



ANALYST BRIEFING 1Q FY2020 Financial Results

8 May 2020



FINANCIAL OVERVIEW

By: Eslin Halimi | Head Financial Reporting, Governance &
Budget, Finance



Financial Performance: 1Q FY2020 vs 4Q FY2019

<i>In USD Mil</i>	Q1 FY2020	Q4 FY2019	QoQ %
Revenue	601.1	570.3	5.4
PBT from Operations	200.6	90.5	>100
Non-recurring Items	(474.5)	(27.4)	>(100)
(LBT)/PBT	(273.9)	63.1	>(100)
(LAT)/PAT	(275.2)	59.2	>(100)
(LPS)/EPS (cent)	(6.2)	1.3	>(100)

Higher revenue:

- Petroleum – higher time charter equivalent (“TCE”).
- LNG – higher earning days.
- Heavy Engineering – higher revenue from on-going projects.

Higher PBT from operations:

- Petroleum – higher margins on freight rates in the current quarter.

Non-recurring items:

- Provision for litigation claims in Q1 2020 (USD251 mil).
- Write off of trade receivables and loss on re-measurement of finance lease receivables in Q1 2020 (USD224 mil).
- Impairment of Petroleum, LNG and Offshore vessels in Q4 2019.

Financial Performance: 1Q FY2020 vs 1Q FY2019

<i>In USD Mil</i>	Q1 FY2020	Q1 FY2019	QoQ %
Revenue	601.1	556.7	8.0
PBT from Operations	200.6	122.4	63.9
Non-recurring Items	(474.5)	10.1	>(100)
(LBT)/PBT	(273.9)	132.5	>(100)
(LAT)/PAT	(275.2)	126.1	>(100)
(LPS)/EPS (cent)	(6.2)	2.8	>(100)

Higher revenue:

- Petroleum – higher time charter equivalent (“TCE”).
- LNG – higher earning days.
- Heavy Engineering – higher revenue from on-going projects.

Higher PBT from operations:

- Petroleum – higher margins on freight rates in the current quarter.

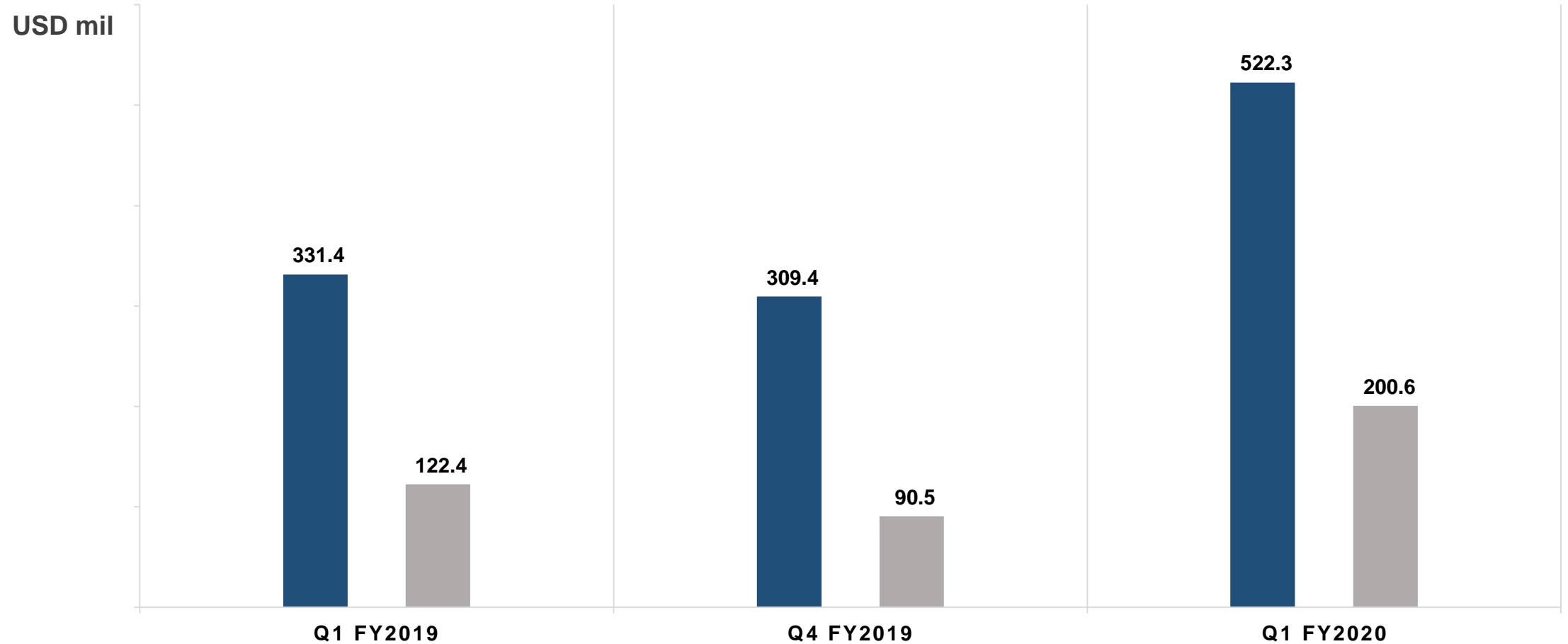
Non-recurring items:

- Provision for litigation claims in Q1 2020 (USD251 mil).
- Write off of trade receivables and loss on re-measurement of finance lease receivables in Q1 2020 (USD224 mil).
- Gain on acquisition of a business in Q1 2019.
- Gain on disposal of LNG vessel in Q1 2019.

