



ANALYST BRIEFING 2Q FY2019 Financial Results

14 August 2019



FINANCIAL OVERVIEW

By: Mohammad Romzi | Senior General Manager, Finance



Financial Performance: 2Q FY2019 vs 1Q FY2019

<i>In USD Mil</i>	Q2 FY2019	Q1 FY2019	QoQ %
Revenue	521.0	556.7	(6.4)
PBT from Operations	113.2	122.4	(7.5)
Non-recurring Items	(12.4)	10.1	>(100.0)
PBT	100.8	132.5	(23.9)
Net Profit	96.7	126.1	(23.3)
EPS (cent)	2.2	2.8	(22.7)
ROE (%)	1.1	1.5	(22.7)

Lower revenue:

- Petroleum – Lower TCE

Lower PBT from operations:

- Petroleum – Lower revenue

Non-recurring items:

- Impairment of LNG and Offshore vessels in Q2 FY2019
- Gain on acquisition of a business in Q1 FY2019
- Gain on disposal of LNG vessel in Q1 FY2019

Financial Performance: 2Q FY2019 vs 2Q FY2018

<i>In USD Mil</i>	Q2 FY2019	Q2 FY2018	QoQ %
Revenue	521.0	542.6	(4.0)
PBT from Operations	113.2	80.1	41.3
Non-recurring Items	(12.4)	0.4	>(100.0)
PBT	100.8	80.5	25.2
Net Profit	96.7	78.2	23.7
EPS (cent)	2.2	1.8	18.3
ROE (%)	1.1	1.0	18.6

Lower revenue:

- Petroleum – Lower earning days
- Offshore – FSO Benchamas 2 construction revenue in Q2 FY2018

Higher PBT from operations:

- Petroleum – Higher margin
- Heavy Engineering – Higher contribution from Marine

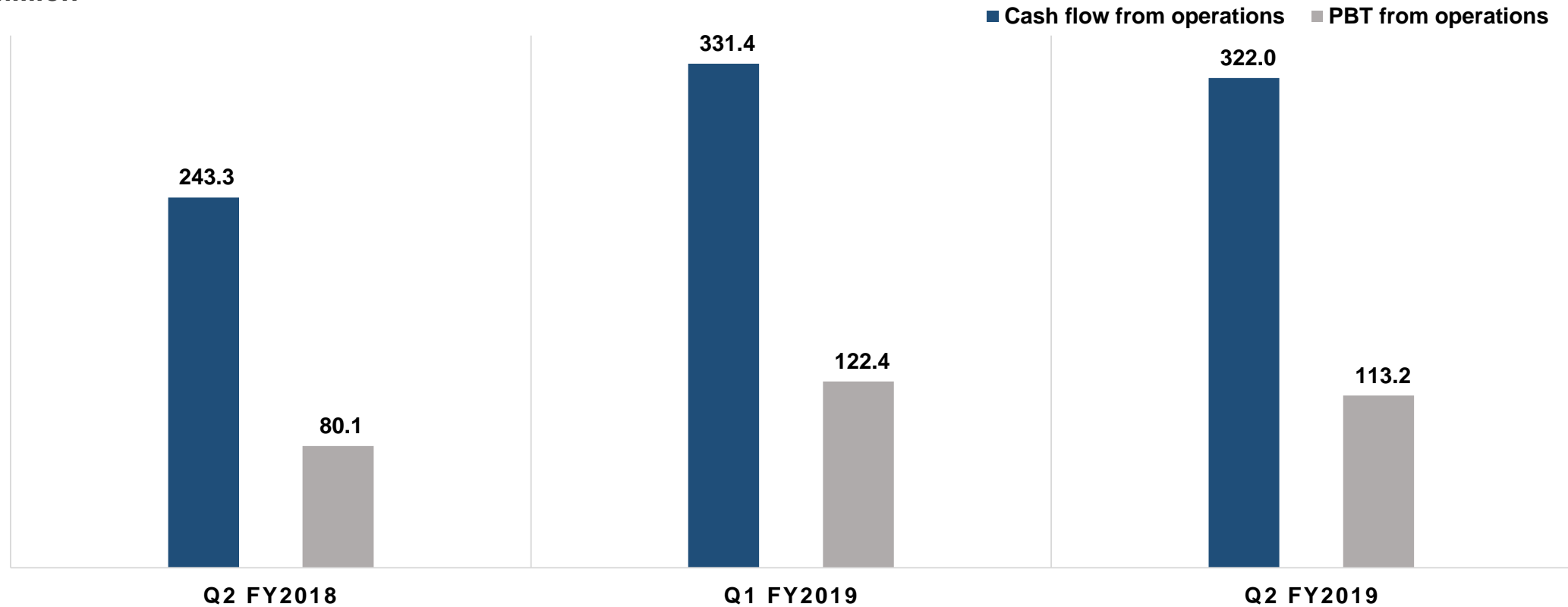
Non-recurring items:

