

NEWS RELEASE

Chairman's AGM Address

15 January 2021



There is no doubt that we are working through some of the most difficult times in the history of our sugarcane industry. The impact of the COVID-19 pandemic and global economic slowdown are real issues, requiring extraordinary responses.

In difficult times, the need for strong corporate governance is vitally important and the Fiji Sugar Corporation is responding to these challenges. In tough times, the need for the Corporation to maintain cohesion and stand together with our sugar cane growers cannot be understated. That is why we at FSC place such a strong focus on teamwork and collaboration with our industry partners.

The world sugar market has been adversely impacted by COVID-19 and the global lockdown. Due to a shortage of sugar in the world market, in early March 2020, the world sugar price experienced an increase to 15.2 c/lb. However, the impact of COVID-19 on global commodity markets reversed this trend from the middle of March 2020 and the world sugar market retreated accordingly. However, for FSC, sugar sales to the domestic market and Pacific Island Countries saw a positive growth in the year under review.

Environmental issues again negatively impacted us in the past year. FSC was affected by the damage caused by Tropical Cyclone Sarai which led to a decline in the crop harvest to 1,806,572 tonnes, against a pre-crush estimate of 1,850,650 tonnes. Furthermore, due to unfavourable changes to the weather patterns, sugar cane quality dropped critically, impacting the sugar make for the year. As a consequence, there was a negative impact on the tonnes cane to tonnes sugar ratio for the year.

The Board approved targeted capital investments for major equipment upgrades and refurbishment at all three mills, which included works on juice stabilization systems, acquisition of new centrifugal, 1.6MW diesel generators, rotary vacuum filters, and the reinstallation of the 12MW TG set at Lautoka and 10MW TG set at Labasa respectively. These upgrades assisted in improving and stabilizing operations at the mills in 2019.

Mechanization of harvesting efforts still remains a priority for our industry and it was pleasing to note that 28 new mechanical harvesters were introduced by cooperatives during the year. Due to COVID-19 and travel restrictions, FSC and the cooperatives faced an unprecedented challenge as predominantly, harvester operators were hired from India. Yet, through structured training initiatives, FSC managed to train Fijian nationals on harvester operations and basic maintenance and as a result harvesting was generally unaffected. Mechanization has brought a new dimension pertaining to the amount of extraneous matter being delivered to the mills for processing. This now poses a processing challenge and the mill teams are working on solutions with the Sugar Research Institute of Fiji.

With the COVID-19 pandemic still ravaging the world, Fiji couldn't escape the impact, although containment measures effectively limited the spread of the virus within the nation. FSC was directly impacted by this situation, being exposed to both the global and local effects of the pandemic. In April 2020, FSC took steps to ensure business continuity and survival amid COVID-19. Through the COVID Response Plan, the Corporation instituted a cut back in procurement to essential items only, tighter

control on maintenance spending and a reduction in head count and wage costs together with benefits. Services and contracted activities were scaled back as well.

To further reform FSC's balance sheet, improve liquidity and ensure FSC's ongoing viability, the Corporation resorted to disposing of unproductive land and properties through an open tender process. This initiative has been positive with proceeds from sales totalling \$25.93 million in the year under review.

At the last AGM, we spoke of our engagement with the Government of Fiji being the majority shareholder of FSC, to consider and implement the conversion of Government loans totalling \$173.8 million to shares in FSC, and to propose the acquisition of minority shares. Pleasingly, the conversion of Government debt to equity has been approved and the acquisition process is underway.

Our retail product line has been rebranded to "Sugars of Fiji" with an objective of finding new markets and business opportunities. The launch of the new Sugars of Fiji retail packs was held on 21 October 2019, funded by the Market Development Facility (MDF). The launch was officiated by the Hon. Prime Minister and Minister for Sugar, Josaia Voreqe Bainimarama. Since rebranding, Sugars of Fiji has been very well received in New Zealand in particular, and FSC has engaged an exclusive distributor in this important market.

The work of the Board Sub-Committees has progressed. The Board Sub-Committees comprise, Finance & Audit, Nomination & Remuneration and Risk & Compliance. I am pleased to report that through collaboration with the Board Sub-Committees, the Corporation has substantially strengthened governance and Board efficiency reflected in all facets of the business. A clear example is the financial performance of the Corporation, with two key highlights being a positive EBITDA of \$60.73 million and a net profit of \$21.88 million for the year, compared to a net loss of \$80.0 million last year.

On behalf of the Board, I take this opportunity to thank our stakeholders for their patience and support while also appreciating the immense dedication and commitment of our employees. It is no secret that the challenges at FSC are multi-fold, but the Board and Management are increasingly determined to steer FSC onto a viable footing for the future, noting the importance of the Sugar Industry for Fiji's continuing economic wellbeing.

In concluding, I want to thank the Hon. Prime Minister and the Government of Fiji for their confidence in the Board of FSC and their ongoing financial and moral support to the sugar industry.

Vishnu Mohan
Board Chairman

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