Cash Flow from Operations

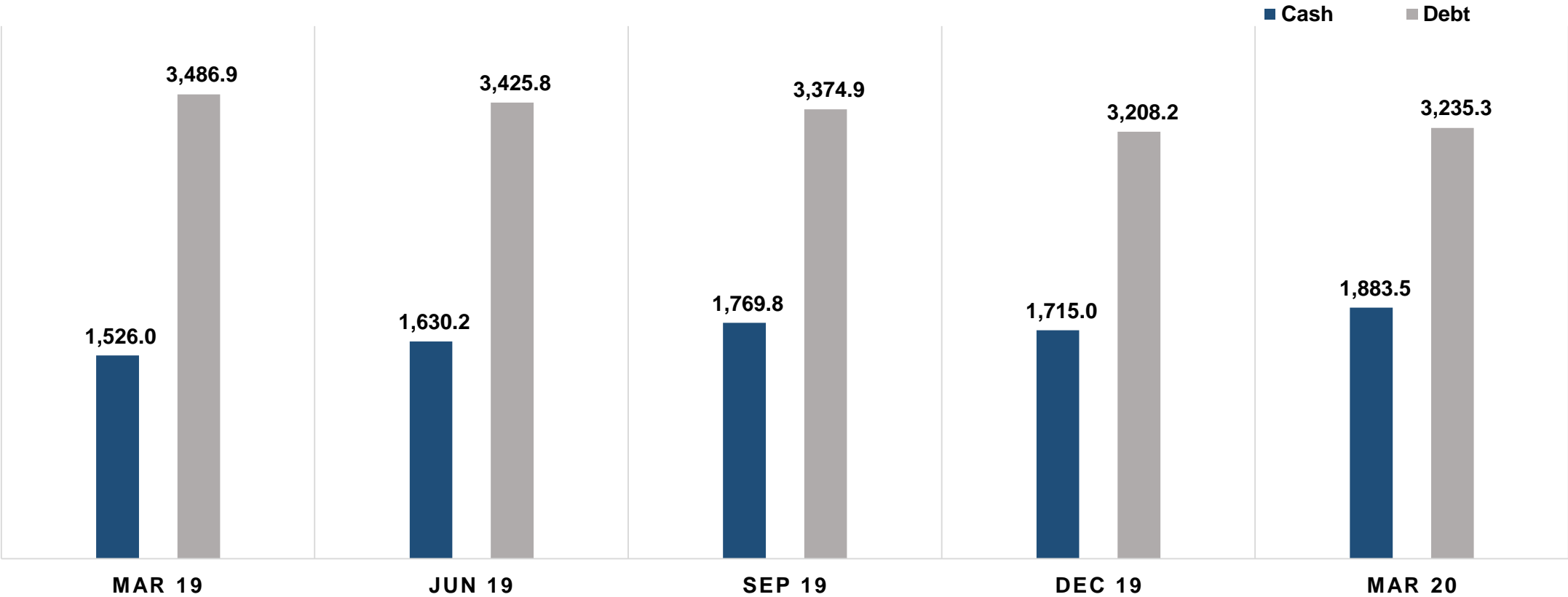
Healthy group cash flow from operations

■ Cash flow from operations ■ PBT from operations



Cash and Debt Balances

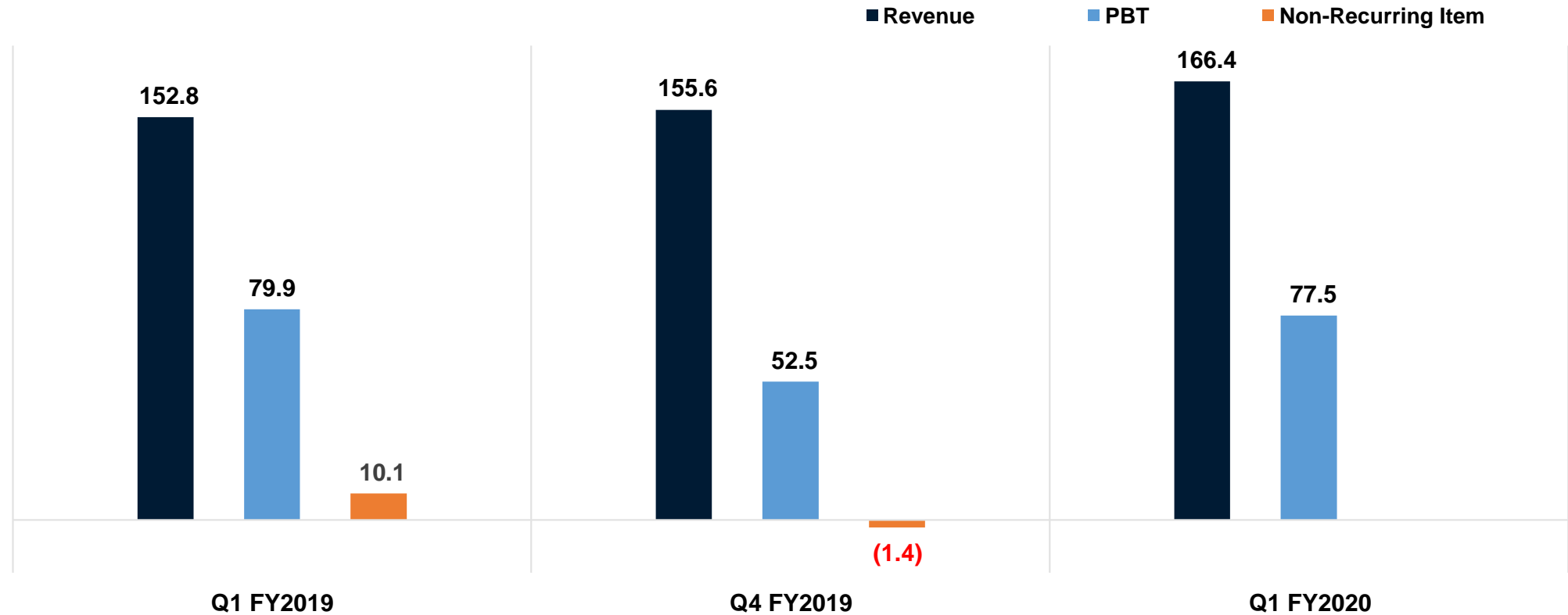
USD mil



Financial Performance by Business Segment

LNG Shipping – Higher earning days

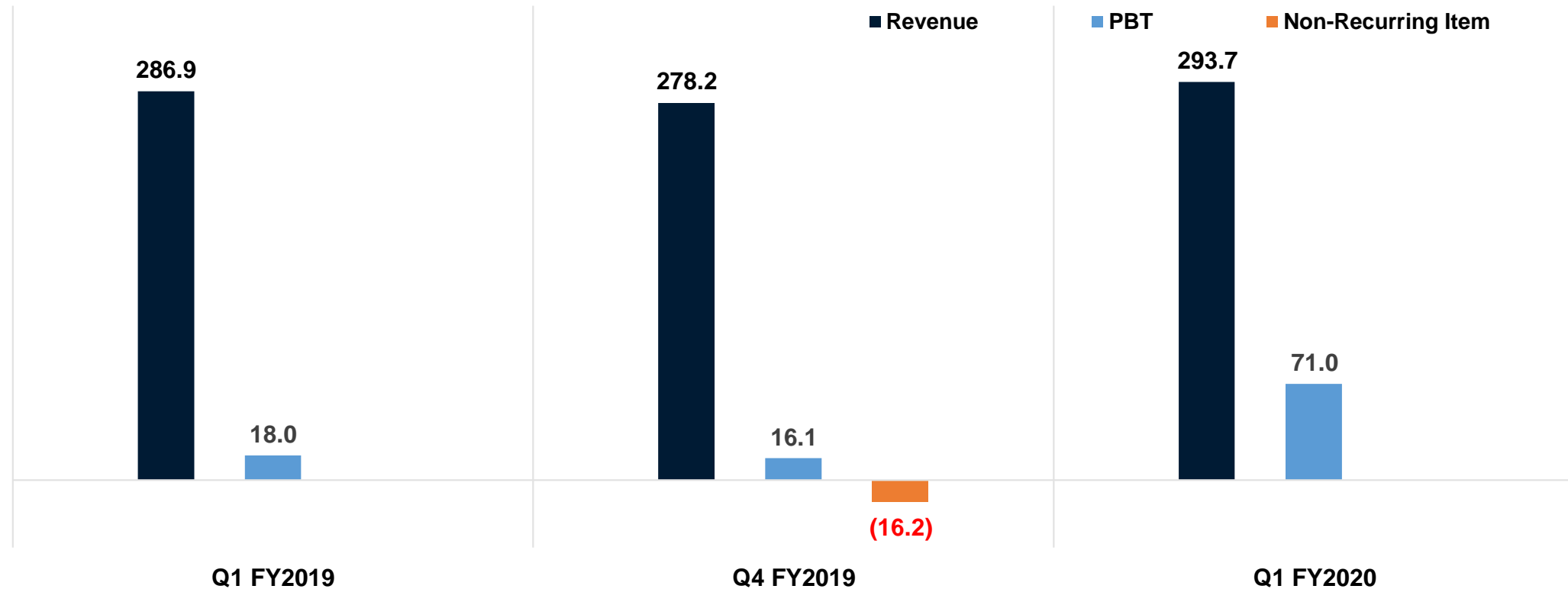
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Financial Performance by Business Segment

