

FGV HOLDINGS BERHAD

(Formerly known as Felda Global Ventures Holdings Berhad)

Financial Results Briefing

3rd Quarter for the Financial Period Ended 30 Sep 2018

November 2018



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Q3 2018 Result Summary




Business and Transformation Plan Updates



Business Outlook

Q3 2018 FINANCIAL RESULT SUMMARY



	FINANCIAL (RM mil)	Q3'18	Q2'18	QOQ	Q3'17	YOY	YTD		
							9M'18	9M'17	YOY
Revenue	3,193	3,437	▼ 7%	4,138	▼ 23%	10,233	12,666	▼ 19%	
(Loss)/PBZT with Impairment	(911)	1.3	▼ <100%	118	▼ <100%	(884)	188	▼ <100%	
(Loss)/PBZT without Impairment	(123)	11.3	▼ <100%	157	▼ <100%	(86)	311	▼ <100%	
(Loss)/PAT	(914)	1.1	▼ <100%	54	▼ <100%	(904)	61	▼ <100%	
(Loss)/PATAMI	(849)	(23)	▼ <100%	42	▼ <100%	(871)	80	▼ <100%	

Group recorded lower Revenue in Q3 YTD 2018 by 19% mainly due to:

- Lower average CPO price at RM2,371 per MT (Q3 YTD 2017: RM2,820 per MT)

Group incurred Loss Before Zakat and Tax in Q3 YTD 2018 mainly due to:

- Higher CPO production cost ex-mill of RM1,800 per MT (Q3 YTD 2017: RM1,631 per MT)
- Lower CPO/PK margin associated with lower average CPO price.
- Weak margin in R&D, kernel crushing and refining business.
- Lower sales volume of fertilizer.
- Impairment loss in intangible assets, property, plant and equipment, and receivables of RM798 mil.
- Higher share of loss from joint ventures companies amounting to RM81 mil.

Q3 2018 FINANCIAL RESULT SUMMARY (IMPAIRMENTS)

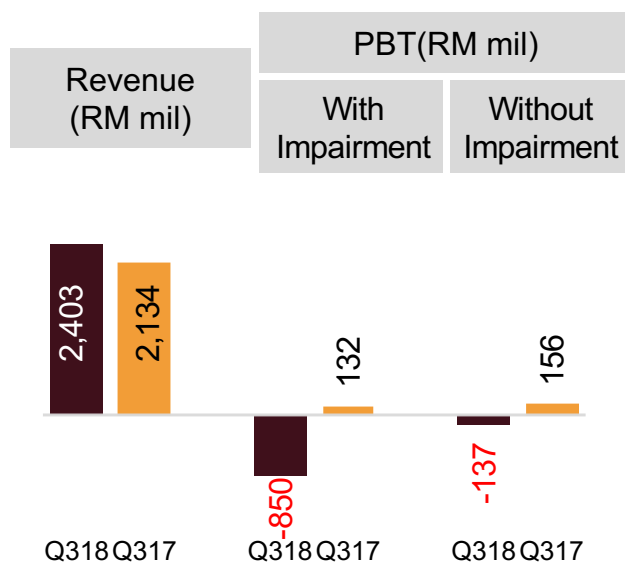


Sector	Category of Impairment	Amount
Plantation	Property, Plant & Equipment (PPE)	RM124 mil
	Goodwill and Intangible Assets	RM562 mil
	Receivables	RM16 mil
	Amount due from JV	RM11 mil
Logistics and Support Businesses (LSB)	Receivables	RM57 mil
Sugar	Receivables	RM1 mil
Others (Investment Holding Companies)	PPE	RM16 mil
	Investment Properties	RM1 mil
TOTAL		RM788 mil

