2Q FY2023

RESULTS ANNOUNCEMENT

Tuesday, 29 August 2023 | 10.00AM – 11.00AM

FGV HOLDINGS BERHAD

Financial Results Briefing

2nd Quarter FY2023

29 August 2023

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TODAY'S AGENDA

OVERVIEW OF 2Q FY2023

PLANTATION

- Experienced lower FFB production due to unfavourable weather and lower harvester productivity as the new workers are still undergoing training and adapting to new sustainability practices.
- Labour shortages increased to 13% (1Q FY2023: 11%) due to worker's abscondment and repatriations, especially among workers who have reached the maximum tenure of their contract.
- The average price of fertiliser increased by 13% to RM2,248 per MT (2Q FY2022: RM1,993 per MT).
- The CPO cost ex-mill continues to increase by 37% to RM3,020 per MT (2Q FY2022: RM2,203 per MT).
- Recorded lower average CPO price at RM4,000 per MT (2Q FY2022: RM5,254 per MT).

SUGAR

- The price of raw sugar continues to increase around USD20.0 cents per pound (2Q FY2022: USD18.0 cents per pound) due to a tight production outlook in producing countries such as India and Thailand.
- Energy prices remain high, with a 33% increase YoY due to the supply constraint and freight issue.

LOGISTICS

- Customers are utilising the storage and bulking facilities for longer stays due to temporary setback in commodity, biofuel and premium oil markets.

SUSTAINABILITY

- FGV is committed to reimbursing recruitment fees to its former and current migrant workers which will be paid in three tranches (Mar, Jun & Sep 2023). To date, the first and second tranches have been paid according to the timeline.
- A remediation plan is currently being implemented, covering 12 focus areas and aiming to be completed by the end of FY2023.
- Maintaining the certification on RSPO and MSPO standards across all mills. As of June, one mill is in the process of re-certification, while the remaining uncertified mills have completed all required preparation for certification.
- Diligently working towards achieving net zero emissions following the Climate Action Plan.

FGV registered a **Profit Before Tax of RM14 mn against RM600 mn** achieved in the same quarter last year.

This result was recorded on the back of **RM4,495 mn revenue, which fell 39% from RM7,427 mn** in 2Q FY2022.

TODAY'S AGENDA

1H FY2023 FINANCIAL HIGHLIGHTS

FGV registered an Operating Profit of RM207 mn due to lower contribution from Palm Upstream and losses in the Sugar Sector.

INCOME STATEMENT (RM mn)	1H FY2023	1H FY2022	VAR. (%)
Revenue	**9,087**	13,281	*(32)* ▼
Operating Profit	**207**	1,337	*(85)* ▼
Fair value charge in LLA	**(60)**	(217)	*(72)* ▼
Impairment (net)	**(40)**	2	*>(100)* ▼
EBIT	**108**	1,122	*(90)* ▼
Share of results - Assoc & JV	**12**	35	*(66)* ▼
Finance costs (net)	**(45)**	(56)	*(20)* ▼
PBT	**74**	1,101	*(93)* ▼
Zakat and Taxation	**(84)**	(379)	*(78)* ▼
(L)/PAT	**(10)**	722	*>(100)* ▼
(L)/PATAMI	**(1)**	743	*>(100)* ▼

Operating Profit was impacted by the following:

- Lower palm products' margin resulted from a 23% decrease in the average CPO price realised and higher CPO cost ex-mill by 41%.
- Lower margin in the Rubber division due to lower sales volume and higher cost of production.
- Losses in the Sugar Sector due to increase in production costs as a result of higher refining costs and gas prices. However, the losses was cushioned by the increase in average selling price, gains on disposal of asset, USD forward contract and forex translation, and lower freight cost.

Nevertheless, the Logistics Sector recorded higher profits as a result of improved tank rental and other operating incomes.

Profit was also impacted by the higher impairment of plantation assets in Indonesia.

Operating Profit

BUSINESS (RM mn)	1H FY2023	1H FY2022	VAR. (%)
Plantation	**167**	1,322	*(87)* ▼
Sugar	**(29)**	(45)	*(36)* ▼
Logistics	**58**	52	*11* ▲
Others	**11**	8	*36* ▲
Total	**207**	1,337	*(85)* ▼

2Q FY2023 FINANCIAL HIGHLIGHTS

FGV recorded an Operating Profit of RM106 mn due to lower palm products' margins resulted from the decline in average CPO prices.

