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MEDIA RELEASE

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MISC GROUP REPORTS FINANCIAL RESULTS FOR THE THIRD QUARTER OF FY2020

MISC is pleased to announce its financial results for the financial period ended 30 September 2020.

Financial Highlights:

- Group revenue and operating profit for the current 9 months period ended 30 September 2020 were higher than the corresponding 9 months period ended 30 September 2019.
- Group revenue and operating profit for the quarter ended 30 September 2020 were lower than the corresponding quarter ended 30 September 2019.
- The Group recorded net loss for the current 9 months period ended 30 September 2020 mainly due to the provisions and impairment loss recorded in the first quarter of 2020 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"). The Group also recorded impairment loss on its Heavy Engineering's asset in the preceding quarter in light of the current oil and gas downturn, COVID-19 pandemic and the expected prolonged recovery of the industry. Excluding the provisions and impairment loss recognised in relation to the arbitration proceedings against SSPC, the Group's profit before tax for the 9 months period ended 30 September 2020 would have been higher than the corresponding period ended 30 September 2019.
- Group cash flow generated from operating activities for the period ended 30 September 2020 was higher than the corresponding period ended 30 September 2019.

MISC's President & Group Chief Executive Officer, Mr. Yee Yang Chien said, *"The last few months have demonstrated the agility and resilience of our long-term growth strategies. We performed consistently well into the third quarter with a new portfolio in hand when we made a successful entry into the global ethane market and added on six Very Large Ethane Carriers to our existing fleet. To complete this significant entry, we had also successfully secured a series of long-term charter parties for these vessels with a new alliance in China. With these accomplishments, we stand tall as one of the global providers for large-scale ethane transport. Backed by strong tailwinds, we made a landmark breakthrough in the same quarter with our maiden foray into Brazil's deepwater oil and gas sector with the award of the Mero-3 project in one of the main hotspots for FPSOs in the world. This major milestone demonstrates our capacity and capability in undertaking complex FPSO projects, laying a solid foundation for opportunities to secure more international projects in the future. These achievements added on new chapters for us as we widen our footprint in the energy market. Nevertheless, we will remain focused on strengthening our portfolio of long-term contracts in our core businesses and continue our pursuit for markets, which are integral to the built up of our sustainable income."*

"In the next few months, we can expect new challenges to arise amid the resurgence of economic activities as the world continues to brave on to battle this prolonged COVID-19 pandemic, which has not spared any industry regardless of size and stature. As the health and wellbeing of our global workforce at sea and shore remain as our top priority, we will hold strong to our strict safety protocols with no compromise at all across the geographies that we operate in," he added.

Group Revenue, Operating Profit and Loss Before Tax for the Quarter Ended 30 September 2020

Group revenue for the quarter ended 30 September 2020 of RM2,059.5 million was 4.1% lower than the corresponding quarter's revenue of RM2,147.8 million due to lower contributions from Petroleum segment following lower freight rates and fewer number of operating vessels in the current quarter. LNG segment also recorded lower revenue from lower earning days due to dry-docking activities and offhire of certain vessels in the current quarter. Impact of reducing finance lease income coupled with expiry of a Floating, Storage and Offloading ("FSO") contract in December 2019 in the Offshore segment also caused the reduction in revenue in the current quarter. This reduction however, was softened by higher revenue in Heavy Engineering segment mainly due to higher contribution from on-going heavy engineering projects.

Group operating profit for the quarter ended 30 September 2020 of RM330.0 million was 12.3% lower than the corresponding quarter's operating profit of RM376.4 million mainly due to the lower revenue as mentioned above for the LNG and Offshore segments.

Group profit before tax for the quarter ended 30 September 2020 of RM281.2 million was 2.2% lower than the corresponding quarter's profit before tax of RM287.5 million mainly due to lower operating profit as explained above. The decrease is further caused by lower share of profit of joint ventures offset by lower impairment loss on ships, offshore floating assets and other property, plant and equipment as well as lower finance costs in the current quarter.

Group Revenue, Operating Profit and Profit Before Tax for the 9 Months Period Ended 30 September 2020

Group revenue for the 9 months period ended 30 September 2020 of RM6,759.6 million was 2.6% higher than the corresponding 9 months period ended 30 September 2019 revenue of RM6,587.2 million coming from higher contributions from all segments except for the Offshore segment. Heavy Engineering segment reported an increase in revenue following higher contribution from on-going heavy engineering projects. Higher earning days brought about by fewer dry-docking activities in the current period has contributed to an increase in LNG's revenue whilst the weakening of Ringgit Malaysia ("RM") against United States Dollar ("USD") in the current period has generated an increase in Petroleum segment's revenue. Offshore segment however recorded lower revenue mainly due to the impact of reducing finance lease income and the expiry of a Floating, Storage and Offloading ("FSO") contract in December 2019.

