ANALYST BRIEFING
Q2 FY2021 Financial Results

13 August 2021



FINANCIAL OVERVIEW

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

Financial Performance: Q2 FY2021 vs Q1 FY2021

In USD Mil	Q2 FY2021	Q1 FY2021	QoQ %
Revenue	569.7	624.6	(8.8)
PBT from Operations	139.6	105.6	32.2
Non-recurring Items	(9.9)	(5.9)	(67.8)
PBT	129.7	99.7	30.1
PAT	127.1	97.3	30.6
EPS (cent)	2.9	2.4	20.8

Lower revenue:

- Offshore – lower recognition of construction revenue for an FPSO
- Heavy Engineering – lower revenue from ongoing projects
- Petroleum – lower blended time charter equivalent ("TCE") and lower earning days

Higher PBT from operations:

- Petroleum – one-off compensation for a contract renegotiation
- Heavy Engineering – cost provision recognised for an ongoing project in Q1 FY2021

Partially offset by:

- Offshore – lower construction gain for an FPSO coupled with repair & maintenance costs of an asset

Non-recurring items:

- Q2 FY2021 & Q1 FY2021:
  - Loss on deconsolidation of a subsidiary
  - Impairment of non-current assets
  - Disposal of non-current assets

Financial Performance: Q2 FY2021 vs Q2 FY2020

In USD Mil	Q2 FY2021	Q2 FY2020	QoQ %
Revenue	569.7	504.8	12.9
PBT from Operations	139.6	107.5	29.9
Non-recurring Items	(9.9)	(66.9)	85.2
PBT	129.7	40.6	>100
PAT	127.1	35.5	>100
EPS (cent)	2.9	1.5	93.3

Higher revenue:

- Offshore – recognition of construction revenue for an FPSO
- Heavy Engineering – higher yard activities due to yard suspension in Q2 FY2020
- LNG – lease commencement for six (6) VLECs

Partially offset by:

- Lower revenue in Petroleum segment due to lower blended TCE and lower earning days

Higher PBT from operations:

- Heavy Engineering – provisions for costs associated with COVID-19 in Q2 FY2020
- Offshore – construction gain for an FPSO

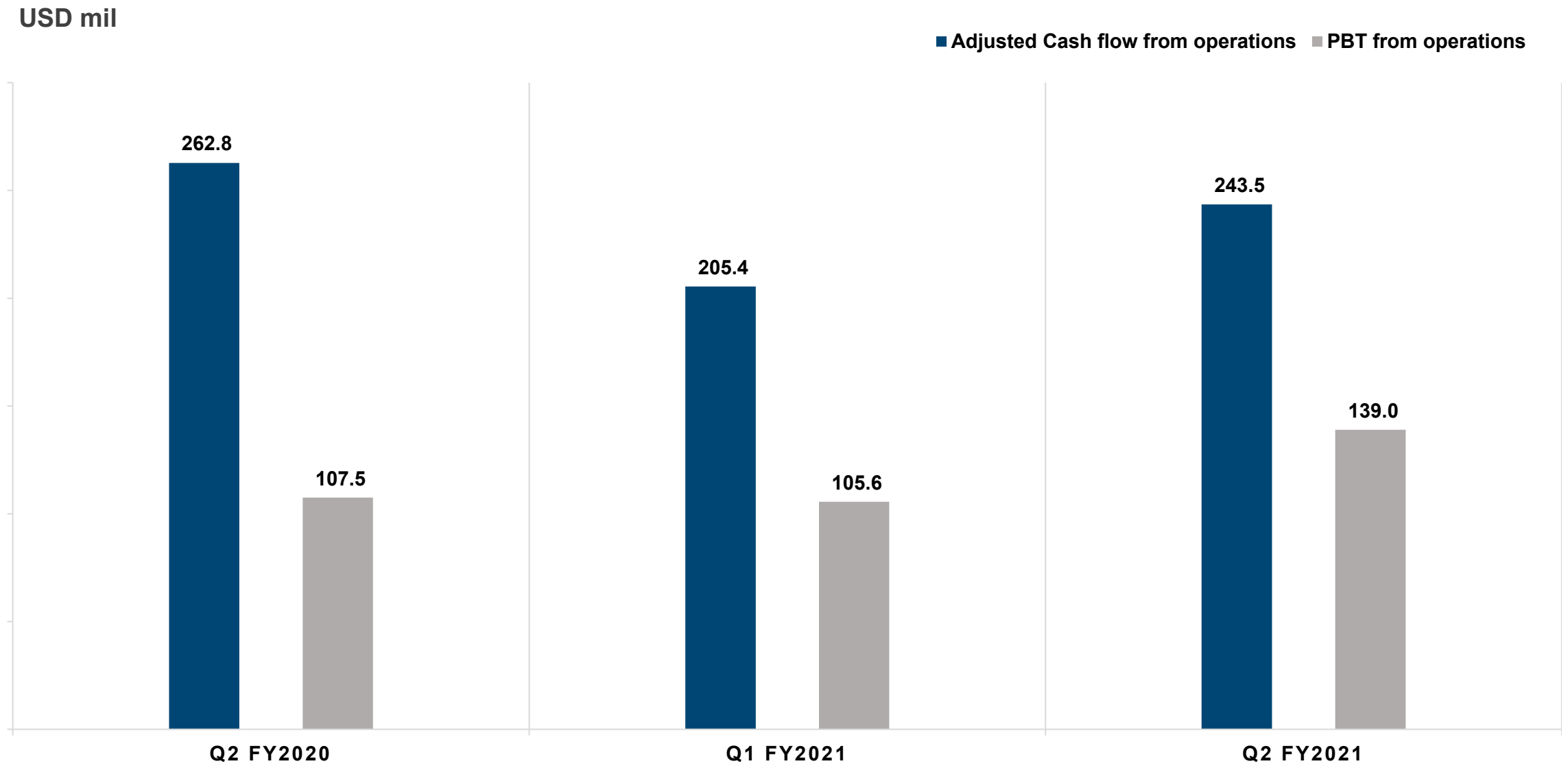
Partially offset by:

- LNG – higher vessels operating cost

Non-recurring items:

- Q2 FY2021 & Q2 FY2020:
  - Loss on deconsolidation of a subsidiary
  - Impairment of non-current assets
  - Disposal of non-current assets

Cash Flow & PBT from Operations



Adjusted Cash Flow from Operations ("CFO")