Q3 2018 FINANCIAL RESULT SUMMARY BY SECTOR

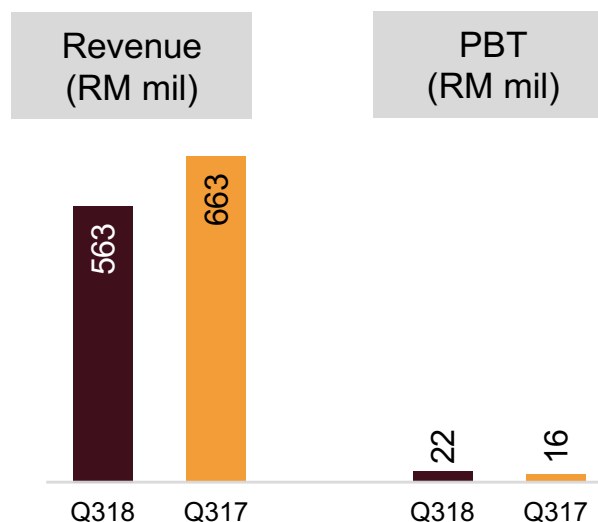


PLANTATION



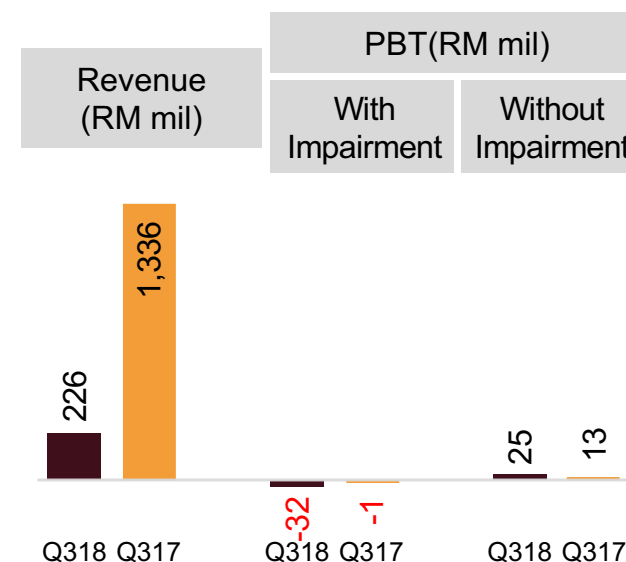
- Loss incurred due to lower CPO price which resulted in lower CPO and PK margin.
- Decrease in fertiliser volume.
- Share of losses from JV companies of RM61 mil.
- Impairment taken up amounted to RM713 mil.

SUGAR



- Increased profit due to decrease in average raw sugar cost to RM1,668 per MT from RM2,153 per MT in Q3 2017.
- Strengthening ringgit at RM4.07 per USD compared to RM4.28 per USD.

LOGISTICS AND SUPPORT BUSINESSES




- Loss incurred due to higher impairment of receivables of RM57 mil compared to RM14 mil in Q3 2017.

*The above numbers exclude other investment holding companies.

Q3 2018 OPERATIONAL RESULT SUMMARY



	OPERATION	YTD							
		Q3'18	Q2'18	QOQ	Q3'17	YOY	9M'18	9M'17	YOY
FFB Production ('000 MT)		1,076	993	▲ 8%	1,226	▼ 12%	3,060	3,073	▼ 0.4%
FFB Yield (MT/Ha)		3.92	3.61	▲ 9%	4.44	▼ 12%	11.13	11.13	— 0%
OER (%)		20.89	20.61	▲ 1%	19.78	▲ 6%	20.41	19.79	▲ 3%
CPO Production ('000 MT)		689	651	▲ 6%	845	▼ 18%	2,009	2,126	▼ 6%
Avg. CPO Production Cost, Ex-mill (RM/MT)		1,777	1,884	▼ 6%	1,541	▲ 15%	1,800	1,630	▲ 10%

Group operational summary in Q3 YTD 2018:

- FFB production fall slightly by 0.4% compared to Q3 YTD 2017.
- OER has improved by 3% in Q3 YTD 2018 as the Group produce higher oil-to-bunch ratio.
- CPO production reduced by 6% in Q3 YTD 2018, mainly due to lower FFB production.
- Average CPO production cost (ex-mill) increased by 10% in tandem with lower FFB production in Q3 YTD 2018.

