



ANALYST BRIEFING

Q4 FY2021 Financial Results

17 February 2022



FINANCIAL OVERVIEW

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Governance & Budget, Finance



Financial Performance: Q4 FY2021 vs Q3 FY2021

<i>In USD Mil</i>	Q4 FY2021	Q3 FY2021	QoQ %
Revenue	737.9	641.8	15.0
PBT from Operations	100.8	97.7	3.2
Non-recurring Items	2.3	(2.2)	>100
PBT	103.1	95.5	8.0
PAT	100.8	92.9	8.5
EPS (cent)	2.5	2.1	19.0

Higher revenue:

- Offshore – higher recognition of construction revenue of an FPSO
- Petroleum – higher blended time charter equivalent (“TCE”) and higher earning days
- Heavy engineering – Higher activities for ongoing projects and drydocking activities
- GAS* – Higher earning days

Higher PBT from operations:

- Petroleum & GAS – Higher profit in tandem with higher revenue

Non-recurring items:

- Impairment of non-current assets (Q4 & Q3 FY2021)
- Disposal of non-current asset (Q4 FY2021)
- Gain in disposal of interest in Joint Ventures (Q4 FY2021)



Financial Performance: Q4 FY2021 vs Q4 FY2020

<i>In USD Mil</i>	Q4 FY2021	Q4 FY2020	QoQ %
Revenue	737.9	641.2	15.1
PBT from Operations	100.8	119.7	(15.8)
Non-recurring Items	2.3	17.5	(86.9)
PBT	103.1	137.2	(24.9)
PAT	100.8	134.8	(25.2)
EPS (cent)	2.5	3.1	(19.4)

Higher revenue:

- Offshore – higher recognition of construction revenue of an FPSO
- Petroleum – higher blended time charter equivalent (“TCE”)
- GAS – Higher earning days from lease commencement for 5 VLECs

Offset by:

- Heavy engineering – Lower activities for on-going Heavy Engineering projects and lower drydocking activities

Lower PBT from operations:

- Offshore – lower recognition of construction profit of an FPSO
- Heavy Engineering – additional cost provision recognised for ongoing projects in Q4 FY2021

Offset by:

- Petroleum & Gas – Higher profit in tandem with higher revenue

Non-recurring items:

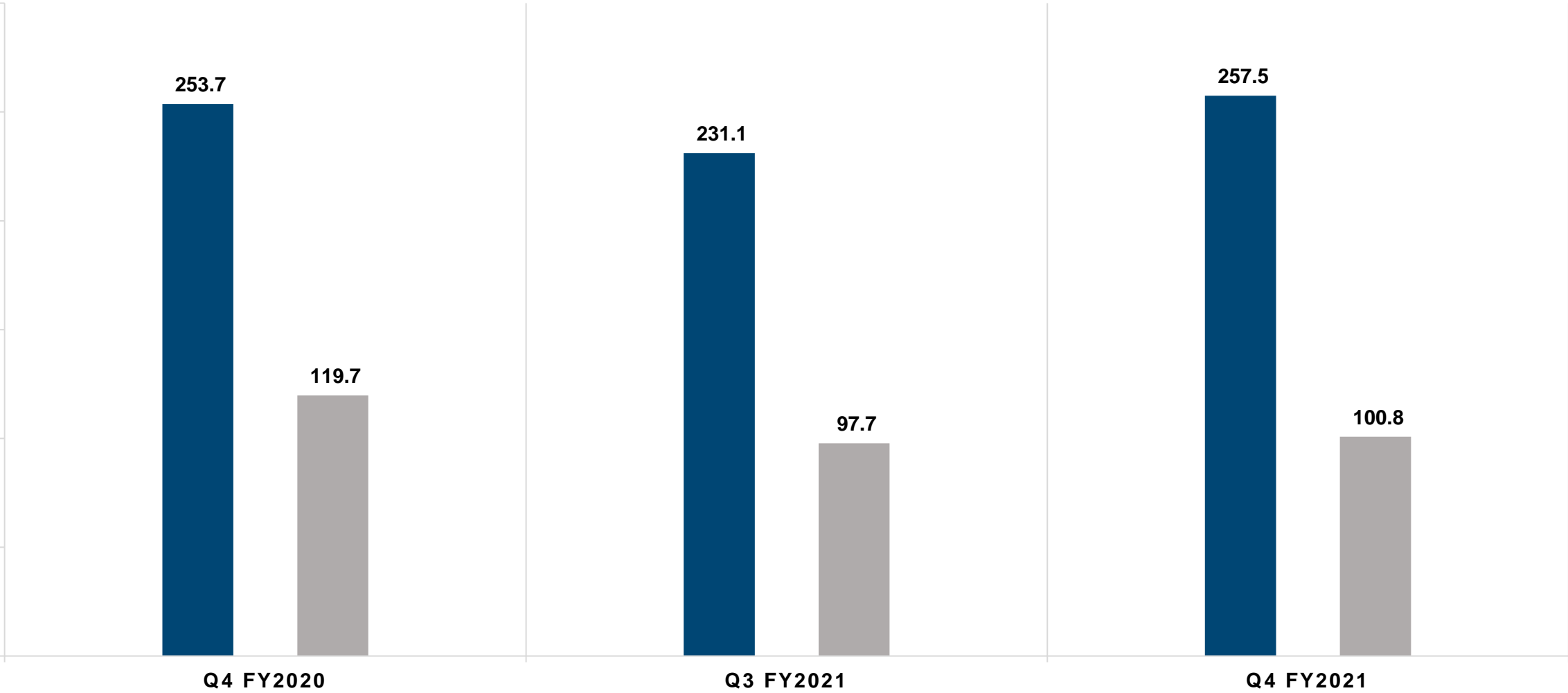
- Impairment of non-current assets Q4 FY2021 & Q4 FY2020
- Disposal of non-current asset Q4 FY2021
- Gain in disposal of interest in Joint Ventures (Q4 FY2021)
- Write back of trade receivables in Q4 2020



Cash Flow & PBT from Operations

USD mil

■ Adjusted Cash flow from operations ■ PBT from operations





Adjusted Cash Flow from Operations (“CFO”)

	Q4 FY2020	Q3 FY2021	Q4 FY2021
	USD Mil	USD Mil	USD Mil
CFO per Statutory Financial Reporting	269.2	169.5	178.2
<u>Add/(Less):</u>			
MFRS 16 lease payments*	(14.8)	(10.2)	(11.6)
Offshore construction work-in-progress**	-	69.3	70.4
Forex	(0.7)	2.5	20.5
Adjusted CFO	253.7	231.1	257.5

* MISC considers all lease or charter-in of vessels and other assets as operating activities. For financial reporting purposes, payment of lease liabilities are classified in the cash flow from financing activities.

