



MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Income Statement

For The Period Ended 30 June 2017

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2017 RM million	2016 RM million	2017 RM million	2016 RM million
Revenue	2,302.5	2,392.4	5,287.4	4,786.9
Cost of sales	(1,609.5)	(1,656.3)	(3,493.3)	(3,256.0)
GROSS PROFIT	693.0	736.1	1,794.1	1,530.9
Other operating income	240.4	67.8	302.4	847.3
General and administrative expenses	(216.0)	(303.6)	(697.8)	(902.3)
OPERATING PROFIT	717.4	500.3	1,398.7	1,475.9
Impairment loss on ships, property, plant and equipment	(133.6)	-	(133.6)	(18.8)
Net loss on liquidation of a subsidiary	(17.2)	-	(17.2)	-
Net loss on deemed disposal of joint ventures	-	(48.7)	-	(48.7)
Net gain on acquisition of subsidiaries	-	847.3	-	847.3
Recognition of intangibles	-	47.5	-	47.5
Write off of intangibles	-	-	-	(54.6)
Provision for charter hire loss	-	-	-	(200.8)
(Loss)/gain on disposal of ships, property, plant and equipment	(2.4)	-	28.4	-
Finance costs	(65.1)	(63.8)	(130.9)	(111.5)
Share of profit of joint ventures	59.6	91.5	109.9	218.6
PROFIT BEFORE TAX	558.7	1,374.1	1,255.3	2,154.9
Taxation	(4.9)	(19.4)	(7.6)	(4.7)
PROFIT AFTER TAX	553.8	1,354.7	1,247.7	2,150.2
PROFIT ATTRIBUTABLE TO:				
Equity holders of the Corporation	556.5	1,346.6	1,232.7	1,917.6
Non-controlling interests	(2.7)	8.1	15.0	232.6
PROFIT AFTER TAX	553.8	1,354.7	1,247.7	2,150.2
BASIC & DILUTED EARNINGS PER SHARE				
ATTRIBUTABLE TO EQUITY HOLDERS				
OF THE CORPORATION (SEN)	12.5	30.2	27.6	43.0

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 30 June 2017

	Quarter Ended		Cumulative	
	30 June		6 Months Ended	
	2017	2016	2017	2016
	RM million	RM million	RM million	RM million
PROFIT AFTER TAX	553.8	1,354.7	1,247.7	2,150.2
OTHER COMPREHENSIVE INCOME				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Fair value (loss)/ gain on non-current investments	(0.8)	1.9	(2.2)	(1.9)
Cash flow hedges:				
Fair value (loss)/gain				
Group	(1.6)	(7.8)	10.0	(34.7)
Joint ventures	(0.9)	0.3	(0.6)	0.3
(Loss)/gain on currency translation *	(1,037.1)	715.1	(1,528.3)	(2,076.9)
Total other comprehensive (loss)/income	(1,040.4)	709.5	(1,521.1)	(2,113.2)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(486.6)	2,064.2	(273.4)	37.0
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:				
Equity holders of the Corporation	(476.7)	2,043.3	(276.1)	(177.5)
Non-controlling interests	(9.9)	20.9	2.7	214.5
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(486.6)	2,064.2	(273.4)	37.0

* 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	-
As at 30 June	4.29500	4.01800	-



MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2017

	30 June 2017 RM million	31 December 2016 RM million
NON CURRENT ASSETS		
Ships	22,243.1	23,858.4
Offshore floating assets	389.9	473.5
Property, plant and equipment	1,700.8	1,782.4
Prepaid lease payments on land and buildings	224.0	227.8
Finance lease receivables	14,170.5	13,454.2
Finance lease assets under construction	1,087.7	1,418.0
Investments in associates	2.9	2.5
Investments in joint ventures	1,512.7	1,602.2
Other non-current financial assets	303.6	318.8
Derivative assets	2.7	1.5
Intangible assets	889.7	938.7
Deferred tax assets	85.6	85.3
	42,613.2	44,163.3
CURRENT ASSETS		
Inventories	218.3	213.5
Finance lease receivables	941.0	1,010.3
Trade and other receivables	2,611.1	3,900.2
Cash, deposits and bank balances	5,389.8	6,559.2
Amounts due from related companies	32.8	70.9
Amounts due from joint ventures	53.0	58.9
Assets held for sale	157.2	175.0
Tax receivable	1.9	-
	9,405.1	11,988.0
TOTAL ASSETS	52,018.3	56,151.3
EQUITY		
Share capital	8,983.0	4,463.8
Share premium	-	4,459.5
Reserves	7,780.5	9,349.0
Retained profits	19,837.6	19,793.4
Equity attributable to equity holders of the Corporation	36,601.1	38,065.7
Non-controlling interests	1,164.5	1,265.3
TOTAL EQUITY	37,765.6	39,331.0
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	4,649.9	5,228.5
Deferred income	718.9	757.0
Deferred tax liabilities	33.2	37.2
Provisions	-	681.8
Derivative liabilities	0.8	0.7
	5,402.8	6,705.2
CURRENT LIABILITIES		
Interest bearing loans and borrowings	6,659.3	7,372.9
Trade and other payables	2,078.8	2,620.6
Provision for taxation	-	1.4
Amounts due to related companies	2.1	4.4
Amounts due to associates	1.0	1.0
Amounts due to joint ventures	107.0	108.1
Derivative liabilities	1.7	6.7
	8,849.9	10,115.1
TOTAL LIABILITIES	14,252.7	16,820.3
TOTAL EQUITY AND LIABILITIES	52,018.3	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 30 June 2017

	30 June 2017 RM million	30 June 2016 RM million
Cash Flow from Operating Activities:		
Profit before tax	1,255.3	2,154.9
Impairment loss on receivables	225.0	1.2
Bad debts written off	1.0	0.9
Write off of finance lease receivables	-	242.0
Depreciation of ships, property, plant and equipment	1,031.0	987.0
Amortisation of prepaid lease payments	3.6	3.9
Impairment loss on ships, property, plant and equipment	133.6	18.8
Write off of ships, property, plant and equipment	22.2	4.3
Gain on disposal of ships, property, plant and equipment	(28.4)	-
Net unrealised foreign exchange loss	33.5	74.4
Dividend income from equity investments	(1.3)	(0.6)
Finance costs	130.9	111.5
Interest income	(38.6)	(22.8)
Net loss on liquidation of a subsidiary	17.2	-
Net gain on acquisition of subsidiaries	-	(847.3)
Net loss on deemed disposal of joint ventures	-	48.7
Recognition of intangibles	-	(47.5)
Amortisation of intangibles	7.5	10.3
Write off of intangibles	-	54.6
Share of profit of joint venture companies	(109.9)	(218.6)
Net movement in provisions	(28.4)	(49.9)
Operating profit before working capital changes	<u>2,654.2</u>	<u>2,525.8</u>
Inventories	(13.7)	(55.4)
Trade and other receivables	904.3	559.6
Trade and other payables	(1,119.2)	(186.6)
Cash generated from operations	<u>2,425.6</u>	<u>2,843.4</u>
Net tax paid	(11.2)	(14.8)
Net cash flows generated from operating activities	<u>2,414.4</u>	<u>2,828.6</u>

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



	30 June 2017 RM million	30 June 2016 RM million
Cash Flow from Investing Activities:		
Purchase of ships, offshore floating assets and other property, plant and equipment	(863.6)	(832.1)
Proceeds from disposal of ships, other property, plant and equipment and assets held for sale	113.6	-
Progress payments for finance lease assets under construction	(546.8)	(170.2)
Dividend income from:		
Quoted investments	1.3	0.6
Associates and joint ventures	133.3	122.1
Repayment of loans due from joint ventures	-	62.0
Proceeds from disposal of a subsidiary	-	26.3
Additional investments in subsidiaries	-	(1,950.1)
Cash acquired on acquisition of subsidiaries	-	424.4
Interest received	29.5	23.6
Net fixed deposit withdrawal	4.6	-
Net cash flows used in investing activities	(1,128.1)	(2,293.4)
Cash Flow from Financing Activities:		
Drawdown of term loans and revolving credit	597.1	623.0
Repayment of term loans and revolving credit	(1,382.7)	(411.5)
Dividends paid to the equity holders of the Corporation	(1,205.2)	(1,004.4)
Dividends paid to non-controlling interest of subsidiaries	(103.5)	(33.2)
Cash advances from joint ventures	-	18.0
Interest paid	(113.3)	(110.1)
Cash pledged with bank - restricted	(2.7)	(4.5)
Net cash flows used in financing activities	(2,210.3)	(922.7)
Net Change in Cash & Cash Equivalents	(924.0)	(387.5)
Cash & Cash Equivalents at the beginning of the year	6,409.0	5,562.2
Currency translation difference	(243.5)	(296.7)
Cash & Cash Equivalents at the end of the period	5,241.5	4,878.0
Cash pledged with bank - restricted	148.3	96.3
Cash, deposits and bank balances	5,389.8	4,974.3

