

## **MEDIA RELEASE**

### **MALAYSIA SMELTING CORPORATION REPORTS LOWER PROFIT IN 2014 AMIDST CHALLENGING OPERATING ENVIRONMENT**

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Malaysia Smelting Corporation Berhad (“MSC”), a tin miner and metal producer, reported Group annual profit from continuing operations for the year ending 31 December 2014 of RM22.7 million net of tax, compared with RM47.8 million in 2013. Including losses from discontinued operations, the Group loss net of tax was RM10.0 million against a profit net of tax of RM11.0 million in 2013. The loss from discontinued operations, net of tax of RM32.6 million mainly comprised non-cash adjustments due to the de-consolidation of the assets and liabilities of the Group's Indonesian subsidiaries following the disposals of the Group's interests in these subsidiaries in June 2014.

The decline in Group profit was primarily due to higher cost pressures leading to a lower profit margin, provision for financial guarantee relating to the Company's operations in Indonesia and a negative impact of foreign currency translation. Global commodity markets continued to be volatile especially in the later part of 2014 when the commodity markets suffered significant decline in prices including tin. As a result, prices and margins for the Company products and operations have been negatively affected.

Despite a lower average tin price for the year, the Group managed to record a 21% increase in Group revenue for the financial year 2014 of RM1.9 billion, aided by higher sales quantity of refined tin, from RM1.6 billion for the financial year 2013.

The Group balance sheet has improved significantly. As at 31 December 2014, MSC Group has increased its net assets by RM54 million to RM234 million (2013: RM180 million) translating to an NAV of RM2.34 per share. Cash, bank balances and deposits also increased by RM14 million to RM118.0 million (2013: RM104 million) with total borrowings, which comprised mainly trade related credit facilities, decreased by almost RM28 million to RM341 million (2013: RM369 million).

In the fourth quarter ending 31 December 2014 (“4Q 2014”), the Group reported a 56% increase in revenue of RM525 million, attributable again to higher sales quantity of refined tin, compared with RM336 million during the same period a year ago. Tin prices weakened significantly in 4Q 2014 and were much lower on a year-on-year comparison. Despite the increase in revenue, Group profit before exceptional items was however lower at RM9.8 million, compared with RM35.0 million in the 4Q 2013 mainly due to reasons mentioned above.

On segmental performance, the Butterworth international smelting business recorded a lower profit before tax of RM38.6 million in 2014 against RM65.8 million in 2013, mainly due to higher cost pressures leading to a lower profit margin and a negative impact of foreign currency translation. Mining operations at Rahman Hydraulic Tin also recorded a lower profit before tax of RM29.8 million in 2014 against RM34.4 million in 2013 due to higher mining costs.

Looking forward, the Group expects market conditions to remain challenging as the global commodity and resource sectors continue to be depressed, thus resulting in lower commodity and metal prices including tin. Given the current environment, we will focus our efforts on cost and operational efficiency in 2015. Following the completion of the disposal of the Group's subsidiaries in Indonesia last year, the Group anticipates an improvement in the overall financial results in 2015 with positive contribution from operations of the Butterworth International Smelter and the Rahman Hydraulic Tin mine.

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