



FGV HOLDINGS BERHAD

Engagement with Shareholders

July 2019



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GOVERNANCE UPDATES



BUSINESS PLAN 2019-2021 (BP21)



RESULTS SUMMARY



SUSTAINABILITY UPDATES

2018: A watershed year for FGV

- 1 Appointed professional Board**
- 2 A groupwide reboot**
- 3 Strengthened leadership to drive transformation**
- 4 Decision made to 'bite the bullet' and rationalise the value of past investments**
- 5 Revised strategy with a longer term view on the industry and its sustainability**

APPOINTED PROFESSIONAL BOARD

08 Sep 17

- **Datuk Wira Azhar Abdul Hamid**
Chairman, Non-Independent Non-Executive Director

26 Sep 18

- **Encik Mohd Hassan Ahmad**
Non-Independent Non-Executive Director

23 Jul 19

- **Dato' Dr. Noor Zari Hamat**
Non-Independent Non-Executive Director

01 Oct 18

- **Dato' Dr. Othman Haji Omar**
Non-Independent Non-Executive Director

06 Sep 18

- **Dato' Yusli Mohamed Yusoff**
Senior Independent Non-Executive Director

31 Oct 17

- **Datuk Dr. Salmiah Ahmad**
Independent Non-Executive Director

31 Oct 17

- **Dr. Mohamed Nazeeb P. Alithambi**
Independent Non-Executive Director

23 Nov 17

- **Datuk Mohd Anwar Yahya**
Independent Non-Executive Director

01 Jan 18

- **Dr. Nesadurai Kalanithi**
Independent Non-Executive Director

06 Sep 18

- **Datin Hoi Lai Ping**
Independent Non-Executive Director

Retired
25 Jun 19

- **Dato' Mohamed Suffian Awang**
Independent Non-Executive Director

We enhanced our Board composition to represent the right mix of skills, experience and capacity, to create value, uphold the principles of good governance and safeguard the interests of all stakeholders.

Board Balance and Composition

6 Independent Non-Executive Directors

4 Non-Independent Non-Executive Directors

10 Total Board Members

Gender Diversity



A GROUPWIDE REBOOT: SPECIAL BOARD COMMITTEE

SPECIAL BOARD COMMITTEE (SBC)

SBC 1

Established in Jan 2018 to oversee past transactions which were not realising the desired rates of return.

SBC 2

Established in Jul 2018 to oversee senior management who were entrusted to run FGV.



