MEDIA RELEASE

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MISC GROUP RECORDS HIGHER REVENUE AND PROFIT BEFORE TAX FOR THE 9 MONTHS PERIOD ENDED 30 SEPTEMBER 2019

MISC is pleased to announce its financial results for the period ended 30 September 2019.

Financial Highlights:

- Group revenue and profit before tax for the 9 months period ended 30 September 2019 were higher than the corresponding 9 months period ended 30 September 2018.
- Group operating profit for the quarter ended 30 September 2019 was higher than the corresponding quarter ended 30 September 2018.

Mr. Yee Yang Chien, President/Group CEO of MISC Berhad said "*The strength and resilience of our core businesses have contributed, once again, to MISC's stable financial performance for this quarter and will pave the way towards a positive financial close in 2019. Across the MISC group, we have been very consistent in pursuing our value creation strategy of investing in assets on demand for long term charters to premium customers that will underpin a predictable and sustainable annual operating cash flow while consistently funding new growth opportunities. We are pleased to see a lot of projects that were previously under consideration have now come to life especially in the recent months which bodes well to sustain the momentum of our healthy financial growth*."

"*We are hopeful of ending financial year 2019 on a high note with a few more projects secured, after our successful tender for the LNG tanker time charter contracts with SeaRiver Maritime (a wholly-owned subsidiary of Exxon Mobil Corporation) for 2 vessels for a period of 15 years. MISC hopes to build on that momentum of growth from now into 2020*" Mr. Yee added.

Group Revenue, Operating Profit and Profit Before Tax for the Quarter Ended 30 September 2019

Group revenue for the quarter ended 30 September 2019 of RM2,147.8 million was 3.7% lower than the corresponding quarter's revenue of RM2,229.2 million. The decrease in Group revenue was due to a one-time reimbursement cost on towing and installation of a project in the Offshore segment recognised in the corresponding quarter. Additionally, revenue for Heavy Engineering segment also decreased resulting from post sail away projects and lower cost plus revenue following completion of the main contract in the current quarter. Petroleum segment recorded lower revenue due to the lower number of operating vessels in the current quarter.

The decrease in Group revenue was softened by the uplift in the LNG business segment which was contributed by higher number of operating vessels in the current quarter following lower dry-dockings and acquisition of two (2) LNG carriers, each in December 2018 and January 2019.

Group operating profit of RM376.4 million was RM21.9 million higher than the corresponding quarter's profit of RM354.5 million due to the higher margin on freight rates in the Petroleum segment as well as higher revenue contribution from the LNG business segment. Heavy Engineering segment recorded lower operating loss mainly due to the cost incurred for conversion work in its marine sub-segment in the corresponding quarter.

Group profit before tax of RM287.5 million was lower than the corresponding quarter at RM351.1 million following higher impairment of assets and finance costs in the current quarter coupled with higher gain on acquisition of a business in the corresponding quarter.

Group Revenue, Operating Profit and Profit Before Tax for the 9 Months Period Ended 30 September 2019

Group revenue for the 9 months period ended 30 September 2019 of RM6,587.2 million was 3.1% higher than the revenue for the corresponding 9 months period ended 30 September 2018 of RM6,391.8 million. The increase in revenue was mainly from higher number of operating vessels in the LNG business segment following lower dry-dockings and acquisition of two (2) LNG carriers, each in December 2018 and January 2019.

Higher freight rates from the Petroleum segment also contributed to the higher revenue in the current period. Additionally, Heavy Engineering segment's revenue also increased from higher dry-docking services on LNG carriers, higher progress of ongoing projects and new order intake in the current period. However, this increase is softened by the Offshore Business segment's lower revenue due to the corresponding period's construction revenue of Floating, Storage and Offloading ("FSO") Benchamas 2 and one-time reimbursement cost on towing and installation of a project.

Group operating profit for the 9 months period ended 30 September 2019 of RM1,452.6 million was 33.9% higher than the corresponding period in 2018 of RM1,084.9 million. The Petroleum segment recorded operating profit in the current period as compared to an operating loss in the previous year's corresponding period due to the higher revenue as mentioned in the above coupled with lower vessel operating costs. The LNG business segment recorded higher operating profit, mainly contributed by higher revenue as well as additional charter rate for Floating Storage Units ("FSU"). Furthermore, lower operating loss was recorded in the Heavy Engineering segment following higher contribution from conversion works and dry-docking services on LNG carriers in the current period.

However, the increase in profit was softened by the Offshore Business segment due to lower revenue mentioned in the above as well as recognition of demobilisation cost in the current quarter.

Group profit before tax of RM1,248.6 million was higher than the corresponding period's profit before tax of RM988.8 million mainly due from the increase in Group operating profit as explained above.

Moving Forward

Petroleum tanker rates have spiked in the recent months on strong seasonal fundamentals and reinforced by geopolitical factors. The attacks on Saudi oil installations and on tankers, as well as the ongoing series of US sanctions combined with tonnage being taken off the market for scrubber installations have tightened tonnage in all vessel sizes and regions, pushing freight rates to record highs. Freight rates are likely to remain robust in the fourth quarter. The Petroleum shipping segment will reap the benefits of the robust albeit volatile market and is expected to end the year on a firmer note.

Similarly, in the LNG shipping segment, a surge in spot rates has raised expectation that the ground is being laid for a robust winter market. Tonnage availability remains low and increased US liquefaction capacity is expected to drive spot rates further in the coming months. Nevertheless, the operating income of MISC's LNG Business segment continues to be underwritten by the portfolio of long-term contracts that are in place.

The offshore segment continues to be supported by healthy activities in oil and gas exploration and production. The renewed surge in upstream investments driven by strong growth in deep-water spending by oil companies is expected to increase the number of floating production system contract awards in the next few years and MISC's Offshore Business segment will continue to assess the merit of pursuing these opportunities. The segment's core operating income remain underpinned by a portfolio of assets on long term charters.

While there is an increase in offshore activities, the Marine & Heavy Engineering segment maintains its vigilance on the outlook for its business in the near term due to the uncertainty on the timing of capital spending by major oil and gas players. Meanwhile, the outlook for the marine business is expected to remain challenging as shipyards strive to capture opportunities in order to maximise utilisation amidst stiff competition in a volatile market. Notwithstanding, the Heavy Engineering segment is cautiously optimistic on the recovery of the industry and shall continue to focus on replenishing its order book in various geographical areas as well as diversifying into new businesses.

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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 decarbonization.

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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