- Impairment of LNG and Offshore vessels in Q2 FY2019

Cash Flow from Operations

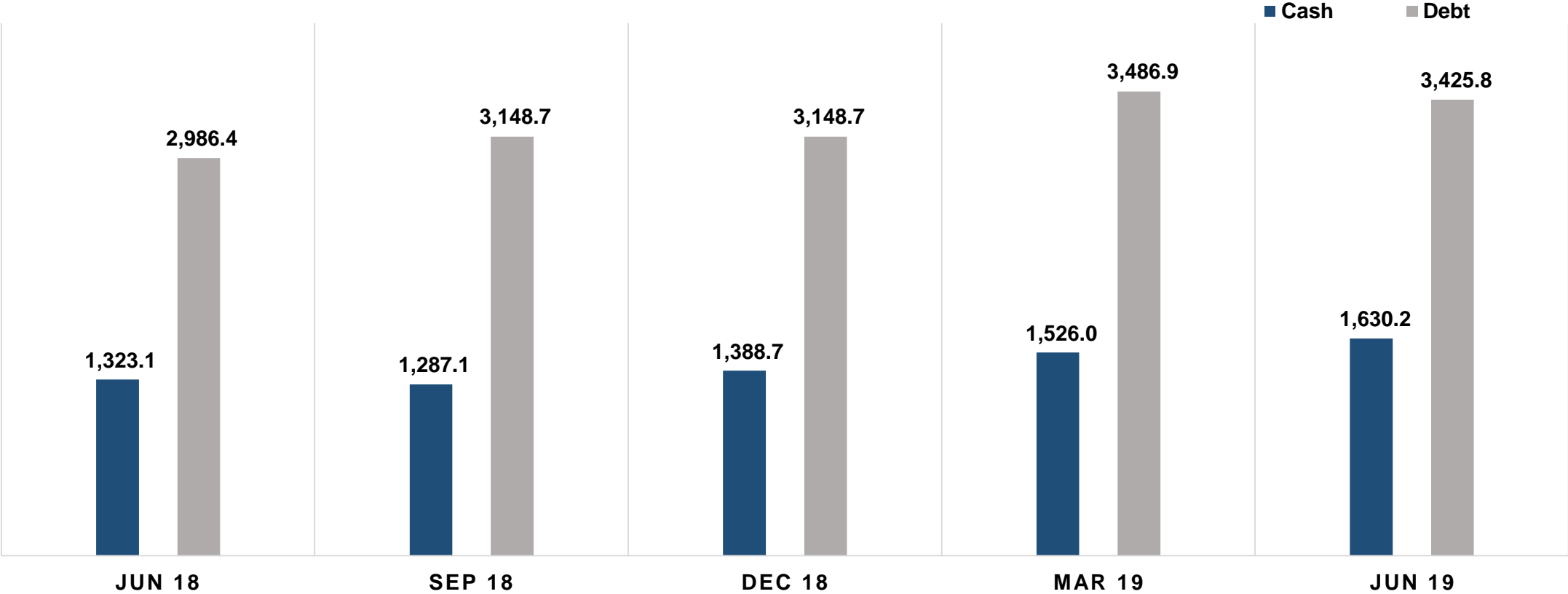
Healthy group cash flow from operations

USD million



Cash and Debt Balances

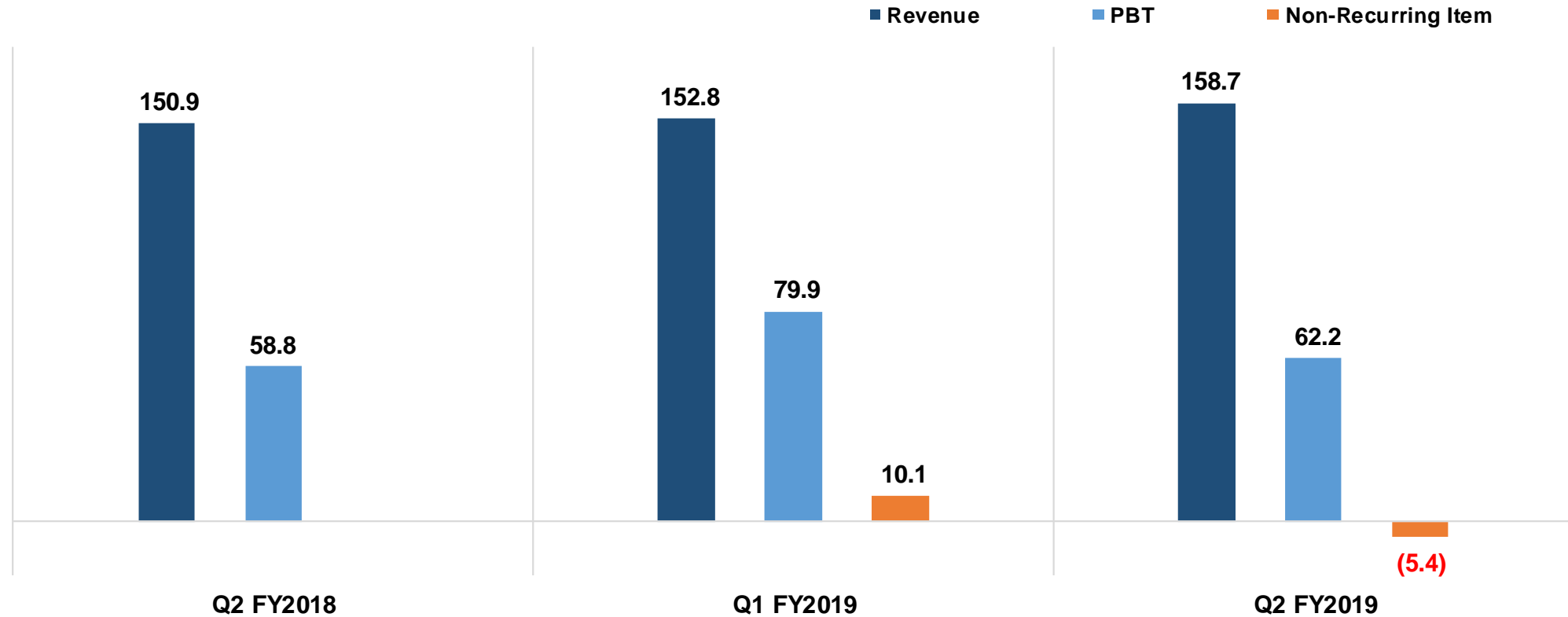
USD million



Financial Performance by Business Segment

LNG Shipping – Vessels dry-docking

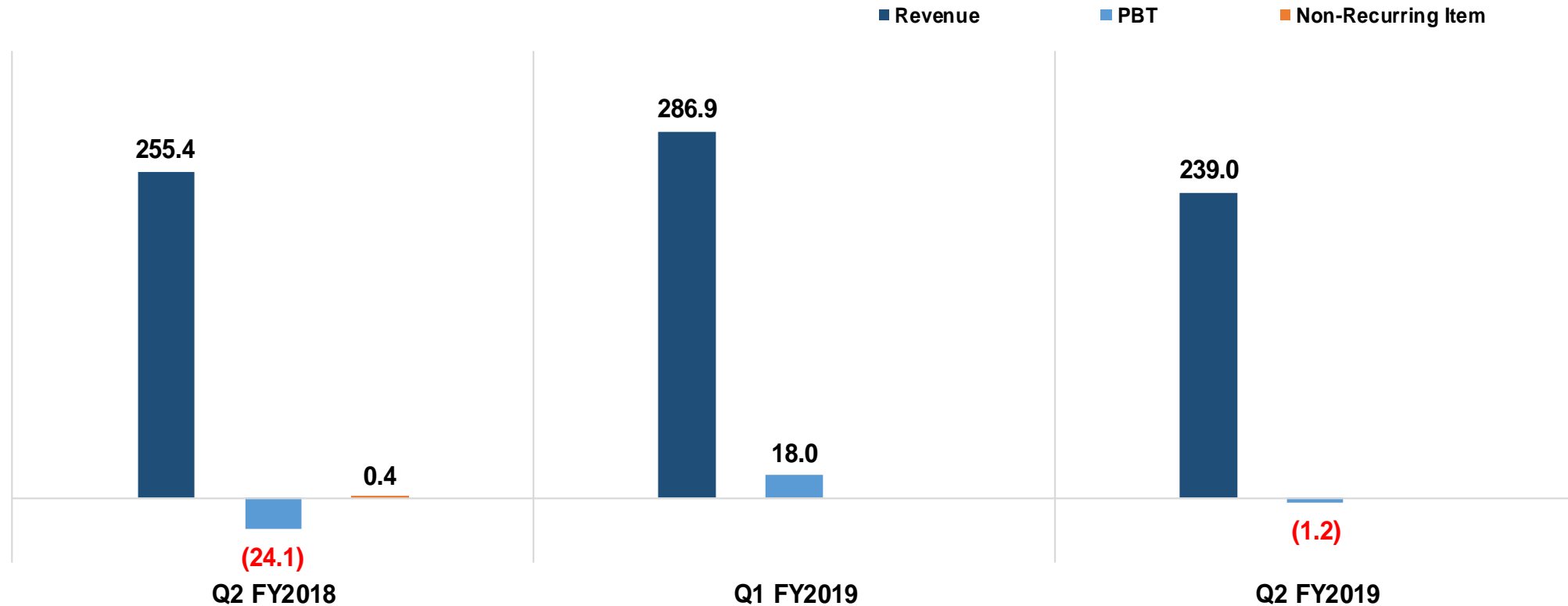
USD million



Financial Performance by Business Segment

Petroleum Shipping – Lower TCE

