moving energy

14 May 2025

56th Annual General Meeting

NAVIGATING A SUSTAINABLE FUTURE TOGETHER

Questions & Answers

[Pre-AGM]

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

QUESTIONS RECEIVED FROM PERMODALAN NASIONAL BERHAD (PNB) AND OTHER SHAREHOLDERS PRIOR TO THE 56TH ANNUAL GENERAL MEETING (AGM)

No.	Shareholder's Name	Question
1.	PNB	To disclose the Total Shareholders' Returns (TSR) of MISC for the past 1, 3 and 5 years up to the end of the financial year ending 2024. What would the Board attribute the performance to?

Answer:

MISC's Total Shareholders' Return (TSR)

Period	1-Year	3-Year	5-Year
Price as at 31 December 2024 (RM)	7.60	7.60	7.60
Beginning Price (RM)	7.29	7.00	8.40
Dividend (RM)	0.36	1.05	1.71
TSR (%)	9.19	23.57	10.83

- MISC's Total Shareholders' Return (TSR) for the 1, 3 and 5 year periods were 9.2%, 23.6%, and 10.8%, respectively.
- TSR reflects a combination of share price performance and dividends paid, influenced by both company fundamentals such as earnings and cashflow; and market conditions.
- MISC's TSR is primarily supported by our consistent dividend payouts: 33 sen per share from 2020 to 2022, increased to 36 sen in both 2023 and 2024.
- Over the past five years, the average dividend yield was a healthy 4.7%, reflecting our commitment to long-term shareholder value.

No.	Shareholder's Name	Question
2.	PNB	The Board's views on what are the one or two key critical drivers of TSR for the Company. Would this be return on equity, EPS growth or any other metric? If so, what was the performance of these metrics for the past 1, 3 and 5 years?

Answer:

- A key driver of TSR is the stability of dividends, supported by strong earnings yield and cash flow generation.
- We prioritise Cash Flows From Operations (CFFO) over accounting profits, as it better reflects true performance unaffected by non-cash items like impairments and finance lease accounting.
- Accordingly, we use Cash Flow Return on Assets (CFROA), which averaged 9.3% over the past 5 years, ranging between 8.5% and 10.1%.

	FY2020	FY2021	FY2022	FY2023	FY2024
CFROA	9.7%	8.5%	9.0%	10.1%	9.3%

Note: CFFO has been adjusted to exclude the impact of the Gumusut Kakap Semi-Floating Production System (L) Limited (GKL) arbitration, finance lease accounting and one-off Floating Storage Unit (FSU) prepayment.

No.	Shareholder's Name	Question
3.	PNB	What are the strategic initiatives that the Company has put in place to improve these key drivers and enhance TSR for the next three years.

Answer:

- MISC's strategy to enhance TSR is anchored on strengthening core businesses and pivoting into profitable new energy businesses.
- Key initiatives include:
  1. Investing in modern, fuel-efficient vessels as part of fleet rejuvenation and expanding our Offshore business;
  2. Maximising asset utilisation through predictive maintenance and operational excellence;
  3. Delivering projects on time and within budget; and
  4. Diversifying into carbon capture and storage, offshore wind and future fuels value chains.

No.	Shareholder's Name	Question
4.	PNB	In light of the announcement on the Memorandum of Understanding between MISC and Bumi Armada Berhad on the potential merger, can the Board share with us the updates or progress of this proposed exercise?

Answer:

- Discussions between the parties and due diligence are currently in progress. As such, we are unable to go into specific transaction details such as valuation and transaction structure.
- Both parties remain committed to work within the parameters set out in the Memorandum of Understanding (MOU), and we will make the appropriate or required announcements as and when there are material developments.

No.	Shareholder's Name	Question
5.	PNB	LNG freight rates have effectively collapsed within the past few quarters, putting significant pressure on fleets currently on spot. a) How significant is this impact towards MISC Group? b) What strategic measures are in place to ensure that LNG shipping margins are protected?

Answer:

- LNG spot rates remained weak in 2024, leading to an asset impairment of RM789.5 million. Market pressure is expected to persist into 2025, with recovery anticipated in 2026.
- To protect our LNG shipping margins, we have:
  1. In the short term, taken steps such as LNG vessel lay-ups and disposals; and
  2. In the medium to long term, we are embarking on:
     a) redeployment opportunities such as FSU conversion; and
     b) fleet rejuvenation, where we secured long-term charters for 5 newbuild LNG carriers (LNGCs) in 2024, with a total of 19 to be delivered through 2027.

