MISC 48th Annual General Meeting
20th April 2017

Dynamic| Resilient| Synergistic

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RECAP OF 2016

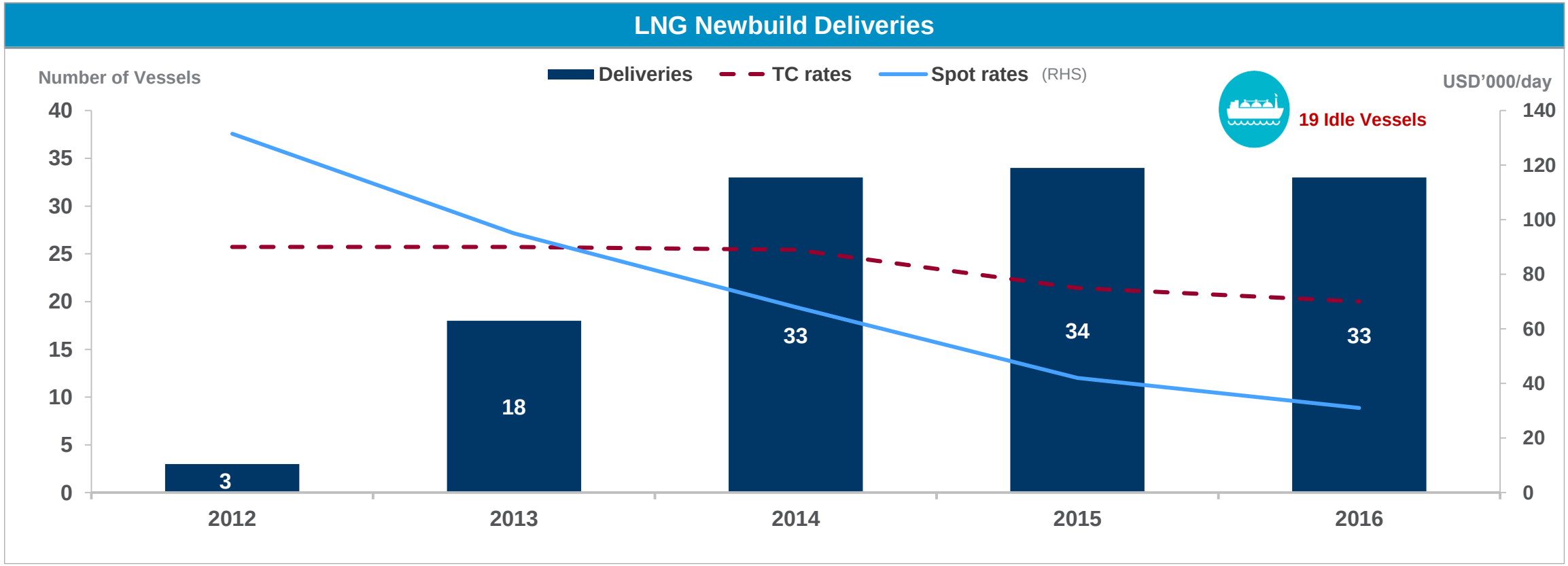
Challenging Environment in 2016

Slow Down in Global Economy Amidst Political Headwind

- **Oil price retreated to its lowest level since 2003.**
- **Struggling European economies and moderating growth in China.**
- **US Federal Reserve raised interest rates for the second time in recent years.**
- **Investment and business confidence tested by unexpected worldwide election/political outcomes e.g. Brexit and Presidential Election in America.**
- **Corporate bankruptcy and consolidation in the wider shipping and shipbuilding industry.**

