# MEDIA RELEASE

Kuala Lumpur, 13 August 2020, Thursday

## MISC GROUP REPORTS FINANCIAL RESULTS FOR THE SECOND QUARTER OF FY2020

MISC is pleased to announce its financial results for the financial period ended 30 June 2020.

**Financial Highlights:**

- Group revenue and operating profit for the quarter and 6 months period ended 30 June 2020 was higher than the corresponding quarter and 6 months period ended 30 June 2019.
- The Group recorded a net loss for the current 6 months period ended 30 June 2020 mainly due to the provisions and impairment loss recorded in the first quarter of 2020 relating to the adverse decision on arbitration proceedings by Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") against Sabah Shell Petroleum Company Limited ("SSPC"). The Group also recorded impairment loss on its Heavy Engineering's asset in the current quarter in light of the current oil and gas downturn, COVID-19 pandemic and the expected prolonged recovery of the industry.
- Group cash flow generated from operating activities for the period ended 30 June 2020 was higher than the corresponding period ended 30 June 2019.

*MISC's President & Group Chief Executive Officer, Mr. Yee Yang Chien said, "We recorded a stable performance contributed largely by the LNG and Petroleum segment for the second quarter notwithstanding the global harsh blows of the unprecedented COVID-19 pandemic. Despite the strenuous market environment, we remained steadfast to our earnings resiliency and will continue to pursue markets which are pivotal to the built up of our sustainable income."*

*"As we move on to the next quarter with a firm and steady steer, MISC will continue with the completion of projects and expenditure optimisation across the Group. Most important for us now is that we keep a tight grip on our policies and practices on safety and health for our personnel across the globe; be it at sea or shore as their wellbeing remain as our top priority. We will not ignore reality and depart from the fact that the months to come will be challenging but we must persevere and remain optimistic on the development of many strategic initiatives that we have set out to achieve," Mr. Yee added.*

**Group Revenue, Operating Profit and Loss Before Tax for the Quarter Ended 30 June 2020**

Group revenue for the quarter ended 30 June 2020 of RM2,186.3 million was 1.1% higher than the corresponding quarter's revenue of RM2,161.7 million coming from higher contributions from Petroleum segment following improved freight rates and higher earning days in the LNG segment. This increase however, was softened by lower revenue in the Heavy Engineering segment mainly due to lower contribution from on-going heavy engineering projects and lower dry docking services in the Marine segment following the yard shutdown during the Movement Control Order ("MCO") and the Government's border restriction ruling which prohibited international clients from coming to the yard due to the COVID-19 pandemic.

Group operating profit for the quarter ended 30 June 2020 of RM522.9 million was 8.0% higher than the corresponding quarter's operating profit of RM484.3 million mainly due to the higher freight rates in the Petroleum segment and higher earning days in the LNG segment, as mentioned above. This increase however was offset by the operating loss recorded in the Heavy Engineering segment mainly from lower revenue as explained above coupled with additional cost provisions and higher unabsorbed overheads arising from the COVID-19 pandemic in the current quarter.

The Group reported a profit before tax for the quarter ended 30 June 2020 of RM186.0 million compared to a profit before tax of RM419.1 million in the corresponding quarter. The reduction in profit is mainly due to the recognition of an impairment loss amounting to RM300.0 million in the Heavy Engineering segment on its property, plant and equipment and right of-use assets. The impairment loss was recognised in light of the current oil and gas downturn, COVID-19 pandemic and the expected prolonged recovery of the industry.

**Group Revenue, Operating Profit and Profit Before Tax for the 6 Months Period Ended 30 June 2020**

Group revenue for the 6 months period ended 30 June 2020 of RM4,700.1 million was 5.9% higher than the corresponding 6 months period ended 30 June 2019 revenue of RM4,439.4 million mainly due to higher freight rates in the Petroleum segment and higher earning days in the LNG segment. Notwithstanding the progress slippage from the COVID-19 pandemic impact, Heavy Engineering segment also reported an increase in revenue of RM21.9 million following higher contribution from on-going projects.