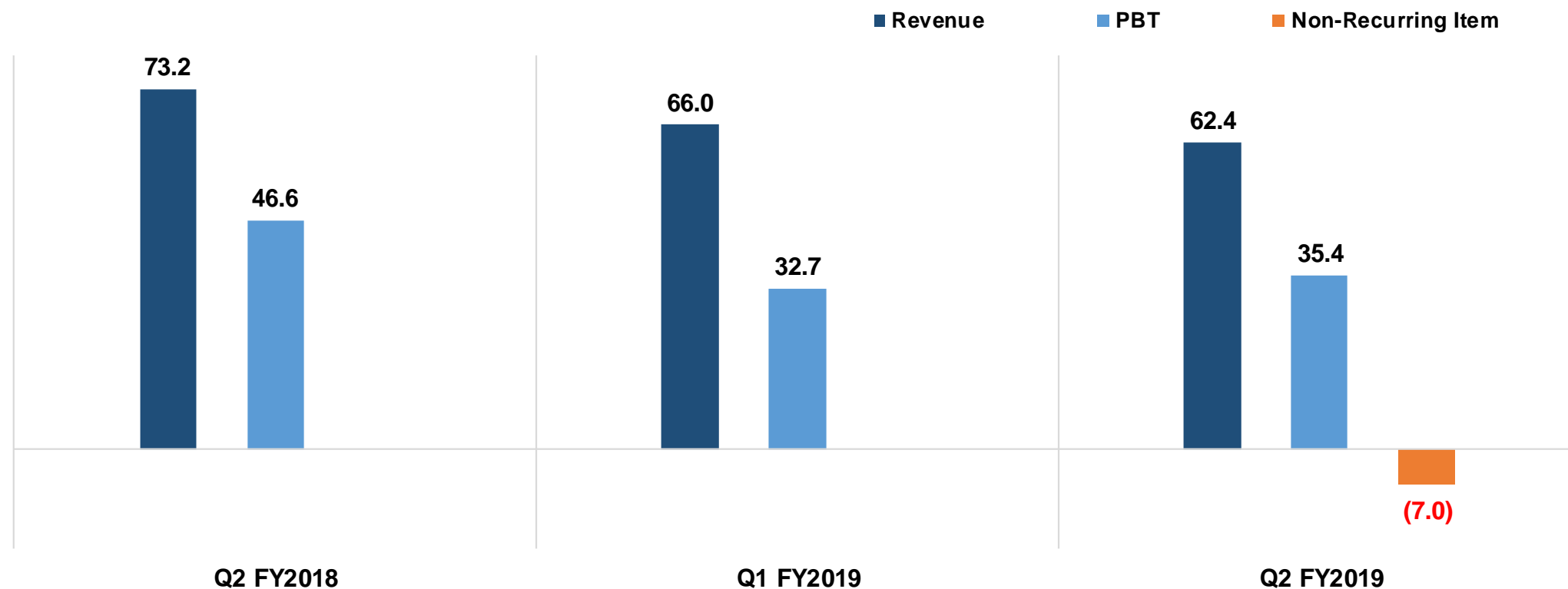
USD million



Financial Performance by Business Segment

Offshore Business – FPSO Ruby II contract extension

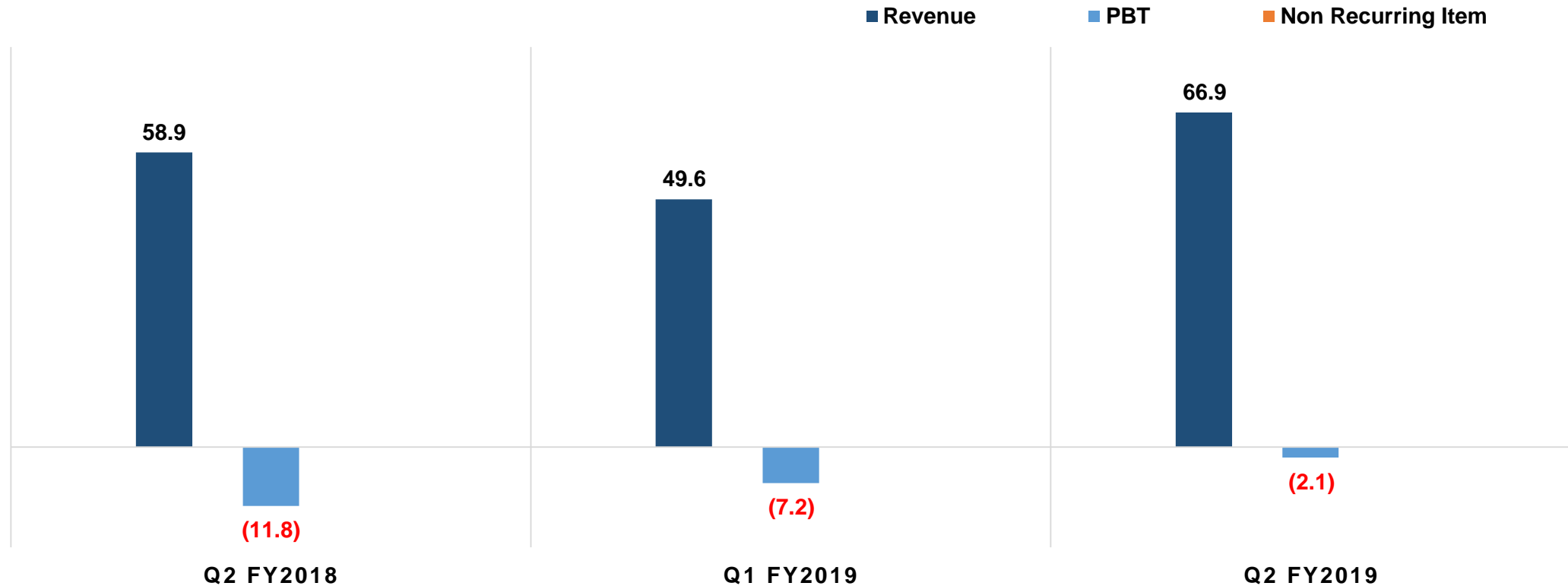
USD million



Financial Performance by Business Segment

Heavy Engineering – Higher contribution from Marine

USD million



MARKET ENVIRONMENT

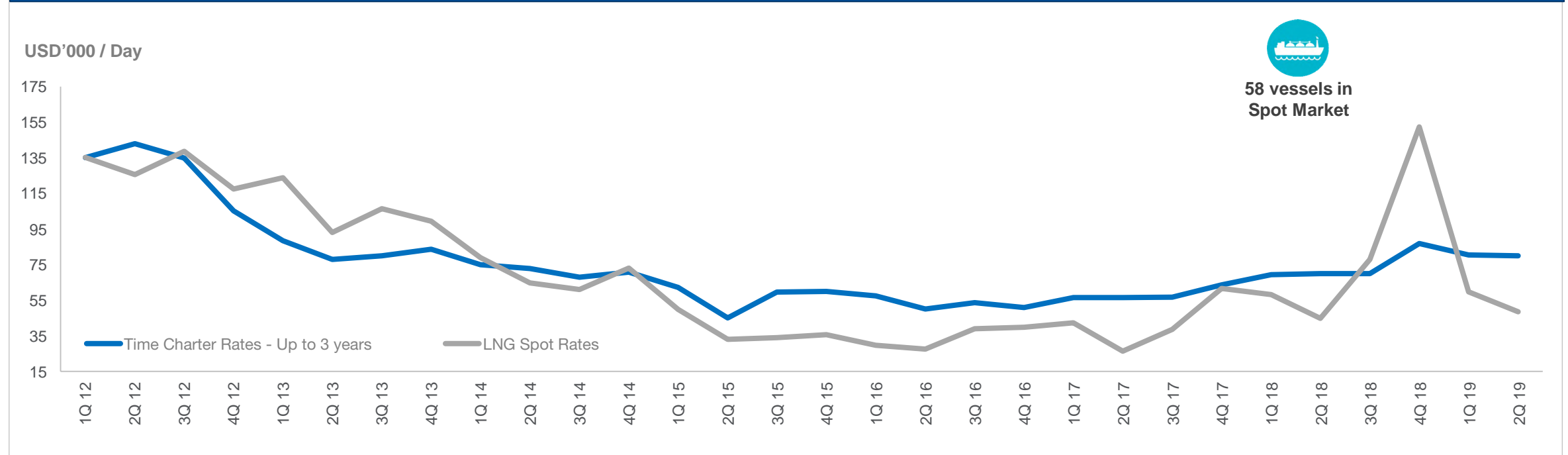
By: Vincent Ng | General Manager, CPD



LNG Shipping

LNG spot rates remained soft in seasonally weak Q2