LNG Shipping in 2016

Heavy Deliveries Continue to Dampen the LNG Shipping Market



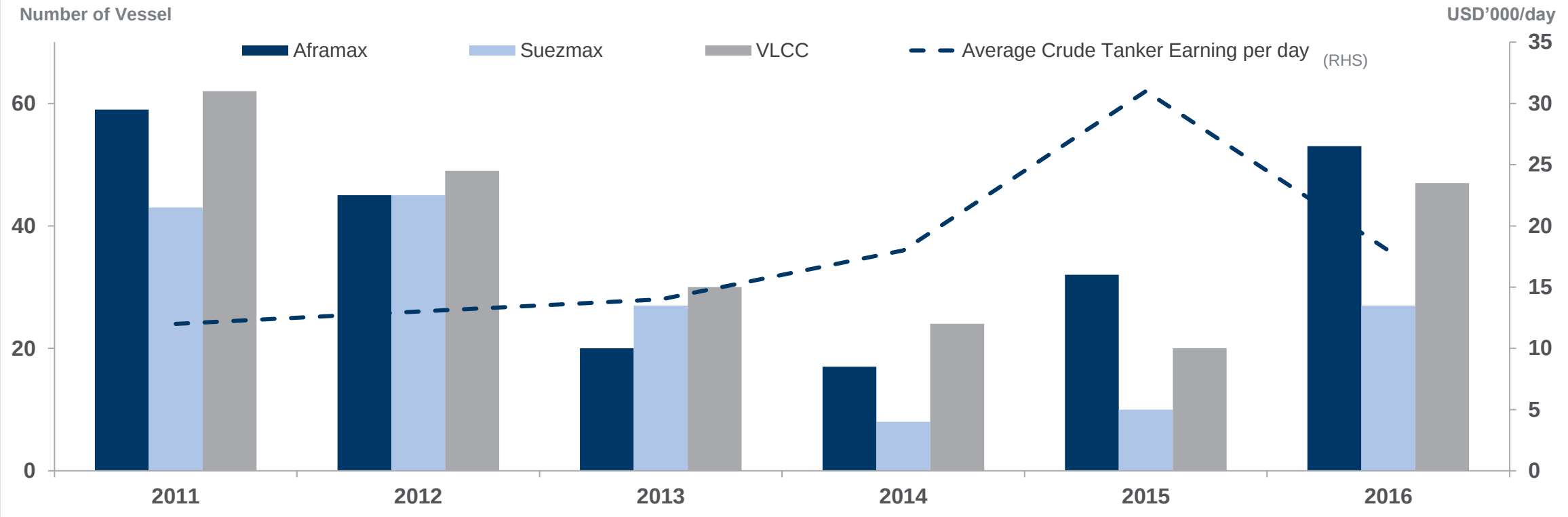
Source: IHS Energy

- Vessel oversupply continues to put pressure on LNG tanker charter rates with slower startup of new LNG exporting terminals.
- The changing industry trend towards shorter term contracts further dampened the LNG shipping market.

