



ANALYST BRIEFING

Q3 FY2021 Financial Results

18 November 2021



FINANCIAL OVERVIEW

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Governance & Budget, Finance



Financial Performance: Q3 FY2021 vs Q2 FY2021

<i>In USD Mil</i>	Q3 FY2021	Q2 FY2021	QoQ %
Revenue	641.8	569.7	12.7
PBT from Operations	97.7	139.6	(30.0)
Non-recurring Items	(2.2)	(9.9)	77.8
PBT	95.5	129.7	(26.4)
PAT	92.9	127.1	(26.9)
EPS (cent)	2.1	2.9	(27.6)

Higher revenue:

- Offshore – higher recognition of construction revenue for an FPSO
- Heavy Engineering – higher revenue from ongoing projects
- LNG – higher earning days

Offset by

- Petroleum – Lower blended time charter equivalent (“TCE”) and lower earning days.

Lower PBT from operations:

- Petroleum – one-off compensation for a contract renegotiation in Q2 FY2021.

Non-recurring items:

- Impairment of non-current assets (Q3 & Q2 FY2021)
- Loss on deconsolidation of a subsidiary (Q2 FY2021)
- Disposal of non-current assets (Q2 FY2021)



Financial Performance: Q3 FY2021 vs Q3 FY2020

<i>In USD Mil</i>	Q3 FY2021	Q3 FY2020	QoQ %
Revenue	641.8	490.3	30.9
PBT from Operations	97.7	69.6	40.4
Non-recurring Items	(2.2)	(2.3)	4.3
PBT	95.5	67.3	41.9
PAT	92.9	62.4	48.9
EPS (cent)	2.1	1.4	50.0

Higher revenue:

- Offshore – recognition of construction revenue for an FPSO
- LNG – higher earning days from deliveries and lease commencement of six (6) VLECs

Partially offset by:

- Petroleum – lower blended TCE and earning days

Higher PBT from operations:

- Offshore – construction gain for an FPSO
- LNG – lease commencement for six (6) VLECs

Partially offset by:

- Petroleum – lower blended TCE and lower earning days

Non-recurring items:

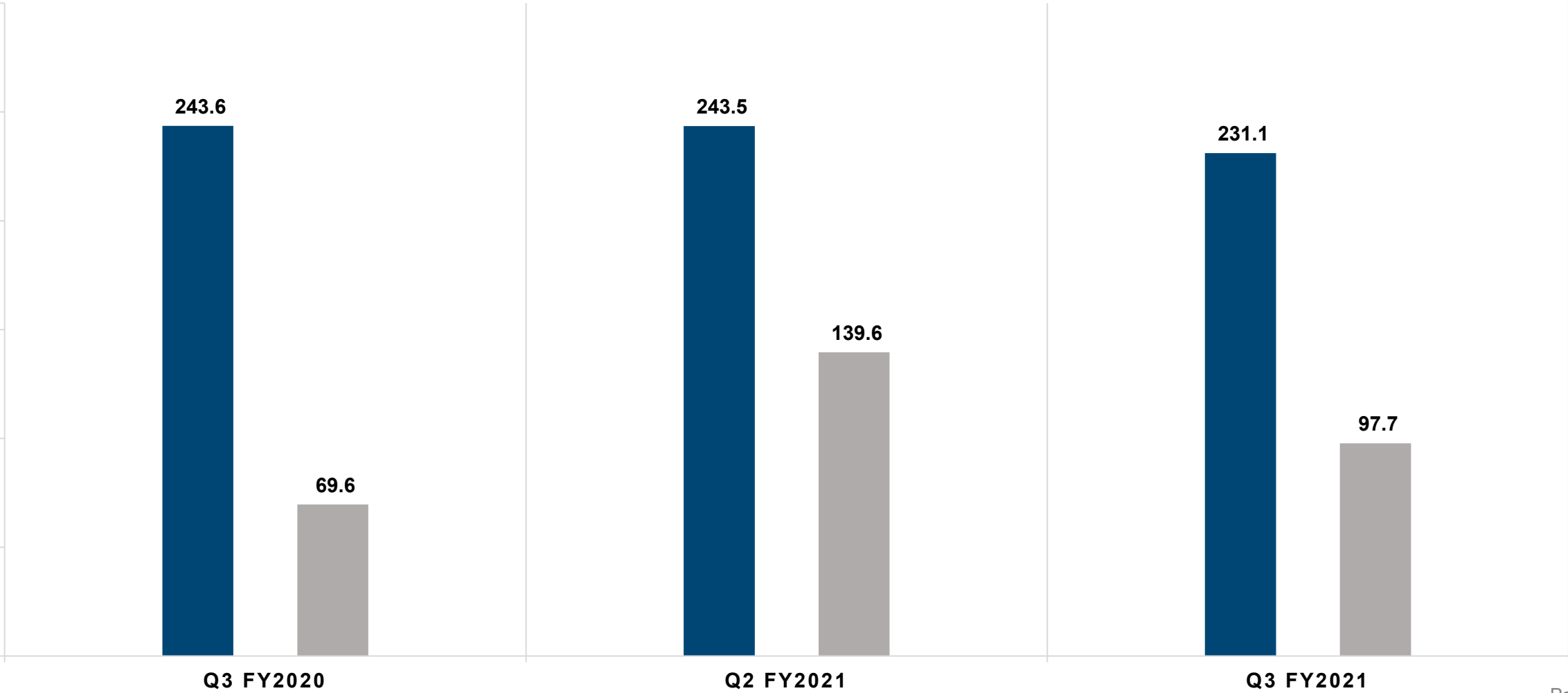
- Q3 FY2021 & Q3 FY2020:
 - Impairment of non-current assets



Cash Flow & PBT from Operations

USD mil

■ Adjusted Cash flow from operations ■ PBT from operations





Adjusted Cash Flow from Operations (“CFO”)

	Q3 FY2020	Q2 FY2021	Q3 FY2021
	USD Mil	USD Mil	USD Mil
CFO per Statutory Financial Reporting	258.3	131.3	169.5
<u>Add/(Less):</u>			
MFRS 16 lease payments*	(20.5)	(9.9)	(10.2)
Offshore construction work-in-progress**	-	131.9	69.3
Forex	5.8	(9.8)	2.5
Adjusted CFO	243.6	243.5	231.1

* 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 September 2021, the YTD payment was USD201.2 million.