No.	Shareholder's Name	Question
6.	PNB	Recent macroeconomic developments - including USTR's proposed port fees on Chinese-built ships and imposition of tariffs by the US - have introduced significant market uncertainties. What are the primary and secondary impacts of these developments to MISC Group's businesses? How does the company plan to navigate these challenges?

Answer:

A. PORT FEES

- In early 2025, the US Trade Representative proposed new port fees on Chinese-built vessels, aiming to reduce reliance on Chinese shipyards.
- After industry pushback, the proposal was revised with a narrower scope – now applying only to Chinese-built and Chinese-owned/operated vessels.
- The fee structure starts in October 2025, with gradual escalation to 2028, capped at five charges per vessel per year.
- Exemptions include small vessels, short-haul voyages, and those with US newbuild orders.

<u>Impact to MISC</u>

- The impact is minimal – only two AET Aframaxes in our fleet are Chinese-built; only one trades in the US Gulf and may be affected, which we can redeploy if needed.
- There are no Chinese-built vessels in our existing LNGC fleet.

- We have 10 vessels under construction in China (5 LNGCs, 5 Aframaxes), but all are secured on long-term charters – where port costs are typically borne by charterers.
- We continue to monitor developments closely and will manage fleet deployment to minimise future exposure.

B. US TARIFFS

- In April 2025, the US announced new tariffs on several trading partners, including China, triggering retaliatory measures and market volatility.
- Tariffs on Chinese goods rose to 145%, while China proposed 125% tariffs on US imports.
- As of 10 April 2025, the US has paused further tariff actions for 90 days, except for China.
- Subsequently, on 12 May 2025, the US and China agreed to significantly roll back tariffs on each other's goods for an initial 90 days. The US will lower their tariffs from 145% to 30%, while China's retaliatory tariffs on US goods will drop to 10% from 125%.
- However, the situation remains highly uncertain and dynamic, especially in relation to impact on inflation, interest rates, and global trade flows over the medium term.

<u>Impact to MISC</u>

- The immediate impact is minimal – our portfolio is anchored by long-term charters with reputable counterparties.
- However, prolonged trade tensions could affect global demand for oil and gas shipping in the medium to long term.
- We are actively engaging with affected partners to assess and mitigate any indirect impact.
- For our Offshore and Heavy Engineering businesses, we are managing risks through supply chain reviews and ongoing client engagement.

No.	Shareholder's Name	Question
7.	Azhar Khamaruzaman	Regarding Resolution 5 on Directors' fees, could the Board elaborate on the calculation basis for the proposed RM2,850,000, detailing the assumptions made regarding the number of meetings and potential new NED appointments during the period from 15 May 2025 until the next AGM?

Answer:

- The proposed Directors' fees of RM2,850,000 were calculated based on the following assumptions:
  1. Proposed revision to the retainer fee for Non-Executive Directors (NEDs),
  2. No changes to benefits-in-kind and meeting allowance.
  3. An estimated total of 35 scheduled and/or special meetings of the Board and Board Committees'.
  4. Future appointment of an additional NED to the Board in 2026.
  5. Fees receivable by Directors from non-listed subsidiaries.

No.	Shareholder's Name	Question
8.	Azhar Khamaruzaman	Concerning Ordinary Resolution 7 (Proposed Renewal of Share Buy-Back Authority), what specific financial thresholds or performance indicators does the Board use to determine the optimal timing and volume for share purchases under this authority, balancing shareholder value enhancement with the Company's capital needs for strategic investments?

Answer:

- The Board refers to the latest audited Net Tangible Asset (NTA) per share as a key financial threshold.
- No share buy-backs have been executed in recent years, as cash has been prioritised for major investments and repayment of borrowings.
- Capital/cash has been allocated to projects like our new Floating Production, Storage and Offloading (FPSO) Marechal Duque de Caxias, LNGC fleet renewal and dual-fuel Very Large Crude Carriers (VLCCs), as well as the sinking fund for our USD1 billion bond repayment over FY2025–FY2027.
- The share buy-back remains as a strategic option to enhance shareholder value.

No.	Shareholder's Name	Question
9.	Azhar Khamaruzaman	With reference to the re-appointment of Ernst & Young PLT (Resolution 6), the Financial Report (Note 7) indicates non-audit fees of RM814,000 were paid to the auditors and affiliates. Can the Audit Committee elaborate on the nature of these non-audit services and the safeguards implemented to ensure auditor independence was maintained?

