MISC 51ST ANNUAL GENERAL MEETING 2020

MINORITY SHAREHOLDERS WATCH GROUP ("MSWG")

Strategy & Financial Matters

1. Given the on-going Covid-19 pandemic and the subdued oil price environment, how has this impacted the Group's on-going projects across its various business segments and plans for financial year ending 2020?

On-going projects

All the current vessels/assets under construction for the Petroleum, LNG and Offshore segments are ordered against specific projects and tied to long-term charters. These assets are largely expected to be delivered according to schedule, other than some slight delay on an Offshore asset and an LNG in-charter vessel due to COVID-19.

As for the Heavy Engineering segment, its ongoing jobs have experienced some interruption due to the imposition of the Movement Control Order (MCO) as well as due to supply chain disruptions from COVID-19 lockdowns globally. With the resumption of operations, it hopes to catch up on progress of work over the remainder of the year.

Prospective projects

The COVID-19 pandemic and low oil prices would likely reduce the investment and job opportunities available for the Group to pursue this year, as the slump in energy demand has led to various oil and gas companies implementing capital expenditure cuts and project deferrals. The extent of the impact would depend on the duration and magnitude of the pandemic's impact and the effectiveness of government stimulus and other measures to stimulate global economic recovery and to support oil prices.

2. Presently, the Group has over USD6 billion of investment opportunities being pursued and everyone in the MISC family is excited about the success prospects (page 24 of AR2019).

(a) What is the probable success rate?

Over the last two years, our bidding success rate was in the range of 13-20% and as at end March 2020, the Group had investment and job opportunities totalling approximately USD7.9 billion.

Due to the challenging climate posed by COVID-19 and the low oil price environment, some projects that we are pursuing may be delayed or deferred. However, for the projects that do proceed, we remain confident of our competitiveness, as evidenced by the success rates that we have been achieving in recent years.

(b) Will the Group remain on track to deliver comparable financial results (compared to the previous year) for the financial year ending 2020? Has Covid-19 altered the outlook and prospects of the Group, going forward? To what extent has is it affected the Group's outlook?

Unfortunately, in the first quarter of FY 2020, MISC Group's financial results were affected by a one-off charge which resulted in a significant net loss. This was due to the inclusion of provisions for litigation claims, write-off of receivables and loss on re-measurement of finance lease receivables arising from the unfavourable outcome of the Gumusut Kakap (GKL) arbitration.

However, apart from the GKL one-off charge, the Group's financial performance for FY 2020 is expected to be well-supported by its existing portfolio of long-term contracts and secured income streams. This is especially so for the LNG and Offshore segments where the bulk of their assets are deployed on long-term charters.

The Petroleum shipping segment has been buoyed by strong demand and a rally in charter rates in the earlier part of the year, driving positive financial results. However, the deep production cuts currently being implemented by the major oil producers would lead to decreasing demand for crude tankers during the remainder of the year. This would mainly impact the portion of our tanker fleet that is serving in the spot market. (During the first quarter, approximately 29% of the Petroleum segment's operating days was in the spot market.) The segment will look to attain a good mix of time and spot charters as well as explore expansion opportunities within the niche shuttle tanker segment that will provide long-term secured income to help mitigate any downturn in the cyclical market.

As for the Heavy Engineering segment, its operations have been impacted by the imposition of the MCO as well as supply chain disruptions due to lockdowns globally. The risks of deferments and scale-down of upstream projects is expected to pose a challenge to the industry. The outlook for marine repairs and dry-docking activities also remains uncertain with demand for LNG expected to experience a slowdown due to a significantly weakened economic outlook.

3. Marine & Heavy Engineering (Heavy Engineering) segment recorded a lower operating loss of RM40.5 million compared to the corresponding year's loss of RM124.6 million (page 81 of AR2019)

When does the Group expect the Marine & Heavy Engineering segment to turnaround?

The Group expects the Heavy Engineering segment to turn around when the COVID-19 pandemic subsides and the oil price recovers to the level where the oil majors would ramp up their capital expenditure spending in upstream projects. The Marine segment is also expected to record improved performance once the current restrictions imposed during the pandemic is lifted, allowing foreign specialists and client representatives to enter the shipyard.