Q3 2018 BUSINESS UPDATES



Completed felling of 13,698 Ha and planting of 6,353 Ha (2018 (f): 14,393 Ha). Total replanting cost incurred for Q3 YTD was RM211 mil inclusive of immature area upkeep (2018 (f): RM272 mil). To date, the Group have 64.6K Ha of estate in immature stage (0-3 years).



Rationalised one mill (KS Lepar Utara 4) to increase UF and productivity.
(Current no of mills: 68)



MSM Johor Refinery has commenced its production of refined sugar and is supplying in small quantities to various industries and wholesalers in its initial stage.



Increased handling of high value products such as oleochemicals and biodiesel to 423,064 MT (2018 (f): 360,000 MT) and procured 10 units of recondition prime movers to strengthen capacity for external business.



Received RSPO certification for additional 2 mills (total of 18 mills out of 68 mills) and 3 mills for MSPO certification (total of 5 mills out of 68 mills). The 18 certified mills will produce around 400,000 MT CSPO.

1

New Leadership

Chairman / Interim Chief Executive Officer	Datuk Wira Azhar Abdul Hamid
Acting Chief Financial Officer	Aznur Kama Azmir
Chief Investment Officer	Fakhrunniam Othman
Chief Operating Officer of Plantation Sector	Syed Mahdhar Syed Hussain
Chief Operating Officer of Sugar Sector	Dato' Khairil Anuar Aziz
Chief Operating Officer of LSB Sector	Azman Ahmad
Chief Human Resource Officer	Mazri Abdul Rahim
Chief Counsel	Ida Suryati Datuk Ab Rahim
Chief Internal Auditor	Zalily Mohamed Zaman Khan
Company Secretary	Koo Shuang Yen

Note: The management have identified candidates for CEO, CFO and other key leadership positions within the Group and will make the necessary announcements once appointment is made.

2

Operational Transformation

	9M 2018 Actual	2018 FY Forecast	2018 FY Targets	Variance Forecast vs Target (%)
FFB Production	3.06 mil MT	4.11 mil MT	4.65 mil MT	▼ 12%
FFB Yield	11.13 MT/Ha	16.0 MT/Ha	17.0 MT/Ha	▼ 6%
OER	20.4%	20.5%	20.5%	— 0%
CPO Production	2.0 mil MT	2.8 mil MT	3.0 mil MT	▼ 7%
CPO Production Cost	RM1,800/MT	RM1,666/MT	RM1,600/MT	▼ 4%

PLANTATION ESTATES PERFORMANCE



Initiatives	Actual (Q3)	Oct'18 (Actual)	Oct'18 (Target)	Status
FFB Production Vol. ('000 MT)	1,075.8k	393.5k	466.1k	●
FFB Yield (MT/Ha)	3.92	1.58	1.69	●
FFB Production Cost (RM/MT)	RM314	RM271	RM264	●
FFB Processing Cost (RM/MT)	RM51.28	RM43.66	RM42.63	●
CPO ex-mill (RM/MT)	RM1,777	RM1,496	RM1,479	●
OER (%)	20.89%	21.03%	20.73%	●
KER (%)	5.13%	5.31%	5.28%	●

As at Oct 2018, out of 189 estates, around 20% achieved their FFB yield targets, with another 41% have achieved more than 90% of its yield targets.

