

# Official Statement of FGV Holdings Berhad on FELDA Land Lease Agreement

FGV Holdings Berhad wish to provide clarification on the Land Lease Agreement (LLA) between FELDA and FGV.

At the present moment, FELDA has yet to contact FGV to negotiate matters regarding the LLA. Under the terms of the agreement, termination of the LLA is allowed.

If FELDA issues notice on this matter, FGV will follow the procedures outlined in the LLA.

The assets involved in the LLA are estates and do not include FGV's oil palm mills.

If FELDA wishes to purchase FGV's oil palm mills it should be based on "willing buyer, willing seller" and current market value. It also needs the approval of other shareholders through an Extraordinary General Meeting (EGM).

FGV would like to offer an explanation with regards to the statement made by FELDA which states that before the IPO in 2012, FELDA had a profit of more than RM1 billion and after the existence of FGV as a public listed company, FELDA suffered losses every year and its total debt increased.

With regards to the above, FGV would like to present the following facts:

- When the LLA was signed in 2011, the price of crude palm oil (CPO) was at around RM3,000 / tonne and the projected income of FELDA (through LLA) used the price of RM2,800 / tonne. CPO pricing plays the most important role in determining the company's profit or loss. After the IPO in 2012, the payment to FELDA from FGV did not meet FELDA's projections due to the decline in CPO price.
- The yield on FFB is lower than expected as 50% of the trees inherited by FGV in 2012 are considered old trees (more than 21 years). In addition, 15,000 hectares of land per year was allocated for replanting contributing to the reduction of FGV's income.
- Replanting expenses for the 15,000 hectares were in the range of RM300 million per annum. In addition to this, the cost of fertilisation and rehabilitation is RM300 million per annum.
- FGV chooses to replant and upgrade the estates in order to achieve long-term sustainability. As a result, FGV has been able to reduce the percentage of old trees by about 30%. The LLA land is better and much improved compared to those given to FGV during the IPO.
- The FGV IPO is often said to be the cause of FELDA's failure and downfall. The real

issue is the use of revenue from the IPO, and not the IPO itself. FELDA has earned RM5.7 billion from this IPO while FGV has earned RM4.5 billion.

- FGV cannot comment on how FELDA uses the proceeds from the IPO. Unfortunately for FGV, part of the proceeds was not well invested. Up until the end of 2018, FGV has made substantial impairments amounting to RM780 million for those new investments.
- FELDA's statement that it should receive RM800 million a year from the LLA is not correct. In the agreement, it is stated that the amount payable to FELDA is RM248 million a year plus 15% of the operating profit from LLA land.
- To date, FGV's responsibility towards FELDA (according to LLA) amounting to RM248 million a year has been fully met. FGV has paid more than RM2.5 billion to FELDA from 2012 to 2019.

We will make the relevant announcements at the appropriate time in the event of material development on this matter.

**FGV Holdings Berhad**