INCOME STATEMENT (RM mn)	2Q FY2023	2Q FY2022	VAR. (%)	
Revenue	**4,495**	**7,427**	*(39)*	▼
Operating Profit	**106**	**667**	*(84)*	▼
Fair value charge in LLA	**(28)**	(58)	*(52)*	▼
Impairment (net)	**(47)**	4	*>(100)*	▼
EBIT	**31**	**613**	*(95)*	▼
Share of results - Assoc & JV	**5**	12	*(58)*	▼
Finance costs (net)	**(22)**	(25)	*(12)*	▼
PBT	**14**	**600**	*(98)*	▼
Zakat and Taxation	**(32)**	(244)	*(87)*	▼
(L)/PAT	**(18)**	**356**	*>(100)*	▼
(L)/PATAMI	**(13)**	**374**	*>(100)*	▼

Operating Profit was impacted by the following:

- Lower palm products' margins resulted from lower average CPO price realised by 24% and higher CPO cost ex-mill by 37%.
- Lower FFB and CPO production by 19%.
- Lower margin in the Rubber division due to lower sales volume and higher cost of production.
- Lower losses in the Sugar Sector due to increase in production costs from higher refining costs and gas prices.

Nevertheless, the Logistics Sector recorded higher profits as a result of improved tank rental and other operating incomes.

Profit was also impacted by the higher impairment of plantation assets in Indonesia.

Operating Profit

BUSINESS (RM mn)	2Q FY2023	2Q FY2022	VAR. (%)	
Plantation	**86**	659	*(87)*	▼
Sugar	**(5)**	(21)	*(76)*	▼
Logistics	**26**	25	*4*	▲
Others	**(1)**	4	*>(100)*	▼
Total	**106**	667	*(84)*	▼

SECTOR PERFORMANCE: PLANTATION

The Sector's profit was impacted by the lower average CPO price and sales volume, and higher CPO cost ex-mill.

PLANTATION (RM mn)	2Q FY2023	2Q FY2022	VAR. (%)
REVENUE			
Upstream	**2,392**	4,603	*(48)* ▼
Downstream	**1,072**	1,843	*(42)* ▼
R&D and Fertiliser	**172**	265	*(35)* ▼
Total Revenue	**3,636**	6,711	*(46)* ▼
OPERATING PROFIT			
Upstream	**47**	567	*(92)* ▼
Downstream	**9**	39	*(77)* ▼
R&D and Fertiliser	**30**	53	*(43)* ▼
Total Operating Profit	**86**	659	*(87)* ▼
Fair Value charge in LLA	**(28)**	(58)	*(52)* ▼

Upstream

- Lower palm products' margins resulted from a 24% decrease in the average CPO price realised, a 15% decrease in CPO sales volume, and a 37% increase in CPO cost ex-mill due to higher upkeep & maintenance, manuring and labour costs.
- Lower margin in the Rubber division due to lower sales volume and higher cost of production.

Downstream

- Lower profit margins due to higher refining and processing costs.
- Lower sales volume for local packed products and industry segments due to:
  - post-festive season and price volatility.
  - intense price competition from local regional brands.
  - removal of subsidies for cooking oil and CPO price volatility.
  - increased processing cost.

R&D and Fertiliser

- Lower fertiliser sales volume by 23%.
- Increase seeds margin by 4% and sales volume by 5%.

SECTOR PERFORMANCE: PLANTATION

Upstream Operations

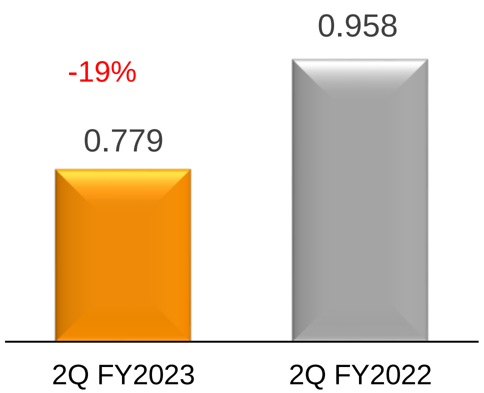
FFB (MT)	2Q FY2023	2Q FY2022	VAR. (%)
Internal	765,640	814,322	(6) ▼
External (Third Party)	854,394	684,851	25 ▲
Settlers	1,113,211	1,297,767	(14) ▼
Total FFB Processed	2,733,245	2,796,940	(2) ▼

- Total FFB processed decreased by 2% in 2Q FY2023 to 2.73 mn MT compared to 2.80 mn MT in the same quarter last year. In total, 0.77 mn MT (28%) were produced internally, 0.85 mn MT (31%) came from third parties, and 1.11 mn MT (41%) were received from FELDA Settlers.
- The increase in FFB received from third parties by 25% was driven by the additional suppliers sending their FFB to our mills.