** **For financial reporting purposes**, the payments relating to construction/conversion activities for Offshore turnkey projects are **required to be classified in the cash flow from operating activities**. As at 31 December 2021, the YTD payment was USD271.6 million.

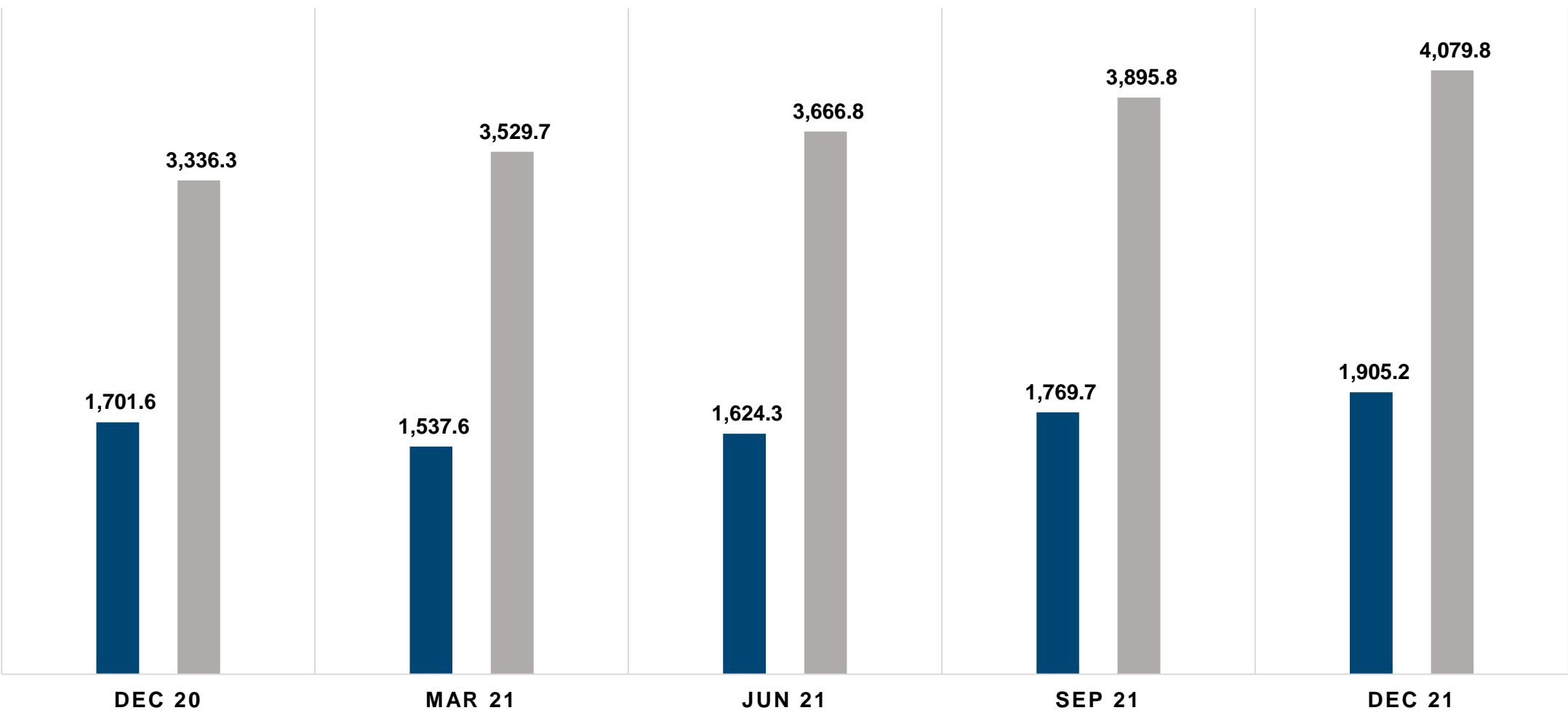
However, **MISC considers the payments as Capital Expenditure (“CAPEX”) payments**, and **internally classifies them as an outflow from investing activities** in measuring its performance and allocation of resources.



Cash & Debt Balances

USD mil

■ Cash ■ Debt





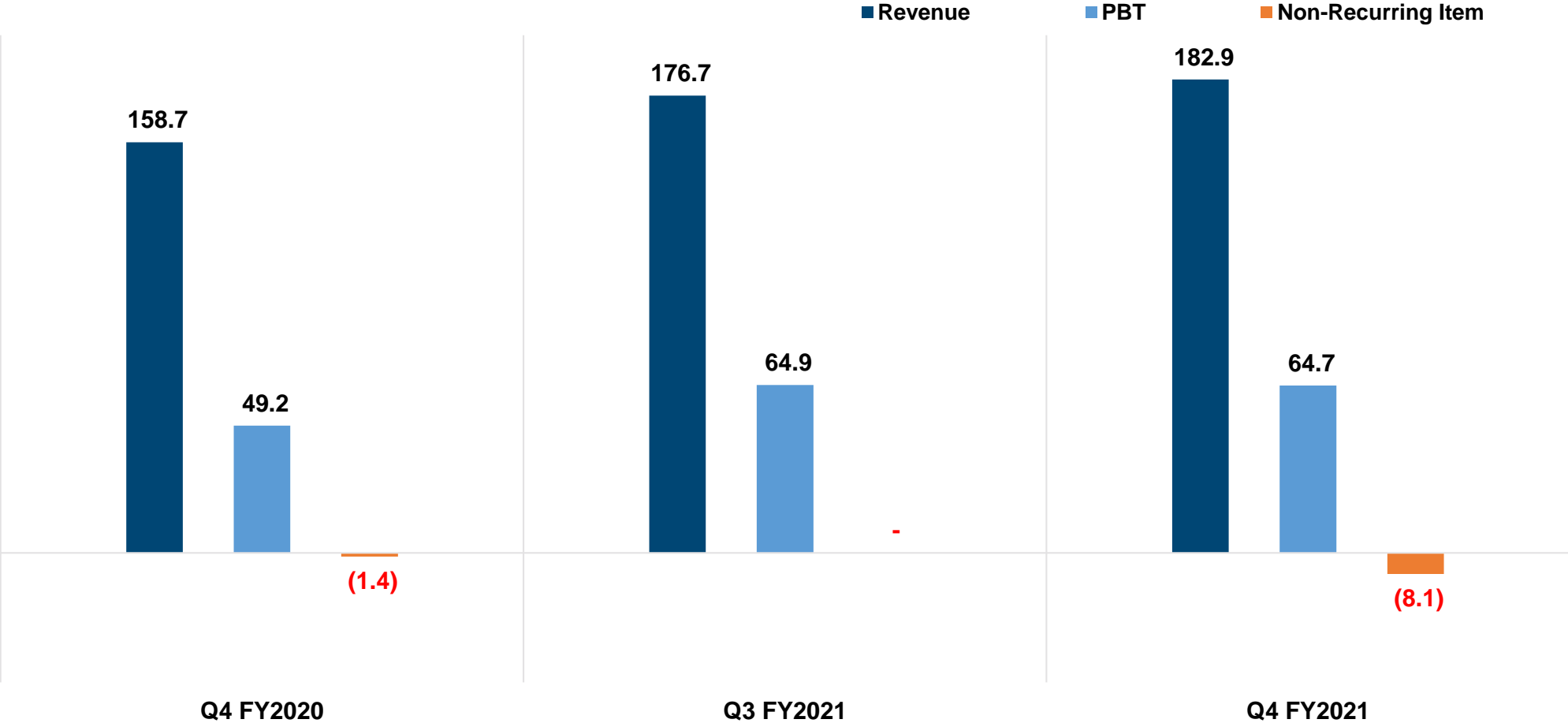
FINANCIAL PERFORMANCE BY BUSINESS SEGMENT