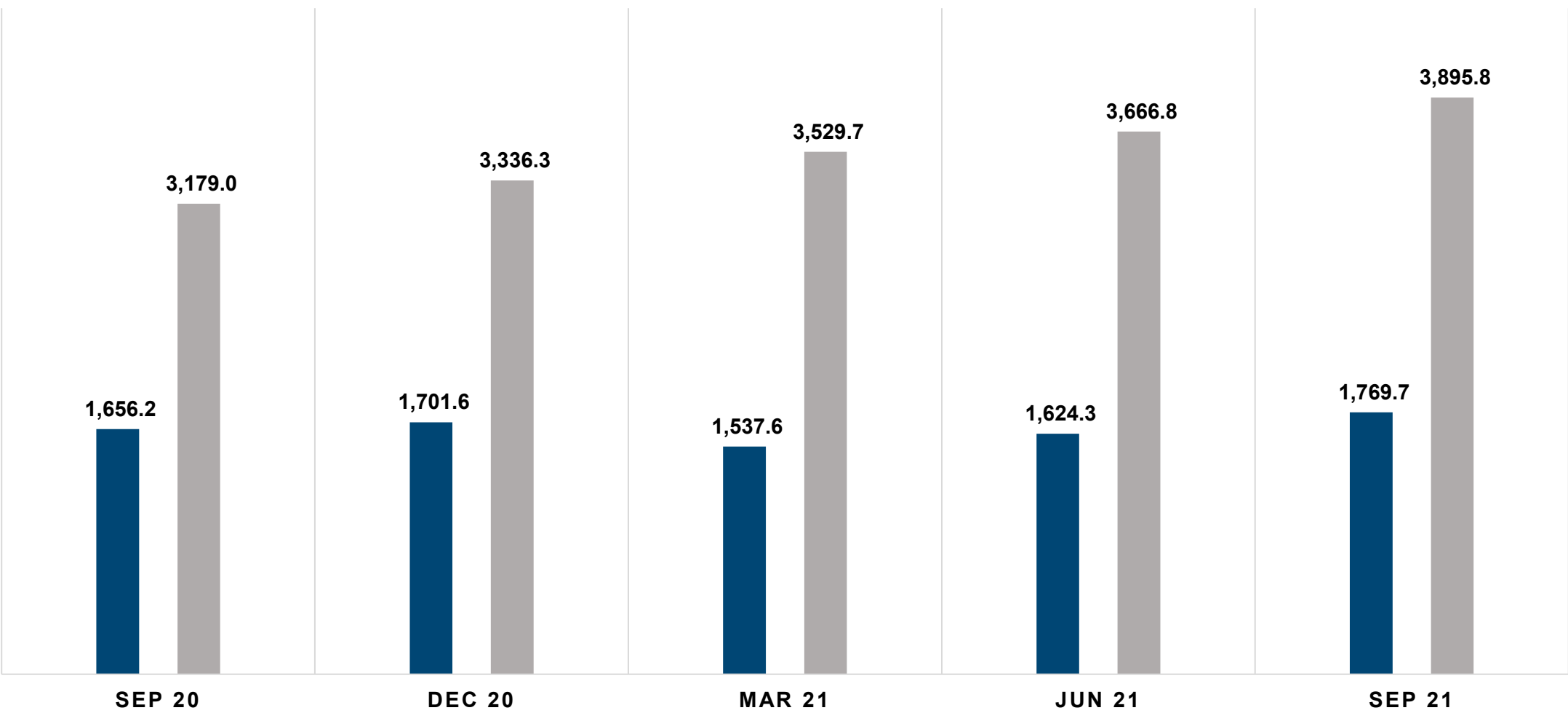
However, **MISC considers the payments as Capital Expenditure (“CAPEX”) payments**, and **internally classifies them as an outflow from investing activities** in measuring its performance and allocation of resources.



