MEDIA RELEASE

Kuala Lumpur, 18 August 2022, Thursday

MISC GROUP FINANCIAL RESULTS FOR THE SECOND QUARTER OF FY2022

MISC is pleased to announce its financial results for the second quarter ended 30 June 2022.

Financial Highlights:

- Group revenue for the quarter ended 30 June 2022 was higher than the corresponding quarter ended 30 June 2021.
- Group revenue for the 6 months period ended 30 June 2022 was higher than the corresponding 6 months period ended 30 June 2021.

Datuk Yee Yang Chien, MISC's President/Group Chief Executive Officer, said, "*MISC continues to record robust and commendable operational performance during the second quarter of the financial year. However, it is unfortunate that the overall financial performance for the period has been negatively impacted by accounting impairment of some of our older LNG carriers as well as adjustments made to the finance lease accounting for our ongoing Mero 3 FPSO project that is presently under execution. Moving forward, we remain focused on ensuring the successful execution of our ongoing projects and consistently delivering our solutions safely, efficiently and reliably to support the needs of the global maritime ecosystem.*"

"*Delivering sustainable value to our stakeholders has always been at the heart of our business and we are confident that our robust fundamentals will empower us to progressively achieve our ambitions in the long term. Guided by our strategies, we are confident in our ability to future-proof our business by pursuing growth opportunities to strengthen our market position. Most importantly, we will continue to uphold our commitment in making sure that safety will always remain the top priority for our global workforce at sea and shore*", Datuk Yee added.

Group Revenue, Operating Profit and Profit Before Tax for the Quarter Ended 30 June 2022

Group revenue for the quarter ended 30 June 2022 of RM3,212.3 million was 36.5% higher than the corresponding quarter's revenue of RM2,353.8 million contributed by higher revenue from all segments. The Petroleum & Product Shipping segment contributed higher revenue mainly from higher freight rates in the mid-sized tanker segment while the Offshore Business segment recorded an increase in revenue following improved project progress in this quarter for conversion of a Floating, Production, Storage and Offloading unit ("FPSO"). The Gas Assets & Solutions segment also reported higher revenue mainly from higher earning days following lower dry-docking activities during the quarter. Higher activities for on-going Heavy Engineering projects and increased dry-docking activities in the Marine sub-segment contributed to the higher revenue in the Marine & Heavy Engineering segment in the current quarter.

Group operating profit for the quarter ended 30 June 2022 of RM460.9 million was 26.5% lower than the corresponding quarter's operating profit of RM627.0 million largely caused by the Offshore Business segment's increase in construction costs of an FPSO arising from the global supply chain issue and recent lockdowns in parts of China which affected the movement of project personnel, goods and services as well as from engineering, procurement and construction activities. In addition, the Petroleum & Product Shipping segment recorded lower operating profit mainly due to a one-off compensation for a contract renegotiation in the corresponding quarter which has offset the impact of higher freight rates in the current quarter. However, the reduction in operating profit was softened by the higher operating profit in the Gas Assets & Solutions segment mainly from higher earning–days as mentioned above. The decrease in operating profit was also partially cushioned by the Marine & Heavy Engineering segment which swung to an operating profit compared to operating loss in the corresponding quarter mainly due to higher revenue and reversal of warranty provision for post sail-away heavy engineering projects in the current quarter.

The Group reported a loss before tax of RM0.4 million compared to a profit before tax of RM534.7 million in the corresponding quarter mainly due to impairment of ships, higher finance costs from borrowings and lower share of profit from joint ventures in the current quarter.

Group Revenue, Operating Profit, Profit Before Tax and Cash Flows from Operating Activities for the 6 Months Period Ended 30 June 2022

Group revenue for the 6 months period ended 30 June 2022 of RM6,079.9 million was 24.2% higher than the corresponding 6 months period ended 30 June 2021 revenue of RM4,894.7 million mainly contributed by higher revenue from all segments as explained above. In addition, the Gas Assets & Solutions segment also benefitted from full revenue contribution by the Very Large Ethane Carriers ("VLEC") since their charter commencements in the previous year.

