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MARINE & GENERAL BERHAD

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NEWS RELEASE (Final)

MARINE & GENERAL CONTINUES TO REDUCE QUARTERLY PRE-TAX LOSSES

KUALA LUMPUR, 28 November 2018 – Marine & General Berhad ("M&G" or "the Group") announced its results for the quarter ended 30 September 2018, reporting a revenue of RM 43.8 million, a 2.4% dip compared to the RM 44.9 million revenue reported in the previous corresponding quarter. Despite the lower revenue performance during the period, the Group recorded an improved consolidated loss before tax of RM 16.8 million for the quarter ended 30 September 2018, compared to the RM 24.1 million pre-tax loss recorded in the previous corresponding quarter.

The Group's revenue performance on a 9-month year-to-date ("YTD") basis continues to improve with a revenue of RM 118.7 million being recorded compared to RM 113.4 million recorded in the previous corresponding period. Similarly, the Group's cumulative pre-tax loss for the 9-month period is also significantly lower at RM 60.4 million compared to the RM 114.2 million incurred in the previous corresponding period.

Marine Logistics – Upstream Division

The Marine Logistics – Upstream Division's recorded a revenue performance of RM 33.9 million for the quarter, a 1.1% improvement compared to the RM 33.5 million revenue recorded in the previous corresponding quarter. The improvement in revenue is in line with improved fleet utilization during the quarter of 60% compared to 59% in the previous corresponding quarter. The slight improvement in revenue as well as lower depreciation charges has allowed the Upstream Division to reduce its' pre-tax losses for the quarter to RM 18.7 million, a 25% improvement from the RM 24.9 million pre-tax loss recorded during the previous corresponding quarter.

The Upstream Division's performance for the 9-month YTD period has similarly been encouraging with revenue improving to RM 91.6 million, a 19.1% improvement compared to the RM 76.9 million recorded in the previous corresponding period. This is in line with the 54% utilization rate recorded for the 9-month period, which compares favourably to the 47% utilization rate recorded in the previous corresponding 9-month period. The improvements mentioned, the absence of any impairment charges for the period and lower finance costs incurred arising from a reduction in interest rates pursuant to the Division's proposed debt restructuring under the aegis of the Corporate Debt Restructuring Committee, allowed the Division to significantly reduce its pre-tax loss position for the period to RM 66.9 million compared to RM 141.6 million recorded in the previous corresponding period.

Marine Logistics – Downstream Division

The Marine Logistics – Downstream Division's recorded a revenue of RM 9.9 million for the current quarter, a 12.8% decline from the RM 11.3 million recorded in the previous corresponding quarter. The decrease in revenue is in line with the deployment of the vessels on time charter during the current quarter instead of on voyage charter as was previously. Despite the lower comparative revenue, the Downstream Division recorded a pre-tax profit of RM 1.2 million during the current period compared to a pre-tax loss of RM 2.6 million in the preceding corresponding quarter. Operationally, the Marine Logistics – Downstream Division recorded a utilization rate of 95.5% during the quarter. This is an improvement compared to the 88% utilization rate recorded in the previous corresponding quarter.

The Division's performance over a 9-month YTD basis continues to be positive with revenue of RM 27.1 million recorded during the period. The revenue recorded for the current period is 25.8% below the RM 36.5 million recorded in the previous corresponding period. Notwithstanding the drop in revenue, the Downstream Division recorded a pre-tax profit of RM 2.2 million for the cumulative 9-month period compared to the RM 3.4 million loss incurred in the previous 9-month period. This improvement is attributable to the switch to time charter from voyage charter, which whilst typically having lower rates, excludes tanker operational costs which are borne directlyby charterers. There was also a reduction in finance costs during the period arising from a conversion of the Divisions Cumulative Convertible Redeemable Preference Shares. Level of activity remains strong with the Division recording a utilisation rate of 95.5% for the 9-month period, improving on the 84% utilization rate recorded in the previous 9-month period.