Estates Operations Transformation Initiatives

- Ensure harvesters' average income more than RM1,500 (structured tasking & block harvesting, Improved incentives for tall palm harvesting)
- Improve workers welfare (accommodation standard, amenities & facilities)
- Improve crop traceability (improve inspection, crop security)
- Reduce harvesting and transport costs & ensure effective manuring application)

Milling Operation Transformation Initiatives

- Minimise milling oil losses (through process control improvement)
- Increase mill utilization factor (incentives for external crops)
- Control variable & fixed costs (improve planning, strict supervision)

PALM AGE PROFILE

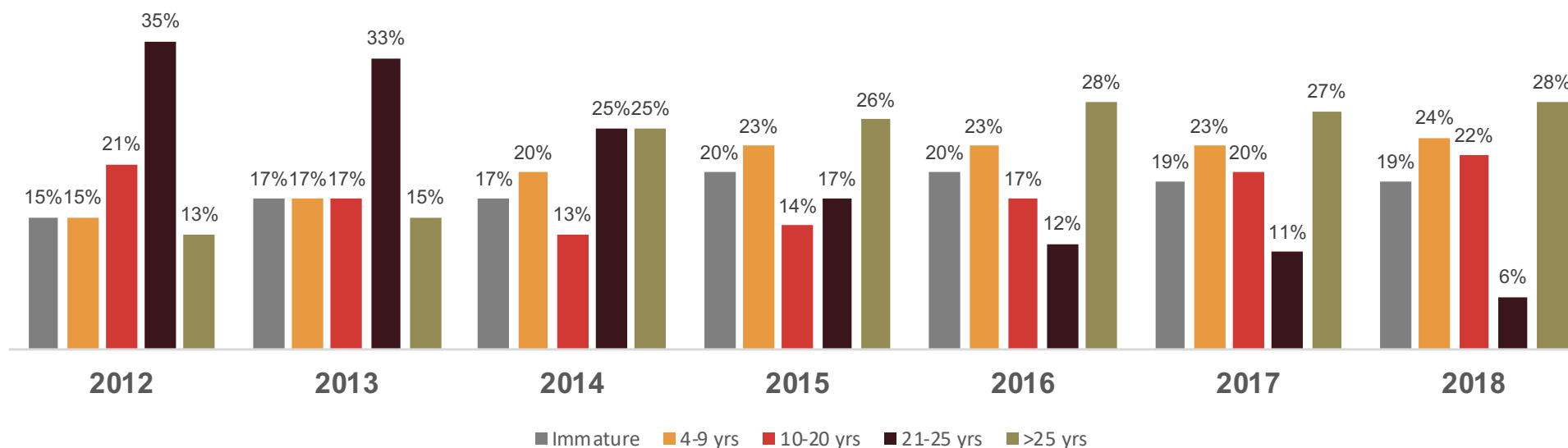


Palm Age Distribution (2012-2018*)

Age/Year	Area ('000 Ha)						
	2012	2013	2014	2015	2016	2017	2018
0-3	50.9	58.3	54.2	66.1	66.7	65.1	64.6
4-9	51.5	57.7	61.5	74.7	79.0	80.3	82.5
10-20	69.5	57.6	41.9	46.4	59.6	67.2	75.7
21-25	118.8	111.3	78.9	57.5	42.5	37.6	21.0
>25	44.4	50.1	77.4	85.9	94.0	92.1	95.4
Total	335.2	334.9	314.0	330.7	341.9	342.2	339.2

- During IPO, old trees (>21 years old) represents 48% of total planted areas (163k Ha)
- Our commitment to correct the age distribution (15k Ha replanting yearly) has managed to reduce the old age distribution (>21 years old) to 34% of total planted areas
- FGV is committed to a disciplined replanting schedule of 4.5% per year. We intend to correct the age profile, allowing for all future replanting to be conducted in a systematic manner of 4-5% per year.

*Note: variance with previous reported figures due to land reconciliation, exclusion of unproductive areas etc.



1

- CPO price is expected to be traded in the range of RM1,900 – 2,100 per MT.
- Average raw sugar price is estimated in the range of US\$0.10 – 0.13 per lb.

2

- The position of Chief Human Resources Officer and Chief Procurement have been filled and we are still in the process of shortlisting candidate for Group President/Chief Executive Officer and Chief Financial Officer

3

- The CPO price outlook is bearish and the downward price trend is expected to continue into the early part of next year. The CPO price will have a major impact on the Group's performance. Nevertheless, the Group is committed to its turnaround plan and transformation initiatives to achieve further cost reductions and uplift productivity.

