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INTEGRATED ANNUAL REPORT 2022

MISC BERHAD

54th Annual General Meeting

Tuesday, 18th April 2023

Questions & Answers

Note: Some questions and answers have been edited for brevity and clarity.

FINANCIALS

No.	Shareholder's Name	Question
1.	Koh Chooi Peng	<p><i>(Reference to the GAS Business project in Qatar)</i></p> <p>(a) What is MISC's equity share in the Joint Ventures (JVs) with Nippon Yusen Kabushiki Kaisha (NYK), Kawasaki Kisen Kaisha Ltd (K-Line) and China LNG Shipping (Holdings) Ltd (CLNG)?</p> <p>(b) The equity contribution is RM565.782 million. How much will the external borrowings budget for the construction of the twelve (12) LNG tankers under the JVs?</p>
Answer:		
<p>(a) MISC Berhad has a 25% stake in the associate.</p> <p>(b) 70% of the total Capital Expenditure (CAPEX) of USD2.4 billion for the twelve (12) vessels will be funded via borrowings.</p>		

No.	Shareholder's Name	Question
2.	Koh Chooi Peng	The trade receivables which were past due more than 90 days have increased to RM2.591 billion in FY2022. What was the reason for the huge increase?
Answer:		
This mostly relates to charter payments due to us but was unilaterally offset by the client (SSPC) against the amount awarded to them by the arbitration tribunal in 2020. Since April 2022, the asset already received its revenue through the ongoing charterparty.		

No.	Shareholder's Name	Question
3.	Koh Chooi Peng	<p>There is an impairment loss for "Other non-current assets" amounted to RM45.063 million in FY2022 (Note 5 under page 57 of the Integrated Annual Report):</p> <p>(a) What is the composition of "Other non-current assets" impaired?</p> <p>(b) What are the reason(s) for the substantial increase in impairment as only RM4.369 million was impaired in FY2021?</p>
Answer:		
<p>(a) The other non-current assets impaired mainly relate to a shareholder's loan to a joint venture and certain receivables that are due for collection in the long term.</p> <p>(b) Higher impairment was recorded in 2022 mainly due to the JV's loss in the year due to off hire of its floating asset, as well as a higher discount rate in tandem with higher interest rate on provision for the time value of money loss relating to the long term receivables.</p>		

No.	Shareholder's Name	Question
4.	Justin A/L A.Kumaran	Will MISC improve on performance and results for FY2023 and translate these to better dividends and share price appreciation?
Answer:		
FY2023, the secured income portfolio from long term charters will continue to support the Group's financial performance. MISC remain cautiously optimistic due to uncertainty in the market and will focus on executing the projects in hand. MISC will strive to provide sustainable dividends to shareholders.		

No.	Shareholder's Name	Question
5.	Chua Song Yun	<p><i>(Reference to page 17 of MISC's Q3 2022 financial results)</i></p> <p>(a) Petroleum shipping segment recorded a higher operating profit of RM470.0 million, mainly due to a one-off compensation for a contract renegotiation and a higher freight rate. Please elaborate on the one-off compensation for a contract renegotiation. Excluding this one-off item, what is the core operating profit?</p>

		(b) Offshore Business operating profit is lower at RM190.0 million, mainly due to the impact of change in accounting estimate. Please elaborate and explain what accounting estimate has changed, and why?
Answer:		
<p>(a) The one-off compensation, amounting to RM220.0 million, is from a contract renegotiation with a client to remove a certain market dependency on net revenue, stipulated in the contract terms. With the removal, we were able to secure the cash upfront and reduce revenue fluctuations from exposure to market volatility. Without this gain, the Petroleum Shipping segment would have recorded an operating profit of RM250.0 million in the third quarter of 2022 and RM800.0 million for the year.</p> <p>(b) The accounting estimate change in the offshore business unit in the third quarter of 2022 relates to a change in the residual value of the floating assets to factor in higher towing/transportation costs for the scrapping of the assets. Accounting standards require the review to be done at least annually.</p>		

