ANALYST BRIEFING

3Q FY2016 Financial Results

2nd November 2016

misc moving energy

FINANCIAL OVERVIEW

By : Nik Azlan Aziz | Senior General Manager, Finance

moving energy

Financial Performance: 3Q FY2016 vs 2Q FY2016

Poor Petroleum Tanker Market and Impairment of LNG Vessels Drove Profits Lower for the Quarter

In USD Mil	2Q FY 16 (Apr - Jun)	3Q FY 16 (Jul- Sep)	qoq %
Revenue	596.8	566.1	(5.1)
EBITDA from Operations	272.8	202.2	(25.9)
PBT from Operations	122.3	72.3	(40.9)
Non-Recurring Items	217.4	(32.4)	(114.9)
PBT	339.7	39.9	(88.3)
Net Profit	335.0	37.2	(88.9)
EPS (cents)	7.4	0.8	(89.2)
ROE (%)	15.6	1.6	(89.7)

Lower revenue:

- Petroleum – Lower average blended TCE.
- LNG – Lower earning days for Puteri Zamrud due to contract expiry. The vessel is now being refurbished before redeployment.

Lower PBT from operations:

- Petroleum – Lower revenue, higher bunker and port cost.
- Offshore - Reversal of construction gain for FPSO Cendor.

Non-recurring items:

- Impairment of Puteri Class Vessels: (USD40.3 million)
- Reversal of provision for litigation claim: USD4.5 million
- Adjustment to gain from acquisition of Paramount: USD3.3 million

Financial Performance: 3Q FY2016 vs 3Q FY2015

	3Q FY 15 (Jul - Sep)	3Q FY 16 (Jul - Sep)	qoq %
In USD Mil			
Revenue	612.9	566.1	(7.6)
EBITDA from Operations	287.9	202.2	(29.8)
PBT from Operations	188.3	72.3	(61.6)
Non-Recurring Items	(63.5)	(32.4)	49.0
PBT	124.8	39.9	(68.0)
Net Profit	120.8	37.2	(69.2)
EPS (cents)	4.0	0.8	(80.0)
ROE (%)	8.9	1.6	(82.0)

Lower revenue and PBT from operations:

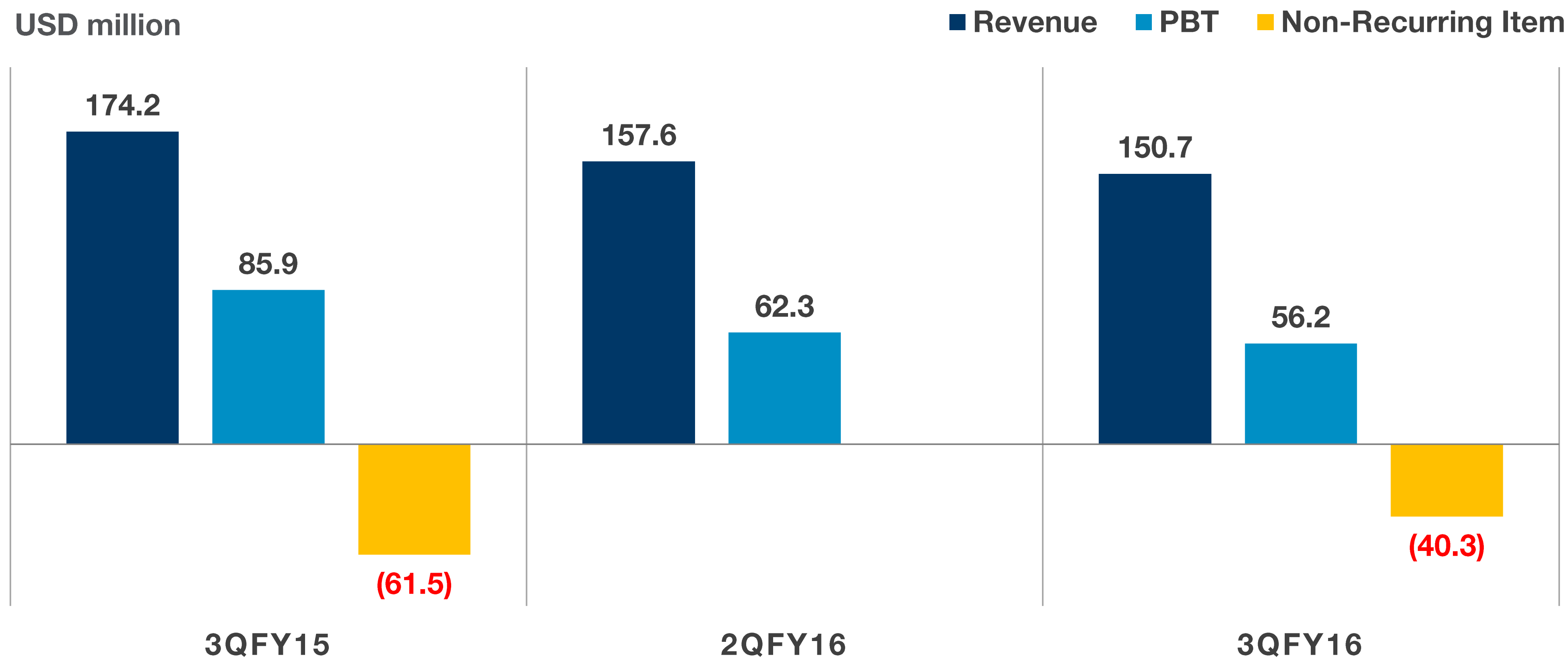
- Petroleum – Lower average blended TCE and higher depreciation due to change in vessels estimated useful lives.
- LNG – Lower earning days from lesser number of trading vessels and higher depreciation due to change in vessels' estimated useful lives.
- Heavy Engineering – completion of large projects.

Non-recurring:

- Impairment of Puteri Class Vessels: (USD40.3 million)
- Reversal of provision for litigation claim: USD4.5 million
- Adjustment to gain from acquisition of Paramount: USD3.3 million

