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MARINE & GENERAL BERHAD - [Company No 199601033545 (405897-V)]

NEWS RELEASE

MARINE & GENERAL RECORDS RM 28.6 MILLION PRE-TAX LOSS FOR QUARTER ENDED 31 JANUARY 2021

KUALA LUMPUR, 30 March 2021 – Marine & General Berhad (“M&G” or “the Group”) announced its results for the quarter ended 31 January 2021 today, reporting a revenue of RM38.9 million compared to RM50.3 million recorded in the previous year corresponding quarter.

This 23% decline from the revenue recorded in the previous year corresponding quarter is in line with the lower operating level during the current quarter, as the oil and gas industry remained weak due to a shrinking in demand for oil due to the continuing Covid-19 pandemic. As a result, oil companies have scaled back their drilling activities which consequently affected the demand for offshore support vessel services operated by the Upstream Division. Declining demand for oil and its derivative products has also adversely affected the demand for tanker services operated by the Downstream Division of the Group. Consequently, fleet utilisation for both the Upstream Division and the Downstream Division deteriorated to 50% and 63% from their respective levels in the preceding year. The Upstream Division continued as the main revenue contributor, generating 64% of the Group revenue, while the Downstream Division generated the balance 36%.

The Group recorded a loss before taxation of RM28.6 million in the current quarter as compared to loss before taxation of RM13.4 million recorded in the preceding year corresponding quarter.

For the current 9 months cumulative period, the Group recorded revenue, of RM141.8 million, representing a 11% decrease from the preceding year corresponding period. The decrease is in line with lower charter activities at both the Upstream Division and the Downstream Division due to the adverse impact of the Covid-19 pandemic which continues to suppress demand for oil and its derivative products.



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During the 9 months cumulative period, the Upstream Division continued to be the Group's main revenue contributor, generating 69% of the Group revenue, while the Downstream Division generated the balance 31%.

For the cumulative 9-month period, the Group recorded RM71.6 million loss from operations, representing an increase of RM29.8 million from the RM41.7 million loss recorded in the preceding year. In addition to lower contributions from charter operations, the additional depreciation and crewing expenses of the two (2) new tankers subsequent to the preceding year corresponding period had contributed to the higher loss.

Arising from the restructuring gain of RM106.8 million recorded last quarter and the reduction of finance costs following the completion of a debt restructuring in the Upstream Division, the Group recorded RM35.3 million profit before taxation in the current cumulative period as compared to loss before taxation of RM41.7 million recorded in the preceding year corresponding period.

Marine Logistics – Upstream Division

During the current quarter under review, the Upstream Division recorded a lower fleet utilization of 50% compared to 70% recorded in the previous year's corresponding quarter brought upon by the shrinking demand for oil. Consequently, the Division recorded revenue of RM24.7 million for the current quarter, approximately 32% lower compared to the revenue generated in the previous corresponding quarter.

On a year-to-date basis, the Division recorded a fleet utilization of 61% compared to 71% recorded in the previous year's corresponding cumulative period. As a result of the drop in utilization, the Division recorded a year-to-date revenue of RM97.4 million, 19% lower than the previous corresponding 9-month period.



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Taking into account the restructuring gain of RM106.8 million and the reduction of finance costs following the completion of a debt restructuring in the Upstream Division, the Division recorded RM60.6 million profit before taxation in the current cumulative period as compared to loss before taxation of RM36.7 million recorded in the preceding year corresponding period.

Marine Logistics – Downstream Division

Similar to the Upstream Division, the Downstream Division was also affected by the Covid-19 pandemic which has shrunk the demand for oil and chemicals, and consequently demand for oil tankers. In line with the lower demand for its tanker services, the Division recorded a significantly lower fleet utilization of 63% in the current quarter compared to the 84% recorded for the previous corresponding quarter. On a 9-month year-to-date basis, the Division recorded a utilization rate of 60% compared to the 76% utilization recorded in the previous corresponding quarter.

Notwithstanding the lower fleet utilization, the Division recorded 2% and 17% higher revenue in the current and the cumulative period. As all the seven (7) tankers were deployed on voyage charters as compared to one (1) on voyage charter and four (4) tankers on time charter in the preceding year corresponding period.