Cash & Debt Balances

USD mil

■ Cash ■ Debt





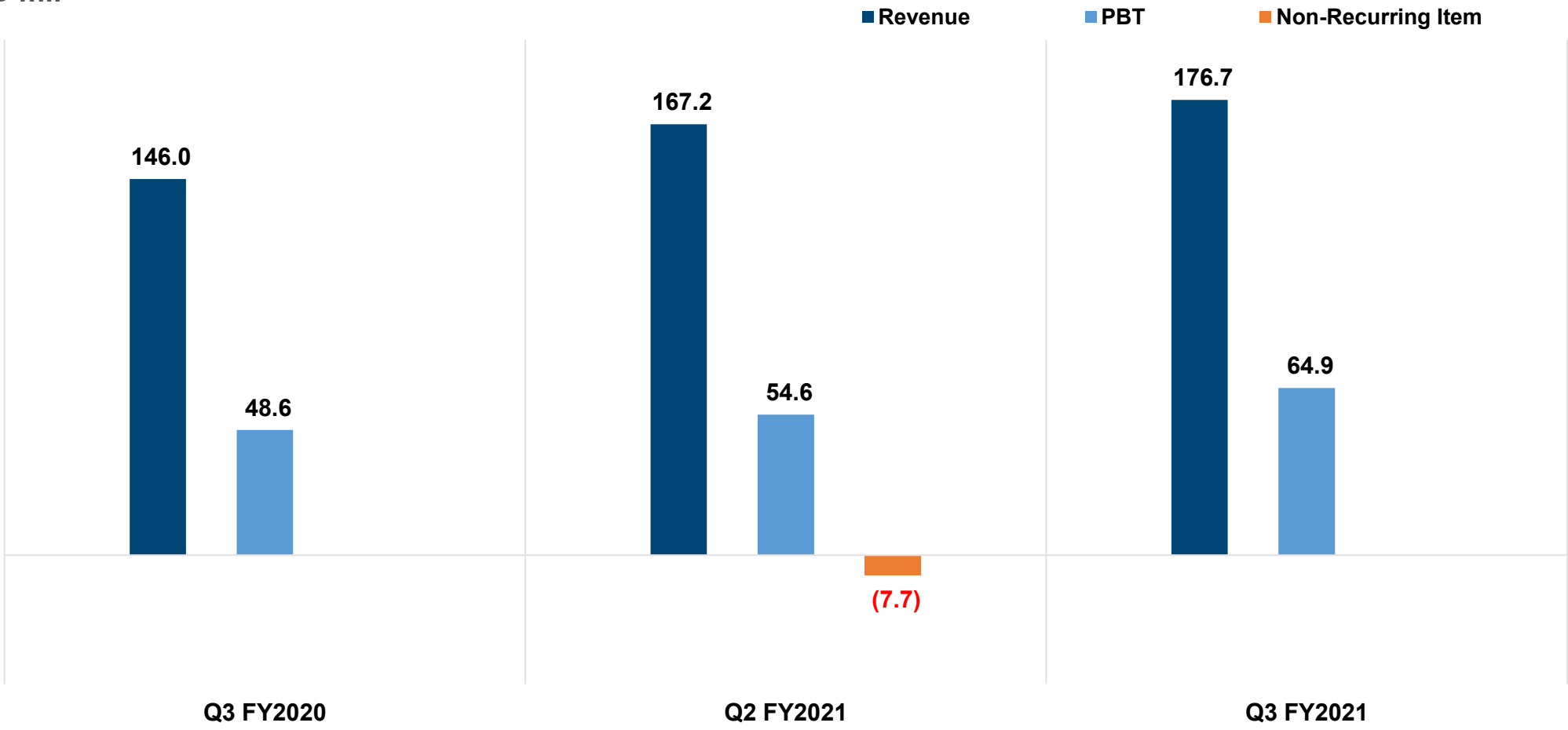
FINANCIAL PERFORMANCE BY BUSINESS SEGMENT