Petroleum Shipping in 2016

Increase in New Vessel Deliveries Moderated Tanker Rates

Average Tanker Earnings and Tanker Newbuild Deliveries

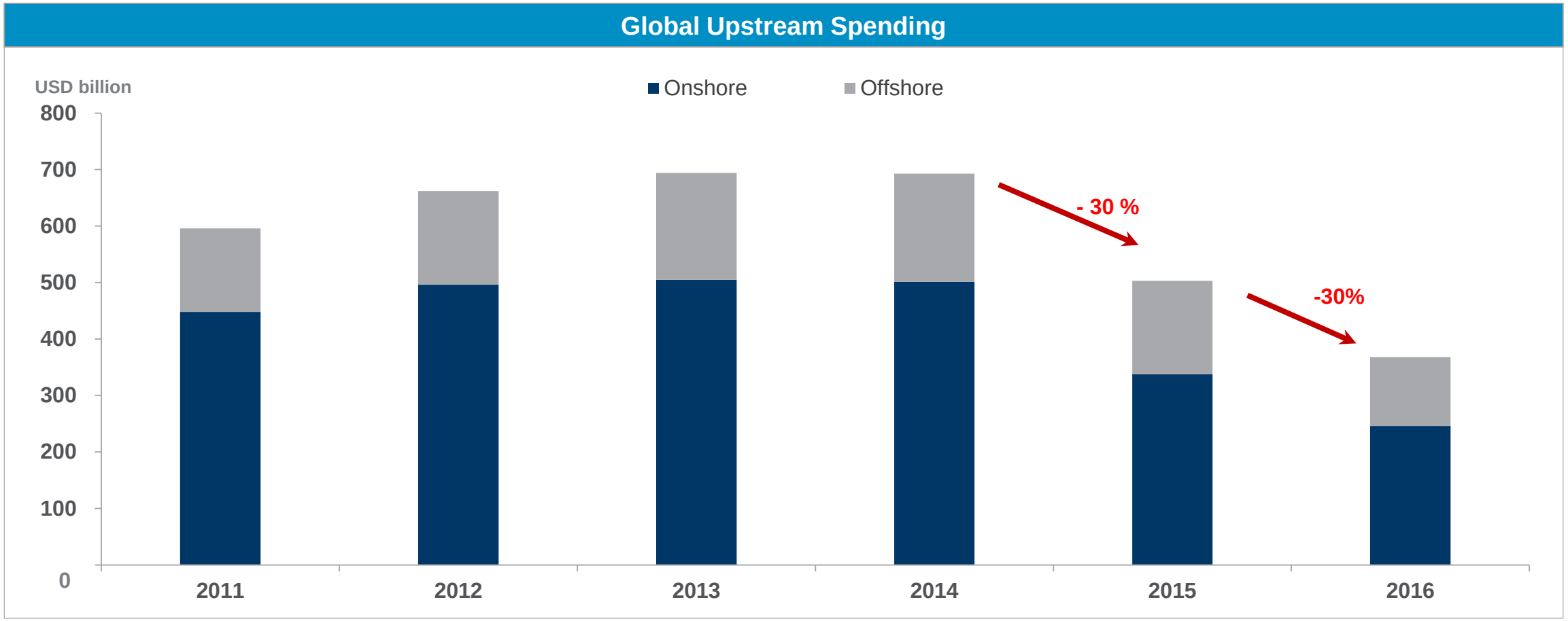


Source: Ship Brokers' Report

- Low vessel deliveries in the past 3 years has led to a steady increase in average petroleum tanker rates up to 2015.
- However, petroleum tanker rates had declined in 2016 as a result of high new vessel deliveries during the year.

Offshore & Heavy Engineering in 2016

Global Upstream Spending Dropped a Further 30% in 2016



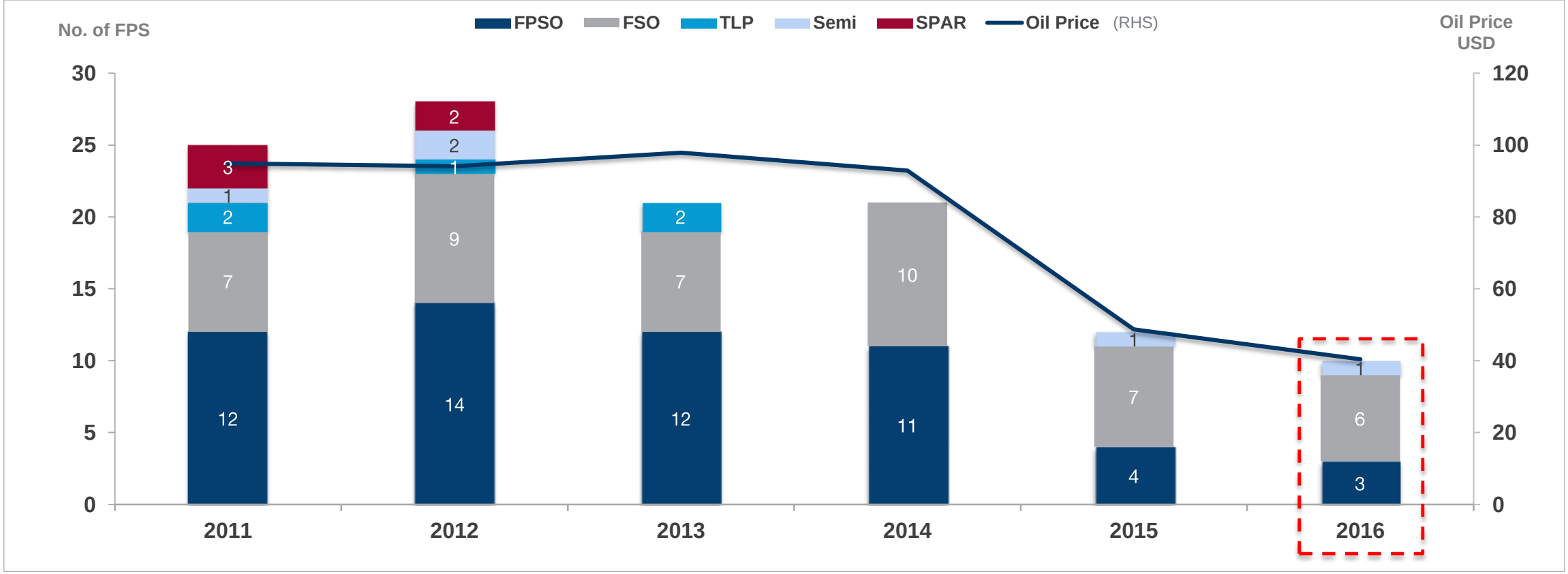
Source: IHS

- The low oil price has led to continuous capital spending cuts in the past 2 years by global oil & gas companies.
- Further capital spending cuts in 2016 resulted in more project cancellations and deferments.

Offshore & Heavy Engineering in 2016

Limited Offshore Projects Awarded During The Year

Floating Production System (FPS) Awards



Source: EMA Report

- Oil & Gas players faced financial challenges as a result of the continued low oil price environment.
- There were less investment into new projects resulting in limited opportunities for the offshore and heavy engineering segments.