**MISC BERHAD**

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the Period Ended 30 June 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
6 MONTHS ENDED 30 JUNE 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 (loss)/income	(273.4)	(276.1)	-	-	1,232.7	(1,508.8)	-	-	-	-	-	(2.2)	6.7	(1,513.3)	2.7
Transactions with owners															
Liquidation of a subsidiary	16.7	16.7	-	-	16.7	-	-	-	-	-	-	-	-	-	-
Dividends	(1,308.7)	(1,205.2)	-	-	(1,205.2)	-	-	-	-	-	-	-	-	-	(103.5)
Transition in accordance with section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017 ^{Note a}	-	-	4,519.2	(4,459.5)	-	(59.7)	-	-	-	(59.7)	-	-	-	-	-
Total transactions with owners	(1,292.0)	(1,188.5)	4,519.2	(4,459.5)	(1,188.5)	(59.7)	-	-	-	(59.7)	-	-	-	-	(103.5)
At 30 JUNE 2017	37,765.6	36,601.1	8,983.0	-	19,837.6	7,780.5	41.4	435.3	1.4	2.0	-	53.8	2.9	7,243.7	1,164.5
6 MONTHS ENDED 30 JUNE 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 income/(loss)	37.0	(177.4)	-	-	1,917.6	(2,095.0)	-	-	-	-	-	(1.9)	(32.3)	(2,060.8)	214.4
Transactions with owners															
Dividends	(1,017.6)	(1,004.4)	-	-	(1,004.4)	-	-	-	-	-	-	-	-	-	(13.2)
Total transactions with owners	(1,017.6)	(1,004.4)	-	-	(1,004.4)	-	-	-	-	-	-	-	-	-	(13.2)
At 30 JUNE 2016	35,478.5	34,179.7	4,463.8	4,459.5	19,575.8	5,680.6	41.4	435.3	1.4	2.0	59.7	63.7	(30.5)	5,107.7	1,298.9

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

Note a Pursuant to section 74 of the Companies Act, 2016 ('the Act'), the Company's shares no longer have a par or nominal value with effect from 31 January 2017. In accordance with the transitional provision set out in section 618 of the Act, any amount standing to the credit of the share premium account and capital redemption reserve becomes part of the Company's share capital. Companies have 24 months upon the commencement of the Act to utilise the credit.

There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. During the financial period, the Company has not utilised any of the credit in the share premium account and capital redemption reserve which are now part of share capital.

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 by the Board of Directors for issue on 9 August 2017.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the quarter ended 30 June 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 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, Eaglestar Marine Holdings (L) Pte. Ltd. (“EMH”), a wholly-owned subsidiary of the Corporation had incorporated Eaglestar Marine (S) Pte Ltd (“EMS”) in Singapore as its wholly-owned subsidiary and the announcement on the incorporation was made on 23 May 2017 by the Corporation. The principal activity of EMS is to provide support services for the Eaglestar Group and the initial issued and paid-up share capital is SGD10 divided into 10 ordinary shares. The issued and paid-up capital will be increased to meet EMS’s working capital requirements.