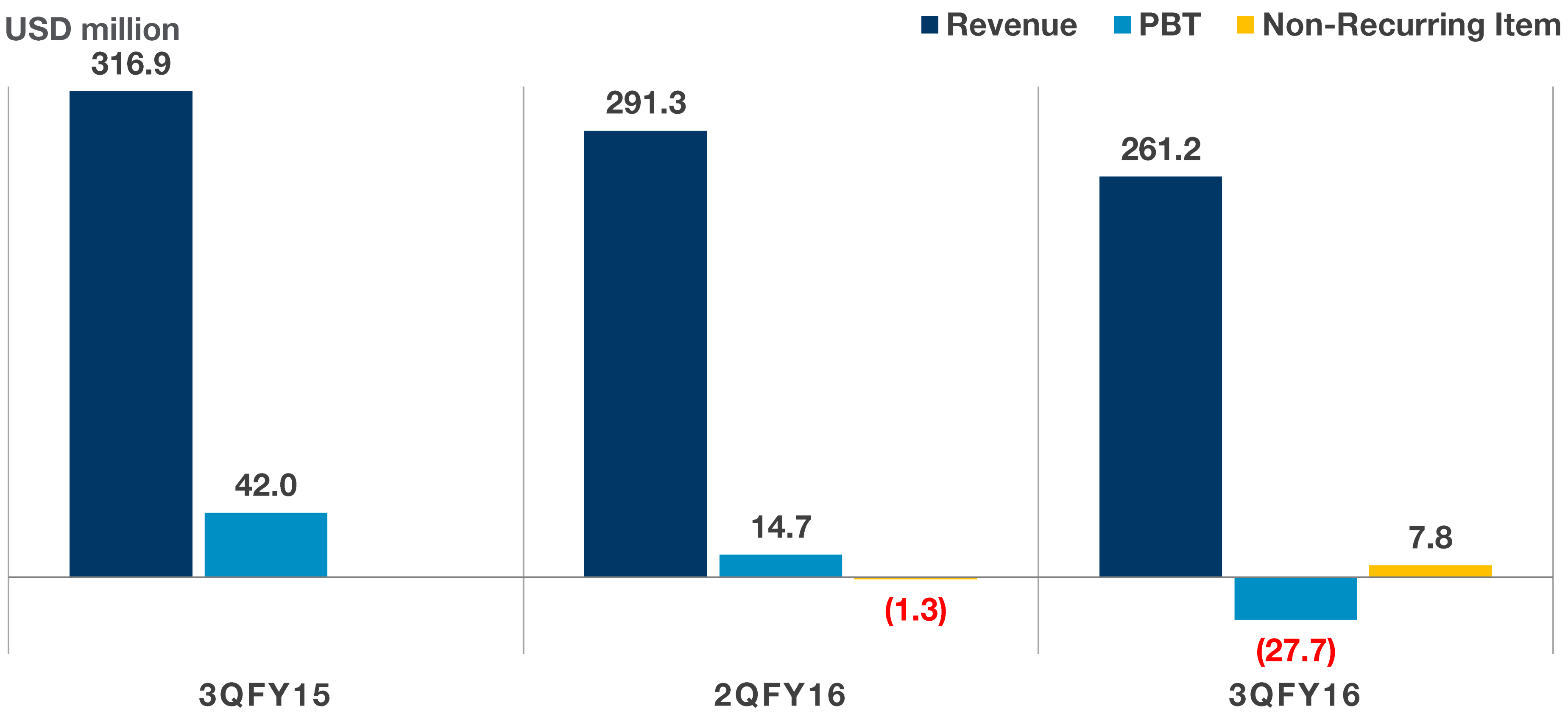
Financial Performance by Business Segment

LNG Shipping - Lower Earning Days and Impairment for Puteri Class Vessels



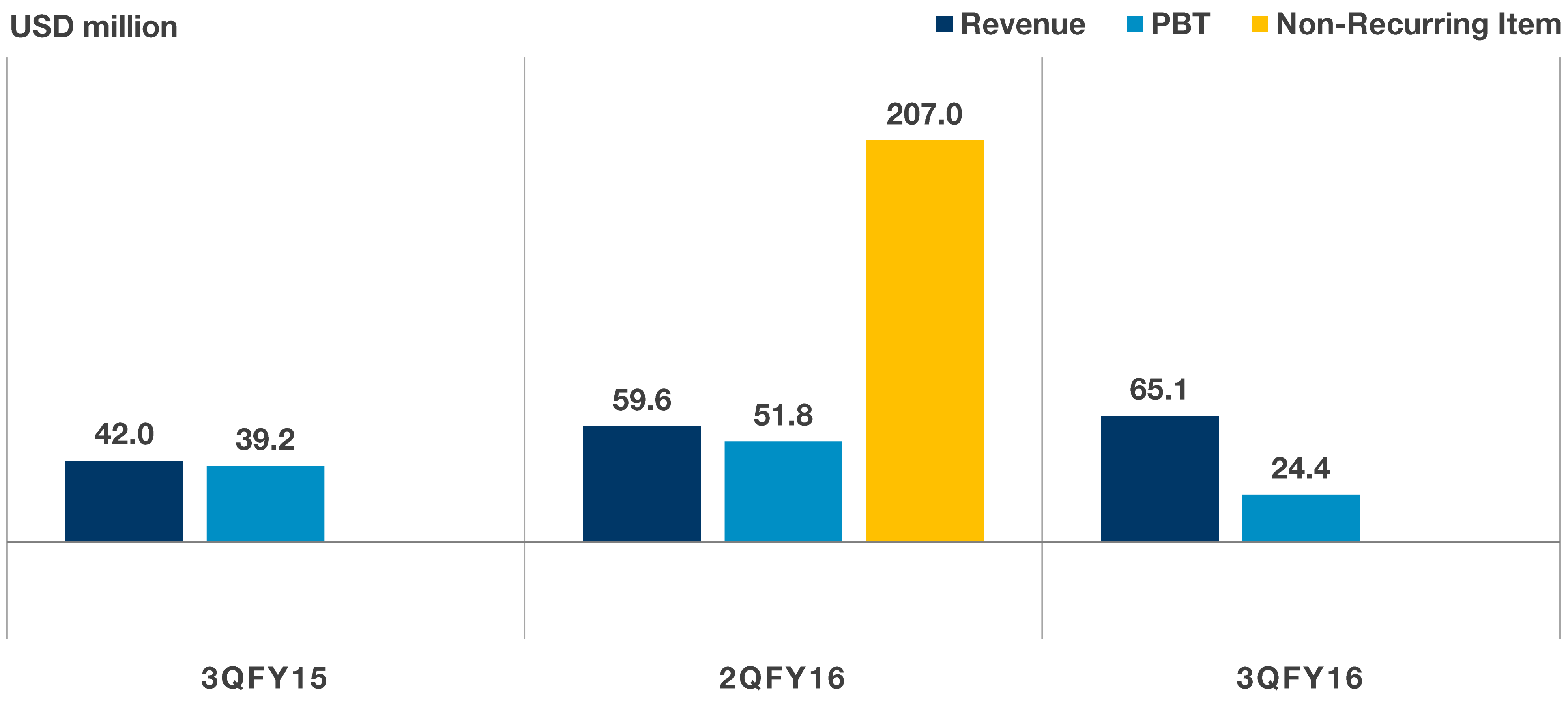
Financial Performance by Business Segment