Gas and Asset Solutions

Higher earning days.

USD mil

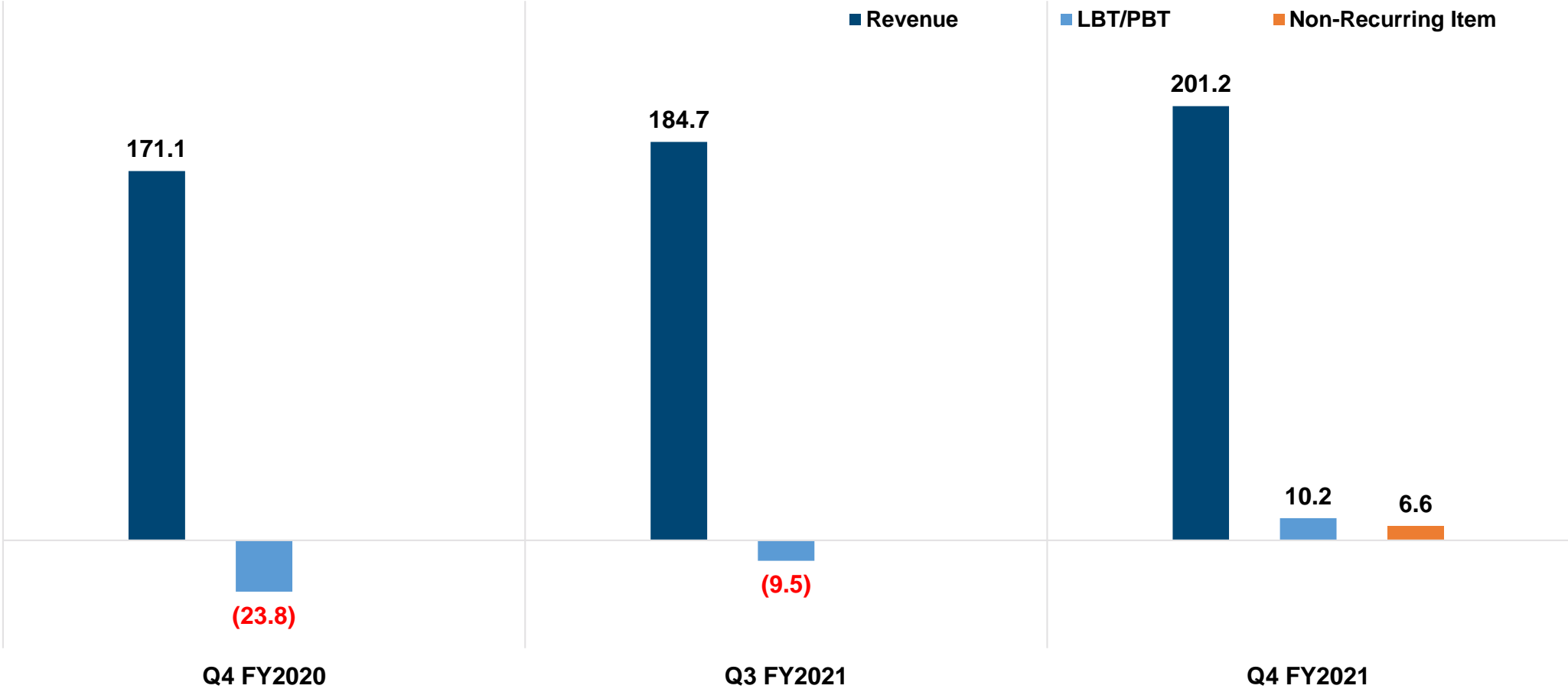




Petroleum & Product Shipping

Higher blended TCE

USD mil



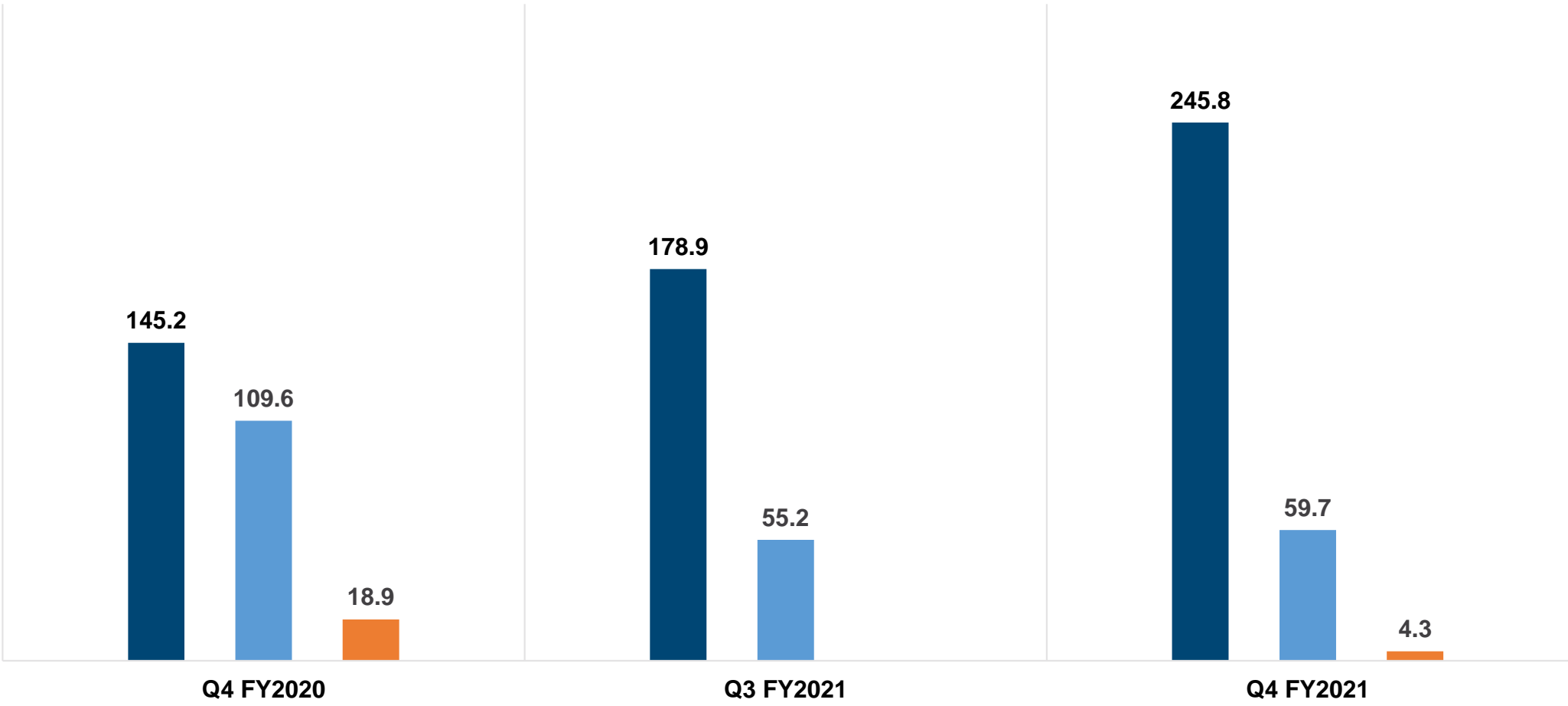


Offshore Business

Construction Progress for an FPSO project

USD mil

■ Revenue ■ PBT ■ Non Recurring Item



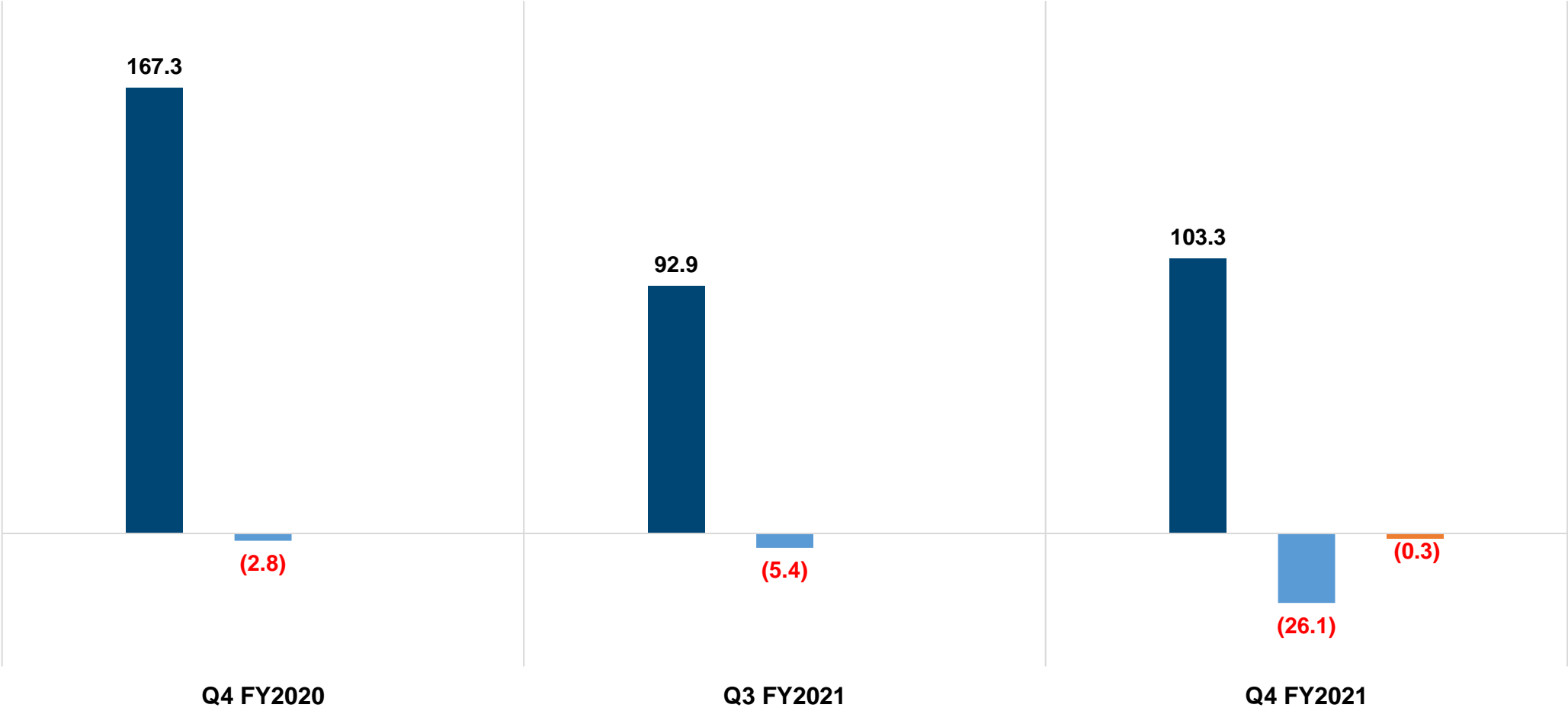


Marine & Heavy Engineering