Group operating profit for the 6 months period ended 30 June 2020 of RM1,368.0 million was 27.1% higher than the corresponding 6 months period ended 30 June 2019 of RM1,076.2 million mainly due to higher margin on freight rates in the Petroleum segment and higher earning days in the LNG segment as mentioned above. However, the increase in operating profit was softened by the higher operating loss recorded in the Heavy Engineering segment due to additional cost provisions and associated higher unabsorbed overheads arising from the COVID-19 pandemic.

The Group reported a loss before tax of RM959.4 million compared to a profit before tax of RM961.1 million in the corresponding period. The current period loss was mainly due to the recognition of 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 following the decision by the Arbitration Tribunal on the Group's arbitration proceedings against SSPC. Additionally, the Group also recorded an impairment loss of RM300.0 million in the Heavy Engineering segment's property, plant and equipment and right of-use assets in the current financial period.

The Group's cash flow generated from operating activities for the period ended 30 June 2020 of RM3,410.5 million increased by 26.7% in the current period from RM2,691.3 million in the corresponding period. The increase in cash flow generated from operating activities is mainly from higher net inflows in the LNG and Petroleum from the improved operating performance mentioned above and time charter income paid in advance by customers. Furthermore, the healthy cash balance is supported by the steady cash flow generated from the Offshore and LNG segments' portfolio of long-term contracts.

**Moving Forward**

In the Petroleum tanker market, after the huge spike in spot rates during March-April 2020 when there was a sudden increase in oil supply due to the oil price war, rates have since plunged due to lower tonnage demand on the back of weak oil demand and OPEC-led production cuts as well as US shale output shut-ins. With the global economy expected to take some time to recover to pre-pandemic levels and with a large oil inventory overhang yet to be cleared, freight rates will likely remain under pressure for the remainder of the year. Nevertheless, the Petroleum shipping segment will continue to focus on building secured income through the expansion of its niche shuttle tanker business and rejuvenation of its VLCC fleet with eco-friendly LNG dual fuel systems to mitigate any weaknesses in the spot market.

LNG spot charter rates remain soft as COVID-19 continues to dampen LNG demand resulting in cargo cancellations and output cuts by producers. This is expected to persist in the coming quarter as the market enters the seasonal low-demand period. Nevertheless, this will have limited impact on the steady performance of the Group's LNG business segment as the majority of its vessels are under long-term charters. The six (6) new VLECs which are expected to commence their long-term charters from the fourth quarter of 2020 onwards will provide further growth in secured income.

While the Offshore business segment's existing long-term contracts continues to support its stable financial performance, the growth prospects for the Offshore business segment remains very challenging with the prolonged weakness in oil price. The cutback in capital spending by major oil companies continues to weigh heavily on the number of new opportunities to be tapped as it has resulted in projects and contract awards being deferred or cancelled in the near term. However, over the longer term, the Offshore business segment will remain a growth segment for the Group as it continues to source for offshore investment opportunities particularly for projects in the Atlantic Basin.

For the Heavy Engineering segment, whilst yard operations have resumed since April 2020, its operational activities are still constrained to the "new normal" and restrictions imposed to ensure the COVID-19 pandemic is kept under control. The segment's Marine business would be further affected by the slump in LNG demand and steeper competition from China and Singapore vying for the limited number of jobs available in the market. Given the prolonged oil market recovery outlook, the segment remains cautious on the prospect of securing new orders for the remainder of the year. Notwithstanding, the segment continues to focus on cost management to optimise operating costs and is also prioritising execution and safe delivery of ongoing projects. Additionally, the segment continues to intensify the pursuit of business opportunities in other areas to replenish its order book.

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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 30 June 2020, MISC Group's fleet consists of more than 100 owned and in-chartered vessels comprising of 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 14 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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