PETROLEUM Shipping – Lower Average Blended TCE from Seasonal Weakness



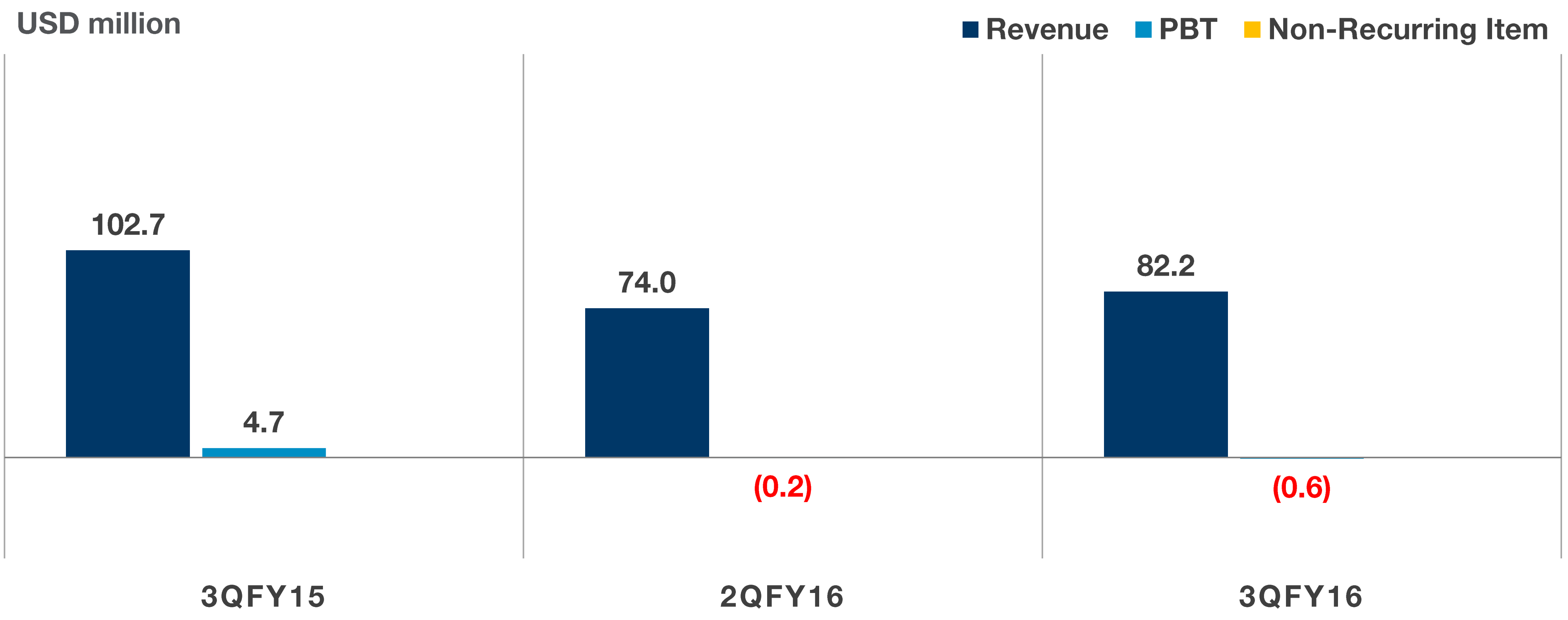
Financial Performance by Business Segment

OFFSHORE Business – Lower PBT from Reversal of Construction Gain for FPSO Cendor

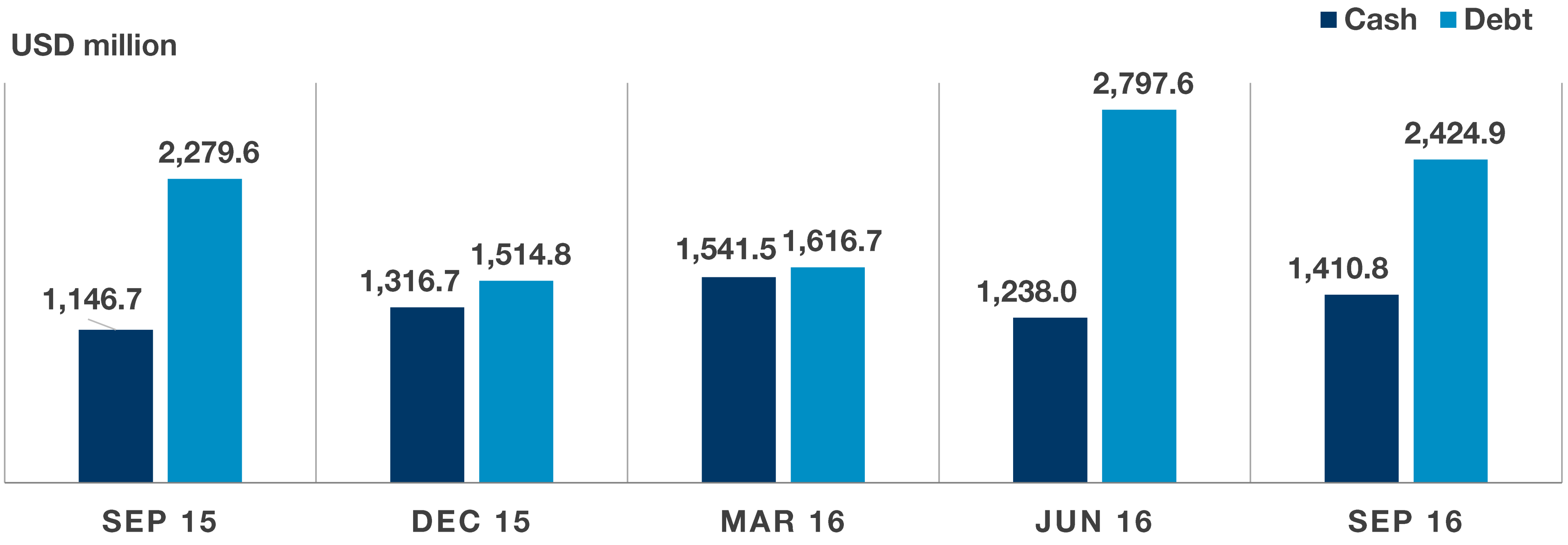


Financial Performance by Business Segment

HEAVY ENGINEERING – Marine Repair Continues to Cushion Lower Heavy Engineering Orderbook



Financial Performance – Balance Sheet



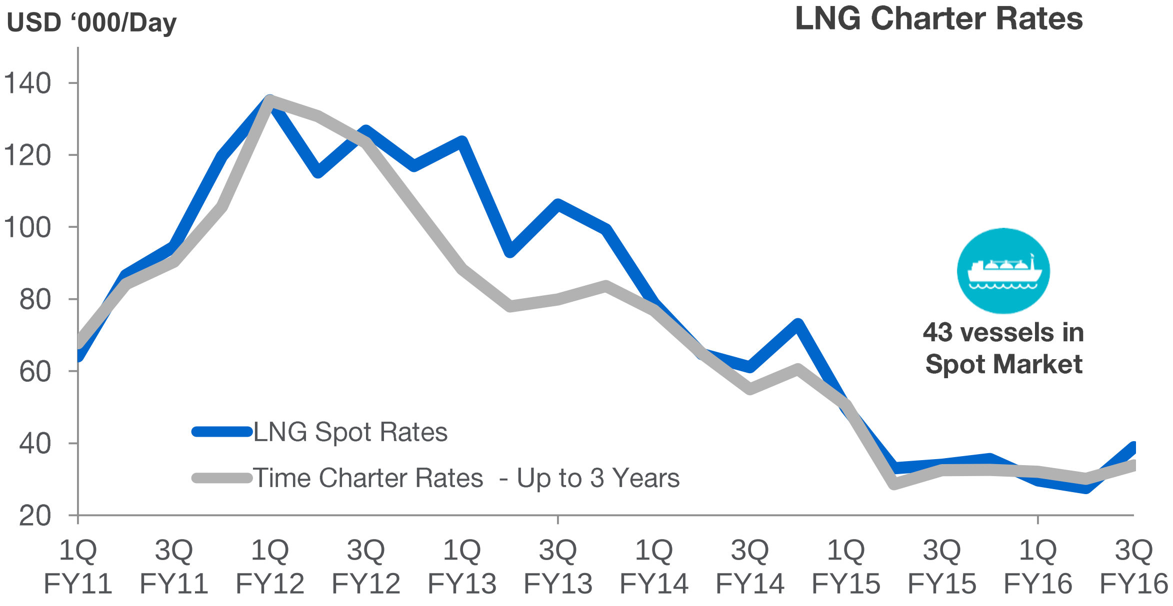
- Consolidation of Gumusut-Kakap's borrowing in 2Q 2016.
- Net gearing ratio dropped from 0.33x in 2Q 2016 to 0.29x in 3Q 2016.

