MEDIA RELEASE

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MISC GROUP FINANCIAL RESULTS FOR THE FOURTH QUARTER AND FINANCIAL YEAR ENDED 31 DECEMBER 2021

MISC is pleased to announce its financial results for the financial year ended 31 December 2021.

Financial Highlights:

- Group revenue and operating profit for the quarter ended 31 December 2021 were higher than the corresponding quarter ended 31 December 2020.
- Group revenue for the year ended 31 December 2021 was higher than the corresponding year ended 31 December 2020.
- Group recorded a profit before tax for the year ended 31 December 2021 compared to a loss in the corresponding year ended 31 December 2020 as the corresponding year included provision for litigation claims and write-off of trade receivables and loss on remeasurement 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, MISC’s President/Group Chief Executive Officer said, “*Our fourth quarter and full financial year results for 2021 demonstrate our continued resilience as we sustain the upward momentum to end the year with measured confidence. Over the years, we have been consistently integrating the environmental, social and governance principles into our business, in line with our future-focused approach in driving long-term sustainable value for our stakeholders. As a result of our firm focus and commitment to sustainability, we achieved a significant milestone on the global front with our debut on the Dow Jones Sustainability Emerging Markets Index in 2021*.”

Commenting on MISC Group’s expectations ahead, he said, “*We foresee varying macro headwinds linger in 2022 due to multiple factors affecting the near-term global economic recovery. Despite these challenges, we shall remain steadfast in our priorities and focus on ensuring the successful execution of our projects, delivering them into operations and converting them into cash-generating assets in the years to come. Looking ahead, we will continue to invest strategically, prioritising key growth opportunities and maximising value creation for all our stakeholders as we continue to operate our business safely, responsibly and sustainably.*”

Group Revenue, Operating Profit and Profit Before Tax for the Quarter Ended 31 December 2021

Group revenue for the quarter ended 31 December 2021 of RM3,085.2 million was 16.8% higher than the corresponding quarter's revenue of RM2,641.6 million primarily contributed by a higher revenue from the Offshore Business segment following higher recognition of revenue from conversion of a Floating, Production, Storage and Offloading unit ("FPSO") from higher project progress this quarter. Additionally, the Petroleum & Product Shipping segment also have contributed to an increase in revenue following higher freight rates in the Aframax segment and higher earning days for Dynamic Positioning Shuttle Tankers mainly from the delivery of one vessel since last year. Higher earning days from the deliveries of five Very Large Ethane Carriers ("VLEC") in 2021 have contributed to an increase in the Gas Assets & Solutions segment's revenue. However, this increase was reduced by lower revenue in the Marine & Heavy Engineering segment mainly due to lower activities for ongoing Heavy Engineering projects and lower dry docking activities in the Marine sub-segment in the current quarter.

Group operating profit for the quarter ended 31 December 2021 of RM373.3 million was 16.9% higher than the corresponding quarter's profit of RM319.3 million mainly from the Petroleum & Product Shipping and the Gas Assets & Solutions segments in tandem with current quarter's higher revenue as mentioned above. This increase however was partially offset by a higher operating loss recorded in the Marine & Heavy Engineering segment largely attributable to additional cost provisions recognised for ongoing heavy engineering projects and lower revenue in the Marine sub-segment during current quarter.

The Group reported a lower profit before tax of RM432.2 million compared to a profit before tax of RM554.6 million in the corresponding quarter as the corresponding quarter included a write back of trade receivables and loss on remeasurement of finance lease receivables and higher share of profit from joint ventures following a recognition of a one-time gain from a contract extension secured in the corresponding quarter.

Group Revenue, Operating Profit, Profit Before Tax and Cash Flows from Operating Activities for the Year Ended 31 December 2021

Group revenue for the year ended 31 December 2021 of RM10,671.7 million was 13.5% higher than the corresponding year ended 31 December 2020 revenue of RM9,401.2 million mainly contributed by the recognition of revenue from the conversion of an FPSO in the Offshore Business segment and deliveries of five VLECs since the fourth quarter of 2020 in the Gas Assets & Solutions segment. However, the increase was partially negated by a lower revenue recorded in the Petroleum & Product Shipping segment from lower freight rates in the current year and lower earning days from vessel disposals and redeliveries since last year. In addition, the Marine & Heavy Engineering segment also recorded a lower revenue mainly due to lower dry docking activities in the current year as a result of prolonged border restrictions imposed by the Government to curb the Covid-19 pandemic.

Group operating profit for the year ended 31 December 2021 of RM1,948.4 million was 3.4% lower than the corresponding year ended 31 December 2020 of RM2,017.3 million largely caused by lower margin on freight rates in the current year and lower earning days from vessel disposals and redeliveries since last year in the Petroleum & Product Shipping segment. Furthermore, the Marine & Heavy Engineering segment recorded a higher operating loss mainly due to additional cost provisions recognised for ongoing projects during the current year. The decrease in operating profit was mitigated by a higher revenue from the Offshore Business and Gas Assets & Solutions segments.

