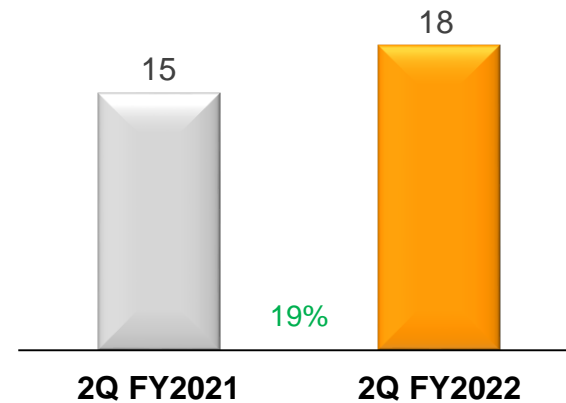
Downstream Operation

Oil & Fats Sales Volume (‘000 MT)



- The 8% increase in oil and fats sales volume was primarily attributed to FMCG segments, as consumers anticipated an increase in cooking oil prices.

Biodiesel Sales Volume (‘000 MT)



- The biodiesel sales volume increased by 19% due to higher demand following the nation's economic recovery.

SECTOR PERFORMANCE: SUGAR



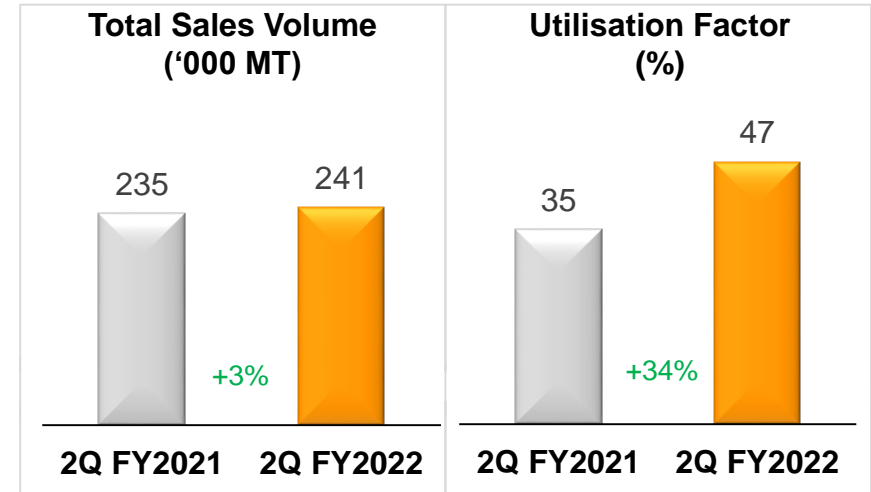
FINANCIAL

SUGAR (RM mn)	2Q FY2022	2Q FY2021	Var. (%)	
Revenue	627	554	13	▲
PBT	(29)	23	>(100)	▼

The Sugar Sector recorded an operating loss of RM29 mn primarily due to:

- A 20% increase in production costs resulted from higher NY11, freight and gas prices, higher refining costs, and the weakening of the Malaysian Ringgit.

OPERATION



- Increased sales volume by 3% from higher export sales.
- Improved average UF to 47% resulted from higher production volume in both plants.