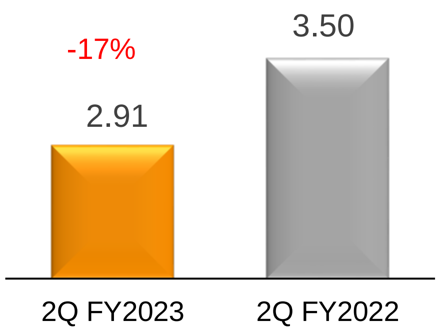
SECTOR PERFORMANCE: PLANTATION

Upstream Operations *(for internal FFB)*

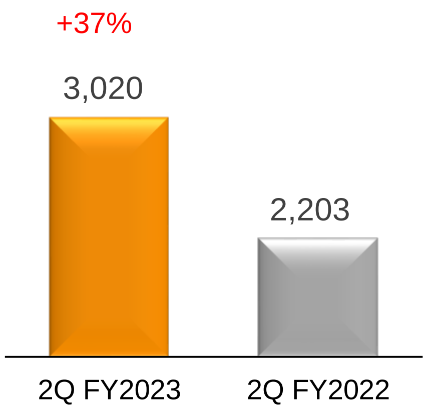
FFB Production (mn MT)



FFB Yield[1] (MT/Ha)



CPO Cost Ex-Mill[2] (RM/MT)



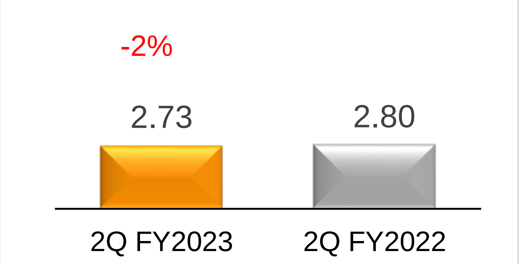
- FFB production and yield decreased by 19% and 17%, respectively, due to the off-peak season across all FGV's mature areas, coupled with adverse weather conditions. The yield was also impacted by the lower average bunch weight due to lower fertiliser application over several years following labour shortages and the MCO period.
- FGV's labour shortage is currently at 13% with a full labour strength in the Peninsular area.
- Increased CPO cost ex-mill by 37% due to higher upkeep & maintenance, manuring and labour costs.

[1] *Based on mature area of 268,131 Ha (2Q FY2022: 273,922 Ha)*
[2] *CPO cost ex-mill includes estate cost for internal FFB production only and milling cost for the internal and external FFB processed*

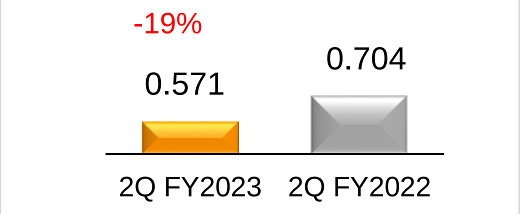
SECTOR PERFORMANCE: PLANTATION

Upstream Operations *(for internal and external FFB)*

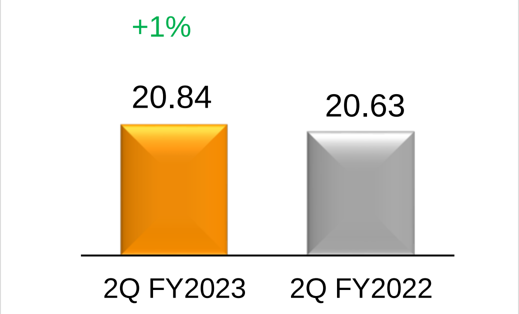
FFB Processed (mn MT)



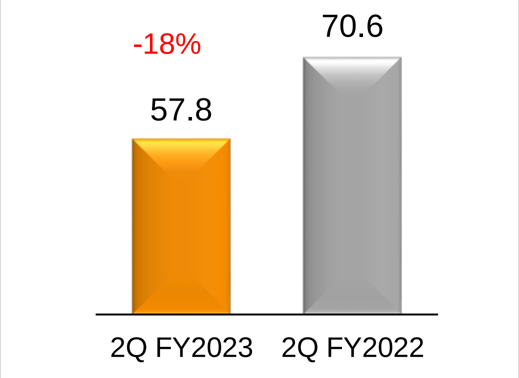
CPO Production (mn MT)



OER (%)