Petroleum Shipping – Higher TCE

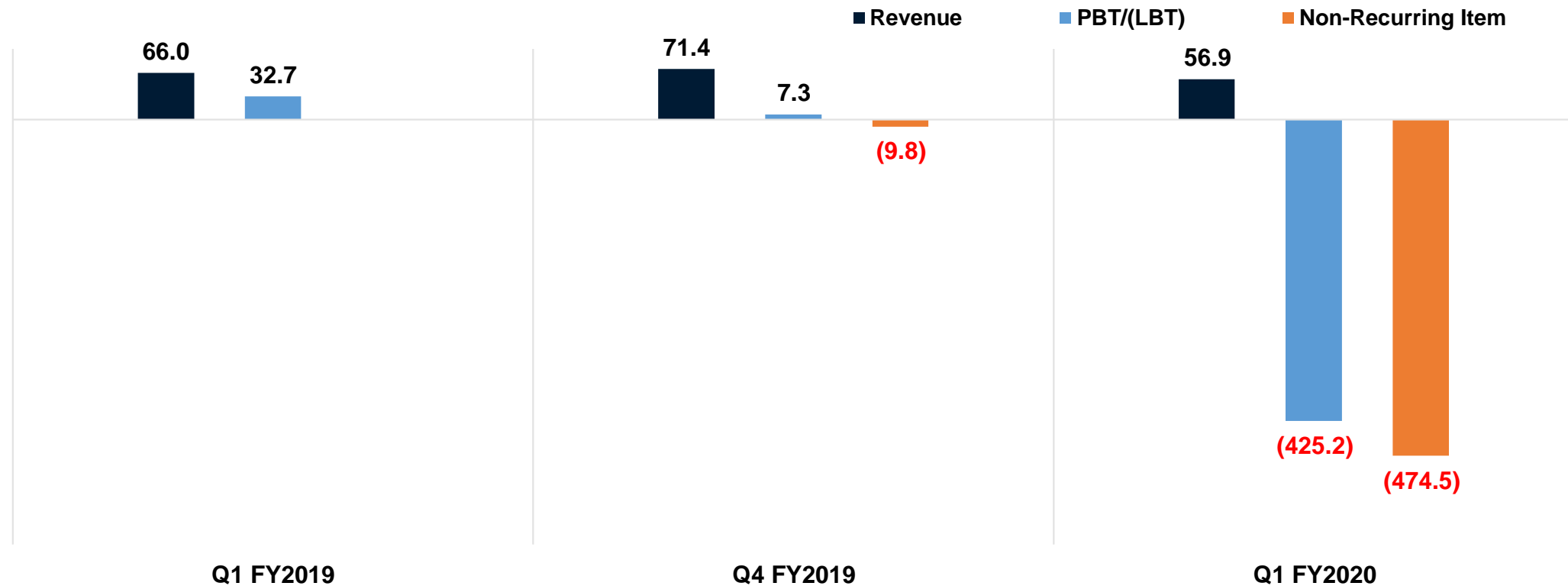
USD mil



Financial Performance by Business Segment

Offshore Business – GKL Arbitration Decision

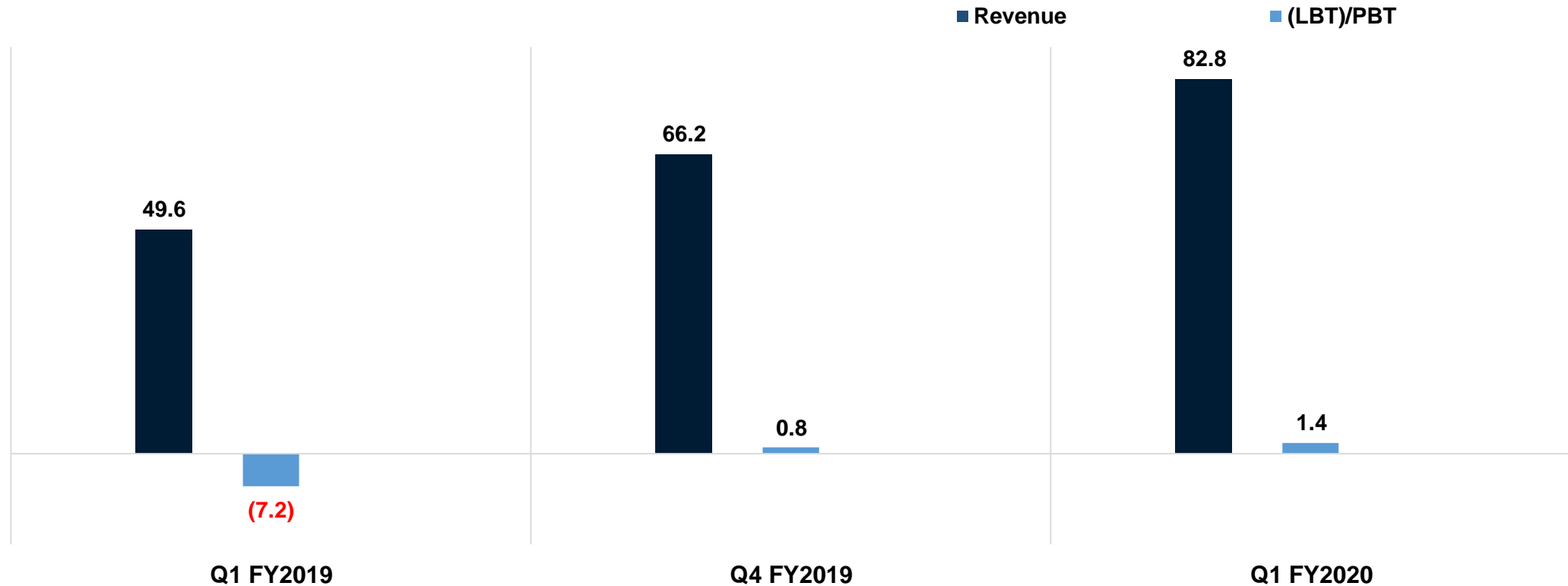
USD mil



Financial Performance by Business Segment

Heavy Engineering – Higher contribution from on-going Heavy Engineering projects

USD mil



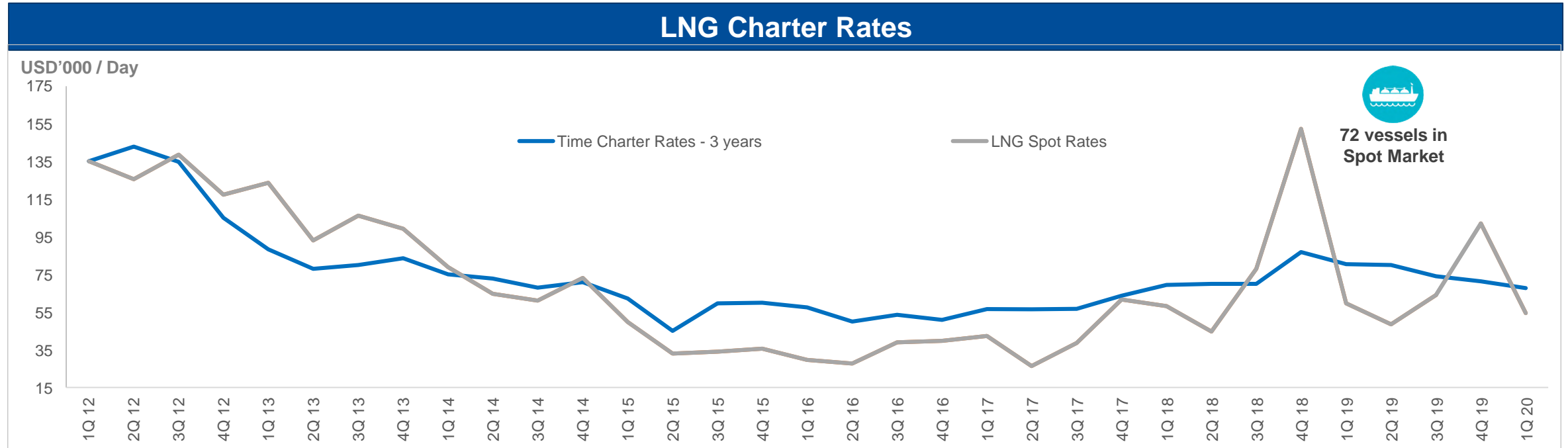
MARKET ENVIRONMENT

By: Vincent Ng | General Manager, CPD



LNG Shipping

Seasonal decline amid weak LNG demand

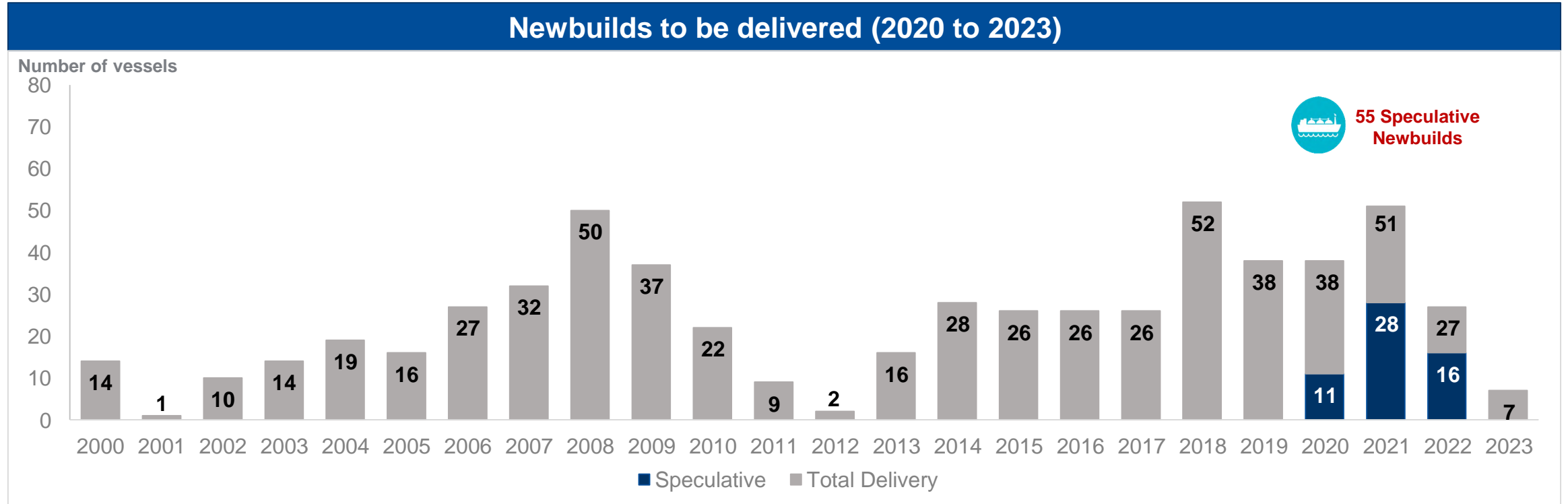


Source: LNG Shipping Database, Wood Mackenzie

- LNG spot rates declined in line with the end of the peak winter season, amid the coronavirus (Covid-19) outbreak, mild winter and high LNG inventories