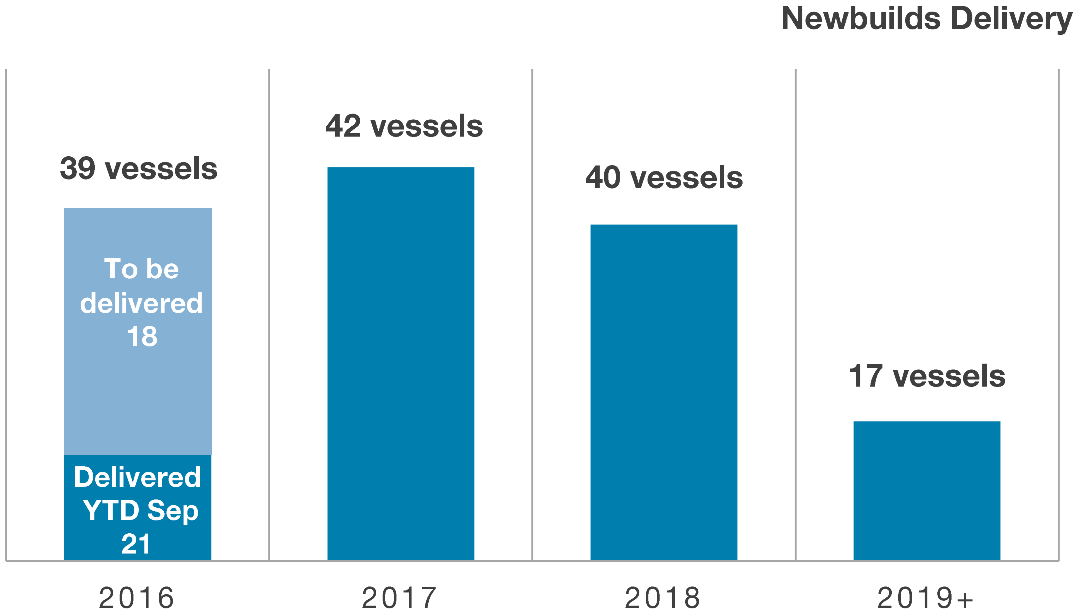
MARKET ENVIRONMENT

By : Teoh Paul Keng | General Manager, CPD

LNG SHIPPING

Increased Spot Cargo Movements Lifted LNG Spot Rates



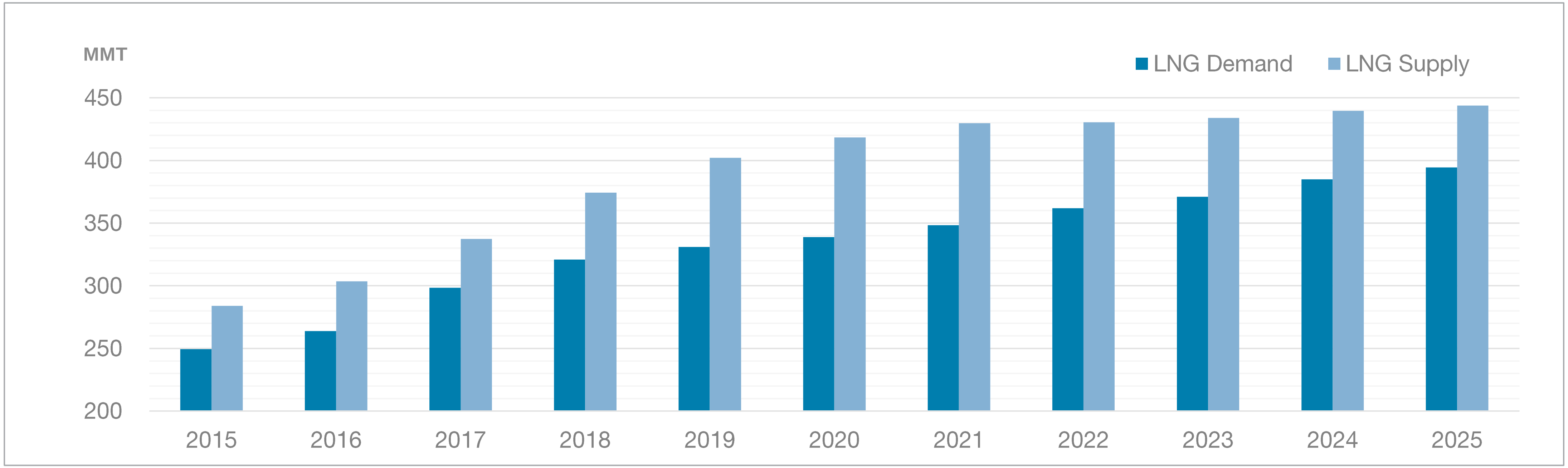


Source: Shipbrokers' Report, Sept 2016

- Global LNG imports rose 9% during the quarter.
- LNG spot cargoes has increased by 19% during the quarter compared to the preceding quarter.
- Japan and China's natural gas imports rose 19.2% and 11.8% respectively during the quarter, improving demand of vessels in the Pacific.
- Higher demand for LNG from Argentina and Egypt has removed vessels from Atlantic.