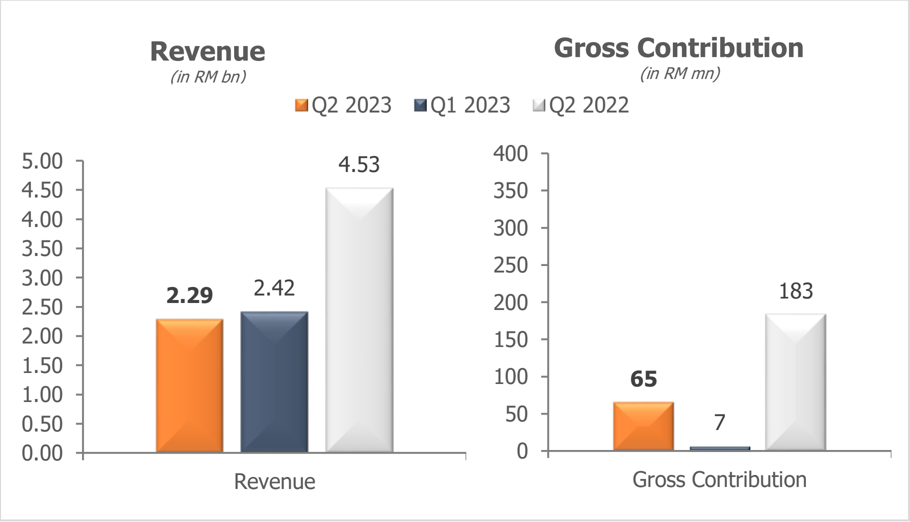
Utilisation Factor (%)

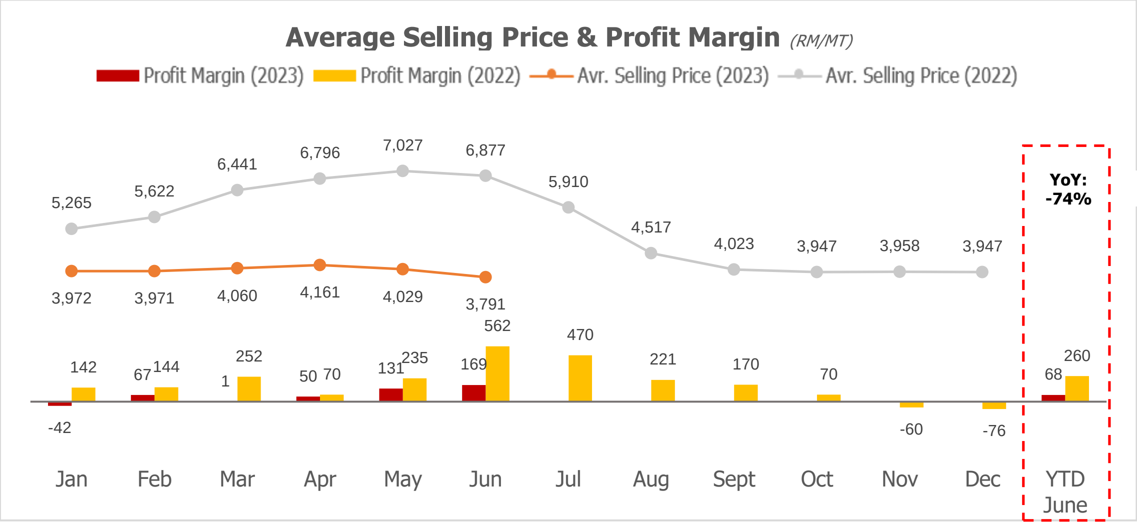


- FFB processed decreased by 2% due to lower crop volume during the quarter, which reduced the CPO production and UF by 19% and 18%, respectively.
- Despite the decrease in production, OER increased by 1% as a result of better mill performance from the stringent process controls.

EXTERNAL FFB MILLING MARGIN

2Q FY2023





- External FFB recorded a gross contribution of RM65 mn, up more than 100% from the preceding quarter (RM7 mn) but 64% lower compared to the same quarter last year (RM183 mn).

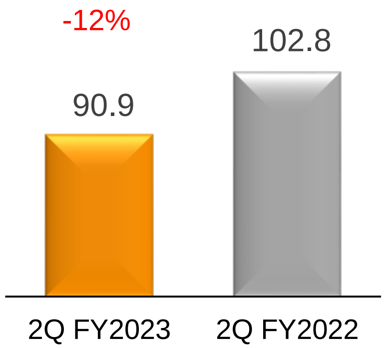
- The decrease in gross contribution YoY was primarily attributable to a lower margin achieved at RM125 per MT CPO as a result of a lower realised price (2Q FY2023: RM3,966 per MT; 2Q FY2022: RM6,901 per MT) when compared to the margin of RM317 per MT for the same period last year. However, the lower margin was compensated with a 30% increase in OER margin during the quarter compared to last year's period (2Q FY2023: 1.64%, 2Q FY2022: 1.26%).

- The amount of FFB processed during 2Q FY2023 reduced by 21% to 2.61 mn MT compared to the same period in FY2022 at 3.29 mn MT in line with lower production from FELDA (-28%) and external crop (-9%).

