MEDIA RELEASE

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MISC GROUP RECORDED HIGHER PROFIT BEFORE TAX FOR THE YEAR ENDED 31 DECEMBER 2016

MISC is pleased to announce its financial results for the financial year ended 31 December 2016.

Financial Highlights:

- Group revenue for the quarter and the year ended 31 December 2016 were lower than the corresponding quarter and year ended 31 December 2015.
- Group profit before tax for the quarter ended 31 December 2016 was lower than the corresponding quarter ended 31 December 2015.
- Group profit before tax for the year ended 31 December 2016 was higher than the year ended 31 December 2015.

Group Revenue, Operating Profit and Profit Before Tax for the Quarter Ended 31 December 2016

Group revenue for the quarter ended 31 December 2016 of RM2,517.5 million was 24.0% lower than the corresponding quarter's revenue of RM3,312.1 million. The decrease in Group revenue was mainly due to lower revenue in two business segments, namely, Heavy Engineering and LNG. Heavy Engineering's lower revenue was due to fewer and lower backlog and order intake in its Heavy Engineering sub-segment. However, its Marine sub-segment recorded higher revenue from higher value of vessel repairs and FPSO conversion works in the current quarter.

The disposal of 2 vessels and lower charter rates earned on new contracts caused a decline in LNG revenue. However, consolidation of Gumusut-Kakap Semi-Floating System Ltd ("GKL")'s results, following completion of the equity buyback in May 2016, and commencement of a Marginal Marine Production Unit ("MaMPU") contributed to an increase in Offshore revenue for the quarter ended 31 December 2016.

Group operating profit of RM666.6 million was lower than the corresponding quarter's profit of RM1,028.1 million, mainly due to lower revenue and higher depreciation by RM118.7 million, following the change in estimated useful life of LNG and Petroleum vessels beginning January 2016. Heavy Engineering recorded operating profit of RM18.7 million in the current quarter compared with RM50.4 million in the corresponding quarter following the decrease in its revenue. Meanwhile, Offshore recorded higher operating profit from construction gain recognition of a finance lease asset in the current quarter and higher contribution from GKL following completion of the equity buyback in May 2016.

Group profit before tax of RM504.5 million was lower than the corresponding quarter's profit of RM763.1 million, driven by lower operating profit from LNG, Petroleum and Heavy Engineering business segments and lower share of profit from joint ventures in the quarter ended 31 December 2016. However, the Group also recognised a gain on disposal of a subsidiary, MISC Integrated Logistics (MILS) amounting to RM73.6 million in the current quarter.

Group Revenue, Operating Profit and Profit Before Tax for the Year Ended 31 December 2016

Group revenue for the year ended 31 December 2016 of RM9,597.2 million was 12.0% lower than the corresponding year ended 31 December 2015 revenue of RM10,908.4 million. The decrease in revenue was mainly due to fewer and lower backlog and order intake in Heavy Engineering; as well as lower revenue from the LNG business arising from the disposal of 2 vessels and lower rates earned on new contracts in LNG business. Meanwhile, consolidation of GKL's results beginning May 2016, contributed to an increase in Offshore revenue for the year ended 31 December 2016.

Group operating profit for the year ended 31 December 2016 of RM2,453.2 million was 11.8% lower than the corresponding year's profit of RM2,782.6 million, mainly due to lower revenue and higher depreciation by RM450.2 million for the year ended 31 December 2016, following the change in estimated useful life of LNG and Petroleum vessels in January 2016. However, the Group also recognised compensation for early termination of time charter contracts for two LNG vessels and reversal of provision for a legal suit in the year ended 31 December 2016.

Group profit before tax for the year ended 31 December 2016 of RM2,814.0 million was 9.6% higher than the corresponding year's profit of RM2,566.9 million, mainly due to the recognition of gains on acquisition of subsidiaries and disposal of a subsidiary in the year ended 31 December 2016. However, the Group also recorded provision for charter hire losses, on container vessels that remained in the Group following the Group's exit from the Liner Business in 2011, lower share of profit from joint ventures and higher finance costs in the year ended 31 December 2016.

Moving Forward

MISC's President/Group Chief Executive Officer, Mr. Yee Yang Chien said: "The year 2016 saw the global shipping industry undergoing another volatile year where businesses across the Oil & Gas supply chain suffered under very difficult market conditions. Despite the prevailing challenges in 2016, MISC once again proved its resilience by turning in commendable financial and operational performances. We expect no less than another challenging year ahead. However, we still see growth opportunities and we believe we have the resources to pursue these possibilities. Our priorities remain unchanged and the future growth of MISC will be guided by MISC2020: our five-year business strategy towards attaining a sustainable level of secured profits by FY2020."

The Petroleum shipping segment's performance will come under pressure in 2017, with high fleet growth and potentially lower tonne mile demand as a result of reduced OPEC oil production post January 2017's quota restriction. However, the impact from the OPEC cut may be offset by higher production elsewhere and shipowners are hopeful that the enforcement of the ballast water treatment systems convention from September 2017 will reduce vessel supply through accelerated vessel scrapping.

On the LNG front, global LNG supply is expected to increase by 14% with the completion of new liquefaction plants in 2017. Despite the increase in gas supply, demand for LNG shipping is expected to remain sluggish as the tonnage oversupply situation will continue to persist as a result of higher vessel deliveries and lower project absorption. This however will not impact the steady performance of the Group's LNG business segment as most of the vessels are employed under long term charters.

The optimism for the upstream oil and gas industry has improved with the gradual recovery in oil prices, setting the stage for gradual recovery in global offshore exploration and production investment, especially for developments within the Atlantic Basin. Despite the improved sentiment in the market, the impact may not be seen to flow through to the Heavy Engineering segment immediately. The Heavy Engineering segment will continue with its effort on cost management and resource optimization to reduce its operating cost in line with the outlook of the industry. In addition, the Group intensifies its effort to replenish its orderbook, namely from onshore segment, hook-up & commissioning and facilities improvement.

The Group's offshore business segment's stable financial performance will continue to be supported by long term contracts.

"Our conservative success in 2016 was the result of recognising the fact that global energy volatility would linger for yet a while and taking the necessary steps to reshape and future-proof our business. To this end, our key business segments took measures to strengthen their positions and their offerings to customers, as well as to protect themselves from the vagaries of the market. Thus, despite the ups and downs in the global economy, 2016 ended on a note of measured confidence and optimism for MISC as we drive our ambition of moving energy to build a better world." Mr. Yee Yang Chien concluded.

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About MISC Berhad

MISC Berhad (MISC), was incorporated in 1968 and is a world leading provider of international energy shipping and maritime solutions.

The principal businesses of the Group comprise energy shipping and its related activities, owning and operating offshore floating solutions, marine repair and conversion, engineering and construction works, maritime education and training. Its fleet consists of more than 110 owned and in-chartered LNG, Petroleum and Product vessels; as well as 14 floating facilities. The fleet has a combined capacity of approximately 12 million dwt.

Aside from its shipping business, maritime education is a priority for the Company and its Malaysian Maritime Academy (ALAM) is ranked amongst the top 10% of the world's Maritime Education and Training (MET) institutions.

Operating a modern, well-diversified fleet and backed by a knowledgeable workforce of more than 10,000 employees from all corners of the globe; MISC is committed to impart quality services to our customers, creating value for our stakeholders and contributing to the sustainability of the Industry.

Issued on behalf of MISC Berhad by the Group Corporate Communications (GCC) Department of MISC Berhad. For media inquiries, please contact:

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