



MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Income Statement

For The Period Ended 30 September 2017

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2017 RM million	2016 RM million	2017 RM million	2016 RM million
Revenue	2,315.8	2,292.8	7,603.2	7,079.7
Cost of sales	(1,560.2)	(1,780.9)	(5,053.5)	(5,036.9)
GROSS PROFIT	755.6	511.9	2,549.7	2,042.8
Other operating income	103.4	35.9	405.8	883.2
General and administrative expenses	(180.9)	(237.1)	(878.7)	(1,139.4)
OPERATING PROFIT	678.1	310.7	2,076.8	1,786.6
Impairment loss on ships, property, plant and equipment	-	(164.4)	(133.6)	(183.3)
Net gain/(loss) on liquidation of a subsidiary	0.5	-	(16.7)	-
Net gain on disposal of a joint venture	43.5	-	43.5	-
Net gain/(loss) on deemed disposal of joint ventures	-	16.2	-	(32.4)
Net (loss)/gain on acquisition of subsidiaries	-	(2.6)	-	844.7
Recognition of intangibles	-	-	-	47.5
Write off of intangibles	-	-	-	(54.6)
Provision for charter hire loss	-	-	-	(200.8)
Gain on disposal of ships, property, plant and equipment	0.6	-	29.0	-
Finance costs	(65.5)	(68.1)	(196.4)	(179.6)
Share of profit of an associate	1.1	0.1	1.1	0.1
Share of profit of joint ventures	47.9	62.6	157.8	281.2
PROFIT BEFORE TAX	706.2	154.6	1,961.5	2,309.5
Taxation	(10.4)	(11.2)	(18.0)	(15.9)
PROFIT AFTER TAX	695.8	143.4	1,943.5	2,293.5
PROFIT ATTRIBUTABLE TO:				
Equity holders of the Corporation	680.5	134.2	1,913.2	2,051.7
Non-controlling interests	15.3	9.2	30.3	241.8
PROFIT AFTER TAX	695.8	143.4	1,943.5	2,293.5
BASIC & DILUTED EARNINGS PER SHARE				
ATTRIBUTABLE TO EQUITY HOLDERS				
OF THE CORPORATION (SEN)	15.2	3.0	42.9	46.0

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 September 2017

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2017 RM million	2016 RM million	2017 RM million	2016 RM million
PROFIT AFTER TAX	695.8	143.4	1,943.5	2,293.5
OTHER COMPREHENSIVE INCOME				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Fair value loss on non-current investments	(1.9)	(3.1)	(4.1)	(5.0)
Cash flow hedges:				
Fair value (loss)/gain				
Group	(0.8)	7.5	9.2	(27.2)
Joint ventures	1.0	0.4	0.4	0.7
(Loss)/gain on currency translation *	(558.9)	1,088.4	(2,087.3)	(988.5)
Total other comprehensive (loss)/income	(560.6)	1,093.2	(2,081.8)	(1,020.0)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	135.2	1,236.6	(138.3)	1,273.5
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Equity holders of the Corporation	126.0	1,214.9	(150.3)	1,037.4
Non-controlling interests	9.2	21.7	12.0	236.1
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	135.2	1,236.6	(138.3)	1,273.5

* 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 30 June	4.29500	4.01800	-
As at 30 September	4.22650	4.14650	-



MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 September 2017

	30 September 2017 RM million	31 December 2016 RM million
NON CURRENT ASSETS		
Ships	22,377.3	23,858.4
Offshore floating assets	361.7	473.5
Property, plant and equipment	1,686.5	1,782.4
Prepaid lease payments on land and buildings	222.1	227.8
Finance lease receivables	14,634.1	13,454.2
Finance lease assets under construction	708.9	1,418.0
Investments in associates	3.3	2.5
Investments in joint ventures	1,325.9	1,602.2
Other non-current financial assets	248.6	318.8
Derivative assets	-	1.5
Intangible assets	873.7	938.7
Deferred tax assets	85.7	85.3
	42,527.8	44,163.3
CURRENT ASSETS		
Inventories	213.1	213.5
Finance lease receivables	1,005.9	1,010.3
Trade and other receivables	2,922.0	3,900.2
Cash, deposits and bank balances	5,700.6	6,559.2
Amounts due from related companies	74.8	70.9
Amounts due from joint ventures	40.3	58.9
Assets held for sale	105.2	175.0
Derivative assets	3.0	-
Tax receivable	8.5	-
	10,073.4	11,988.0
TOTAL ASSETS	52,601.2	56,151.3
EQUITY		
Share capital	8,983.0	4,463.8
Share premium	-	4,459.5
Reserves	7,225.8	9,349.0
Retained profits	20,205.6	19,793.4
Equity attributable to equity holders of the Corporation	36,414.4	38,065.7
Non-controlling interests	1,174.8	1,265.3
TOTAL EQUITY	37,589.2	39,331.0
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	5,569.5	5,228.5
Deferred income	693.7	757.0
Deferred tax liabilities	32.9	37.2
Provisions	-	681.8
Derivative liabilities	-	0.7
	6,296.1	6,705.2
CURRENT LIABILITIES		
Interest bearing loans and borrowings	6,772.2	7,372.9
Trade and other payables	1,833.4	2,620.6
Provision for taxation	-	1.4
Amounts due to related companies	3.8	4.4
Amounts due to associates	0.9	1.0
Amounts due to joint ventures	105.6	108.1
Derivative liabilities	-	6.7
	8,715.9	10,115.1
TOTAL LIABILITIES	15,012.0	16,820.3
TOTAL EQUITY AND LIABILITIES	52,601.2	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 September 2017