THANK YOU

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APPENDIX

YTD Q3 2018 FINANCIAL HIGHLIGHTS



Huge losses attributed to negative contribution from Plantation Sector, impairments and share of loss from JVs

Income Statement (RM million)	2018	2017	Changes %	
Revenue	10,233	12,666	-19%	●
Cost of sales	(9,132)	(11,337)	19%	●
Gross profit	1,101	1,329	-17%	●
Operating (loss)/ profit	(470)	485	<100%	●
LLA liabilities (FV changes)	(209)	(224)	7%	●
Share of results - Associates & JV	(92)	25	<100%	●
(L)/PBT (& zakat) - With Impairment	(884)	188	<100%	●
Impairment	798	123	<100%	●
(L)/PBT (& zakat) - Without Impairment	(86)	311	<100%	●
NET (LOSS)/PROFIT	(904)	61	<100%	●
(L)/PATAMI	(871)	80	<100%	●
EPS (sen)	(23.9)	2.2	<100%	●

- The **Group revenue decreased by 19%** mainly due to:
 - **Decrease in average CPO price** realised of RM2,371 per mt (2017: RM2,820 per mt);
 - **Decrease in sales volume and average selling price** in **Sugar** and **Rubber** segment; and
 - **Decline in average price** for **fatty acid** and **kernel** related products.

- The **Group incurred LBT** mainly due to:

Operationally:

- **Decrease in CPO/PK margin** due to lower average CPO price realised and **higher CPO production cost ex-mill** per mt by 10%;
- **Losses suffered in kernel business** due to NRV impact in Q12018 and higher PK:CPKO ratio;
- **Unfavourable results in R&D business** due to lower sales volume; and
- **Share of loss from JV and associates** mainly due to losses incurred in Trurich Resources and prior year's shares of results not taken up.

Impairment :

- A total impairment of **RM798m** (2017: RM123m).

- The lower result was partially compensated by:

- **Improvement in Sugar's profit** due to lower raw sugar cost and favorable foreign exchange rate; and
- **Lower FV charge in LLA** of RM209m (2017: RM224m).

Q318 vs Q218 FINANCIAL HIGHLIGHTS



Significant loss in Q3 2018 due to continuous lower average CPO price realised, higher JV share of loss and recognition of impairment of PPE and receivables.

Income Statement (RM million)	Q3 2018	Q2 2018	Changes %	
Revenue	3,193	3,437	-7%	●
Cost of sales	(2,861)	(3,085)	7%	●
Gross profit	333	352	-6%	●
Operating (loss)/profit	(713)	73	<100%	●
LLA liabilities (FV changes)	(102)	(21)	<100%	●
Share of results - Associates & JV	(60)	(16)	<100%	●
(L)/PBT (& zakat) - With Impairment	(911)	1	<100%	●
Impairment	788	10	<100%	●
(L)/PBT (& zakat) - Without Impairment	(123)	11	<100%	●
NET (LOSS)/PROFIT	(914)	1	<100%	●
(L)/PATAMI	(849)	(23)	<100%	●
EPS (sen)	(23.3)	(0.6)	<100%	●

➤ Significant loss due to:

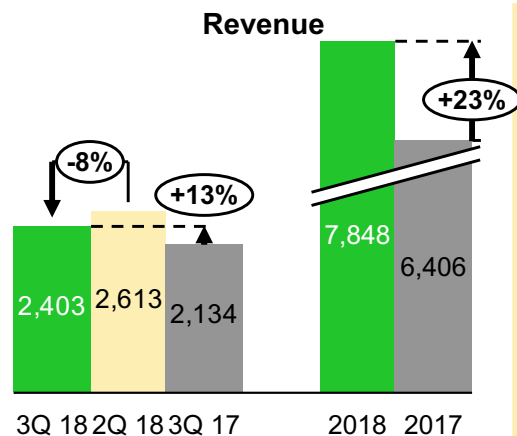
- **Lower average CPO price** of RM2,224 per mt (Q218: RM2,419 per mt);
- Continuous **loss in share of results of JV** of RM61m (Q2: RM21m);
- **Higher FV charge** in LLA RM102m (Q218: RM28m); and
- **A total impairment of RM788m;**

Operationally, FFB production increased led to increase in yield by 8%. OER was higher at 20.89% (Q218: 20.61%).