LNG Shipping

Higher earning days

USD mil

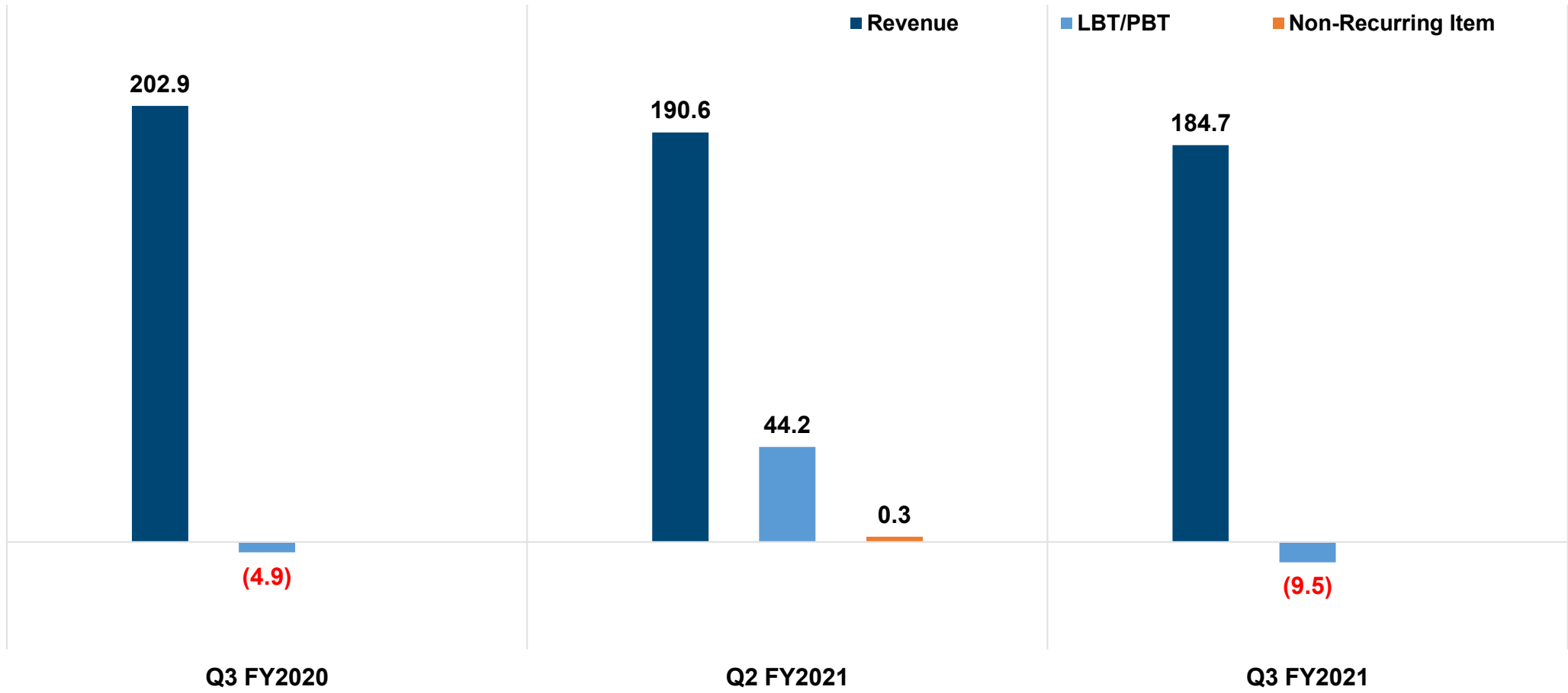




Petroleum & Product Shipping

Lower blended TCE and earning days

USD mil

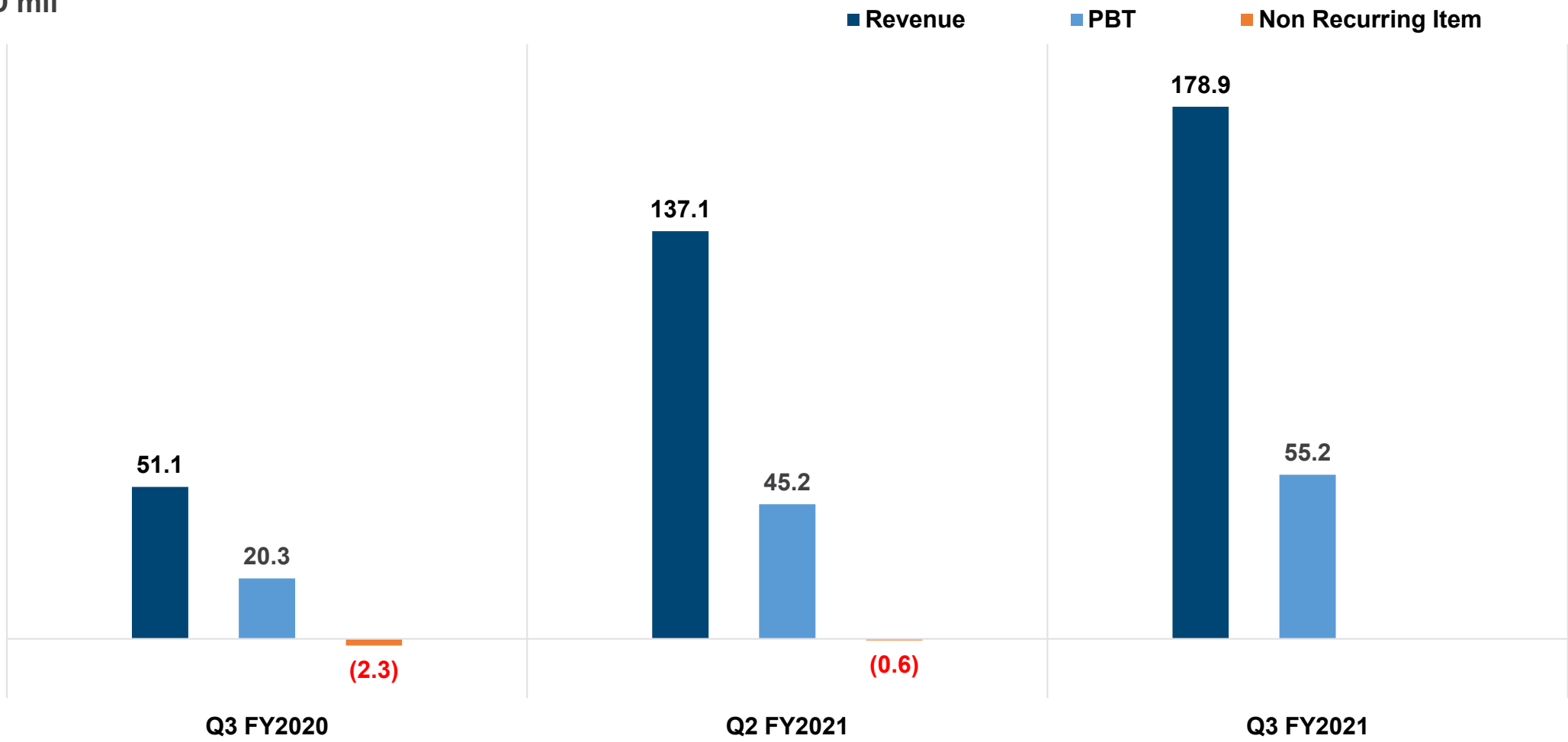




Offshore Business

Recognition of construction profit for a FPSO project

USD mil



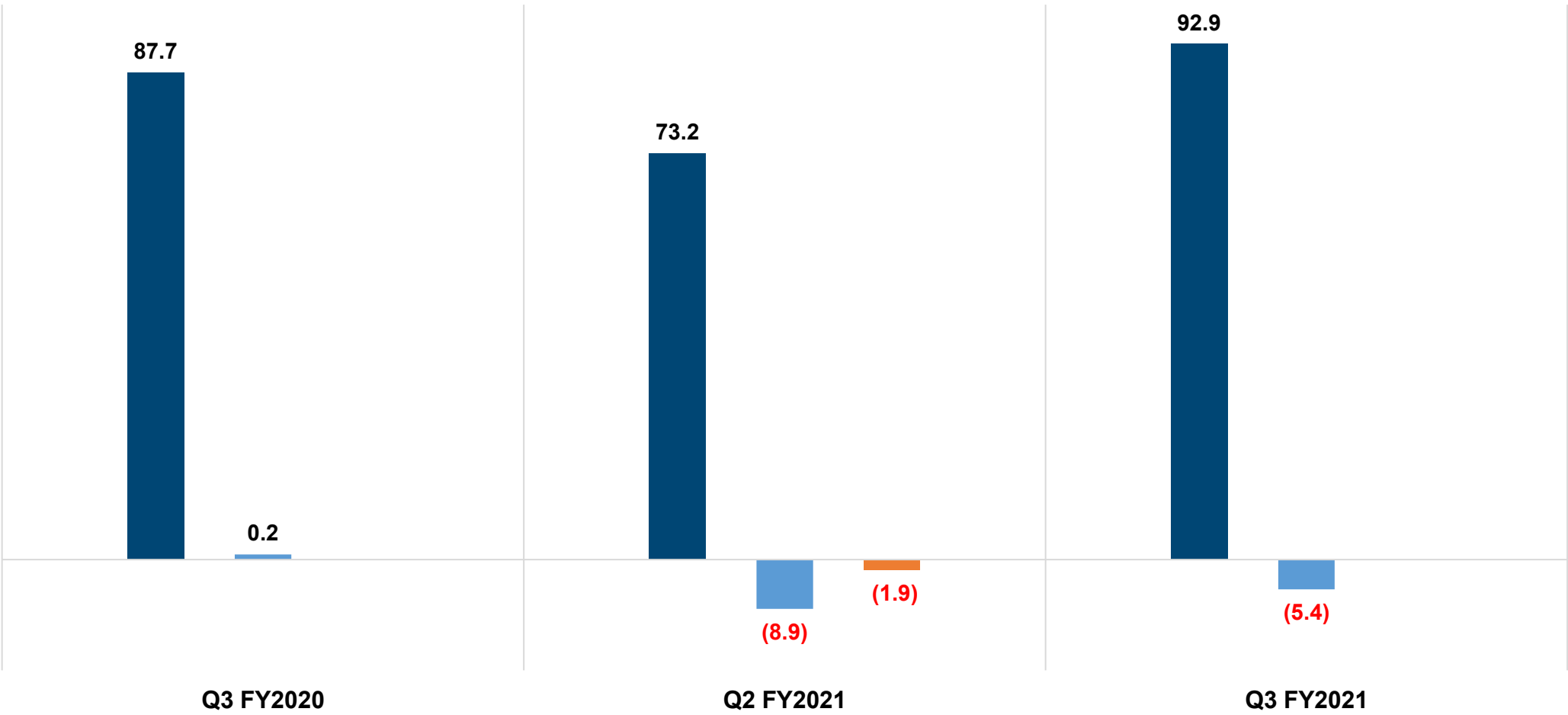


Marine & Heavy Engineering

Higher revenue from on-going Heavy Engineering projects

USD mil

■ Revenue ■ PBT/LBT ■ Non Recurring Item





MARKET ENVIRONMENT

By: Vincent Ng | General Manager, CPD

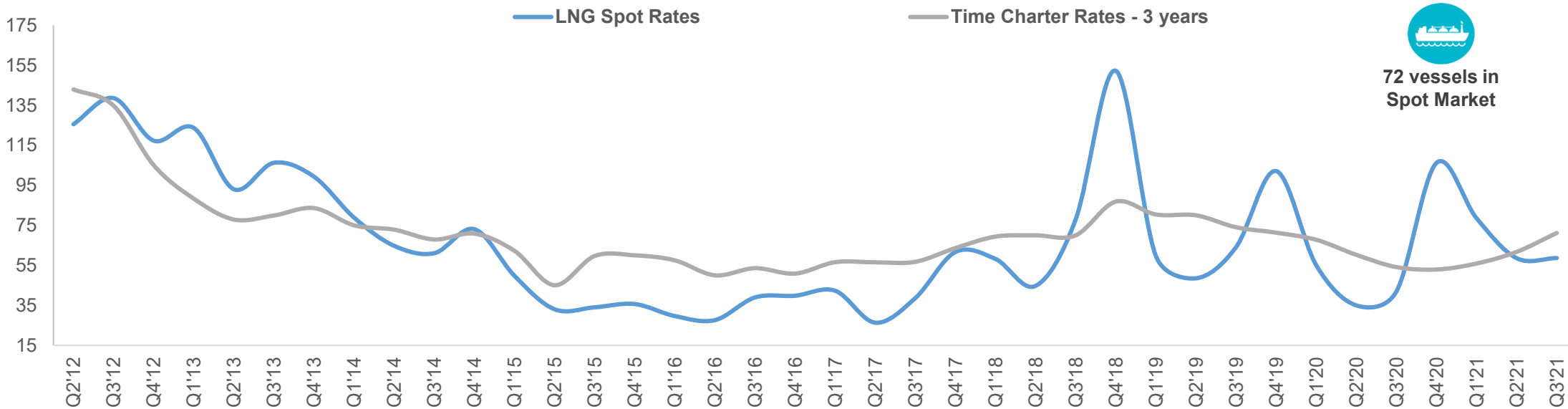


LNG Shipping