	30 September 2017 RM million	30 September 2016 RM million
Cash Flow from Operating Activities:		
Profit before tax	1,961.5	2,309.5
Impairment loss on receivables	164.5	2.6
Bad debts written off	5.0	0.9
Write off of finance lease receivables	-	242.0
Depreciation of ships, offshore floating assets and other property, plant and equipment	1,531.9	1,495.5
Amortisation of prepaid lease payments	5.4	5.7
Impairment loss on ships, property, plant and equipment	133.6	183.3
Write off of ships, property, plant and equipment	30.3	25.0
Gain on disposal of ships, property, plant and equipment	(29.0)	-
Net unrealised foreign exchange loss	20.8	55.1
Dividend income from equity investments	(1.9)	(1.3)
Finance costs	196.4	179.6
Interest income	(57.7)	(35.1)
Net loss on liquidation of a subsidiary	16.7	-
Net gain on disposal of joint venture	(43.5)	-
Net gain on acquisition of subsidiaries	-	(844.7)
Net loss on deemed disposal of joint ventures	-	32.4
Recognition of intangibles	-	(47.5)
Amortisation of intangibles	8.4	14.0
Write off of intangibles	-	54.6
Share of profit of an associate	(1.1)	(0.1)
Share of profit of joint ventures	(157.8)	(281.2)
Net movement in provisions	13.8	(48.7)
Operating profit before working capital changes	<u>3,797.3</u>	<u>3,341.6</u>
Inventories	(11.7)	(32.6)
Trade and other receivables	701.4	493.3
Trade and other payables	(763.3)	805.8
Cash generated from operations	<u>3,723.7</u>	<u>4,608.1</u>
Net tax paid	(28.5)	(25.9)
Net cash flows generated from operating activities	<u>3,695.2</u>	<u>4,582.2</u>



	30 September 2017 RM million	30 September 2016 RM million
Cash Flow from Investing Activities:		
Purchase of ships, offshore floating assets and other property, plant and equipment	(2,308.8)	(1,108.5)
Proceeds from disposal of ships, other property, plant and equipment and assets held for sale	123.6	-
Progress payments for finance lease assets under construction	(1,179.6)	(764.5)
Dividend income from:		
Quoted investments	1.9	1.3
Associates and joint ventures	261.6	107.6
Repayment of loans due from joint ventures	-	62.1
Proceeds from disposal of a subsidiary	0.5	26.2
Proceeds from disposal of investment in a joint venture	188.9	-
Additional investments in subsidiaries	-	(1,969.6)
Cash acquired on acquisition of subsidiaries	-	424.4
Interest received	48.4	38.7
Net fixed deposit withdrawal	4.1	-
Net cash flows used in investing activities	(2,859.4)	(3,182.3)
Cash Flow from Financing Activities:		
Drawdown of term loans and revolving credit	2,700.3	5,703.9
Repayment of term loans and revolving credit	(2,235.7)	(748.3)
Repayment of shareholders loan	-	(4,328.3)
Dividends paid to the equity holders of the Corporation	(1,517.7)	(1,450.7)
Dividends paid to non-controlling interest of subsidiaries	(102.5)	(78.8)
Cash advances from a joint venture	-	17.9
Interest paid	(202.7)	(161.1)
Cash pledged with bank - restricted	17.0	(10.0)
Net cash flows used in financing activities	(1,341.3)	(1,055.4)
Net Change in Cash & Cash Equivalents	(505.5)	344.5
Cash & Cash Equivalents at the beginning of the year	6,409.0	5,562.3
Currency translation difference	(331.6)	(158.6)
Cash & Cash Equivalents at the end of the period	5,572.0	5,748.2
Cash pledged with bank - restricted	128.7	101.7
Cash, deposits and bank balances	5,700.6	5,849.9