CONCLUSIONS

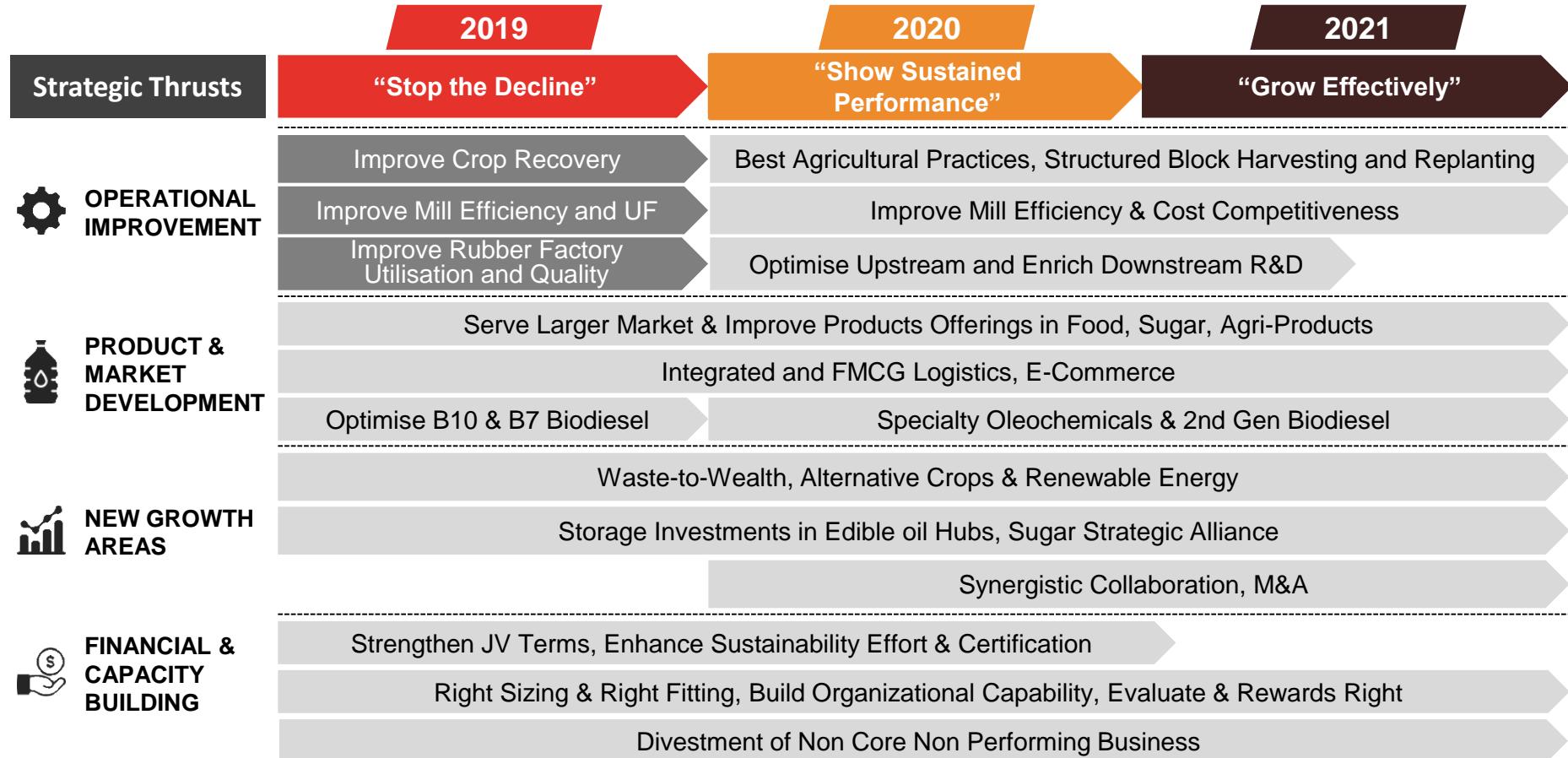
- A leadership overhaul was urgently required to reverse FGV's fortunes.
- A transformation office was required to reset and reboot operations.
- The Group's strategy needed review and resetting.

** SBC 2 was dissolved upon the appointment of the interim CEO.*

STRENGTHENED LEADERSHIP TO DRIVE TRANSFORMATION

- **Dato' Haris Fadzilah Hassan**, Group Chief Executive Officer
- **Dato' Mohd Hairul Abdul Hamid**, Group Chief Financial Officer
- **Tuan Syed Mahdhar Syed Hussain**, Chief Operating Officer of Plantation / Chief Transformation Officer
- **Dato' Khairil Anuar Aziz**, Chief Operating Officer of Sugar
- **Encik Azman Ahmad**, Chief Operating Officer of Logistics
- **Encik Fakhrunniam Othman**, Chief Investment Officer
- **Encik Mazri Abdul Rahim**, Chief Human Resources Officer
- **Encik Wan Norman Nasir**, Chief Risk & Governance Officer
- **Ms Koo Shuang Yen**, Company Secretary
- **Puan Zalily Mohamed Zaman Khan**, Chief Internal Auditor
- **Puan Aznur Kama Azmir**, Group Financial Controller
- **Dr. Christina Ooi Su Siang**, Group Procurement Officer
- **Puan Nurul Hasanah Ahamed Hassain Halim**, Head Group Sustainability
- **Puan Nor Marhamah Yahya**, General Counsel

BUSINESS PLAN 2019-2021 (BP21)



OPERATIONAL IMPROVEMENT

- Improvement of operational yield
- Increase mills utilisation factor
- Cost optimisation and savings
- Execute model estates & mills program
- Improvement of workers' living standards
- Turnaround rubber business

