MEDIA RELEASE

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MISC GROUP REPORTS FINANCIAL RESULTS FOR THE FIRST QUARTER OF FY2020

MISC is pleased to announce its financial results for the financial period ended 31 March 2020.

Financial Highlights:

- Group revenue for the quarter ended 31 March 2020 was higher than the corresponding quarter ended 31 March 2019.
- Group operating profit for the quarter ended 31 March 2020 was higher than the corresponding quarter ended 31 March 2019.
- Group cashflow generated from operating activities for the quarter ended 31 March 2020 was higher than the corresponding quarter ended 31 March 2019.
- Group loss before tax for the quarter ended 31 March 2020 despite higher operating profit mentioned above was due to the provision for litigation claims of RM1,049.2 million and write off of trade receivables and loss on re-measurement of finance lease receivables amounting to RM935.2 million following the Award ("Award") announced by the Arbitral Tribunal on arbitration proceedings by Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") against Sabah Shell Petroleum Company Limited ("SSPC").

Mr. Yee Yang Chien, President/Group CEO of MISC said, "We began 2020 full of optimism as we ushered in the new year with AET, our wholly-owned petroleum shipping subsidiary, securing new long term charter projects for its fast growing Dynamic Positioning Shuttle Tanker (DPST) for the Brazilian market. This success was followed by AET securing time charters for the world's first LNG dual-fuel VLCCs. Unfortunately, the world was not prepared to deal with the double threat of the collapse in oil price and the economic fallout from the global COVID-19 pandemic."

"We are fortunate and thankful that our shipping and floating production businesses are deemed essential services and we have been able to continue operating. MISC's ability to generate a 61.1% increase in operating cash flow during the first quarter against the corresponding quarter of 2019 reflects our strong strategy execution that continues to deliver results despite the prevailing macro-economic circumstance. Throughout this trying period, we have also vowed to keep our personnel safe and we contributed in various ways as a responsible corporate citizen in the battle against the global pandemic. It is all the more important especially now as we endure the inevitable pandemic's aftermath, that we do not lose sight of our goals and strategies for the year while not letting loose our strong grip on health and safety," Mr Yee added.

Group Revenue, Operating Profit and Loss Before Tax for the Quarter Ended 31 March 2020

Group revenue for the quarter ended 31 March 2020 of RM2,513.8 million was 10.4% higher than the corresponding quarter's revenue of RM2,277.7 million coming from higher contributions from all segments except for the Offshore segment. Heavy Engineering segment reported an increase in revenue of RM143.7 million following higher contribution from on-going projects coupled with increased conversion work. Higher earning days brought about by lower dry-docking activities in the current quarter has contributed to an increase in LNG's revenue of RM70.5 million whilst improved freight rates in the Petroleum segment have generated an increase in revenue of RM54.3 million.

Group operating profit for the quarter ended 31 March 2020 of RM845.1 million was 42.8% higher than the corresponding quarter's operating profit of RM591.9 million as all segments recorded an increase in operating profit. The increase in operating profit under the Petroleum and LNG segments of RM201.6 million and RM37.5 million respectively, are attributable to the higher revenue mentioned above. Following a reversal of cost provision as well as an increase in revenue, Heavy Engineering generated operating profit of RM5.6 million in the current quarter as compared to an operating loss of RM29.1 million in the corresponding quarter.

The Group reported a loss before tax for the quarter ended 31 March 2020 of RM1,145.4 million compared to a profit before tax of RM542.0 million in the corresponding quarter mainly due to the result of the decision by the Arbitration Tribunal on the Group's arbitration proceeding against SSPC. As a prudent measure, the Group has decided to recognise a provision for litigation claims amounting to RM1,049.2 million, as well as a write off of trade receivables and loss on re-measurement of finance lease receivables of RM935.2 million in the current quarter. Albeit surprised and dismayed by the unexpected outcome of the Award, the Group is advised that it has legal merits to challenge the Award and intends to pursue an application to set aside a substantial portion of the claims awarded to SSPC. The Group is determined to rigorously challenge, among others, the Tribunal's decision and a significant portion of the claims awarded to SSPC.

The Group's cashflow generated from operating activities for the quarter ended 31 March 2020 of RM2,183.9 million increased by 61.1% in the current quarter from RM1,355.8 million in the corresponding quarter. The increase in cashflow generated from operating activities is mainly from higher net inflows in the LNG, Petroleum and Heavy Engineering segments from the improved operating performance mentioned above. Furthermore, the healthy cash balance is supported by the steady cashflow generated from the Offshore and LNG segments' portfolio of long-term contracts.

