MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Income Statement

For The Period Ended 31 March 2017

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2017	**2016**	**2017**	**2016**
	RM million	**RM million**	**RM million**	**RM million**
Revenue	2,984.9	2,394.4	2,984.9	2,394.4
Cost of sales	(1,883.8)	(1,599.7)	(1,883.8)	(1,599.7)
GROSS PROFIT	**1,101.1**	**794.7**	**1,101.1**	**794.7**
Other operating income	62.0	779.5	62.0	779.5
General and administrative expenses	(481.8)	(598.7)	(481.8)	(598.7)
OPERATING PROFIT	**681.3**	**975.5**	**681.3**	**975.5**
Impairment loss on property, plant and equipment	-	(18.8)	-	(18.8)
Write off of intangibles	-	(54.6)	-	(54.6)
Provision for charter hire loss	-	(200.8)	-	(200.8)
Gain on disposal of ships, property, plant and equipment	30.8	-	30.8	-
Finance costs	(65.8)	(47.7)	(65.8)	(47.7)
Share of profit of joint ventures	50.3	127.1	50.3	127.1
PROFIT BEFORE TAX	**696.6**	**780.7**	**696.6**	**780.7**
Taxation	(2.7)	14.7	(2.7)	14.7
PROFIT AFTER TAX	**693.9**	**795.4**	**693.9**	**795.4**
PROFIT ATTRIBUTABLE TO:				
Equity holders of the Corporation	676.2	571.0	676.2	571.0
Non-controlling interests	17.7	224.4	17.7	224.4
PROFIT AFTER TAX	**693.9**	**795.4**	**693.9**	**795.4**
BASIC & DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION (SEN)	15.1	12.8	15.1	12.8

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2016.

MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Comprehensive Income

For The Period Ended 31 March 2017

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2017	**2016**	**2017**	**2016**
	RM million	**RM million**	**RM million**	**RM million**
PROFIT AFTER TAX	**693.9**	**795.4**	**693.9**	**795.4**
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified to profit or loss in subsequent periods:				
Fair value loss on non-current investments	(1.4)	(3.8)	(1.4)	(3.8)
Cash flow hedges:				
Fair value gain/(loss)	11.9	(26.9)	11.9	(26.9)
Loss on currency translation *	(491.3)	(2,792.0)	(491.3)	(2,792.0)
Total other comprehensive loss	**(480.8)**	**(2,822.7)**	**(480.8)**	**(2,822.7)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**213.1**	**(2,027.3)**	**213.1**	**(2,027.3)**
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Equity holders of the Corporation	200.5	(2,220.8)	200.5	(2,220.8)
Non-controlling interests	12.6	193.5	12.6	193.5
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**213.1**	**(2,027.3)**	**213.1**	**(2,027.3)**

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

	2017	**2016**	**2015**
As at 31 December	-	4.48450	4.29400
As at 31 March	4.42400	3.93300	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2016.

MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Financial Position

As at 31 March 2017

	31 March 2017 RM million	31 December 2016 RM million
NON CURRENT ASSETS		
Ships	23,207.8	23,858.4
Offshore floating assets	455.0	473.5
Property, plant and equipment	1,707.6	1,782.4
Prepaid lease payments on land and buildings	225.9	227.8
Finance lease receivables	14,852.8	13,454.2
Finance lease assets under construction	1,025.9	1,418.0
Investments in associates	2.4	2.5
Investments in joint ventures	1,556.8	1,602.2
Other non-current financial assets	314.7	318.8
Derivative assets	4.0	1.5
Intangible assets	922.9	938.7
Deferred tax assets	85.7	85.3
	44,361.5	**44,163.3**
CURRENT ASSETS		
Inventories	234.5	213.5
Finance lease receivables	945.7	1,010.3
Trade and other receivables	2,856.0	3,900.2
Cash,deposits and bank balances	5,958.0	6,559.2
Amounts due from related companies	93.7	70.9
Amounts due from joint ventures	60.6	58.9
Assets held for sale	117.7	175.0
Tax receivable	3.1	-
	10,269.3	**11,988.0**
TOTAL ASSETS	**54,630.8**	**56,151.3**
EQUITY		
Share capital	4,463.8	4,463.8
Share premium	4,459.5	4,459.5
Reserves	8,873.3	9,349.0
Retained profits	19,576.8	19,793.4
Equity attributable to equity holders of the Corporation	**37,373.4**	**38,065.7**
Non-controlling interests	1,277.9	1,265.3
TOTAL EQUITY	**38,651.3**	**39,331.0**
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	4,973.7	5,228.5
Deferred income	739.1	757.0
Deferred tax liabilities	33.0	37.2
Provisions	611.7	681.8
Derivative liabilities	-	0.7
	6,357.5	**6,705.2**
CURRENT LIABILITIES		
Interest bearing loans and borrowings	7,035.3	7,372.9
Trade and other payables	2,468.4	2,620.6
Provision for taxation	-	1.4
Amounts due to related companies	4.6	4.4
Amounts due to associates	1.0	1.0
Amounts due to joint ventures	109.6	108.1
Derivative liabilities	3.1	6.7
	9,622.0	**10,115.1**
TOTAL LIABILITIES	**15,979.5**	**16,820.3**
TOTAL EQUITY AND LIABILITIES	**54,630.8**	**56,151.3**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2016.

MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Cash Flows

For the Period Ended 31 March 2017

	31 March 2017 RM million	31 March 2016 RM million
Cash Flow from Operating Activities:		
Profit before tax	696.6	780.7
Impairment loss on receivables	227.9	0.2
Write off of finance lease receivables	-	242.0
Depreciation of ships, property, plant and equipment	540.9	502.6
Amortisation of prepaid lease payments	1.8	1.9
Impairment loss on property, plant and equipment	-	18.8
Write off of property, plant and equipment	5.9	3.9
Gain on disposal of ships, property, plant and equipment	(30.8)	-
Net unrealised foreign exchange loss	15.6	55.9
Dividend income from equity investments	(0.6)	-
Finance costs	65.8	47.7
Interest income	(22.0)	(11.3)
Amortisation of intangibles	3.7	2.2
Write off of intangibles	-	54.6
Share of profit of joint venture companies	(50.3)	(127.1)
Net provisions/(reversals)	14.0	(49.8)
Operating profit before working capital changes	1,468.5	1,522.3
Inventories	(23.9)	(6.2)
Trade and other receivables	361.3	295.0
Trade and other payables	(284.3)	(523.6)
Cash generated from operations	1,521.6	1,287.5
Net tax paid	(7.5)	(26.8)
Net cash flows generated from operating activities	**1,514.1**	**1,260.7**

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2016.

	31 March 2017 RM million	31 March 2016 RM million
Cash Flow from Investing Activities:		
Purchase of ships, offshore floating assets and other property,plant and equipment	(281.4)	(260.4)
Proceeds from disposal of ships, other property, plant and equipment and assets held for sale	88.9	-
Progress payments for finance lease assets under construction	(553.8)	(87.1)
Dividend income from:		
Quoted investments	0.6	-
Associates and joint ventures	75.8	36.0
Repayment of loans due from joint ventures	-	0.1
Interest received	12.3	15.0
Net fixed deposit withdrawal	4.6	-
Net cash flows used in investing activities	**(653.0)**	**(296.4)**
Cash Flow from Financing Activities:		
Drawdown of term loans and revolving credit	604.8	629.2
Repayment of term loans and revolving credit	(1,033.7)	(208.5)
Dividends paid to the equity holders of the Corporation	(892.8)	(558.0)
Dividends paid to non-controlling interest of subsidiaries	-	(20.0)
Cash advances from joint ventures	-	17.9
Interest paid	(58.3)	(28.1)
Cash pledged with bank - restricted	(7.1)	-
Net cash flows used in financing activities	**(1,387.1)**	**(167.5)**
Net Change in Cash & Cash Equivalents	(526.0)	796.8
Cash & Cash Equivalents at the beginning of the year	6,409.0	5,654.0
Currency translation difference	(77.7)	(388.1)
Cash & Cash Equivalents at the end of the period	**5,805.3**	**6,062.7**
Cash pledged with bank - restricted	152.7	**-**
Cash, deposits and bank balances	**5,958.0**	**6,062.7**

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2016.

