MISC’s Offshore Business segment offers a comprehensive array of innovative offshore solutions, from concept selection, engineering design, project management and operations right up to decommissioning in the floating production systems (FPS) market. We cater to marginal, conventional and deepwater field developments with exceptional production and operations performance track records for all our facilities.

As one of the leading floating offshore solutions providers in the world with 14 assets, MISC has a reach across Malaysia, Vietnam, Thailand, Brazil and other strategic locations to meet the global demands of the oil and gas industry.

**KEY HIGHLIGHTS**

- **One of the world’s leading FPSO/FSO owner and operators with 14 assets**
- **Excellent asset performance with uptime of over 99%**
- **Owns the first and largest semi-submersible floating production system in Asia**

**FINANCIAL PERFORMANCE**

- **Revenue**
  - RM1,086 million
- **Operating Profit**
  - RM495 million

Management Discussion & Analysis

Offshore Business

Over the years, we have been very focused on delivering safe, reliable and optimised offshore solutions while pushing ourselves to greater heights.

SYED HASHIM SYED ABDULLAH
Vice President, Offshore Business

2019 marked a period of revitalisation for the oil and gas industry and it was a watershed year for the Offshore Business segment with the oil majors recognising our capability and tremendous potential to add valuable offshore solutions as part of the energy value chain.

We received numerous inquiries and requests for quotations, as well as invitations to participate in new projects such as design competitions for brownfield developments.

This is a very important milestone which is the result of our resilience, passion and determination; it signifies that we are now being welcomed by international players and the global oil and gas market at large.

Over the years, we have been very focused on delivering safe, reliable and optimised offshore solutions while pushing ourselves to greater heights. Today, our excellent track record for delivering safe, reliable and optimised offshore solutions is known to be complex and challenging in nature.

We have been preparing ourselves diligently for this endeavor, starting with establishing the right organisational requirement and having people with the experience, knowledge and expertise to meet the huge undertaking. For this purpose, we have embarked on large-scale capability building since 2018 to enhance our team and diversify our people with the right skillset, depth and breadth of the engineering and technical knowledge to meet those demands.

In line with MISC’s principles of shared success, we leveraged on the cross-collaboration and synergy within the Group, united by our mutual commitment of continuous and consistent improvement and driven by our passion to optimise our business performance and success in the long term.

MISC has established ourselves in Southeast Asia’s offshore floating solutions market with a strong reputation in our operating and maintenance capabilities. Nevertheless, we know that there are more possibilities out there for us to pursue and we are poised to do more, grow bigger and vigorously explore other playing fields beyond Southeast Asia.

Our priority and a strategic opportunity that we have been pursuing is to enhance our presence to be a major player in Brazil, where most of the oil and gas activities are taking place. We are optimistic of the potential to secure notable projects of the many developments in Brazil, including the Mero development. The FPSO projects in Brazil are known to be complex and challenging in nature.

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Beyond Brazil, we are also exploring other prospects and opportunities in Mexico as well as the African continent. In these regions, there are potential opportunities for organic growth. Nonetheless, we will continue to maintain our significant presence in Malaysia and Southeast Asia as these are our key business areas.

Ultimately, my aspiration for 2020 is to secure projects in Brazil as it will be an achievement that signifies emphatic validation by the industry that we have arrived, and a clear recognition that we have made our mark as a major player in the FPSO market, which will open up a horizon of new opportunities for MISC.

Our Vietnam joint venture through Malaysia Vietnam Offshore Terminal (L) Ltd, is currently well-advanced in the construction of FSO Golden Star for our client in Vietnam. To date, this project has achieved one million manhours and once commissioned by July 2020, it will further expand our presence in Vietnam.

The year also saw the extension of our existing assets whereby FPSO Ruby II and FPSO Bunga Kertas obtained a one-year extension from PetroVietnam and PCSB respectively, with further extensions under discussion.

On the tender front, the Offshore Business segment participated in tenders for projects in Sabah and Sarawak, including one for a deepwater FPSO. We have also been actively pursuing several bids within Southeast Asia and the Middle East.

Beyond Asia Pacific and the Middle East, we have been successfully pre-qualified to participate in tenders from Petrobras and will continue to actively source for opportunities in Brazil.

In the medium term, we will continue to develop our capability and capacity to go further in this challenging and evolving offshore marketplace. We also place sustainability high on our agenda, aligned with the Group’s aspiration to conduct our business in a responsible and sustainable manner as well as to ensure value creation through our range of solutions.

With a view to transform MISC into a credible FPSO turnkey contractor on a global scale that is capable of winning, executing and operating deepwater projects, we have also rolled out and implemented transformation initiatives that cover yard strategy, developing deepwater capabilities, enhancing operations and maintenance capabilities. We are also positioning ourselves to look at future challenges of the industry through our research and development initiatives that will lead to innovative designs to exceed the expectations of our customers.
Management Discussion & Analysis
Offshore Business

We have also established a funding strategy and identified efficient business and asset ownership structures. This will be key for opportunities in Brazil, in line with the long-term business growth objectives in the Atlantic Basin which is generating the most sizeable floater opportunities that have potential for long term sustainable income.

Moving Forward

The outlook going into 2020 continues to be promising as oil majors are expected to stay the course to approve more final investment decisions (FID)s for greenfield and brownfield projects. Based on the data extracted from Rystad Energy, potential greenfield oil and gas projects that are expected to be approved in 2020 have increased significantly to 389 projects compared to about 295 projects a year ago.

In the FPSO market, Energy Maritime Associates (EMA) is forecasting that 125 new projects involving FPSOs and FSOs are poised to come on stream in the next five years.

Moving forward, MISC aims to establish itself through the Offshore Business segment as a credible floater turnkey contractor, owner and operator for deepwater projects on a global scale.

Key Achievements in 2019

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<th>MSOSH Occupational Safety &amp; Health Award 2018</th>
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<td>Gold Class I Award : MaMoPu1</td>
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<td>Gold Class II Award : FSO Orkid</td>
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The award recognises that these facilities have achieved commendable occupational safety and health performance and shown remarkable improvement in OSH processes through sound Safety and Health Management System. This recognition provides trust and assurance to stakeholders in OBC’s HSE capability, processes and performance thus creating future business opportunities.

As part of MISC’s growth agenda, we will continue to explore potential projects that will serve the Group’s best interests as well as building strategic partnerships and expansion within the domestic and international offshore space which includes the Asia Pacific, the Americas and Africa.

The challenges that lie before us include standardised newbuild floater concepts employed by the industry players, capacity constraint in shipyards due to an increase in the number of projects awarded in the short timeframe, geopolitical instability and current oil price scenario that is causing the oil majors to be cautious in taking FIDs.

The Offshore Business segment will continue to focus on strategic acquisitions particularly in the areas of assets in distress and equity participation while also expanding our footprint through new market expansion.

MISC recorded zero major spills since 2013

#whatyoudontknow

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