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MISC ANNOUNCE EXIT FROM THE LINER BUSINESS

MISC Berhad (MISC) today issued a statement through the local stock exchange, Bursa Malaysia, announcing its decision to exit the liner business (container shipping) via cessation of the said business.

The Company, in its announcement to the exchange, explained that the radical change in the operating dynamics of the liner industry which is driven by high operating cost and rapid changes in global trade patterns is challenging the validity of today's operating models. With the pursuit of size being the centre of this change, leading operators are now testing the size limits of vessels in order to maximise economies of scale and realise greater cost efficiency. This push for investments in larger vessels comes at a time when operators are struggling to stay profitable with a depressed freight rate environment, which is not expected to improve any time soon due to the continued heavy delivery of new container vessels.

"With 8 distinct businesses, investment prioritisation and opportunity cost consideration are necessary as we allocate resources to support the growth of each business sector. Our focus in recent years has been on providing maritime and transportation solutions for the energy sector, and thus, it is only natural that the bulk of our resources are dedicated towards growing our energy based business segments. In view of the expected larger demand of investment in the liner industry, the cost for us to remain relevant in the liner business is untenable," said Datuk Nasarudin Md Idris, President/Chief Executive Officer of MISC in a statement today.

In January 2010, MISC undertook a restructuring of its liner business when it exited the Far East-Europe trade services to refocus on an Intra-Asian model. The decision was taken on the back of the faster and greater economic growth prospects of the Asian region and to enable the Company to build scale in the liner business and to review its sub-optimal asset portfolio to support the new business model.

However, the rapid pace at which the industry is evolving, especially new investments when the industry is plagued by overcapacity and container rates trending below operating costs have threatened the Company's liner restructuring plans, leading to the decision to exit the liner business altogether.

The Company's decision was also hastened by the present difficult operating conditions which have seen the liner business suffering a total financial loss of USD789 million over the past three years, impacting the overall financial performance of MISC.

The cessation of the liner business will inevitably result in a retrenchment of employees. MISC will extend to the affected employees a reasonable severance package which will be guided by the relevant requirements in the various jurisdictions. The Company will endeavour to provide additional support to assist the affected employees in managing the change.

The exercise will be administered by the MISC Group with assistance from the appropriate advisors in each jurisdiction.

MISC said that after due consideration of operational and legal requirements, the Company anticipates cessation of the liner business to be by end June 2012.

Further details on the MISC Group can be found at www.misc.com.my

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