KEY CORPORATE MILESTONES

Key Corporate Milestones in 2016

- **Buyback of the remaining 50% equity interest in the Gumusut Kakap Semi-Floating Production System (L) Limited (GKL) from PETRONAS.**
- **Acquired the remaining 50% stake in the Paramount Tankers as part of the fleet rejuvenation plan.**
- **Disposal of MILS to SWIFT Haulage Sdn Bhd.**
- **Successfully secured the FSO Benchamas 2 Project – a 10 year contract with Chevron Offshore Thailand Ltd and our maiden foray into Thailand.**
- **Commencement of MaMPU 1 in November 2016, an innovative solution for marginal field development.**
- **Delivery of the first 2 MOSS-Type LNG carriers – Seri Camellia and Seri Cenderawasih.**

FINANCIAL HIGHLIGHTS

Financial Highlights FY2016

Steady Performance, Strong Balance Sheet Despite Difficult Conditions

Revenue

2016	9,597.2
2015	10,908.4

-12%

Profit Before Tax

2016	2,814.0
2015	2,566.9

+10%

Total Assets

2016	56,151.3
2015	47,539.1

+18%

Operating Profit

2016	2,228.8
2015	2,782.6

-20%

Earnings Per Share

(Sen)

2016	57.8
2015	55.3

+5%

Dividends Per Share

(Sen)

