MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Income Statement

For The Period Ended 30 September 2016

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Revenue	2,292,830	2,505,584	7,079,728	7,596,324
Cost of sales	(1,780,866)	(1,598,426)	(5,036,898)	(5,183,374)
GROSS PROFIT	**511,964**	**907,158**	**2,042,830**	**2,412,950**
Other operating income	35,941	35,326	883,226	129,730
General and administrative expenses	(237,142)	(323,622)	(1,139,445)	(788,193)
OPERATING PROFIT	**310,763**	**618,862**	**1,786,611**	**1,754,487**
Net impairment provisions	(164,423)	(232,325)	(237,863)	(232,325)
Net gain/(loss) on deemed disposal of joint ventures	16,244	-	(32,449)	-
Net (loss)/gain on acquisition of subsidiaries	(2,593)	-	844,703	-
Recognition of Intangibles	-	-	47,453	-
Provision for charter hire loss	-	-	(200,758)	-
Net gain on disposal of ships, property, plant and equipment	-	895	-	7,651
Finance costs	(68,108)	(40,289)	(179,561)	(143,545)
Share of profit of associates	106	21	106	213
Share of profit of joint ventures	62,624	172,137	281,237	417,243
PROFIT BEFORE TAX	**154,613**	**519,301**	**2,309,479**	**1,803,724**
Taxation	(11,239)	(15,161)	(15,945)	(21,006)
PROFIT FOR THE PERIOD	**143,374**	**504,140**	**2,293,534**	**1,782,718**
PROFIT ATTRIBUTABLE TO:				
Equity Holders of the Corporation	134,160	483,564	2,051,723	1,715,060
Non-Controlling Interests	9,214	20,576	241,811	67,658
PROFIT FOR THE PERIOD	**143,374**	**504,140**	**2,293,534**	**1,782,718**
BASIC & DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION	3.0	10.8	46.0	38.4

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.

MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Comprehensive Income

For The Period Ended 30 September 2016

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
PROFIT AFTER TAX FOR THE PERIOD	**143,374**	**504,140**	**2,293,534**	**1,782,718**
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified to profit or loss in subsequent periods:				
Fair value loss on non-current investments	(3,080)	(4,297)	(4,991)	(5,379)
Cash flow hedges:				
Fair value gain/(loss)				
Group	7,490	(27,166)	(27,226)	(31,738)
Joint ventures	418	19,989	681	20,270
Gain/(loss) on currency translation *	1,088,387	4,974,463	(988,487)	7,027,163
Total other comprehensive income/(loss)	**1,093,215**	**4,962,989**	**(1,020,023)**	**7,010,316**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,236,589**	**5,467,129**	**1,273,511**	**8,793,034**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity Holders of the Corporation	1,214,909	5,410,733	1,037,438	8,676,461
Non-Controlling Interests	21,680	56,396	236,073	116,573
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,236,589**	**5,467,129**	**1,273,511**	**8,793,034**

* The following USD:RM exchange rates were used in the calculation of gain/(loss) on currency translation:

	2016	2015	2014
As at 31 December	-	4.29400	3.49450
As at 30 June	4.01800	3.77450	-
As at 30 September	4.14650	4.44750	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.

MISC BERHAD
(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Financial Position
As at 30 September 2016

	30 September 2016 RM'000	31 December 2015 RM'000
NON CURRENT ASSETS		
Ships	22,573,885	22,947,385
Offshore floating assets	339,309	403,429
Property, plant and equipment	1,997,631	2,092,769
Prepaid lease payments on land and buildings	232,319	238,208
Finance lease receivables	11,316,200	3,786,759
Finance lease assets under construction	2,008,895	1,256,005
Investments in associates	2,557	2,369
Investments in joint ventures	1,679,943	4,684,574
Other non-current financial assets	316,225	360,967
Derivative assets	-	976
Intangible assets	872,159	925,635
Deferred tax assets	90,850	92,186
	41,429,973	**36,791,262**
CURRENT ASSETS		
Inventories	239,102	205,216
Finance lease receivables	905,661	491,240
Trade and other receivables	4,340,709	3,502,508
Cash and cash equivalents	5,849,960	5,654,024
Amounts due from related companies	141,690	371,134
Amounts due from associates	313	448
Amounts due from joint ventures	44,066	522,717
Derivative assets	-	525
	11,521,501	**10,747,812**
TOTAL ASSETS	**52,951,474**	**47,539,074**
EQUITY		
Share capital	4,463,794	4,463,794
Share premium	4,459,468	4,459,468
Reserves	6,761,334	7,775,619
Retained profits	19,263,561	18,662,571
Equity attributable to equity holders of the Corporation	**34,948,157**	**35,361,452**
Non-Controlling Interests	1,275,003	1,097,690
TOTAL EQUITY	**36,223,160**	**36,459,142**
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	5,027,510	5,394,348
Deferred tax liabilities	41,205	30,369
Provisions	682,344	697,044
Derivative liabilities	20,947	1,931
	5,772,006	**6,123,692**
CURRENT LIABILITIES		
Interest bearing loans and borrowings	6,998,145	1,110,055
Trade and other payables	3,835,000	3,707,351
Provision for taxation	9,142	29,155
Amounts due to related companies	10,320	1,458
Amounts due to associates	2,131	2,137
Amounts due to joint ventures	101,570	106,084
	10,956,308	**4,956,240**
TOTAL LIABILITIES	**16,728,314**	**11,079,932**
TOTAL EQUITY AND LIABILITIES	**52,951,474**	**47,539,074**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.