LNG Charter Rates

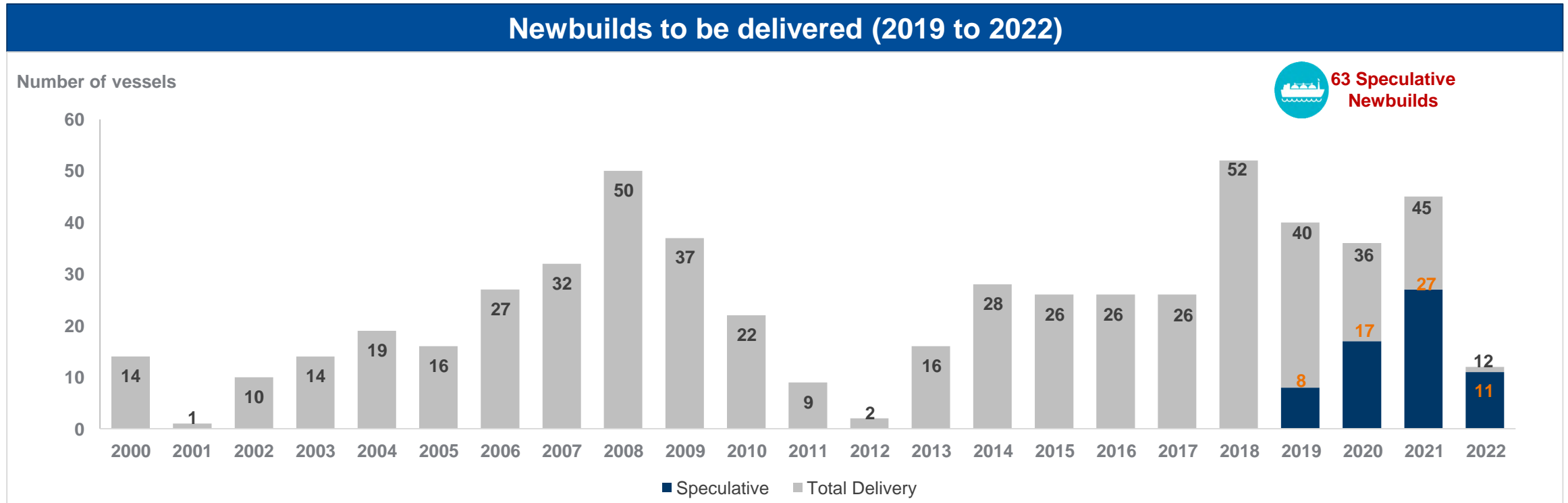


Source: LNG Shipping Database, Wood Mackenzie

- The low seasonal demand and ample vessel availability during Q2 2019 kept LNG spot rates soft during the quarter
- Nevertheless LNG rates strengthened towards the tail end of Q2, as the start of summer demand as well as the commencement of new liquefaction projects such as Cameron LNG and Prelude FLNG took up vessel tonnage, tightening vessel availability

