MEDIA RELEASE

Kuala Lumpur, 7 August 2018, Tuesday

MISC GROUP FINANCIAL RESULTS
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2018

MISC is pleased to announce its financial results for the financial period ended 30 June 2018.

Financial Highlights:

- Group revenue for the quarter and the 6 months period ended 30 June 2018 were lower than the corresponding quarter and 6 months period ended 30 June 2017.
- Group profit before tax for the quarter and the 6 months period ended 30 June 2018 were lower than the corresponding quarter and 6 months period ended 30 June 2017.

MISC's President/Group Chief Executive Officer, Mr. Yee Yang Chien said *"In the face of market conditions that are highly volatile and challenging, the Group continues to record notable developments that reflects our resilience in demonstrating excellent performance operationally, our ability to consistently create value across the Group as well as to leverage on growth opportunities available in the industry. We remain optimistic that our strong presence in the market will continue to sustain our development and provide the impetus to drive us forward."*

Group Revenue, Operating Profit and Profit Before Tax for the Quarter Ended 30 June 2018

Group revenue for the quarter ended 30 June 2018 of RM2,141.8 million was 7.0% lower than the corresponding quarter's revenue of RM2,302.5 million. The decrease in Group revenue was mainly from the LNG segment, due to lower charter rate for one of its carrier following renewal of its contract. Heavy Engineering segment also recorded lower revenue from post sail away projects coupled with lower percentage of completion from its newly secured projects as they are still in their early stages whilst Petroleum segment's revenue was also affected by the challenging charter rates.

Group operating profit of RM347.0 million was 51.6% lower than the corresponding quarter's operating profit of RM717.4 million as Petroleum and Heavy Engineering segments both recorded further operating losses in the current quarter. Higher operating loss in the Petroleum segment was due to higher vessel operating costs whereas Heavy Engineering segment's higher loss was caused by the lower revenue and additional costs incurred in the current quarter. Additionally, LNG segment recorded lower operating profit compared to the corresponding quarter as the latter included recognition of compensation for early termination of a time charter contract for one of its vessel coupled with lower revenue in the current quarter.

Group profit before tax of RM318.5 million was lower than the corresponding quarter's profit before tax of RM558.7 million caused by the decrease in Group operating profit as explained above.

Group Revenue, Operating Profit and Profit Before Tax for the 6 Months Period Ended 30 June 2018

Group revenue for the 6 months period ended 30 June 2018 of RM4,162.6 million was 21.3% lower than the corresponding 6 months period ended 30 June 2017 revenue of RM5,287.4 million. The decrease in revenue was mainly from the Offshore segment as the corresponding period included a recognition of one time gain for Gumusut-Kakap Semi-Floating Production System (L) Limited's ("GKL") arising from the adjudication decision in February 2017 and lower construction revenue for FSO Benchamas 2 in the current period as the construction has been fully completed in May 2018. Group revenue was further dampened by the LNG segment due to lower charter rate for one of its carrier following renewal of its contract. Heavy Engineering segment also recorded lower revenue due to post sail away projects coupled with lower percentage of completion from its newly secured projects as they are still in their early stages whilst Petroleum segment's revenue was dampened due to lower freight rates.

Group operating profit for the 6 months period ended 30 June 2018 of RM730.4 million was 47.8% lower than the corresponding 6 months period ended 30 June 2017 operating profit of RM1,398.7 million. Petroleum segment recorded operating loss in the current period due to lower freight rates and higher vessel operating costs while Heavy Engineering segment's further loss was affected by additional costs incurred on conversion works. Additionally, both Offshore and LNG segments also recorded lower operating profit following lower revenue recognized. Furthermore, LNG segment's lower operating profit was due to recognition of compensation for early termination of a time charter contract for one of its vessel in the corresponding period.

Group profit before tax of RM637.7 million was lower than the corresponding period's profit before tax of RM1,255.3 million caused by the decrease in Group operating profit as explained above.

Moving Forward

In June 2018, OPEC and other top crude producers agreed to raise output from July by about 1 million barrels per day although the actual oil supply coming online is likely to be lower due to persisting geopolitical challenges in some oil producing countries. As such, OPEC-led production cuts will begin to ease over the second half of 2018. Nonetheless, this development is expected to be positive for tanker markets as demand for crude tankers are likely to pick-up and the Very Large Crude Carriers (VLCC) segment is expected to benefit the most, especially for the Arabian Gulf-Asia trade.

Tanker demolition rates have remained high but tanker earnings are still being hit as fleet growth continues to exert pressure on the petroleum freight rates. Nevertheless, rising global oil consumption, higher US exports and eroding inventories is expected to support the recovery in freight rates in the medium to longer term.

In the LNG shipping segment, current spot rates are rising gradually on the back of improved chartering activities. International LNG trade has continued to thrive from both a supply and demand perspective, mainly driven by demand growth from strong enforcement of coal-to-gas switching policies in China and expected new and/or ramping of LNG supplies from the Atlantic during second half of 2018. Despite the tonnage oversupply situation in the spot market, indicators are positive for further improvements through the rest of the year.

Nevertheless, our present portfolio of long term charters will provide stable income and cashflow to the Group's LNG business segment.

The Group believes that the steady oil price recovery in recent months and renewed interest in growth opportunities have led to increase of activities in the offshore segment, especially for developments within the Atlantic Basin. Such optimism is expected to boost the number of projects approved which will also represent opportunities for the Group, both locally and internationally. Our existing portfolio of long term contracts will also continue to support the stable financial performance of the Offshore business segment.

While there is growing optimism for an increase in offshore activities, these have yet to trickle down to real opportunities for the Heavy Engineering segment. As such, the Heavy Engineering segment performance is expected to remain under pressure in 2018. For the second half of the year, Heavy Engineering segment expects improved activity in the marine repair business arising from the deferral of some dry docking activities during the first half of the year.

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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 of 31 December 2017, MISC Group's fleet consists of more than 120 owned and in-chartered Liquefied Natural Gas (LNG), Petroleum and Product vessels, 16 Floating Production Systems (FPS) as well as 2 LNG LNG Floating Storage Units (FSUs). The fleet has a combined deadweight tonnage (dwt) capacity of approximately 16 million tonnes.

Aside from its shipping business, maritime education is a priority for the Group and its Malaysian Maritime Academy (ALAM) is ranked amongst the top 10% of the world's Maritime Education and Training (MET) institutions.

MISC Group takes 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.

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

Issued on behalf of MISC Berhad by the Group Corporate Communications (GCC) Department of MISC Berhad. For media inquiries, please contact :

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