SECTOR PERFORMANCE: LOGISTICS

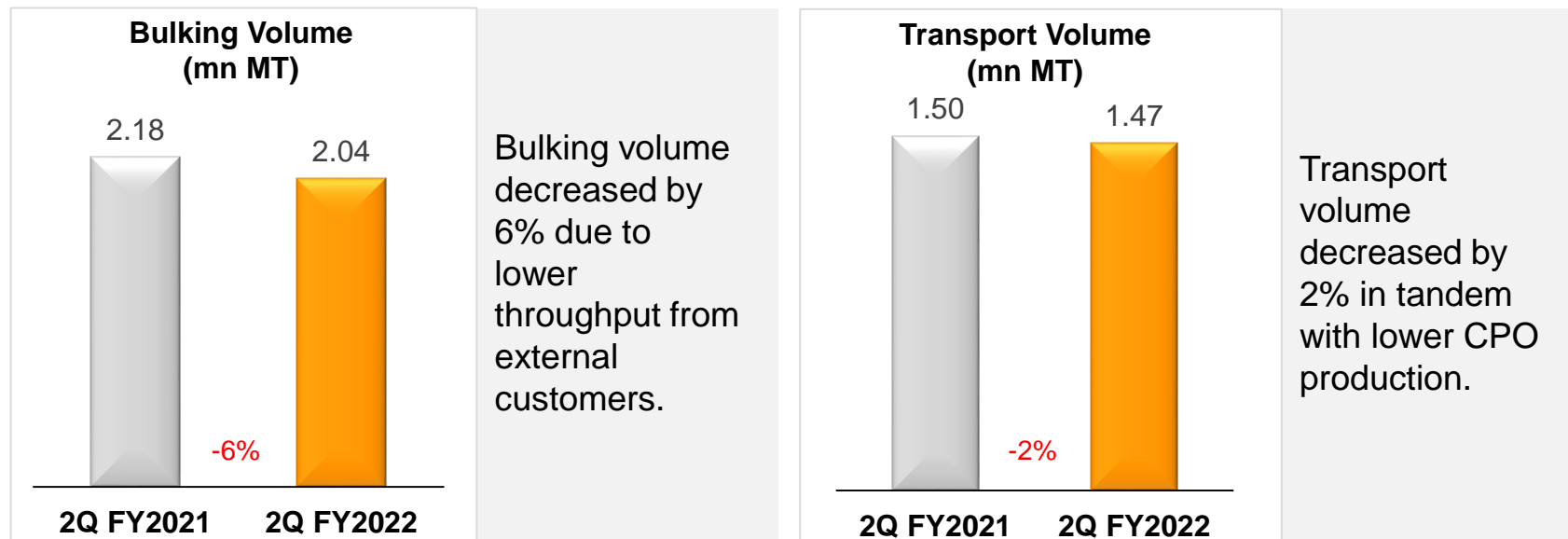


FINANCIAL

BULKING					TRANSPORT				
Bulking (RM mn)	2Q FY2022	2Q FY2021	Var. (%)		Transport (RM mn)	2Q FY2022	2Q FY2021	Var. (%)	
Revenue	58	52	12	▲	Revenue	72	64	13	▲
PBT	23	20	15	▲	PBT	2	1	100	▲

Profit increased to RM23 mn and RM2 mn for the bulking and transport businesses due to a better handling rate by 30% and transportation rate by 6%, and lower operating costs.

OPERATION



KEY FINANCIAL HIGHLIGHTS

	30.06.2022	31.12.2021	Changes (%)
Cash and Cash Equivalents (RM mn)	1,279	2,032	-37%
Total Borrowings without LLA (RM mn)	3,825	3,998	-4%
Liquidity Ratio (times)	1.28	1.22	5%
Gearing Ratio* (times)	0.50	0.56	-11%

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

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PLANTATION SECTOR

UPSTREAM

FGV's current number of estate workers is 21,368, indicating a 38% shortage of the total estate workforce requirement.

- As of 1H FY2022, only 4,452 Ha of felling area has been completed, while planting work is expected to commence in the third quarter. The replanting target for FY2022 is around 11,000 Ha.
- A total of 35% fertiliser was applied against the FY2022 target.
- As of July, FGV had received 647 foreign workers from India. By the end of FY2022, FGV anticipates receiving around 7,000 foreign workers, which will gradually improve its estate operations.

DOWNSTREAM

- SAJI received a Gold Award from Reader's Digest as the most trusted brand in the cooking oil category as voted by Malaysian consumers.
- SAJI *Beras Basmathi* was launched in June 2022.



SUGAR SECTOR

- MSM continues to engage and seek support from the Government to alleviate the increase in input costs. In collaboration with CSR, MSM is awaiting a government decision on whether to raise the gazetted ceiling price or provide a subsidy in lieu.



LOGISTICS AND OTHERS SECTOR

- FGV Transport was awarded a three-year contract with *Tabung Haji* to handle pilgrims' luggage beginning in June 2022.



INTEGRATED FARMING

- In August 2022, FGV signed a conditional JVA with Baladna Food Industries W.L.L and Touch Group Holdings Sdn Bhd under the integrated dairy farm business to support the National Food Security agenda.
- In collaboration with BERNAS, FGV launched a high-quality native chicken feed made from by-products of local paddy and rice factories.
- A partnership with AEON BiG to market Ladang 57's fresh native chicken in its hypermarket nationwide, as part of FGVIF and FELDA's *Projek Pembangunan Perneroka* (PPP) collaboration.



ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG)

- According to a recent FLA report, no non-compliances were identified based on the FLA forced labour benchmarks and FGV is making significant progress and improvement in its business operations.
- The RSPO Complaints Panel has lifted the suspension of certification for FGV's Serting Mill and its supply bases in July 2022.
- FGV collaborated with the Earthworm Foundation and the University of Nottingham Malaysia to launch the first multi-agency human-elephant coexistence projects in Peninsular Malaysia.
- FGV collaborated with *Yayasan Didik Negara* and the Ministry of Education on "*Eksplorasi Alam Lestari*" to raise awareness of wildlife conservation.
- FGV periodically engages with US CBP to share updates on its labour programmes. This year, FGV has conducted two meetings with US CBP in January and May, and plans to have another engagement in October 2022. FGV intends to submit the final assessments and remediation reports together with a petition for WRO modification by the end of 2022.

THANK YOU

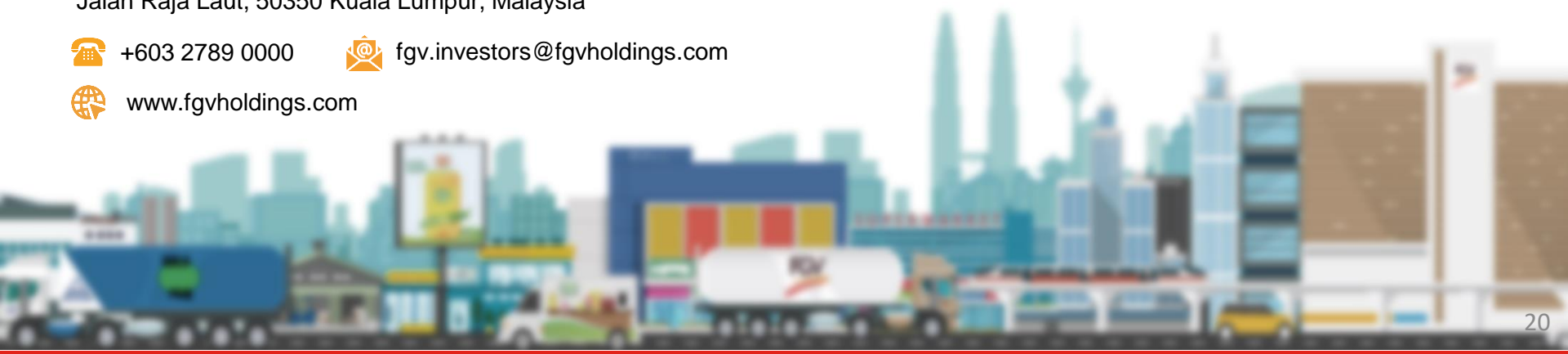
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MOVEMENT IN LAND LEASE LIABILITY IN FGVPM