Concluding remarks

Dato' Mohd Azlan commented, " The decline in oil price which started in mid-2014 has had a direct and adverse impact on the offshore support vessel industry. Consequently, JMM's vessel utilisation fell from an average of 88% in 2014 to an average of 51% and 48% for 2016 and 2017 respectively. Furthermore, the Daily Charter Rate (DCR) for its vessels also fell by approximately 38% from 2014. The combination of low charter and utilisation rates has had an adverse impact on revenue. This is reflected in JMM's turnover which fell from approximately RM277 million in 2014 to approximately RM145 million and RM107 million in 2016 and 2017 respectively."

"Consequently, on 6 February 2018, M&G announced that JMM, the main operating subsidiary of the Company's Upstream Division, has received approval from the Corporate Debt Restructuring Committee ("CDRC") of Bank Negara Malaysia for it's application for assistance to mediate between JMM with its financiers. Whilst the mediation through CDRC continues, JMM is actively pursuing available opportunities. Throughout 2018, JMM was awarded a total of eight (8) new long-term contracts for three (3) years and a contract extension of one (1) year to provide ten (10) Anchor Handling Tug Supply Vessels (AHTS). JMM is hopeful that it will continue to be able to secure additional mandates going forward to continue to improve utilization. Nevertheless, the Board remains cautious of the prospects for this Division amidst the continuing soft charter rates," clarified Dato' Mohd Azlan.

"With respect to the Marine Logistics – Downstream Division, demand for the Marine Logistics – Downstream Division's liquid bulk carriers have been fairly robust throughout 2018, mirroring the demand for clean petroleum products. During the year, the Division has added three (3) new product tankers to its existing fleet of three (3) chemical tankers, varying the type of tankers it is able to offer and simultaneously doubling its total number of tankers to six (6). Given the continued robust demand for liquid bulk carriers in 2018, the addition of the three (3) vessels to the fleet, funded through internal funds, is expected to contribute positively to the Downstream Division in 2018 and beyond. The Group is of the opinion that there is further growth opportunities within this segment and will continuously be evaluating opportunities for additional investment in the future. This however, will only be undertaken after a thorough assessment of the projected long-term returns and the available resources," added Dato' Mohd Azlan.

"Moving forward, the focus will continue to be on streamlining the operations at both Divisions to ensure that they are able to be competitive in the long run. The Board is fully aware of the challenges but remains confident in the medium to long-term prospects of both operating divisions," concluded Dato' Mohd Azlan.

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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 SILK Holdings Berhad on 31 October 2008. It assumed its current name on 28 June 2017 after the successful completion of the disposal of the Company's highway assets.

The Company acquired AQL Aman Sdn Bhd, the holding company of the 70% owned Jasa Merin (Malaysia) Sdn Bhd ("JMM"), as part of its successful regularisation scheme completed on 14 October 2009. The Terengganu State Government holds the remaining 30% of JMM via Terengganu Incorporated Sdn Bhd.

JMM was incorporated in December 1980 as Jackson Marine (Malaysia) Sdn Bhd. It commenced operations in October 1982. In 1986, the company name was subsequently changed to its present name. JMM heads the Company's Marine Logistics – Upstream Division. JMM charters out offshore support vessels ("OSV") for use by the oil majors in their exploration and production ("E&P") activities. The OSVs provide support services to the E&P activities by undertaking anchor handling function (positioning and retrieval of drilling rig anchors), towing activities (repositioning of rigs to other drilling locations), firefighting and recovery support, as well as transporting equipment and cargoes to and from offshore installations.

The Company also owns Jasa Merin Labuan PLC ("JML"). JML is part of the Company's Marine Logistics – Downstream Division. It charters out liquid bulk carriers ("LBC") to the petro-chemical and oleo-chemical industries, whereby the vessels are used to transport liquid bulk products in the region.

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.

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