**MISC BERHAD**

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the Period Ended 30 September 2017

	← Attributable to equity holders of the Corporation →														
	Total equity	Equity	Share			Other	Other	Capital	Revaluation	Statutory	Capital	Fair	Hedging	Currency	Non-
	attributable to	attributable to	capital*	Share	Retained	reserves,	capital	reserve	reserve	reserve	redemption	value	reserve	translation	controlling
the Corporation	equity holders of	Ordinary	premium	profits	total	reserve	reserve	reserve	reserve	reserve	reserve	reserve	reserve	reserve	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
9 MONTHS ENDED 30 SEPTEMBER 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	(138.3)	(150.3)	-	-	1,913.2	(2,063.5)	-	-	-	-	-	(4.1)	7.1	(2,066.5)	12.0
Transactions with owners															
Liquidation of a subsidiary	16.7	16.7	-	-	16.7	-	-	-	-	-	-	-	-	-	-
Dividends	(1,620.2)	(1,517.7)	-	-	(1,517.7)	-	-	-	-	-	-	-	-	-	(102.5)
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	(1,603.5)	(1,501.0)	4,519.2	(4,459.5)	(1,501.0)	(59.7)	-	-	-	-	(59.7)	-	-	-	(102.5)
At 30 SEPTEMBER 2017	37,589.2	36,414.4	8,983.0	-	20,205.6	7,225.8	41.4	435.3	1.4	2.0	-	51.9	3.3	6,690.5	1,174.8
9 MONTHS ENDED 30 SEPTEMBER 2016															
At 1 January 2016	36,459.1	35,361.5	4,463.8	4,459.5	18,662.6	7,775.7	41.4	435.3	1.4	2.0	59.7	65.6	1.8	7,168.5	1,097.7
Total comprehensive income/(loss)	1,273.5	1,037.4	-	-	2,051.7	(1,014.3)	-	-	-	-	-	(5.0)	(24.3)	(985.0)	236.1
Transactions with owners															
Dividends	(1,509.5)	(1,450.7)	-	-	(1,450.7)	-	-	-	-	-	-	-	-	-	(58.8)
Total transactions with owners	(1,509.5)	(1,450.7)	-	-	(1,450.7)	-	-	-	-	-	-	-	-	-	(58.8)
At 30 SEPTEMBER 2016	36,223.2	34,948.2	4,463.8	4,459.5	19,263.6	6,761.4	41.4	435.3	1.4	2.0	59.7	60.6	(22.5)	6,183.5	1,275.0

* 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 for issue by the Board of Directors on 3 November 2017.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the quarter ended 30 September 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) In conjunction with the delivery of Seri Cempaka on 27 July 2017, MISC Tankers Sdn. Bhd., a wholly-owned subsidiary of the Corporation, incorporated a wholly-owned subsidiary, Seri Cempaka (L) Private Limited (formerly known as Seri Cattleya (L) Private Limited), under the Labuan Companies Act, 1990, to own and operate Seri Cempaka.
- (b) The Corporation had, on 21 August 2017, announced the incorporation of a wholly-owned subsidiary, Thailand Offshore Floating Terminals (L) Limited (“TOFT”), under the Labuan Companies Act, 1990 for the purpose of owning, operating and maintenance of floating storage and offloading vessels in Thailand.
- (c) On 25 September 2017, the Corporation had entered into a Share Purchase Agreement with Dialog Group Berhad for the disposal of all its 45% interest in the issued share capital of Centralised Terminals Sdn. Bhd. (“CTSB”) for a total cash consideration of RM193 million (“Proposed Disposal”). Upon completion of the Proposed Disposal, CTSB will cease to be a joint-venture company of the Corporation. Subsequent to the above, the Corporation had, on 29 September 2017, announced the completion of the Proposed Disposal.