- This is expected to persist in 2Q 2020, with the current high spot vessel availability and continuing weakness in the global economy

LNG Shipping

Incoming vessel deliveries to add pressure on rates

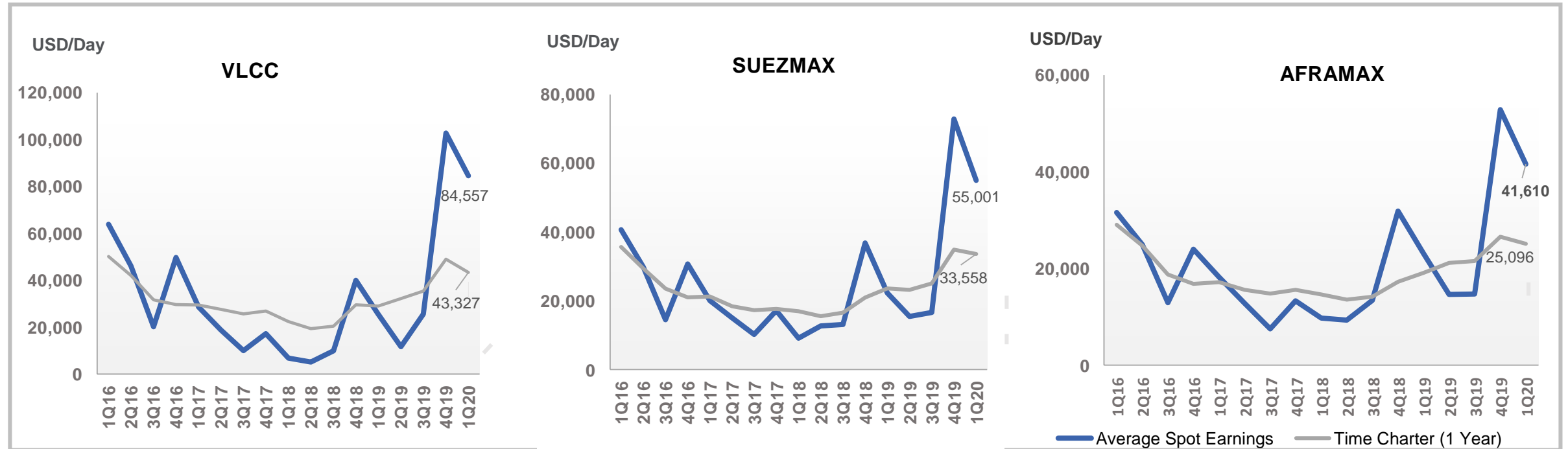


Source: LNG Shipping Database, Wood Mackenzie

- Approximately 89 new LNG vessels expected to be delivered in 2020-2021 are likely to add downward pressure on charter rates
- The weakening global economy due to Covid-19 coupled with low LNG prices could cause deferments in planned LNG projects, leading to lower requirements for new vessels over the next few years