LNG SHIPPING

Gas Supply Growth Outweighs Gas Demand Growth



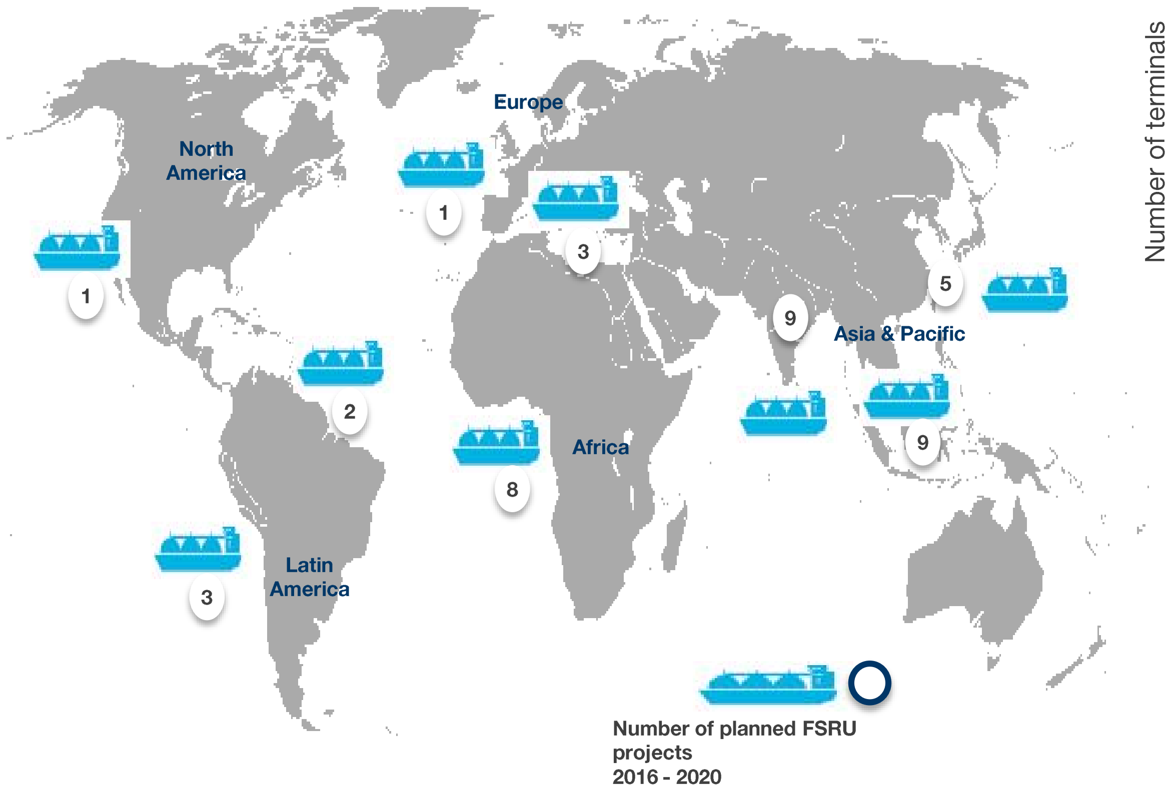
Source: Shipbrokers' Report, Sept 2016

- Supply continues to outstrip the demand growth.
- New liquefaction facilities are mainly located in US, Australia, Mozambique and Canada. No new liquefaction projects has been sanctioned since 2H 2015.
- Future demand growth will be derived mainly from emerging economies like China, SEA and Indian sub-continent.
- Shifting LNG requirement with higher number of spot traded cargoes.

LNG SHIPPING

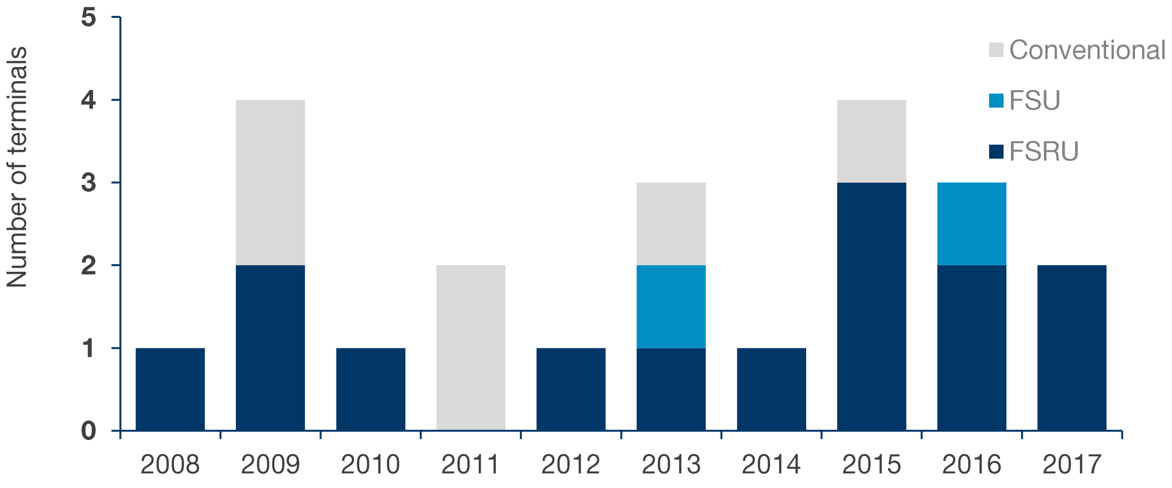
Increasing Demand for Non-Conventional Shipping (FSRU) Driven by Low LNG Prices

Total of 41 FSRU Projects Planned For Next 5 Years



Source : EMA Q3 2016 Report

New LNG Importing Countries by First Terminal Type

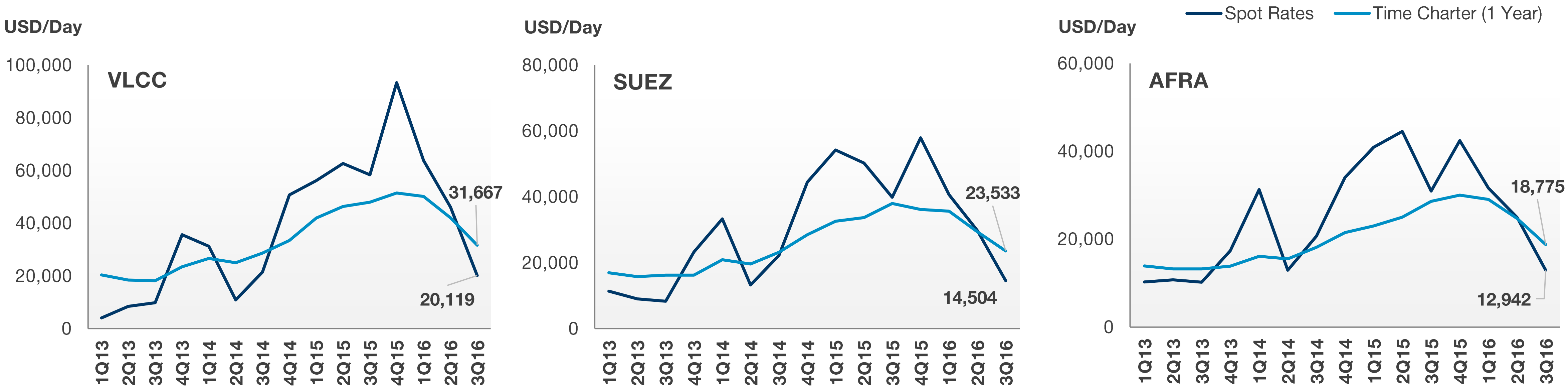


Source : EMA Q3 2016 Report

- **2014 – 2017** : 8 out of 10 new LNG importing nations have chosen FSRUs as their first terminal.
- Emerging markets will drive demand for FSRU as a means of importing low cost LNG.