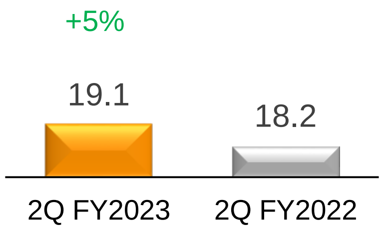
SECTOR PERFORMANCE: PLANTATION

Downstream Operations

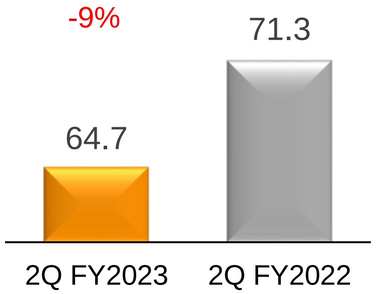
Oils & Fats Sales Volume ('000 MT)



Biodiesel Sales Volume ('000 MT)



Oleochemical Sales Volume (mn lbs)



- The Oils and Fats sales volume decreased by 12% mainly due to higher stock position post-festive season, coupled with intense competition from players importing more price competitive oils and fats supplies from Indonesia.
- A 5% increase in biodiesel sales volume was contributed by the improved demand for diesel consumption following the nation's economic recovery.
- The oleochemical sales volume decreased by 9% due to lower demand for fatty acids across all market segments.

SECTOR PERFORMANCE: SUGAR

FINANCIAL

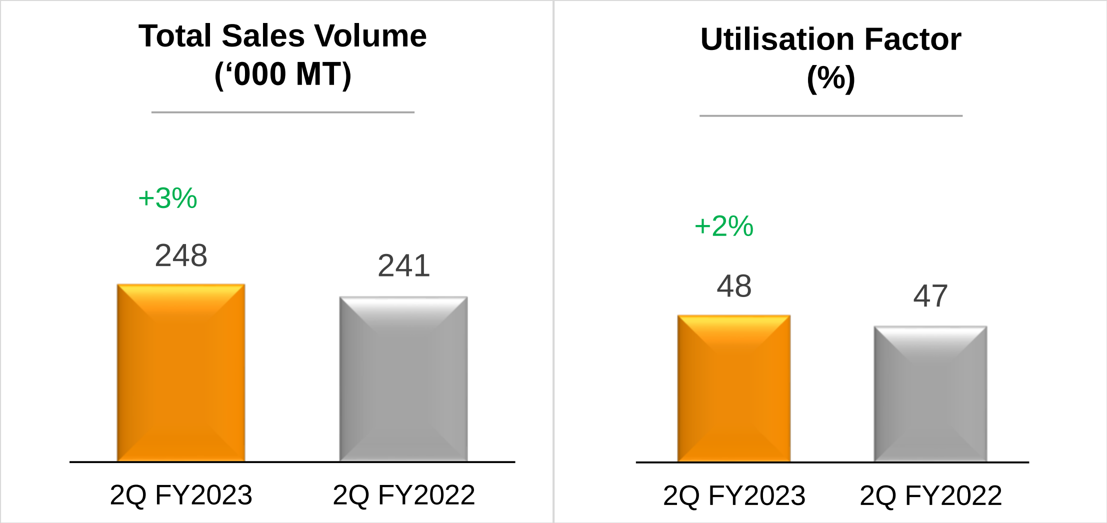
(RM mn)	2Q FY2023	2Q FY2022	VAR (%)
Revenue	**746**	627	19 ▲
PBT	**(14)**	(29)	(52) ▼

Sugar Sector recorded losses of RM14 mn primarily due to the following:

- A 15% increase in production costs resulted from higher refining cost by 20% driven by higher gas price by 33% and higher NY11, despite lower freight cost.

However, the lower loss was attributable to increase in overall average selling price by 16%, gains on disposal of asset, USD forward contract and forex translation.

OPERATIONS



- Increase total sales volume by 3%, driven by higher demand for wholesale and export segments.
- Improved average UF to 48%, in line with higher total sales volume. Currently, boiler 1 and boiler 2 are in operation at MSM Johor.

SECTOR PERFORMANCE: LOGISTICS

FINANCIAL

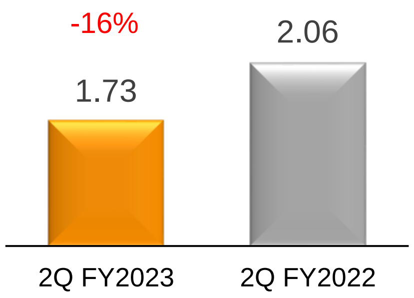
BULKING				
(RM mn)	2Q FY2023	2Q FY2022	VAR. (%)	
Revenue	**70**	58	21	▲
PBT	**25**	23	9	▲

TRANSPORT				
(RM mn)	2Q FY2023	2Q FY2022	VAR. (%)	
Revenue	**66**	72	(8)	▼
PBT	**-**	2	>(100)	▼

The Logistics business registered a profit of RM25 mn from improved tank rental and other operating incomes. The Transport segment recorded a breakeven due to the underutilisation of newly acquired assets in inland, haulage and cold chain operations.

