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MSWG Questions & Answers
5 April 2022

QUESTION 1: (1/4)

Q: The Group continues to aggressively pursue recovery of COVID-19 costs from the customer. Progress on this has been challenging. (Page 81 of IAR)

(a) What are the challenges faced by the Group in recovering COVID-19 costs from customer?

A:

- The Group continues to aggressively pursue the COVID-19 costs from clients. However, the recovery is very much dependent on clients' approval and may take longer than expected due to various challenges. These include clients' strict internal review and approval processes. It should be noted that this issue of COVID-19 claims is also being faced by other industry players and not just MHB. Nevertheless, MHB continues to fully cooperate with clients in providing all the necessary evidence and detailed supporting materials in order to satisfy all their requirements.

QUESTION 1: (2/4)

Q: The Group continues to aggressively pursue recovery of COVID-19 costs from the customer. Progress on this has been challenging. (Page 81 of IAR)

(b) What are the COVID-19 costs from customers that are recoverable?

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- A:**
- Direct COVID-19 compliance costs (i.e., quarantine, swab test, face masks, personal protective equipment, disinfection and sanitisers).
 - Other indirect costs (prolongation costs) – External costs of services incurred with subcontractors, vendors, suppliers including additional costs of expediting deliveries of critical equipment, as well as internal costs such as manpower, overheads and other yard operating costs due to the extended completion date of projects.

QUESTION 1: (3/4)

Q: The Group continues to aggressively pursue recovery of COVID-19 costs from the customer. Progress on this has been challenging. (Page 81 of IAR)

(c) What is the amount of COVID-19 costs that the Group is trying to recover from its customers?

- A:**
- Due to the confidential nature of the ongoing negotiations with clients, the Group is unable to disclose the full details of the amount, which is material.
 - This amount includes COVID-19 compliance costs as well as other indirect (prolongation) costs applied using contractual rates.
 - As the Group has not recognised any of these potential cost recoveries in its books to date, any costs recovered from clients will be an upside to the financial results of the Group for FY2022 and beyond.

QUESTION 1: (4/4)

Q: The Group continues to aggressively pursue recovery of COVID-19 costs from the customer. Progress on this has been challenging. (Page 81 of IAR)

(d) Did the Group manage to recover any COVID-19 costs from its customers in FYE 2021? If yes, what is the amount?

- A:**
- The Group has secured an agreement in principle to recover some COVID-19 costs from clients. However, negotiations are still ongoing to determine the final amount.
 - As part of the ongoing negotiations, MHB continues to fully cooperate with clients in providing all the necessary evidence and detailed supporting materials in order to satisfy all their requirements.

QUESTION 2: (1/2)

Q: As a result of the extended completion date, certain Heavy Engineering projects may potentially be exposed to risks of significant Liquidated Damages (“LDs”). (Page 336 of IAR).

(a) What are the LDs the Group is exposed to?

- A:**
- LDs are clauses in the EPCIC contract with the client that requires the contractor to compensate the client for damages / costs incurred due to delay in delivery of the project as per the contractual schedule.
 - Due to the impact of the COVID-19 pandemic, MMHE’s Heavy Engineering projects experienced significant delays from the MCO yard shutdown, COVID-19 SOPs, global supply chain disruption, border restrictions etc and as such are exposed to potential risks of significant LDs.

QUESTION 2: (2/2)

Q: As a result of the extended completion date, certain Heavy Engineering projects may potentially be exposed to risks of significant Liquidated Damages (“LDs”). (Page 336 of IAR).

(b) What are the chances of the Group being able to defend not paying the LDs?

A:

- As the extended completion date was mainly caused by COVID-19, the Group expects to be able to defend against any application of the LDs. Furthermore, the client has agreed in principle to extend certain project milestones which the Group is now striving to meet. As such, the Group did not recognise any impact of the potential LDs in the 2021 financial year. At the same time, the Group is also pursuing COVID-19 cost recovery and other claims from the client on the same projects. The Group will continue to monitor the situation and will account for any potential LDs and cost recovery claims accordingly.

QUESTION 3: (1/2)

Q: The Group has secured a contract from SapuraOMV Upstream (Sarawak) Inc. to undertake the EPCIC works for the SK408W Jerun Development Project, offshore Sarawak (Page 29 of IAR). Sapura Energy Bhd holds 40% equity interest in SapuraOMV Upstream (Sarawak). (“SOMVS”) has appointed a restricting specialist Cosimo Borelli as its non independent non-executive director of the Company to turnaround the Company as it is facing liquidity issues.

(a) Has the Group faced any collection issues from SOMVS? What is the amount owing as of February 2022?