MISC BERHAD
(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Changes in Equity
For the Period Ended 31 March 2017

	←						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 million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million
3 MONTHS ENDED 31 MARCH 2017															
At 1 January 2017	**39,331.0**	**38,065.7**	**4,463.8**	**4,459.5**	**19,793.4**	**9,349.0**	**41.4**	**435.3**	**1.4**	**2.0**	**59.7**	**56.0**	**(3.8)**	**8,757.0**	**1,265.3**
Total comprehensive income/(loss)	213.1	200.5	-	-	676.2	(475.7)	-	-	-	-	-	(1.4)	8.8	(483.1)	12.6
Transactions with owners															
Dividends	(892.8)	(892.8)	-	-	(892.8)	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	(892.8)	(892.8)	-	-	(892.8)	-	-	-	-	-	-	-	-	-	-
At 31 March 2017	**38,651.3**	**37,373.4**	**4,463.8**	**4,459.5**	**19,576.8**	**8,873.3**	**41.4**	**435.3**	**1.4**	**2.0**	**59.7**	**54.6**	**5.0**	**8,273.9**	**1,277.9**
3 MONTHS ENDED 31 MARCH 2016															
At 1 January 2016	**36,459.1**	**35,361.5**	**4,463.8**	**4,459.5**	**18,662.6**	**7,775.6**	**41.4**	**435.3**	**1.4**	**2.0**	**59.7**	**65.6**	**1.8**	**7,168.5**	**1,097.7**
Total comprehensive (loss)/income	(2,027.3)	(2,220.8)	-	-	571.0	(2,791.8)	-	-	-	-	-	(3.8)	(26.4)	(2,761.6)	193.5
Transactions with owners															
Dividends	(558.0)	(558.0)	-	-	(558.0)	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	(558.0)	(558.0)	-	-	(558.0)	-	-	-	-	-	-	-	-	-	-
At 31 March 2016	**33,873.8**	**32,582.7**	**4,463.8**	**4,459.5**	**18,675.6**	**4,983.8**	**41.4**	**435.3**	**1.4**	**2.0**	**59.7**	**61.8**	**(24.6)**	**4,406.9**	**1,291.2**

* 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 2016.

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 4 May 2017.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the quarter ended 31 March 2017 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 2016.

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 2016.

The audited consolidated financial statements of the Group for the year ended 31 December 2016 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 2017 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2016.

As of 1 January 2017, 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 2017:
Amendments to MFRS 12: Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 Cycle)
Amendments to MFRS 107: Statement of Cash Flows: Disclosure Initiative
Amendments to MFRS 112: Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

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

A4. CHANGES IN ESTIMATES

There were no material changes in estimates reported in the current financial period.

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 2016.

A6. CHANGES IN COMPOSITION OF THE GROUP

(a) The Corporation had, on 20 January 2017, received the delivery of Seri Cenderawasih, a newly built LNG Carrier from Hyundai Heavy Industries Co. Ltd. In conjunction with the delivery of Seri Cenderawasih, MISC Tankers Sdn. Bhd., a wholly-owned subsidiary of the Corporation, incorporated a wholly-owned subsidiary, Seri Cenderawasih (L) Private Limited, under the Labuan Companies Act, 1990, to own and operate Seri Cenderawasih.

(b) The Corporation had, on 3 March 2017, announced the integration of fleet management services of MISC Berhad and American Eagle Tankers (“AET”), which will be known as the Eaglestar Group. Pursuant to the integration, MISC has incorporated two subsidiaries namely Eaglestar Marine Holdings (L) Pte. Ltd. (“EMH”) and Eaglestar Shipmanagement (L) Pte. Ltd. (“ESM”) under the Labuan Companies Act, 1990. The principal activities of EMH are the provision of marine services and investment holding, whilst the principal activity of ESM is the provision of ship management services. The initial issued and paid-up share capital of each of the subsidiaries is USD10 divided into 10 ordinary shares. The issued and paid-up share capital will be increased to meet the subsidiaries’ working capital requirements.