Notwithstanding this, the Division recorded higher loss before taxation of RM7.6 million and RM22.6 million in the current quarter and cumulative 9-months periods respectively, brought about by higher depreciation and amortization costs resulting from the deployment of two (2) additional tankers, as well as higher direct and maintenance expenses incurred in the current quarter and cumulative 9-month period compared to the previous corresponding periods.



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Concluding remarks

The Group's main businesses correlate and is significantly affected by the outlook of the oil and gas industry, which is expected to continue to be challenging arising from a combination of shrinking demand for oil due to the continuing Covid-19 pandemic and global oil supply glut. The declining demand for oil is expected to persist until the second half of 2021 or until the expected economic recovery arising from various stimulus efforts and widespread use of vaccine.

"The continuing weak demand for oil has forced many oil majors to scale down their drilling activities. As such, the Board expects the Upstream Division will continue to record lower vessel utilisation rates during the current financial year. However, the impact will be mitigated by the fact that a sizable number of the Division's fleet are still currently on long-term ILCT charter contracts. Further, following the completion of the debt restructuring of Jasa Merin (Malaysia) Sdn Bhd, the main operating subsidiary of the Upstream Division, on terms that are more sustainable in the face of the challenging period in the oil and gas industry, the Division is expected to be better positioned in the segment and improve its underlying viability going forward. Notwithstanding this and the resultant lower finance costs, the Board remains cautious of the prospects of the Upstream Division for the current financial year.", Dato' Azlan added.

In line with the declining demand for oil and its derivative products, the Board expects the Downstream Division to record comparatively lower tanker utilization rates in the current financial year. In June 2020, the Group took delivery of a new chemical tanker bringing its total fleet to 7 tankers comprising 4 chemical tankers and 3 clean petroleum product tankers. The additional tanker capacity was earlier planned in anticipation of potential business opportunities that will put M&G in good stead upon recovery of the industry", Dato' Azlan elaborated.

"The gradual re-opening of businesses in the country as well as similar re-openings in our key trading partners such as China, Japan and Singapore, and the recent progress in Covid-19 vaccine development offer some opportunity of recovery for both



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Divisions later this calendar year. Given this, the Board remains cautious on the prospects for the current financial year amidst the continuing global economic uncertainty and its impact on the oil and gas industry. On a more longer-term basis, the Board will strive to ensure both Divisions remain competitive and is able to generate value for shareholders”, Dato’ Azlan concluded.



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Marine & General Berhad ("M&G" or "the Company") was originally incorporated as SILK Concessionaire Holdings Sdn Bhd on 14 October 1996, and subsequently changed its name to Sunway Infrastructure Berhad on 14 February 2002. It assumed the name of SILK Holdings Berhad on 31 October 2008. It assumed its current name on 23 June 2017 after the successful completion of the disposal of the Company's highway assets.

The Company, at present, has two major operating divisions, namely the Marine Logistics - Upstream Division ("Upstream") spearheaded by Jasa Merin (Malaysia) Sdn Bhd ("JMM") and the Marine Logistics - Downstream Division ("Downstream"), consisting of several ship owning companies ("SOCs") including Jasa Merin (Labuan) PLC ("JML") under M&G Marine Logistics Holdings Sdn Bhd ("MGMLH"), and M&G Tankers (L) Pte Ltd, TKH Marine (L) Ltd and M&G Marine Logistics (L) Pte Ltd under M&G Tankers Sdn Bhd ("MGTSB").

JMM charters out offshore support vessels ("OSV") for use by the oil majors in their exploration and production activities. On the other hand, the SOC's under the Downstream Division charter out liquid bulk carriers ("LBC") to the petrochemical and oleo-chemical industries, whereby the vessels are used to transport liquid bulk products.



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Forward looking statements

This release may contain certain forward-looking statements with respect to the financial conditions, results of operations and business of the Group and certain plans and objectives of Marine & General Berhad with respect to these items. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and there are many factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

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| Issued on behalf of: Marine & General Berhad | By: acorn communications sdn bhd |
| For further information, please call: Natalia Ghani at 012 231 4782 or Aaren Azhar at 03 7958 8348 | |
| Or email: acorncommunications@acornco.com.my | |