

# PRESIDENT/ GROUP CEO'S MESSAGE



**CAPTAIN  
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President/  
Group Chief Executive Officer

**Our efforts will be supported by the enhancement of our organisational culture and behaviour through the adoption of a broader international and adaptive mindset, while we continue to invest in the reskilling and upskilling of our workforce to meet the challenges of tomorrow.**

**Dear Valued Shareholders,**

## INTRODUCTION

2022 was a year of transition. Personally, I transitioned from COO to take over as Group CEO in October. Although I am an MISC veteran, transitioning from sea to shore and through various management and leadership roles in the group, this new accountability was a humbling experience. I have been reminded in my first few months as PGCEO of how blessed we are as an organisation to have such a committed team. The energy and passion throughout our businesses is impressive. This is of course in no small part due to our former President and Group CEO, Datuk Yee Yang Chien. Datuk Yee Yang Chien spent 20 years in various leadership roles within MISC and played an important role in its development. I wish to thank him for sharing his insights and perspectives on MISC with me, as we worked together for a seamless leadership transition. As a Group, we thank him for all he has done for the organisation and wish him the very best with his future voyage.

## A YEAR IN REVIEW

2022 was a year of mixed fortunes for MISC. As lockdowns and border restrictions eased around the world, many of MISC's businesses were able to resume operations at pre-pandemic levels, although China's zero-COVID strategy continued to affect some of our projects there. Some business segments leveraged firming markets while, conversely, macroeconomic factors and geopolitical tensions exacerbated supply chain disruptions and caused challenges for others.

We witnessed the fundamental reassessment of economic relations and dependencies as the world became more polarised. Rising commodity prices contributed to inflationary pressures and in response, central banks worldwide raised interest rates rapidly, escalating recessionary risks. We also saw volatility in energy markets. Energy security became of prime concern to policymakers and decarbonisation took a temporary back seat as nations sought to replace lost supplies.

Through these multi-dimensional challenges MISC took early proactive steps to continually keep our people safe, and to comply with all emerging laws, rules and regulations. Further, MISC recorded positive progress in our strategic execution, taking the opportunity to strengthen our foundations. This was made possible because of the premium reputation and relationships we have built with our valued stakeholders, including blue-chip clients. In an uncertain and volatile environment, the strength of the MISC brand and our diversified portfolio added security to our business, while the steadfast implementation of our strategy continued to deliver sustainable financial returns. Our concerted efforts were critical in powering our resilience, as we expanded our capabilities to venture into new areas in line with our ambition to drive sustainable growth and long-term value creation.

2022 also reinforced the need to accelerate the transition to a low-carbon future, both on environmental and energy security grounds.

## DELIVERING FINANCIAL SUSTAINABILITY

MISC delivered robust financial returns to record improved year-on-year performance. Group revenue rose 29.9% to RM13,867.0 million in 2022 compared to RM10,671.7 million in 2021, while profit before tax (PBT) increased by 5.6% to RM1,874.3 million in 2022, as compared to PBT of RM1,774.6 million in 2021.

Cash flow from operations (CFO) remains our preferred yardstick as it represents the real-world cash generation of our assets, undistorted by artificial accounting measures. The Group recorded CFO of RM3,042.1 million in 2022, which included cash payments of RM2,679.9 million for the conversion of an FPSO. Excluding the latter payment, MISC would have had CFO in 2022 of RM5,722.0 million, a 41.8% increase from 2021.

MISC's strong cash flows and consequent resilience is testament to the fundamental strength of our strategy - to create secured and recurring incomes by leasing assets on long term charters to select premium clients. Year on year, our strategy has delivered sustainable incomes that underpin MISC's continued success and predictable future cash flows, enabling MISC to deliver consistent dividends.

Our balance sheet remains healthy with a relatively low gearing compared to industry peers. Adopting a prudent hedging strategy has insulated MISC from the impacts of rapid interest rate rises. In 2022 MISC successfully returned to the bond markets after 18 years, issuing USD1.0 billion Global Medium-Term Notes at competitive rates, and prior to 2022's significant interest rate increases.

MISC remains one of the highest rated shipping companies in the world, and we have maintained our credit ratings with Moody's and S&P.