Group operating profit for the 9 months period ended 30 September 2020 of RM1,698.0 million was 16.9% higher than the corresponding 9 months period ended 30 September 2019 of RM1,452.6 million mainly from higher margin on freight rates in the Petroleum segment and higher earning days in the LNG segment. The increase in operating profit was offset by higher operating loss recorded in Heavy Engineering segment due to additional cost provision and associated higher unabsorbed overheads arising from the COVID-19 pandemic. Offshore segment also recorded lower operating profit in the current period following lower revenue contribution as explained above.

The Group reported loss before tax of RM678.2 million compared to profit before tax of RM1,248.6 million in the corresponding period. The current period loss was mainly due to the 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 of RM935.2 million following the decision by the Arbitration Tribunal on the Group's arbitration proceeding against SSPC. Additionally, the Group also recorded an impairment loss of RM315.6 million in the current period mainly on its Heavy Engineering's asset in light of the current oil and gas downturn, COVID-19 pandemic and the expected prolonged recovery of the industry. Excluding the provisions and impairment loss recognised in relation to the arbitration proceedings against SSPC, the Group's profit before tax for the 9 months period ended 30 September 2020 would have been RM1,306.2 million which is 4.6% higher than the corresponding period's profit before tax of RM1,248.6 million.

The Group's cash flow generated from operating activities for the period ended 30 September 2020 of RM4,491.5 million increased by 8.4% from RM4,144.4 million in the corresponding period mainly from higher net inflows in the LNG and Petroleum segments from the improved operating performance mentioned above. Furthermore, the healthy cash balance is supported by the steady cash flow generated from the Offshore and LNG segments' portfolio of long-term contracts.

Moving Forward

In the LNG shipping market, spot charter rates have strengthened ahead of the traditionally busy winter trading season on the back of Asia-LNG demand recovery and buyers securing supplies in anticipation of the colder months. Slower pace of LNG supply growth and some instances of weather-related outages at liquefaction plants have tightened supply and is expected to provide further support to the spot charter rates in the fourth quarter of the year. Nevertheless, the operating income of the LNG shipping segment continues to be underwritten by the portfolio of long-term charters that are in place.

The crude tanker market continues to be affected by weak tonnage demand coupled with increased vessel availability from the unwinding of floating storage. After an exceptionally strong first half year, freight rates fell sharply and have remained under pressure since. The weak market could persist until the end of 2020, based on the expected rate of oil demand recovery. However, the medium-term tanker supply fundamentals appear healthier, given the current low orderbook for new vessels. Given this environment, 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 LNG dual-fuel systems.

In August 2020, the Offshore business segment has ushered in a new era by securing its first large-size ultra-deep-water FPSO project in Brazil, laying the foundation for future large-scale projects in the Atlantic basin. Although the cutback in capital spending by major oil companies will affect the number of floater opportunities available in the near term, the Offshore business segment will continue to source for attractive opportunities in targeted markets and concentrate on the execution of the new FPSO project in hand. The existing portfolio of long-term contracts will continue to support the stable financial performance of the Offshore business segment.

For the Heavy Engineering segment, uncertainty will continue to shroud the oil market for the rest of the year. With the rise of new COVID-19 cases worldwide and the lingering effects from the pandemic, the segment expects further cuts to oil and gas capital spending and deferment of final investment decisions by oil majors, thus limiting its ability to secure new orders in the interim. For the marine business segment, it is expected to continue to be challenging for the remainder of the year due to the limited number of dry-docking works exacerbated by the pandemic that leads to stiffer competition. Given the prolonged oil market downturn prognosis, the Heavy Engineering segment remains vigilant in pursuing business opportunities in other segments to replenish its order book and continues to focus on cost management to optimize its operating cost and to prioritize safe execution and delivery of ongoing projects while the market is recovering.

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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 June 2020, MISC Group's fleet consists of more than 100 owned and in-chartered vessels comprising of Liquefied Natural Gas (LNG), Petroleum and Product vessels, 14 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 14 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.

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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