LNG Shipping

Orderbook remains strong in the near term

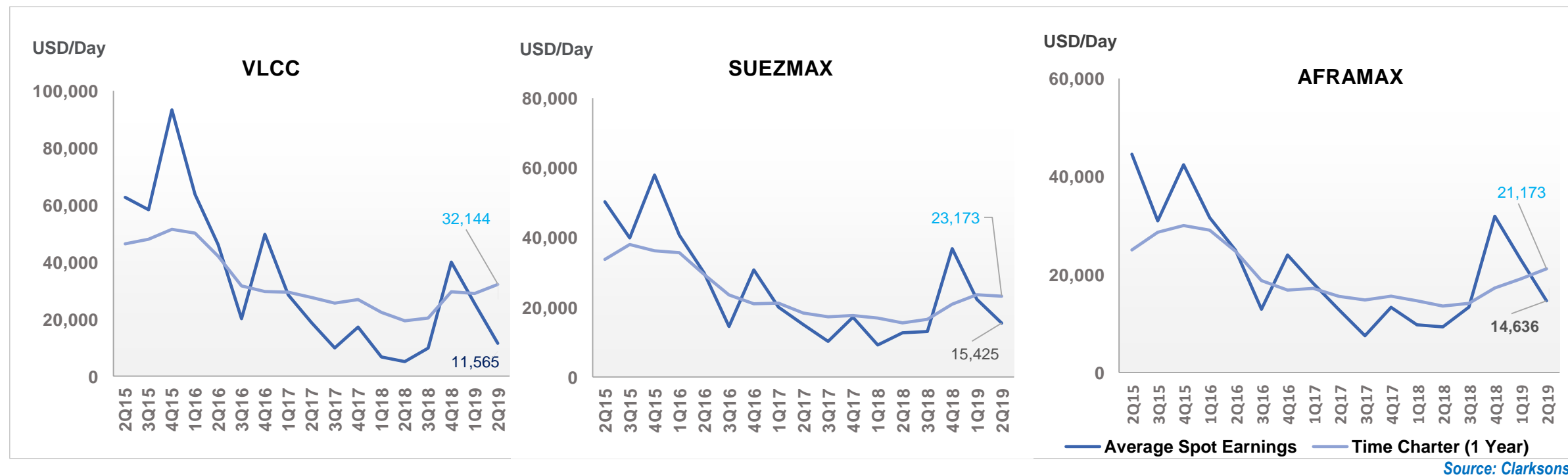


Source: LNG Shipping Database, Wood Mackenzie

- Newbuilding orders remains strong in the near term as the Qatar LNG project as well as US LNG projects (such as Golden Pass) is expected to create additional demand for LNG newbuilds in the next five years
- Approximately 133 new LNG vessels are expected to be delivered from 2019 until 2022