## OUR STRATEGIC REPORT CARD FOR 2022

We refuse to let short term events, no matter how unpredictable, blow us off course from our strategic path of long-term value creation through sustainable growth. To balance mitigating short-term challenges with focusing on long-term strategic objectives, MISC employs a dual-growth strategy.

We drive short- to medium-term growth through our five-year rolling business plans. These focus on serving traditional markets as responsibly as possible to generate secured recurring cash flows via long term contracts with premium clients. These underpin MISC's financial sustainability, deliver returns to our shareholders, and ensure we have the capital headroom required to fund the transition of our business and long-term strategy.

Our long-term strategy is defined by MISC 2050. This is our pathway to building a new portfolio of businesses that will enable the Group to thrive in the net-zero and circular economy. We do this by investing in our brand, our people and our planet.

The performance of our various businesses is detailed more fully in the Chairman's message and business segments of this report, but in summary, in 2022 MISC delivered on the following fronts as we executed our strategy.

### 1. HSSE

HSSE shall always remain our highest priority. In 2022 MISC's HSSE performance was generally maintained, but we are conscious of the need to inculcate a Generative HSSE Culture as a way of life in our organisation. We will work tirelessly to achieve this.

### 2. Project Execution

We focussed relentlessly on execution, particularly our Brazilian FPSO project, which had previously experienced challenges caused by COVID-19 and global supply chain issues. This focus is bearing fruit, and the recovery plan remains on track with delivery scheduled for 2024.

# PRESIDENT/GROUP CEO'S MESSAGE

## 3. Deepening strategic relationships with customers

We created further value for stakeholders across our businesses by deepening our long-term relationships with customers, through collaboration where appropriate. In 2022, our GAS business won long-term contracts for 12 LNG carriers from QatarEnergy (as a consortium member), and 2 LNG carriers from SeaRiver Maritime LLC. Our Petroleum business took delivery of 8 eco-friendly new tankers, which are all entered into long-term time charters. In the oil and gas sector, our Marine & Heavy Engineering business was awarded the FEED and EPCIC contracts for the Kasawari CCS project from PETRONAS Carigali Sdn Bhd and the EPC services contract for the offshore platform for the Rosmari-Marjoram gas project from Sarawak Shell Berhad. Our Offshore Business Unit won contract extensions on 2 FPSOs, the *Bunga Kertas* and *Ruby 2*.

## 4. Decarbonisation

In 2022, we formalised our commitment to net-zero GHG emissions by 2050 within our own operations as well as across our value chain. This dovetails our commitment to a 50% reduction in carbon intensity in shipping by 2030.

Our decarbonisation pathway utilises LNG as a transitional fuel today while we work proactively on the development of tomorrow's next generation zero-emission vessels (ZEVs). In 2022, we expanded our collaborations to strengthen our future focused asset portfolio.

In 2022, we took delivery of 2 LNG dual-fuel VLCCs, among the first in the world. This, together with the other 6 modern and eco-friendly tankers, form a significant step forward in our fleet rejuvenation plan.

In the meantime, our work to make ammonia powered ZEVs a reality continues in partnership with like-minded industry leaders throughout the maritime value chain. In 2022, we were delighted to welcome TotalEnergies into the Castor Initiative, a global coalition founded by MISC and others, focused on developing ammonia powered ZEVs. Separately, we entered 2 MOUs for the development and construction of ammonia ZEVs with PTT, and Samsung Heavy Industries/Lloyd's Register. Delivery of the vessels are expected by early 2026.

As outlined above, our Marine & Heavy Engineering business continues to support the oil and gas sector's decarbonisation efforts through its involvement in the Kasawari CCS and Rosmari-Marjoram projects. The Kasawari CCS project is both Malaysia's first CCS project and the world's largest offshore CCS project by volume of CO<sub>2</sub> captured, while the unmanned Rosmari-Marjoram platform will be primarily powered by renewable energy.

## 5. Sustainability and MISC 2050

We are cognisant that we must continuously adapt our business and drive industry change. We are two years into our 2021-2025 Sustainability Strategy which is seeing us operationalise and institutionalise our ESG commitments Group-wide. We are taking several pro-active steps to embed ESG imperatives purposefully within our business and more details can be found within our Sustainability Report 2022.