A7. SEGMENT REPORT

Segmental analysis for the current financial period is as follows:

	LNG	Petroleum	Offshore	Heavy Engineering	Others, eliminations and adjustments		Total
	RM million	RM million	RM million	RM million	RM million		RM million
Revenue							
External sales	746.5	1,285.2	715.0	191.5	46.7		2,984.9
Inter-segment	-	-	19.7	44.4	(64.1)		-
	746.5	**1,285.2**	**734.7**	**235.9**	**(17.4)**	*	**2,984.9**
Operating profit	**330.0**	**82.6**	**302.1**	**(15.6)**	**(17.8)**	**	**681.3**

* Comprises Tank Terminal results and inter-segment eliminations.

** Comprises 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 31 March		Cumulative 3 Months Ended 31 March	
	2017	**2016**	**2017**	**2016**
	RM million	**RM million**	**RM million**	**RM million**
Interest income	22.0	11.4	22.0	11.4
Other income	37.2	712.2	37.2	712.2
Finance costs	(65.8)	(47.7)	(65.8)	(47.7)
Depreciation of ships, property, plant and equipment	(540.9)	(502.6)	(540.9)	(502.6)
Amortisation of prepaid lease payments	(1.8)	(1.9)	(1.8)	(1.9)
Amortisation of intangibles	(3.7)	(2.2)	(3.7)	(2.2)
Write off of finance lease receivables	-	(242.0)	-	(242.0)
Write off of property, plant and equipment	(5.9)	(3.9)	(5.9)	(3.9)
Gain on disposal of ships, property,plant and equipment	30.8	-	30.8	-
Impairment loss on property, plant and equipment	-	(18.8)	-	(18.8)
Write off of intangibles	-	(54.6)	-	(54.6)
Impairment loss on receivables	(227.9)	(0.2)	(227.9)	(0.2)
Net realised foreign exchange (loss)/gain	(14.6)	11.9	(14.6)	11.9
Net unrealised foreign exchange loss	(15.6)	(55.9)	(15.6)	(55.9)

A10. SHIPS, PROPERTY, PLANT AND EQUIPMENT

Included in ships, property, plant and equipment are construction work-in-progress, mainly for the construction of ships and offshore floating assets totalling RM887.4 million.

The Group recognised a net gain on disposal of RM30.8 million from disposal of ships, property, plant and equipment in the quarter ended 31 March 2017. The Group did not dispose any ships, property, plant and equipment in the quarter ended 31 March 2016.

A11. INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
	RM million	RM million	RM million
Cost			
At 1 January 2016	**1,021.1**	**504.5**	**1,525.6**
Addition	-	47.5	47.5
Disposal of a subsidiary	(0.1)	-	(0.1)
Write-off	-	(339.3)	(339.3)
Currency translation differences	38.0	-	38.0
At 31 December 2016	**1,059.0**	**212.7**	**1,271.7**
Currency translation differences	(12.2)	-	(12.2)
At 31 March 2017	**1,046.8**	**212.7**	**1,259.5**
Accumulated amortisation and impairment			
At 1 January 2016	**162.5**	**437.4**	**599.9**
Amortisation	-	17.7	17.7
Write-off	-	(284.7)	(284.7)
At 31 December 2016	**162.5**	**170.4**	**332.9**
Amortisation	-	3.7	3.7
At 31 March 2017	**162.5**	**174.1**	**336.6**
Net carrying amount			
At 1 January 2016	**858.6**	**67.1**	**925.7**
At 31 December 2016	**896.5**	**42.3**	**938.8**
At 31 March 2017	**884.3**	**38.6**	**922.9**

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 2016.

Goodwill was not tested for impairment in the quarter as there were no indications of impairment as at 31 March 2017.

A12. INVENTORIES

The Group did not recognise any write-down of inventories or reversal of inventories during the quarter ended 31 March 2017.

A13. CASH, DEPOSITS AND BANK BALANCES

Breakdown of cash, deposits and bank balances is as follows:

	31 March 2017 RM million	31 December 2016 RM million
Cash with PETRONAS Integrated Financial Shared Service Centre *	4,073.9	5,359.7
Cash and bank balances	313.8	369.0
Deposits with licensed banks	1,570.3	830.5
Total cash, deposits and bank balances	**5,958.0**	**6,559.2**

* 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").