Petroleum Shipping

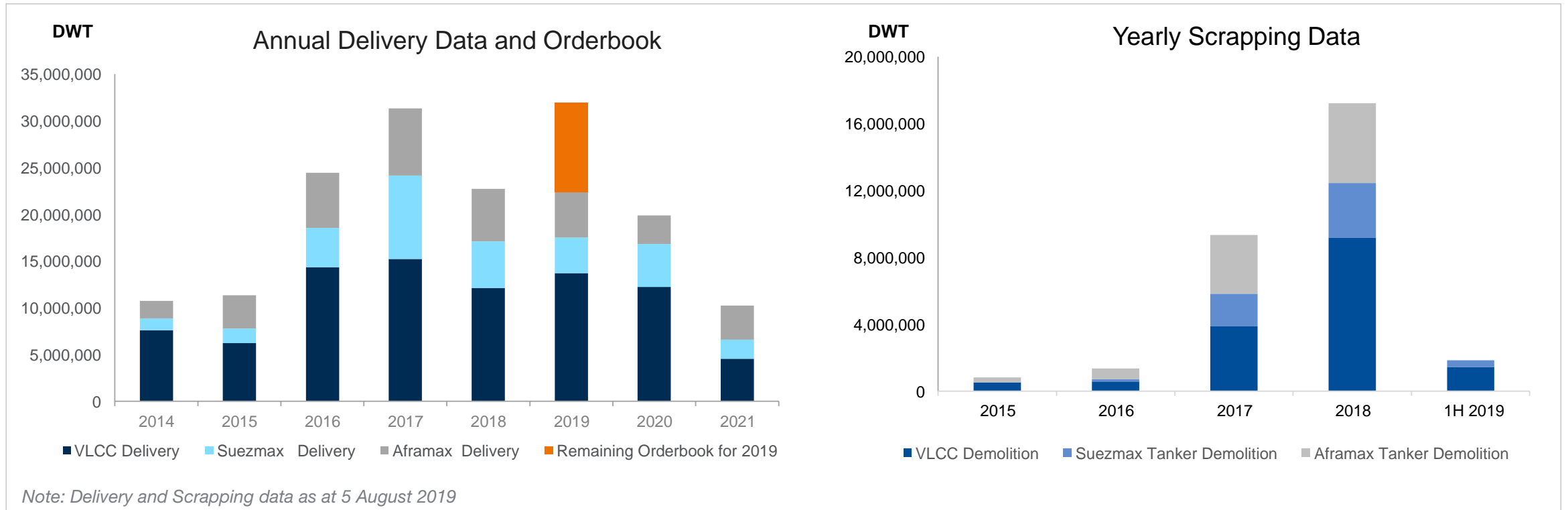
Seasonal weakness continued into Q2 but still higher than same period last year



- Average spot earnings continued to weaken across all crude oil tanker segments in the second quarter, in line with seasonal weakness. Despite this, the earnings are still higher than the corresponding period last year
- Oil export volumes were reduced by the US decision to end waivers on Iranian sanctions, sanctions on Venezuela, and continuing OPEC+ production cuts. Longer than expected refinery shutdowns in Asia for upgrading works ahead of IMO 2020 regulations also dampened crude oil demand

Petroleum Shipping

Global oil tanker fleet expanding in 2019, replacing lost tonnage in 2018

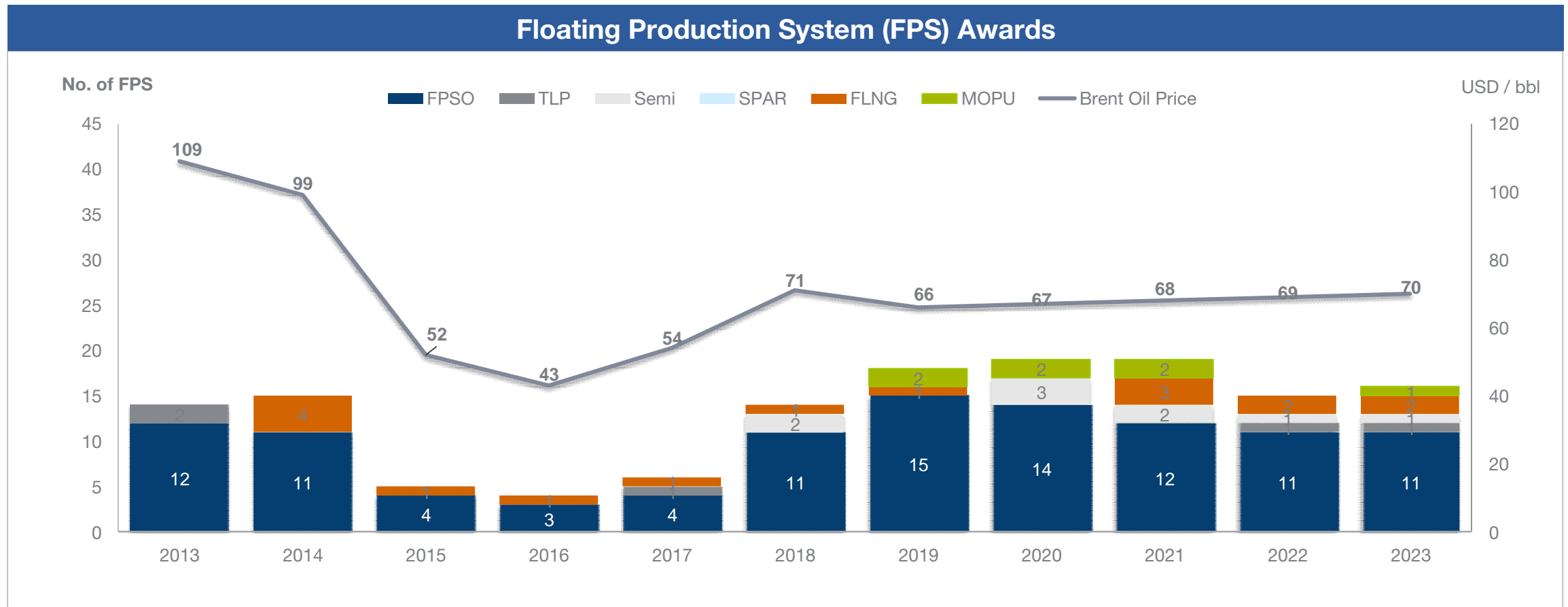


Source: Clarksons

- After stagnating in 2018, the global tanker fleet is expanding again with a stronger orderbook and reduced levels of scrapping
- Fleet growth is expected to slow from 2020 onwards with smaller forward order books reported

Offshore

Recovery in global offshore production system investment is underway as oil price stabilizes

