



MEDIA RELEASE

MSM ANNOUNCES RM27.03 MILLION PRE-TAX PROFIT FOR Q4 FY2017

KUALA LUMPUR, FEBRUARY 21, 2018 – MSM Malaysia Holdings Berhad (MSM), the country's leading refined sugar producer and a subsidiary of Felda Global Ventures Holdings Berhad (FGV), recorded a pre-tax profit of RM27.03 million in its fourth quarter earnings, an improvement of 12.0% from the corresponding quarter.

For the financial year under review, a loss before tax (LBT) of RM15.81 million was recorded - mainly due to higher average raw sugar cost by 20.0% whilst a sharp 37.0% spike for Y-o-Y basis increase for raw sugar market price between the period of early 2016 and 2017.

As USD peaked at 4.5002 in January 2017, (against average market rate of 4.1669 in 2016) and bleak improvements in the local currency devaluations led to a steep increase in raw sugar cost by 9.59% in terms of Ringgit per metric tonne compared to 2016. Due to the timing of MSM's last raw sugar payment which occurred earlier before the start of USD/MYR drastic downtrend in mid-November 2017, MSM's rate of buying USD is still higher by 1.05% in comparison to the corresponding quarter.

The disastrous chain of events moulded by these uncontrollable external market factors amplified production cost by a whopping 14.0% compared to 2016. Unfortunately, this does not augur well as over 80% of MSM's operating cost is based on NY#11 market price of raw sugar (traded in USD) coupled with the dependency on 100% import of raw sugar - heavily impacts the current year's financial performance.

Notwithstanding the above, MSM recorded stronger consolidated revenue of RM2.67 billion for the financial year ended 31 December 2017 as compared with RM2.66 billion in the same period last year. The 0.3% revenue increase was mainly due to a 16.5% improvement in the overall average selling price tied with a 12.0% offset reduction in overall tonnage sold in 2017.



MSM's Executive Director, Dato' Khairil Anuar Aziz commented, "We must comprehend the fact that the sugar industry operates in a cyclical nature. It so happens in 2017, sugar manufacturers globally witnessed a double-whammy. Raw sugar price spiked from USD0.18 per lb in October 2016 to USD0.21 per lb in February 2017 (3-year record high), representing almost 20.0% increase within the period and back-to-back suppression on USD/MYR significantly pressured our margins. Our business depends on optimising margins between the volatile prices of raw and the regulated price of refined sugar."

He added, "On average we spend around USD456.0 million on raw sugar purchase per year. It is a gruesome fact that we are heavily exposed to price fluctuations and trading risk on the futures market. With the odds against us, we remain responsibly committed to ensure an adequate sugar supply in the country taking into consideration of sound policies in place to hedge strategically to average out our losses, avoid any loss-making contracts and gain opportunities to get better than the annual average price of the NY#11."

In a bid to retain its operational excellence and cost savings initiatives, MSM managed to close the year with the highest production output of 1,064,295 metric tonnes of which 139,540 metric tonnes are catered to the export market, an increase of 2.5% production output compared to 2016 contributed by operational improvements and efficiencies. Capacity utilisation rate surpassed its benchmark by 2.65% due to minimal shutdown and less stoppage time and the average refining cost per tonne reduced to 11.7% due to lower costs for packing materials coupled with repair and maintenance cost. This led to a sizable chunk amounting RM25.0 million in operational cost saving initiatives for the year.

"While the circumstances were unfavourable in 2017, we are thankful to the Government for the domestic sugar price adjustment in March 2017 from RM2.84 to RM2.95 to cushion the margin squeeze and maintain our leading market position at 58% despite the disruption of sugar import permits (APs) and sugar smuggling transshipment activities," said Dato' Khairil.

Moving forward, MSM is focusing on several potential growth initiatives within the South-East Asia (SEA) market which is in line with its approved strategic roadmap. It's USD\$259 million investment as Malaysia's largest standalone sugar refinery in Tanjung Langsat, Johor is scheduled for commissioning in the first half of 2018 - setting an additional 1.0 million metric tonnes per annum capacity boost and enlisting MSM as a recognised global player by becoming the largest standalone sugar refiner in Asia. The volume growth is targeted to



produce better margins and develop revenue opportunities particularly in the export trading activities.

It has been a year of ups and down on many fronts at MSM, which can be summarised in a few words – in the face of significant challenges, MSM pursued its best to make significant progress. Collectively, MSM has made progress by enhancing value chain transparency and sustainability, effective cost management, capital strengthening and rationalising its operations and sales management.

A clear direction for 2018, MSM is optimistic to solidify its leadership role in the sugar industry and improve its earnings, delivering core financial values and long-term profitable growth.

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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 with a market capitalisation of RM2.88 billion (as at December 2017). 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 2017, MSM produced its highest output at 1,064,295 metric tonnes of refined sugar, of which 139,540 metric tonnes are catered for the export market. Currently, MSM corroborates up to 58% 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.