Included in cash and bank balances is the retention account of RM152.7 million (31 December 2016: RM145.6 million) which is restricted for use because it is pledged to the bank for the purpose of acquisition of ships.

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 million	Level 2 RM million	Level 3 RM million	Total RM million
At 31 March 2017				
<u>**Financial Assets**</u>				
Available-for-sale financial assets				
Quoted investments	65.3	-	-	65.3
Derivatives				
Interest rate swaps designated as hedging instruments	-	4.0	-	4.0
	65.3	**4.0**	**-**	**69.3**
<u>**Financial Liabilities**</u>				
Derivatives				
Forward exchange contracts	**-**	**(3.1)**	**-**	**(3.1)**

	Level 1 RM million	Level 2 RM million	Level 3 RM million	Total RM million
At 31 December 2016				
Financial Assets				
Available-for-sale financial assets				
Quoted investments	66.7	-	-	66.7
Derivatives				
Interest rate swaps designated as hedging instruments	-	1.5	-	1.5
	66.7	**1.5**	**-**	**68.2**
Financial Liabilities				
Derivatives				
Forward exchange contracts	-	(6.7)	-	(6.7)
Interest rate swaps designated as hedging instruments	-	(0.7)	-	(0.7)
	-	**(7.4)**	**-**	**(7.4)**

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

There were no issuance or repayment of debt and equity securities made by the Group during the quarter ended 31 March 2017.

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:

	31 March 2017 RM million	31 December 2016 RM million
Short Term Borrowings		
Secured	238.2	241.4
Unsecured	6,797.1	7,131.5
	7,035.3	7,372.9
Long Term Borrowings		
Secured	2,014.8	2,102.7
Unsecured	2,958.9	3,125.8
	4,973.7	5,228.5
Total	**12,009.0**	**12,601.4**

ii) Foreign borrowings in United States Dollar equivalent as at 31 March 2017 is as follows:

	RM million
United States Dollar Borrowings	11,989.0

A17. DIVIDENDS PAID

The Corporation paid the following dividends in the period ended 31 March 2017 and year ended 31 December 2016:

	31 March 2017		31 December 2016	
	Sen/Share	**RM million**	**Sen/Share**	**RM million**
Second interim tax exempt dividend in respect of:				
- Financial year ended 31 December 2016 on 16 March 2017	20.0	892.8	-	-
- Financial year ended 31 December 2015 on 9 March 2016	-	-	12.5	558.0
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

A18. CAPITAL COMMITMENTS

	31 March 2017 RM million	31 December 2016 RM million
Approved and contracted for	3,656.1	3,975.1
Approved but not contracted for	266.1	371.0
Total	**3,922.2**	**4,346.1**

A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group comprise the following:

	RM million
Secured	
Bank guarantees extended to a third party	0.4
Unsecured	
Bank guarantees extended to a third party	212.5
Bank guarantees extended to related companies	47.1
	259.6

A20. SUBSEQUENT MATERIAL EVENT

There were no material events subsequent to the quarter end date.

B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2017	2016	2017	2016
	RM million	RM million	RM million	RM million
Revenue				
LNG	746.5	683.0	746.5	683.0
Petroleum	1,285.2	1,271.2	1,285.2	1,271.2
Offshore	734.7	191.7	734.7	191.7
Heavy Engineering	235.9	256.7	235.9	256.7
Others, Eliminations and Adjustments	(17.4)	(8.2)	(17.4)	(8.2)
Total	**2,984.9**	**2,394.4**	**2,984.9**	**2,394.4**
Operating Profit				
LNG	330.0	747.8	330.0	747.8
Petroleum	82.6	221.4	82.6	221.4
Offshore	302.1	(164.5)	302.1	(164.5)
Heavy Engineering	(15.6)	(3.5)	(15.6)	(3.5)
Others, Eliminations and Adjustments	(17.8)	174.3	(17.8)	174.3
Total Operating Profit	**681.3**	**975.5**	**681.3**	**975.5**
Impairment loss on property, plant and equipment	-	(18.8)	-	(18.8)
Write off of intangibles	-	(54.6)	-	(54.6)
Provision for charter hire loss	-	(200.8)	-	(200.8)
Net gain on disposal of ships, property, plant and equipment	30.8	-	30.8	-
Finance costs	(65.8)	(47.7)	(65.8)	(47.7)
Share of profit of associates and joint ventures	50.3	127.1	50.3	127.1
Profit Before Tax	**696.6**	**780.7**	**696.6**	**780.7**