Additional cost provision for ongoing projects

USD mil

■ Revenue ■ PBT/LBT ■ Non Recurring Item





MARKET ENVIRONMENT

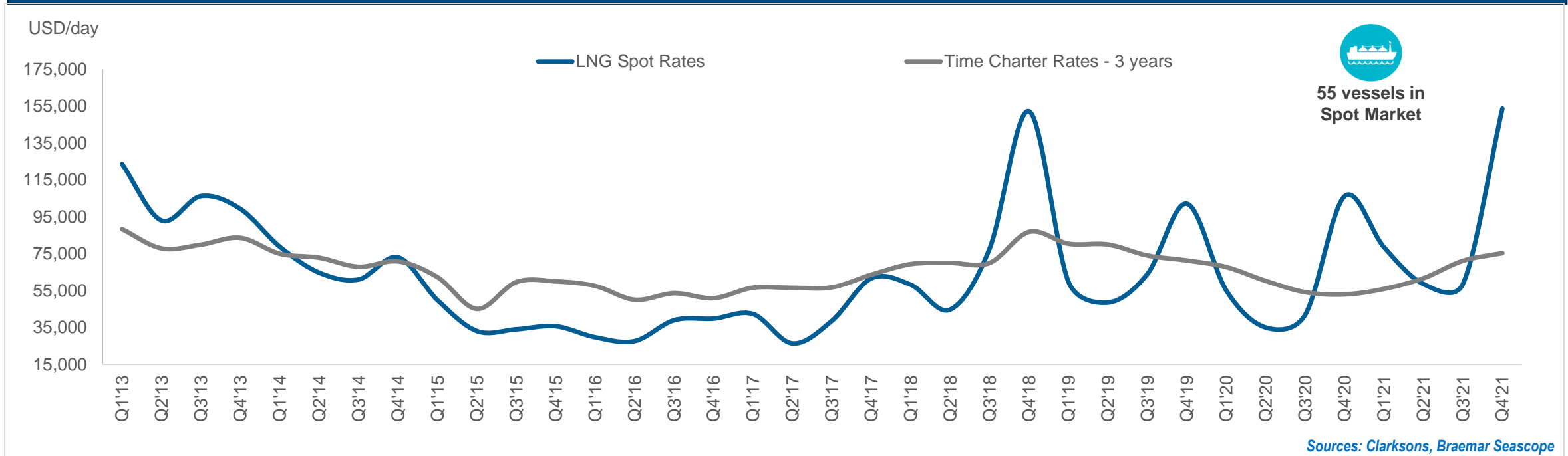
By: Vincent Ng | General Manager, CPD



LNG Shipping

Spike in LNG spot rates in Q4 2021

LNG charter rates

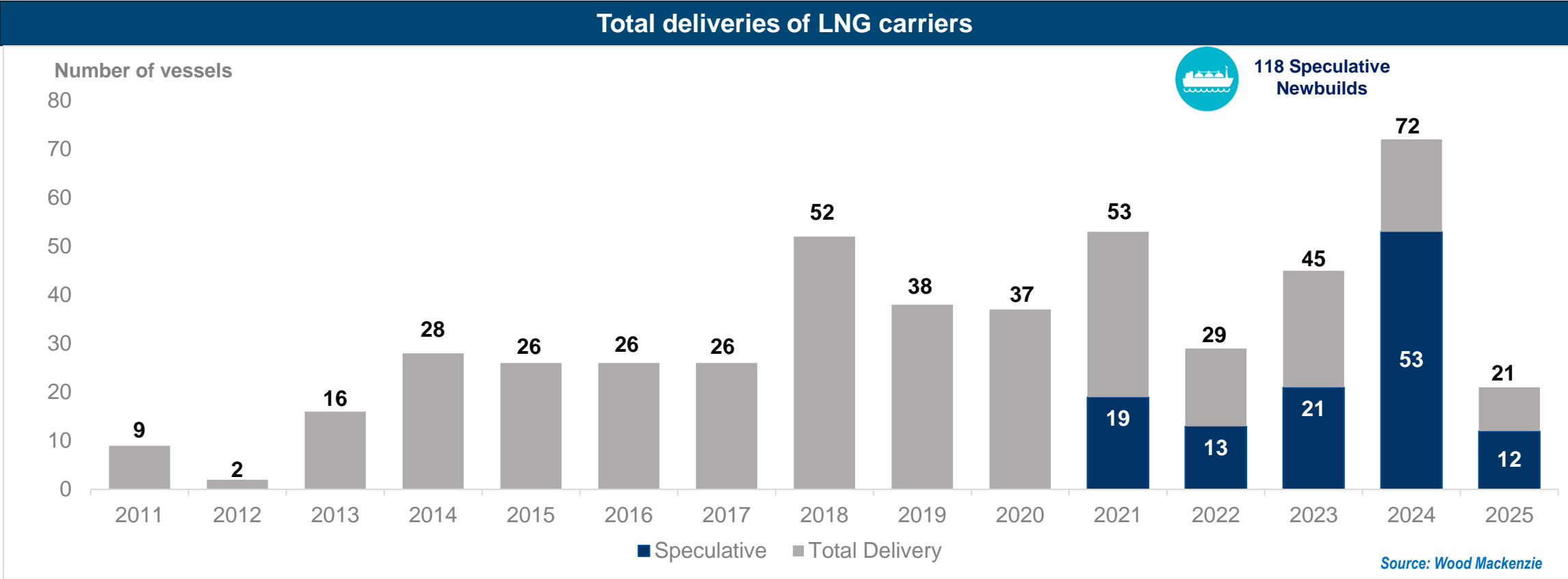


- LNG carrier spot rates recorded significant increase in Q4 amid low gas inventories and seasonal higher winter demand for LNG which has led to tighter vessel availability in both Asia and Europe region
- Time charter rates rose slightly towards year end 2021 as some charterers requiring replacement or additional tonnage for the year 2022 were making the move sooner as the shipping availability over the coming period may be sparse