- (b) The Corporation had, on 9 June 2017, announced the incorporation of a subsidiary in Brazil known as MISC do Brasil Servicos de Energia Ltda (“MISC Brazil”) to undertake the marketing and business development activities for MISC’s LNG and Offshore related businesses in Brazil. MISC Brazil is a private limited company by shares and it is 50:50 jointly owned by MISC wholly-owned subsidiaries, namely MISC Offshore Holding (Brazil) Sdn Bhd and MISC Tankers Sdn Bhd with an issued and paid-up capital of Brazilian Real 600,000 divided into 600,000 shares.
- (c) On 31 October 2011, the Corporation had announced the voluntary winding-up of MISC Agencies (Japan) Limited (“MISA Japan”), a wholly-owned subsidiary of MISC Agencies Sdn Bhd, which in turn is a wholly-owned subsidiary of the Corporation, due to the cessation of Liner business activities and the termination of the Agency Agreement with MISA Japan.

Subsequent to the above, the Corporation had, on 6 July 2017, announced the completion of MISA Japan’s dissolution.

- (d) The Corporation, had on 19 July 2017, announced the incorporation of two (2) subsidiaries namely AET Bermuda One Limited (“AETB1”) and AET Singapore One Pte Ltd (“AETS1”) for purpose of owning, chartering and operating of vessels.

AETB1 is an exempted company incorporated in Bermuda with an issued and paid-up capital of USD50,000 divided into 50,000 ordinary shares and it is wholly-owned by AET Inc. Ltd, an indirect wholly-owned subsidiary of the Corporation. AETS1 is a private limited company by shares incorporated in Singapore with an initial issued and paid-up capital of USD1.00 divided into 1 ordinary share and it is wholly-owned by AET Tankers Pte Ltd, an indirect wholly-owned subsidiary of the Corporation.

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	1,473.0	2,311.4	1,006.6	402.2	94.2	5,287.4
Inter-segment	3.5	-	43.4	91.0	(137.9)	-
	1,476.5	2,311.4	1,050.0	493.2	(43.7) *	5,287.4
Operating profit	887.7	62.5	462.0	(25.9)	12.4 **	1,398.7

* 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 30 June		Cumulative 6 Months Ended 30 June	
	2017 RM million	2016 RM million	2017 RM million	2016 RM million
Interest income	16.6	11.5	38.6	22.8
Other income	221.0	10.2	258.2	722.4
Finance costs	(65.1)	(63.8)	(130.9)	(111.5)
Depreciation of ships, property, plant and equipment	(490.1)	(484.4)	(1,031.0)	(987.0)
Amortisation of prepaid lease payments	(1.8)	(1.9)	(3.6)	(3.9)
Amortisation of intangibles	(3.8)	(8.1)	(7.5)	(10.3)
Write off of finance lease receivables	-	-	-	(242.0)
Write off of property, plant and equipment	(16.3)	(0.4)	(22.2)	(4.3)
(Loss)/gain on disposal of ships, property, plant and equipment	(2.4)	-	28.4	-
Impairment loss on ships, property, plant and equipment	(133.6)	-	(133.6)	(18.8)
Write off of intangibles	-	-	-	(54.6)
Impairment loss on receivables	-	(1.0)	(225.0)	(1.2)
Bad debts written off	(1.0)	(0.9)	(1.0)	(0.9)
Net realised foreign exchange gain/(loss)	13.8	(14.6)	(0.8)	(2.6)
Net unrealised foreign exchange loss	(17.9)	(18.5)	(33.5)	(74.4)

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 RM1,358.3 million.

The Group recognised a net loss on disposal of RM2.4 million from disposal of ships, property, plant and equipment in the quarter ended 30 June 2017. The Group did not dispose any ships, property, plant and equipment in the quarter ended 30 June 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	37.9	-	37.9
At 31 December 2016	1,058.9	212.7	1,271.6
Currency translation differences	(41.5)	-	(41.5)
At 30 June 2017	1,017.4	212.7	1,230.1
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	-	7.5	7.5
At 30 June 2017	162.5	177.9	340.4
Net carrying amount			
At 1 January 2016	858.6	67.1	925.7
At 31 December 2016	896.4	42.3	938.7
At 30 June 2017	854.9	34.8	889.7

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 30 June 2017.

A12. INVENTORIES

The Group did not recognise any write-down of inventories or reversal of inventories during the quarter ended 30 June 2017.