LNG short-term charter rates strengthening over bullish winter demand

LNG charter rates

USD'000/day



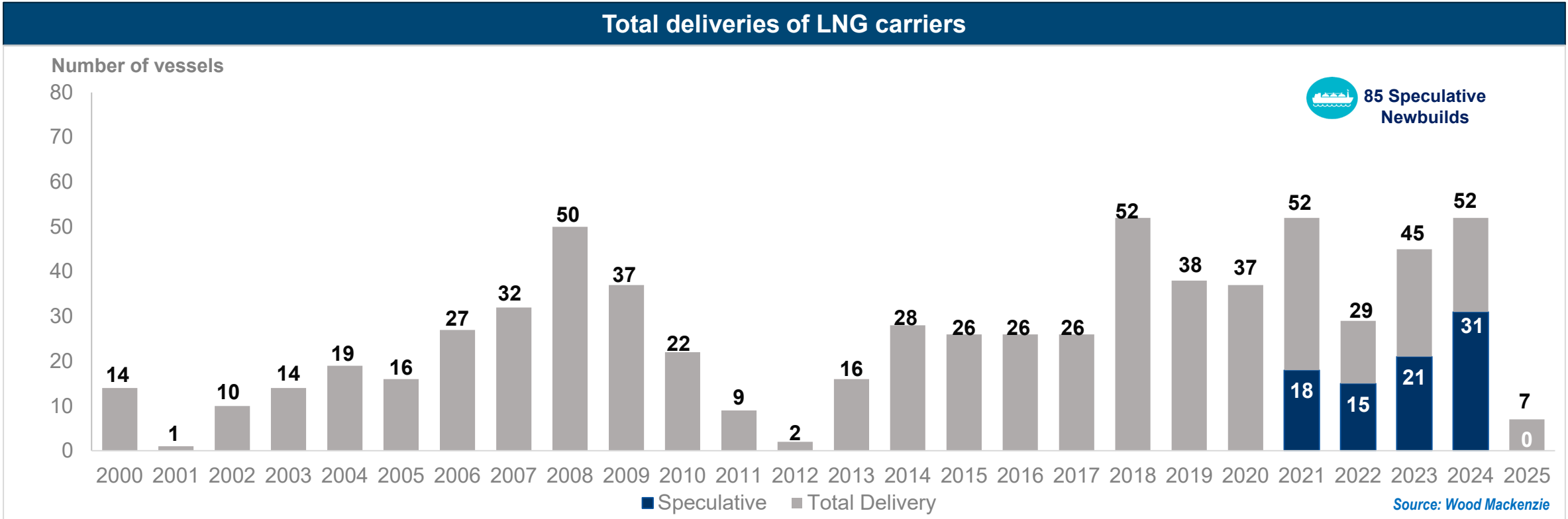
Sources: Clarksons, Braemar Seascope

- LNG vessel spot rates were subdued in Q3'21 due to the emergence of several relets (sub-chartering) as some vessels originally held for winter trading were released for spot trading resulting in increase of vessel availability. In addition, it is also attributable to supply disruptions as several LNG plants in US and Far East were closed due to maintenance and unplanned outages
