

MSM RESILIENT DESPITE CHALLENGING ENVIRONMENT IN Q2 FY17

KUALA LUMPUR, AUGUST 29, 2017 – MSM Malaysia Holdings Berhad (MSM), the country's leading refined sugar producer and a subsidiary of Felda Global Ventures Holdings Berhad (FGV), is boosted with a 2.4% profit margin improvement for its Q2 FY17 against the preceding Q1 FY17 mainly due to the sales spike during the Hari Raya festive season.

Taking into consideration that 80% of MSM's operating costs is highly dependent on global market price of raw sugar and foreign exchange rate, the quarterly profit margin improvement is a clear sign of confidence that MSM is focused on growing its market share penetration strategies.

In a statement released today, MSM's revenue recorded an improvement of 9.2% from RM633.86 million in Q2 FY16 to RM692.46 million in Q2 FY17. This is attributable to the 18.9% improvement on average selling price for overall market segments. In the interim, half year revenue recorded RM1,341.43 million, an improvement of 13.0%, backed by 14.3% increase in domestic sales volume.

For the cumulative year, MSM's average raw sugar cost had increased by 54.0% in terms of MYR per metric tonnes whereas USD/MYR peaked at 4.4415 before receding to close the quarter at 4.2950 against foreign exchange translation loss and late recovery of the current market price for raw sugar. As a result, the Group fell short of its Q2 FY17 results and posted loss from operations (LBT) of RM28.60 million followed by a net loss after tax (LAT) of RM21.45 million for its Q2 FY17.

On the other hand, MSM managed to decrease its average refining costs by 14.0% in comparison to the corresponding quarter last year as a result of aggressive cost management exercise, accounting into reduced packing material cost, repair and maintenance as well as other variable costs. Distribution costs also declined by 28.6% against the corresponding quarter with respect to lower costs of freights for domestic sales and reduction in godown rental.

“We have always maintained a progressive growth. Regrettably, the numbers showcased during this quarter are relatively disappointing, albeit withstanding a challenging global commodity markets behaviour. In months ahead, we expect to see some improvements to offset the residual impact of procuring raw sugar at an all-time high the prior year. Our financial performance is strictly dependent on movements in the global commodity markets,” said President/Chief Executive Officer of MSM Group, Mohamad Amri Sahari.

Amri Sahari added, “Our strong fundamentals is supported with sales revenue growth at 13.6% during the quarter under review as we continue to demonstrate the value of MSM’s integrated business model. In addition, we remain focused on cost savings initiatives to improve the overall profitability and cash flow to maintain a sustainable value to shareholders.”

MSM is looking to expand its portfolio further by ensuring the completion of the Johor refinery remains on track - current physical construction is at 54% completion (as at 30 June 2017) and remains within the stipulated budget.

Barring any unforeseen circumstances, MSM is confident to achieve its goals through continuous review and implementation of its set initiatives to grow sales and market share with focus on intensifying efforts to achieve growth return for the remaining year.

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About MSM Malaysia Holdings Berhad (MSM)

MSM Malaysia Holdings Berhad (MSM), incorporated on 10 March 2011, is Malaysia's leading refined sugar producer. It was listed on the Main Market of Bursa Malaysia Securities Berhad on 28 June 2011 and is one of the top 50 prominent companies on Bursa Malaysia with a market capitalisation of RM3.55 billion (as at December 2016). It is also a 51% subsidiary of Felda Global Ventures Holdings Berhad (FGV).

Principally, MSM operates the sugar business of FGV. It produces, markets and sells refined sugar products. The company conducts its business principally through two operating subsidiaries, MSM Prai Berhad and MSM Perlis Sdn. Bhd. which were established in 1959 and 1971 respectively. In addition, MSM also operates a logistics company - MSM Logistics Sdn. Bhd. and a trading company - MSM Trading International DMCC, based in Dubai, UAE.

At present, MSM's production capacity is up to 1.25 million tonnes of refined sugar per annum. In 2016, MSM produced its highest output at 1,117,010 tonnes of refined sugar, of which 135,160 tonnes are catered for the export market. Currently, MSM corroborates up to 60% of the domestic market share.

MSM offers a variety of products ranging from white refined sugar of various grain sizes to soft brown sugar. These are marketed and sold in a variety of packaging options under its flagship brand - Gula Prai. MSM also sells molasses, a by-product of the refining process, to distilleries and producers of ethanol, animal feed and yeast, among other products. Aside from household consumers, MSM sells to a wide range of customers in Malaysia and in other countries directly and indirectly through traders, wholesalers and distributors. Its customers include major companies in the beverage and confectionery industries, hotels, restaurants and food outlets.

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