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	2,157.4	3,337.2	1,387.7	582.4	138.5	7,603.2
Inter-segment	28.3	-	62.2	126.2	(216.7)	-
	2,185.7	3,337.2	1,449.9	708.6	(78.2) *	7,603.2
Operating profit	1,290.4	2.8	775.2	(9.5)	17.9 **	2,076.8

* 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		Cumulative	
	30 September		9 Months Ended	
	2017	2016	2017	2016
	RM million	RM million	RM million	RM million
Interest income	19.1	12.3	57.7	35.1
Other income	70.2	8.6	328.4	731.0
Finance costs	(65.5)	(68.1)	(196.4)	(179.6)
Depreciation of ships, offshore floating assets and other property, plant and equipment	(500.9)	(508.5)	(1,531.9)	(1,495.5)
Amortisation of prepaid lease payments	(1.8)	(1.9)	(5.4)	(5.7)
Amortisation of intangibles	(0.9)	(3.7)	(8.4)	(14.0)
Write off of finance lease receivables	-	-	-	(242.0)
Write off of ships, property, plant and equipment	(8.1)	(20.7)	(30.3)	(25.0)
Gain on disposal of ships, property, plant and equipment	0.6	-	29.0	-
Impairment loss on ships, property, plant and equipment	-	(164.4)	(133.6)	(183.3)
Write off of intangibles	-	-	-	(54.6)
Write back/(impairment) on receivables	60.5	(1.5)	(164.5)	(2.6)
Bad debts written off	(4.0)	-	(5.0)	(0.9)
Net realised foreign exchange (loss)/gain	(4.1)	18.6	(4.9)	16.0
Net unrealised foreign exchange gain/(loss)	12.7	19.3	(20.8)	(55.1)

A10. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT

Included in ships, offshore floating assets and other property, plant and equipment are construction work-in-progress, mainly for the construction of ships and offshore floating asset totalling RM697.5 million.

The Group recognised a net gain on disposal of RM29.0 million from disposal of ships, property, plant and equipment in the 9-month period ended 30 September 2017. The Group did not dispose any ships, property, plant and equipment in the 9-month period ended 30 September 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	(56.6)	-	(56.6)
At 30 September 2017	1,002.3	212.7	1,215.0
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	-	8.4	8.4
At 30 September 2017	162.5	178.8	341.3
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 September 2017	839.8	33.9	873.7

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 September 2017.

A12. INVENTORIES

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

A13. CASH, DEPOSITS AND BANK BALANCES

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

	30 September 2017 RM million	31 December 2016 RM million
Cash with PETRONAS Integrated Financial Shared Service Centre *	4,013.1	5,359.7
Cash and bank balances	222.7	369.0
Deposits with licensed banks	1,464.8	830.5
Total cash, deposits and bank balances	5,700.6	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 RM128.7 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 30 September 2017				
Financial Assets				
Available-for-sale financial assets				
Quoted investments	62.5	-	-	62.5
Derivatives				
Interest rate swaps designated as hedging instruments	-	2.9	-	2.9
Forward exchange contracts	-	0.1	-	0.1
	62.5	3.0	-	65.5

	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 September 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 September 2017 RM million	31 December 2016 RM million
Short Term Borrowings		
Secured	1,079.1	241.4
Unsecured	5,693.1	7,131.5
	6,772.2	7,372.9
Long Term Borrowings		
Secured	2,981.0	2,102.7
Unsecured	2,588.5	3,125.8
	5,569.5	5,228.5
Total	12,341.7	12,601.4

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

	RM million
United States Dollar Borrowings	12,341.7

A17. DIVIDENDS PAID

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

	30 September 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 2017 on 7 September 2017	7.0	312.5	-	-
- 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 September 2017	31 December 2016
	RM million	RM million
Approved and contracted for	2,653.6	3,975.1
Approved but not contracted for	917.2	371.0
Total	3,570.8	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	196.0
Bank guarantees extended to related companies	162.2
	<u>358.2</u>

A20. SUBSEQUENT MATERIAL EVENT

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

B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2017 RM million	2016 RM million	2017 RM million	2016 RM million
Revenue				
LNG	709.2	610.1	2,185.7	1,923.5
Petroleum	1,025.8	1,057.0	3,337.2	3,484.1
Offshore	399.9	264.2	1,449.9	696.0
Heavy Engineering	215.4	333.5	708.6	887.7
Others, Eliminations and Adjustments	(34.5)	28.0	(78.2)	88.4
Total	2,315.8	2,292.8	7,603.2	7,079.7
Operating Profit				
LNG	402.7	237.0	1,290.4	1,236.5
Petroleum	(59.7)	(30.7)	2.8	248.7
Offshore	313.2	72.0	775.2	74.1
Heavy Engineering	16.4	(1.8)	(9.5)	(5.7)
Others, Eliminations and Adjustments	5.5	34.2	17.9	233.0
Total Operating Profit	678.1	310.7	2,076.8	1,786.6
Impairment loss on ships, property, plant and equipment	-	(164.4)	(133.6)	(183.3)
Net gain/(loss) on liquidation of a subsidiary	0.5	-	(16.7)	-
Net gain on disposal of a joint venture	43.5	-	43.5	-
Net gain/(loss) on deemed disposal of joint ventures	-	16.2	-	(32.4)
Net (loss)/gain on acquisition of subsidiaries	-	(2.6)	-	844.7
Recognition of intangibles	-	-	-	47.5
Write off of intangibles	-	-	-	(54.6)
Provision for charter hire loss	-	-	-	(200.8)
Gain on disposal of ships, property, plant and equipment	0.6	-	29.0	-
Finance costs	(65.5)	(68.1)	(196.4)	(179.6)
Share of profit of an associate and joint ventures	49.0	62.7	158.9	281.3
Profit Before Tax	706.2	154.6	1,961.5	2,309.5