Answer:

- The non-audit fees were for permitted services, mainly tax compliance and advisory, which do not compromise auditor independence.
- To ensure auditor independence, we have implemented several safeguards, as follows:
  1. All non-audit work was reviewed and approved by the Board Audit Committee, in line with MISC's Policy on External Auditors; and
  2. Other safeguards include separate teams for audit and non-audit work, written independence assurance and adherence to fee caps.

No.	Shareholder's Name	Question
10.	Azhar Khamaruzaman	The Corporate Governance Report (Practice 4.5) highlights the appointment of a Chief Strategy & Sustainability Officer (CSSO). How does this role integrate sustainability considerations into strategic decision-making at the executive level, particularly concerning investments in new energy solutions and decarbonisation pathways outlined in the Sustainability Report?

Answer:

- The CSSO role elevates sustainability to the highest level of decision-making and ensures alignment with corporate strategy. The CSSO is part of the Executive Leadership Team (ELT).
- As Chair of the MISC Group Decarbonisation Taskforce, the CSSO oversees our path to meeting emissions reduction targets.
- The CSSO also leads the integration of sustainability into the Group Balanced Scorecard, ensuring sustainability targets are tracked.
- Sustainability matters are regularly discussed at the ELT's Health, Safety, Security and Environment (HSSE) & Sustainability Council meetings (every two months) and Board meetings (quarterly), focusing on safety and decarbonisation performance.

No.	Shareholder's Name	Question
11.	Azhar Khamaruzaman	The Financial Report (Note 5a) details significant impairment provisions in FY2024. Could the Board provide more context on the key assumptions (e.g., future charter rates, discount rates) used in the value-in-use (VIU) calculations for the affected ships, right-of-use assets, and the Petroleum & Product Shipping goodwill that led to these impairments?

Answer:

- Value-in-use (VIU) estimates the present value of expected future cash flows from an asset. If this is lower than the asset's carrying value, an impairment is recognised.
- In FY2024, impairments were mainly due to decline in spot charter rates for older LNG vessels.
- For Ships and Right-of-Use assets, VIU was based on discounted cash flows from current and expected charters, including spot market assumptions.
- For goodwill, VIU used a five-year forecast, with a terminal value in Year 5 and a discount rate based on the weighted average cost of capital.

No.	Shareholder's Name	Question
12.	Azhar Khamaruzaman	Given the stated MISC 2030 Ambition includes deriving 25% of CFO from New Energy Solutions, what is the Board's assessment of the key risks associated with achieving this target, particularly concerning the technological maturity, commercial viability, and required investment for CCS, offshore wind, and future fuel projects?

Answer:

- The Profitable New Energy Business pillar reflects our commitment to diversify into new energy and drive the energy transition, positioning MISC for sustainable growth in a rapidly evolving maritime landscape.
- The Board recognizes that the 25% cash flows from operations (CFO) target from New Energy by 2030 is ambitious, and there are key risks such as technology maturity, commercial viability, and the need for future-ready talent.
- Across the industry, new energy investments have accelerated since 2020 and, in 2024 spending on new energy (hydrogen, offshore wind, solar, CCS, etc) have started to exceed fossil fuel investments.
- For MISC, recent milestones include:
  1. Secured contracts for the world's first ammonia dual-fuel Aframaxes;
  2. A second offshore wind project to construct an offshore substation (OSS) high voltage direct current (HVDC) platform in the Netherlands;
  3. MoU for the ZEUS oxy-fuel pilot; and
  4. Partnership with Gentari Hydrogen on ammonia shipping solutions.
- The Board remains confident on the strategic direction and will closely monitor the progress toward the MISC 2030 Ambition.

No.	Shareholder's Name	Question
13.	Azhar Khamaruzaman	Regarding the Responsible Supply Chain Programme mentioned in the Sustainability Report, what specific ESG self-assurance metrics are being tracked for the 100 critical suppliers, and what recourse does MISC have if suppliers fail to meet the required ESG standards?

Answer:

- The Responsible Supply Chain Programme is MISC's progressive and systematic approach towards managing environmental, social and governance (ESG) risk and performance in our supply chain.
- In 2024, 81 critical suppliers were selected based on spend, ESG risk exposure, and operational importance.
- Suppliers complete a self-assessment covering key ESG metrics, including:
  1. Sustainability strategy and governance;
  2. Availability and disclosure of sustainability data;

3. Environmental performance, including greenhouse gas (GHG) reduction targets and initiatives; 4. Health and safety policies; and 5. Labour practices, including compliance with working hours and adherence to MISC's Code of Business Ethics (CoBE) for Third Parties, among others. • Responses are used to categorise suppliers and identify those requiring improvement. • Corrective actions include engagement with the suppliers through targeted capacity-building efforts, such as ESG awareness and Scope 3 emissions training.