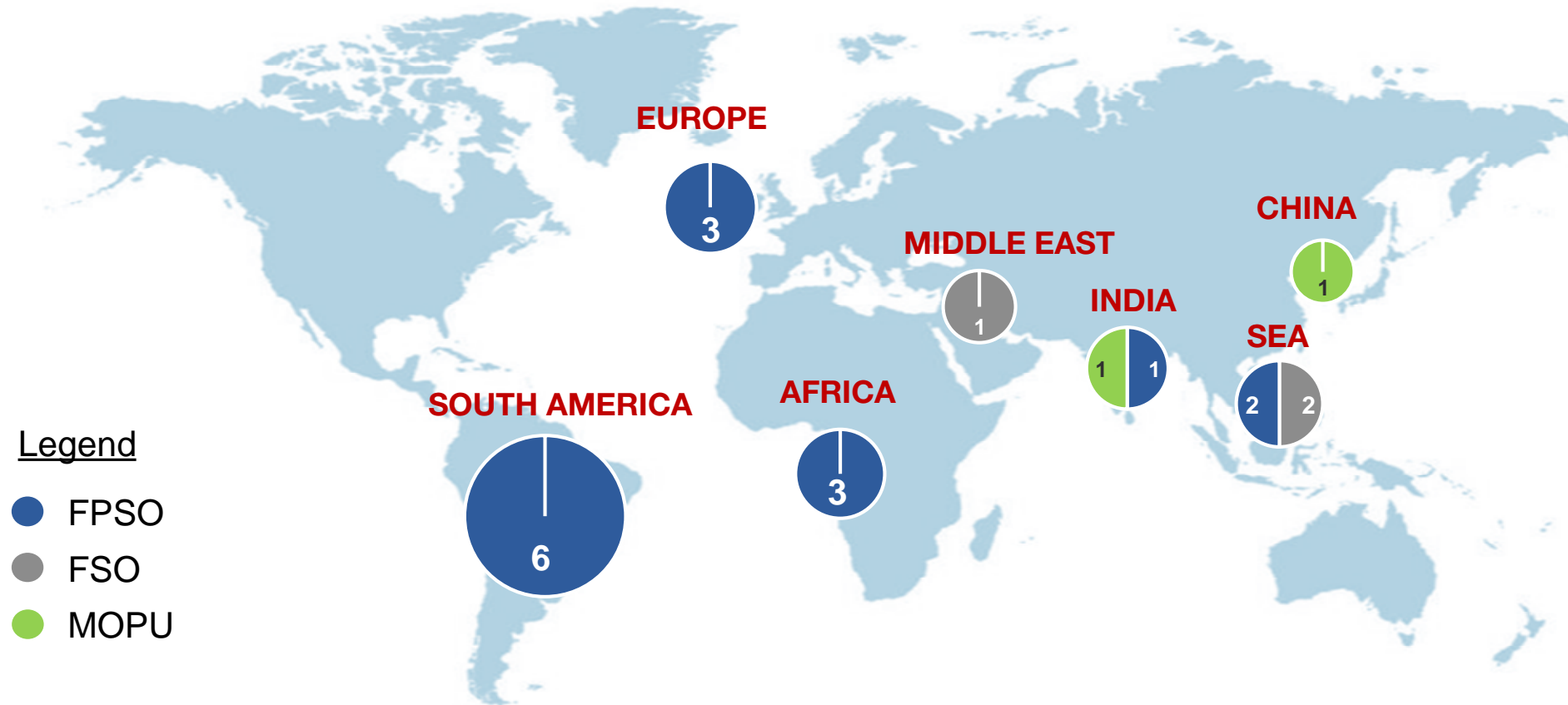


Sources: Awards – EMA Oil Price – EIA and MISC Analysis

- New FPSO projects over the next 12 months are expected to be mostly centered around Brazil

Offshore

In 2019, greenfield FPSO projects are mainly concentrated in the Atlantic Basin with other floater opportunities in the Asia Pacific



Legend

- FPSO
- FSO
- MOPU

Source: EMA

BUSINESS UPDATES

By: Vincent Ng | General Manager, CPD



LNG Business

- Actively exploring conventional and non-conventional LNG shipping solutions to support this segment's long term growth strategy

Petroleum & Chemical Business

- Current portfolio mix at 65:35 term to spot
- Redelivered 2 Aframaxes : Eagle Sibuh and Al Habibah
- On track to take delivery of one (1) out of two (2) LNG dual-fuel Dynamic Positioning Shuttle Tankers (DPST) for Equinor in Q4 2019 currently being built by Samsung Heavy Industries

Offshore Business

- Exploring both organic and inorganic growth in deep water opportunities in the Atlantic Basin as well as brown field replacement projects and shallow water asset requirements in the region
- Contract extensions: *FPSO Ruby II* and *FPSO Bunga Kertas* has been extended until early 2020
- **Gumusut Kakap (GKL):**
 - ❑ **Arbitration** - The hearing for the Arbitration from 25 February 2019 to 16 March 2019 has been concluded and parties have filed their respective closing submissions. The decision is expected to be delivered in 2020
- **PCPP – MOMPL:**
 - ❑ **Arbitration:** MOMPL's Notice of Arbitration (for second arbitration proceedings) was filed on 7 August 2018. No further progress in Q2 2019
 - ❑ **Adjudication**
 - On 9 January 2019, MOMPL was awarded its entire claim and costs of USD9,949,734. PCPP has since filed an application in the High Court to set aside the Adjudication decision
 - MOMPL has filed its Payment Claim to recover the disputed demobilisation costs amounting to approximately USD 4,796,000 on 14 August 2018 and Notice of Adjudication on 25 January 2019. No further progress in Q2 2019
 - ❑ **Proceedings in Court**
 - An Originating Summons in the High Court was filed on 7 August 2018 for the undisputed portion of the early termination fees and demobilization costs amounting to USD42,307,000. The High Court had, on 30 May 2019, allowed PCPP's application to stay the Originating Summons pending the disposal of the arbitration proceedings. MOMPL has filed an appeal to the Court of Appeal against this decision
 - A writ action in the High Court was also filed on 13 August 2018 against the shareholders of PCPP. PCSB and PCPP filed applications to strike out and stay the proceedings which were allowed on 26 October 2018 and 11 December 2018 respectively. MOMPL is appealing against both decisions to the Court of Appeal. The hearing for the appeal against PCSB's striking out application is fixed on 26 September 2019