Our long-term strategy is focused on developing a new portfolio of businesses within the renewable energy and waste-to-value markets. Sustainability is the confluence of the environmental agenda and commercial viability, and recognising this is the key driver of our progress.

To this end, in 2022 we created a dedicated task force to scope the possibilities in CCUS. Work on this will continue in 2023 with the incubation of a new green energy unit under my office.

## 6. Digital transformation

In 2022 we continued our digital transformation strategy. We focussed on investments in start-ups that are developing technologies which will support the transition of the maritime sector to net-zero, and on transforming our internal DNA to become a more data-driven organisation. This is being delivered through the transformation of our finance, procurement and document control systems. We are on track with our internal transformation plan which when complete will enable our people to use advanced analytics tools and access data to gain insights into our operations and thus make more data-driven decisions to drive our business growth.

## PUTTING OUR PEOPLE FIRST

Our people are the foundation of everything we do. We remain focussed on improving our employee value proposition, while maintaining equitability among our diverse talent population across our global portfolio.

In 2022, as the world opened up we continued to support our staff's wellbeing and provide necessary assistance where required. We continue to further empower and engage with our staff, while investing in future-proofing our people through upskilling programmes that promote continuous professional and leadership development.

MISC is passionate in embracing diversity and inclusion within our workforce, as the source of an organisational culture that drives innovation. The MISC Diversity and Inclusion (D&I) Policy was implemented in 2022 through the establishment of a D&I Journey Map and Aspirational Targets and supplemented with activities to raise awareness.

## LOOKING AHEAD INTO 2023

2023 is filled with opportunities for MISC. The strength of our organisation, our brand and, most importantly, our people, means we are well placed to capture these. The year ahead will see us shifting gears both in terms of the execution of current projects and advancement towards achieving our 2050 objectives.

External uncertainties will persist, as always. Ongoing geopolitical tensions will continue to disrupt global stability, economic development and trade patterns. Simultaneously, the energy transition will gather pace, driven by growing demand for cleaner energy and energy security. This will present new opportunities to us as we pivot. At the same time, we expect sustained increases in demand for LNG shipments particularly into Europe.

New maritime regulations arising from the global decarbonisation agenda also present opportunities. The dynamic regulatory landscape will drive the future focus of new capex investment on greener assets, namely dual-fuel vessels and low carbon emission assets.

Demand for the right talent will continue to be intense. This is exacerbated by higher inflation and consequent wage demands. Reskilling our talent for the future is a challenge, but an essential one which also presents tremendous opportunity.

## OUR STRATEGIC PLAN FOR 2023

We will maintain our focus on project execution, while remaining open to opportunistic investment where it meets our strategic aims and creates long-term shareholder value.

The current market landscape is supportive of our growth trajectory, but to ensure our long-term future success we must re-assess our businesses portfolio and strategy. A strategic business review is underway, and in 2023 we shall

deliver further value to stakeholders by transforming our business model and reinforcing our pathway to achieving net-zero by 2050, all underpinned by the UNSDGs we have adopted. We will continue to align and collaborate with key industry leaders to drive this agenda.

Our efforts will be supported by the enhancement of our organisational culture and behaviour through the adoption of a broader international and adaptive mindset, while we continue to invest in the reskilling and upskilling of our workforce to meet the challenges of tomorrow.

## A NOTE OF THANKS

On behalf of MISC, I would like to extend our sincere appreciation to our valued shareholders, customers and partners for their trust, faith and support to MISC. Our gratitude also goes to the MISC Board of Directors for their steadfast commitment in upholding the highest standards of governance and for their insightful and valuable guidance.

We at MISC are cognisant that we must adapt to a world changing at an ever-increasing speed. It is imperative that we accelerate our own transformation as the world around us changes rapidly. There is a great deal more to do. For MISC, "Moving Energy" means much more than merely the transportation of cargo. It is the progress of our people and mindsets, anchored in our values, and driven by our ambition and passion to create a better future – in short, it is who we aspire to be. With 2022 as MISC's year of Powering Resilience, we move forward with growing confidence that the Group is on track to achieve our shared aspiration of building a Sustainable Future.

***I look forward to working together with our stakeholders to improve our value proposition as an organisation. Thank you for your trust and support as always.***