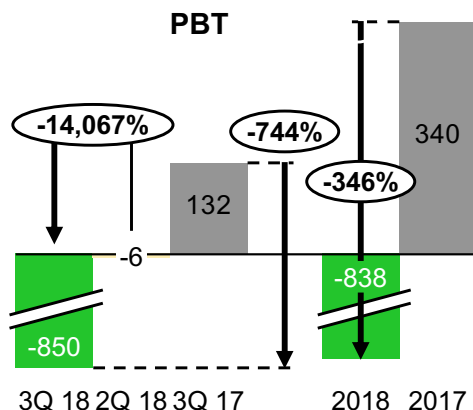
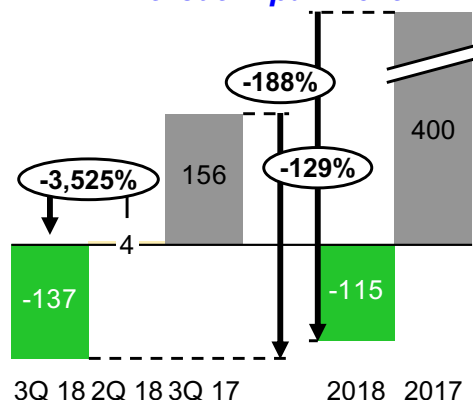
PLANTATION SECTOR

Higher losses incurred due to drop in CPO and kernel margin, higher impairment in Upstream and Downstream segments, drop in sales volume in R&D business and lower share of results from JV

FGV



PBT Without Impairment



QoQ Results Overview

➤ Decline in profit due to:

- **Lower average CPO price realised** of RM2,224 per mt (Q218: RM2,419 per mt) although CPO sales volume increased by 7%;
- **Higher share of losses** from JV of RM61m; and
- **Higher FV charge in LLA** of RM102m (Q218: RM28m).

➤ Impairment:

- **Impairment of goodwill** of RM513m;
- **Impairment on PPE and intangible assets** of RM174m; and
- **Impairment loss** on amount due from JV of RM11m.

➤ Operationally:

- FFB production rose to 1.08m mt, while yield improved to 3.92 mt per hectare from 3.62 mt per hectare in Q218; and
- OER was higher at 20.89% in Q318 compared to 20.61% in Q218.

YoY Results Overview

➤ Higher losses YoY mainly due to:

- **Lower CPO and PK margin** due to lower selling price and higher CPO production cost;
- **Loss incurred in kernel crushing and refining business** due to narrower margin in RBDPKO products;
- **Margin lower by 49%** and **decrease in sales of seeds and seedlings** by 17% and 27% respectively in R&D business;
- **Drop in sales volume for fertiliser business** coupled with foreign exchange loss of RM5m (2017: gain RM7m);
- **Loss in share of results** from JV of RM81m (2017: profit RM7m); and

➤ Impairment:

- **Impairment of goodwill** of RM513m;
- **Impairment in PPE and intangible assets** for Downstream segment of RM171m due to continuous loss making and delay in plant completion;
- **Impairment loss** on amount due from JV of RM21m;

Included in previous year Sector's result was impairment of receivables of RM52m (2018: RM16m).

