FGV Records RM4.19 Billion Revenue for Third Quarter 2016

Felda Global Ventures Holdings Berhad (FGV) today announced that it recorded RM4.19 billion revenue and RM163 million operating profit for third quarter ended 30 September 2016 (3Q2016).

However, the Group posted a loss of RM23 million compared to PBT of RM108 million in the preceding quarter due mainly to a higher fair value charge on Land Lease Agreement (LLA) of RM105 million compared to RM12 million previously and an unusual stock loss amounting to about RM57 million incurred by a subsidiary of a jointly controlled entity in Turkey of which FGV does not have management control.

“We had started reviewing and communicating with management of the said subsidiary that suffered the stocks losses in the third quarter. Subsequent to this, potential fraudulent acts were uncovered in the said subsidiary and these acts are currently a subject of forensic audit.

“In line with my call for greater transparency and good governance, we will continue our ‘clean-up’ efforts and provide for potential impairments if any going forward,” remarked FGV Group President and Chief Executive Officer, Dato’ Zakaria Arshad.

In a move designed to cope with the changing global economic landscape, FGV is expected to announce its new long-term strategic plan that will fast-track profitability through improved performance to drive the organization to the next level in the next four years leading up to year 2020.

“FGV’s strategic focus from next year will be to consolidate our assets to drive operational excellence in our core business to leverage economies of scale in production and deliver sustainable returns to our stakeholders even beyond 2020.

“Nevertheless, I believe there are still tough decisions to be made before the end of this year, as we begin the first phase of our new strategic plan,” he said.

This will mean taking a comprehensive and systematic approach to rationalize our operations which unfortunately will cause us to suffer financial impairments or losses in order to address inherent structural and financial issues weighing upon our business.

“As I promised in my transition plan, we will not be sentimental about our assets. Where we don’t see a meaningful return, we shall cut our losses. I believe we will come out stronger as a result of these tough decisions,” he concluded.

Despite the challenges faced in the third quarter, FGV is determined to continue improving its overall performance for 2016. Dato' Zakaria explained that the transition plan revealed in the previous quarter has shown positive outcomes.

"For this quarter, the Group's crude palm oil (CPO) production recorded an increase of 19% to 783,000 MT in tandem with the increase in fresh fruit bunches (FFB) yield from 3.97 MT/Ha in preceding quarter to 4.14 MT/Ha in current quarter.

"Our Oil Extraction Rate (OER) also increased to 20.95% in current quarter compared to 20.40% in preceding quarter. This strong FFB growth and improvement in OER is a result of the improvement in FGV's age profile," he added.

"We have reduced our administration cost by 4% this quarter compared to previous quarter and 32% compared to same quarter last year through several austerity measures implemented through-out the organization. As a result, we are on track to achieve the target of RM100 million cost savings by end 2016," said Dato' Zakaria.

End.