PRODUCTS & MARKETS DEVELOPMENT

- Growth in Downstream business (FMCG, Oleochemicals, Biodiesel etc.)
- Logistics (transport and bulking) external business expansion
- ICT external business expansion
- Product diversification and new product development (sugar, fertiliser, green rubber)

NEW GROWTH AREAS

- Circular economy – turning waste-to-wealth
 - Diversify revenue streams from palm by-products (EFB, biomass, PKS)
 - Renewable Energy
 - Grow animal feed from PKC business

FINANCIAL & CAPACITY BUILDING

- Divestment of non-core & non-performing businesses
- Enhance Human Capital capabilities, revitalise culture & develop future leaders
- Driving sustainability
- Strengthening Governance and accountability (MS 1 ISO 37001 ABMS)

Q1 2019 GROUP FINANCIAL RESULTS

FINANCIAL (RM mil)	Quarter					Full Year			Var.
	Q1'19	Q1'18	YOY	Q4'18	QOQ	FY 18	FY 17		
Revenue	3,276	3,603	▼ 9%	3,231	▲ 1%	13,464	16,921	▼ 20%	
Profit/(Loss) BIT	78	96	▼ 19%	(147)	▲ >100%	(827)	485	▼ <100%	
Profit/(Loss) BZT	23	26	▼ 12%	(139)	▲ >100%	(1,023)	403	▼ <100%	
Profit/(Loss) ATAMI	(3)	1	▼ <100%	(209)	▲ 98%	(1,080)	131	▼ <100%	
Avg. CPO Price (RM/MT)	1,986	2,472	▼ 20%	2,053	▼ 3%	2,282	2,792	▼ 18%	

GROUP FINANCIAL PERFORMANCE FOR Q1'19

Revenue decreased by 9% YoY despite 20% decline in CPO price to RM1,986/MT (Q1'18: RM2,472/MT); mitigated by higher CPO production and sales volume at 0.58 mil MT (Q1'18: 0.52 mil MT) on the back of improved operational performances.

PBIT declined 19% YoY mainly due to:

- Lower average CPO price of RM1,986/MT (Q1'18: RM2,472/MT).
- Lower average selling price of sugar at RM2,157/MT (Q1'18: RM2,443/MT) and higher refining cost.
- MSS provisions of RM27 mil.
- Provision for closure of KS Jerangau Baru of RM12 mil.

This was achieved on the back of **clear improvement in operational performance**:

- Higher FFB production at 1.06 mil MT (Q1'18: 0.99 mil MT).
- Higher OER achieved at 20.76% (Q1'18: 19.75%).
- Lower CPO cost ex-mill of RM1,379/MT (Q1'18: RM1,728/MT).
- Net reversal of impairments of receivables of RM48 mil.
- Higher margin contributions and sales volume in Palm Kernel and related products.

Q1 2019 RESULTS SUMMARY – PLANTATION SECTOR

PLANTATION	Quarter					Full Year		
	Q1'19	Q1'18	YOY	Q4'18	QOQ	FY 18	FY 17	Var.
FINANCIAL (RM mil)								
Revenue	2,714	2,953	▼ 8%	2,385	▲ 14%	10,233	8,505	▲ 20%
Profit/(Loss) BZT	40	19	▲>100%	(122)	▲>100%	(960)	521	▼<100%
OPERATIONAL PARAMETERS								
FFB Production ('000 MT)	1,056	991	▲ 6%	1,150	▼ 8%	4,210	4,260	▼ 1%
FFB Yield (MT/Ha)	4.38	3.96	▲ 11%	4.62	▼ 5%	16.90	16.94	■ 0%
OER (%)	20.76	19.75	▲ 5%	20.70	■ 0%	20.49	19.83	▲ 3%
CPO Production ('000 MT)	762	669	▲ 14%	815	▼ 7%	2,825	2,992	▼ 6%
CPO Cost ex-mill (RM/MT)	1,379	1,728	▼ 20%	1,572	▼ 12%	1,737	1,601	▲ 8%
DOP sales volume (MT)	85,443	88,430	▼ 3%	77,158	▲ 11%	325,377	342,652	▼ 5%
PME sales volume (MT)	16,616	10,511	▲ 58%	19,586	▼ 15%	54,500	40,161	▲ 36%

Higher Plantation Sector profit in Q1'19 due to:

Upstream

- FFB production increased by 6%.
- OER increased by 5%.
- Lower CPO production cost ex-mill at RM1,379/MT.
- Losses from JV companies recorded at RM32 mil.