- A:**
- The Group has not faced any collection issues from the client i.e. SOMVS.
 - Since the start of the project, SOMVS has been making all the required milestone payments on time as per the stipulated payment terms in the EPCIC contract.
 - MHB will continue to monitor the situation closely and will undertake the necessary steps to mitigate any credit risks exposures accordingly.

QUESTION 3: (2/2)

Q: The Group has secured a contract from SapuraOMV Upstream (Sarawak) Inc. to undertake the EPCIC works for the SK408W Jerun Development Project, offshore Sarawak (Page 29 of IAR). Sapura Energy Bhd holds 40% equity interest in SapuraOMV Upstream (Sarawak). (“SOMVS”) has appointed a restructuring specialist Cosimo Borelli as its nonindependent non-executive director of the Company to turnaround the Company as it is facing liquidity issues.

(b) What is the ageing profile of the trade receivables from SOMVS as of December 2021 and what actions has the Group taken to recover the outstanding receivables?

A:

- As of 31 December 2021, there was no overdue amount owing from SOMVS and as of 31 March 2022, all balances owing by SOMVS are current.

QUESTION 4: (1/2)

Q: The Group has secured a contract for the provision of technical manpower to assist in the execution of a windfarm project in Taiwan and actively participated in bids for windfarm projects. (Page 25 of IAR).

(a) What is the contract value and duration for the provision of technical manpower to assist in the execution of a windfarm project in Taiwan?

- A:**
- The contract is for a short duration of approximately 3 months to provide technical manpower to assist in the execution of a windfarm project in Taiwan with a small contract value.
 - Nevertheless, this job provided MHB with an opportunity to work closely with the Taiwanese counterpart on a windfarm project.

QUESTION 4: (2/2)

Q: The Group has secured a contract for the provision of technical manpower to assist in the execution of a windfarm project in Taiwan and actively participated in bids for windfarm projects. (Page 25 of IAR).

(b) Has the Group been successful in securing more windfarm projects? If yes, what were the values of contracts won?

- A:**
- The Group has so far not won any windfarm projects yet apart from the above and is currently pursuing opportunities either with Smulders or on our own. The COVID-19 pandemic over the past 2 years has also played a part in slowing down the progress of several windfarm prospects.
 - The Group is focused on ensuring upcoming bids are competitive to maximise chances of securing the job whilst realising a reasonable level of profit commensurate with the risks of the project.

QUESTION 5: (1/2)

Q: The Group has added a new Dry Dock No. 3 (DD3) at the end of 2020 to its existing two dry docks and this has greatly enhanced the Group's capacity to conduct repair and refurbishment services on vessels and other marine and O&G facilities. (Page 29 of IAR).

(a) What is current utilization rate of DD3?

A:

- Utilisation rate for DD3 in FY2021 is 63% (76% as of March 2022).

QUESTION 5: (2/2)

Q: The Group has added a new Dry Dock No. 3 (DD3) at the end of 2020 to its existing two dry docks and this has greatly enhanced the Group's capacity to conduct repair and refurbishment services on vessels and other marine and O&G facilities. (Page 29 of IAR).

(b) What is the contract value of repair and refurbishment services performed in DD3 for FY2021?

A:

- The total revenue from marine repair and refurbishment services performed in DD3 in FY2021 amounted to RM70 million.

QUESTION 6:

Q: The Group is looking at investing in a new Blasting & Painting (B&P) workshop for Offshore Windfarm projects and a feasibility study on the best option to upgrade the docks towards achieving a dock-to-quay ratio of 1:2 to optimise marine capacity. (Page 54 of IAR).

What are the CAPEXs for the new B&P workshop and upgrade of docks to achieve a dock-to-quay ratio of 1:2 respectively?

- A:**
- The total CAPEX planned in FY2022 for the new B&P workshop and upgrade of dock-to-quay ratio to 1:2 is about RM80 million.
 - This reflects the Group's focus on its long-term strategy to grow our windfarm business as well as our financial strength to undertake capital investments that will help generate long-term shareholder value.

QUESTION 7:

Q: The Group has consistently pre-qualified for international modular structure projects in USA, Canada, United Arab Emirates and Europe. (Page 92 of IAR).

What is the success rate and value of contracts secured in each of the regions mentioned above?

- A:**
- We have not won anything yet and are actively and continuing to aggressively bid for projects in these regions.
 - For the past 2 years, the COVID-19 pandemic and slowdown in the oil and gas industry have delayed some of these projects from being sanctioned and this has reduced the size of the pie which has somewhat affected our success rate.

Shareholder Questions & Answers
En. Muhammad Mubarak Bin Mohd Shah
29 March 2022

QUESTION 1:

Q: What the new business for upcoming 5 years?