MISC BERHAD
(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Cash Flows
For the Period Ended 30 September 2016

	30 September 2016	30 September 2015
	RM'000	RM'000
Cash Flow from Operating Activities:		
Cash receipts from customers	9,327,884	9,035,306
Cash paid to suppliers and employees	(4,719,784)	(6,274,968)
Cash Generated from Operating Activities	**4,608,100**	**2,760,338**
Taxation paid	(25,851)	(32,993)
Net cash flows generated from operating activities	**4,582,249**	**2,727,345**
Cash Flow from Investing Activities:		
Purchase of ships, offshore floating assets and other property, plant and equipment	(1,872,996)	(2,195,119)
Proceeds from disposal of ships, other property, plant and equipment and assets held for sale	-	11,078
Dividend received from:		
Quoted investments	1,286	1,575
Associates and joint ventures	107,585	13,188
Repayment of loans due from joint ventures	62,054	182,268
Proceeds from disposal of a subsidiary	26,231	-
Additional investments in subsidiaries	(1,969,601)	-
Cash acquired on acquisition of subsidiaries	424,421	-
Interest received	38,676	38,701
Net cash flows used in investing activities	**(3,182,344)**	**(1,948,309)**
Cash Flow from Financing Activities:		
Drawdown of term loans and revolving credit	5,703,865	994,425
Repayment of term loans and revolving credit	(748,297)	(1,811,808)
Repayment of shareholders loan	(4,328,287)	-
Acquisition of subsidiary	-	1,896
Dividends paid to the equity holders of the Corporation	(1,450,733)	(572,591)
Dividends paid to non-controlling interest of subsidiaries	(78,760)	(57,327)
Cash advances from joint ventures	17,917	-
Interest paid	(161,100)	(112,476)
Net cash flows used in financing activities	**(1,045,395)**	**(1,557,881)**
Net Change in Cash & Cash Equivalents	354,510	(778,845)
Cash & Cash Equivalents at the beginning of the year	5,654,024	4,838,829
Currency translation difference	(158,574)	1,040,095
Cash & Cash Equivalents at the end of the period	**5,849,960**	**5,100,079**

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.

MISC BERHAD
(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Changes in Equity
For the Period Ended 30 September 2016

	←						Attributable to equity holders of the Corporation							→	
	Total equity	Equity attributable to equity holders of the Corporation	Share capital* Ordinary shares	Share premium	Retained profits	Other reserves, total	Other capital reserve	Capital reserve	Revaluation reserve	Statutory reserve	Capital redemption reserve	Fair value reserve	Hedging reserve	Currency translation reserve	Non-controlling Interests
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
9 MONTHS ENDED 30 SEPTEMBER 2016															
At 1 January 2016	**36,459,142**	**35,361,452**	**4,463,794**	**4,459,468**	**18,662,571**	**7,775,619**	**41,415**	**435,284**	**1,357**	**1,966**	**59,715**	**65,566**	**1,843**	**7,168,473**	**1,097,690**
Total comprehensive income/(loss)	1,273,511	1,037,438	-	-	2,051,723	(1,014,285)	-	-	-	-	-	(4,991)	(24,286)	(985,008)	236,073
Transactions with owners															
Dividends	(1,509,493)	(1,450,733)	-	-	(1,450,733)	-	-	-	-	-	-	-	-	-	(58,760)
Total transactions with owners	(1,509,493)	(1,450,733)	-	-	(1,450,733)	-	-	-	-	-	-	-	-	-	(58,760)
At 30 September 2016	**36,223,160**	**34,948,157**	**4,463,794**	**4,459,468**	**19,263,561**	**6,761,334**	**41,415**	**435,284**	**1,357**	**1,966**	**59,715**	**60,575**	**(22,443)**	**6,183,465**	**1,275,003**
9 MONTHS ENDED 30 SEPTEMBER 2015															
At 1 January 2015	**28,821,104**	**27,756,261**	**4,463,794**	**4,459,468**	**16,797,403**	**2,035,596**	**41,415**	**435,284**	**1,357**	**1,966**	**59,715**	**63,399**	**(5,546)**	**1,438,006**	**1,064,843**
Total comprehensive income/(loss)	8,793,034	8,676,461	-	-	1,715,060	6,961,401	-	-	-	-	-	(5,379)	(11,468)	6,978,248	116,573
Transactions with owners															
Dilution of interest in a subsidiary	(339)	-	-	-	-	-	-	-	-	-	-	-	-	-	(339)
Dividends	(629,918)	(572,591)	-	-	(572,591)	-	-	-	-	-	-	-	-	-	(57,327)
Total transactions with owners	(630,257)	(572,591)	-	-	(572,591)	-	-	-	-	-	-	-	-	-	(57,666)
At 30 September 2015	**36,983,881**	**35,860,131**	**4,463,794**	**4,459,468**	**17,939,872**	**8,996,997**	**41,415**	**435,284**	**1,357**	**1,966**	**59,715**	**58,020**	**(17,014)**	**8,416,254**	**1,123,750**

* Included in share capital is one preference share of RM1.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.