- Nonetheless, demand for short-term vessel charter surged as charterers jumped to secure tonnage in anticipation of a pick-up in spot rates during the winter



LNG Shipping

Rising supply of new tonnage to meet upcoming demand

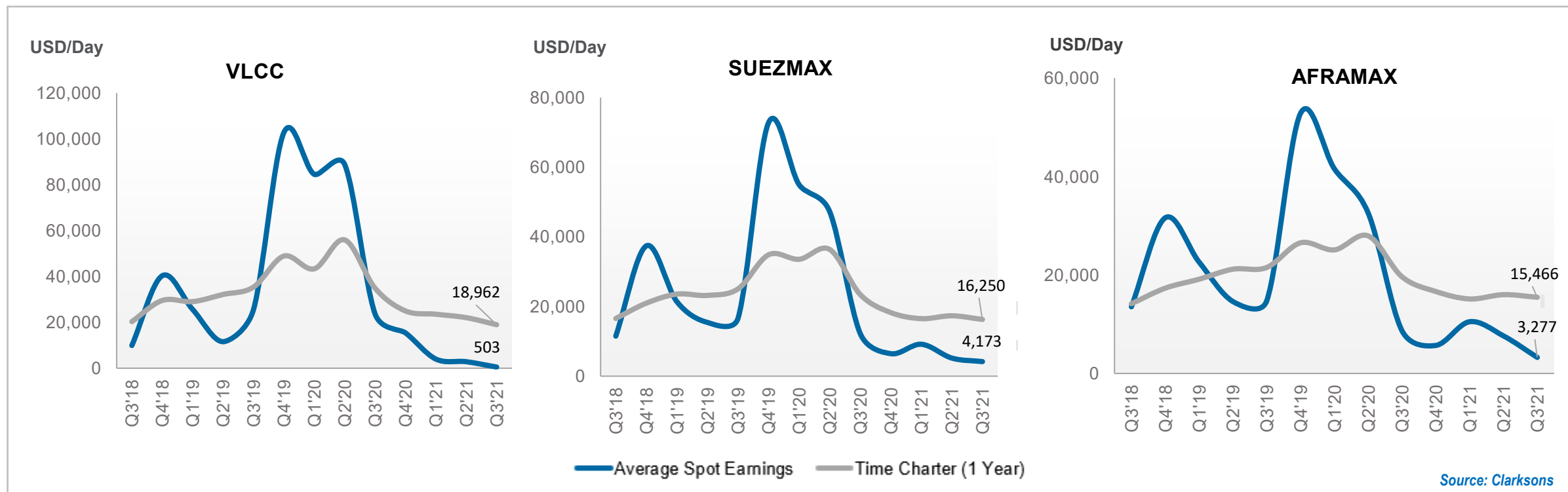


- About 69 LNG vessels are expected to be ordered in 2021 (compared to 55 in 2020) to meet new tonnage requirements for upcoming LNG projects
- In Q3, 26 carriers were ordered as shipowners rushed to exercise their options and secure shipbuilding berths in the light of limited space for 2023-25 delivery slots and surging newbuilding prices