Petroleum Shipping

Charter rates ease off the highs but remain favorable

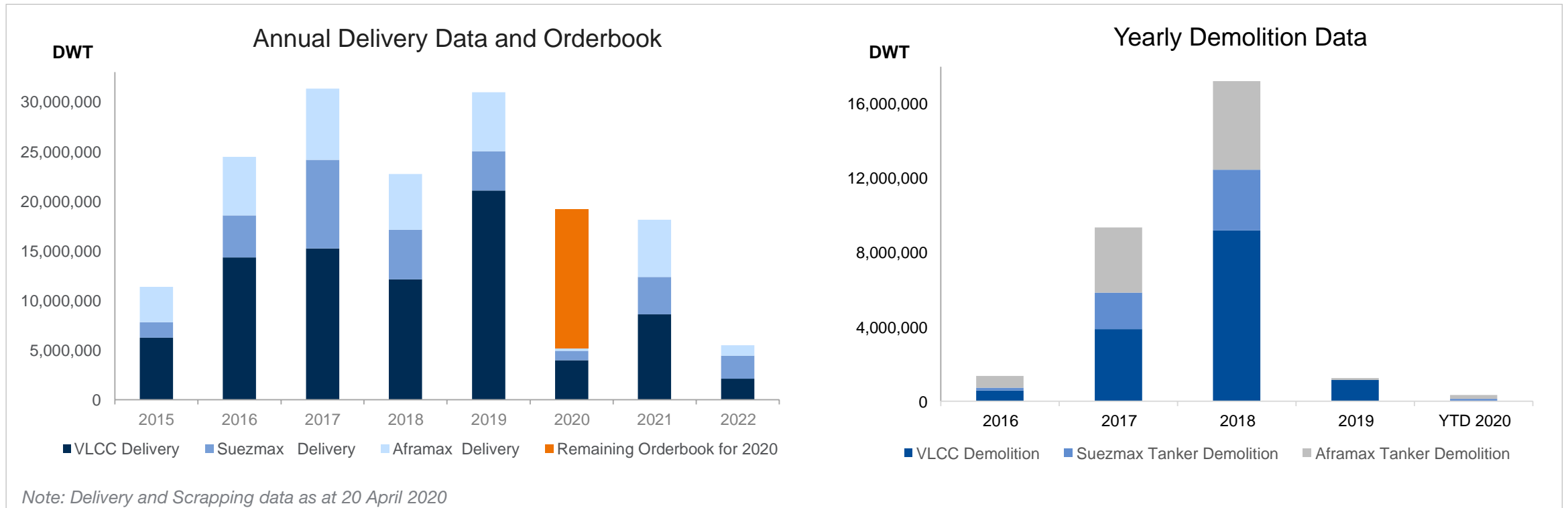


Source: Clarksons

- Rates for all tanker segments were still significantly elevated in 1Q 2020 despite the end of winter season, where demand for tankers continued to be strong due to the flooding of low-priced oil into the market caused by the oil price war between Russia and Saudi Arabia
- The Covid-19 pandemic has impacted global oil demand where lockdown measures were imposed in many countries worldwide, which then gave rise to demand for tankers, primarily VLCCs, to be used as floating storage

Petroleum Shipping

Lower fleet growth expected

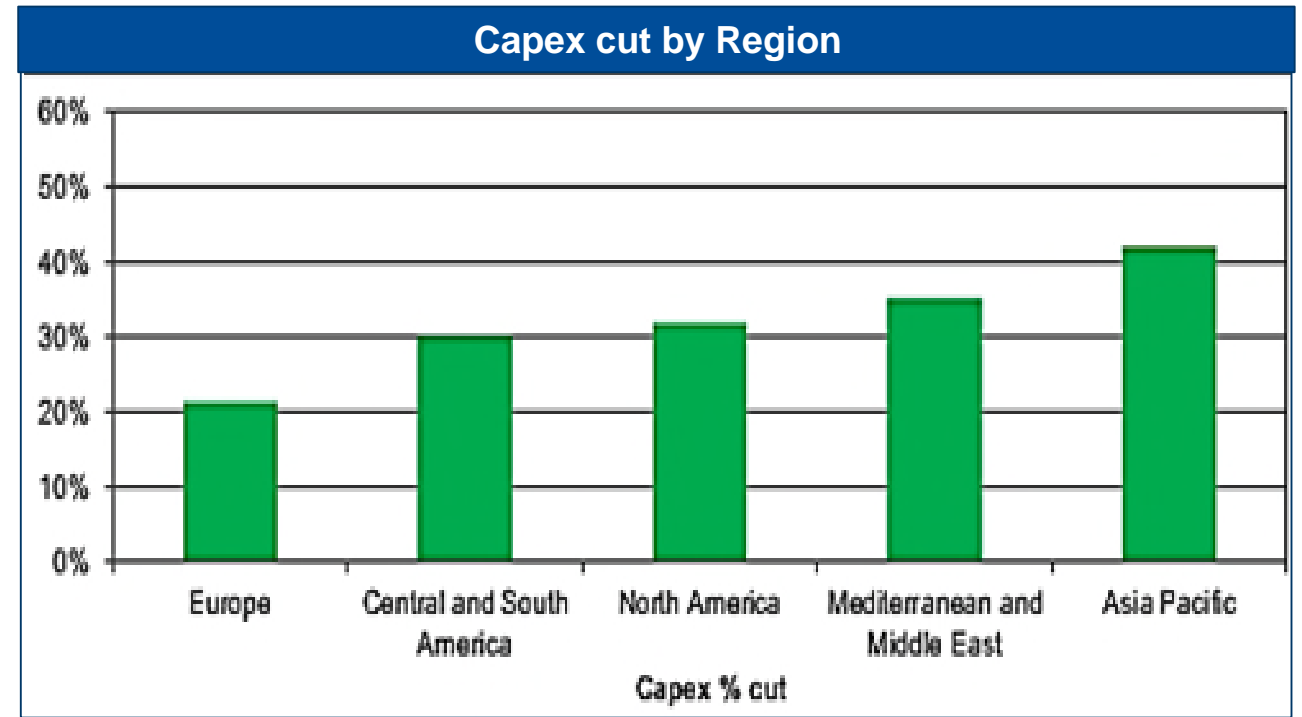
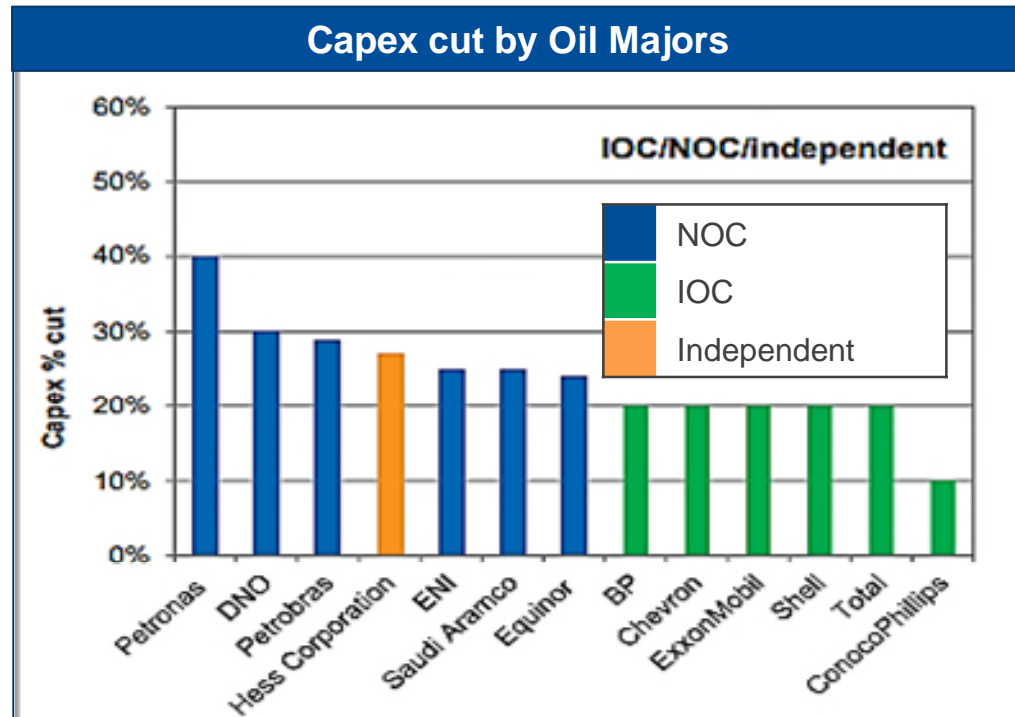