- A:**
- Details of our business strategies are outlined in the IAR page 50-51.
 - We plan to diversify into modular and serial fabrication by securing onshore projects, securing a foothold in offshore windfarm market and exploring other opportunities in serial fabrication and 'Light Engineering'.
 - We are currently exploring:
 - ❑ Offshore windfarm facility fabrication opportunities through our partnership with Smulders and strategic partnerships with companies that can augment our value proposition in the area of serial production expertise for the Asia Pacific region i.e. Japan, South Korea and Europe.
 - ❑ Other upcoming opportunities within the Renewable Energy space such as Carbon Capture, Utilisation and Storage (CCUS) and onshore module for production & processing plant.
 - ❑ We are also reviewing opportunities in other new market segments that would appeal to us given our current expertise and strengths.

Shareholder Questions & Answers

Mr. Liew Ming Sheng

29 March 2022

QUESTION 1:

Q: With higher oil price, do the company revise the existing contract value for more profit?

- A:**
- The existing contract prices are fixed in a lump sum turnkey mode at the point of award and as such are not tied to prevailing oil prices. This is normal practice in the oil and gas fabrication industry.
 - However, the higher oil price at present should incentivise O&G companies to increase CAPEX spend which would create more opportunities for MHB moving forward.

Shareholder Questions & Answers

Ms. Yeap Hooi Kuan

29 March 2022

QUESTION 1:

Q: There is a potential Petronas FPSO project in Malaysia, how do the management see this as an opportunity?

-
- A:**
- The Limbayong FPSO project has been an on and off prospect in Malaysia for the past several years. Nevertheless, MHB continues to pursue this opportunity by having engagements with the relevant interested industry players.
 - All works under the scope for e.g., RLEC (repair, life extension and conversion), Topside, Turret and Transport & Installation (T&I) would be ideal to be executed from a single yard and if that is the preferred strategy by the client, MHB is in a good position to be able to execute the overall scope.

Shareholder Questions & Answers

Mr. Thang Guan Chung

11 April 2022

QUESTION 1:

Q: As global oil price back to a high level, has Petronas show any signal or hints to increase their CAPEX, especially for those project that will benefited to MHB?

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- A:**
- In tandem with the surge in oil prices as of late, an increase in upstream CAPEX spending in 2022 is expected by oil majors including PETRONAS, though not to the pre-pandemic level in view of the lingering impact of the COVID-19 pandemic. For e.g., PETRONAS recently launched the Malaysia Bid Round 2022 (MBR 2022), offering investors 14 exploration blocks, six clusters of discovered resource opportunities and one cluster of late life assets and, based on the latest PETRONAS Activity Outlook also plans a total of fifteen (15) offshore fixed structures fabrication between FY2022 to FY2024.
 - Nevertheless, global supply chain disruptions and significant raw material such as steel price increases due to the pandemic and the recent Russia-Ukraine conflict may constrain clients' future CAPEX plans.
 - As such, we are cautiously optimistic on the prospect of our order book replenishments.

QUESTION 2:

Q: After the opening of border on 1/4/22, is the management confident that the Marine segment able to turn profitable for FYE 2022 & how is the outlook for this segment for FYE 2023?

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- A:**
- We anticipate that more projects are available to be secured commencing 1 April 2022 in view of:
 - ❑ Some foreign countries such as Japan (where most of the specialists related to LNGC projects) have eased restrictions on their nationals to travel to Malaysia starting 1 April by lifting Malaysia's status from level 3 to level 2.
 - ❑ More foreign clients and technical experts will consider us positively due to the removal of compulsory quarantine requirement for fully vaccinated travellers.
 - ❑ Additionally, other countries that are experiencing spike in COVID-19 cases and re-imposing targeted lockdowns may create opportunities for us as their clients would have to look for alternative shipyards to conduct repairs.

QUESTION 3:

Q: Has MHB received the tribunal settlement amounting USD25.5 mil from EA Technique, as reported on Mar 2021?

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- A:**
- The Settlement Agreement sum of USD25.5 million is being paid in instalments over 2 years.
 - As of to-date we have been paid eight instalments amounting to USD15.75 mil in accordance with the settlement plan.

QUESTION 4:

Q: There is a huge provision for the heavy engineering segment, what is the confidence level of the management to claim back this provision made due to Covid-19 from the customer? As according to the Quarter Report of MISC, the management team of MISC looks has high confident level to claim back this provision amount from client

A:

- The Group continues to aggressively pursue the COVID-19 costs claims from clients. However, the recovery is very much dependent on clients' approval and may take longer than expected due various challenges. These include clients' strict internal review and approval processes. It should be noted that this issue of COVID-19 claims is also being faced by other industry players and not just MHB. Nevertheless, MHB continues to fully cooperate with clients in providing all the necessary evidence and detailed supporting materials in order to satisfy all their requirements.

Thank You

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