A13. CASH, DEPOSITS AND BANK BALANCES

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

	30 June 2017 RM million	31 December 2016 RM million
Cash with PETRONAS Integrated Financial Shared Service Centre *	3,241.7	5,359.7
Cash and bank balances	335.0	369.0
Deposits with licensed banks	1,813.1	830.5
Total cash, deposits and bank balances	5,389.8	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 RM148.3 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 30 June 2017				
<u>Financial Assets</u>				
Available-for-sale financial assets				
Quoted investments	64.5	-	-	64.5
Derivatives				
Interest rate swaps designated as hedging instruments	-	2.7	-	2.7
	64.5	2.7	-	67.2
<u>Financial Liabilities</u>				
Derivatives				
Forward exchange contracts	-	(1.7)	-	(1.7)
Interest rate swaps designated as hedging instruments	-	(0.8)	-	(0.8)
	-	(2.5)	-	(2.5)

	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 30 June 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:

	30 June 2017 RM million	31 December 2016 RM million
Short Term Borrowings		
Secured	231.2	241.4
Unsecured	6,428.1	7,131.5
	6,659.3	7,372.9
Long Term Borrowings		
Secured	1,898.2	2,102.7
Unsecured	2,751.7	3,125.8
	4,649.9	5,228.5
Total	11,309.2	12,601.4

ii) Foreign borrowings in United States Dollar equivalent as at 30 June 2017 is as follows:

	RM million
United States Dollar Borrowings	11,289.2

A17. DIVIDENDS PAID

The Corporation paid the following dividends in the period ended 30 June 2017 and year ended 31 December 2016:

	30 June 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
- Financial year ending 31 December 2017 on 31 May 2017	7.0	312.5	-	-

A18. CAPITAL COMMITMENTS

	30 June 2017	31 December 2016
	RM million	RM million
Approved and contracted for	3,368.7	3,975.1
Approved but not contracted for	674.1	371.0
Total	4,042.8	4,346.1

A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group comprise the following:

	RM million
Secured	
Bank guarantees extended to third parties	0.4
Unsecured	
Bank guarantees extended to third parties	202.3
Bank guarantees extended to related companies	174.8
	<u>377.1</u>

A20. SUBSEQUENT MATERIAL EVENT

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

B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2017 RM million	2016 RM million	2017 RM million	2016 RM million
Revenue				
LNG	730.0	630.4	1,476.5	1,313.4
Petroleum	1,026.2	1,165.6	2,311.4	2,427.1
Offshore	315.3	240.1	1,050.0	431.8
Heavy Engineering	257.3	297.5	493.2	554.2
Others, Eliminations and Adjustments	(26.3)	58.8	(43.7)	60.4
Total	2,302.5	2,392.4	5,287.4	4,786.9
Operating Profit				
LNG	557.7	251.7	887.7	999.5
Petroleum	(20.1)	58.0	62.5	279.4
Offshore	159.9	166.6	462.0	2.1
Heavy Engineering	(10.3)	(0.4)	(25.9)	(3.9)
Others, Eliminations and Adjustments	30.2	24.4	12.4	198.8
Total Operating Profit	717.4	500.3	1,398.7	1,475.9
Impairment loss on ships, property, plant and equipment	(133.6)	-	(133.6)	(18.8)
Net loss on liquidation of a subsidiary	(17.2)	-	(17.2)	-
Net loss on deemed disposal of joint ventures	-	(48.7)	-	(48.7)
Net gain on acquisition of subsidiaries	-	847.3	-	847.3
Recognition of intangibles	-	47.5	-	47.5
Write off of intangibles	-	-	-	(54.6)
Provision for charter hire loss	-	-	-	(200.8)
(Loss)/gain on disposal of ships, property, plant and equipment	(2.4)	-	28.4	-
Finance costs	(65.1)	(63.8)	(130.9)	(111.5)
Share of profit of associates and joint ventures	59.6	91.5	109.9	218.6
Profit Before Tax	558.7	1,374.1	1,255.3	2,154.9

Current quarter's performance against the quarter ended 30 June 2016

Group revenue of RM2,302.5 million was 3.8% lower than the quarter ended 30 June 2016 ("corresponding quarter") revenue of RM2,392.4 million, while Group operating profit of RM717.4 million was 43.4% higher than the corresponding quarter's profit of RM500.3 million. The variances in Group performance by segments are further explained below.