MISC BERHAD

(Company No. 8178 H)

Notes to the Unaudited Condensed Financial Statements

A1. CORPORATE INFORMATION

MISC Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These unaudited condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 1 November 2016.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the period ended 30 September 2016 have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. The results for this interim period are unaudited and should be read in conjunction with the Group's audited consolidated financial statements and the accompanying notes for the year ended 31 December 2015.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to understand the changes in the financial position and performance of the Group since the year ended 31 December 2015.

The audited consolidated financial statements of the Group for the year ended 31 December 2015 are available upon request from the Corporation's registered office located at Level 25, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur.

The main functional currency of the Group is United States Dollar ("USD") while these interim financial statements are presented in Ringgit Malaysia ("RM").

A3. SIGNIFICANT ACCOUNTING POLICIES

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2016 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2015.

As of 1 January 2016, the Group and the Corporation have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

MFRS and amendments effective for annual periods beginning on or after 1 January 2016:
MFRS 14: Regulatory Deferral Accounts
Amendments to MFRS 5: Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 7: Financial Instruments – Disclosures (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 10: Consolidated Financial Statements: Investment Entities - Applying the Consolidation Exception
Amendments to MFRS 11: Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 12: Disclosure of Interests in Other Entities - Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 101: Presentation of Financial Statements - Disclosure Initiative
Amendments to MFRS 116: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116: Property, Plant and Equipment - Bearer Plants
Amendments to MFRS 119: Employee Benefits (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 127: Separate Financial Statements: Equity Method in Separate Financial Statements

Amendments to MFRS 128: Investment in Associates and Joint Ventures - Investment Entities - Applying the Consolidation Exception
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 138: Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 141: Agriculture - Bearer Plants

The adoption of the above pronouncements has no material financial impact to the Group and the Corporation.

A4. CHANGES IN ESTIMATES

Having considered rapid changes in vessel design and technology, and as part of the Group's annual review on estimated useful life ("EUL") of Ships, Property, Plant and Equipment ("SPPE"), the Board had in the current year decided to change the estimated useful life of ships as follows:

Vessel Type	Current EUL	Previous EUL
Petroleum and Chemical Tankers	20 Years	25 Years
LNG Carriers	Higher of 25 years, firm contract period or the extended life post vessel refurbishment	Higher of 30 years or firm contract period with a maximum of 40 years for refurbished ships

The change in useful life of ships caused an increase in depreciation for the current 9-month period as follows:

	Current EUL RM'000	Previous EUL RM'000	Increase in Depreciation RM'000
Depreciation	1,495,486	1,163,951	331,535

A5. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors issued an unqualified audit opinion on the financial statements for the year ended 31 December 2015.

A6. CHANGES IN COMPOSITION OF THE GROUP

(a) The Corporation had on 24 February 2016 entered into a conditional share purchase agreement with E&P Venture Solutions Co Sdn. Bhd., a wholly-owned subsidiary of PETRONAS Carigali Sdn. Bhd., for the equity buyback of the remaining 50% interest in Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") for a cash consideration of USD445.0 million (approximately RM1,849.0 million). The equity buyback was approved by the shareholders of the Corporation at the Extraordinary General Meeting held on 19 April 2016.

Upon completion of the equity buyback on 13 May 2016, GKL became a wholly-owned subsidiary of the Corporation. Accordingly, the Group recognised a loss on deemed disposal of a joint venture amounting to RM19.0 million and a gain on acquisition of a subsidiary of RM822.8 million in the current 9-month period.

(b) AET Tanker Holdings Sdn. Bhd. ("AET"), a wholly-owned subsidiary of the Corporation, had on 11 March 2016 acquired two (2) ordinary shares of RM1.00 each, representing 100% equity interest in AET Product Tankers Sdn. Bhd. ("AETPT") for a cash consideration of RM2.00. The principal activity of AETPT is to own and operate clean product tankers, in line with the Group's merger of the Corporation's chemical tanker fleet with AET's clean product tanker fleet.

(c) AET Inc. Limited, a wholly-owned subsidiary of the MISC Group, had on 21 April 2016 entered into a share sale and purchase agreement with Golden Energy Tankers Holdings Corp. for the acquisition of the remaining 50% equity interest in Paramount Tankers Corp. for a cash consideration of USD59.3 million (approximately RM242.1 million).

Upon acquiring full control on 13 May 2016, Paramount Tankers Corp. became a wholly-owned subsidiary of AET Inc. Limited. On 29 August 2016, the final price adjustment was agreed and the acquisition was fully completed. The Group recognised a provisional loss on deemed disposal of a joint venture amounting to RM13.4 million and a gain on acquisition of a subsidiary of RM21.9 million for this acquisition in the current 9-month period.

(d) Malaysia Marine and Heavy Engineering Sdn. Bhd. ("MMHE"), a subsidiary of the MISC Group, had on 16 August 2016 subscribed to 7.0 million ordinary shares of RM1.00 each, representing a 70% interest, in MMHE EPIC Marine & Services Sdn. Bhd. ("MEMS").