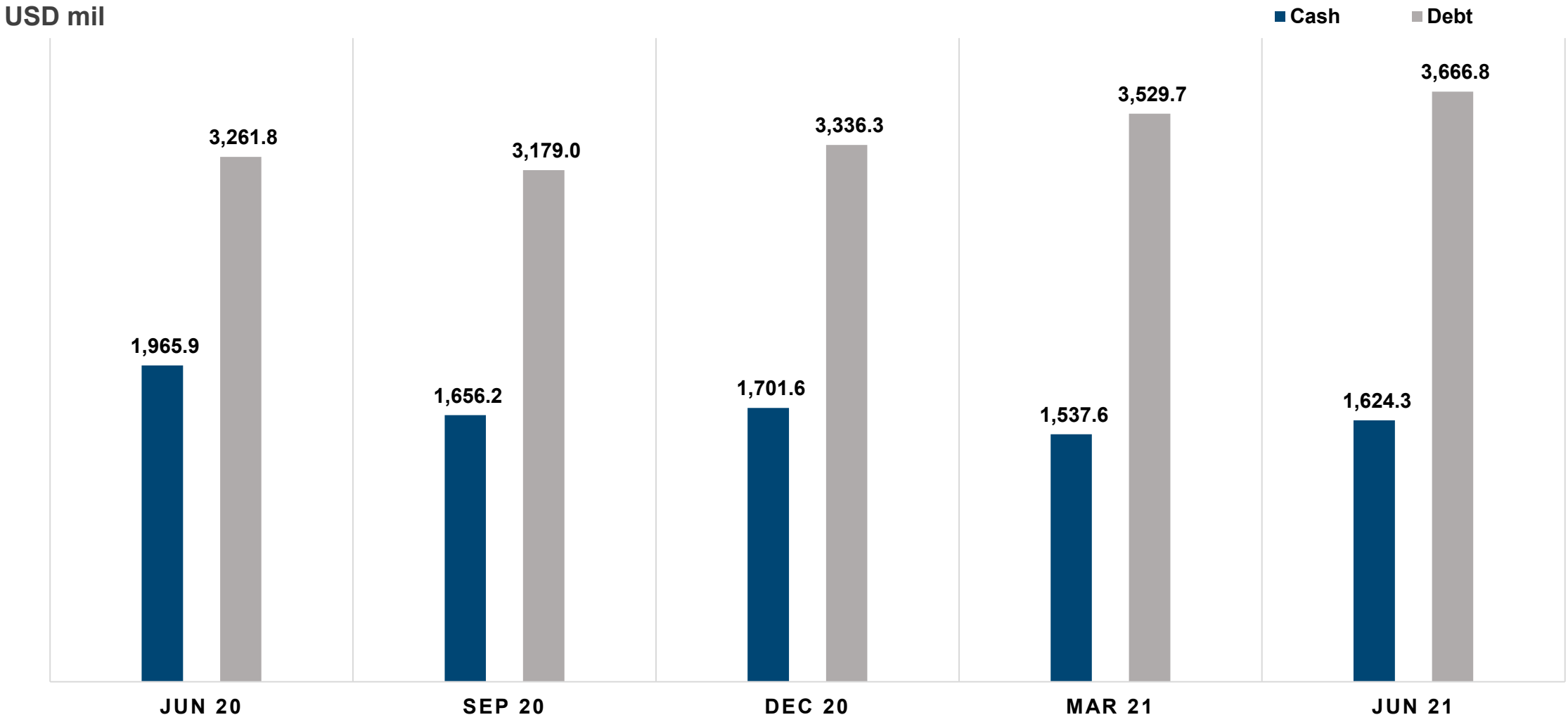
	Q2 FY2020 USD Mil	Q1 FY2021 USD Mil	Q2 FY2021 USD Mil
CFO per Statutory Financial Reporting	**280.2**	**214.8**	**131.3**
Add/(Less):			
MFRS 16 lease payments*	**(19.2)**	(13.7)	**(9.9)**
Offshore construction work-in-progress**	**-**	-	**131.9**
Forex	**1.8**	4.3	**(9.8)**
Adjusted CFO	**262.8**	**205.4**	**243.5**

* 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 30 June 2021, the YTD payment was USD131.9 million while USD37.3 million was paid in Q1 FY2021.

