FGV Revenues Climb by 36.5% to RM4.08 billion in Second Quarter

Operating profit more than doubles from a year earlier

Total profit for the period down after accounting for fair value changes from land lease liability (LLA)

Board of Directors recommends interim dividend of 6 sen

Felda Global Ventures Holdings Berhad (FGV), the global agribusiness and palm oil company, has seen revenues climb by 36.5% to RM4.08 billion in the second-quarter of 2014, compared with RM2.99 billion in the same quarter, a year earlier.

Operating profits more than doubled to RM438.15 million in the second quarter, up from RM211.8 million in the same three-month period a year earlier. Over the first six months, revenues rose by 37.6% to RM7.81 billion, with operating profits increasing by 68.2% to RM798.53 million as a result of higher Crude Palm Oil (CPO) prices and the consolidation of Felda Holdings Bhd (FHB) Group into FGV.

Based on this underlying performance, FGV's Board of Directors has recommended an interim dividend of 6 sen per share, amounting to RM218.89 million to be paid by end of September, 2014. This is in line with FGV dividend policy to declare at least 50% of its net profit after minority interest.

FGV Group President and Chief Executive Officer, Mohd Emir Mavani Abdullah, said: "The second quarter has been a significant one for FGV. We are in the midst of restructuring and realigning our business through our Transformation Plan; we are focusing on improving every aspect of our operations; and we are putting in place the foundations to become one of the world's 10 largest agribusinesses by 2020. Our Transformation Plan will have a positive effect on all parts of our operational value chain, from the ongoing integration of FHB to downstream operations and production of consumer products." 2/3

During the first six months of 2014, FGV's Oil Extraction Rate increased to 21.03% from 20.44% in 2013. The average price for Crude Palm Oil (CPO) transacted by FGV rose to RM2,619 per Metric Tonne (MT) in 2014, from RM2,279 per MT in the same 2013 period.

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results

Emir added: “The market conditions and pricing of CPO are a challenge facing the whole of the industry. FGV is rising to this challenge. In the Palm Upstream cluster, all on-going sustainable initiatives, which include Best Management Practices (BMP) and cost efficiency initiatives, are continually analysed and reviewed to deliver better results.”

Other parts of FGV’s operations also saw gains. FGV’s Downstream operations registered a profit of RM14.47 million in the first six months of 2014, up from RM3.24 million in 2013 due to strong sales volume in its fatty acid business and higher margins from sales of Crude Palm Kernel Oil and biodiesel related products. The Manufacturing, Logistics and Others division saw profit rise by 5.4% to RM133.35 million, compared with RM126.47 million a year earlier.

FGV’s Sugar operations saw an increase in sales in the second quarter following an aggressive marketing push and stronger demand in the lead up to the festive season. This increase in sales helped limit the impact of the removal of Malaysia’s sugar subsidy last October.

However, FGV’s profit for the financial period fell 21.0% to RM422.74 million during the first 6 months, from RM535.11 million in the same period a year earlier. This was due in large part to charges related to the fair value (FV) changes of FGV’s Land Lease Agreement (LLA), which showed a fair value charge of RM217.7 million in the first six months of 2014, instead of a gain of RM176.52 million a year earlier. The non-recurring FV gain incurred in 2013 was a result of re-measurement of the LLA cash flow assumptions done in 2013 which includes among others assumptions on discount rate, CPO price, and average estate yield per hectare.

Ends