MEMS was incorporated pursuant to a Joint Venture Agreement dated 16 August 2016 between MMHE and Eastern Pacific Industrial Corporation Berhad ("EPIC") to undertake repair services of marine vessels, which include dry docking repair, refit, refurbishment, maintenance and technical solutions at the ship repair facilities located in Kemaman, Terengganu.

(e) The Corporation had on 30 September 2016 received the delivery of Seri Camellia, a newly built LNG Carrier from Hyundai Heavy Industries Co. Ltd. In conjunction with the delivery of Seri Camellia, MISC Tankers Sdn. Bhd., a wholly-owned subsidiary of the Corporation, incorporated a wholly-owned subsidiary, Seri Camellia (L) Private Limited, under the Labuan Companies Act, 1990, to own and operate Seri Camellia.

(f) The Corporation had on 24 October 2016 completed the disposal of the entire equity interest in MISC Integrated Logistics Sdn. Bhd. ("MILS"), a wholly-owned subsidiary of the Group, to Swift Haulage Sdn. Bhd. ("SWIFT") for a purchase consideration of RM257.2 million. Accordingly, MILS ceased being a subsidiary of MISC effective 24 October 2016.

A7. SEGMENT REPORT

Segmental analysis for the current financial period is as follows:

	LNG	Petroleum*	Offshore	Heavy Engineering	Others, eliminations and adjustments		Total
	RM'000	RM'000	RM'000	RM'000	RM'000		RM'000
Revenue							
External sales	1,918,412	3,484,114	630,966	632,571	413,665		7,079,728
Inter-segment	5,072	-	65,082	255,083	(325,237)		-
	1,923,484	**3,484,114**	**696,048**	**887,654**	**88,428**	**	**7,079,728**
Operating profit	**1,236,543**	**248,749**	**74,075**	**(5,722)**	**232,966**	***	**1,786,611**

* Following internal reorganization in the current year, Chemical segment's results have been combined with the clean products tanker group of the Petroleum segment.

** Comprises Integrated Logistics results, Tank Terminal results and inter-segment eliminations.

*** Comprises Integrated Logistics results, Tank Terminal results, net foreign exchange differences, interest income, dividend income from quoted investments, eliminations and adjustments.

A8. SEASONALITY OF OPERATIONS

The businesses of the Group are subject to market fluctuations.

A9. PROFIT FOR THE PERIOD

Included in the profit for the period are the following items:

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest income	12,312	12,893	35,140	29,038
Other income	8,606	35,601	731,007	82,043
Finance costs	(68,108)	(40,289)	(179,561)	(143,545)
Depreciation of ships, property, plant and equipment	(508,497)	(359,973)	(1,495,486)	(1,008,077)
Amortisation of prepaid lease payments	(1,870)	(1,668)	(5,743)	(5,696)
Amortisation of intangibles	(3,702)	(3,296)	(13,998)	(9,780)
Net impairment provisions	(164,423)	(232,325)	(237,863)	(232,325)
Impairment (loss)/reversal on trade and non trade receivables:				
Third parties	(1,452)	5,349	(2,639)	(117)
Bad debts written off	19	-	(874)	(2,392)
Net realised foreign exchange gain	18,645	18,857	15,998	40,409
Net unrealised foreign exchange gain/(loss)	19,346	14,805	(55,095)	(14,108)

A10. SHIPS, PROPERTY, PLANT AND EQUIPMENT ("SPPE")

Included in SPPE are construction work-in-progress, mainly for the construction of ships and offshore floating assets totalling RM810,743,000.

The Group did not dispose any SPPE in the quarter ended 30 September 2016. The Group recognised a net gain on disposal of RM895,000 from disposal of SPPE in the quarter ended 30 September 2015.

The Group did not dispose any SPPE for the 9-month period ended 30 September 2016. The Group recognised a net gain on disposal of RM7,651,000 from disposal of SPPE in the 9-month period ended 30 September 2015.

A11. INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
	RM'000	RM'000	RM'000
Cost			
At 1 January 2015	**853,546**	**504,463**	**1,358,009**
Addition	-	-	-
Currency translation differences	167,569	-	167,569
At 31 December 2015	**1,021,115**	**504,463**	**1,525,578**
Addition	-	47,453	47,453
Currency translation differences	(32,300)	-	(32,300)
At 30 September 2016	**988,815**	**551,916**	**1,540,731**
Accumulated amortisation and impairment			
At 1 January 2015	**2,325**	**424,365**	**426,690**
Amortisation	-	13,077	13,077
Impairment	160,176	-	160,176
At 31 December 2015	**162,501**	**437,442**	**599,943**
Amortisation	-	13,998	13,998
Impairment	-	54,631	54,631
At 30 September 2016	**162,501**	**506,071**	**668,572**
Net carrying amount			
At 1 January 2015	**851,221**	**80,098**	**931,319**
At 31 December 2015	**858,614**	**67,021**	**925,635**
At 30 September 2016	**826,314**	**45,845**	**872,159**

Goodwill is tested for impairment annually (31 December), or when circumstances indicate that the carrying value may be impaired. The Group's goodwill impairment test is a comparison of the goodwill's carrying value against its recoverable amount. The recoverable amounts are based on value-in-use for cash generating units ("CGU"), calculated using cash flow projections. The key assumptions used to determine the value-in-use of CGUs are disclosed in the annual consolidated financial statements for the year ended 31 December 2015.

