

MISC BERHAD 54TH ANNUAL GENERAL MEETING 2023

MINORITY SHAREHOLDERS WATCH GROUP (“MSWG”)

Operational & Financial Matters

- 1. In line with the energy transition and decarbonisation agenda, MISC is pivoting and targeting new potential income sources that come with the wave of demand for renewable energy and waste-to-value solutions (page 23 of Integrated Annual Report 2022). What are the specific investments that MISC is targeting in the renewable energy and waste-to-value solutions segments?**

In pursuit of our ambitious goals for a 50% reduction in GHG intensity by 2030 and net zero commitment by 2050, we've established the New Energy & Decarbonisation unit, spearheading innovation in CCS solutions, LCO₂ vessels and FCSU floating facilities. In the space of New Energy, we are exploring the offshore wind farms segment across the entire eco system whilst advancing our efforts in the ammonia, hydrogen, and LNG maritime value chains through collaborative agreements.

- 2. The Group's approved and contracted committed capital expenditure as at the end of FY2022 stood at RM4,403.8 million. What is the group's budgeted capital expenditure for FY2023?**

The Group's capital expenditure (CAPEX) for FY2023 is estimated to be comparable with the Group's historical annual CAPEX, which is around RM5 billion. This includes the amount disclosed in the approved and contracted committed capital expenditure, which mostly relates to ship newbuilds that are scheduled to be incurred and delivered within the next 1 to 2 years.

For FY2023, MISC continues to remain focused on the execution of the committed projects currently in hand while being judicious in selecting investments in long-term contracts with strategic and reputable clients, with a focus on cleaner, and greener assets. We are also looking at opportunities in GAS carriers, dual fuel crude tankers as well as the area of New Energy.

- 3. What are the reasons for the jump in impairment provisions from RM58.0 million in FY2021 to RM644.6 million in FY2022? (Notes 5(a) and 13(b) to Financial Statements 2022)**

The increase in impairment provision recorded by the Company (not Group consolidated) to RM644.6 million was mainly due to:

- i. Increase in impairment of ships due to a significant reduction in the Market Value quoted by shipbrokers on steam engine LNG carriers, attributed mainly due to the implementation of stricter environmental regulation and technological advancement (EEXI/CII) which affected the entire LNG carrier market. Despite these, the vessels remain commercially attractive and tradeable at competitive rates; and

ii. Impairment of investment in subsidiaries in FY2022, mainly due to reduction in certain subsidiaries' net assets following impairment and disposal of assets in the subsidiaries.

4. For the past ten years, the Group's joint ventures have contributed positively to the Group except for FY2022 during which the joint ventures reported a loss of RM28.1 million. What caused the share of loss of RM52.1 million reported by the offshore joint ventures business (page 121 of Financial Report 2022)?

The share of loss in FY2022 was mainly due to recognition of impact from off-hire, repair and rectification works of a jointly owned offshore floating asset. The asset repair was completed in 2022 and the asset has continued to be in operation since then.

5. Liquefied natural gas ("LNG") tanker market benefited from increasing demand for greener fuel and the Russian-Ukraine war. An extraordinary number of LNG carrier ("LNGC") newbuildings have been ordered in 2022. More than 150 full-size LNGCs were contracted by the end of the year, double the previous tally in 2021. This caused an increase in vessel costs due to the limited availability of shipbuilding capacity coupled by rising cost of raw materials. During the year, the GAS business segment managed to secure bumper order of 12 newbuilding LNGCs with QatarEnergy via consortium partners. Besides this, the GAS business strengthened its partnership with SeaRiver Maritime via a long-term time charter for 2 more LNGCs, extending its total of 4 (Integrated Annual Report 2022).

a) What are the typical charter durations for long-term charters of LNGCs entered between MISC and its clients?

Typical charter durations for long-term charters of LNGCs range between 10 to 20 years, depending on the Charterer's requirement.

b) Will there be a potential oversupply of LNG carriers resulting from the unusually high number of LNG carrier newbuildings, especially if the Russian-Ukraine conflict is resolved in the future?

It is worth noting that the number of speculative newbuildings have dropped significantly over the last couple of years due to high newbuilding prices and limited number of newbuilding slots.

As at Q1 2023, there are 22 LNG vessels that are at the end of their useful life without long-term contracts. The figure represents about 7% of operational LNG vessels worldwide. By 2030, there will be 114 vessels which equate to 23% of total fleet at the end of their useful life. Even with the current high demand for LNG newbuilds, we would still anticipate a demand shortfall, as most of the LNG newbuilds are already locked in serving long-term LNG Purchase & Sale Agreements. Against this outlook, the demand for LNG vessels is expected to remain positive and we do not see a potential oversupply of LNGCs.

- c) **Do the long-term time charters between MISC and its clients contain exit / termination clause that allows clients to terminate the long-term charters before their expiry? If so, how prohibitive is the clause in preventing clients from defaulting on the long-term charter?**

The specific terms and conditions of a long-term time charter between MISC and its clients are determined by the individual contract. Although typical for such contracts to have termination clauses that enable clients to end the charters before their expiration, they are subjected to stringent and specific conditions. These conditions may include mutual agreement by the parties or compensation by either party.