Downstream

- Improved RBDPKO margin of RM224/MT vs Q1'18 negative margin of RM51/MT.
- Higher PME sales of 16,616 MT vs 10,511 MT in Q1'18.

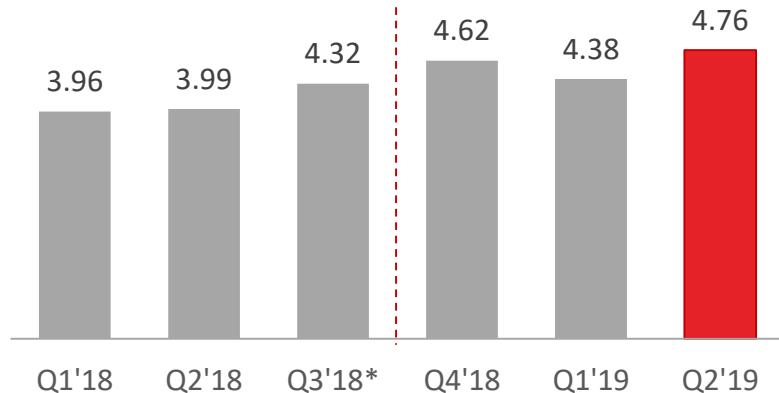
OPERATIONAL TARGET

	2018 FY (A)	YTD June (A)	2019 FY (f)	2020 FY (f)
FFB Production	4.21 mil MT	2.20 mil MT	4.79 mil MT	5.14 mil MT
FFB Yield*	16.90 MT/Ha	9.13 MT/Ha	19.43 MT/Ha	20.00 MT/Ha
OER	20.49%	20.48%	20.78%	21.18%
CPO Production	2.83 mil MT	1.55 mil MT	3.09 mil MT	3.20 mil MT
CPO Cost (ex-mill)	RM1,737/MT	-	RM1,469/MT	RM1,464/MT

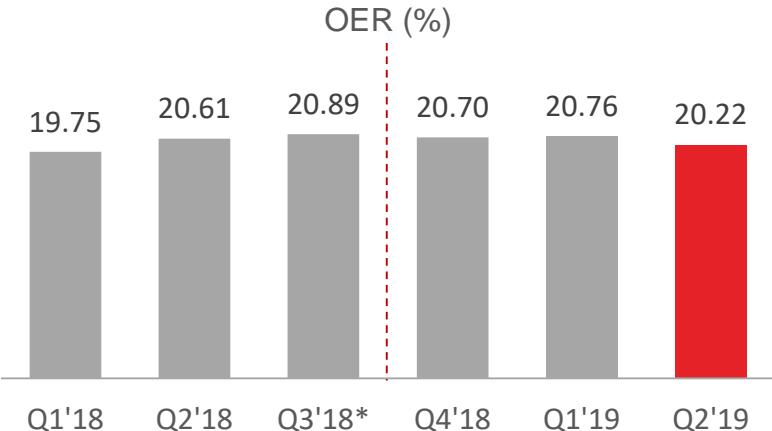
*Yield based on normalised area

OPERATIONAL IMPROVEMENT

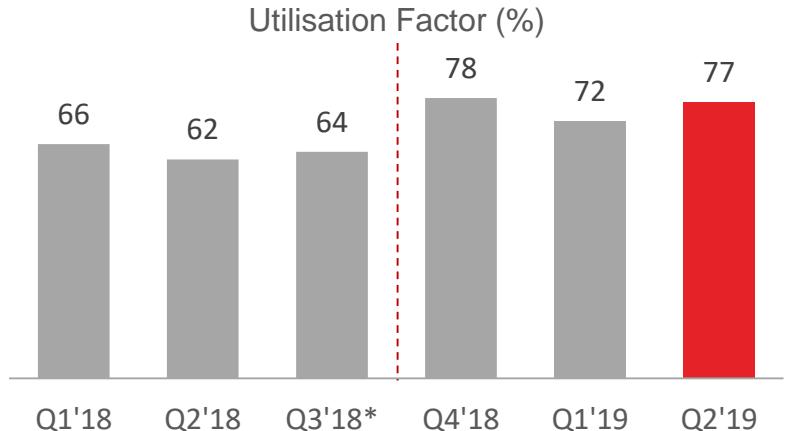
FFB Yield (MT/Ha)