LNG

Revenue of RM730.0 million was 15.8% higher than the corresponding quarter's revenue of RM630.4 million, mainly from lease commencement of two new vessels.

Operating profit of RM557.7 million was RM306.0 million higher than the corresponding quarter's profit of RM251.7 million, mainly due to recognition of compensation for early termination of a time charter contract and lease commencement of two new vessels.

Petroleum

Revenue of RM1,026.2 million was 12.0% lower than the corresponding quarter's revenue of RM1,165.6 million, mainly due to lower freight rates and earning days in the current quarter.

Petroleum business recorded operating loss of RM20.1 million compared to corresponding quarter's profit of RM58.0 million, mainly due to lower revenue and higher bunker costs in the current quarter.

Offshore

Revenue of RM315.3 million was higher than the corresponding quarter's revenue of RM240.1 million, mainly from consolidation of Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") beginning 1 May 2016, higher revenue from GKL's variation works following favourable decision of the adjudication, construction revenue from Floating, Storage and Offloading Vessel ("FSO") Benchamas 2, and lease commencement of Marginal Marine Production Unit ("MaMPU") in Q4 FY2016.

Operating profit of RM159.9 million was 4.0% lower than corresponding quarter's profit of RM166.6 million, mainly due to early termination of contracts for two Mobile Offshore Production Units ("MOPU") and an FSO. However, the decrease in profit was cushioned by higher contribution from full consolidation of GKL beginning 1 May 2016, higher contribution from variation works following favourable decision of GKL's adjudication, construction gain from FSO Benchamas 2, and lease commencement of MaMPU Unit ("MaMPU") in Q4 FY2016.

Heavy Engineering

Revenue of RM257.3 million was 13.5% lower than the corresponding quarter's revenue of RM297.5 million, mainly due to most on-going projects in the Heavy Engineering sub-segment are nearing completion.

Operating loss of RM10.3 million was higher than the corresponding quarter's loss of RM0.4 million, mainly due to lower contribution recorded.

Others, Eliminations and Adjustments

Other segment's operating profit of RM30.2 million was 23.8% higher than corresponding quarter's profit of RM24.4 million mainly due to reversal of provision following early termination of charter-in contracts for three container vessels. The vessels were previously chartered in for the liner business.

Current 6 months period performance against the 6 months period ended 30 June 2016

Group revenue of RM5,287.4 million was 10.5% higher than RM4,786.9 million revenue for the 6-month period ended 30 June 2016 ("corresponding period"). Group operating profit of RM1,398.7 million was 5.2% lower than the corresponding period's profit of RM1,475.9 million. The variances in Group performance by segments are further explained below.

LNG

LNG revenue of RM1,476.5 million was 12.4% higher than the corresponding period's revenue of RM1,313.4 million, mainly from lease commencement of two new vessels and higher earning days.

LNG operating profit of RM887.7 million was 11.2% lower than the corresponding period's profit of RM999.5 million, mainly due to corresponding period's profit included recognition of compensation for early termination of time charter contracts for two vessels.

Petroleum

Petroleum revenue of RM2,311.4 million was 4.8% lower than the corresponding period's revenue of RM2,427.1 million, mainly due to lower freight rates and earning days.

Petroleum operating profit of RM62.5 million was 77.6% lower than the corresponding period's profit of RM279.4 million, mainly from lower revenue and higher bunker costs.

Offshore

Offshore revenue of RM1,050.0 million was higher than the corresponding period's revenue of RM431.8 million mainly from consolidation of Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") beginning 1 May 2016, higher revenue from GKL's variation works following favourable decision of the adjudication, construction revenue from Floating, Storage and Offloading Vessel ("FSO") Benchamas 2, and lease commencement of Marginal Marine Production Unit ("MaMPU") in Q4 FY2016.

Offshore operating profit of RM462.0 million was higher than the corresponding period's profit of RM2.1 million, mainly due to higher revenue in current period and higher impairment provision for MOPU in the corresponding period.