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

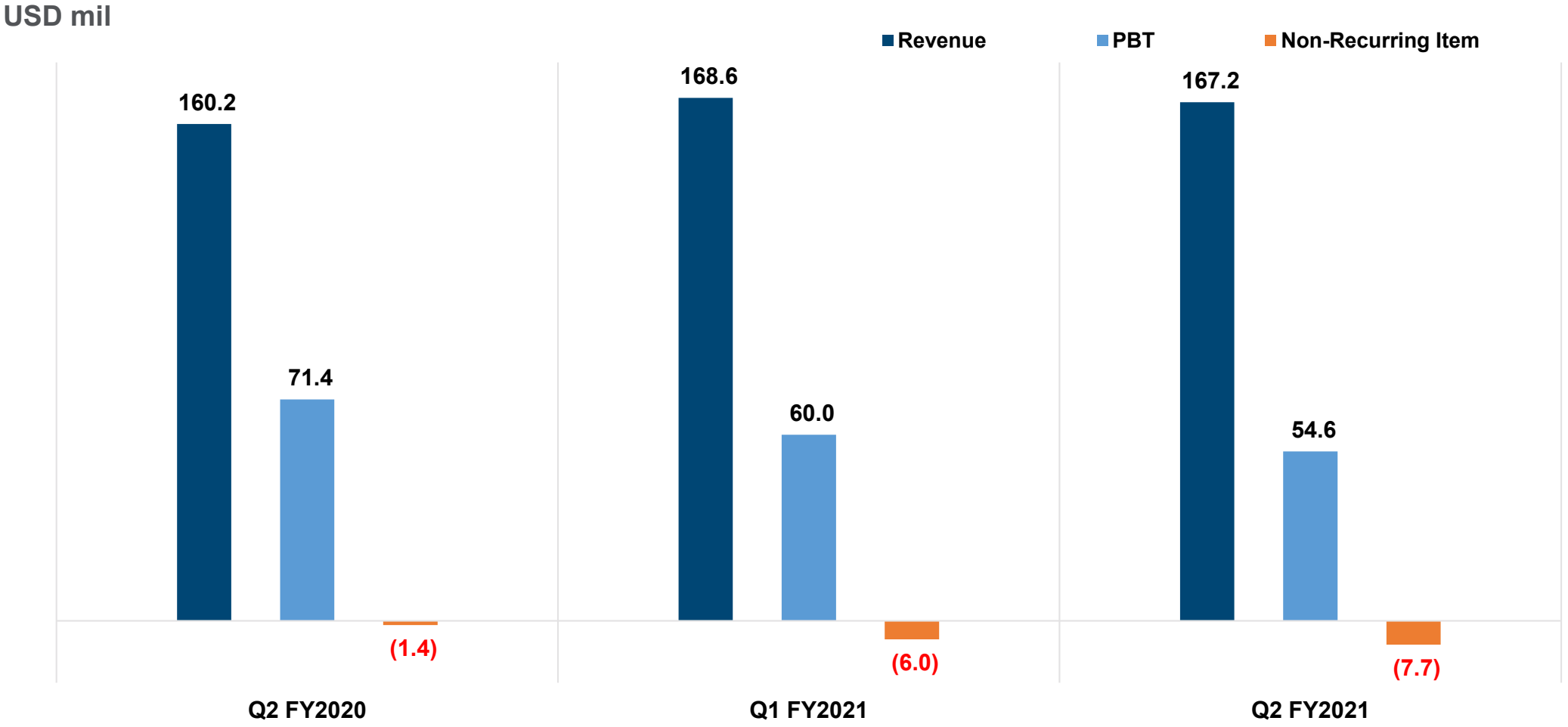




FINANCIAL PERFORMANCE BY BUSINESS SEGMENT

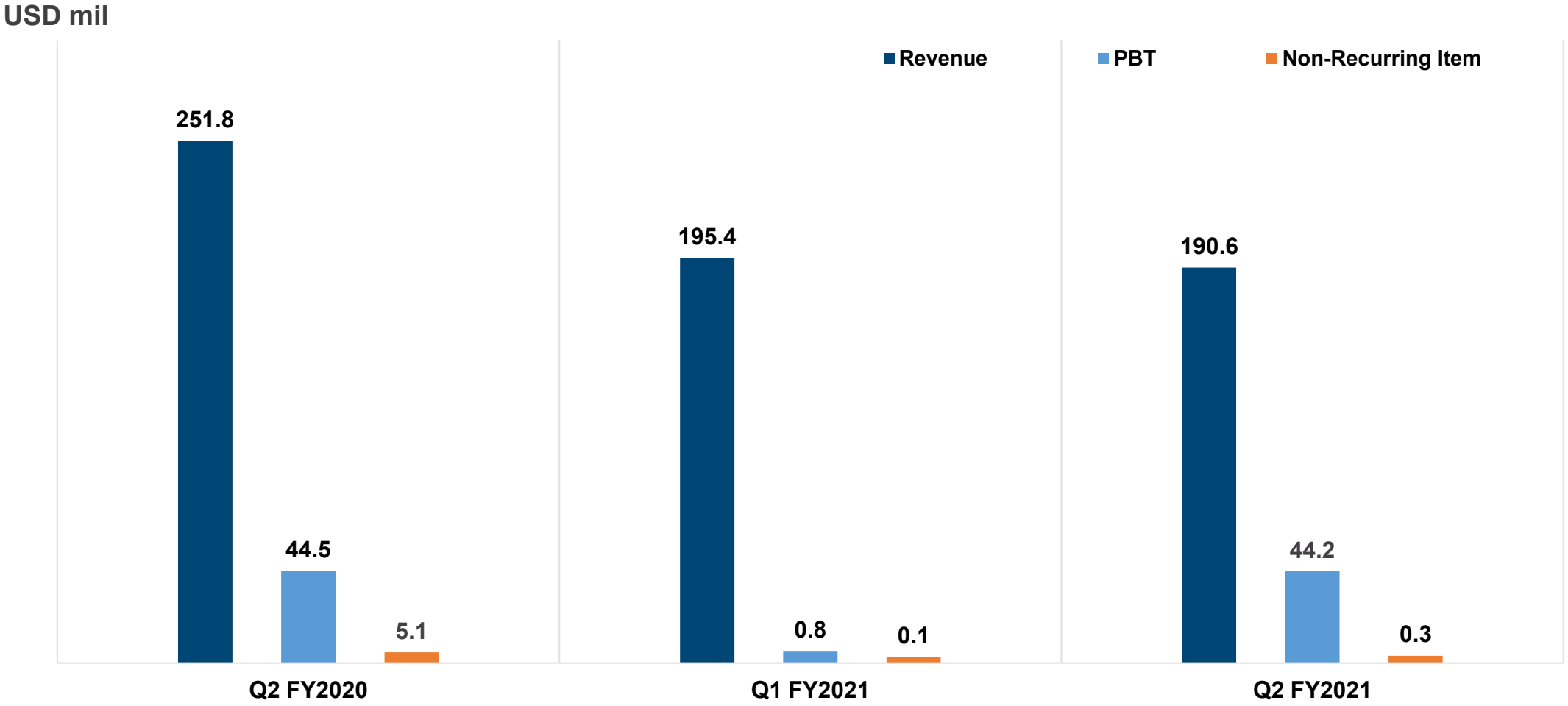
LNG Shipping

Growth in revenue from deliveries of VLECs offset by higher costs



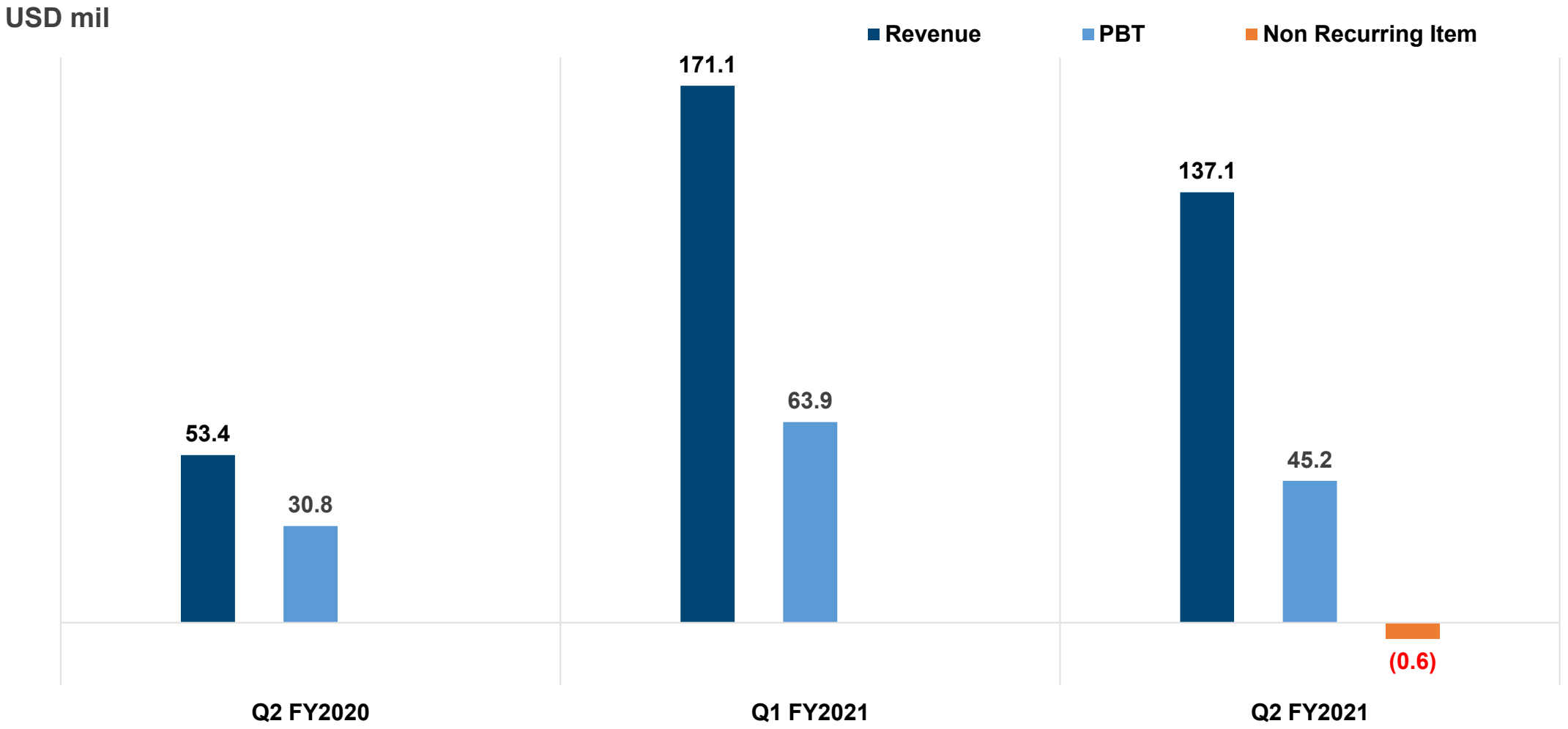
Petroleum & Product Shipping

