

MSM REAFFIRMS GROWTH STRATEGY

- **Leading refiner expects earnings to remain profitable for FY18**

KUALA LUMPUR, JUNE 26, 2018 – MSM Malaysia Holdings Berhad (MSM), the country's leading refined sugar producer and a subsidiary of Felda Global Ventures Holdings Berhad (FGV), delivered an improvement in its opening quarter financial results and remain on track en route to the commissioning of its new sugar refinery in Tanjung Langsat, Johor – a sweet comeback albeit a bitter 2017.

Despite FY17 ended with a net loss due to a weaker Ringgit and higher raw sugar cost, MSM's quarterly performance showed an improved consecutive turnaround as it registered profits in 3QFY17, 4QFY17 and 1QFY18 and this is anticipated to continue in FY18 (barring unforeseen circumstances) mainly due to stable demand for its 'Gula Prai' products.

MSM's 1QFY18 showed positive earnings growth, posting a net profit of RM16.0 million against a net loss of RM35.0 million recorded a year ago. The improved result further outlined earnings per share to RM2.25 against RM4.93 in loss per share in 1QFY17. Apart from better raw material costs and strengthening Ringgit in the near term, attributing to the much-anticipated turnaround is due to continued cost management and better strategic hedging mechanism to maintain cost discipline and operational efficiency whilst focusing investment on profitable assets to maximise cashflow generation.

However, revenue dipped 15.4% compared to the same quarter last year of RM648.97 million due to a 8.0% decrease in the average selling price and a 7.0% reduction in overall tonnage sold, inclusive of exports.

"The first quarter performance was in line with our plan and we remain on track to deliver underlying revenue and profit targets for the full year. As anticipated, revenue in 1Q were impacted due to the seasonal lean quarter at industry level locally. Most importantly, we continue to execute against the long-term strategic growth plan, a plan which I am confident to be a key driver for greater shareholders and stakeholders value in the years ahead," said MSM's Executive Director, Dato' Khairil Anuar Aziz.



Structural and timely hedging brought down MSM's raw sugar cost by 23.1% against 1QFY17 yet hampered from an upward revision of the gas tariff in January by 16.0% leading to an increase in average refining cost. While Ringgit continues to perform at an average rate of 12.7% quarter-on-quarter, MSM currency rate is relatively higher than the market by 1.91% as it had locked the raw sugar price at USD0.14 cents to USD0.15 cents per pound – relatively higher than the average international raw sugar price.

“On average we spend around USD457 million for raw sugar purchases per year, accounting for approximately 88% of our production cost. While we are hopeful for raw sugar price to stabilize at USD0.13 cents to USD0.14 cents per pound, the trading risk on the futures market exposes us to exchange rate volatility. As a result, being globally diligent, strengthening our risk and governance policies are paramount to ensure financial and trading frameworks as well as agreements are protected in accordance via a check and balance mechanism,” added Dato' Khairil.

Meanwhile, based on the 97% completion rate (as at May 2018) the Johor refinery is scheduled to commission in June 2018 and effectively add to the capacity growth by 0.3 million tonnes for domestic and export growth in 2018. Selective markets in Asia Pacific and Oceania region, Middle East and North Africa (MENA) are favoured as it enables better margins to reduce offset from higher depreciation and interest expense cost for the construction of the Johor refinery.

“We expect to record a better financial performance in 2018 as compared to a challenging 2017, given a lower international raw sugar price and stronger Ringgit this year will ensure raw sugar cost to stabilise. Thus far our results have improved and while there is much work to do, I am encouraged by the momentum we have displayed in 2018,” said MSM's Chairman, Datuk Wira Azhar Abdul Hamid.

We are positive towards the government's commitment to completely abolish refined sugar import permits (AP) as MSM is faced with intense competition due to cheaper unregulated trade sugar from neighbouring countries via transshipment taking place in Malaysian ports.

MSM seeks to grow responsibly and sustainably over the remaining months of the year. With reaffirmed determination, MSM continues to maintain its leadership position with its high-quality product, process and brand in the domestic market and reshape our efforts for profitable export growth.

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About MSM Malaysia Holdings Berhad (MSM)

MSM Malaysia Holdings Berhad (MSM) is Malaysia's leading refined sugar producer involved in producing, marketing and selling refined sugar products under the Gula Prai brand. 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, United Arab Emirates.

At present, MSM's production capacity is up to 1.25 million tonnes of refined sugar per annum. In 2017, MSM produced 1,024,931 tonnes of refined sugar, of which 139,540 tonnes are catered for the export market. Currently, MSM corroborates up to 58% of the domestic market share.

Incorporated on 10 March 2011, MSM 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).

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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