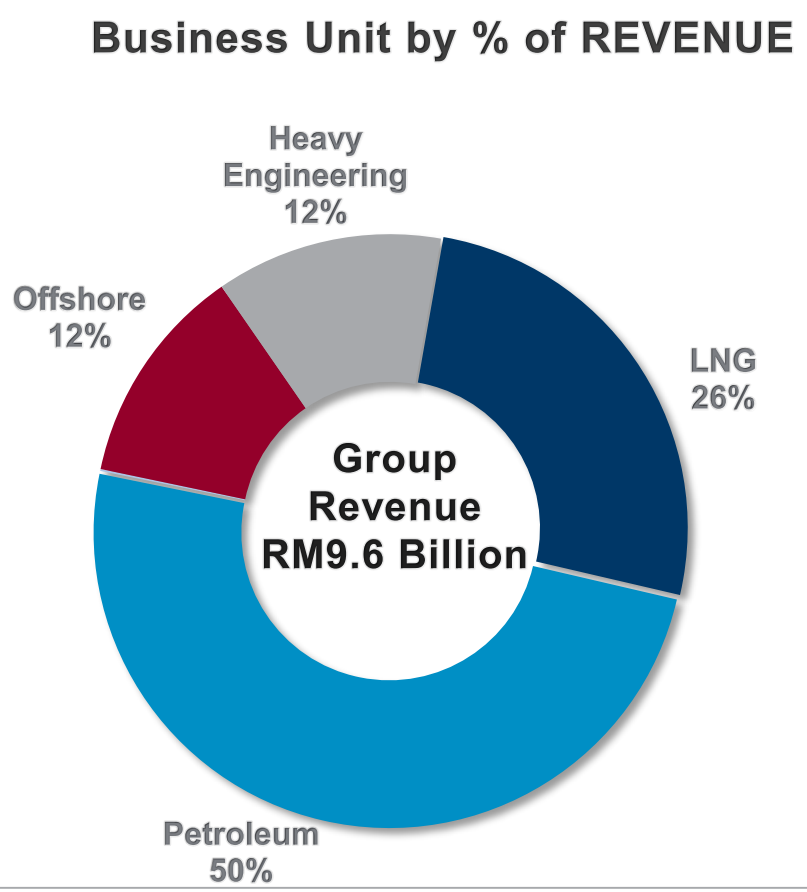
2016	0.30
2015	0.30

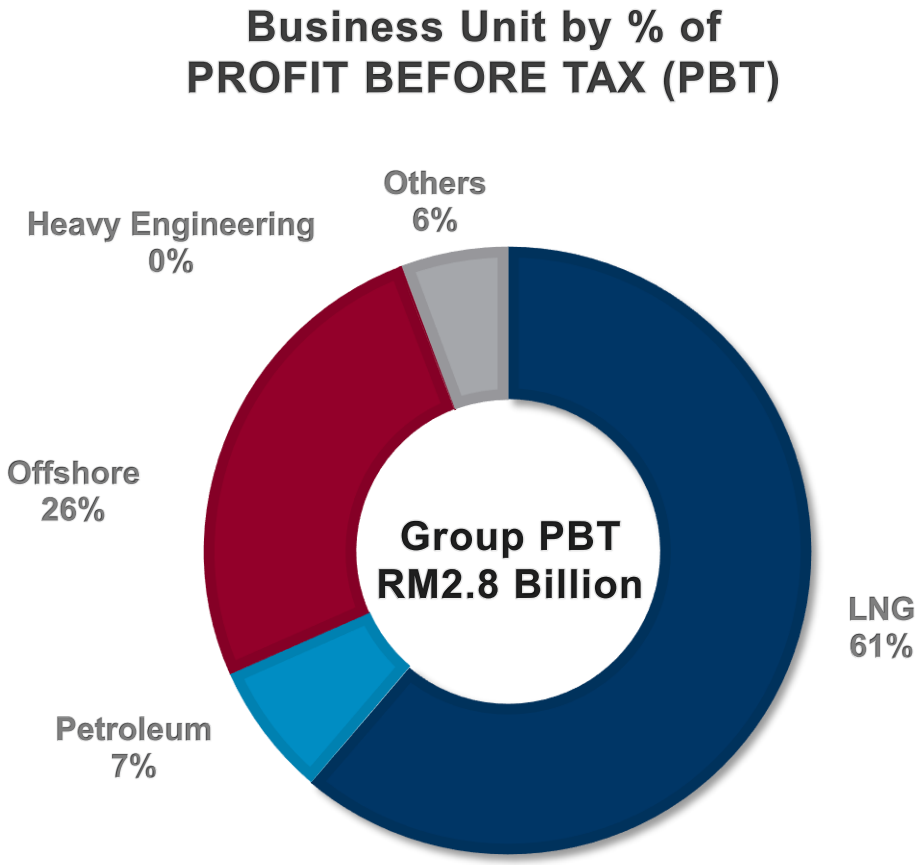
Maintained

All figures in RM 'million unless otherwise stated

- Lower operating profit as a result of lower revenue recognised for the year.
- Despite lower operating profit, profit before tax is higher due to various accounting adjustments/one off items.
- Dividends per share were maintained at 30 sen representing a 59% dividend payout of net operating profit.

Financial Highlights FY2016





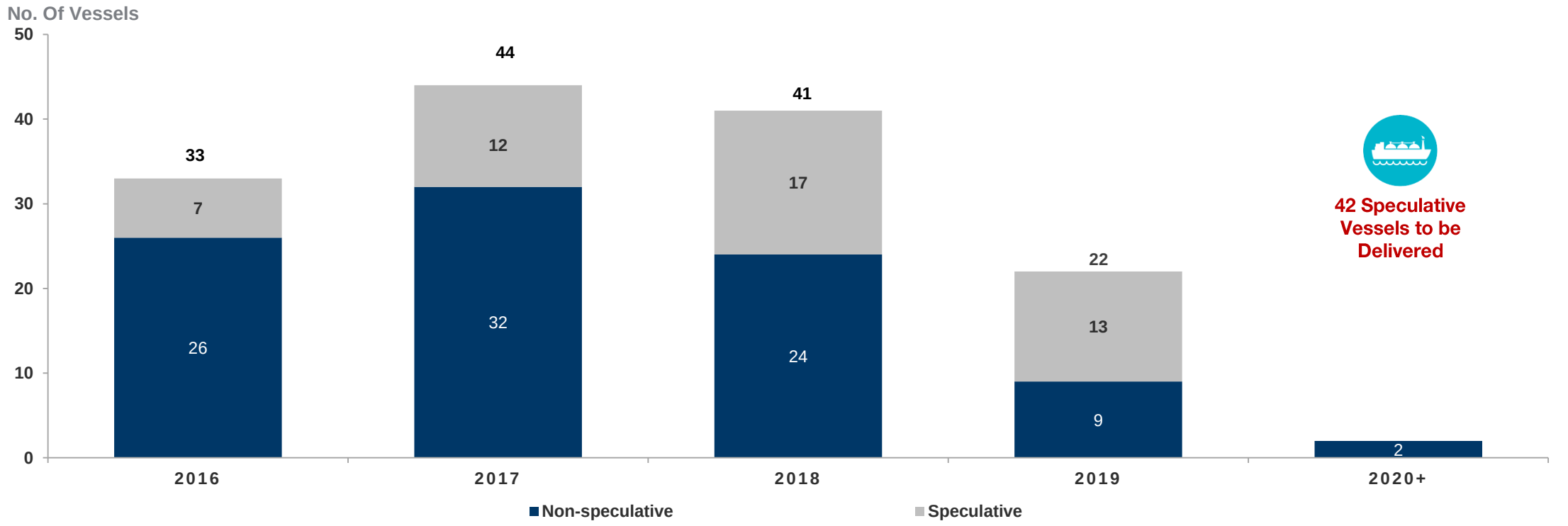
- Lower revenue contribution from heavy engineering of 12% mainly due to the challenging market environment.
- Profit contribution continues to diversify compared to past concentration on LNG shipping.