Lower blended TCE and earning days



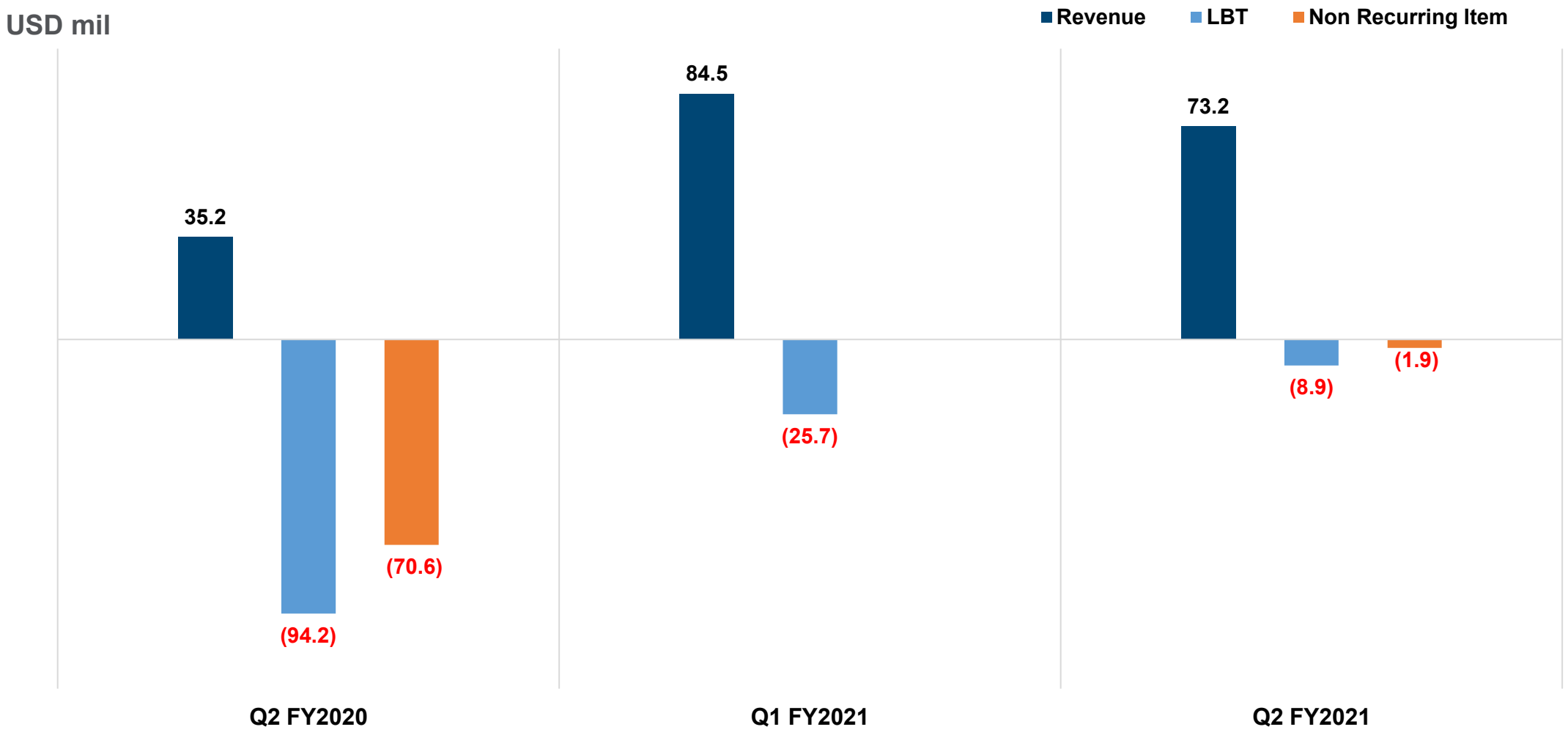
Offshore Business

Recognition of construction profit for a FPSO project coupled with repair & maintenance costs of an asset



Marine & Heavy Engineering

Prevailing border restrictions and "new normal" constraints continued to affect performance