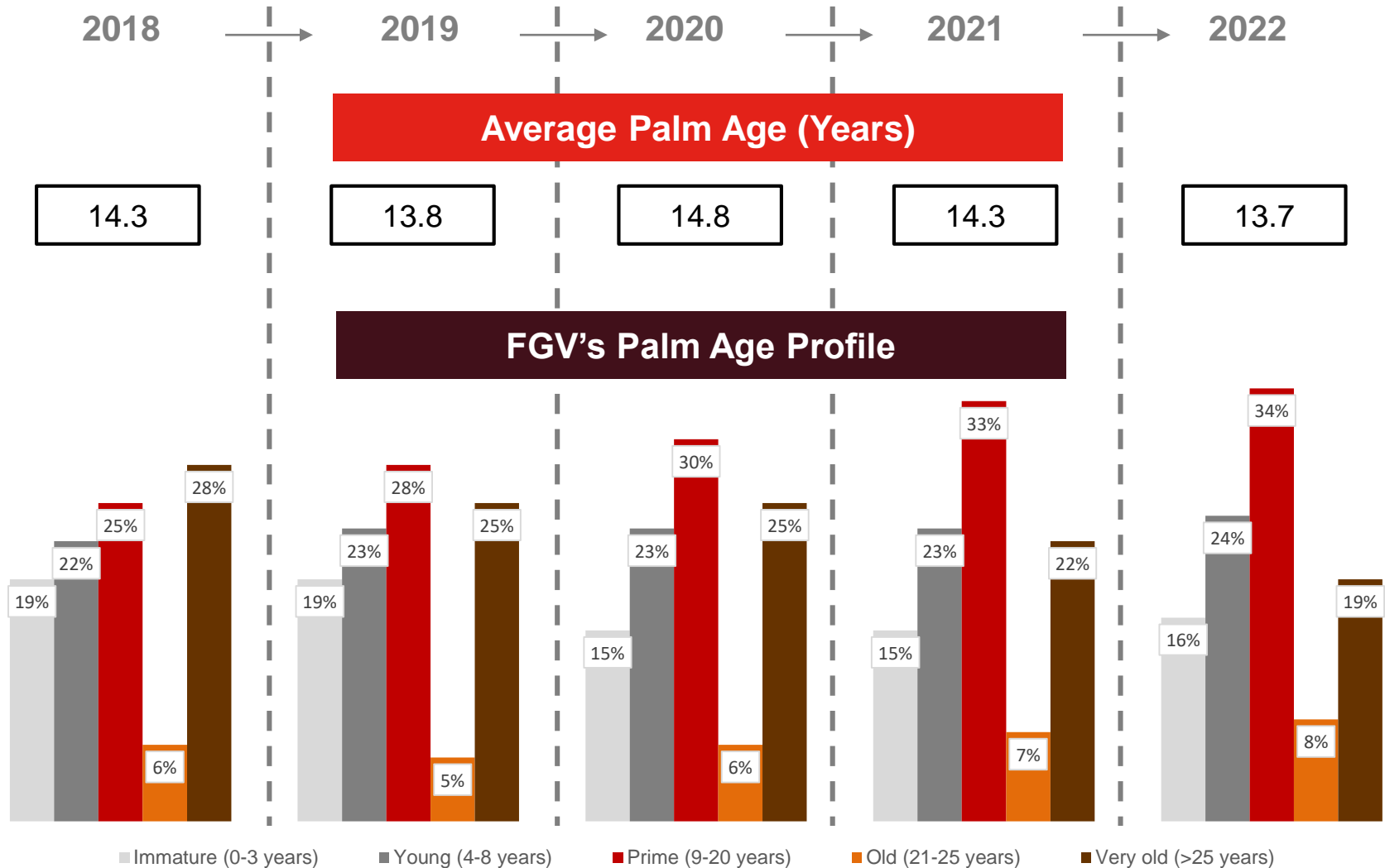
RM mn	1Q 2022	2Q 2022	2022	1Q 2021	2Q 2021	3Q 2021	4Q 2021	2021
At the start of the period	3,804.8	3,833.2	3,804.8	4,213.8	4,267.1	3,998.1	3,994.1	4,213.8
Total payments made during the period	(130.7)	(117.3)	(248.0)	(90.5)	(88.6)	(111.0)	(122.9)	(413.0)
Recurring income statement charges/(credits)	68.4	62.7	131.1	99.7	94.9	112.6	163.2	470.4
Total income statement charges/(credits) from revisions in projections	90.7	(4.8)	85.9	44.1	(275.3)	(5.6)	(229.6)	(466.4)
Total charges/(credits) to the income statement	159.1	57.9	217.0	143.8	(180.4)	107.0	(66.4)	4.0
Closing LLA liability balance	3,833.2	3,773.8	3,773.8	4,267.1	3,998.1	3,994.1	3,804.8	3,804.8

Total charges/(credits) to Income Statement

RM mn	YTD Q2 2022	YTD Q2 2021
Unwinding of discounts	171.7	199.1
Under accrual for current quarter	(40.6)	(4.5)
Revisions in projections and other adjustments	85.9	(231.2)
Total charges to the Income Statement	217.0	(36.6)

AGE PROFILE

Our current age profile has improved with bigger area of prime palm oils and reduction in old palm trees in 2022 compared to 2021.



FY2022 OPERATIONAL HIGHLIGHTS



	2Q FY2022	2Q FY2021	YOY	1H FY2022	1H FY2021	YOY
FFB Prod ('000 MT)	958	1,058	-9%	1,784	1,801	-1%
FFB Yield* (MT/Ha)	3.50	3.83	-9%	6.51	6.52	-0.1%
CPO Production ('000 MT)	704	704	0%	1,266	1,210	5%
PK Production ('000 MT)	173	174	-1%	314	302	4%
OER (%)	20.63	20.16	2%	20.48	20.12	2%
KER (%)	5.07	4.99	2%	5.08	5.02	1%
Avg. PK Price (RM/MT)	3,573	2,589	38%	4,034	2,552	58%
Avg. CPO Price (RM/MT)	5,254	3,333	58%	5,165	3,268	58%
CPO Cost Ex-mill (RM/MT)	2,203	1,699	30%	2,125	1,825	16%
CPKO Sales Vol. (MT)	61,402	70,958	-13%	119,950	109,504	10%
Oleochemical Sales Vol. ('000 lbs)	71,280	82,390	-13%	150,700	158,500	-5%

*FY2021 yield has been adjusted on the same basis as FY2022 where rehabilitated areas are included as part of mature hectarage.