Goodwill was not tested for impairment in the quarter as there were no indications of impairment as at 30 September 2016.

The other intangible assets relate to fair value of long term charter hire contracts, as determined by an independent professional valuer, amortised over the time charter period of the contracts. Following the early termination of contract for two vessels in the quarter ended 31 March 2016, the Group accordingly wrote off the related intangible assets of the said contracts amounting to RM54,631,000.

On 7 July 2015, the Corporation acquired the entire equity interest in PETRONAS Maritime Services Sdn. Bhd. ("PMSSB") from its ultimate holding company, Petroliam Nasional Berhad. Following completion of the purchase price allocation exercise of this acquisition, the Group recognised intangible assets of customer contracts from PMSSB and its subsidiary, Sungai Udang Port Sdn. Bhd., totalling RM47,453,000 in the quarter ended 30 June 2016.

A12. INVENTORIES

The Group did not recognise any write-down of inventories or reversal of inventories during the quarter ended 30 September 2016.

A13. CASH AND CASH EQUIVALENTS

Breakdown of cash and cash equivalents is as follows:

	30 September 2016 RM'000	31 December 2015 RM'000
Cash with PETRONAS Integrated Financial Shared Service Centre *	3,680,078	3,721,928
Cash and bank balances	305,030	386,141
Deposits with licensed banks	1,864,852	1,545,955
Total cash and cash equivalents	**5,849,960**	**5,654,024**

* To allow for more efficient cash management by the Group, the Corporation's and a few subsidiaries in the Group's cash and bank balances have, since 1 July 2013, been held in the In-House Account ("IHA") managed by PETRONAS Integrated Financial Shared Service Centre ("IFSSC").

A14. FAIR VALUE HIERARCHY

The Group uses the following hierarchy to determine the fair value of all financial instruments carried at fair value:
Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities
Level 2 - Inputs that are based on observable market data, either directly or indirectly
Level 3 - Inputs that are not based on observable market data

As at the reporting date, the Group held the following financial assets and liabilities that are measured at fair value:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 September 2016				
Financial Assets				
Available-for-sale financial assets				
Quoted investments	**71,253**	**-**	**-**	**71,253**
Financial Liabilities				
Derivatives				
Forward exchange contracts	-	(1,769)	-	(1,769)
Interest rate swaps designated as hedging instruments	-	(19,178)	-	(19,178)
	-	**(20,947)**	**-**	**(20,947)**

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2015				
Financial Assets				
Available-for-sale financial assets				
Quoted investments	76,244	-	-	76,244
Derivatives				
Interest rate swaps designated as hedging instruments	-	976	-	976
Forward exchange contracts	-	525	-	525
	76,244	**1,501**	**-**	**77,745**
Financial Liabilities				
Derivatives				
Interest rate swaps designated as hedging instruments	**-**	**(1,931)**	**-**	**(1,931)**

No transfers between any levels of the fair value hierarchy took place during the current period and the comparative period. There were also no changes in the purpose of any financial instruments that subsequently caused a change in classification of those instruments.

A15. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

A subsidiary of the Group, Malaysia Marine and Heavy Engineering Holdings Berhad ("MHB"), had on 19 September 2016 made its maiden issuance of RM20.0 million in nominal value Sukuk Murabahah under the Sukuk Murabahah Programme with a tenure of one year. The proceeds raised from the Sukuk Murabahah shall be utilised by MHB to finance its capital expenditure, working capital requirements and/or other general corporate purposes in a Shariah compliant manner and for Shariah compliant purposes.

A16. INTEREST BEARING LOANS AND BORROWINGS

i) The tenure of Group borrowings, classified as short and long term as well as secured and unsecured, are as follows:

	30 September 2016 RM'000	31 December 2015 RM'000
Short Term Borrowings		
Secured	237,125	173,964
Unsecured	6,761,020	936,091
	6,998,145	1,110,055
Long Term Borrowings		
Secured	2,020,374	1,576,006
Unsecured	3,007,136	3,818,342
	5,027,510	5,394,348
Total	**12,025,655**	**6,504,403**

ii) Foreign borrowings in United States Dollar equivalent as at 30 September 2016 is as follows:

	RM'000
United States Dollar Borrowings	11,971,398

A17. DIVIDENDS PAID

The Corporation paid the following dividends in the 9-month period ended 30 September 2016 and 30 September 2015:

	30 September 2016		30 September 2015	
	Sen/Share	RM Million	Sen/Share	RM Million
Second interim tax exempt dividend in respect of:				
- Financial year ended 31 December 2015 on 9 March 2016	12.5	558.0	-	-
- Financial year ended 31 December 2014 on 11 March 2015	-	-	6.0	267.8
Final tax exempt dividend in respect of:				
- Financial year ended 31 December 2015 on 19 May 2016	10.0	446.4	-	-
First interim tax exempt dividend in respect of:				
- Financial year ending 31 December 2016 on 7 September 2016	10.0	446.4	-	-
- Financial year ended 31 December 2015 on 2 September 2015	-	-	7.5	334.8

A18. CAPITAL COMMITMENTS

	30 September 2016	31 December 2015
	RM'000	RM'000
Approved and contracted for:		
Group	3,871,886	5,105,336
Approved but not contracted for:		
Group	289,783	258,689
Total	**4,161,669**	**5,364,025**

A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group comprise the following:

	RM'000
Secured	
Bank guarantees extended to a third party	15,823
Unsecured	
Bank guarantees extended to a third party	52,425
Performance bond on contract extended to third parties	383,373
	435,798

A20. SUBSEQUENT MATERIAL EVENT

The Corporation had on 24 October 2016 completed the disposal of the entire equity interest in MILS, a wholly-owned subsidiary, to SWIFT for a purchase consideration of RM257.2 million. In addition, SWIFT will pay other receivables due from MILS to MISC within one (1) year from completion of the SPA.