MARKET ENVIRONMENT

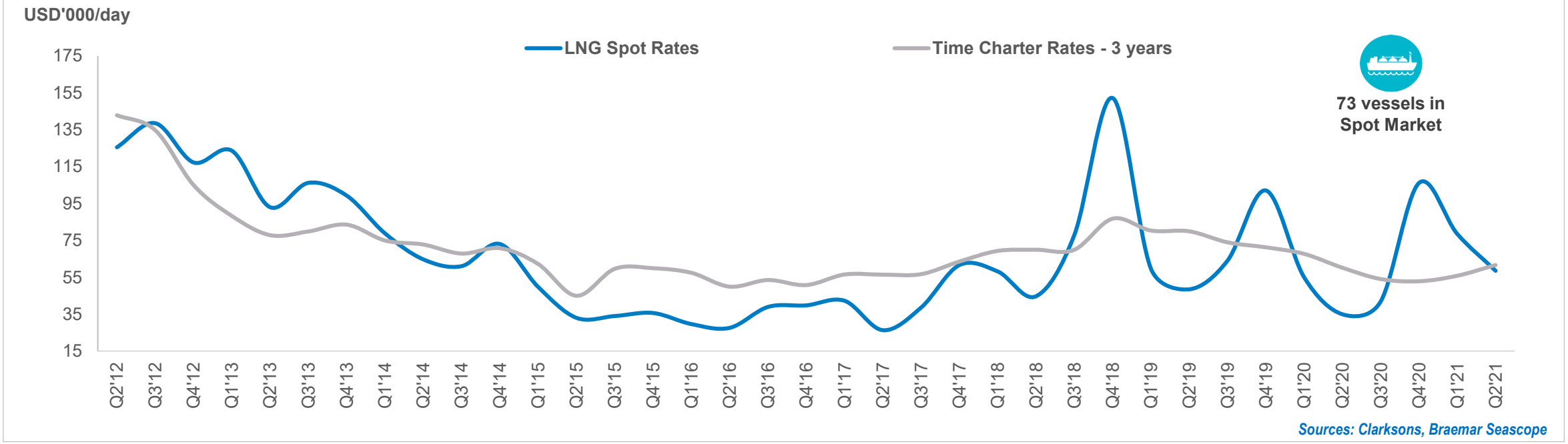
By: Vincent Ng | General Manager, CPD

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LNG Shipping

Seasonal decline in spot rates limited by weather outliers and increased Chinese demand

LNG charter rates



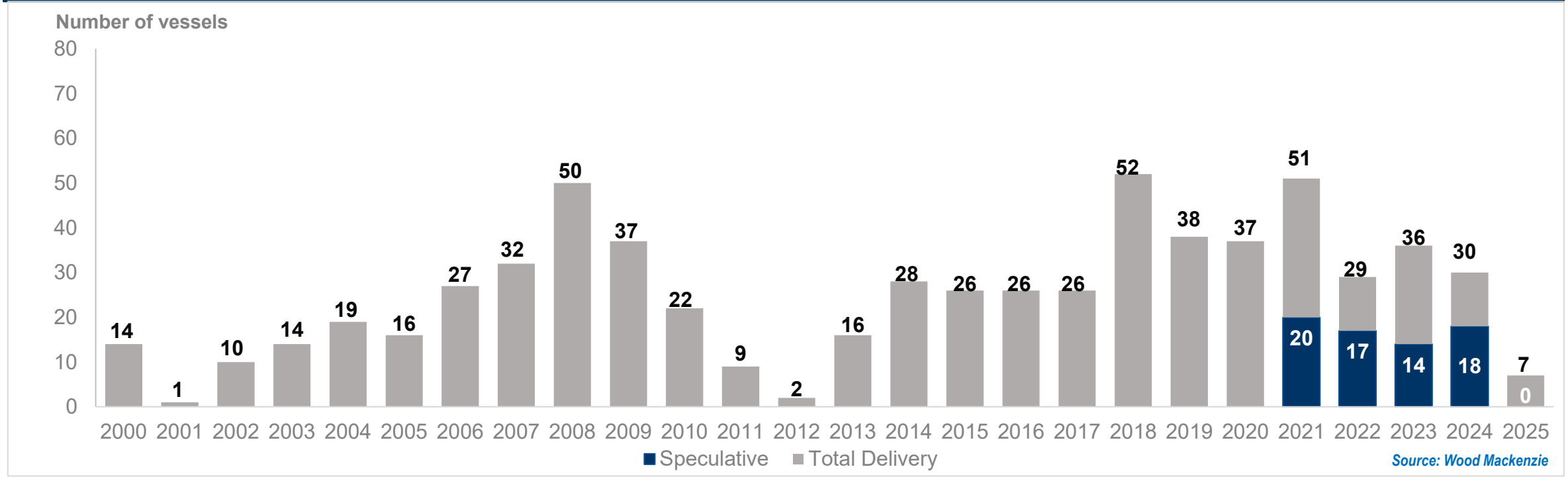
Sources: Clarksons, Braemar Seascope

- Notwithstanding the normal low season and COVID-19 resurgence in India, the Q2'21 spot rate was at its highest level relative to other Q2 rates since 2014, supported by factors such as the continuous growth in China's LNG demand, Brazil turning to LNG imports due to a severe drought affecting its hydro dams and global recovery of liquefaction utilization rates
- Time charter rates are picking up slowly as a result of charterers booking vessels at a perceived low point in the market for the coming winter period, whilst shipping rates are expected to remain supported in Q3'21 as more trades are expected on the US-Asia route

