Chief Financial Officer's Message

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Dear Stakeholders,

The global financial market continues to evolve as central banks transition from aggressive interest rate hikes to a more measured approach. With inflation easing in key economies, long-term market stability is gradually improving, amidst uncertainties stemming from the impact of US trade policies. At the same time, financing costs remained elevated, placing liquidity management and capital efficiency at the centre of business priorities. In this dynamic environment, MISC has remained resilient, enabling us to adapt and stay on course.

DELIVERING SHAREHOLDER VALUE

MISC experienced a challenging year in FY2024, navigating market fluctuations while ensuring our competitiveness. Revenue stood at RM13,237.5 million, a decrease of 7.2% compared to RM14,271.7 million in FY2023, primarily due to the reduced project progress in the Offshore segment, following the successful first oil of *FPSO Marechal Duque de Caxias* on 30 October 2024. Meanwhile, the Gas Assets & Solutions segment was shaped by fewer earning days from contract expiries and lower charter rates, influenced by an oversupply of vessels and lower LNG volumes.

Despite these pressures, other segments demonstrated resilience. The Marine & Heavy Engineering segment posted a 9% increase in revenue, driven by ongoing projects that have now progressed into the construction stage. The Petroleum & Products segment delivered stable revenue performance in line with the previous year, leveraging on shifting global trade patterns and optimising fleet deployment strategies.

These dynamics impacted profitability, with operating profit at RM2,593.7 million in FY2024, compared to RM2,881.4 million the year before. Lower project progress and higher cost provisions in the Offshore segment along with higher operating costs in the Gas Assets & Solutions segment weighed on earnings. However, improved cost discipline and successful cost recovery claims in the Marine & Heavy Engineering segment partially offset these impacts, returning the segment to profitability this year. Profit before tax (PBT) stood at RM1,283.5 million, down from RM2,093.7 million in FY2023, largely due to vessel impairments in the Gas Assets & Solutions segment. Excluding impairments, the adjusted PBT is comparable to the previous year's adjusted PBT.

MISC's cash flows from operations remained robust at RM4,276.9 million, reinforcing the Group's strong cash-generating ability. The decline from the previous year was mainly due to the absence of one-off FSU prepayments received in FY2023. Adjusting for these non-recurring factors, the FY2024 operational cash flow remained solid, reflecting MISC's financial resilience. This strength, along with the Group's existing funding facilities, positions us well to support committed capital expenditure (CAPEX) and seize new opportunities for growth.

Maintaining our balance sheet strength continued to be a priority, with total assets standing at RM60,435.1 million as of December 2024, a marginal decrease of 7.1% compared to RM65,060.1 million in FY2023. This reduction was primarily due to the higher impairment provisions on vessels and receivables during the year. The Group demonstrated improved financial leverage with net gearing reducing from 0.25 to 0.23, supported by disciplined debt management. Our financial standing was further validated by consistent credit ratings, with S&P maintaining its BBB+ rating and Moody's holding at Baa2.

We also made strides in sustainable financing, with AET's USD100 million sustainability-linked Islamic revolving credit facility earning recognition at the EuroMoney Islamic Finance Awards 2024 as the Islamic Finance Deal of the Year in Singapore. This recognition reflects MISC's commitment to embedding sustainability into our financial strategy while securing cost-effective funding.

A core focus remains delivering sustainable shareholder returns. Supported by our strong cash flow position, the Board of Directors declared a dividend payout of 36 sen per share in FY2024, consistent with the previous year, demonstrating our commitment to balancing financial discipline with shareholder value.

PRIORITIES FOR 2025

As we enter 2025, the global economy is projected to grow at a modest 3.3%, with stronger growth in the US helping to mitigate downward revisions in other major economies. Inflation is anticipated to decline to 4.2% in 2025, bringing it closer to central bank targets and allowing for a gradual easing of monetary policies.

However, several risks persist. The potential for renewed inflationary pressures, stemming from the implementation of tariffs could disrupt the anticipated monetary policy adjustments, impacting fiscal sustainability and financial stability. Geopolitical conflicts, China's economic slowdown and supply chain disruptions pose risks to global growth. In parallel, while some US financial institutions have scaled back their emission reduction targets and transition plans, a broader trend remains where financiers are reducing their exposure to the conventional oil and gas sector in line with their own decarbonisation efforts, posing a funding risk for the industry. Cumulatively, these factors may influence borrowing costs and access to financing, as central banks navigate the balance between supporting growth and controlling inflation.

For MISC, we will continue to strengthen our financial resilience while positioning for future growth. Our MISC 2030 Ambition serves as a guiding framework, ensuring that financial discipline, operational excellence and strategic foresight will continue to shape our decision-making. With a strong foundation in place, we are prepared to capitalise on emerging opportunities and sustain long-term value creation.

AFENDY MOHAMED ALI
Chief Financial Officer