OUTLOOK FOR 2017

LNG Shipping Outlook

Vessel Oversupply to Persist, Compounded by Expiring Charters

Newbuilds to be Delivered

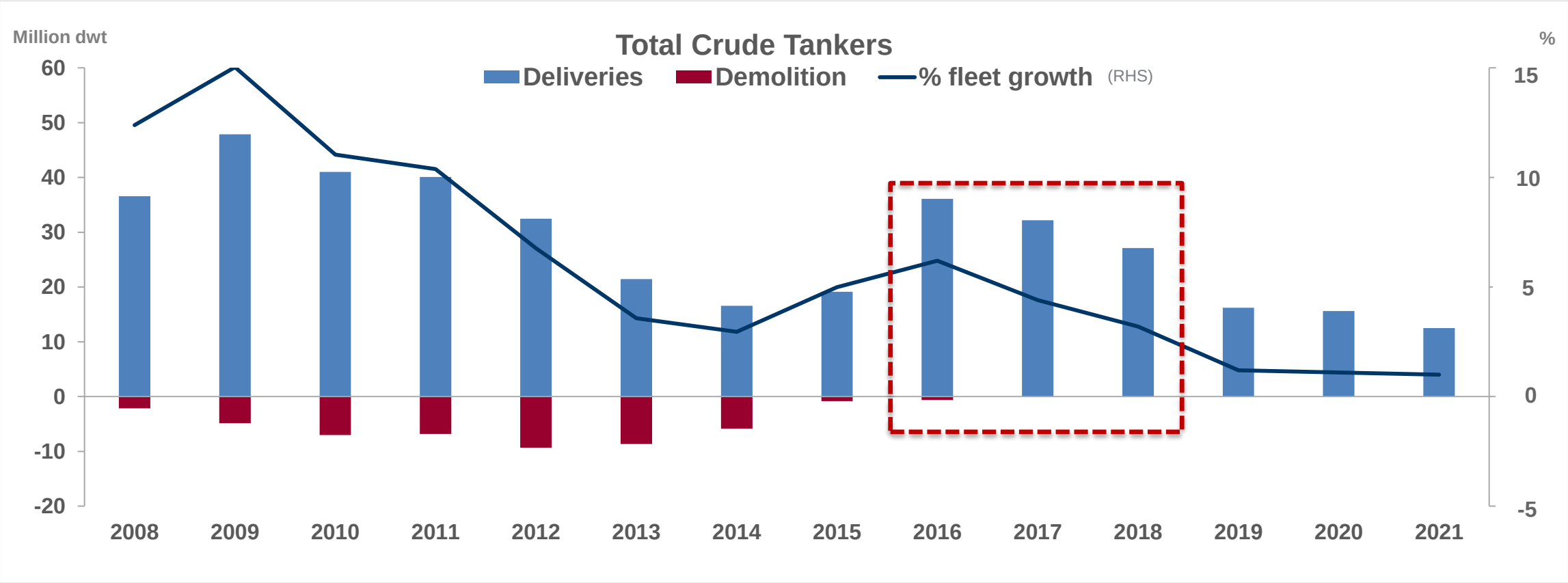


Source: IHS Energy

- Vessel oversupply is expected to persist as heavy delivery of new LNG tankers continue.
- The oversupply situation is exacerbated by a significant number of older LNG tankers coming off charters.