PERFORMANCE & OUTLOOK

No.	Shareholder's Name	Question
1.	Lau Chuan Hooi	What is the Company's future outlook?
Answer:		
<ul style="list-style-type: none"> In the short to medium term, the stability of the organisation remains solid even amidst the challenging external environment. Ongoing geopolitical tension in Europe continues to influence economic development and trade as we cope with high inflation and an increasing interest rate environment. Closer to our industry, the strengthening of regulations in relation to emissions will require a radical approach and closer collaboration by the industry players to ensure compliance. Notwithstanding the continued challenging outlook, 2023 is filled with opportunities for MISC. We see us shifting gears both in terms of the execution of current projects and advancement towards achieving our 2030 and 2050 objectives and aspirations whilst being selective on strategic client positioning, cleaner energy solutions, and strong recurring sustainable cash flows. MISC will remain progressive, purposeful, judicious and cautious in our capital allocation, as well as ensure that they fit our foundational principle. 		

No.	Shareholder's Name	Question
2.	Sing Chaw @ Seng Kong Choo	How is the high oil price affecting MISC's business? Any ways to tackle it?
Answer:		
<ul style="list-style-type: none"> High oil prices do not have a direct impact on MISC's business performance but is more linked to: <ul style="list-style-type: none"> (a) The volume of oil and gas and the distance shipped by sea; and (b) The level of sanctioning of new oil and gas projects. In the short-term, higher oil prices may lead to an increase in the supply of oil and accelerate the sanctioning of new oil and gas projects. Since most of MISC's contracts are long-term, we have downside risk protection. Higher oil prices are also expected to increase spending in oil and gas-related projects. 		

No.	Shareholder's Name	Question
3.	Teh Ting Oin	As stated in the President/Group CEO's presentation regarding the performance of MISC for the financial year ended 2022, MISC ranked Top 3 in the world. If so, why is MISC not ranked in the Top 10 of KLSE in terms of market capitalisation?
Answer:		
<p>While MISC is in the Top 3 in the Marine Transport Sector for Credit Ratings which is industry-specific, the KLSE ranking by market capitalization is for all industries in Malaysia.</p> <p>MISC currently ranks in the Top 10 of the KLSE listing by market capitalisation, as of today.</p>		

No.	Shareholder's Name	Question
4.	Chua Song Yun	<p>The offshore segment reported lower operating profit, despite higher profit, due to an increase in construction costs of an FPSO arising from the global supply chain issue and lockdowns in parts of China.</p> <p>(a) Considering that inflation may stay high, can MISC pass on the rising cost to customers in the FPSO building contracts?</p> <p>(b) Does Management expect further cost overrun and delays in the FPSO projects i.e. Mero-3?</p>
Answer:		
<p>(a) Higher fuel and material costs amid rising inflation had affected the profitability of most contractors and yards. We always strive to negotiate the best terms with our contractors, yards and customers so that the rising cost is absorbed and shared by all parties involved. Discussions on cost recovery with clients have already commenced.</p> <p>(b) The progress is being closely monitored by MISC's management to track and effectively steer the project progress and mitigation measures have been put in place, with significant efforts being undertaken to ensure there will be no further cost overrun and delays in the Floating, Production, Storage and Offloading (FPSO) projects.</p>		

No.	Shareholder's Name	Question
5.	Seng Chong Boon	Is MISC foreseeing a recession coming soon? How will it affect MISC's businesses?
Answer:		
<p>There have been mixed forecasts on global recession in 2023 by investment banks and analysts. MISC foresees that economic growth will generally remain low in 2023 against the backdrop of tight monetary conditions and the ongoing reset of geopolitics, and some countries may slip into recession. MISC's business will not be heavily impacted as its present portfolio of long-term charters will continue to underwrite the Group's steady performance.</p>		