Petroleum Shipping

Tanker market weakened further in Q3'21

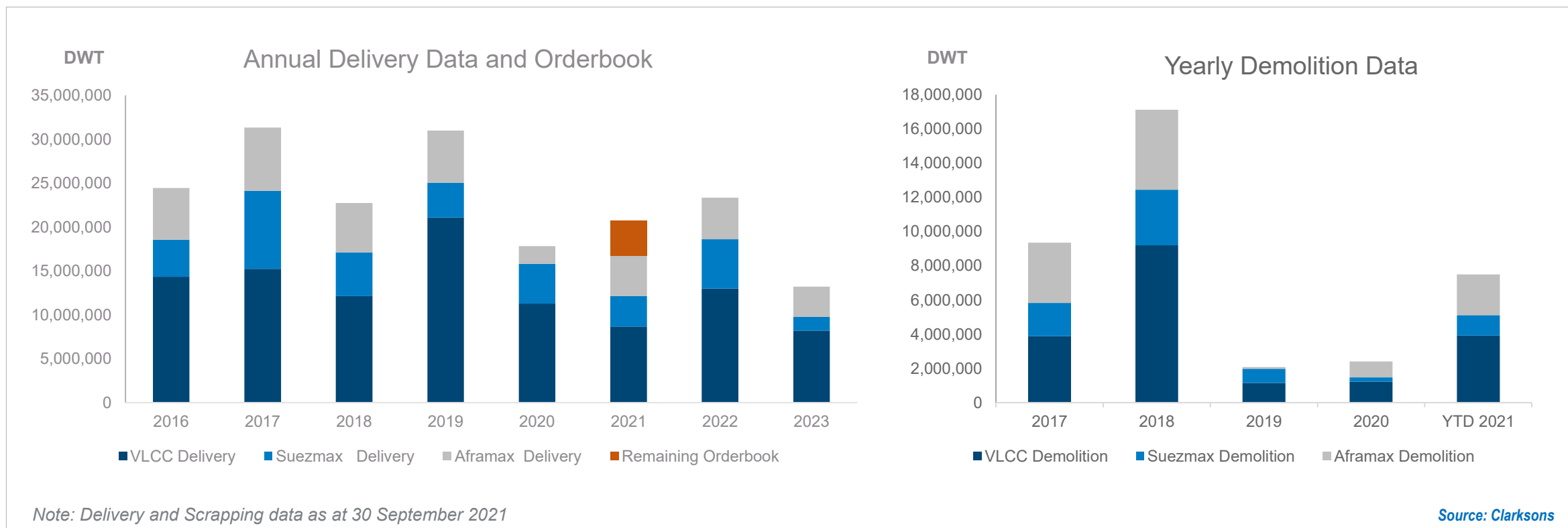


- Tanker rates continued to face challenges in Q3'21 with tonnage oversupply and depressed freight rates due to low seaborne oil trade activities globally amid the prolonged COVID-19 impact on global oil demand and oil production cuts by OPEC+
- In the short term, there could be moderate improvements over the coming winter albeit the COVID-19 risk factor remains. However, the medium-term outlook looks positive with slowly improving supply/demand fundamentals through 2022 as oil demand and trade recovers and OPEC+ phased supply increases



Petroleum Shipping

Newbuilding orders remain low while demolition picks up

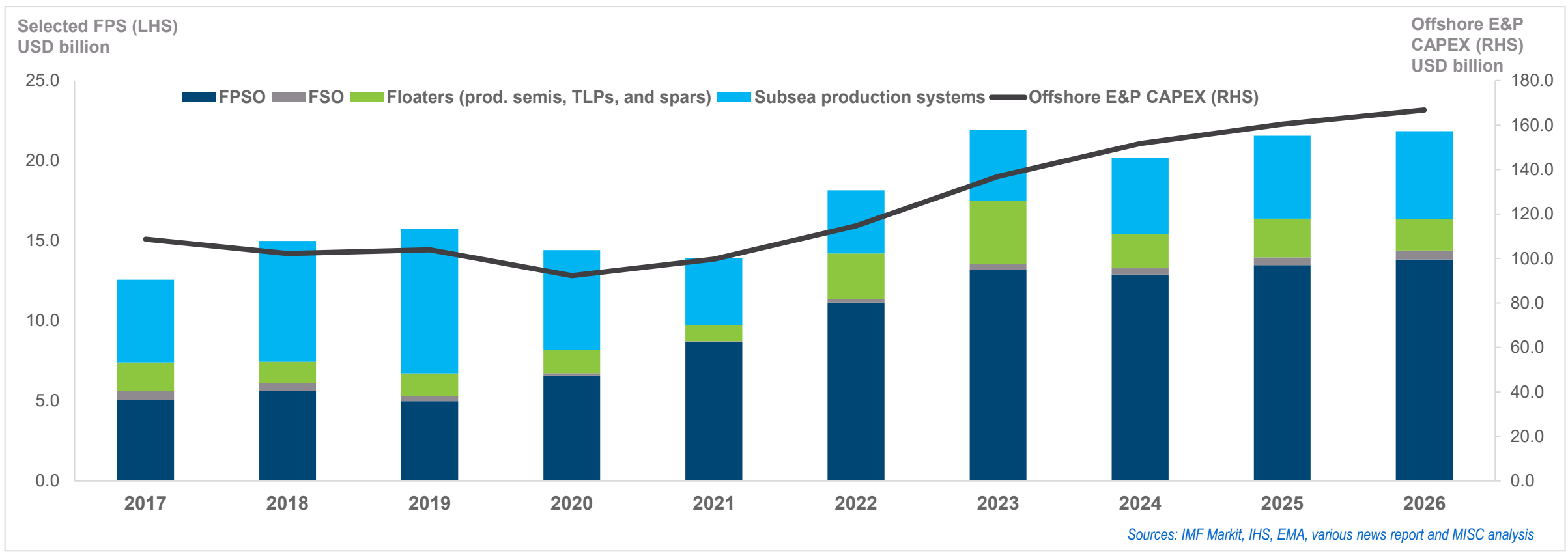


- The overall orderbook trend continues to remain low mainly due to increasing newbuilding prices, limited shipyard availability as well as the prevailing tonnage oversupply
- Demolition activity up to Q3'21 appears to be picking up pace, reaching the highest level since 2019 given the persistently uninspiring fundamentals in the tanker market and increase in the demand for steel in India and Bangladesh



Offshore

Increase in CAPEX spending as economy recovers from pandemic



- IHS Markit is forecasting a rebound in offshore spending in 2021 with capex expected to surpass pre-crisis levels by 2022
- 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



LNG Business

- Took delivery of LNG carrier *Diamond Gas Victoria* in July 2021, under an 18-year time charter contract with Diamond Gas International Pte. Ltd. (DGIPL). *Diamond Gas Victoria* is the second 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)
- 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 68:32 term to spot
- AET chartered-in *Pacific Ruby* and *Nave Atropos* (Aframaxes) 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 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
 - 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, GKL will be taking steps to file an appeal in the Court of Appeal against the said dismissal



Offshore Business

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

- 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 where GKL's counsel presented its case before the Judge at the High Court. The matter is fixed for continued hearing on 13 and 14 January 2022 and a further hearing date is to be agreed by the parties.