Moving Forward

The petroleum tanker market has been one of few segments of the oil industry that enjoyed positive momentum in first quarter of 2020. The unexpected price war that erupted between oil producers Russia and Saudi Arabia created a spike in tanker spot rates as demand for shipping surged due to the sudden flood of low-priced oil into the market. The segment was subsequently supported by high demand for tankers to be used as floating storage amid a slump in global oil demand due to the COVID-19 pandemic. While the tanker market remains firm for the moment, the OPEC+ coalition agreement to make deep production cuts to support oil prices will eventually lead to reduced demand for tankers. Hence, the prospects for the second half of the year is highly uncertain, depending on the duration and magnitude of the pandemic's impact on oil demand as well as the level of oil supply by OPEC+ and non-OPEC+ producers.

The LNG shipping segment's financial performance continues to be underpinned by recurring income from its portfolio of long-term contracts. Meanwhile, in the spot market, LNG shipping rates have been dipping due to the end of the peak winter season and exacerbated by a slowdown in Asian LNG demand amid the COVID-19 outbreak, a mild winter in Asia and high inventories. This is expected to persist in the second quarter of 2020 as the market enters the seasonal low-demand period. The weak global economy coupled with low LNG prices could cause delays in planned LNG projects, which may lead to slower fleet growth.

The offshore business segment's existing long-term contracts will continue to support its stable financial performance. However, the growth prospects for the offshore business segment will be very challenging as the depressed oil price would likely reduce the number of new opportunities to be tapped. The floating production system market is anticipating a reduction in capital and operating expenditures by major oil companies which may result in projects and contract awards being deferred or cancelled in the near term.

With the current COVID-19 pandemic and depressed oil price environment, the heavy engineering segment expects the risks of deferments and scale-down of upstream projects to prolong and continue to pose challenges to the industry for the remainder of the year. The outlook for marine repairs and dry-docking activities also remain uncertain with demand for LNG expected to experience a slowdown due to a significantly weakened economic outlook. The pandemic had also resulted in the suspension of the segment's yard operations to comply with the Movement Control Order (MCO) imposed nationwide, and it was only granted approval on 16 April 2020 to operate at limited capacity. Subsequently, on 28 April 2020, the Malaysian Government announced that approved companies are allowed to operate at full workforce capacity during the MCO. However, it remains uncertain how business operations will be conducted during and after the MCO as many other countries are also currently in or have just lifted their lockdowns. The segment expects significant disruption to the global supply chain which may affect the supply of raw materials and result in higher costs. As a result, the segment faces significant risks to its financial results and position including potential impairment of assets. The segment's ability to assess the impact is made more difficult due to the extremely fluid global situation riddled with uncertainties. Notwithstanding, the heavy engineering segment remains committed to focus on resource optimisation and competitiveness, as well as diversifying into new business opportunities, namely onshore and renewable segments.

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About MISC

MISC Berhad (MISC), was incorporated in 1968 and is a world leading provider of international energy related maritime solutions and services. The principal businesses of the Group comprise energy shipping and its related activities, owning and operating offshore floating solutions, marine repair and conversion, engineering and construction works, integrated marine services, port and terminal services as well as maritime education and training.

As at 31 December 2019, MISC Group's fleet consists of more than 100 owned and in-chartered Liquefied Natural Gas (LNG), Petroleum and Product vessels, 14 Floating Production Systems (FPS) as well as 2 LNG Floating Storage Units (FSU). The fleet has a combined deadweight tonnage (dwt) capacity of more than 13 million tonnes.

We take pride in our asset and service reliability, commitment to uphold the highest standards of Health, Safety and Environment (HSE), fostering a culture of excellence amongst our employees, operating responsibly and caring for the environment as well as making a positive difference to the communities in which we operate.

MISC Group is a proud member of 'Getting to Zero Coalition' committed to developing zero-emission vessels by 2030. The Coalition is a powerful alliance of more than 70 public and private organizations that will lead the push for international shipping's decarbonisation.

Since 2014, we have been a proud constituent of the FTSE4Good Bursa Malaysia Index, a testament to our sustainability performance and strong Environmental, Social and Governance (ESG) practices.

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