No.	Shareholder's Name	Question
14.	Ariff Adam	If Taiwan is invaded by China and enforce military maritime claim on South China Sea, how would it effect MISC?
Answer:		
• It is difficult to assess the impact of such a significant risk event. • This would most likely result in increased geopolitical risk and uncertainty, affecting regional economic activity and trade in the South China Sea. • Nevertheless, MISC will always prioritise the safety of our crew, our vessels, and the cargo on board.		

No.	Shareholder's Name	Question
15.	Khoo Siew, Eng Beng Bee, Eng Beng Weng, Alfred Kee Aik Theam, Cheng Seng Pu, Lau Chuan Hooi, Lau Khe Yean, Yap Chin Fook, Tay Mee Lee, Wha Kien Loy, Siti Zalaha Binti Abu Zarin, Chua Zheng Xuan Nicholas, Tee Beng Ngo, Lim Ba Tai @ Lim Eng Kim, Yeoh Geok Bee, Tee Beng Choo, Chee Teng Ho	Will the board consider hybrid AGM in the future to cater for shareholders outside of Klang Valley?
Answer:		
• The Board and Management are committed to improving its engagement with shareholders and will revisit the best option for our AGM in 2026. MISC will assess the preferred AGM mode in view of the evolving shareholder landscape.		

No.	Shareholder's Name	Question
16.	Daberah Ann Danker, Ronald Danker, Ng Ying Seng	If I am a shareholder, do I have to register online to attend a live meeting e.g. MISC?

Answer:

- Shareholders are not required to register online to attend MISC's 56th AGM physically.
- The Company has responded to this question earlier via our Share Registrar.

No.	Shareholder's Name	Question
17.	Heng Kee Boon, Tan Sian Hoo, Tee Beng Ngo, Lim Ba Tai @ Lim Eng Kim, Tee Beng Choo, Chee Teng Ho	Any token of appreciation for shareholders who spend time attend the upcoming AGM meeting?

Answer:

- The question was addressed through the Chairman's announcement at the end of the AGM that a token of appreciation of a Setel e-Voucher worth RM150 will be given to shareholders and proxies who attended the AGM.

No.	Shareholder's Name	Question
18.	Lim Beng Choong, Lim Kee Yoong, Loo Yeo Ming, Lim Kee Foong, Loo Tuck Fatt, Lim Kee Yang, Lim Chew Lin, Chen Pui Kei, Lai Mei Hoe	May I request for a hard copy of annual report?

Answer:

- For shareholders who have submitted their request ahead of this AGM, we trust that you have received a printed copy of our Integrated Annual Report 2024.
- For shareholders who require a printed copy, please submit your request by scanning the QR code available outside this hall.

No.	Shareholder's Name	Question
19.	Teo Cher Ming	What is the outlook for LNGC spot rate in light of more LNGC vessel supply flood the market but there was little growth in LNG volume to support this. News reported that this went to as low as USD 5,000 per day

Answer:

- This question is similar to the question from PNB on challenging LNG outlook. Please refer to the response for Question No. 5.

No.	Shareholder's Name	Question
20.	Teo Cher Ming	Pg 78 IAR mention challenges impacting older vessels which resulted in impairment a) Which vessel are these? b) When was the vessel build and how many more years of useful life are there c) Are these vessels still generating revenue/cashflow to at least cover the fixed cost or it is being left idle

Answer:

- The impairment recognised during the period relates to a few LNGC vessels.
- These vessels were built between 2004 and 2008, making them 17 to 21 years old as at 31 December 2024.
- These vessels have approximately 4 to 8 years of remaining useful life.
- As of 31 December 2024, the majority of these vessels were still actively generating revenue under long-term charter contracts. However, in 2025, some of these vessels are being laid up as prevailing market rates cannot support their operational costs.

No.	Shareholder's Name	Question
21.	Yeoh Cheng Chuan	Given the ongoing tariffs war from US, what are the positive and negative impacts that MISC is expected to encounter in the coming year, and in the longer run?

Answer:

- This question is similar to the question from PNB on US tariff. Please refer to the response for Question No. 6.