LNG Shipping

New orders expected to remain high

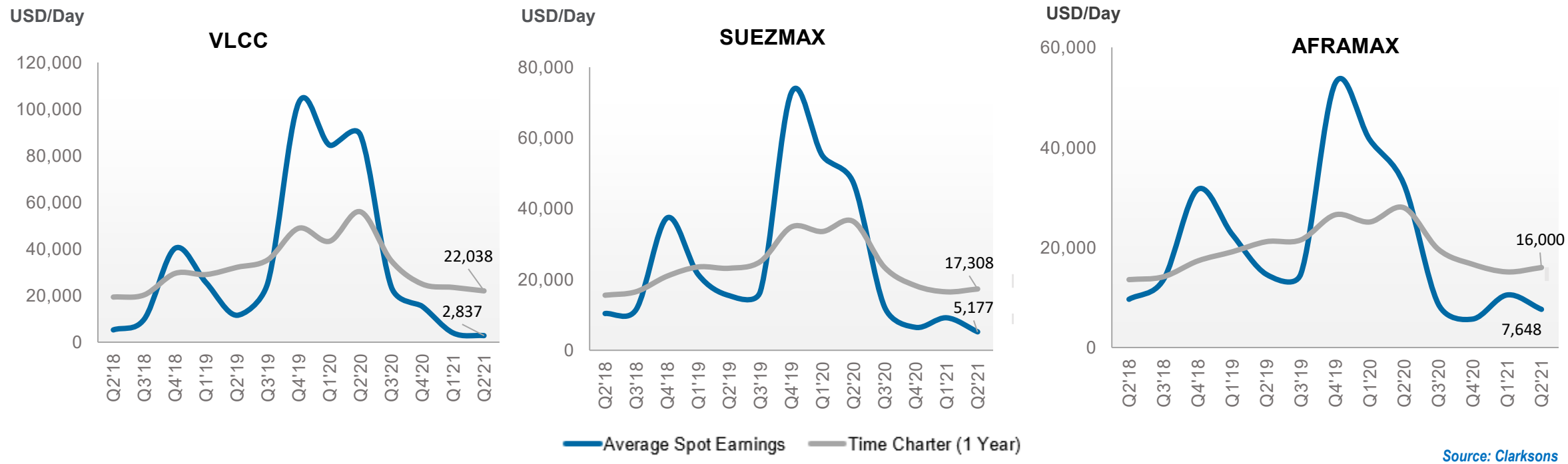
Total deliveries of LNG carriers



- Newbuilding orders for LNG carriers in 2021 are expected to be comparable to the 55 orders in 2020, to meet new tonnage requirements of upcoming LNG projects
- Tightness in shipbuilding berths due to Qatar's reservation and rising steel prices are leading to an increase in the newbuilding cost. Hence, some shipowners may be looking to lock in vessel orders before prices escalate further

Petroleum Shipping

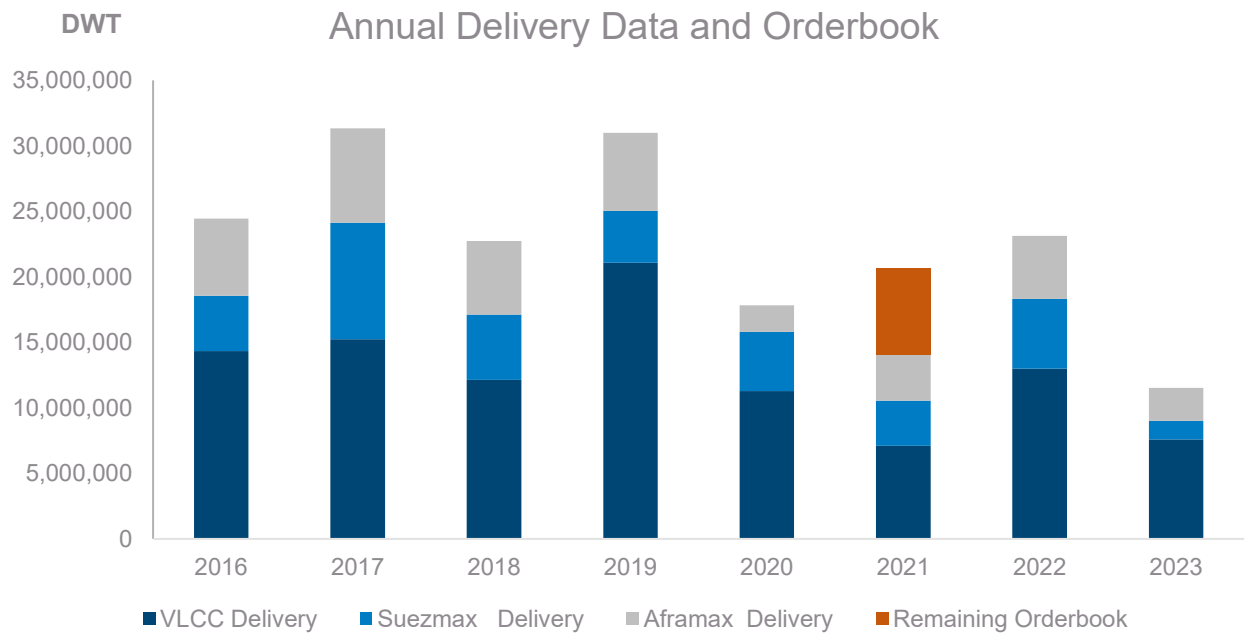
Tanker market doldrums to continue in the near term

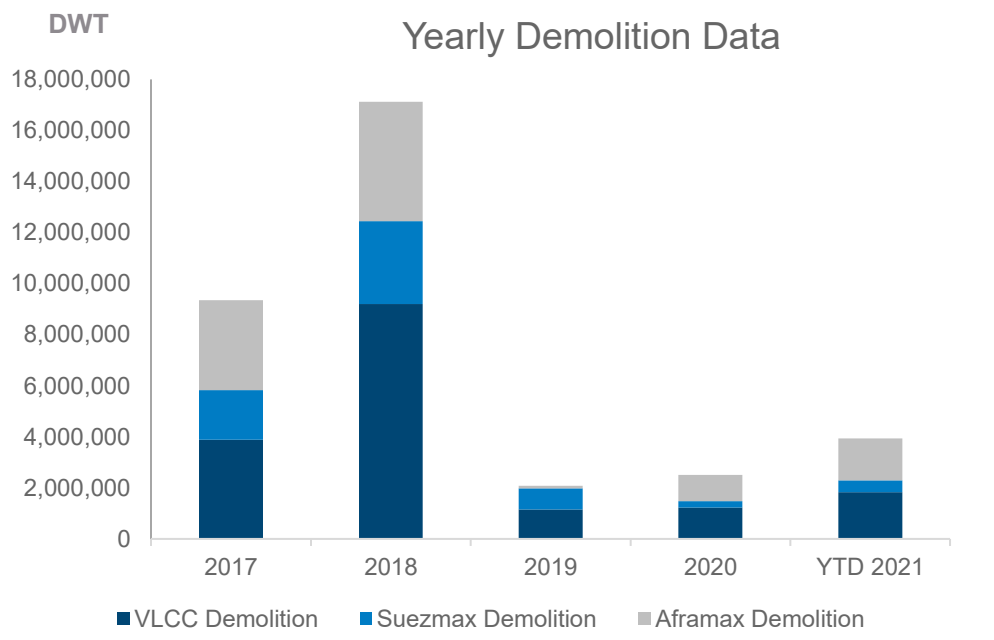


- Tanker rates remain depressed in Q2'21 due to vessel oversupply amid the continuing COVID-19 impact on global oil demand and the prolonged production cuts by OPEC+
- The tanker market is expected to remain difficult in the short term mainly due to new outbreaks of COVID-19 variants although there is expectation of recovery in the medium term with the OPEC+ alliance recently agreeing to increase oil production as worldwide vaccination programs continue apace

