MEDIA RELEASE

Kuala Lumpur, 15 February 2023, Wednesday

MISC GROUP FINANCIAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022

MISC is pleased to announce its financial results for the financial year ended 31 December 2022.

Financial Highlights:

- Group revenue for the quarter and year ended 31 December 2022 was higher than the corresponding quarter and year ended 31 December 2021.
- Group operating profit for the quarter and year ended 31 December 2022 was higher than the corresponding quarter and year ended 31 December 2021.
- Group profit before tax for the quarter and year ended 31 December 2022 was higher than the corresponding quarter and year ended 31 December 2021.

Captain Rajalingam Subramaniam, MISC's President & Group Chief Executive Officer, said "*MISC delivered a positive financial performance for this quarter, driven by the resilience of our businesses across the Group. We, as a team will remain focused and committed to exploring new prospects, synergistic partnerships, and innovative solutions. Our sincere appreciation to all our stakeholders and partners for acknowledging our firm commitment to driving excellence in a consistent, sustainable manner across the MISC Group.*"

Group Revenue, Operating Profit and Profit Before Tax for the Quarter Ended 31 December 2022

Group revenue for the quarter ended 31 December 2022 of RM4,173.0 million was 35.3% higher than the corresponding quarter's revenue of RM3,085.2 million, contributed by higher revenue from various segments. The Petroleum & Product Shipping segment reported higher revenue mainly from higher freight rates and earning days while the Offshore Business segment recorded an increase in revenue following improved project progress from the conversion of a Floating, Production, Storage and Offloading unit ("FPSO") in the current quarter.

Group operating profit for the quarter ended 31 December 2022 of RM1,094.3 million was 193.1% higher than the corresponding quarter's operating profit of RM373.3 million mainly contributed by higher margin on freight rates in the Petroleum & Product Shipping segment coupled with higher construction gain from the FPSO conversion in the Offshore Business segment mainly due to the recognition of additional cost provisions in the corresponding quarter.

Additionally, Gas Assets & Solutions segment also contributed to the increase in operating profit mainly due to lower vessel operating costs. The Marine & Heavy Engineering segment recorded a turnaround in its results to an operating profit in the current quarter driven from recovery of Covid-19 claims for an on-going project coupled with recovery of doubtful debts. Additionally, the segment's corresponding quarter's results was also impacted by additional costs provisions.

The Group reported a higher profit before tax of RM650.3 million compared to a profit before tax of RM432.2 million in the corresponding quarter primarily contributed by higher revenue and operating profit as mentioned above.

Group Revenue, Operating Profit, Profit Before Tax and Cash Flows from Operating Activities for the Year Ended 31 December 2022

Group revenue for the year ended 31 December 2022 of RM13,867.0 million was 29.9% higher than the corresponding year ended 31 December 2021 revenue of RM10,671.7 million following higher revenue contribution from all segments. Petroleum & Product Shipping as well as Offshore Business segments recorded higher revenue as explained above whereas the increase in Gas Assets & Solutions segment's revenue is contributed by higher earning days from lower dry-docking activities in the current year. In addition, the Marine & Heavy Engineering segment also recorded higher revenue mainly from higher progress for an on-going project and higher dry-docking activities in the current year.

Group operating profit for the year ended 31 December 2022 of RM3,102.0 million was 59.2% higher than the corresponding year ended 31 December 2021 operating profit of RM1,948.4 million largely attributed to the higher margin on freight rates from the Petroleum & Product Shipping segment whereas the increase in Gas Assets & Solutions' operating profit is mainly due to the increase in revenue as mentioned above. In addition, Marine & Heavy Engineering results have swung to an operating profit during the year in tandem with higher revenue as explained above coupled with the recovery of Covid-19 claims and reversal of cost provisions for both on-going and post sail-away Heavy Engineering projects whilst prior year's performance had been impacted by additional costs provisions recognised for on-going projects. In addition, the segment's current year profit was also contributed by the reversal of impairment loss on trade receivables in the Marine sub-segment. However, the increase in operating profit is softened by Offshore Business segment's lower operating profit mainly due to increase in construction costs of an FPSO arising from the global supply chain issue and recent lockdown in parts of China which affected the movement of project personnel, goods and services as well as engineering, procurement and construction activities.