Current quarter’s performance against the quarter ended 31 March 2016

Group revenue of RM2,984.9 million was 24.7% higher than the quarter ended 31 March 2016 (“corresponding quarter”) revenue of RM2,394.4 million, while Group operating profit of RM681.3 million was 30.2% lower than the corresponding quarter's profit of RM975.5 million. The variances in Group performance by segments are further explained below.

LNG

Revenue of RM746.5 million was 9.3% higher than the corresponding quarter’s revenue of RM683.0 million, mainly from lease commencement of two new vessels.

Operating profit of RM330.0 million was 55.9% lower than the corresponding quarter’s profit of RM747.8 million, mainly due to corresponding quarter’s profit included recognition of compensation for early termination of time charter contracts for two vessels.

Petroleum

Revenue of RM1,285.2 million was 1.1% higher than the corresponding quarter's revenue of RM1,271.2 million, mainly due to the strengthening of United States Dollar ("USD") against Ringgit Malaysia ("RM") as follows:

	Year-to-Date Average USD1 : RM
Year ended 31 March 2016	4.19451
Year ended 31 March 2017	4.44689

Operating profit of RM82.6 million was 62.7% lower than the corresponding quarter's profit of RM221.4 million, mainly from lower freight rates and higher bunker costs incurred in the current quarter.

Offshore

Revenue of RM734.7 million was higher than the corresponding quarter's revenue of RM191.7 million, mainly from consolidation of Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") beginning 13 May 2016, recognition of one time gain for GKL from variation works following favourable decision of the adjudication and lease commencement of Marginal Marine Production Unit ("MaMPU") in Q4 FY2016.

Offshore business recorded operating profit of RM302.1 million compared to corresponding quarter's loss of RM164.5 million, mainly from higher revenue from GKL and recognition of construction gain from Floating, Storage and Offloading Vessel ("FSO") Benchamas 2 in the current quarter. Offshore business recorded loss in the corresponding quarter mainly due to write-off of finance lease receivables following early termination of contracts for two Mobile Offshore Production Units ("MOPU").

Heavy Engineering

Revenue of RM235.9 million was 8.1% lower than the corresponding quarter's revenue of RM256.7 million, mainly due to corresponding quarter's results included one-off revenue and contribution from finalisation of carried forward projects in the Marine sub-segment. However, higher revenue in its Heavy Engineering sub-segment following recognition of progress for Rapid and F12 projects softened the decrease of revenue in the current quarter.

Operating loss of RM15.6 million was higher than the corresponding quarter's loss of RM3.5 million, mainly due to corresponding quarter's results included one-off revenue and contribution from finalisation of carried forward projects in the Marine sub-segment. However, lower operating loss in its Heavy Engineering sub-segment following change order recognition for Malikai project lessened the increase of operating loss in the current quarter.

Others, Eliminations and Adjustments

Other segment recorded operating loss of RM17.8 million as compared to corresponding quarter's profit of RM174.3 million, mainly due to corresponding quarter's profit included a reversal of provision for a legal suit amounting to RM250.6 million.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

GROUP	Quarter Ended 31 March 2017 RM million	Quarter Ended 31 December 2016 RM million
Revenue	**2,984.9**	**2,517.5**
Operating Profit	**681.3**	**666.6**
Impairment loss on property, plant and equipment	-	(175.6)
Net gain on disposal of a subsidiary	-	73.6
Net gain on deemed disposal of joint ventures	-	1.0
Net gain on acquisition of subsidiaries	-	0.5
Net gain on disposal of ships, property, plant and equipment	30.8	-
Finance costs	(65.8)	(68.3)
Share of profit of associates and joint ventures	50.3	6.7
Profit Before Tax	**696.6**	**504.5**

Group revenue of RM2,984.9 million was 18.6% higher than the preceding quarter's revenue of RM2,517.5 million, mainly due to higher revenue from GKL following recognition of one time gain from variation works which was awarded by the adjudicator and lease commencement of a newly delivered LNG vessel in the current quarter.

