FGV Posts Revenue of RM4.32 Billion in Q1 2017

Felda Global Ventures Holdings Berhad (FGV) today announced a first quarter (Q1 2017) revenue increase of 15% from RM3.76 billion to RM4.32 billion due to higher income from the Plantation, Logistics & Others (LO) and Sugar Sectors by 11%, 57% and 17% respectively compared to the same period last year.

FGV also posted a profit after tax and minority interest (PATAMI) of RM2.47 million, registering a RM83.5 million improvement from a loss after tax and minority interest (LATAMI) of RM81 million for the same period last year.

FGV Group President and Chief Executive Officer, Dato' Zakaria Arshad said the company posted higher revenue this quarter due to better performances of its upstream operations recording a 16% year-on-year increase in crude palm oil (CPO) production resulting in lower production cost (ex-mill) by 5% to RM1,739 per MT.

> *"Also noteworthy is that we lowered our administrative expenses by RM39.2 million, a 15% reduction compared to the same period in 2016," Dato' Zakaria said.*

Meanwhile, the Group's improved performance was offset by a few factors mainly higher raw sugar prices of RM2,697 per MT (RM2,139 per MT in 2016); impairment of receivables and provision for litigation loss on a vessel arrest amounting to RM29.61 million and RM32.79 million respectively; and lower share of results from joint ventures due to higher unrealised foreign exchange gain recorded in the first quarter last year.

The Plantation Sector declared higher revenue of RM3.27 billion in Q1 2017 compared to RM2.94 billion last year and a lower loss of RM0.90 million Q1 2017 compared to RM82.2 million last year. Within the Sector, Palm Upstream Cluster registered a significant turnaround by recording a RM65.8 million profit for the quarter compared to losses of RM96.8 million in Q1 2016. However, the Sector results were offset by the provisions stated earlier.

The turnaround of Palm Upstream was attributed by higher average CPO price realised of RM3,061 per MT compared to RM2,303 per MT last year. The Group's CPO production has also increased by 16% from 485,000 MT in Q1 2016 to 566,000 MT in Q1 2017 in tandem with higher FFB production from 0.78 million MT to 0.80 million MT respectively. However, OER was recorded lower at 19.82% compared to 20.56% in the previous year due to heavy rainfall recorded.

The Logistics & Others Sector improved from a RM11.29 million loss last year to a profit of

RM9.75 million this year mainly due to higher tonnage carried by the Group's transport operations, in tandem with the increase in CPO production volumes.

Sugar Sector registered a loss of RM23.16 million compared to RM61.60 million profit last year, mainly attributable to higher raw sugar material cost and the weakening Ringgit, despite improved government-approved selling price and higher domestic sales volume.

Moving forward, Dato' Zakaria expects average CPO price to slightly decline with the increase in FFB output from both Malaysia and Indonesia in the coming months. Nonetheless, Malaysia's overall production this year is estimated to be lower than 2015, in view of acute labour shortages that could moderate the bearish CPO price outlook.

> *"FGV remains focused on further augmenting its core business and operational efficiency in line with our SP20 target. We expect average CPO price to be around RM2,550/MT to RM2,750/MT for the second half 2017.*

"On the downstream business, we shall continue to develop key destination markets such as India, China and the Middle East and North Africa (MENA). We will always be receptive to any strategic partnership proposal that is commercially synergistic and value accretive to our shareholders.

"As for the Sugar Sector, we continue to engage with the government and update them on the volatility of the global sugar commodity market and we are hopeful for a favourable outcome."

"Whilst labour shortages are expected to have an impact on the overall Malaysian palm oil industry, FGV remains proactive to secure a sustainable supply of labour for our operations alongside increased mechanisation of estate processes. We will continue to be resilient in facing these challenges," he said.