LNG Shipping

Higher new orders due to new projects and vessel replacement demand

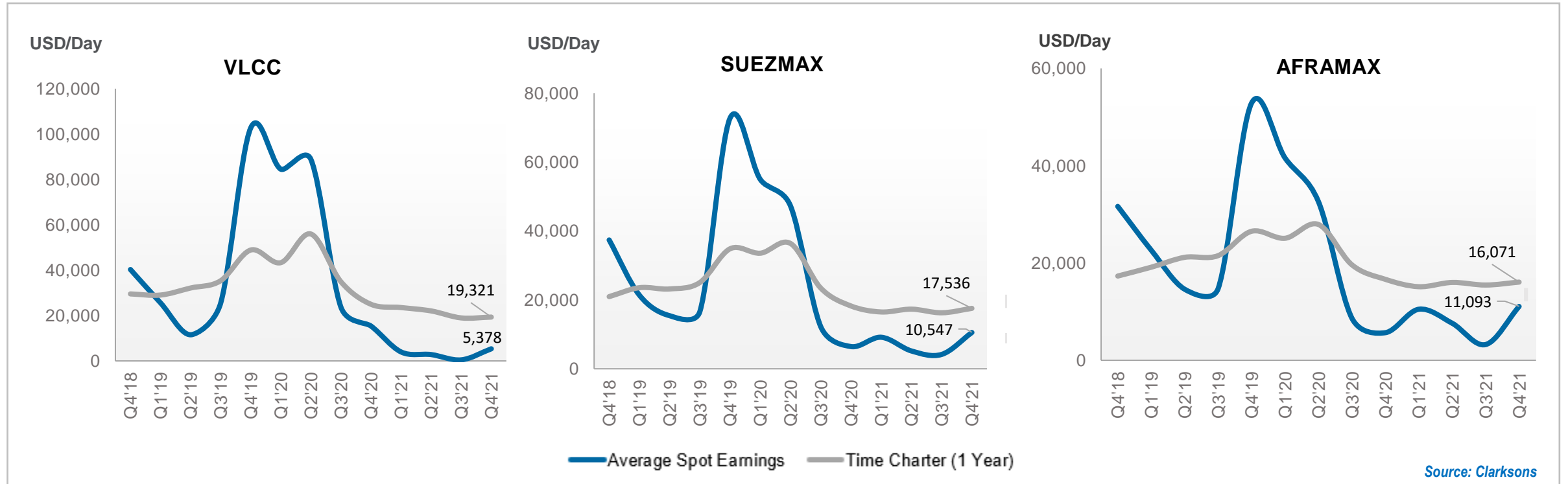


- Newbuilding orders are expected to remain high in 2022, mainly to meet new tonnage requirements for upcoming LNG projects, including the massive requirement for the Qatar North Field Expansion project
- A record 86 vessels were ordered in 2021 as compared to projected 69 vessels



Petroleum Shipping

Seasonal winter rally largely absent with only modest improvements in Q4 spot rates



- Tanker market continued to be tough in Q4'21 despite some modest improvements in spot rates due to trading activities remaining below pre-pandemic levels globally despite oil demand recovery and easing of production cuts by OPEC+.
- However, there could be some upside in the market with improving supply/demand fundamentals through the second half of 2022 as oil demand and OPEC+ phased supply rises, although the extent of improvement could be capped by the rapid spread of the Omicron variant and new restrictions imposed.



Petroleum Shipping

Slower fleet growth with increased demolition activities in 2021

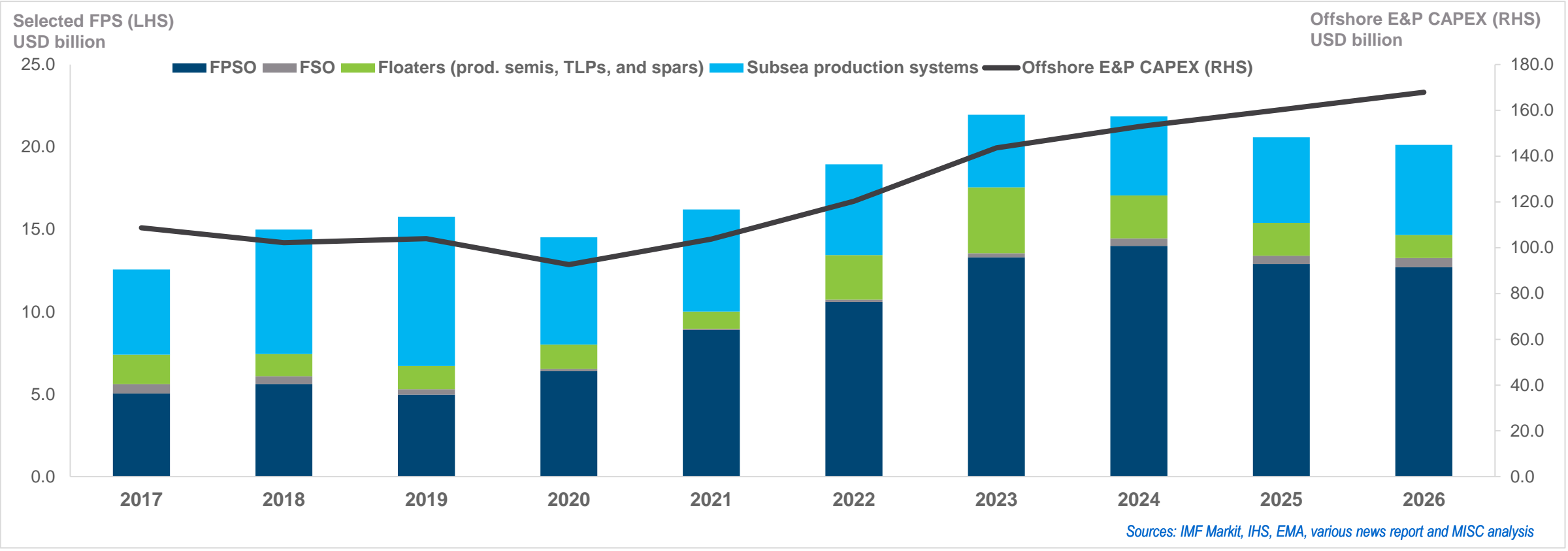


- The overall orderbook trend remained limited in 2021 due to increasing newbuilding prices and prevailing tonnage oversupply.
- Demolition activity was robust in 2021, reaching the highest level since 2018 given the incessant weak environment in the tanker market amid scrap steel prices remaining strong.



Offshore

Increase in CAPEX spending as economy recovers from pandemic



- Offshore spending rebounded in 2021 after the slump in 2020, and is expected to stay robust in 2022 as the oil market continues to rebalance with oil prices staying high
- New FPSO projects over the next 12-24 months are expected to be mostly centered around Latin America, Asia Pacific and Africa



BUSINESS UPDATES

By: Vincent Ng | General Manager, CPD



GAS Business

- LNG Business has changed its name to Gas Assets & Solutions (GAS) effective 1 January 2022 as the division has grown beyond conventional LNG shipping and is charting into non-conventional gas asset solutions as well.
- Selectively exploring conventional and non-conventional LNG shipping solutions to support this segment's long-term growth strategy



Petroleum & Product Shipping

- Current portfolio mix is at 71:29 term to spot
- AET chartered-in *Pacific Pearl* (Aframax) during the quarter
- AET disposed Bunga Kenanga, Bunga Kelana 7 and Bunga Kelana 8 (Aframaxes) during the quarter.
- Took delivery of *Eagle Campos*, the first of another three Suezmax Dynamic Positioning (DP2) Shuttle Tankers purpose built for long-term charter to Brazil Shipping I Limited, a wholly owned indirect subsidiary of Shell. She was delivered to AET on 5 January 2022 and will commence her operations in Brazil joining *Eagle Pilar* which AET already operates there for Shell.