Heavy Engineering

Heavy Engineering revenue of RM493.2 million was 11.0% lower than the corresponding period's revenue of RM554.2 million due to most major projects in its Heavy Engineering sub-segment are nearing completion while new secured projects are still at their early stages, and lower value of LNG vessel repair in its Marine sub-segment.

Heavy Engineering operating loss of RM25.9 million is higher than the corresponding period's loss of RM3.9 million, mainly due to lower revenue and contribution recorded.

Others, Eliminations and Adjustments

Others segment operating profit of RM12.4 million is lower than operating profit of RM198.8 million in the corresponding period, mainly due to corresponding period included RM250.8 million reversal of provision for a legal suit.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

<u>GROUP</u>	Quarter Ended 30 June 2017 RM million	Quarter Ended 31 March 2017 RM million
Revenue	2,302.5	2,984.9
Operating Profit	717.4	681.3
Impairment loss on ships, property, plant and equipment	(133.6)	-
Net loss on liquidation of a subsidiary	(17.2)	-
Net (loss)/gain on disposal of ships, property, plant and equipment	(2.4)	30.8
Finance costs	(65.1)	(65.8)
Share of profit of associates and joint ventures	59.6	50.3
Profit Before Tax	558.7	696.6

Group revenue of RM2,302.5 million was 22.9% lower than the preceding quarter's revenue of RM2,984.9 million, mainly due to recognition of one time gain from GKL's variation works which was awarded by the adjudicator in the preceding quarter and lower freight rates in Petroleum business in the current quarter.

Group operating profit of RM717.4 million was 5.3% higher than the preceding quarter's profit of RM681.3 million, mainly from recognition of compensation for early termination of a time charter contract for an LNG carrier in the current quarter.

B3. GROUP CURRENT YEAR PROSPECTS

The global oil market rebalancing is expected to continue, impacted by the OPEC and non-OPEC production cuts, rising drilling activity in the United States and uncertainty over Libyan and Nigerian production. In addition to production cuts, drawdown of crude oil and products inventory continue to dampen demand for petroleum tankers in the immediate term. Freight rates are also being pressured by high fleet growth in 2017. Nonetheless, vessel demand generally improves with the year-end seasonal demand.

Meanwhile, the LNG shipping market continues to be affected by newbuilds delivery and expiry of older vessel charters, which has depressed spot rates. However, this will have limited impact on the steady performance of the Group's LNG business segment due to its present portfolio of long term charters in place.

As the oil market rebalances, a more stable oil price environment will pave the way for a gradual recovery in global offshore oil and gas investment. Notwithstanding the limited opportunities present, the offshore segment will continue to experience stable financial performance due to its long term contracts in hand.

In the Heavy Engineering segment, the business will focus on diversifying into new revenue streams while efforts to replenish the order book continues. At the same time, cost management, resource optimisation and operational efficiency will remain an on-going priority. While Heavy Engineering has successfully secured several contracts during the period, the impact may not be seen immediately and majority of the contribution will only be realised in 2018 and beyond.

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 June 2017 RM million	Cumulative 6 Months Ended 30 June 2017 RM million
Taxation for the period comprises the following charge:		
Income tax charge		
- current period	4.8	7.8
Deferred taxation	0.1	(0.2)
	4.9	7.6

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 June 2017.

B7. CHANGES IN MATERIAL LITIGATION

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

Arbitration Proceedings:

As announced on 2 June 2017, SSPC has filed its Statement of Defence and Counterclaim ("SDCC") on 30 May 2017. In its SDCC, SSPC has refuted GKL's claims and is counterclaiming against GKL for alleged defective work, alleged limited functionality of the Semi-FPS, liquidated damages and a refund of the full amount paid to GKL under the Adjudication Decision rendered in the Adjudication Proceedings. SSPC's claims cover, among others, the following:

1. The sum of approximately USD583 million together with any applicable interest;
2. Repayment to SSPC for the full amount paid to GKL under the Adjudication Decision rendered in the Adjudication Proceedings; and
3. The costs and expenses of the Adjudication and Arbitration Proceedings.