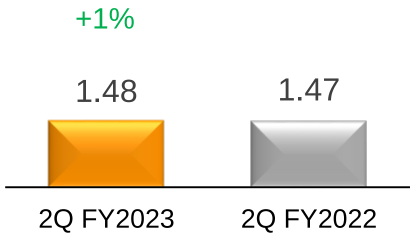
OPERATIONS

Bulking Volume (mn MT)



- Lower bulking volume by 16% due to a decrease in total throughput, in line with the lower country's CPO production.

Transport Volume (mn MT)



- Transport volume increased marginally, contributed by higher tonnage carried.

KEY FINANCIAL HIGHLIGHTS

	30.06.2023	31.12.2022	Changes (%)
Cash and Cash Equivalents (RM mn)	1,232	1,397	-12
Total Borrowings without LLA (RM mn)	3,561	3,059	+16
Liquidity Ratio (times)	1.08	1.17	-8
Gearing Ratio* (times)	0.47	0.39	+22

**Gearing ratio equals to Borrowings, Loans due to ultimate holding company divided by Total Equity.*

TODAY'S AGENDA

BUSINESS UPDATES

CORPORATE UPDATES

- Achieved multiple awards and recognitions as a testament to our efforts in becoming a sustainable company:
  - **ESG Positive Impact Award** 2022 under Renewable Energy category by The Star Media Group Berhad.

  - **Malaysia Best Employer Brand Awards 2023** and **Top Most HR Leaders Malaysia** by World HRD Congress.

  - FGV Biotechnologies was awarded as the **Malaysia Brand Leadership Awards 2023.**
  - Saji was named the **Top Outstanding Brand with the Most Incremental Shoppers in 2022 by KANTAR**, with an increase of 5.4% points penetration.

PLANTATION

- Labour shortages **increased to 13%** from 11% due to worker's abscondment and repatriations, especially among workers who have reached the maximum tenure of their contract. **In June, 286 migrant workers arrived,** comprising 191 Indonesians and 95 Indians.
- Applied **123,000 MT of fertiliser**, equivalent to 41% coverage against the FY2023 target.
- Completed **8,269 Ha of felling** and **planted 7,278 Ha** to achieve the FY2023 replanting target.
- **Expansion of oils and fats market into new areas** such as Afghanistan, Barbados, Bangladesh, Pakistan, Senegal, Ghana, Djibouti, Cambodia, Myanmar and Vietnam.

BUSINESS UPDATES

LOGISTICS AND SUPPORT BUSINESSES

- **Purchased 54 units of Euro 5 engine emissions' Prime Movers** to increase capacity and enhance sustainability compliance.

- **Received 16 trucks for liquid and 4 trucks for cargo** to enhance capacity and efficiency of logistics operation.

- **Completed the third phase renovation** involving 32 rooms and 2 meeting **rooms at Hotel Seri Costa in Melaka.**

SUGAR

- **Secured over 10,000 MT** of contracts for the new Premium Gula Super.

- Supported the **"Payung RAHMAH Bersama Giant"** initiative with a donation of over 1,500 packets of sugar.

- Secured **new sales expansion contracts** in the Southern Philippines and Myanmar markets under the **Near Region initiatives**.

BUSINESS UPDATES

FOODS

- **Launched Ladang 57's fresh native** chicken in collaboration with AEON BiG (M) Sdn. Bhd and FELDA's Projek Pembangunan Peneroka (PPP) with a target to supply 4,000 pieces monthly.

- Signed an MOA **to appoint new distribution agents** for Bright Cow's dairy products **to 5,000 new retail locations across Malaysia.**

- Saji's refined cooking oil market share grew to **45.4% from 45.2%,** while Seri Pelangi's market share grew to **48.8% from 44.9%** recorded in the last quarter.
- **Launched new single served yoghurt** with mango peach, berries and strawberry flavours.
- **Exported MD2 pineapple to Bahrain** in collaboration with FAMACORP, MPIB and DRS.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

- **Completed the first and second tranche** of payment which involved 19,763 workers with a total amount of RM51 mn. The first and second payments were made on 15 March and 15 June 2023, respectively.
- **Completed GHG inventory for Scope 1 and Scope 2**, and **is currently acquiring Scope 3 Emission data** for Forest, Land, and Agriculture (FLAG) and Non-FLAG sectors.
- **Conducted nine Independent Smallholder Programmes** across Malaysia with a total of 712 participants including dealers, settlers and smallholders.