PETROLEUM SHIPPING

Weaker Market Driven by Seasonal Slowdown

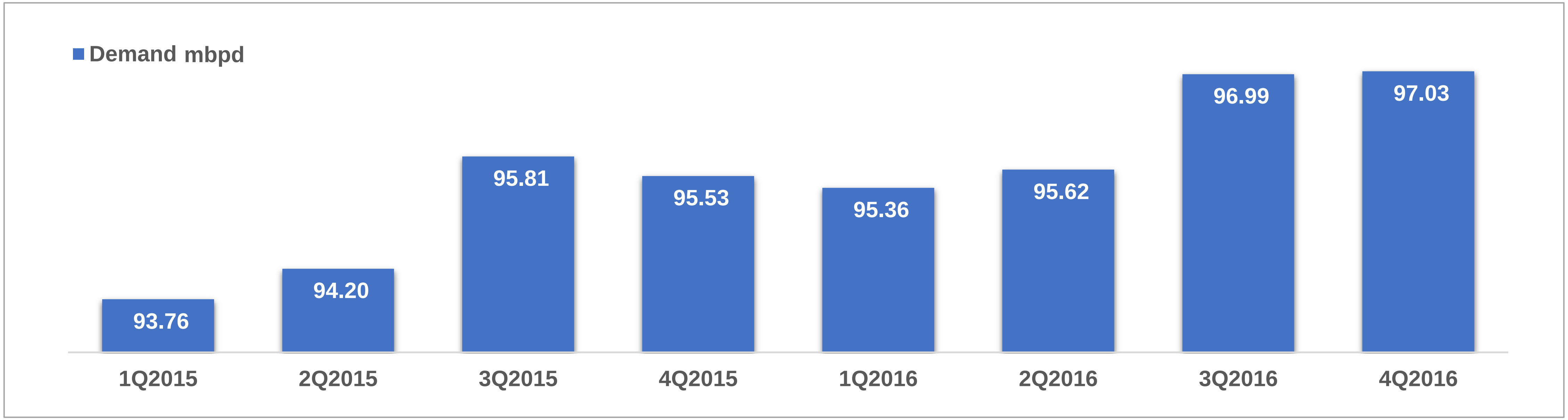


Source: Ship Brokers' Report, Sep 2016

- Lower throughput at refineries as inventories remained stubbornly high.
- Supply interruption in West Africa impacted Suezmax vessel demand for most of the quarter with lifting of force majeure only taking place during the end of the quarter.
- China recorded 8.08 mbpd (+8% QoQ) of crude import in September. The return of higher demand came from teapot refineries, cashing in on lower cost oil import.
- Fleet growth in 2016 is the highest since 2012 - with Aframax at 4.7%, Suezmax at 4.1% and VLCC at 5.4%.

PETROLEUM SHIPPING

Seasonal Demand to Drive Tanker Market

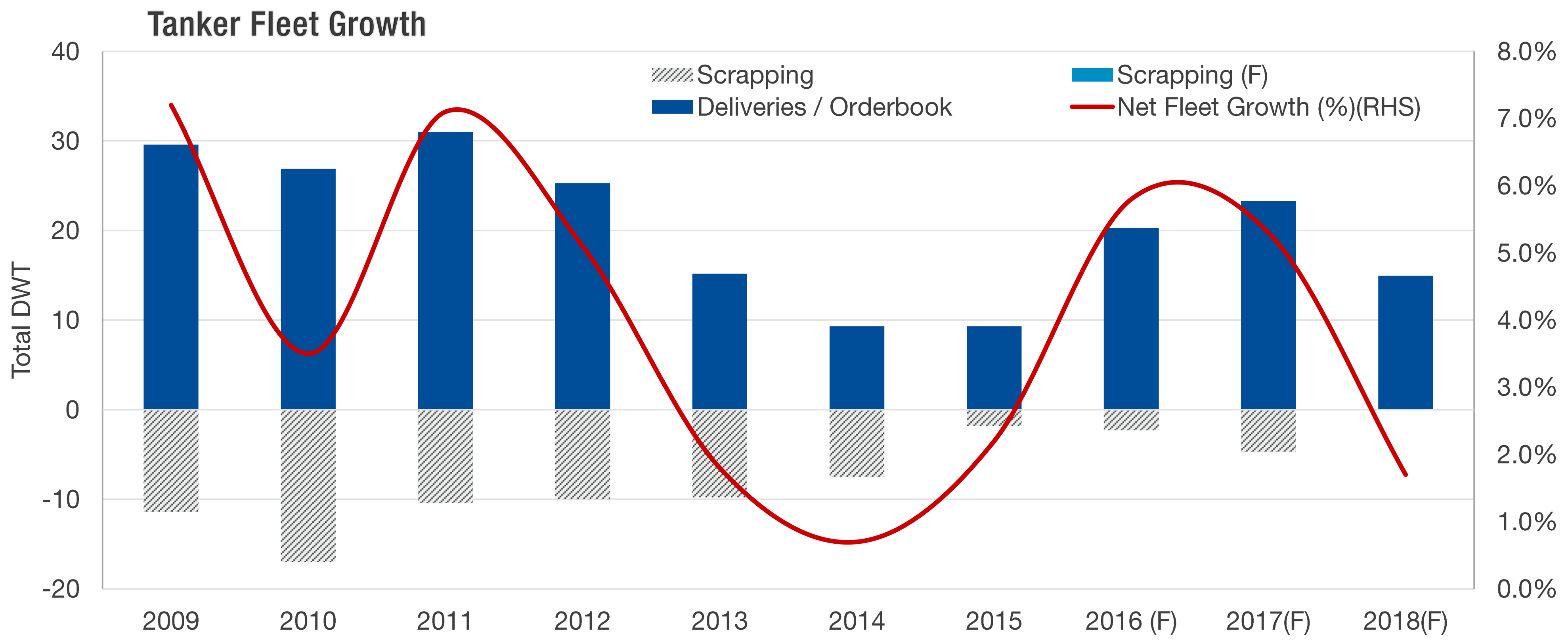


Source: IEA, Sep 2016

- Crude demand is forecasted to expand by 1.2mbpd this year, with similar modest gain expected in 2017.
- Winter peak demand to drive tanker markets higher.
- Drawdown in inventories in OECD countries.
- Unpredictable winter weather could provide upside to the tanker market.

