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MEDIA RELEASE

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MISC GROUP FINANCIAL RESULTS FOR THE THIRD QUARTER OF FY2021

MISC is pleased to announce its financial results for the third quarter ended 30 September 2021.

Financial Highlights:

- Group revenue and operating profit for the quarter ended 30 September 2021 were higher than the corresponding quarter ended 30 September 2020.
- Group revenue for the 9 months period ended 30 September 2021 was higher than the corresponding 9 months period ended 30 September 2020.
- Group operating profit for the 9 months period ended 30 September 2021 was lower than the corresponding 9 months period ended 30 September 2020.
- Group recorded a profit before tax for the 9 months period ended 30 September 2021 compared to loss in the corresponding 9 months period ended 30 September 2020 as the corresponding period included provision for litigation claims and write-off of trade receivables and loss on re-measurement of finance lease receivables 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”).

Datuk Yee Yang Chien, President and Group Chief Executive Officer of MISC said, *“We are pleased to deliver another solid quarter backed by higher earnings which demonstrates our strong economic and financial performance. Our third quarter results highlight the full value of our portfolios as our revenues continue to strengthen. The steps we have taken showcase our capacity in building strong business momentum, obtaining the maximum possible value and driving resilience in this dynamic market environment. Moving deeper into post-pandemic economic recovery, we are positioned well to execute our long-term strategy for profitable growth as we advance towards our goals for a decarbonised future.”*

“Oil and gas demand is still on a rising trend attributed to the strengthening market conditions supported by proactive supply management by OPEC+ and seasonal demand. Global economy also appears to continuously improve bringing us closer to pre-pandemic levels. However, ongoing economic recovery will vary according to countries with vaccination rates as challenges remain in the context of COVID-19 disruptions and related headwinds. In addition, the constraints in the global supply chain hit by critical shortages will likely persist as it copes with high demand. Nevertheless, we are cautiously optimistic that these fundamentals will remain in the fourth quarter and into the year 2022 while we look forward to a strong finish to the financial year,” added Datuk Yee.

Group Revenue, Operating Profit and Profit Before Tax for the Quarter Ended 30 September 2021

Group revenue for the quarter ended 30 September 2021 of RM2,691.8 million was 30.7% higher than the corresponding quarter's revenue of RM2,059.5 million, primarily contributed by higher revenue from the Offshore Business segment following the recognition of revenue from conversion of a Floating, Production, Storage and Offloading ("FPSO"). Additionally, higher earning days from the deliveries of six Very Large Ethane Carriers ("VLEC") since the fourth quarter of 2020 have contributed to an increase in the LNG Asset Solutions segment's revenue. The Marine & Heavy Engineering segment also reported higher revenue mainly from increased activities for an ongoing heavy engineering project partially offset by the absence of conversion works in the Marine sub-segment in the current quarter. However, this increase was softened by lower revenue in the Petroleum & Product Shipping segment resulting from lower freight rates in the current quarter and lower earning days from vessel disposals and redeliveries since last year.

Group operating profit for the quarter ended 30 September 2021 of RM484.3 million was 46.8% higher than the corresponding quarter's profit of RM330.0 million mainly from the Offshore Business and the LNG Asset Solutions segments in tandem with higher revenue in the current quarter as mentioned above. This increase however was reduced as the Petroleum & Product Shipping segment swung to an operating loss in the current quarter mainly due to lower freight rates and lower earning days as explained above. Despite recording higher revenue, the Marine & Heavy Engineering segment also recorded an operating loss in the current quarter mainly due to lower contribution from post-sail away heavy engineering projects and lower revenue in the Marine sub-segment.

The Group reported a higher profit before tax of RM402.1 million compared to a profit before tax of RM281.2 million in the corresponding quarter mainly contributed by higher operating profit as explained above.

Group Revenue, Operating Profit, Profit Before Tax and Cash Flows from Operating Activities for the 9 Months Period Ended 30 September 2021

Group revenue for the 9 months period ended 30 September 2021 of RM7,586.5 million was 12.2% higher than the corresponding 9 months period ended 30 September 2020 revenue of RM6,759.6 million mainly contributed by the recognition of revenue from the conversion of an FPSO in the Offshore Business segment. In addition, the Marine & Heavy Engineering segment recorded higher revenue from an ongoing heavy engineering project as well as the prior period was impacted by yard shutdown during the Movement Control Order ("MCO 1.0"). The LNG Asset Solutions segment also recorded higher revenue following deliveries of six VLECs since the fourth quarter of 2020. However, the increase was partially negated by lower revenue recorded in the Petroleum & Product Shipping segment from lower freight rates in the current period and lower earning days from vessel disposals and redeliveries since last year.