OER (%)

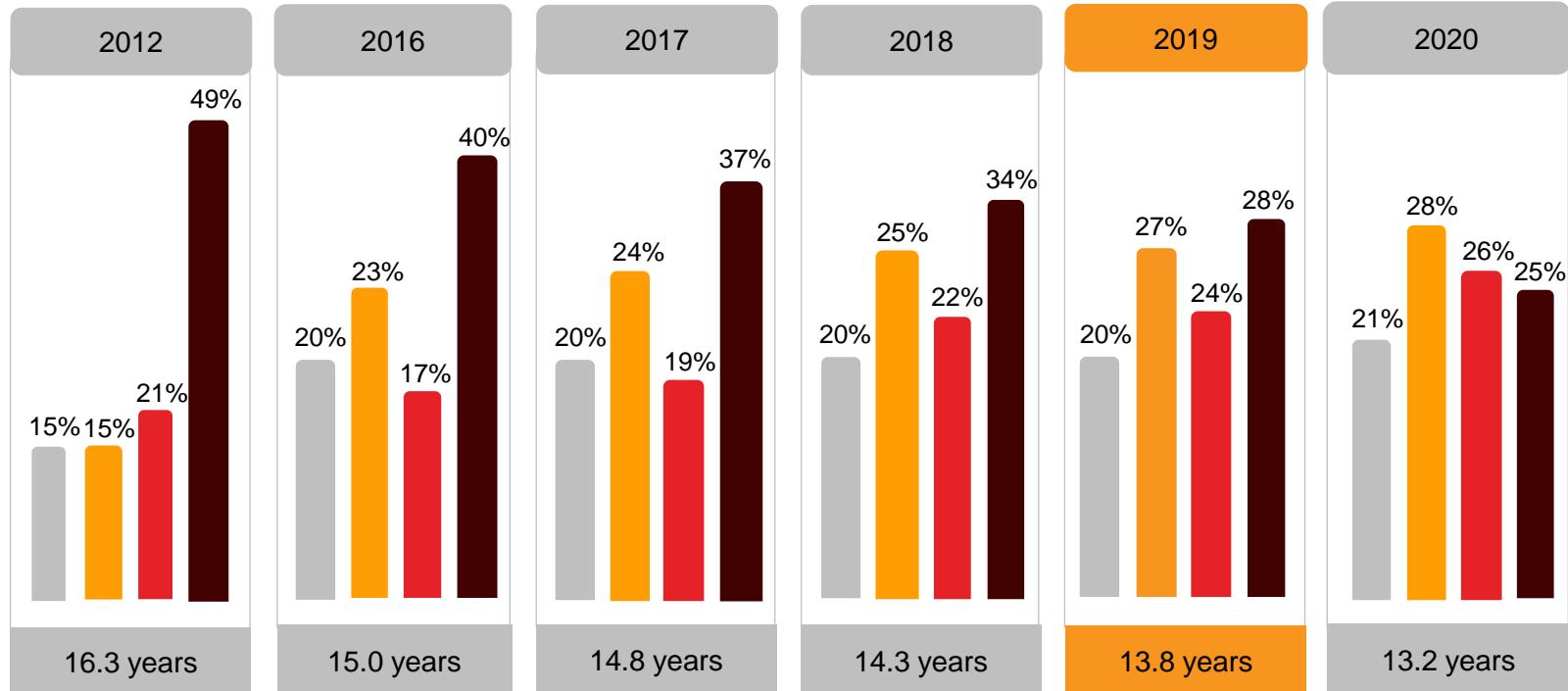


Utilisation Factor (%)