Group operating profit for the 6 months period ended 30 June 2022 of RM977.8 million was 10.4% lower than the corresponding 6 months period ended 30 June 2020 of RM1,090.8 million largely attributable to increase in construction costs of an FPSO in the Offshore Business and the one-off compensation for a contract renegotiation recorded in the corresponding quarter by the Petroleum & Product Shipping segments as mentioned above. However, the operating profit recorded by Marine & Heavy Engineering segment has softened the decrease in operating profit from higher revenue and reversal of warranty provision for post sail-away heavy engineering projects and partial recovery of COVID-19 claims in the current period. In the corresponding period, the segment was impacted by additional costs provisions for on-going heavy engineering projects. Additionally, the lower operating profit was also partially offset by the higher revenue following higher earning days from the Gas Assets & Solutions segment.

The Group reported a lower profit before tax of RM386.2 million compared to profit before tax of RM940.4 million in the corresponding period due to higher impairment of ships, higher finance costs as well as lower share of profit from joint ventures.

The Group's net cash generated from operating activities of RM1,084.2 million was lower by 23.6% or RM334.3 million compared to RM1,418.5 million in the corresponding period, mainly due to higher payments for cost relating to turnkey activities for the conversion of a FPSO amounting to RM1,288.4 million in the current period compared to payments of RM540.6 million in the corresponding period. Excluding the payments for the above turnkey activities, the Group's adjusted net cash generated from operating activities of RM2,372.6 billion was higher by 21.1% or RM413.5 million compared to RM1,959.1 million in the corresponding period from higher collection received from customers in the current period.

Moving Forward

In the LNG shipping market, spot rates continue to soar since the last quarter due to higher demand for LNG cargo especially from the European region, as well as expected restocking of gas for the coming winter in UK, Asia and Europe. In the near term, prospects remain positive due to strong global demand for LNG especially from Europe as a result of the push towards energy security, and accelerated investment in liquefaction infrastructure is expected to further support LNG supply growth. In this environment, the Gas Assets and Solutions segment will continue to pursue growth opportunities available while its operating income continues to remain sturdy, supported by its existing portfolio of long-term charters.

The petroleum shipping market rates for VLCCs remained weak while that of mid-sized tankers continued to increase before weakening in early May 2022 due to easing of premiums in Russian cargoes and lower oil supply due to production disruptions in some countries. In the short-term, some improvements are expected in fundamentals through continued changes in oil trade patterns, gradual increase of OPEC+ production and increase in global oil demand particularly due to easing of China lockdowns. However, there remain downside risk of further lockdowns in China due to the country's zero COVID policy, as well as recessionary risk as interest rates are hiked. As such, the Petroleum & Product Shipping segment continues to focus on building long-term secured income through its niche shuttle tanker business and rejuvenation of its tanker fleet.

The upstream oil and gas sector continues to remain optimistic, backed by the combination of high oil prices, improved global oil demand and increased capex spending. Demand for FPSOs is expected to stay firm with increasing project awards expected over the next few years. As such, the Offshore Business segment will actively assess and pursue available opportunities in the market. For the time being, the segment will remain focused on executing the project in hand. Although the project is expected to face continuing pressure on schedule and cost arising from the lockdowns in parts of China, significant mitigation efforts are being undertaken to minimise the impacts. In the meantime, the existing portfolio of long-term contracts will continue to support the financial performance of the Offshore Business segment.

The Marine & Heavy Engineering segment remains cautiously optimistic on the outlook of its Heavy Engineering sub-segment due to prolonged supply chain disruptions and volatile commodity prices despite continuing high oil prices that will further support higher capital spending by energy majors. The reopening of international borders also augurs well for the Marine sub-segment's recovery with more demand for dry-docking activities as vessel owners gear up for improved seaborne trade requirements. The China lockdown situation has continued to be advantageous as clients seek alternatives for their dry-docking activities. However, the prevalent nationwide labour shortage could unfavourably affect timely execution of shipyard activities. Given this backdrop, the segment maintains a cautious stance on the outlook, whilst focusing on order book replenishment. It will also continue to focus on cost optimisation while ensuring safe and timely execution of ongoing projects.

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About MISC Berhad

MISC Berhad (MISC or the Group) MISC Group is a global leader in delivering energy-related maritime solutions & services with more than 50 years of experience in the maritime & 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

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