Offshore Business

- Will concentrate on the execution of the new FPSO project in hand while selectively sourcing for attractive opportunities in targeted markets
- Contract extensions were entered during the quarter for FPSO Kikeh, FPSO Ruby II and FSO Puteri Dulang.
- **Gumusut Kakap (GKL)**
 - On 7 July 2020, MISC's wholly-owned subsidiary, GKL has filed the following court applications:
 - a) An Originating Summons dated 7 July 2020 for setting aside of parts of the Arbitral Award dated 8 April 2020 ("Setting Aside OS"); and
 - b) A Notice of Application for an injunction to restrain SSPC from setting off the sums that GKL was ordered to pay to SSPC under the Arbitral Award dated 8 April 2020 ("Injunction NOA") which was subsequently withdrawn on 6 October 2020
 - Additionally, GKL had filed an interim application preventing SSPC from enforcing the Award prior to the determination of the Setting Aside OS. This application was heard on 16 August 2021 and 1 October 2021



Offshore Business

■ Gumusut Kakap (GKL) (cont'd)

- On 25 October 2021, the High Court dismissed GKL's interim application and decided that SSPC has the right to set off the award against the charter hire without full grounds of judgment. GKL will be taking steps to secure grounds of judgment and will then consider its option in this matter. GKL has since obtained the High Court's written grounds of judgement and is of the opinion that there are grounds to appeal against the High Court's decision in dismissing GKL's interim application. As such, on 22 November 2021, GKL filed an appeal to the Court of Appeal against High Court's decision. This appeal has now been fixed for hearing on 6 July 2022 with a final case management date fixed on 22 June 2022 for any final instructions that may be required.
- SSPC filed an interim application to expunge the affidavit of GKL's quantum expert ("SSPC Expungement Application"), which was filed by GKL to clarify certain issues in support of the Setting Aside OS. This application was heard on 9 August 2021 and on 9 September 2021. On 1 October 2021, the High Court allowed SSPC's application with costs. Although no reasons were given by the High Court, attempts are being made by GKL's lawyers to try and secure the same. Despite the High Court's decision in allowing SSPC's Expungement Application, GKL's lawyers have advised that this argument can still be shown from the records and therefore, the expungement of the quantum expert's affidavit does not affect GKL's arguments in the Setting Aside.
- GKL's Setting Aside OS was partly heard on 20 and 25 October 2021 and 13 January 2022 where GKL's counsel presented its case before the Judge at the High Court. The matter is fixed for continued hearing on 16 February 2022, 17 February 2022 and 4 April 2022.



Offshore Business

- **PCPP Operating Company Sdn Bhd (PCPP) – Malaysia Offshore Mobile Production (Labuan) Ltd (MOMPL)**

Adjudication

- Adjudication proceedings under the Construction Industry Payment and Adjudication Act 2012 (“CIPAA”) was first commenced to recover MOMPL’s claim for the completed variation works amounting to approximately USD9,949,000.00. On 9 January 2019, MOMPL was awarded its entire claim of USD9,949,734.00 plus interest and costs
- The second adjudication proceedings under CIPAA was commenced to recover the disputed demobilisation costs amounting to approximately USD4,796,000. On 7 October 2019, MOMPL received the second Adjudication decision dated 26 July 2019 where MOMPL was awarded its entire claim of USD4,752,239.11 plus interest and costs
- 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



Offshore Business

■ PCPP – MOMPL (cont'd)

Adjudication (cont'd)

- 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 ("CA") against this decision, which was heard on 12 April 2021. The CA set aside the stay application granted by the High Court and instead imposed a conditional stay on PCPP wherein PCPP is required to deposit a sum of USD7,766,549.61 into a joint account held by both parties' solicitors within 30 days, failing which MOMPL will be able to proceed with the full hearing in the High Court action against PCPP. PCPP failed to make such deposit and therefore the Originating Summons are reinstated in the High Court at MOMPL's request.
- The matter was heard on 7 October 2021 and on 26 October 2021, the High Court decided the matter in favour of MOMPL. MOMPL has now been awarded the full sum claimed amounting to USD42,307,549.61 together with interest and costs which is to be paid by PCPP. PCPP did not file any appeal against the High Court's decision. However, PCPP has failed to pay the sum awarded to MOMPL.



Offshore Business

■ PCPP – MOMPL (cont'd)

Proceedings in Court

- Given these circumstances, MOMPL proceeded to file a Statutory Notice pursuant to Section 465 and 466 of the Companies Act 2016 against PCPP on 14 December 2021 (“Statutory Notice”). PCPP has failed to comply with the Statutory Notice and therefore MOMPL will proceed to file a winding-up petition against PCPP in the High Court.
- A writ action in the High Court was also filed on 13 August 2018 against PETRONAS Carigali Sdn Bhd (“PCSB”), PT Pertamina Hulu Energi (“PPHE”) and PetroVietnam Exploration Production Corporation Ltd (“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 (“PCSB’s Striking Out Application”) and stay the proceedings pending the disposal of the arbitration proceedings (“PCPP’s Stay Application”) which were allowed on 26 October 2018 and 11 December 2018 respectively. MOMPL appealed against both decisions to the CA.
- MOMPL’s appeal against PCSB’s Striking Out Application by the High Court was dismissed by the CA on 26 September 2019. MOMPL has filed leave to appeal against the CA’s decision to uphold the High Court’s decision to strike out the proceedings against PCSB to the FC. On 18 August 2020, the FC dismissed MOMPL’s appeal
- MOMPL’s appeal against PCPP’s Stay Application by the High Court was heard by the CA on 19 June 2020. The CA has set aside the stay against the shareholders, whilst the stay against PCPP is affirmed. Pursuant to this decision, MOMPL has proceeded to serve the cause papers out of jurisdiction on PPHE and PVEP. PVEP has failed to respond to MOMPL’s claim and therefore MOMPL has applied for a summary judgement to be made against PVEP. PPHE has filed an application in the High Court of Malaysia to challenge the service of the cause papers in Indonesia which was partially heard on 11 August 2021. On 24 September 2021, the High Court allowed PPHE’s application. MOMPL has elected to await the outcome of the Statutory Notice against PCPP and will consider whether to file a fresh claim against PCPP’s shareholders thereafter.



Offshore Business

- **PCPP Operating Company Sdn Bhd (PCPP) – Malaysia Offshore Mobile Production (Labuan) Ltd (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 has re-filed the Notice of Arbitration for the second arbitration proceedings for part of the outstanding sums amounting to approximately USD80,954,000.00 and RM4,674,000.00. PCPP has responded to the Notice of Arbitration on 15 July 2020.
- The arbitral tribunal for both arbitration proceedings have now been constituted respectively and parties are in the midst of finalising the terms of appointment. However, given the development in the filing of the Statutory Notice against PCPP, MOMPL has written to the arbitral tribunal for both the first and second arbitrations to request for the proceedings to be kept in abeyance until the Statutory Notice is disposed off by the High Court.