*Transformation Plan started in late Q3'18

IMPROVING AGE PROFILE



*Age profile distribution and FFB production without M&A

■ Immature (0 - 3) ■ Young (4 - 9) ■ Prime (10 - 20) ■ Old (> 21)

- During the listing in 2012, 49% of the total planted area had trees aged 21 years old and above (old trees).
- Over a period of 7 years, FGV has replanted 93,374 Ha of land, investing approximately RM 300 million a year. This has reduced hectarage with old trees by 32% to 116,396 Ha.
- FGV's replanting regimen is on track to normalise the palm age profile by 2026, and commits to a disciplined replanting schedule of 4% - 5% per year.

SUSTAINABILITY UPDATES

SUSTAINABILITY POLICY

- Revised Group Sustainability Policy through an open consultative process, with leading organisations such as SUHAKAM, the United Nations in Malaysia, International Organisation for Migration (IOM), Tenaganita, IKMAS of UKM.
- The policy has been socialised with external and internal stakeholders.

TRACEABILITY

- FGV's oil palm products are 100% traceable to its mills and 70% traceable to the plantations, which includes around 310,000 Ha of smallholder estates, making FGV one of the largest producers of palm oil, traceable to small farmers. We are committed to achieve full traceability by 2020.

RSPO/MSPO CERTIFICATIONS

- To-date, 34 mills are RSPO-certified and 22 mills are MSPO-certified.
- By end 2019, 19 additional mills will be audited for RSPO certification and 100% will be MSPO-certified.
- We provide support to Smallholders who are supplying their FFB to FGV for MSPO audits. As of June 2019, a total of 1,950 ISH linked to FGV had registered for the MSPO audit.

BUILDING CAPABILITIES

- FGV launched Young Shapers Program (YSP) designed for young executives as enablers to stimulate FGV's Transformation Plan, foster a culture of performance excellence and to nurture them as future leaders of FGV.

OUR COMMITMENT ON NDPE POLICY

- FGV has renewed its commitment to NDPE.

ISSUES THAT LED TO THE SUSPENSION OF THE SERTING MILL BY THE RSPO IN NOV 2018

- FGV submitted its 2nd Quarterly Progress Report and provided clarification regarding several matters highlighted in the report to RSPO. We expect the suspension to be lifted once the area has been independently audited.

DISCUSSIONS WITH SHAREHOLDERS

LAND LEASE AGREEMENT	SUGAR BUSINESS
<ul style="list-style-type: none">After the tabling of FELDA's White Paper in April 2019, it has been business as usual at FGV.There has not been any official discussion between FGV and FELDA on this matter.FGV has been paying the LLA payment on a timely basis. There is no outstanding payment to date.	<ul style="list-style-type: none">Glut in sugar supply due to approved permits and smuggled sugar will likely to persist.Planning to diversify its portfolio with new value added products to serve Asian markets .Exploring potential collaborations with Strategic Investors.
LABOUR SHORTAGE	CPO PRICE OUTLOOK
<ul style="list-style-type: none">The shortage of foreign workers is a country-wide issue especially for labor-intensive industries including plantation.FGV is currently looking into this issue to fill the current shortage of around 20% due to abscondment of foreign labor.The worker shortage is expected to be addressed by Q4 2019, with the entrance of around 5,500 workers to fulfill the requirement.	<ul style="list-style-type: none">CPO prices are expected to remain subdued in the coming quarters due to oversupply, competitive pricing from Indonesia and expectations of high production in the 2H19.The price is expected to be within the range of RM1,900-2,100/MT.Current stockpile level of 2.40 mil MT is still high compared to 5 years historical average of 2.07 mil MT.Biodiesel mandate could be positive catalyst to improve CPO price.

THANK YOU



FGV Holdings Berhad (800165-P)

Group Investor Relations
Level 20, Wisma FGV,
Jalan Raja Laut, 50350 Kuala Lumpur, Malaysia

+603 2789 0000

fgv.investors@fgvholdingsl.com
www.fgvholdings.com