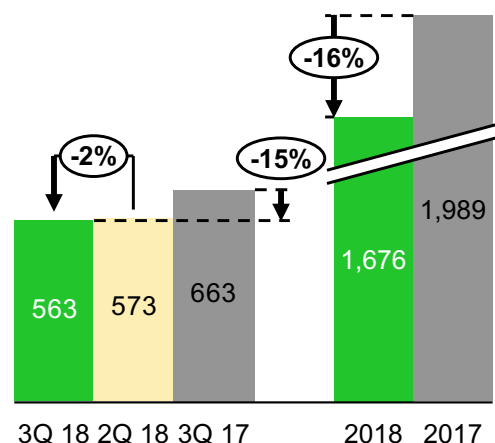
- The higher losses was partially offset by **decrease in FV charge in LLA** of RM209m (2017: RM224m).

SUGAR SECTOR

Improved profit due to lower raw sugar cost and strengthening Ringgit



Revenue



QoQ Results Overview

➤ Lower profit due to:

- **decrease in average sugar price** (Q318: RM2,172 per mt, Q218 RM2,297 per mt)
- **lower sales volume** by 10% compared to preceding quarter.

YoY Results Overview

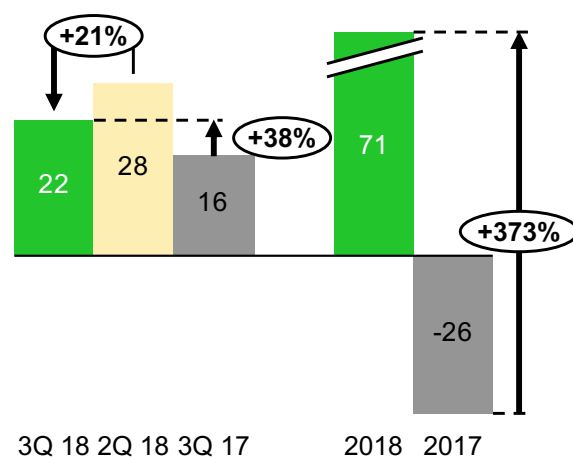
➤ Lower revenue due to:

- lower overall total sugar sales volume;
- lower average sugar price for all segments.

➤ Improved PBT due to:

- **decrease in average raw sugar cost** by 24% to RM1,708 per mt (2017: RM2,247 per mt); and
- **strengthening Ringgit** compared to last year (2018: RM4.00 per mt, 2017: RM4.38 per mt).

PBT

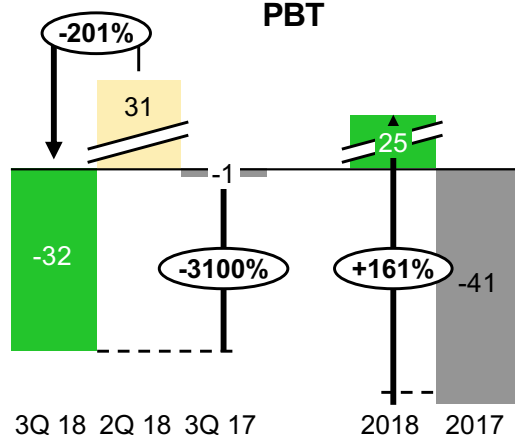
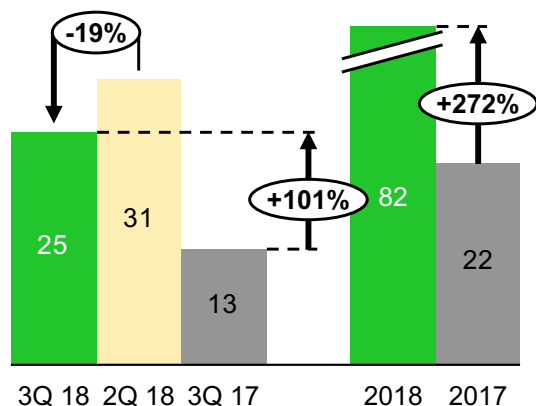
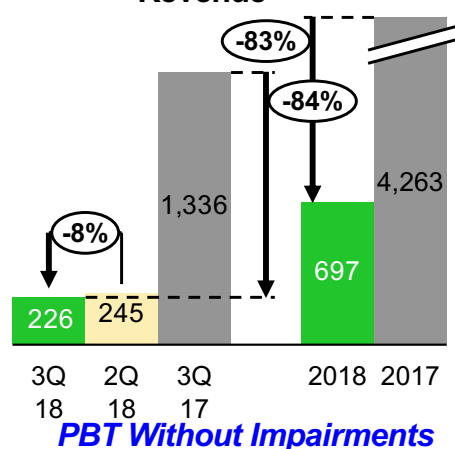