- **Organised a tree planting event in Tawai, Gerik**, covering a 300 Ha HCV management area, to promote sustainable land management practices.

2H FY2023 OUTLOOK

PLANTATION

- Close attention should be given to the potential impact of the El Nino weather pattern on the FFB production.
- The Group anticipates a modest output growth in FFB production for 2H FY2023.
- For FY2023, CPO prices are projected to range between RM3,800 per MT and RM4,000 per MT.

LOGISTICS AND SUPPORT BUSINESSES

- The bulking and storage industry anticipates growth opportunities driven by increased cross-border trade and domestic demand.
- Improve output growth in the coming months is expected to provide better tonnage carried for liquid and cargo.
- The travel industry is expected to improve with the resumption of tourism and travel.

SUGAR

- The price of raw sugar is projected to remain high, with the benchmark NY11 expected to reach USD 23.84 cents per pound in FY2023 due to concern over the El Nino weather pattern and worsening production outlook in India and Thailand.
- The production of raw sugar in key producing countries is expected to decrease, with an estimated drop of around 3% in India and 31% in Thailand, attributed to lower average rainfall compared to the previous year.

FOODS

- While Malaysia has made strides in achieving self-sufficiency in certain staple crops, it still depends on imports, particularly for meat, fruits, and vegetables. Increasing local agricultural production is important to decrease reliance on imports and strengthen food security.
- Government interventions, subsidies, and support for farmers can influence production levels, market stability, and overall food security.

Sources:
MPOB, Trading Economics, Statista, 2023

THANK YOU

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MOVEMENT IN LAND LEASE LIABILITY IN FGVPM

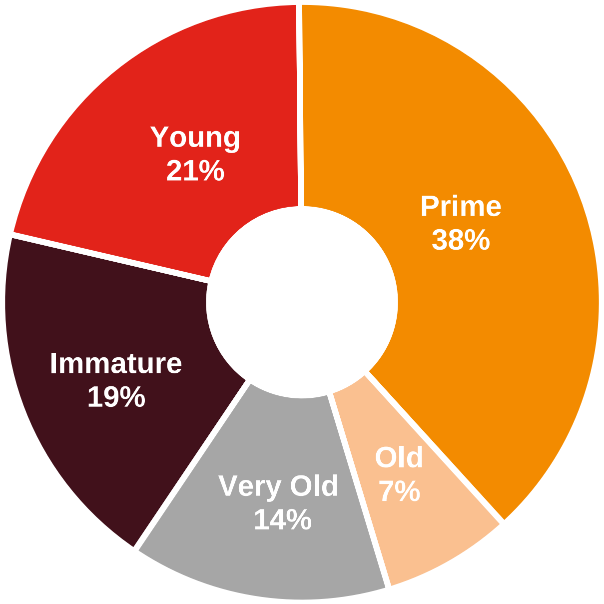
RM million	Q1 2023	Q2 2023	2023	Q1 2022	Q2 2022	Q3 2022	Q4 2022	2022
At the start of the period	3,680.4	3,602.0	3,680.4	3,804.8	3,833.2	3,773.8	3,708.3	3,804.8
Total payments made during the period	(110.6)	(65.5)	(176.1)	(130.7)	(117.3)	(116.9)	(112.4)	(477.2)
Recurring income statement charges/(credits)	59.5	54.2	113.7	68.4	62.7	85.7	99.0	315.7
Total income statement charges/(credits) from revisions in projections	(27.3)	(26.7)	(54.0)	90.7	(4.8)	(34.3)	(14.5)	37.1
Total charges/(credits) to the income statement	32.2	27.5	59.7	159.1	57.9	51.4	84.5	352.8
Closing LLA liability balance	**3,602.0**	**3,564.0**	**3,564.0**	**3,833.2**	**3,773.8**	**3,708.3**	**3,683.7**	**3,680.4**

Total charges/(credits) to Income Statement

RM million	FY2023	FY2022
Unwinding of discounts	165.4	171.7
Under accrual for current quarter	(51.7)	(40.6)
Revisions in projections and other adjustments	(54.0)	85.9
Total charges to the Income Statement	**59.7**	**217.0**

OIL PALM AREA BY AGE PROFILE

FGV's current age profile has improved with bigger area of prime palm oils and reduction in old palm trees in FY2023.