Group operating profit of RM681.3 million was 2.2% higher than the preceding quarter's profit of RM666.6 million, mainly due to higher profit from LNG business in tandem with higher revenue.

B3. GROUP CURRENT YEAR PROSPECTS

Vessel oversupply is expected to persist in the LNG shipping market as heavy delivery of new LNG vessels continue into 2017. LNG charter rates are expected to remain soft in the near-term as the oversupply situation is also exacerbated by a significant number of older LNG tankers coming off charters. Nevertheless, the Group's present portfolio of long term charters will support the steady financial performance of MISC's LNG business segment.

The petroleum shipping market faces a similar tonnage oversupply situation, as 2017 will see a considerable amount of newbuild deliveries across the vessel segments outpacing demand growth in the sector. Petroleum tanker charter rates are expected to fluctuate with the seasonal demands and averaging lower than the prior year.

As the oil market rebalances, a more stable oil price environment will pave the way for a gradual recovery in global offshore oil & gas investments. Nevertheless the Heavy Engineering segment will increase its initiatives in diversifying into the onshore segment, hook-up and commissioning as well as facilities maintenance projects to replenish orderbook. Cost management and resource optimisation remains an on-going priority.

Our existing portfolio of long term contracts 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 31 March 2017 RM million
Taxation for the period comprises the following charge:	
Income tax charge	
- current period	3.1
Deferred taxation	(0.4)
	2.7

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 31 March 2017.

B7. CHANGES IN MATERIAL LITIGATION

<u>Gumusut-Kakap Semi-Floating Production System (L) Limited (“GKL”) and Sabah Shell Petroleum Limited (“SSPC”)</u>

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

Among others, GKL is claiming the following from SSPC:
i. The total sum of approximately USD245.0 million and applicable interest at any rate deemed fit by the tribunal/adjudicator;
ii. Declaratory relief;
iii. The costs of the arbitration/adjudication; and
iv. Any further or other awards as the tribunal/adjudicator deems fit.

The Legal Proceedings initiated to resolve the contractual disputes will not have any impact on the operation of the Semi-FPS or the performance of the Contract, including the lease payments which continue to be paid by SSPC since October 2014. The lease period pursuant to the Contract remains intact and GKL will continue to receive payment from SSPC for the relevant lease period.

The status to date of the Legal Proceedings is as follows:

<u>Adjudication Claim</u>:
Following the Adjudication Proceedings, an Adjudication Decision has been issued in GKL’s favour on 10 February 2017 and GKL was awarded, amongst others, the following:
i. The total sum of USD254,447,464.00 being the amount due for variation works undertaken by GKL. The said amount will be paid as increased Day Rates pursuant to the terms of the Contract;
ii. Applicable interests; and
iii. Costs of RM308,634.04.

SSPC has paid the sums due under the Adjudication Decision amounting to USD69,156,701.80 (comprising USD67.3 million for Additional Lease Rate due from 1 September 2015 to 31 January 2017 and interest thereon) and costs of RM308,634.04 without prejudice to its rights to pursue recovery of all sums paid via the pending Arbitration.

<u>Arbitration</u>:
The arbitration hearing will commence from 25 February 2019 to 16 March 2019. GKL has filed its Statement of Claim on 28 February 2017. SSPC is to submit its Statement of Defence and Counterclaim by 30 May 2017.

<u>Injunction</u>:
On 19 October 2016, SSPC called upon GKL’s USD20.0 million Bank Guarantee for GKL’s warranty obligations under the Contract (“BG”). GKL obtained an Interim Injunction from the Court against the BG release on 20 October 2016.

On 20 February 2017, GKL was ordered by the High Court to release the BG sum of USD20.0 million together with interest. Payment was made by GKL on 27 February 2017 and GKL has filed an appeal at the Court of Appeal against the High Court’s judgment. The appeal proceeding is ongoing.