Petroleum Shipping Outlook

Heavy Vessel Deliveries to Put Further Pressure on Charter Rates



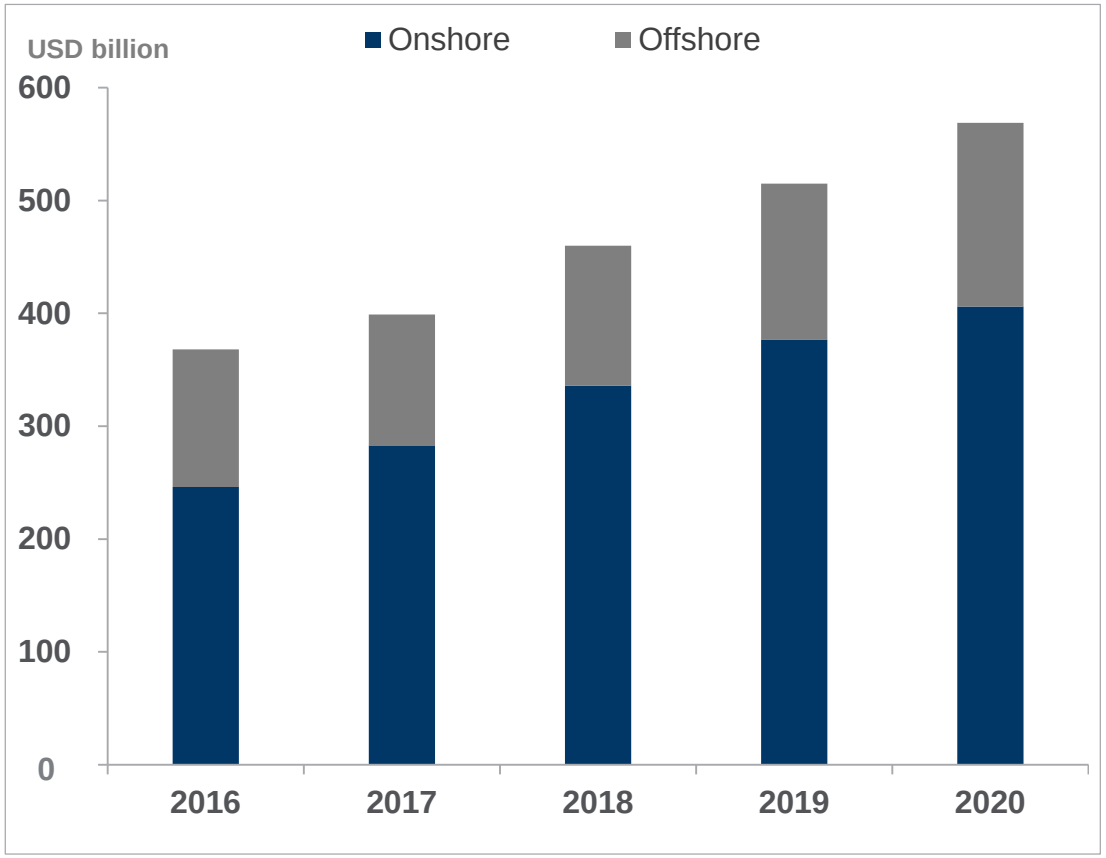
Source: Ship Brokers' Report

- Petroleum tanker charter rates are expected to remain soft as heavy vessel deliveries is expected to continue into 2017.
- However, the vessel oversupply situation is projected to moderate from 2018 onwards.

