

Why the Eagle High purchase is valuable to FGV and shareholders

Kuala Lumpur

Felda Global Ventures Holdings Bhd (FGV) would like to address the varied commentaries and reports that question its ability to deliver higher growth and profits for shareholders and transform to become the largest palm oil plantation in the world:

Share Price

1. Palm Oil prices and commodities in general, have taken a beating since 2014, retreating from a high of RM2,534 p/mt in Jan 2014 to RM2,302 p/mt in Jan 2015. It is currently trade at RM2229 p/mt as of 30 June 2015 (Source: Malaysian Palm Oil Council).

2. FGV's revenue contribution is currently 70% from the plantations. When there is downward pressure on Crude Palm Oil prices, FGV's revenue will face equal pressure. Coupled with an unfortunate confluence of factors last year – including floods in the east coast that severely affected our production, and extreme ice conditions at our crushing mill in Canada – FGV posted lower than expected losses. This is something that happens in doing business – unexpected events – and we have accounted for it in our results over the past three Quarters.

3. The comment on the quantum of loss for the share price of other plantation companies is misinformed as they have diversified revenue streams that are not highly dependent on global CPO prices.

4. More importantly, the above points to the critical need for deliberate acceleration of our strategic transformation plan to move towards rebalancing our revenue streams to 60% from plantations and 40% downstream business – from which there will also be a higher margin contribution.

5. In addition, FGV Trading is also targeting revenue of between RM6 – 8 billion revenue this year, considering the recent healthy growth of RM2.5 billion in our trading operations since February 2015.

6. FGV's current average age profile of our planted hectareage is 15.5 years, putting it at the matured and aging end of the spectrum.

7. Additionally, out of the 450,000 hectares under FGV's management, 355,864 are subject to the Land Lease Agreement (LLA) with FELDA, pushing up our operating costs.

8. To secure long-term sustainability and viability of our business, FGV needs more landbank and planted hectareage with a younger age-profile. Crude Palm Oil prices are at an historic low and are expected to rebound to an uptrend over the very near term. We must be prepared to take advantage of that with lower cost of production, higher volumes, better efficiencies and margin and strategic positioning to leverage the downstream business.

9. It is very important to note that every RM100 p/mt increase in CPO prices will add RM150 mil to FGV's revenue.

Plantations and Valuations

1. We have been looking outside of Malaysia for some time, including Africa, Myanmar and Indonesia. The Eagle High Plantation (EHP) landbank presents the largest contiguous landbank, from a single vendor that is also an unparalleled strategic fit for FGV.

2. It is important to note that the proposed implied EV (Enterprise Value) / ha for the planted hectarage of EHP is approximately US\$17,400 per hectare – lower than the recent local transactions involving Sime Darby and NBPOL (EV / hectare of US\$25,900), IOI and Unico-Desa Plantations (EV / hectare of US\$23,500).

3. In comparing with recent Indonesian transactions, hectarages involved are small in nature, of less than 70,000 hectares.

4. It is also crucial to dispel the perception that Indonesian transactions should be priced lower than Malaysian transactions due to nature of the land tenure (freehold v leasehold). A key element to examine in our valuation is based on the economic value of the land; Indonesian plantations have higher yield than Malaysian plantations because the soil in Indonesia have gone through less planting cycle than Malaysia. Compared to Kalimantan/ Sulewasi, where there has been 2-3 cycles and Papua New Guinea with only one cycle, Malaysia has had 6 cycles/ 160 years. This is an important element that cannot be omitted when valuating the land – its economic value.

5. To buy at 37% from the open market is not possible as the free float is limited to approximately 30%.

Strategic Fit and Transaction Structure

1. More importantly – it discounts the unparalleled strategic fit for FGV and Malaysia in obtaining access to the Indonesian downstream market, sugar market, fertilizer & seedlings market and 240 million consumer market that this partnership with the third largest Indonesian conglomerate offers.

2. Indonesia is 'serumpun' and we are happy to have a known quantity as a partner, the third largest diversified conglomerate in Indonesia, which has also exhibited trust in FGV by agreeing to a 2.55% stake in the enlarged share capital

of FGV once the transaction is completed.

3. It is also important to note that should we go for an all debt structure, our gearing will only go to 1:1, which is very reasonable for a high-growth palm oil plantation company.

4. We will generate more cash from divestments, which we will be able to announce details of in the near future. We are also continuously and aggressively executing our transformation plan. FGV wants to reiterate that its dividend policy will remain unchanged and will be an important consideration in the structure of the funding.

Conclusion

1. The 37% makes FGV the single largest shareholder in Eagle High. The stake also provides FGV with policy control as well as board representation. We are pleased to have the local parties to continue to run the company with our input, as there is continuity and great expertise with the local team.

2. FGV does not intend to acquire majority control; the transaction closing is conditional upon, amongst other things, the transaction not triggering a mandatory tender offer requirement.

3. FGV emphasizes the quantum of the deposit purely signifies our firm commitment to the transaction and in return for exclusivity during the negotiation period. It must be emphasised that the deposit is fully refundable to FGV with all accrued interest, in the event the transaction cannot be completed.

4. In the final analysis – this is a purely commercial transaction, which will result in the making of an ASEAN palm oil giant, a global game-changer with clear benefits for both countries and companies.

5. Political innuendos and references to other GLCs and

personal relationships are unnecessary and take away from the fact that this transaction will be a game-changer for the palm oil industry globally and FGV will be firmly on its way achieving the goals as set out in its 5-year transformation plan driven by 3 thrusts of revenue enhancement, cost-optimisation and operational excellence.

6. FGV will also focus on integrating and extracting efficiencies of recent acquisitions. Our goal is to empower management teams, guided by a unifying vision and culture of performance and sustainability.

7. Lastly, FGV will not be pursuing more acquisitions. Instead, FGV will look into the whole value chain, from downstream to upstream. We will consolidate all our investments and drive growth.

For more information, please do not hesitate to contact us at fgv.investors@feldaglobal.com

Investors Eagle High FGV

7 6 FGV

1. 2014 2014 1 2534 2015 1 2302 2015 6 30 2229 MPOC
2. FGV 70% FGV 3
- 3.
4. 60% 40%

5. 2015 年 2 月 25 日 FGV Trading 的 60 至 80 天
6. FGV 的 15.5 天
7. FGV 的 45 至 35 的 5864 的 LLA
8. FGV 的 100 的 FGV 的 1.5 天

1. Eagle High EHP FGV

1. Eagle High EHP FGV
2. EHP EV/ 1 7400 / NBPOL/—2 5900 IOI /—2 3500
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1. FGV 2 4000

1. FGV 2 4000
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1. 37% FGV

1. 37% FGV
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FGV

4. FGV
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7. FGV

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