Petroleum Shipping

Minimal fleet growth despite demolition activities remaining low





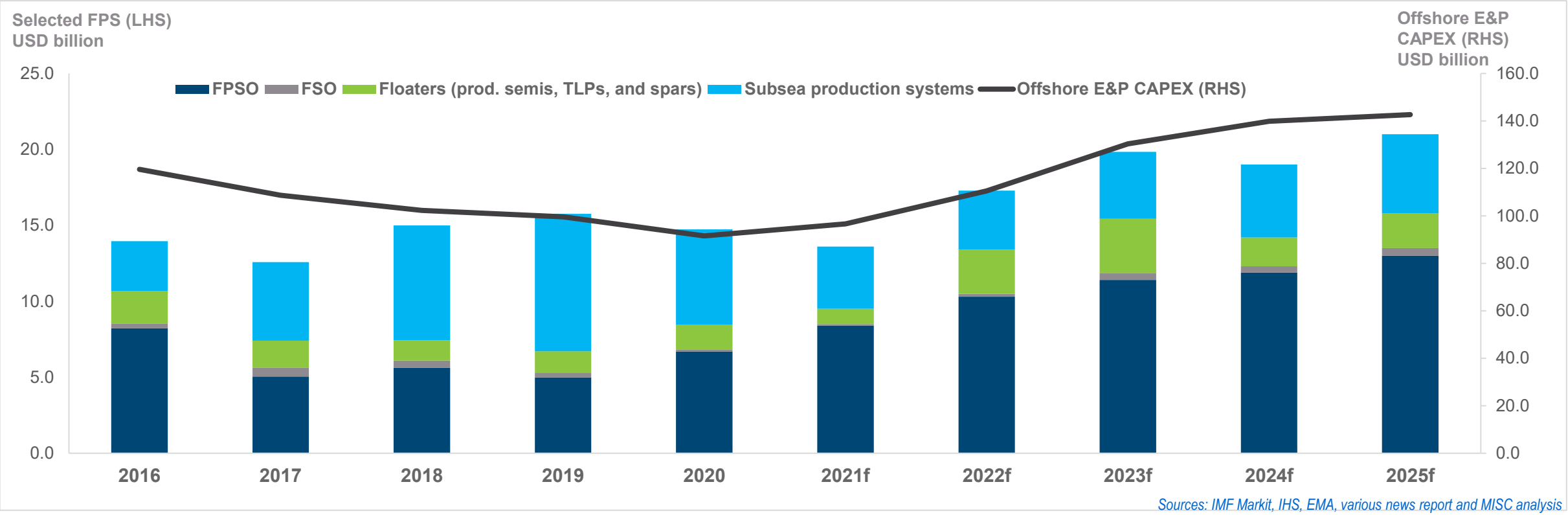
Note: Delivery and Scrapping data as at 30 June 2021

Source: Clarksons

- The overall orderbook trend continues to remain low largely attributable to limited shipyard slots and higher newbuilding prices as well as the prevailing tonnage oversupply
- Demolition activity in Q2'21 appears to be picking up slightly in the midsize tanker segment but overall scrapping remains low so far

Offshore

Gradual increase in CAPEX spending as economy recovers from COVID-19 pandemic



Sources: IMF Markit, IHS, EMA, various news report and MISC analysis

- IHS Markit is forecasting a rebound in offshore spending for 2021 with a stronger pickup in 2022 and 2023
- FPSO awards are expected to increase in 2021 although uneven global vaccine rollout and impact of COVID-19 variant could hamper the recovery. The increase will mainly come from Brazil and Africa



BUSINESS UPDATES

By: Vincent Ng | General Manager, CPD

LNG Business

- With the delivery of *Seri Elbert* in April 2021, all six Very Large Ethane Carriers (“VLECs”) have been safely delivered. The six VLECs are chartered to Zhejiang Satellite Petrochemical Co. Ltd. for a firm period of 15 years
- Took delivery of LNG carrier *Diamond Gas Crystal* in May 2021, under an 18-year time charter contract with Diamond Gas International Pte. Ltd. (DGIPL). *Diamond Gas Crystal* is the first of the two newbuild LNG vessels co-owned by Asia LNG Transport Dua Sdn Bhd (ALT Dua) (a 51%-owned MISC Berhad subsidiary), Nippon Yusen Kabushiki Yusen (NYK) and Mitsubishi Corporation (MC)
- Took delivery of *Diamond Gas Victoria,* the second of the two newbuild vessels co-owned by ALT Dua, NYK and MC in July 2021. The vessel has commenced an 18-year time-charter contract with DGIPL
- Concluded sale and successful delivery of *Puteri Firus*
- 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 72:28 term to spot
- AET sold two Aframaxes (*Eagle Tucson* and *Eagle Toledo*) and one VLCC (*Bunga Kasturi Empat*), and redelivered two Aframaxes (*Yasa Golden Marmara* and *Yasa Golden Dardanelles*) during the quarter

Offshore Business

- Will concentrate on the execution of the new FPSO project in hand while selectively sourcing for attractive opportunities in targeted markets
- **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 9 October 2020, the Court gave further directions for Parties to exchange affidavits which have been duly exhausted
  - Additionally, GKL had filed an interim application preventing SSPC from enforcing the Award prior to the determination of the Setting Aside OS. This application is now fixed for hearing on 16 August 2021, although attempts are being made to try and secure an earlier hearing date
  - GKL's substantive Setting Aside OS is fixed for hearing thereafter on 20 and/ or 25 October 2021

Offshore Business

- **Gumusut Kakap (GKL) (cont'd)**

  SSPC's *ex-parte* application for enforcement of the Award

  There is an interim expungement application filed by SSPC which would have to be heard first before SSPC's application for enforcement of the Award can be heard. This interim expungement application was partially heard on 9 August 2021. This application is fixed for continued hearing on 9 September 2021

- **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 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

Offshore Business

- **PCPP – MOMPL (cont'd)**

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
- 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