Source: Clarksons

- Deliveries for 2020 and 2021 are lower than 2019, and the forward trend orderbook is declining in reaction to the uncertainties emanating from the Covid-19 pandemic and low oil price environment
- Following a slow 2019, demolition activity in 1Q 2020 has remained low due to shipowners continuing to enjoy high charter rates and demand for tankers as storage. Lockdowns in major recycling centers have also affected demolition activities

Offshore

Oil majors cut capex after prices slump



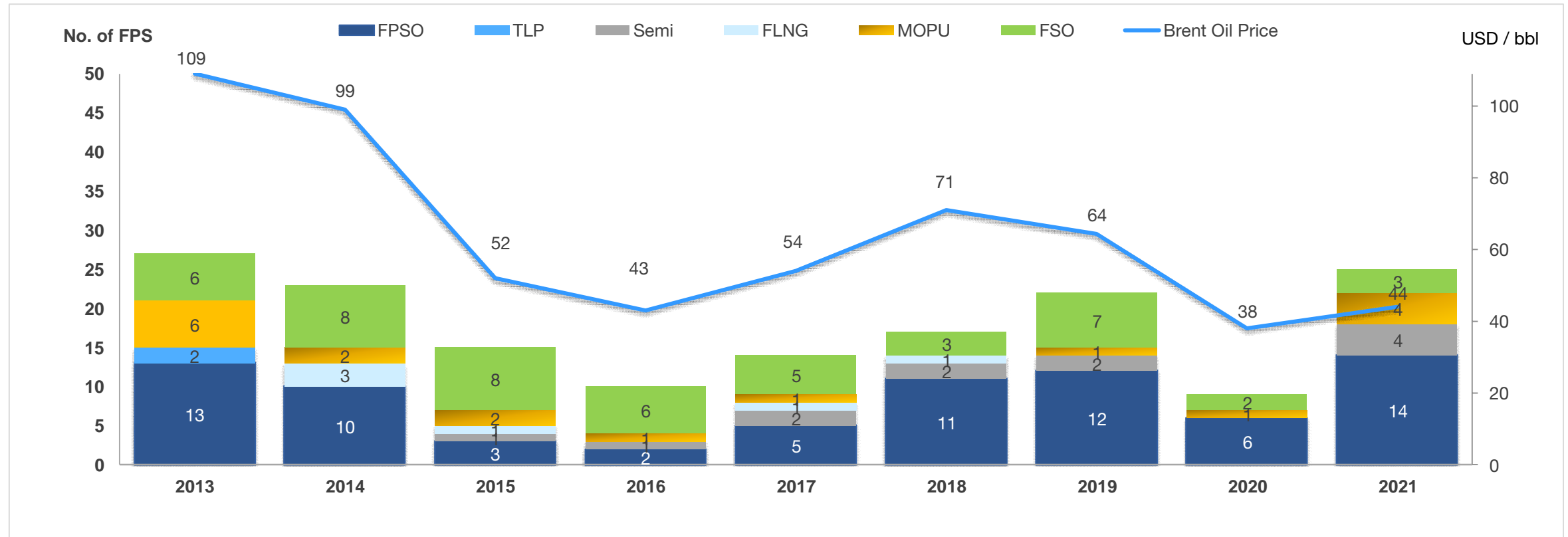
- Operators quickly responded to the oil price collapse by announcing revised budget plans for 2020 and beyond
- Many operators have assumed a Brent price around \$30/bbl for such considerations
- Whilst most IOCs/NOCs have not announced a definitive list of projects being cut or shelved, projects with high production costs will likely be facing the cut compared to those which are lower

Sources: IHS, various news report and MISC analysis

Offshore

The floating production market has been roiled by the global pandemic combined with an unprecedented crash in oil prices caused by demand and supply shocks

