



FGV records PBT of RM74 million in 1H FY2023; anticipates continued improvement for the rest of the year amidst challenges

KUALA LUMPUR, 28 August 2023 – FGV Holdings Berhad (FGV) registered a Profit Before Tax (PBT) of RM74 million in the first half of the year (1H FY2023) ended 30 June 2023. The Group's Operating Profit stands at RM207 million while the Revenue is recorded at RM9.09 billion for the financial period under review.

The financial performance was affected by ongoing weather uncertainties, which continue to be one of the major factors influencing crude palm oil (CPO) prices that resulted in a decline in profit within the Plantation Sector. However, this situation was partially offset by the positive performance in the Logistics and Others Sector.

Plantation Sector

The PBT in the Plantation Sector was registered at RM75.65 million, primarily attributed to a lower average CPO price realised of RM3,995 per metric tonne (MT) compared to RM5,165 per MT registered in the previous financial corresponding period. This was coupled with a 41 percent rise in CPO production costs ex-mill.

The Sector was also affected by the squeezed margin in the Downstream and Fertiliser businesses, a lower share of profit recorded from joint ventures at RM12.55 million, as well as a net impairment loss of property, plant and equipment amounting to RM40.86 million.

Nevertheless, the impact of the lower profit was partly mitigated by a lower fair value charge on Land Lease Agreement (LLA), amounting to RM59.67 million compared to RM216.99 million in the previous year. Turning into operational figures, FFB production reached 1.60 million MT, with a registered yield of 5.95 MT per hectare. Additionally, the current quarter's oil extraction rate (OER) achieved 20.30 percent.

Sugar Sector

Sugar Sector reported a lower loss of RM45.48 million compared to RM59.66 million loss in the previous corresponding year. The improvement was attributable to increase in the overall average selling price, gain on disposal of asset held for sale of RM8.33 million, gain from translation of USD balances of RM10.96 million, gain from USD forward contracts of RM14.13 million as well as lower freight cost.

Logistic and Others Sector

The Sector's PBT has risen by 69 percent to RM60.86 million, marking a notable increase from RM35.94 million reported in the previous financial period. The Logistic Division experienced 9 percent growth in profit mainly due to higher handling rates in the bulking segment. Additionally, the profit from Others Sector improved on the back of higher income reported in IT business. The Others Sector's performance in the previous financial period included an impairment loss recognised in its receivables amounting to RM7.20 million.

Going Forward

CPO prices are expected to hold steady in the near term, ranging between RM3,800 per MT to RM4,000 per MT, primarily shaped by adjustments in Indonesia's CPO export quotas. Although there was recent improvement in labour shortages, the Group is upskilling new harvesters to improve productivity while remaining cautious about the potential impact of El Nino weather on the upcoming peak season.

"Despite the foreseen challenges in the second half of FY2023, our primary focus is to enhance efficiency through effective operations management to leverage our inherent strengths. Key strategic initiatives are being implemented to mitigate these challenges and enhance productivity. We anticipate continued improvement for the rest of the year amidst challenges," said Group Chief Executive Officer of FGV, Dato' Nazrul Mansor.

Revolutionising its plantation work practices to align with global market's sustainability benchmarks, the Group has invested approximately RM196 million for Environment, Social, and Governance (ESG) initiatives during 1H FY2023. This committed strategy underscores its adherence to sustainable practices and the projection of lasting benefits, leading to positive outcomes for stakeholders aligned with the Group's fundamental mantra: sustainability comes first, profit and growth will follow.

This includes ongoing engagement initiatives with ELEVATE and the U.S. Customs and Border Protection (CBP) to address the suspension of the Withhold Release Order. In alignment with international labour standards, FGV has completed the second phase of reimbursing recruitment fees on 15th June 2023. A total of RM22 million has been disbursed to approximately 20,000 workers who had previously borne fees to agents or other third parties in their countries of origin during their employment.

Leveraging on the upcoming 66th Merdeka Celebration, the Group has recently released its new music and corporate videos titled 'Cultivating a Sustainable Future' that complements the 66th Merdeka slogan, "*Malaysia Madani: Tekad Perpaduan, Penuhi Harapan*" in giving hopes for sustainable, high-quality, nutritious food products at affordable prices for all Malaysians as part of the National Food Security Agenda.

The 3D animation videos tell a high-level story about FGV through a unique narrative lens and exudes a compelling glimpse into FGV's journey towards a more sustainable future. This aligns well with our Re-Defining FGV efforts in highlighting FGV as a company that champions sustainable foods and agriproducts for generations to come.

The music and corporate videos can be watched at all FGV Holdings' social media platforms; *Facebook, Instagram, TikTok, LinkedIn and YouTube* as well as at www.fgvholdings.com

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