The total proceeds from the disposal are estimated to be up to RM358.0 million, comprising the purchase consideration of RM257.2 million, the shareholder's loan owed by MILS to MISC of RM66.8 million and other receivables due from MILS to MISC of up to RM34.0 million. Accordingly, MILS ceased being a subsidiary of MISC effective 24 October 2016.

B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended 30 September 2016 RM Million	Quarter Ended 30 September 2015 RM Million	Cumulative 9 Months Ended 30 September 2016 RM Million	Cumulative 9 Months Ended 30 September 2015 RM Million
Revenue				
LNG	610.1	708.4	1,923.5	2,055.2
Petroleum	1,057.0	1,277.1	3,484.1	3,422.6
Offshore	264.2	176.4	696.0	651.0
Heavy Engineering	333.5	436.8	887.7	1,738.4
Others, Eliminations and Adjustments	28.0	(93.1)	88.4	(270.9)
Total	**2,292.8**	**2,505.6**	**7,079.7**	**7,596.3**
Operating Profit				
LNG	237.0	365.2	1,236.5	1,132.1
Petroleum	(30.7)	187.0	248.7	374.1
Offshore	72.0	(2.4)	74.1	179.2
Heavy Engineering	(1.8)	20.5	(5.7)	77.8
Others, Eliminations and Adjustments	34.3	48.6	233.0	(8.7)
Total Operating Profit	**310.8**	**618.9**	**1,786.6**	**1,754.5**
Net impairment provison	(164.4)	(232.3)	(237.9)	(232.3)
Net loss on deemed disposal of joint ventures	16.2	-	(32.4)	-
Net gain on acquisition of subsidiaries	(2.6)	-	844.7	-
Recognition of Intangibles	-	-	47.5	-
Provision for charter hire loss	-	-	(200.8)	-
Net gain on disposal of SPPE	-	0.8	-	7.7
Finance costs	(68.1)	(40.2)	(179.6)	(143.6)
Share of profit of associates and joint ventures	62.7	172.1	281.4	417.4
Profit Before Tax	**154.6**	**519.3**	**2,309.5**	**1,803.7**

Current quarter's performance against the quarter ended 30 September 2015

Group revenue of RM2,292.8 million was 8.5% lower than the quarter ended 30 September 2015 ("corresponding quarter") of RM2,505.6 million while Group operating profit of RM310.8 million was 49.8% lower than the corresponding quarter's profit of RM618.9 million. The variances in Group performance by segments are further explained below.

LNG

LNG revenue of RM610.1 million was 13.9% lower than the corresponding quarter's revenue of RM708.4 million, mainly from operating a smaller fleet of vessels following disposal of two vessels in November 2015 and lower charter rates earned on new contracts in the current quarter. However, revenue recognized in the current quarter for vessels that were being refurbished in the corresponding quarter softened the decrease in revenue.

LNG operating profit of RM237.0 million was 35.1% lower than the corresponding quarter's profit of RM365.2 million, mainly from lower revenue and higher depreciation by RM37.4 million from the change in estimated useful life of vessels from January 2016.

Petroleum

Petroleum revenue of RM1,057.0 million was 17.2% lower than the corresponding quarter's revenue of RM1,277.1 million, mainly from lower freight rates.

Petroleum recorded operating loss of RM30.7 million compared to corresponding quarter's profit of RM187.0 million, mainly from the decrease in revenue and higher depreciation by RM68.4 million from the change in estimated useful life of vessels commencing January 2016.

Offshore

Offshore revenue of RM264.2 million was 49.8% higher than the corresponding quarter's revenue of RM176.4 million, mainly from consolidation of GKL beginning 13 May 2016.

Offshore recorded operating profit of RM72.0 million in the current quarter compared to operating loss of RM2.4 million in the corresponding quarter from higher revenue as explained above.

Heavy Engineering

Heavy Engineering revenue of RM333.5 million was 23.6% lower than the corresponding quarter's revenue of RM436.8 million, mainly due to fewer and lower value of projects in progress in its Heavy Engineering sub-segment and lower number of vessels and lower value of LNG, rig repairs and conversion work in its Marine sub-segment.

Heavy Engineering recorded operating loss of RM1.8 million in the current quarter compared to corresponding quarter's profit of RM20.5 million, mainly from fewer and lower value of projects in progress.

Others, Eliminations and Adjustments

Operating profit of RM34.3 million was 29.4% lower than the corresponding quarter's profit of RM48.6 million, mainly due to higher idle days for in-chartered container vessels that remained in the Corporation following the Group's exit from the Liner business in 2011.