Heavy Engineering

- Heavy Engineering milestones:
 - Offshore
 - Sailaway of Gumusut Kakap Phase II Extension Subsea for manifold
 - Awarded an EPCIC contract for the Kasawari Gas Development Project for the construction of Central Processing Platform (CPP) and Wellhead Platform (WHP) and a Flare Structure
 - Onshore
 - Completion of RAPID Package 3 Area 2
 - Completion of RAPID Package 14
- Marine Repair milestones:
 - YTD Q2 Completed repair & maintenance of 38 vessels
 - YTD Q2 Secured 56 jobs
- Other Business milestones:
 - Awarded Master Service Agreement for Integrated Turnaround Main Mechanical & Maintenance Static from PETRONAS for 5 years
- Orderbook backlog as of June 2019 is RM3.0 billion
- Approximately RM3.2 billion worth of ongoing heavy engineering tenders submitted
- Continue pursuing existing business of Marine & Heavy Engineering, seizing available floaters conversion opportunities and expanding marine capacity through additional dry dock
- Develop new business, namely modular fabrication
- Deployed a number of in-house processes and explore strategic partnership and collaboration opportunities to promote competitive price offerings

APPENDIX



Appendix 1 : Fleet Information

As at 30 June 2019

	Vessel Type	Total Vessel Operated	Owned	Chartered-In	Average Age (yrs)		Contracted Newbuilds/ Conversions
					MISC	Industry	
LNG	LNG	29	29	--	14.0	11.3	--
	FSU	2	2	--	37.5	--	--
Subtotal		31	31	--			--
Petroleum	VLCC	14	12	2	10.7	9.4	--
	Suezmax	6	6	--	5.1	9.7	--
	Aframax	36	30	6	10.4	11.2	--
	LR2	2	2	-	10.9	8.5	--
	MR2	3	--	3	8.7	9.4	--
	Shuttle	4	4	--	5.6	10.4	7
Chemical	Chemical	13	7	6	8.7	11.1	--
Subtotal		78	61	17			7
GRAND TOTAL		109	92	17			7
Offshore	FPSO/FSO/SS	12	13	--	8.4	--	--
	MOPU	--	2	--	8.4	--	--

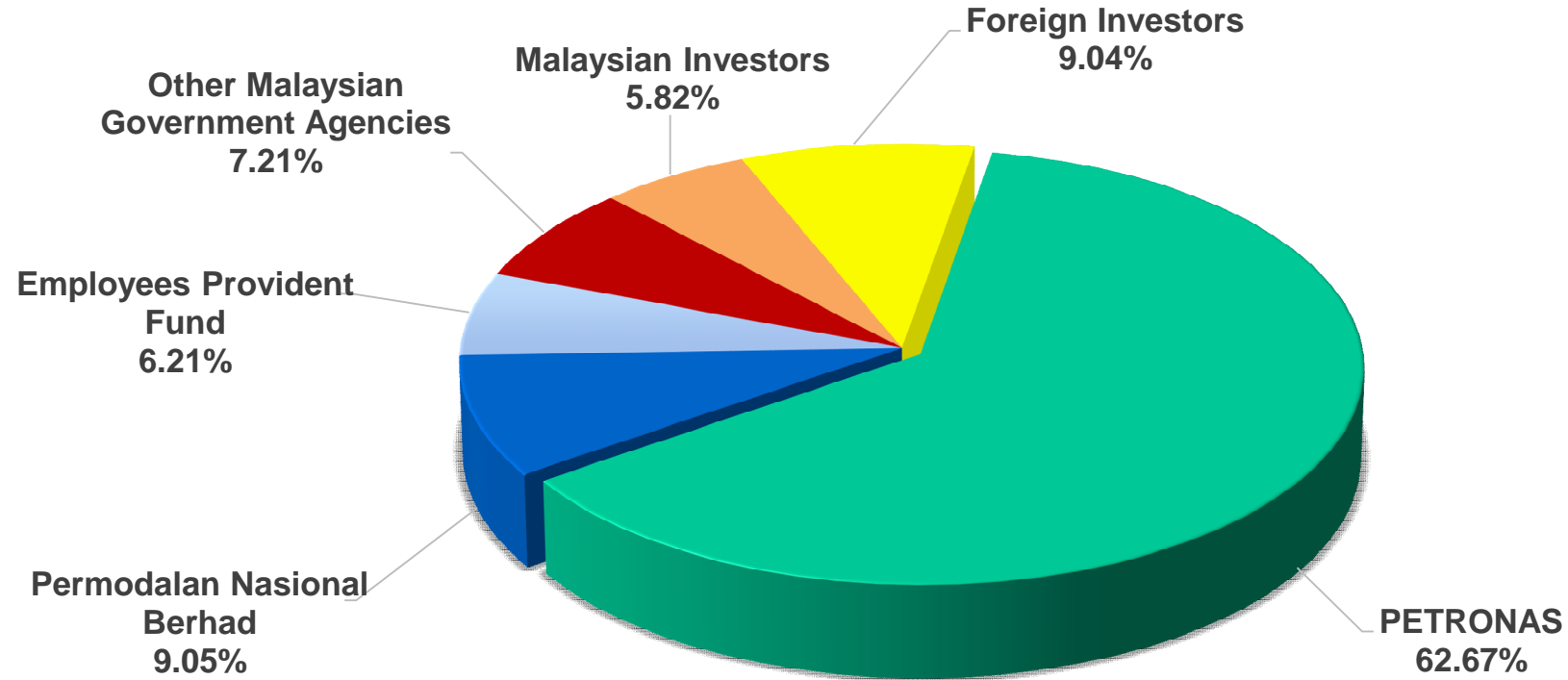
Appendix 2 : Schedule of Future Deliveries

As at 30 June 2019

	LNG	Petroleum			
	LNG Carriers	Suezmax	Aframax	LR2	DPST
2H 2019	--	--	--	--	1
1H 2020	--	--	--	--	3
2H 2020	--	--	--	--	3

Appendix 3 : Shareholders' Profile

As at 30 June 2019



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