PETROLEUM SHIPPING

Moderating Newbuild Deliveries Beyond 2017

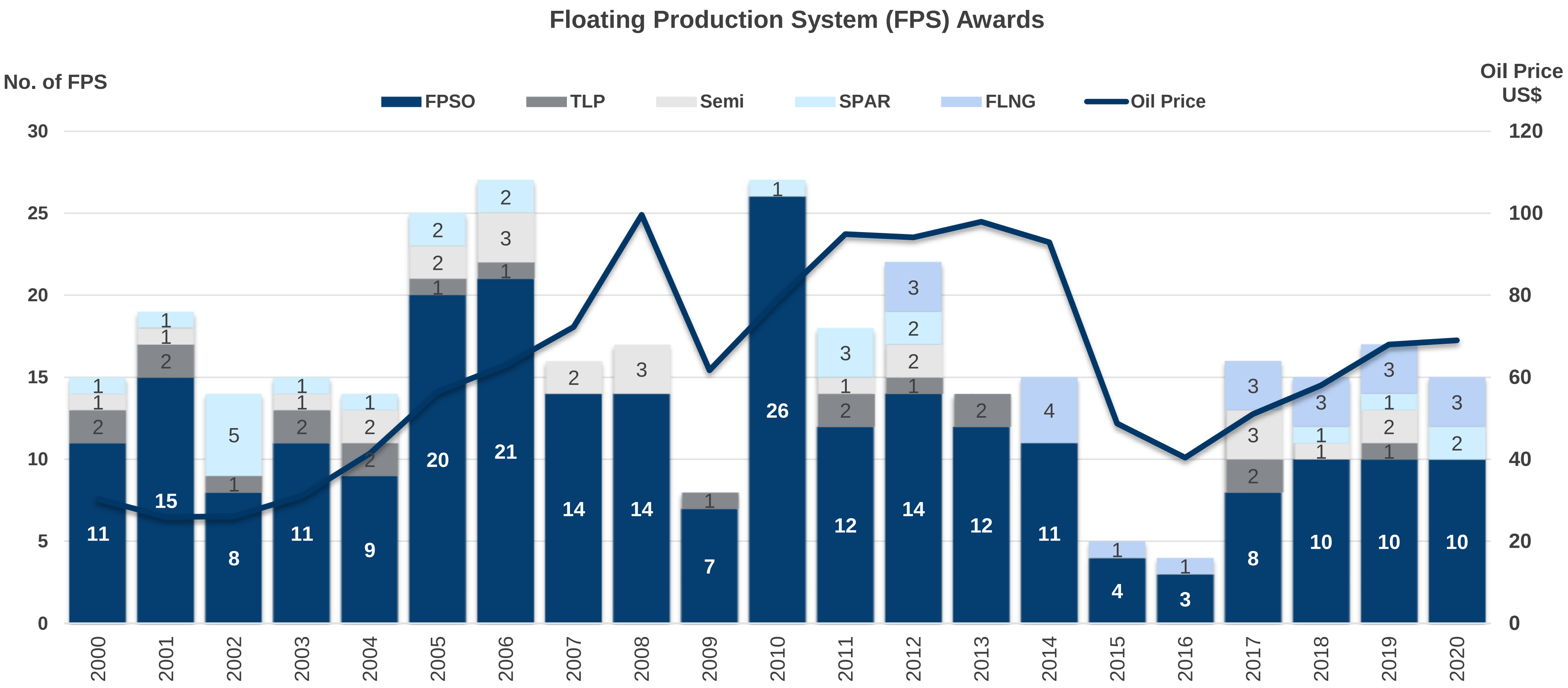


Source: Ship Brokers' Report, Sep 2016

- To-date, 24 vessels were ordered in 2016.
- Cost of retrofitting under the new ballast water treatment convention could encourage accelerated scrapping of vessels.

OFFSHORE BUSINESS

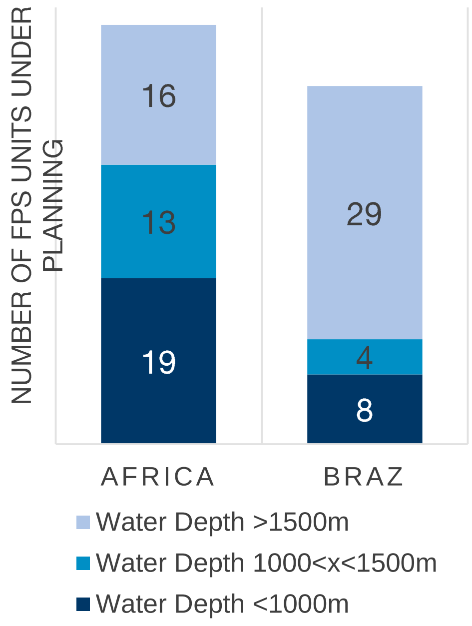
Limited Greenfield Opportunities Without Strong Recovery in Oil Price



Source : EMA Q3 2016 Report

OFFSHORE BUSINESS

Opportunities on the Horizon : Projects Concentrated In the Atlantic Basin



Source: EMA Q3 2016 Report

- Average Project capex forecast over the next five years is likely to be at US$47.8 billion for 45 assets, averaging US$1.06 billion per asset.
- 40% of this amount will be spent on large units producing 150,000 – 200,000 boe/d primarily in the West Africa and Brazil region, at a cost of US$1.5 – US$1.9 billion each.
- Petrobras recently revised its 5 year investment budget indicating 4 new tenders are up for grabs.

BUSINESS UPDATES

LNG Business

- Completion of FSU 2 boiler retrofitting in Q3FY2016.
- Completion of Puteri Zamrud repair and life extension (RLE) and commencement of new charter in Oct 2016.
- Renewal and extension of TCP of Aman Sendai for additional 10 + 5 years with MLNG, PETRONAS.
- First of the Petronas newbuilds, the Seri C Class LNG fleet - Seri Camellia, was delivered on 30 September 2016.
  - Chartered to PETRONAS on a 15 + 5 years TCP contract.
  - MOSS-Type cargo containment system.
  - Integrated Hull Structure (IHS) with four spherical tanks shielded by the continuous cover.
  - installation of the Selective Catalytic Reduction (SCR) system – compliance with latest IMO Tier III requirement and the Ozone Ballast Water Treatment System.
  - Powered by an Ultra Steam Turbine (UST) plant, and installed with pre-swirl duct and Propeller Boss Cap Fin (PBCF).
- The 2nd Seri C Class LNG newbuild will be delivered in Q1 FY2017.

Seri Camellia - maiden voyage from South Korea to Bintulu, Malaysia.

Petroleum & Chemical Business

- Completed acquisition of Paramount tankers.
  - Completion date 29 August 2016.
  - Final purchase consideration of USD59.293 million.
- 4 Aframaxes, 2 VLCCs and 1 chemical contract were renewed during the quarter.
- Current portfolio mix at 50:50 term to spot.
- Concentration on fleet rejuvenation with delivery of 8 new tankers and re-delivery of more expensive in-charters.

Offshore Business

FSO Benchamas 2 Project Award

- Awarded the FSO Benchamas 2 Project by Chevron Thailand on 23 August 2016.
  - MISC maiden foray into Thailand offshore market.
  - Aframax size FSO is capable of storing 650,000 barrels of oil per day at water depth of 71 meters.
  - Located at Block B8/32, Gulf of Thailand with daily production of 30,000 barrels of oil per day.
  - Contract for 10 years, with 5 extensions of one year each.
  - Commencement in 2Q 2018.
  - Bunga Kelana 5 to undergo conversion in MHB yard.

Sail-away of Marginal Marine Production Unit (MaMPU 1)

- MaMPU 1 sailed away on 29 September 2016.
  - First deployment at Anjung Kecil oil field, offshore Sarawak.
  - storage capacity of 318,000 barrels, designed to produce 15,000 barrels of oil per day.
  - Contract of 10 firm years, commencement in Q4 FY2016.

Heavy Engineering

- Projects delivery / load out / sail away:
  - Sail away of Malikai deepwater TLP
  - Sail away of Bergading sub-structures
  - Load-out of Besar-A jacket
  - Integration of turret onto Bergading FSO
  - Delivery of Kanowit HUC
- Major projects awarded:
  - Rapid Package 3, 5 and 14
  - FSO Benchamas Conversion and RLE
  - LNGC Puteri Zamrud RLE
  - LNGC Seri Anggun and Amanah drydocking
  - LNGC Hyundai Technopia drydocking
  - FSO ABU deslopping & desludging work
  - MOPU Sepat Drydocking
- Entered into JV agreement with Eastern Pacific Industrial Corporation Berhad (“EPIC”) to provide repair services of marine vessels in Kemaman Supply Base, Terengganu. MHB is the majority shareholder with 70% shares. The business is expected to contribute RM20 million once it is fully in operation.
- New order intake as at September 2016 – RM156 million and current orderbook stood at RM686 million.
- Focus on managing the cost base in this downturn period.
- Improve on utilization of existing assets through bidding of non-offshore based contracts.