LOGISTICS AND SUPPORT BUSINESS SECTOR

Better results YoY mainly due to change in business model in Trading business, increase in handling rate in Logistic business and rate of security services in Support business.



Revenue



QoQ Results Overview

- Loss in Q318 mainly due to:
 - **Lower tonnage** sold under commodities marketing business; and
 - **Impairment on receivables** amounting to RM56m in Q318.
- The loss was partially offset by the increased contribution from bulking operations in this quarter.

YoY Results Overview

- 2018 results was better than 2017 due to:
 - **Change in business model** whereby Trading segment is now based on sales commission starting January 2018;
 - **Increase in handling rate** by 12% in bulking business despite lower throughput;
 - **Increase contribution from security services** as new rate was implemented; and
 - **No provision for litigation loss** recorded this year (2017: RM33m).
- The segment was impacted by higher **impairment of receivables** of RM56m (2017: RM29m).

MOVEMENT OF LAND LEASE LIABILITY IN FGVPM



RM million	Q1 2018	Q2 2018	Q3 2018	2018	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017
At the start of the period	4,393.3	4,400.0	4,345.1	4,393.3	4,407.6	4,429.0	4,372.6	4,404.2	4,407.6
Total payments made during the period	(72.0)	(83.0)	(64.7)	(219.7)	(76.1)	(79.5)	(71.9)	(79.6)	(307.1)
Recurring income statement charges/(credits)	93.2	86.0	118.4	297.6	94.4	85.0	103.7	87.3	370.4
Total income statement charges/(credits) from revisions in projections	(14.5)	(57.8)	(16.1)	(88.4)	3.1	(61.9)	(0.2)	(18.6)	(77.6)
Total charge/(credit) to the income statement	78.7	28.2	102.3	209.2	97.5	23.1	103.5	68.7	292.8
Closing LLA liability balance	4,400.0	4,345.1	4,382.8	4,382.8	4,429.0	4,372.6	4,404.2	4,393.3	4,393.3

Total (credit)/charge to Income Statement

RM million	2018	2017
Fixed lease consideration	-	301.1
Unwinding of discounts	297.6	-
Discounting effect	-	(17.3)
Revisions in projections and other adjustments	(88.4)	(59.1)
Total (credit)/charge to the Income Statement	209.2	224.2

OPERATIONAL HIGHLIGHTS



	Q3'18	Q2'18	QOQ	Q3'17	YOY	YTD		
						9M'18	9M'17	YOY
FFB Prod ('000 MT)	1,076	993	8%	1,226	-12%	3,060	3,073	0.4%
FFB Yield (MT/Ha)	3.92	3.61	9%	4.44	-12%	11.13	11.13	0%
CPO Production ('000 MT)	689	651	6%	845	-18%	2,009	2,126	-6%
PK Production ('000 MT)	169	168	1%	212	-20%	518	547	-5%
OER (%)	20.89	20.61	1%	19.79	6%	20.41	19.79	3%
KER (%)	5.13	5.32	-4%	4.97	3%	5.26	5.09	3%
Avg. PK Price (RM/MT)	1,742	1,732	-1%	2,274	-23%	1,873	2,412	22%
Avg. CPO Price (RM/MT)	2,224	2,419	-8%	2,665	-17%	2,371	2,820	-16%
Avg. CPO Prod. Cost Ex-mill (RM/MT)	1,777	1,884	-6%	1,541	15%	1,800	1,630	10%