(collectively rereferred to as the “Legal Proceedings”)

If successful, the Legal Proceedings are expected to contribute positively to the earnings per share, gearing and net assets per share of MISC in the future.



Marine & Heavy Engineering

- Heavy Engineering milestones (Q4 YTD):
 - Awarded EPCIC contract for SK408W Jerun Development Project, offshore Sarawak
 - Awarded EPCIC works for the existing Kasawari Gas Development Project E11R-AA Riser Platform and Host Tie-In for the existing E11R-AA Platform
 - Received welding certification from Canadian Welding Bureau (CWB)
 - Sailed away Kasawari Gas Development Project Well Head Platform (WHP) Jacket and Topside
 - Sailed away Integrated Bekok Oil Project WHPs comprising Topsides, Substructures and Bridges linking each of the Topside to the existing Bekok-A and Bekok-B platforms respectively
- Marine Repair milestones:
 - Completed repair and maintenance of 97 vessels including 15 LNG carriers
 - Turnaround project at Idemitsu plant
- Sustainability:
 - Installation of 8.3 Megawatts-peak (MWp) solar panel
- Orderbook backlog as of December 2021 is RM2.2 billion
- Approximately RM13 – RM14 billion worth of heavy engineering tenders submitted as of December 2021
- Expand market for existing business of Marine & Heavy Engineering
- Realise opportunities to secure modular structure and renewable energy projects



APPENDIX



Appendix 1 : Fleet Information as at 31 December 2021

	Vessel Type	Total Vessel Operated	Owned	Chartered-In	Average Age (yrs)		Contracted Newbuilds/ Conversions
					MISC	Industry	
GAS	LNG	30	30	--	15.3	10.3	2
	FSU	2	2	--	10.0	--	--
	VLEC	6	6	--	0.9	--	--
	LBV	1	--	1	--	--	--
Subtotal		39	38	1	--	--	2
Petroleum	VLCC	8	8	--	9.0	10.3	5
	Suezmax	6	6	--	7.6	10.6	-
	Aframax	28	22	6	9.7	12.4	-
	LR2	2	2	--	11.6	9.5	-
	DPST	11	11	--	3.9	8.9	6
Chemical	Chemical	4	--	4	11.0	11.9	-
Subtotal		59	49	10	--	--	11
GRAND TOTAL		98	87	11	--	--	13
Offshore	FPSO/FSO/SS	12	12	--	9.2	--	1
	MOPU	--	--	--	--	--	--

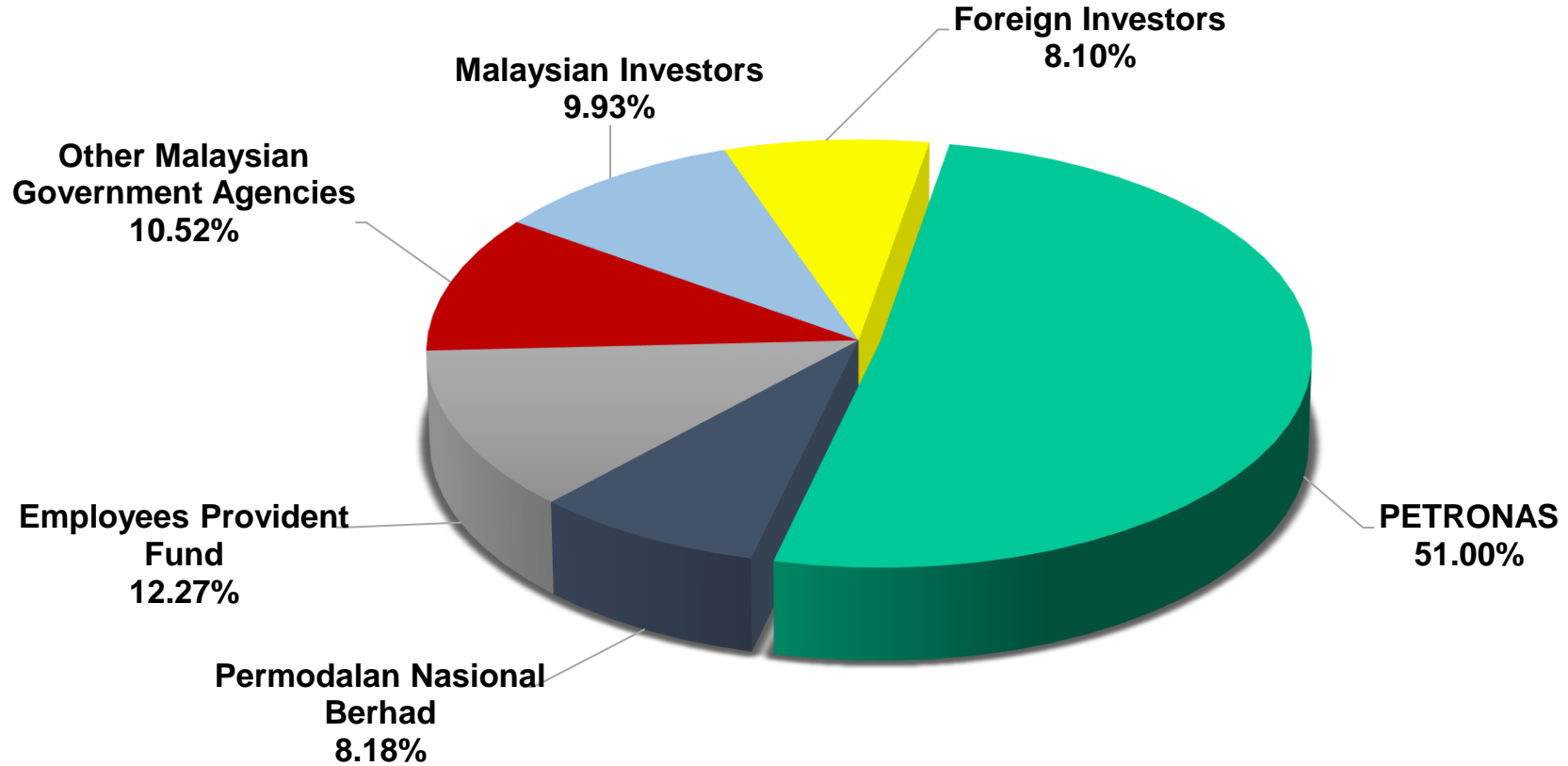


Appendix 2 : Schedule of Future Deliveries as at 31 December 2021

	LNG	Petroleum	
	LNG Carriers	DPST	VLCC
1H 2022	-	5	2
2H 2022	-	1	-
1H 2023	2	-	1
2H 2023	-	-	2
1H 2024	-	-	-



Appendix 3 : Shareholders' Profile as at 31 December 2021



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