Current 9-month period performance against the 9-month period ended 30 September 2015

Group revenue of RM7,079.7 million was 6.8% lower than RM7,596.3 million revenue for the 9-month period ended 30 September 2015 ("corresponding period"). Group operating profit of RM1,786.6 million was 1.8% higher than the corresponding period's profit of RM1,754.5 million. The variances in Group performance by segments are further explained below.

LNG

LNG revenue of RM1,923.5 million was 6.4% lower than the corresponding period's revenue of RM2,055.2 million, mainly from operating a smaller fleet of vessels following disposal of two vessels in November 2015 and lower charter rates earned on new contracts in the current period. However, LNG also recognised revenue in the current period for vessels that were being refurbished in the corresponding period.

LNG operating profit of RM1,236.5 million was 9.2% higher than the corresponding period's profit of RM1,132.1 million, mainly from recognition of compensation for early termination of time charter contracts for two vessels in the current period. The higher profit was achieved despite incurring higher depreciation by RM108.8 million from the change in estimated useful life of vessels commencing January 2016.

Petroleum

Petroleum revenue of RM3,484.1 million was 1.8% higher than the corresponding period's revenue of RM3,422.6 million, mainly due to the strengthening of United States Dollar ("USD") against Ringgit Malaysia ("RM") as follows:

	Year-to-Date Average USD1 : RM
9 months ended 30 September 2015	3.77680
9 months ended 30 September 2016	4.08329

Petroleum operating profit of RM248.7 million was 33.5% lower than the corresponding period's profit of RM374.1 million, mainly from higher depreciation by RM222.7 million from the change in estimated useful life of vessels commencing January 2016.

Offshore
Offshore revenue of RM696.0 million was 6.9% higher than the corresponding period's revenue of RM651.0 million, mainly due to consolidation of GKL beginning 13 May 2016 that outweighed the revenue recognised for two (2) Engineering, Procurement and Construction ("EPC") projects completed in the corresponding period.

Offshore operating profit of RM74.1 million was 58.6% lower than the corresponding period's profit of RM179.2 million, mainly due to impairment provisions in the current period. The decrease in operating profit is mitigated by higher contribution from GKL following full consolidation beginning 13 May 2016.

Heavy Engineering
Heavy Engineering revenue of RM887.7 million was 48.9% lower than the corresponding period's revenue of RM1,738.4 million as a result of fewer and lower value of projects in progress in its Heavy Engineering sub-segment and lower number of vessels and lower value of LNG, rig repairs and conversion work in its Marine sub-segment.

Heavy Engineering recorded operating loss of RM5.7 million in the current period compared to the corresponding period's profit of RM77.8 million as lower revenue and contribution recorded are insufficient to absorb the segment's overheads.

Others, Eliminations and Adjustments
This segment recorded operating profit of RM233.0 million compared to operating loss of RM8.7 million in the corresponding period, mainly due to RM250.8 million reversal of provision for a legal suit in the current period.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

GROUP	**Quarter Ended 30 September 2016 RM Million**	**Quarter Ended 30 June 2016 RM Million**
Revenue	**2,292.8**	**2,392.4**
Operating Profit	**310.8**	**500.3**
Net impairment provisons	(164.4)	-
Net loss on deemed disposal of joint ventures	16.2	(48.7)
Net gain on acquisition of subsidiaries	(2.6)	847.3
Recognition of intangibles	-	47.5
Finance costs	(68.1)	(63.8)
Share of profit of associates and joint ventures	62.7	91.5
Profit Before Tax	**154.6**	**1,374.1**

Group revenue of RM2,292.8 million was 4.2% lower than the preceding quarter's revenue of RM2,392.4 million, mainly due to lower freight rates from Petroleum segment.

Group operating profit of RM310.8 million was lower than the preceding quarter's profit of RM500.3 million, mainly due to lower profit in Petroleum from lower freight rates and adjustment to FPSO Cendor's finance lease receivables in the current quarter.

B3. GROUP CURRENT YEAR PROSPECTS

The LNG shipping market is currently overwhelmed by the number of unutilised newbuild deliveries into the market which continues to dampen the long-term and short-term charter markets. On a more positive note, the Group's present portfolio of long term charters will support the steady financial performance for MISC's LNG business segment.

Petroleum tanker charter rates have softened considerably in the middle of the year as the sector took delivery of a higher number of newbuilds compared to last year, amidst the build-up in global crude and products inventory. However, in tandem with the pickup of refinery activities leading up to the peak winter months, we expect the Group's petroleum shipping business to end the year on a firmer note.

As upstream activities in the oil and gas sector remain subdued due to the low oil price environment, prospects of new tenders and projects remain poor in the offshore segment. As a result, orderbook replenishment at MHB remains a challenge and the underutilization of assets may subject MHB to impairment charges which will significantly affect its current year financial results. Despite the lack of greenfield projects, MISC's offshore business unit has been able to participate in bidding for various brownfield development projects. Long term contracts in hand will continue to support the stable financial performance of the offshore business segment.

B4. VARIANCE OF ACTUAL RESULTS COMPARED WITH FORECAST AND SHORTFALL IN PROFIT GUARANTEE

The Corporation did not provide any profit forecast or profit guarantee in any public document.