Floating Production System (FPS) Awards

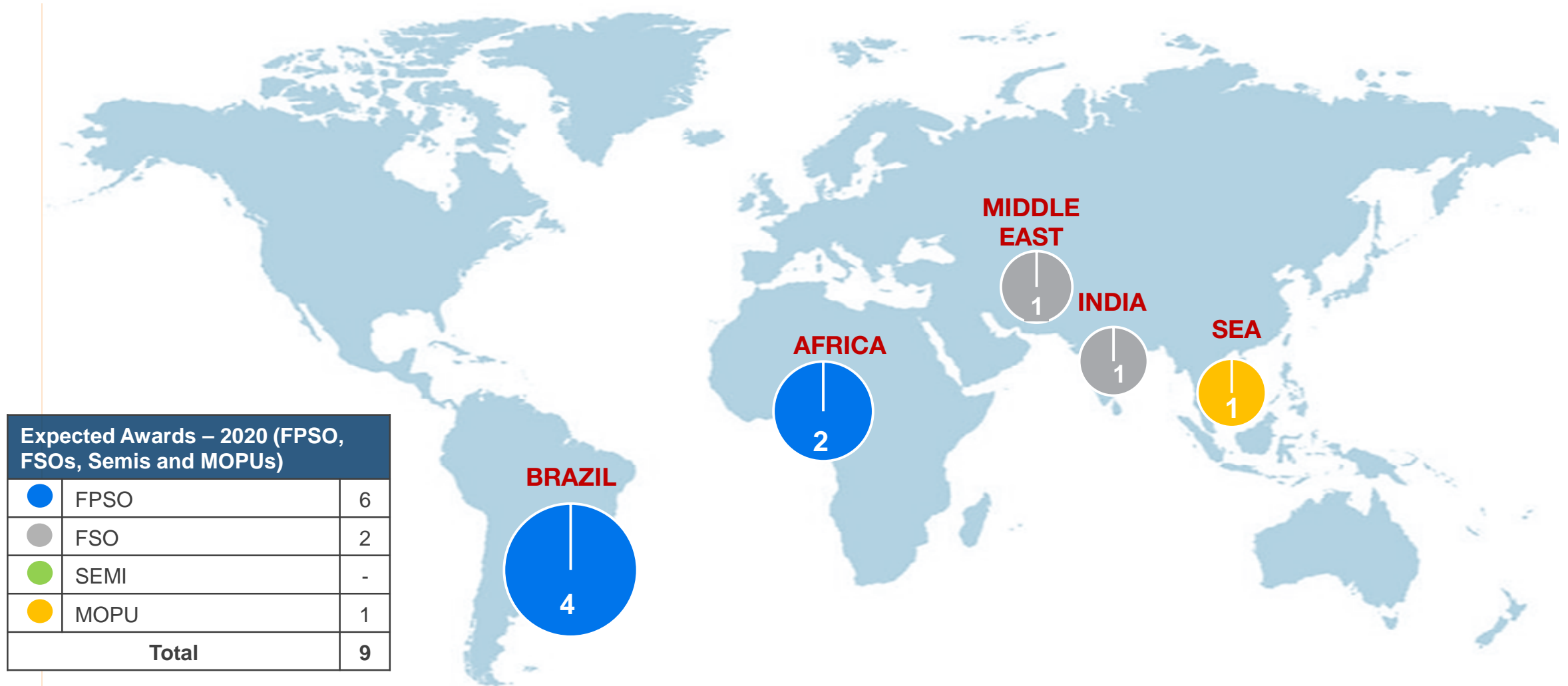


Sources: EMA, EIA and MISC analysis

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

Offshore

In 2020, greenfield FPSO projects will mainly concentrate in the Atlantic Basin



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 71:29 term to spot.
- AET has signed an agreement with Chartering and Shipping Services SA, (a wholly owned subsidiary of Total SA) for the time charter of two environmentally-friendly LNG dual-fuel VLCCs. The two newbuilds are scheduled to be delivered in Q1 2022.
- AET took delivery of two of the world's most environmentally-friendly DPSTs, Eagle Blane and Eagle Balder during the quarter. These vessels will commence their long-term time charter contracts with Equinor in the Barents Sea.
- AET has delivered the remaining two Chemical A class vessels in Q1 2020 to Maersk Tankers as per the Memorandum of Agreement that was signed in Q3 2019.
- AET also redelivered two MR2 vessels, Eagle Milan and Eagle Melbourne during the quarter.

Offshore Business

- Exploring both organic and inorganic growth in deepwater opportunities in the Atlantic Basin as well as brownfield replacement projects and shallow-water asset requirements in the region.
- **Gumusut Kakap (GKL):**
 - On 9 November 2012, MISC's wholly-owned subsidiary, GKL entered into a Semi FPS Lease Agreement with SSPC, a wholly-owned subsidiary of Shell, for production and lease of Gumusut-Kakap Semi-Floating Production System ("Semi-FPS") for the purposes of the production of crude oil ("the Contract").
 - On 2 September 2016, GKL filed a Notice of Arbitration dated 2 September 2016 with the Kuala Lumpur Regional Centre for Arbitration (now known as Asian International Arbitration Centre) to commence arbitration proceedings against SSPC ("Arbitration") whereby GKL is claiming for outstanding additional lease rates, payment for completed variation works and other associated costs under the Contract from SSPC, which covers the following:
 - i. The total sum of approximately USD245.0 million and applicable interest at any rate deemed fit by the tribunal/adjudicator;
 - ii. Declaratory relief;
 - iii. The costs of the arbitration/adjudication; and
 - iv. Any further or other awards as the tribunal/adjudicator deems fit.
- In addition, GKL filed Notices of Adjudication against SSPC under the Construction Industry Payment and Adjudication Act 2012, resulting with GKL being successful under the First and Second Adjudication Decisions for payment of completed variation works amounting to approximately USD255 million and USD10.9 million respectively. A total of approximately USD73 million outstanding increased Day Rates has been paid by SSPC as lump sum payments, with the balance amounts payable by SSPC as increased Day Rates for the relevant lease period.

- **Gumusut Kakap (GKL) (Cont'd):**

- SSPC refuted GKL's claims and filed a counterclaim against GKL in the Arbitration for alleged defective work, alleged limited functionality of the Semi-FPS, liquidated damages and a refund of the full amount paid to GKL under the Adjudication Decisions. SSPC's claims cover, among others, the following:
 - i. The sum of approximately USD588 million together with any applicable interest;
 - ii. Repayments to SSPC for the full amount paid to GKL under the First and Second Adjudication Decisions; and
 - iii. The costs and expenses of the Adjudication and Arbitration Proceedings.

The Arbitral Tribunal has issued its Award on 8 April 2020 ("Award") which found, among others, as follows:

- 1) That GKL's claim in relation to the achievement of Handover Completion under the Contract was rejected and the Arbitral Tribunal decided that Handover Completion did not occur prior to 11 October 2014;
- 2) In relation to GKL's claims for Variation Works, GKL was awarded:
 - a. USD 222,132,575.60;
 - b. That an amount of the USD88,791,006.17 is deducted from USD222,132,575.6 being manpower costs incurred by way of the Variation Works for rectification of defects (which the Tribunal held GKL to be liable for);
 - c. That the remainder sum of USD 133,341,569.49 is converted to an Additional Lease Rate and represents a reduction from the Additional Lease Rate awarded by the Adjudication Awards. The new Additional Lease Rate is payable from the date of the Award. The base rate is unaffected by the Award and will continue for the Fixed Term.

Offshore Business

- **Gumusut Kakap (GKL) (Cont'd):**

- 3) SSPC was awarded the following sums:
 - a. USD 236,378,824.46 for defects rectification work (inclusive of USD 15,000,000.00 for Liquidated Damages);
 - b. USD 88,317,146.13 as a refund for overpayment of the Additional Lease Rate originally awarded in the Adjudication Proceedings for the period of April 2014 to January 2020 due to the reduction of the Additional Lease Rate as set out in Item 2(c) above;
 - c. Applicable interest up to the date of the Award;
 - d. Costs of USD 12,746,570.70;
 - e. Interest at 6.65% on the sums awarded in the Award from the date of the Award until payment.
- 4) SSPC is entitled to set-off the above claims against moneys owed by SSPC to GKL under the Contract, including but not limited to the lease rate.
- 5) Any GST payable pursuant to the Goods and Services Tax Act 2014 to be accounted by the parties.

GKL is undoubtedly surprised and dismayed by the unexpected outcome of the Award. Nevertheless, GKL is advised that it has legal merits to challenge the Award under the Arbitration Act 2005 ("the Act"). GKL intends to pursue an application to set aside a substantial portion of the Award, which GKL considers to be permitted for challenge within the provisions of the Act and against other relevant laws. GKL is determined to rigorously challenge, among others, the Tribunal's decision and a significant portion of the claims awarded to SSPC.