No.	Shareholder's Name	Question
6.	Tan Kwong Meng	Is there any opportunity arising for MISC, as a result of the bombing of the Nordstream pipelines? Does MISC provide any services to the oil and gas industry in Russia?
Answer:		
<p>There is no opportunity for MISC as a result of the bombing of the Nordstream pipeline as MISC does not have any business relationship, dealings, or provide any services to the oil and gas industry in Russia.</p>		

No.	Shareholder's Name	Question
7.	Quah Kiat Gin	Malaysia Marine and Heavy Engineering Holdings Berhad (MHB), being a subsidiary of MISC has performed very inconsistently since its listing in 2011. Is there any business review/strategy to enable the income stream to be at least profitable, knowing that the industry is cyclical?
Answer:		
<p>MHB has recorded a commendable turnaround in its FY2022 results with a Net Profit After Tax of RM67.6 mil, against a loss of RM274 mil in FY2021. This is the first year of profits since 2017, and MHB's strategy moving forward will be to focus on building a more resilient, selective, and diversified business model to service the marine and offshore energy value chains.</p>		

No.	Shareholder's Name	Question
8.	Lee Kwai Yoong	Any plan to phase out the LNG business?
Answer:		
<p>The LNG Business segment has recently been rebranded to Gas Assets & Solutions (GAS) Business as our current offerings have gone beyond conventional LNG shipping to include a mix of LNG vessels and other gas carriers such as Very Large Ethane Carriers (VLECs) and LNG bunker vessel.</p> <p>At the same time, we are making inroads into developing non-conventional gas assets and solutions such as unmanned Floating Storage Units (FSUs) and LNG-to-Power (L2P) as we implement innovative approaches to meet the demands of the accelerated pace of energy transition and climate action.</p>		

No.	Shareholder's Name	Question
9.	Lee Tuck Feong	Do charter rates remain competitive?
Answer:		
<p>Charter rates that are secured in a business transaction are determined based on the current market conditions and is also dependent on the contractual terms and conditions and the requirements of the charterer or customer. MISC will always strive to provide competitive rates to our customers without compromising the returns to our shareholders and any untoward risks or exposure to our business operations.</p>		

No.	Shareholder's Name	Question
10.	Chua Song Yun	Can the new President/Group CEO ("PGCEO") share the new focus, targets and strategies for the Group? Please highlight any differences from the previous PGCEO, if any?
Answer:		
<p>Our corporate and sustainability strategies set the direction and priorities for our action plans, resource allocation and business activities. We aim to grow our secured income, strengthen our business fundamentals and diversify our business portfolio, within the Group's risk appetite and affordability.</p> <p>Four strategic areas:</p> <ul style="list-style-type: none"> a) Securing long-term revenue sources to ensure we have long-term visibility of our income and cashflow. b) Continue with a diversification strategy, be it new classes of assets, or new markets, or new customers to strengthen the resilient of our cash generation capacity and protect us from major shocks in the market. c) Focus on project execution and delivery, while maintaining operational excellence. We need to deliver our projects as per plan and ensure maximum availability of our assets. We will 		

leverage technology and digital to be more efficient and provide new solutions to the customers.

- d) Executing our sustainability agenda by offering low carbon solutions to our customers.

MISC is shifting gears both in terms of the execution of current projects and advancement towards achieving our 2050 objectives whilst being selective on strategic client positioning, strong recurring cash flows and cleaner energy solutions.

No.	Shareholder's Name	Question
11.	Teh Sue Wei	When will MISC reward its shareholders with bonus issues?
Answer:		
Currently, there is no plan on bonus issues, but MISC will continuously strive to provide healthy and sustainable dividend income to shareholders whilst ensuring that future funding requirements of the Group are adequately met to support the Group's growth objectives.		

ANNUAL GENERAL MEETING PROCEEDINGS

No.	Shareholder's Name	Question
1.	Teh Peng Tin	How much does the Company spend on this virtual Annual General Meeting?
Answer:		
The cost incurred by MISC to host the Annual General Meeting virtually is significantly lower than the cost of hosting a physical meeting.		