Offshore Business

- **PCPP – MOMPL (cont'd)**

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. Once the exchange of affidavits has been exhausted by both parties, the High Court is likely to fix a hearing date

- A writ action in the High Court was also filed on 13 August 2018 against PCSB, PERTAMINA and PETROVIETNAM (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

Offshore Business

- **PCPP – MOMPL (cont'd)**

Proceedings in Court

- 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 PERTAMINA and PETROVIETNAM. PETROVIETNAM has failed to respond to MOMPL's claim and therefore MOMPL has applied for a summary judgement to be made against PETROVIETNAM. PERTAMINA has filed an application to challenge the service of the cause papers in Indonesia which was partially heard on 11 August 2021. The Judge has directed for both parties to submit further written submissions on some key issues and has fixed a further hearing date on 24 September 2021

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

- Marine Repair milestones:
  - Completed repair and maintenance of 50 vessels as of H1’21

- Orderbook backlog as of June 2021 is RM2.7 billion
- Approximately RM8 – RM9 billion worth of heavy engineering tenders submitted as of June 2021
- Expand market for existing business of Marine & Heavy Engineering
- Realise opportunities to secure modular structure and renewable energy projects

APPENDIX

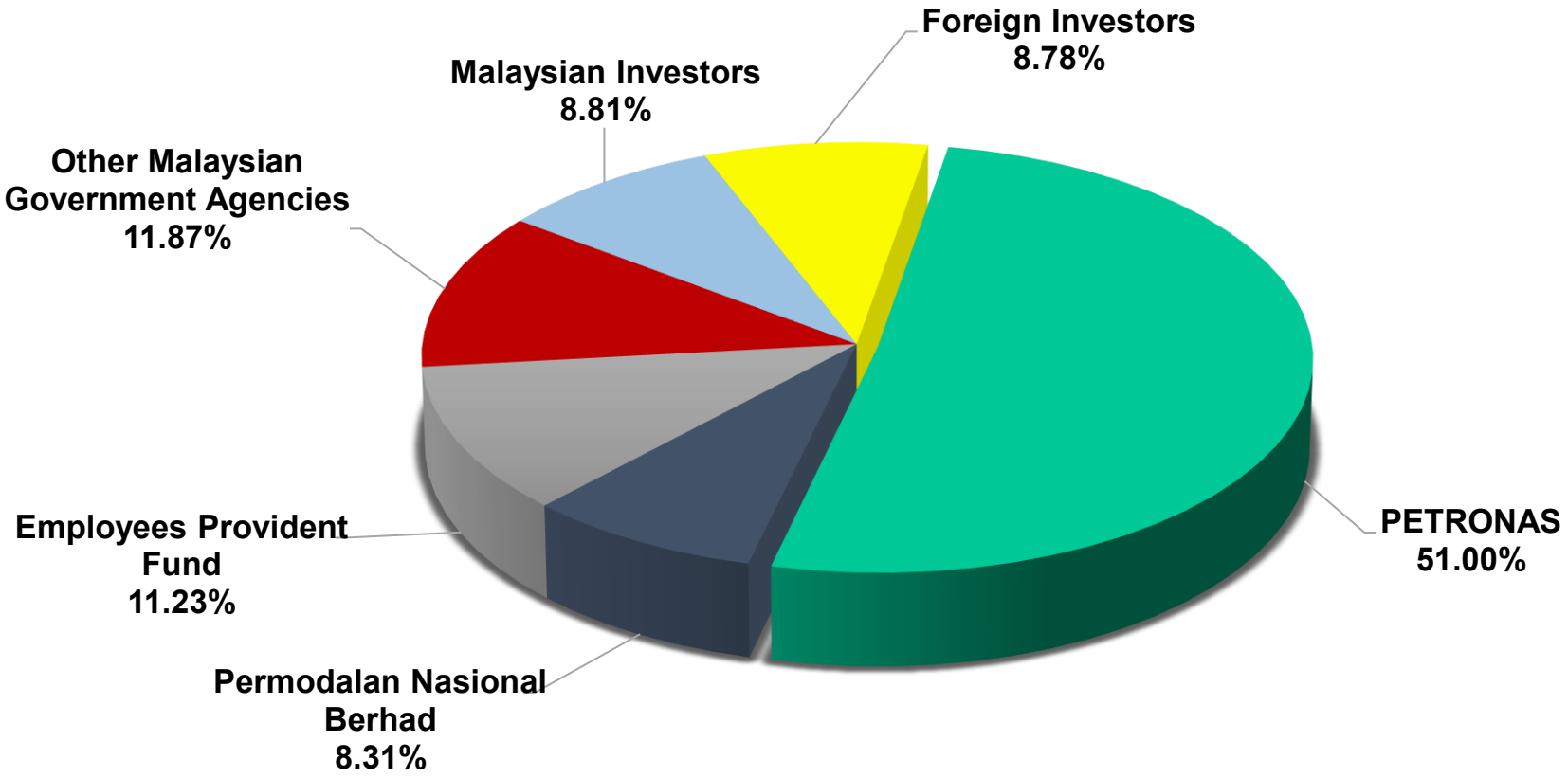
Appendix 1 : Fleet Information as at 30 June 2021

	Vessel Type	Total Vessel Operated	Owned	Chartered-In	Average Age (yrs)		Contracted Newbuilds/ Conversions
					MISC	Industry	
LNG	LNG	29	29	--	15.6	11.1	3
	FSU	2	2	--	9.5	--	--
	VLEC	6	6	--	0.4	--	--
	LBV	1	--	1	--	--	--
Subtotal		38	37	1	--	--	3
Petroleum	VLCC	8	8	--	8.6	10.1	5
	Suezmax	6	6	--	7.1	10.5	--
	Aframax	28	25	3	11.2	12.4	--
	LR2	2	2	--	11.1	9.5	--
	DPST	11	11	--	3.4	9.5	6
Chemical	Chemical	4	--	4	10.5	12.0	--
Subtotal		59	52	7	--	--	11
GRAND TOTAL		97	89	8	--	--	14
Offshore	FPSO/FSO/SS	12	12	--	8.7	--	1
	MOPU	--	--	--	--	--	--

Appendix 2 : Schedule of Future Deliveries as at 30 June 2021

	LNG	Petroleum	
	LNG Carriers	DPST	VLCC
2H 2021	1	1	-
1H 2022	-	4	2
2H 2022	-	1	-
1H 2023	2	-	1
2H 2023	-	-	2

Appendix 3 : Shareholders' Profile as at 30 June 2021



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