Group operating profit for the 9 months period ended 30 September 2021 of RM1,575.1 million was 7.2% lower than the corresponding 9 months period ended 30 September 2020 of RM1,698.0 million largely caused by lower revenue from the Petroleum & Product Shipping segment as explained above, partially softened by the one-off compensation for a contract renegotiation in the current period. In addition, the Marine & Heavy Engineering segment recorded a higher operating loss due to additional cost provision recognised for an ongoing project, while the LNG Asset Solutions segment reported lower operating profit mainly due to higher vessel operating costs and impairment on receivables during the period. The decrease in operating profit was mitigated by higher operating profit contributed by higher revenue from the Offshore Business segment.

The Group reported profit before tax of RM1,342.5 million compared to a loss before tax of RM678.2 million in the corresponding period as the corresponding period included 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 amounting to RM935.2 million following the adverse decision by the Arbitration Tribunal on the GKL's arbitration proceeding against SSPC. Additionally, the Group also recorded lower impairment loss by RM240.0 million mainly in the Marine & Heavy Engineering segment.

The Group recorded cash flows generated from operating activities of RM2,130.5 million for the 9 months period ended 30 September 2021, which included cash payments of RM831.2 million for the conversion of an FPSO in the current period. Excluding the said payments, the Group generated an operating cash flow of RM2,961.7 million, which is lower by 34.1% compared to RM4,491.5 million recorded in the corresponding period. The decrease was mainly due to a one-off charter prepayment received from a customer in the Petroleum & Product Shipping segment in the corresponding period and the lower operating cash flow in the Marine & Heavy Engineering and the Petroleum & Product Shipping segments in the current period. However, the Group's cash balance remains healthy at RM7,413.4 million, supported by the steady cash flow generated from the Offshore Business and the LNG Asset Solutions segments' portfolio of long-term contracts.

Moving Forward

In the LNG shipping market, spot charter rates remained relatively steady in the third quarter of 2021 despite a surge in European gas demand due to lower wind and solar power generation. However, LNG shipping rates are expected to strengthen towards the year-end on account of high winter season demand in Europe and Asia. Despite surging gas prices, Asian LNG demand is likely to remain robust as China is facing power outages in its Northern regions with its policy of curbing coal consumption leading to gas shortages. Notwithstanding the market volatility, the operating income of the LNG Asset Solutions segment is expected to remain fairly stable, underwritten by its portfolio of long-term charters.

The prolonged impacts of the pandemic and OPEC+ production cuts continue to have an adverse effect on the petroleum shipping market, especially in the crude sector. In the short term, the tanker market is expected to see some modest improvement towards winter, although risks to the market outlook still remain. Meanwhile, the medium-term prospects remain positive for the tanker market, with likely improvements focused towards the second half of 2022 whereby tanker demand is projected to return close to 2019 levels, driven by OPEC+ phased supply increases and continued economic recovery. Nonetheless, the Petroleum & Product Shipping segment will continue to focus on building long-term secured income through its niche shuttle tanker business and rejuvenation of its fleet with eco-friendly LNG dual-fuel tankers.

The global offshore exploration and production space has shown its resilience and ability to execute projects despite COVID-19 restrictions. The medium-term outlook for the floating production systems sector seems promising with positive expectations for global growth and sturdy oil price, together with attractive returns for offshore developments and pipeline projects to be sanctioned. The Offshore Business segment will continue to focus on the execution of the new FPSO project in hand while also sourcing for opportunities in targeted markets. For the time being, the existing portfolio of long-term contracts will continue to support the financial performance of the segment.

With continued uncertainty over the economic recovery coupled with high steel prices, the Marine and Heavy Engineering segment remains cautious on the prospects for the Heavy Engineering sub-segment during the remainder of the year. Meanwhile, the Marine sub-segment is expected to remain challenging as foreign clients are likely to continue to send their vessels to countries with more relaxed border restrictions until international borders reopen. In addition, the increase in LNG trade this upcoming winter is anticipated to lead to greater competition amongst shipyards for limited dry-docking opportunities. In the meantime, the segment's key priorities are to replenish its order book, as well as focusing on cost management, safe execution and timely delivery of ongoing projects.

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About MISC Berhad

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 September 2021, MISC Group's fleet consists of approximately 100 owned and in-chartered vessels comprising of Liquefied Natural Gas (LNG), Petroleum and Product vessels, 12 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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Issued on behalf of MISC Berhad by the Group Corporate Communications (GCC) Department of MISC Berhad. For media inquiries, please contact:

Shanni Muthiah Head Group Corporate Communications MISC Berhad Tel : +603-2275 2224 Email : shanni.muthiah@miscbhd.com	**or**	Liza Razak Manager, External Communications Group Corporate Communications MISC Berhad Tel : +603-2275 3207 Email : n.lizaharyati@miscbhd.com