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

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 has thirty days from the date of judgement to file any appeal



Offshore Business

■ PCPP – MOMPL (cont'd)

Proceedings in 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 however no reasons were given in support of the decision. MOMPL will be taking steps to secure the High Court’s grounds of judgment to consider its options in the matter

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 73 vessels including 10 LNG carriers
- Sustainability:
 - Installation of 8.3 Megawatts-peak (MWp) solar panel
- Orderbook backlog as of September 2021 is RM2.5 billion
- Approximately RM9 – RM10 billion worth of heavy engineering tenders submitted as of September 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 September 2021

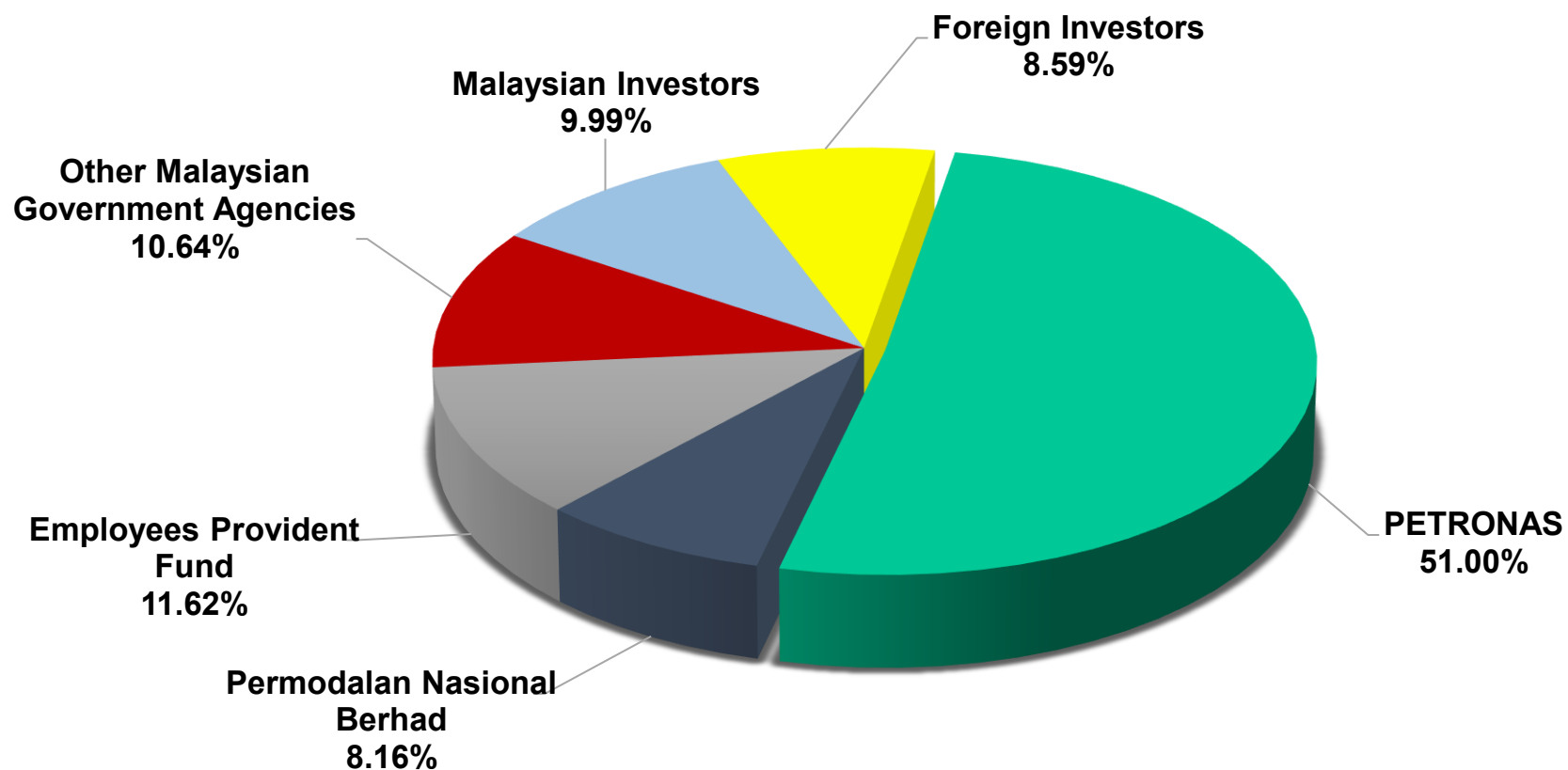
	Vessel Type	Total Vessel Operated	Owned	Chartered-In	Average Age (yrs)		Contracted Newbuilds/ Conversions
					MISC	Industry	
LNG	LNG	30	30	--	15.4	10.4	2
	FSU	2	2	--	9.8	--	--
	VLEC	6	6	--	0.6	--	--
	LBV	1	--	1	0.9	--	--
Subtotal		39	38	1	--	--	2
Petroleum	VLCC	8	8	--	8.8	10.2	5
	Suezmax	6	6	--	7.4	10.6	--
	Aframax	30	25	5	12.7	11.4	--
	LR2	2	2	--	11.4	9.5	--
	DPST	11	11	--	3.7	9.2	6
Chemical	Chemical	4	--	4	10.8	12.1	--
Subtotal		61	52	9	--	--	11
GRAND TOTAL		100	90	10	--	--	13
Offshore	FPSO/FSO/SS	12	12	--	9.0	--	1
	MOPU	--	--	--	--	--	--



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

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

Appendix 3 : Shareholders' Profile as at 30 September 2021



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