The Legal Proceedings on the adjudication decision are expected to have the following financial impact for the financial year ending 31 December 2017:
i. Interest charged to SSPC on late payment of USD2,024,004;
ii. One time gain on recognition of Finance Lease for variation works of USD65,295,169; and
iii. Finance lease interest income on recognition of Finance Lease for variation works of USD8,970,297.

<u>Malaysia Offshore Mobile Production (Labuan) Ltd ("MOMPL") and PCPP Operating Company Sdn Bhd ("PCPP")</u>

MOMPL and PCPP are parties to an Agreement for the Leasing, Operation and Maintenance of Two (2) Plain Mobile Offshore Production Unit ("MOPUs") Facilities for D30 and Dana Fields Development Project dated 28 November 2008 ("the Contract").

MOMPL, a wholly-owned subsidiary of MISC Berhad has decided to pursue legal actions against PCPP in order to recover sums outstanding from PCPP with respect to the outstanding lease and service rates, payment for completed variation works, early termination fees and other associated costs under the Contract.

In this respect:

1. MOMPL has filed a Statement of Claim under Arbitration amounting to USD18,829,900.00 and RM17,943,935.00 to claim for part of the outstanding sums; and
2. Issued a payment claim under the Construction Industry Payment And Adjudication Act 2012 ("CIPAA") amounting to USD9,949,734.00 for speedy recovery of claims for the completed variation works.

MOMPL will also be pursuing relevant legal recourse to claim for the remaining portions of the outstanding sums due and owing from PCPP.

PCPP is a joint operating company with shareholders comprising PETRONAS Carigali Sdn Bhd (40%), PT Pertamina Hulu Energi (30%) and PetroVietnam Exploration Production Corporation Ltd (30%).

The Legal Proceedings if successful, is expected to contribute positively to the earnings per share, gearing and net assets per share of MISC in the future.

B8. DIVIDENDS

The Board of Directors has approved a first tax exempt dividend of 7.0 sen per share (31 March 2016: Nil) in respect of financial year 2017 amounting to RM312.5 million (31 March 2016: Nil). The proposed dividend will be paid on 31 May 2017 to shareholders registered at the close of business on 23 May 2017.

A depositor shall qualify for entitlement to the dividend only in respect of:

i) Shares transferred into the Depositor's Securities Account before 4.00 pm on 23 May 2017 in respect of Ordinary Transfers; and
ii) Shares bought on the BMSB on a cum entitlement basis according to the rules of BMSB.

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 coincides 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 31 March 2017 are as follows:

Contract/Tenure	Notional Value RM million	Fair Value Gain/(Loss) RM million
Foreign exchange contracts		
1 year to 3 years	38.1	(2.4)
	38.1	(2.4)
Interest rate swaps		
1 year to 3 years	1,327.2	3.7
More than 3 years	394.0	1.0
	1,721.2	4.7
Total	**1,759.3**	**2.3**

B10. EARNINGS PER SHARE

	Quarter Ended 31 March 2017	2016	Cumulative 3 Months Ended 31 March 2017	2016
Basic earnings per share are computed as follows:				
Profit for the period attributable to equity holders of the Corporation (RM million):	676.2	571.0	676.2	571.0
Weighted average number of ordinary shares in issue (million)	**4,463.8**	**4,463.8**	**4,463.8**	**4,463.8**
Basic earnings per share (sen)	15.1	12.8	15.1	12.8

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 31 March 2017 and 31 December 2016 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.

	31 March 2017 RM million	**31 December 2016 RM million**
Total retained profits/(loss) of MISC Group and its subsidiaries:		
- Realised	21,563.3	21,636.9
- Unrealised	(932.5)	(955.9)
	20,630.8	**20,681.0**
Total share of retained profit from associates:		
- Realised	0.1	0.1
	0.1	**0.1**
Total share of retained profits/(loss) from joint ventures:		
- Realised	920.7	936.9
- Unrealised	0.3	(0.6)
	921.0	**936.3**
Total Group retained profits	**21,551.9**	**21,617.4**
Less:		
Consolidation adjustments	(1,975.1)	(1,824.0)
Total Group retained profits as per consolidated accounts	**19,576.8**	**19,793.4**

By Order of the Board