The Group reported profit before tax of RM1,774.7 million compared to a loss before tax of RM 123.6 million in the corresponding year as the corresponding year 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 remeasurement of finance lease receivables amounting to RM846.2 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 RM219.5 million mainly in the Marine & Heavy Engineering segment.

The Group recorded cash flows generated from operating activities of RM2,908.8 million for the year ended 31 December 2021, which included cash payments of RM1,126.1 million for the construction of an FPSO in the current period. Excluding the said payments, the Group generated an operating cash flow of RM4,034.9 million, which is lower by 27.8% compared to RM5,587.9 million recorded in the corresponding year. The decrease was mainly due to a one-off charter prepayment received from a customer in the Petroleum & Product Shipping segment in the corresponding year and the lower operating cash flow in the Marine & Heavy Engineering and the Petroleum & Product Shipping segments in the current year. However, the Group's cash balance remains healthy at RM7,925.3 million, supported by the steady cash flow generated from the Offshore Business and the Gas Assets & Solutions segments' portfolio of long-term contracts.

Moving Forward

In the LNG shipping market, spot rates jumped to a record high in the fourth quarter of 2021 on strong winter demand for LNG in Asia and Europe, amidst shortages and elevated prices of natural gas. Spot charter rates were also driven by tight vessel availability, exacerbated by increased shipping distances as US LNG supply was pulled into the Far East, as well as congestion at the Panama Canal. Although spot rates have since eased moving into 2022, the medium-term outlook for LNG shipping remains favourable as reflected by the record number of new LNG carriers ordered in 2021. Notwithstanding, the operating income of the Gas Assets and Solutions segment continues to remain stable, supported by its existing portfolio of long-term charters.

The petroleum shipping market continues to be challenged by low freight rates although there has been some modest improvement in the fourth quarter of 2021. Despite continuing oil demand recovery and easing of production cuts by OPEC+ in 2021, seaborne trading volumes have remained below pre-pandemic levels, while the tanker fleet has continued to grow, albeit slowly. In the short term, the outlook is clouded by the rapid spread of the Omicron virus variant. However, the tanker market fundamentals are expected to improve further in 2022, especially towards the second half. Given the uncertain landscape, the Petroleum 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 tankers.

As the oil market continues to rebalance and with oil prices staying high, the outlook of the upstream oil and gas sector continues to be positive. FPSO contract awards rebounded strongly in 2021 after the slump in 2020, and demand for FPSOs is expected to stay robust in 2022, despite lingering COVID-19 concerns. The Offshore Business segment continues to focus on the execution of the FPSO project in hand while sourcing for opportunities in targeted markets. In the meantime, the segment's existing portfolio of long-term contracts will underwrite its financial performance.

The surge of Omicron variant cases globally has caused concerns for the oil and gas industry heading into 2022 despite the improved oil and gas demand in 2021. As such, the Marine and Heavy Engineering segment remains vigilant on the prospects of its Heavy Engineering sub-segment. With high LNG demand, the expected increase in LNG trade would lead to dry docking deferrals resulting in stiffer competition amongst shipyards for limited dry docking opportunities. Considering various border restrictions worldwide, foreign clients will continue to send their vessels to other countries with less restrictions, hence the Marine sub-segment is expected to remain challenging. Given this environment, the segment will remain focused on replenishing its order book, as well as prioritising cost management efforts, safe execution and timely delivery of ongoing projects.

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About MISC Berhad

MISC Berhad (MISC or the Group) is a global leader in delivering energy-related maritime solutions and services with more than five decades of experience in the maritime and energy industry. Our principal businesses 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 management and maritime services as well as maritime education and training.

The Group's modern and diverse fleet consists of more than 100 owned and in-chartered vessels comprising of Liquefied Natural Gas (LNG) and Ethane carriers, Petroleum and Product vessels, Floating Production Systems (FPS) as well as LNG Floating Storage Units (FSU) with a combined deadweight tonnage (dwt) capacity of more than 13 million tonnes.

We are a proud constituent of the DJSI Emerging Markets Index and FTSE4Good Bursa Malaysia Index, a testament to our sustainability performance and strong Environmental, Social and Governance (ESG) practices. MISC Berhad is listed on the Main Board of Bursa Malaysia.
For more information, visit www.misc.com.my

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

Maisara Noor Ahmad Head, External Communications Group Corporate Communications MISC Berhad Tel : +603-2275 3496 Email : maisara.noorahmad@miscbhd.com	**or**	Rahimi Yunus External Communications Group Corporate Communications MISC Berhad Tel : +603-2275 3594 Email : rahimi.yunus@miscbhd.com