The Group reported a higher profit before tax of RM1,874.3 million compared to profit before tax of RM1,774.7 million in the corresponding year, stemming from higher operating profit as explained above despite higher impairment provisions, higher finance costs as well as share of loss from joint ventures in current year.

The Group's net cash generated from operating activities of RM2,993.5 million was higher by 2.9% or RM84.7 million compared to RM2,908.8 million in the corresponding year, despite the higher payments for cost relating to turnkey activities for the conversion of an FPSO amounting to RM2,679.9 million in the current year compared to payments of RM1,126.1 million in the corresponding year. Excluding the payments for the above turnkey activities, the Group's adjusted net cash generated from operating activities of RM5,673.4 million was higher by 40.6% or RM1,638.5 million compared to RM4,034.9 million in the corresponding year mainly contributed by the higher collection received from customers in the current year.

Moving Forward

In the LNG shipping market, spot rates continue to remain high in the final quarter of FY2022 despite falling sharply in December due to unwinding floating storage activity and delayed restart of Freeport LNG plant in the US. However, in the near term, prospects continue to be positive backed by:

I. Increasing European demand for LNG arising from the ongoing Russia-Europe tension;
II. China's demand recovery; and
III. Tight vessel availability and growing LNG infrastructure reaching investment decisions, which would further support LNG growth while surging newbuild price and tight shipbuilding spaces will be a challenge in meeting new LNG project requirements.

Notwithstanding the above, the operating income for the Gas Assets and Solutions segment is expected to remain strong, underwritten by its portfolio of long-term charters.

Market rates for the Petroleum shipping segment continue to remain firm with average rates further escalated in the final quarter of FY2022. Despite some recent softening, the outlook appears positive with average tanker earnings still relatively high, supported by ongoing shifts in trade patterns following Russia-related EU sanctions and increasing Asia bound crude imports due to stronger demand and easing of COVID-19 restrictions. Notwithstanding this, the recent OPEC+ production curbs in place are expected to keep oil supply tight throughout the year 2023. Given the current landscape, the Petroleum & Product Shipping segment has continued to focus on building long-term secured income through its niche shuttle tanker business and rejuvenation of its fleet with greener-fueled tankers.

The outlook for the upstream oil and gas sector remains promising given high oil prices, increased capex spending and improved global oil demand with China's reopening its market, despite concerns on the world economy and potential for a global recession. FPSOs demand is expected to continue growing favorably, with the increase in planned projects over the next few years mainly coming from the South American region with Brazil leading the bulk of FPSO growth market, followed by the West Africa region. The Offshore Business segment will continue to pursue new opportunities in the market selectively. For the time being, the segment will remain focused in the execution of the current project in hand while undertaking significant mitigation efforts to minimise cost and schedule pressures. In the meantime, the existing portfolio of long-term contracts will continue to support the segment's financial performance.

The ongoing geopolitical tension which disrupted the supply chain and high inflationary pressures could continue to pose challenges to the business prospects in 2023 despite improvements in global oil demand as a result of retraction in China's COVID-19 policy and increasing opportunities due to rapid growth of renewable energy and decarbonisation efforts globally. As such, the Marine & Heavy Engineering segment remains cautiously optimistic on the outlook of its Heavy Engineering sub-segment for the year. The reopening of international borders in April 2022 has bode well to the Marine sub-segment's operations and more opportunities are expected with the enforcement of International Maritime Organisation (IMO)'s regulations from 1 January 2023 onwards. However, prevailing manpower shortage may affect the timely execution of dry-docking works while the easing of China's COVID-19 restrictions could create stiffer competition amongst shipyards for the limited dry-docking prospects. Hence, the Marine sub-segment expects its business to remain challenging. The Group aims to grow its order book by seeking opportunities in various geographical markets and renewable energy space. It will also continue to focus on schedule project execution and delivery via optimal resource utilisation and deployment of latest technology while maximising digitalisation and automation of operation.

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About MISC Berhad

MISC Berhad (MISC or the Group) is a global leader in delivering energy-related maritime solutions & services with more than 50 years of experience in the maritime industry. Our principal businesses comprise energy shipping and its related activities, owning and operating offshore floating solutions, marine repair and conversion, 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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