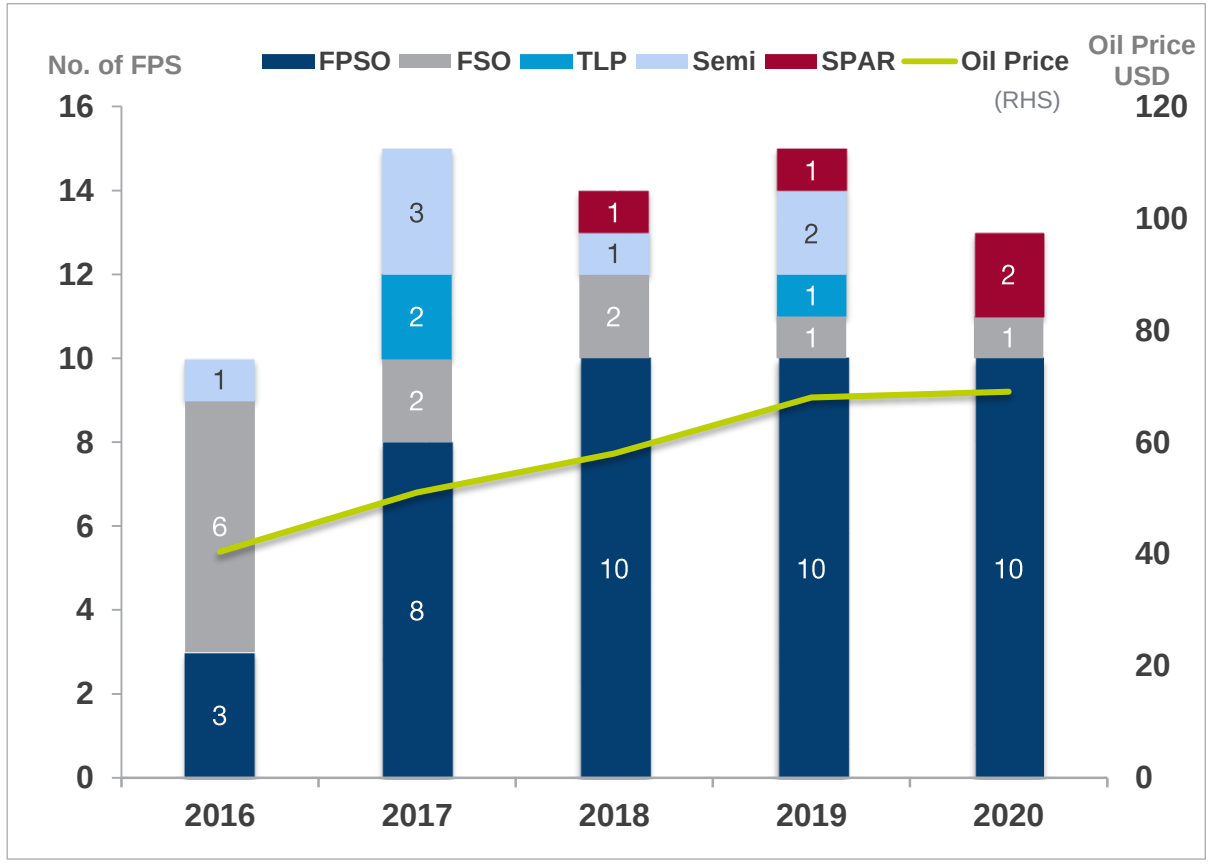
Offshore and Heavy Engineering Outlook

Global Oil Market Rebalancing is Underway

Global Upstream Spending



Floating Production System (FPS) Awards

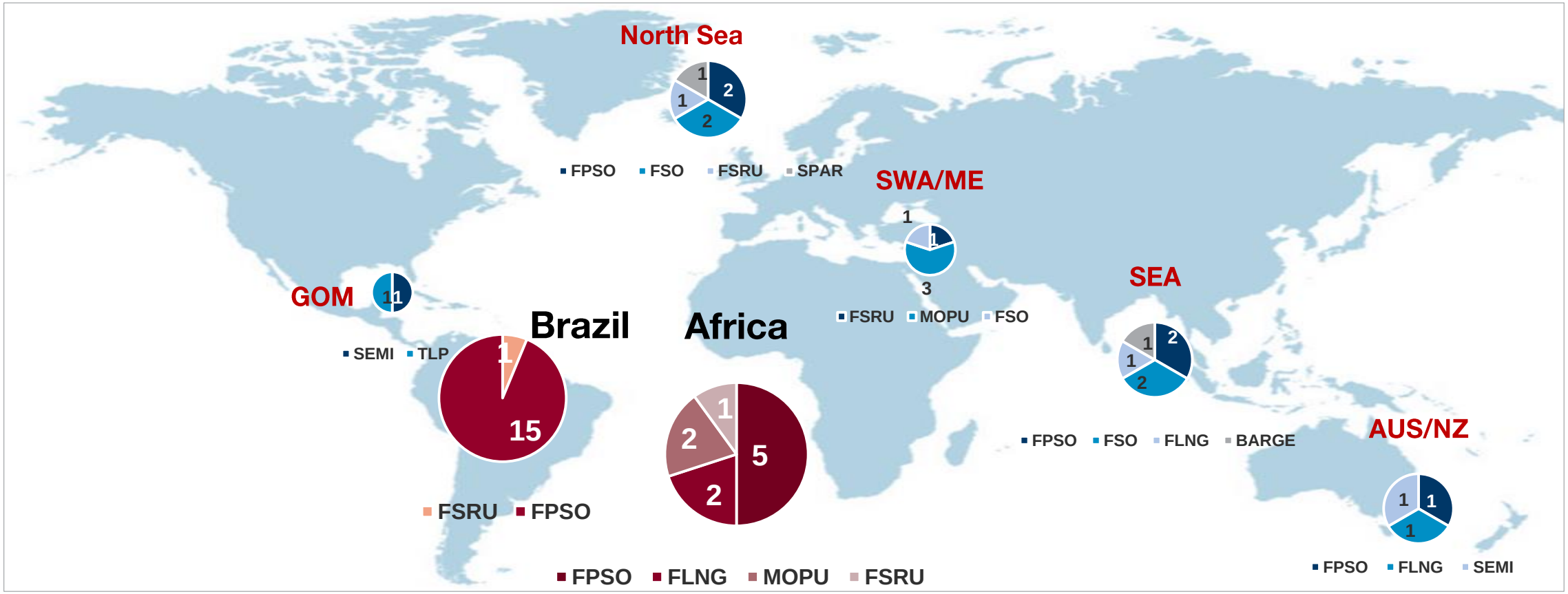


Source: EMA Report, IHS

- More stable oil price will help set the stage for a gradual recovery in global upstream investments.
- This will lead to a restart of new projects and more opportunities for the offshore and heavy engineering segments.

Offshore and Heavy Engineering Outlook

Opportunities on the Horizon Especially In the Atlantic Basin



Source: EMA Report

- Larger proportion of floating production project opportunities in the Atlantic Basin (Brazil and West Africa).
- A handful of projects in South East Asia and Australasia.

Our Competitive Advantages in 2017

- We have the financial headroom to fund these investment opportunities.
- Constrained access to financial resources limits competition.
- Our ability to honour and deliver project commitments successfully to customers is a key selling point.
- Hence, despite the challenging market outlook, we continue to see growth opportunities.

Thank You