Total Planted Area : 333,764 Ha

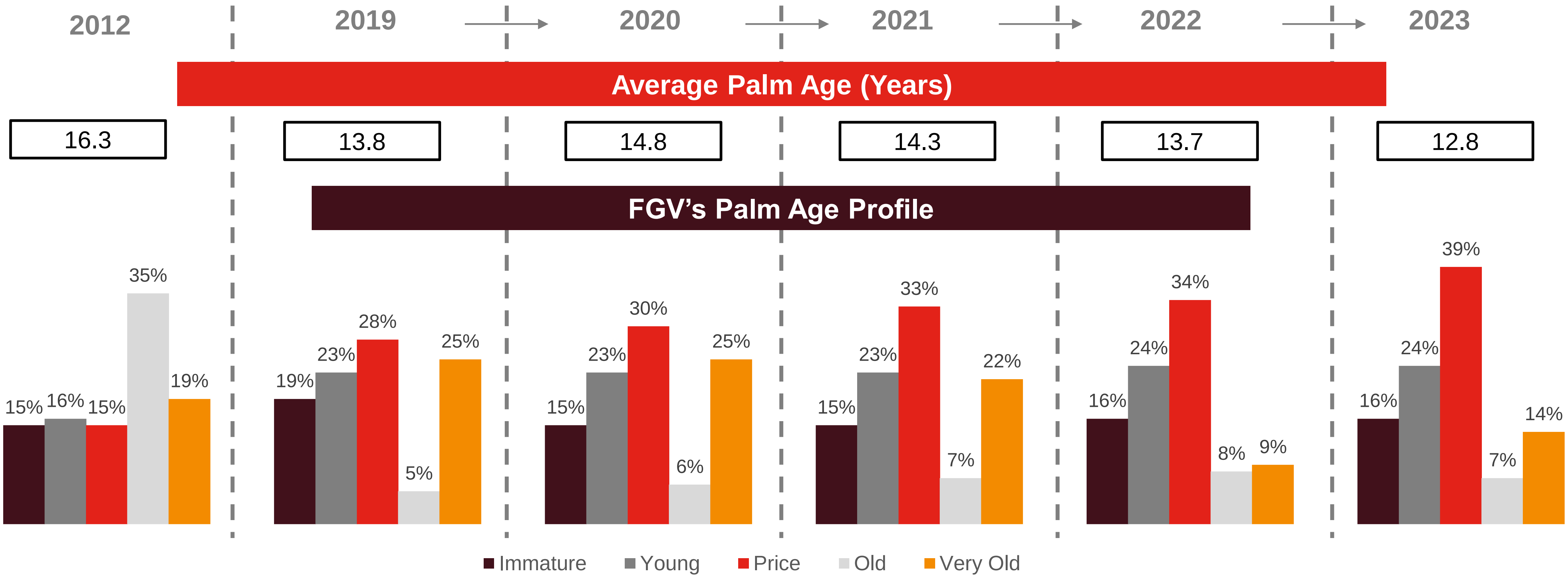
Avg. Oil Palm Age Profile :12.77 years

CATEGORY	AGE (YEAR)	FGV GROUP	
		Ha	%
IMMATURE	0 – 3	62,938	19%
YOUNG	4 – 8	71,059	21%
PRIME	9 – 20	128,390	38%
OLD	21 – 25	24,308	7%
VERY OLD	> 25	47,070	14%
TOTAL		333,764	100%

TOPOGRAPHY	TOTAL HECTARAGE (Ha)	%
FLAT	113,989	34%
UNDULATING	98,956	30%
HILLY	120,820	36%

AGE PROFILE

Our current age profile has improved with bigger area of prime palm oils and reduction in old palm trees in 2023 compared to 2022.



1H FY2023 OPERATIONAL HIGHLIGHTS

	2Q FY2023	2Q FY2022	YOY	1H FY2023	1H FY2022	YOY
FFB Prod ('000 MT)	**779**	958	-19%	**1,595**	1,784	-11%
FFB Yield* (MT/Ha)	**2.91**	3.50	-17%	**5.95**	6.52	-9%
CPO Production ('000 MT)	**571**	704	-19%	**1,158**	1,266	-9%
PK Production ('000 MT)	**140**	173	-19%	**292**	314	-7%
OER (%)	**20.84**	20.63	+1%	**20.30**	20.48	-1%
KER (%)	**5.12**	5.07	+1%	**5.13**	5.08	+1%
Avg. PK Price (RM/MT)	**1,964**	3,573	-45%	**1,994**	4,043	-51%
Avg. CPO Price (RM/MT)	**4,000**	5,254	-24%	**3,995**	5,165	-23%
CPO Cost Ex-mill (RM/MT)	**3,020**	2,203	+37%	**2,986**	2,125	+41%
CPKO Sales Vol. (MT)	**61,288**	61,402	-1%	**119,172**	119,950	-1%
Oleochemical Sales Vol. ('000 lbs)	**64,650**	71,279	-9%	**129,165**	151,565	-15%

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