MEDIA RELEASE

Kuala Lumpur, 22 February 2019, Friday

MISC GROUP FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2018

MISC is pleased to announce its financial results for the financial year ended 31 December 2018.

Financial Highlights:

- Group revenue for the quarter and the year ended 31 December 2018 were lower than the corresponding quarter and year ended 31 December 2017.
- Group profit before tax for the quarter ended 31 December 2018 was higher than the corresponding quarter ended 31 December 2017.
- Group profit before tax for the year ended 31 December 2018 was lower than the corresponding year ended 31 December 2017.

MISC's President/Group Chief Executive Officer, Mr. Yee Yang Chien said *"Volatile market conditions continue to affect the players in the industry on a global scale. In the face of this challenging market, MISC has proven its strength and capability in securing investment growth of more than USD900 million. Our financial stability is further affirmed when we recorded strong credit ratings in the maritime sector with Moody's Investors Service, affirming a Baa2 issuer rating and S&P Global Ratings affirming a BBB+ long term corporate credit rating. This reflects MISC's resilience as well as our ability to consistently create optimum value to our stakeholders."*

"We believe that business and operational performance go hand in hand for us to consistently provide better energy related maritime solutions and services. As a testament to our consistent efforts in enhancing operational excellence, we have been recognised at the Lloyd's List Global Awards 2018 as the Tanker Operator of the Year. This recognition will spur us to go further in accelerating our efforts to serve our customers," Mr. Yee Yang Chien added.

Group Revenue, Operating Profit and Profit Before Tax for the Quarter Ended 31 December 2018

Group revenue for the quarter ended 31 December 2018 of RM2,388.5 million was 3.1% lower than the corresponding quarter's revenue of RM2,465.0 million. The decrease in Group revenue was mainly from the LNG segment due to lower earning days following a commercial agreement with client to temporarily suspend a charter contract due to geopolitical situation to which the charter will be resumed in the future and to be compensated with a longer contract period. Offshore segment also recorded lower revenue as the corresponding quarter included construction revenue of Floating, Storage and Offloading ("FSO") Benchamas 2 which was completed in May 2018

The decrease in Group revenue was however mitigated by improved freight rates in the Petroleum segment and higher revenue from an ongoing project as well as commencement of a new order intake in the Heavy Engineering segment. In addition to that, the commencement of FSO Mekar Bergading in August 2018 has also softened the drop in the Group revenue.

Group operating profit of RM381.4 million was 39.3% lower than the corresponding quarter's operating profit of RM628.3 million. The decrease was mainly from Heavy Engineering segment as insufficient dry-docking works to absorb fixed overheads and compressed margins from dry-docking activities have resulted in an operating loss in the current quarter. Offshore segment on the other hand also experienced lower operating profit as the corresponding quarter included reversal of provision for receivables and construction profit from FSO Benchamas 2.

LNG and Petroleum segments however recorded higher operating profit with lower dry-docking days and reversal of provision for receivables as well as improved freight rates respectively which have mitigated the decrease in Group's operating profit.

Group profit before tax of RM355.3 million was higher than the corresponding quarter's profit before tax of RM42.0 million as the latter included higher impairment loss on ships, offshore floating asset and other investment.

Group Revenue, Operating Profit and Profit Before Tax for the Year Ended 31 December 2018

Group revenue for the year ended 31 December 2018 of RM8,780.3 million was 12.8% lower than the corresponding year ended 31 December 2017 revenue of RM10,068.2 million. All segments recorded lower revenue excluding Heavy Engineering segment following higher revenue from ongoing projects in the current year.

LNG segment experienced reduced number of operating vessels following expiry of a charter contract in June 2017 and suspension of a charter contract due to geopolitical situation in the current year together with lower charter rate following contact renewal of an LNG carrier in October 2017. Besides that, Offshore segment's decrease in revenue is due to lower construction revenue for FSO Benchamas 2 in the current year as well as a recognition of one time gain for Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") variation works arising from the favourable adjudication decisions in the corresponding year.

Group operating profit for the year ended 31 December 2018 of RM1,466.3 million was 45.8% lower than the corresponding year's operating profit of RM2,705.1 million. The decrease was mainly brought about by lower revenue as explained above. In addition, higher bunker costs incurred in the Petroleum segment and close-out of completed projects in the prior year and insufficient contribution to absorb fixed overheads in the current year in the Heavy Engineering segment have further dampened current year's overall operating profit.

Group profit before tax of RM1,344.1 million was lower than the corresponding year's profit before tax of RM2,003.5 million caused by the decrease in Group operating profit as explained above.

Moving Forward

The petroleum tanker spot market ended the year 2018 on a firmer note after a fragile start. However, 2019 is projected to be still another challenging year for tanker markets. Growth in seaborne oil demand is expected to be impacted by the recently announced OPEC-led production cuts, and geopolitical uncertainty continues to cloud future energy demand. Over the longer term, growth in tonne-miles that is driven by higher exports from the Atlantic region to Asia suggests a more robust outlook in charter rates.

The LNG segment is expected to continue to benefit from the market strength seen in 2018 going into 2019, supported by demand growth in Asia, additional supply from new liquefaction projects and slower LNG fleet growth in 2019. While the LNG spot rates reached a multi-year peak in late 2018, the sustainability of such rates remain uncertain in 2019. Nevertheless, the existing portfolio of long term charters that are in place will underwrite a steady performance for MISC's LNG shipping unit into the next financial year.

The offshore segment continues to be supported by healthy activities in oil and gas exploration and production. An increasing number of floating production system contract awards are forthcoming in the next few years and MISC's Offshore business unit will be actively pursuing these opportunities. The two new assets added in 2018 will provide a source of income growth and support the financial performance for the unit in 2019.

The Heavy Engineering segment is not expecting further deferment by ship owners for dry -docking activities in the coming year in view of the forthcoming implementation of new rules by International Maritime Organisation (IMO). In 2018, the segment had secured a number of long term offshore fabrication frame agreements which are on a call-out basis. These are expected to contribute positively to the segment's revenue in 2019 and beyond. The Heavy Engineering segment remains committed to replenish its order book, and efforts to ensure competitiveness of ongoing and future bids remains a priority.

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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 of 31 December 2018, MISC Group's fleet consists of more than 120 owned and in-chartered Liquefied Natural Gas (LNG), Petroleum and Product vessels, 15 Floating Production Systems (FPS) as well as 2 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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