GKL maintains its view on the strength of its claims against SSPC and will rigorously resist and defend against SSPC's counterclaims during the course of the Arbitration Proceedings. GKL is currently in the midst of preparing its Reply and Defence to Counterclaim, due to be filed by 29 August 2017. Thereafter, parties will continue to exchange pleadings with a final reply to be filed by GKL in December 2017.

Until such closure of pleadings, GKL will continue to assess the merits of the defence and counterclaims made by SSPC and any potential material impact on the earnings per share, gearing and net assets per share of MISC for the financial year ending 31 December 2017 arising therefrom.

Adjudication Claims:

As previously updated, an Adjudication Decision has been issued in GKL's favour on 10 February 2017.

In its SDCC, SSPC has included a claim for repayment to SSPC for the full amount paid to GKL under the Adjudication Decision. GKL shall continue to resist and defend the preservation of the Adjudication Decision awarded to GKL under the Adjudication Proceedings.

Separately, GKL has issued a second Notice of Adjudication against SSPC on 25 April 2017 for USD12.4 million for further outstanding Variation Orders. Both parties have completed the submission of claims and replies to the Adjudicator. The Adjudicator is currently in the process of obtaining clarifications from both parties.

Injunction:

The appeal proceedings are ongoing.

Further announcements on any material developments on the Legal Proceedings will be made in due course.

ii) Malaysia Offshore Mobile Production (Labuan) Ltd (“MOMPL”) and PCPP Operating Company Sdn Bhd (“PCPP”)

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 (“Arbitration”); 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 (“Adjudication”).

(collectively referred to as “Legal Proceedings”)

MOMPL will also be pursuing relevant legal recourse to claim for the remaining portions of the outstanding sums due and owing from PCPP, amounting to USD85,515,849.00 and RM4,673,994.00 respectively.

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, are expected to contribute positively to the earnings per share, gearing and net assets per share of MISC in the future.

The Arbitration Proceedings is expected to continue in September 2017.

B8. DIVIDENDS

The Board of Directors has approved a second tax exempt dividend of 7.0 sen per share in respect of financial year 2017 amounting to RM312.5 million. The proposed dividend will be paid on 7 September 2017 to shareholders registered at the close of business on 23 August 2017.

MISC Berhad declared a first interim tax exempt dividend of 10.0 sen per share in respect of financial year 2016 amounting to RM446.4 million on 4 August 2016.

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 August 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 30 June 2017 are as follows:

Contract/Tenure	Notional Value RM million	Fair Value Gain/(Loss) RM million
<u>Foreign exchange contracts</u>		
1 year to 3 years	29.2	(1.3)
	<u>29.2</u>	<u>(1.3)</u>
<u>Interest rate swaps</u>		
1 year to 3 years	1,288.5	2.8
More than 3 years	371.1	0.1
	<u>1,659.6</u>	<u>2.9</u>
Total	<u>1,688.8</u>	<u>1.6</u>

B10. EARNINGS PER SHARE

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2017	2016	2017	2016
Basic earnings per share are computed as follows:				
Profit for the period attributable to equity holders of the Corporation (RM million):	556.5	1,346.6	1,232.7	1,917.6
Weighted average number of ordinary shares in issue (million)	<u>4,463.8</u>	<u>4,463.8</u>	<u>4,463.8</u>	<u>4,463.8</u>
Basic earnings per share (sen)	12.5	30.2	27.6	43.0

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 June 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.

	30 June 2017 RM million	31 December 2016 RM million
Total retained profits/(loss) of MISC Group and its subsidiaries:		
- Realised	21,033.1	21,636.9
- Unrealised	(245.0)	(955.9)
	<u>20,788.1</u>	<u>20,681.0</u>
Total share of retained profit from associates:		
- Realised	0.7	0.1
	<u>0.7</u>	<u>0.1</u>
Total share of retained profits/(loss) from joint ventures:		
- Realised	912.7	936.9
- Unrealised	(0.1)	(0.6)
	<u>912.6</u>	<u>936.3</u>
Total Group retained profits	<u>21,701.4</u>	<u>21,617.4</u>
Less:		
Consolidation adjustments	(1,863.8)	(1,824.0)
Total Group retained profits as per consolidated accounts	<u>19,837.6</u>	<u>19,793.4</u>

By Order of the Board