Others – Recent Corporate Exercise

Completion of Disposal of MISC Entire Equity Interest in MISC Integrated Logistic Sdn Bhd (MILS)

- Disposal of MILS to SWIFT Haulage Sdn Bhd was completed on 24 October 2016.
- Total proceeds from disposal are estimated to be up to RM358.0 million, comprising of:
  - Purchase consideration of RM257.2 million;
  - Shareholder’s loan owed by MILS to MISC of RM66.8 million; and
  - Other receivables due from MILS to MISC of up to RM34.0 million.
- MILS has ceased to be a subsidiary of MISC with effect from 24 October 2016.

APPENDIX

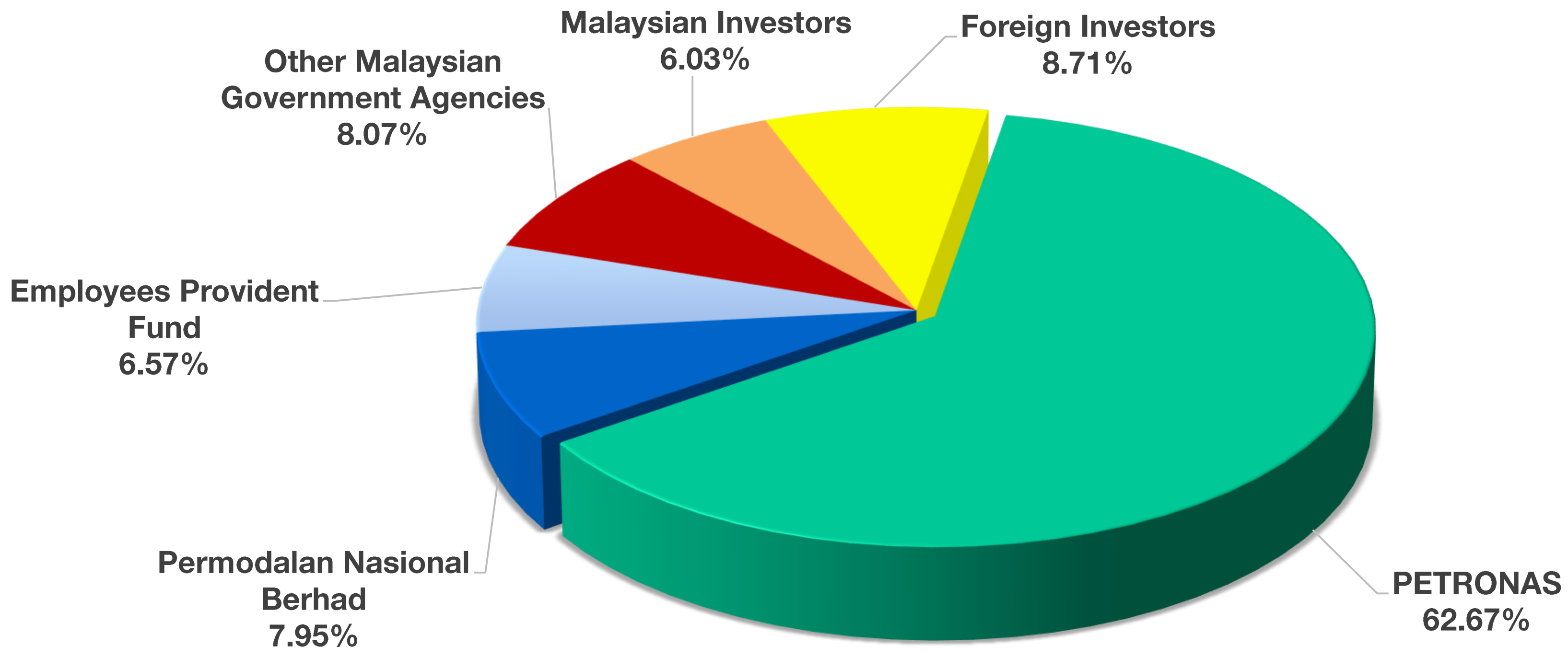
Appendix 1 : Fleet Information

As at 30 September 2016

Business Unit	Vessel Type	Total Vessel Operated	Owned As At 31-Sep-16	Chartered-In As At 31-Sep-16	Average Age (yrs) 31-Sep-16	Industry Average Age (yrs) 31-Sep-16	Contracted Newbuilds/ Conversions
LNG	LNG	26	26	–	14.4	11.1	4
	FSU	2	2	–	34.5	–	-
Petroleum	VLCC	12	10	2	8.7	9.2	-
	Suezmax	4	4	-	4.2	9.8	2
	Aframax	51	37	14	12.0	10.0	4
	LR2	3	-	3	11.2	7.9	2
	MR2	7	-	7	6.6	9.2	-
	Shuttle	4	4	-	4.3	10.2	-
Chemical	Chemical	13	7	6	6.1	9.5	-
	LPG	1	-	1	18.1	-	-
TOTAL		123	90	33	-	-	12
Offshore	FPSO/FSO/ SS	-	12	-	6.8	-	-
	MOPU	-	2	-	5.5	-	-

Appendix 2 : Shareholders' Profile

As at 30 September 2016



Appendix 3 : Delivery Schedule
As at 30 September 2016

	LNG	Petroleum		
	LNG Carriers	**Suezmax**	**Aframax**	**LR2**
1H2017	1	-	-	1
2H2017	1	2	-	1
1H2018	2	-	4	-

Appendix 4 : Financial Performance (Year-To-Date)

In USD Mil	Q3 FY 15 (Jan - Sep)	Q3 FY 16 (Jan - Sep)	yoy %
Revenue	2,011.3	1,733.8	(13.8)
EBITDA	861.9	869.5	0.9
PBT from Operations	553.0	443.9	(19.7)
Non-Recurring Items	(75.4)	121.7	(261.3)
PBT	477.6	565.6	18.4
Net Profit	472.0	440.0	(6.8)
Shareholders' Fund	8,063.0	8,428.4	4.5
Cash	1,146.7	1,410.8	23.0
Borrowings	2,279.6	2,424.9	6.4
EPS (cents)	11.9	11.3	(5.0)
ROE (%)	8.8	7.9	(10.2)
ROA (%)	6.8	5.5	(19.1)
Net Debt/Equity	0.1	0.1	(14.3)
NTA/Share (cents)	181.1	191.0	5.5

REVENUE
YTD FY2016 vs. YTD FY2015

Business Segments (in USD Million)	FY2015	FY2016	Var USD mil
LNG	544.2	471.1	(73.1)
Petroleum	906.2	853.3	(52.9)
Offshore	172.4	170.5	(1.9)
Heavy Engineering	460.3	217.4	(242.9)
Others	110.0	112.4	2.4
Consolidation Adjustments	(181.8)	(90.9)	90.9
GROUP REVENUE	**2,011.3**	**1,733.8**	**(277.5)**

PBT FROM OPERATIONS
YTD FY2016 vs. YTD FY2015

Business Segments (in USD Million)	FY2015	FY2016	Var USD mil
LNG	287.8	280.9	(6.9)
Petroleum	89.4	28.2	(61.2)
Offshore	124.0	117.5	(6.5)
Heavy Engineering	19.2	(2.3)	(21.5)
Others	32.6	19.6	(13.0)
Profit Before Tax From Operations	**553.0**	**443.9**	**(109.1)**

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