B5. TAXATION

	Quarter Ended 30 September 2016 RM'000	**Cumulative 9 Months Ended 30 September 2016 RM'000**
Taxation for the period comprises the following charge:		
Income tax charge		
- current period	11,964	5,897
- prior year	(60)	(60)
Deferred taxation	(665)	10,108
	11,239	15,945

The Government had proposed to reduce the exemption for the shipping sector provided under Section 54A of the Income Tax Act, 1967 from 100% to 70% of statutory income effective from Year of Assessment 2012. Subsequently in December 2015, the Government decided to defer the implementation of the above proposal to Year of Assessment 2020.

The taxation charge is attributable to tax in respect of other activities of the Group.

B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There were no outstanding corporate proposals submitted by the Group for the quarter ended 30 September 2016.

B7. CHANGES IN MATERIAL LITIGATION

Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") and Sabah Shell Production Limited ("SSPC")

On 9 November 2012, MISC's wholly-owned subsidiary, GKL entered into a Semi FPS Lease Agreement with SSPC, a wholly-owned subsidiary of Shell, for the construction and lease of Gumusut-Kakap Semi-Floating Production System ("Semi-FPS") for the purposes of the production of crude oil ("the Contract").

On 23 September 2016, GKL filed a Notice of Adjudication against SSPC under Construction Industry Payment and Adjudication Act ("CIPAA") 2012 and also a Notice of Arbitration dated 2 September 2016 with the Kuala Lumpur Regional Centre for Arbitration to commence arbitration proceedings against SSPC ("Legal Proceedings").

The Legal Proceedings were commenced to seek resolution on contractual disputes covering claims for outstanding additional lease rates, payment for completed variation works and other associated costs under the above-said Contract.

Among others, GKL is claiming the following from SSPC:

1) The total sum of approximately USD245.0 million and applicable interest at any rate deemed fit by the tribunal/adjudicator;
2) Declaratory relief;
3) The costs of the arbitration/adjudication; and
4) Any further or other awards as the tribunal/adjudicator deems fit.

SSPC refuted both the Notice of Adjudication and the Notice of Arbitration and indicated intention to counter-claim based on allegations that GKL had failed to perform the work in accordance with the Contract including amongst others claim for liquidated damages. The full amount of SSPC's claim has yet to be quantified. Appointment of Adjudicator and Arbitrators are on-going.

In the meantime, SSPC had on 19 October 2016 called upon a Bank Guarantee of USD20.0 million which was provided by GKL in favour of SSPC as security in respect of certain obligations of GKL under the Contract ("BG"). GKL contested the BG demand and obtained an interim injunction against the release of the BG. The Court has fixed 3 November 2016 to hear both parties' arguments on SSPC's call on the BG.

B8. DIVIDENDS

No dividend has been proposed by the Board of Directors for this quarter ended 30 September 2016 (30 September 2015: Nil).

B9. DERIVATIVES

As part of the Group's efforts to hedge its interest rate risks, the Group entered into interest rate swap ("IRS") arrangements, a form of derivative to convert its interest exposure from floating term into fixed term. The maturity of the IRS arrangements coincide with the maturity of the original floating rate loans.

The Group also entered into forward currency contracts to manage its foreign exchange risk.

Details of the Group's derivative financial instruments outstanding as at 30 September 2016 are as follows:

Contract/Tenure	**Notional Value RM'000**	**Fair Value Gain/(Loss) RM'000**
Foreign exchange contracts		
1 year to 3 years	71,185	(22)
	71,185	(22)
Interest rate swaps		
1 year to 3 years	1,243,950	(7,344)
More than 3 years	391,339	(9,579)
	1,635,289	(16,923)
Total	**1,706,474**	**(16,945)**

B10. EARNINGS PER SHARE

	Quarter Ended 30 September 2016	**2015**	**Cumulative 9 Months Ended 30 September 2016**	**2015**
Basic earnings per share are computed as follows:				
Profit for the period attributable to equity holders of the Corporation (RM'000):	134,160	483,564	2,051,723	1,715,060
Weighted average number of ordinary shares in issue (thousand)	**4,463,794**	**4,463,794**	**4,463,794**	**4,463,794**
Basic earnings per share (sen)	3.0	10.8	46.0	38.4

The Group does not have any financial instrument which may dilute its basic earnings per share.

B11. REALISED AND UNREALISED PROFIT

The breakdown of the Group's retained profits as at 30 September 2016 and 31 December 2015 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	30 September 2016 RM'000	**31 December 2015 RM'000**
Total retained profits of MISC Group and its subsidiaries:		
- Realised	21,071,066	18,976,102
- Unrealised	(987,001)	(1,142,352)
	20,084,065	**17,833,750**
Total share of retained loss from associates:		
- Realised	(2,071)	(2,178)
- Unrealised	-	-
	(2,071)	**(2,178)**
Total share of retained profits from joint ventures:		
- Realised	1,122,041	2,314,807
- Unrealised	(335)	(580)
	1,121,706	**2,314,227**
Total Group retained profits	**21,203,700**	**20,145,799**
Less:		
Consolidation adjustments	(1,940,139)	(1,483,228)
Total Group retained profits as per consolidated accounts	**19,263,561**	**18,662,571**

By Order of the Board