Offshore Business (cont'd)

- **PCPP – MOMPL:**

- ❑ **Arbitration:** The first arbitration proceedings seek to claim for part of the outstanding sums amounting to approximately USD18,829,000 and RM17,944,000. MOMPL's Statement of Claim was filed on 21 December 2016. MOMPL continues to pursue and progress the arbitration proceedings. MOMPL is in the midst of re-filing the Notice of Arbitration for the second arbitration proceedings seeking to claim for early termination fees and demobilisation costs and the remaining lease and service rates.
- ❑ **Adjudication**
 - Second adjudication proceedings under Construction Industry Payment and Adjudication (CIPAA) - The Federal Court ("FC") had on 16 October 2019 made a ruling that the CIPAA, which provides the basis upon which the Adjudication Proceedings were commenced, only applies prospectively to construction contracts entered into after the date CIPAA became effective i.e. 15 April 2014. The MOMPL lease agreement is dated 28 November 2008 and as such, falls outside the purview of CIPAA.
 - In view of the FC decision, MOMPL has stayed its hand on moving for the enforcement of the Adjudication decisions and will focus on the Arbitration Proceedings in order to recover the monies owing by PCPP. As far as MOMPL is aware, there is no pending application to set aside the said Adjudication decisions.
- ❑ **Proceedings in Court**
 - An Originating Summons in the High Court was filed on 7 August 2018 to recover the undisputed portion of the early termination fees and demobilisation costs amounting to approximately 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 PCSB, PPHE and PVEP (being the shareholders of PCPP) seeking for a declaration that the shareholders be liable for the amounts due and owing by PCPP to MOMPL under the Contract. PCSB and PCPP filed applications in the High Court to strike out and stay the proceedings pending the disposal of the arbitration proceedings which were allowed on 26 October 2018 and 11 December 2018 respectively. MOMPL appealed against both decisions to the Court of Appeal. MOMPL's appeal against PCSB's striking out application proceeded and was dismissed by the Court of Appeal on 26 September 2019. The appeal against PCPP's stay application has been fixed for hearing on 19 June 2020.

Heavy Engineering

- Heavy Engineering milestones:
 - Offshore
 - Completed construction of FSO Golden Star external turret
 - Awarded contract for onshore fabrication and offshore modification services for Carigali-PTTEPI Operating Company (CPOC) facilities
- Marine Repair milestones:
 - 1Q Completed repair & maintenance of 15 vessels
 - 1Q Secured 24 jobs
- Orderbook backlog as of March 2020 is RM2.7 billion
- Approximately RM17.03 billion worth of heavy engineering tenders submitted as of March 2020
- Continue pursuing existing business of Marine & Heavy Engineering and expanding marine capacity through additional dry dock
- Explore new business opportunities namely modular fabrication and offshore wind farm

APPENDIX



Appendix 1 : Fleet Information

As at 31 March 2020

	Vessel Type	Total Vessel Operated	Owned	Chartered-In	Average Age (yrs)		Contracted Newbuilds/ Conversions
					MISC	Industry	
LNG	LNG	29	29	--	14.8	11.7	4
	FSU	2	2	--	38.5	--	--
Subtotal		31	31	--	--	--	4
Petroleum	VLCC	14	12	2	10.9	9.6	--
	Suezmax	6	6	--	5.9	10.1	--
	Aframax	36	30	6	11.2	11.7	--
	LR2	2	2	--	9.9	8.9	--
	MR2	1	--	1	9.4	11.0	--
	DPST	6	6	--	4.3	10.2	11
Chemical	Chemical	4	--	4	9.3	11.4	--
Subtotal		69	56	13	--	--	11
GRAND TOTAL		100	87	13	--	--	15
Offshore	FPSO/FSO/SS	11	12	--	8.8	--	--
	MOPU	--	2	--	9.2	--	--

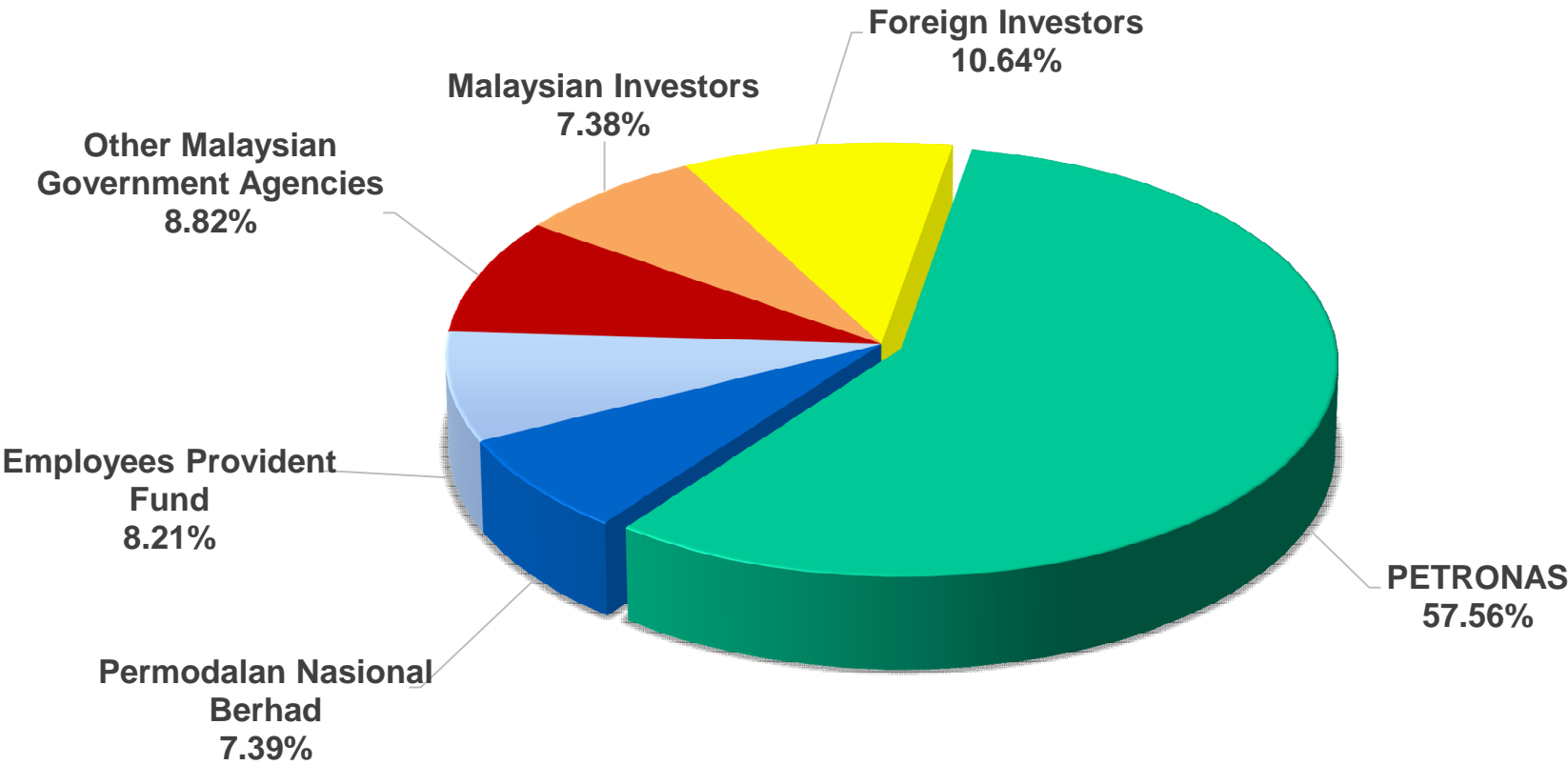
Appendix 2 : Schedule of Future Deliveries

As at 31 March 2020

	LNG	Petroleum
	LNG Carriers	DPST
2H 2019	-	
1H 2020	-	2
2H 2020	-	3
1H 2021	1	-
2H 2021	1	1
1H 2022	-	2
2H 2022	-	3
1H 2023	2	-

Appendix 3 : Shareholders' Profile

As at 31 March 2020



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