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

Group revenue of RM2,315.8 million was 1.0% or RM23.0 million higher than the quarter ended 30 September 2016 ("corresponding quarter") revenue of RM2,292.8 million, while Group operating profit of RM678.1 million was RM367.4 million higher than the corresponding quarter's profit of RM310.7 million. The variances in Group performance by segments are further explained below.

LNG

Revenue of RM709.2 million was 16.2% or RM99.1 million higher than the corresponding quarter's revenue of RM610.1 million with the lease commencement of three new vessels.

Operating profit of RM402.7 million was RM165.7 million higher than the corresponding quarter's profit of RM237.0 million from higher revenue coupled with lower vessel operating costs.

Petroleum

Revenue of RM1,025.8 million was 3.0% or RM31.2 million lower than the corresponding quarter's revenue of RM1,057.0 million, mainly due to lower earning days and freight rates in the current quarter.

Operating loss of RM59.7 million was RM29.0 million higher than corresponding quarter's loss of RM30.7 million, mainly due to lower revenue.

Offshore

Revenue of RM399.9 million was 51.4% or RM135.7 million higher than the corresponding quarter's revenue of RM264.2 million with the favourable adjudication decision on Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") variation works and construction revenue from Floating, Storage and Offloading Vessel ("FSO") Benchamas 2 that commenced construction in January 2017.

Operating profit of RM313.2 million was RM241.2 million higher than corresponding quarter's profit of RM72.0 million, mainly from higher revenue in the current quarter and construction gain from FSO Benchamas 2, coupled with impairment of finance lease receivables made in the corresponding quarter.

Heavy Engineering

Revenue of RM215.4 million was RM118.1 million lower than the corresponding quarter's revenue of RM333.5 million, mainly due to a lower backlog in its Heavy Engineering sub-segment as most on-going projects are nearing completion and lower value and number of LNG and tanker repairs in its Marine sub-segment.

Heavy Engineering recorded operating profit of RM16.4 million in the current quarter compared to corresponding quarter's loss of RM1.8 million mainly from lower loss in its Heavy Engineering sub-segment following finalisation of completed projects in the current quarter.

Others, Eliminations and Adjustments

Other segment's operating profit of RM5.5 million was RM28.7 million lower than corresponding quarter's profit of RM34.2 million mainly due to settlement of claims related to disposal of MISC Integrated Logistics Sdn. Bhd. ("MILS").

Current 9 months period performance against the 9 months period ended 30 September 2016

Group revenue of RM7,603.2 million was 7.4% higher than RM7,079.7 million revenue for the 9-month period ended 30 September 2016 ("corresponding period"). Group operating profit of RM2,076.8 million was RM290.2 million higher than the corresponding period's profit of RM1,786.6 million. The variances in Group performance by segments are further explained below.

LNG

LNG revenue of RM2,185.7 million was 13.6% higher than the corresponding period's revenue of RM1,923.5 million, mainly from lease commencement of three new vessels.

LNG operating profit of RM1,290.4 million was 4.4% higher than the corresponding period's profit of RM1,236.5 million, resulting from the higher revenue achieved.

Petroleum

Petroleum revenue of RM3,337.2 million was 4.2% lower than the corresponding period's revenue of RM3,484.1 million, mainly due to lower earning days and freight rates.

Petroleum operating profit of RM2.8 million was 98.9% lower than the corresponding period's profit of RM248.7 million, mainly from lower revenue and higher bunker costs.

Offshore

Offshore revenue of RM1,449.9 million was RM753.9 million higher than the corresponding period's revenue of RM696.0 million mainly from consolidation of GKL beginning 13 May 2016, higher revenue from GKL variation works following favourable decision of the adjudication, construction revenue from FSO Benchamas 2, and lease commencement of Marginal Marine Production Unit ("MaMPU") in Q4 FY2016.

Offshore operating profit of RM775.2 million was higher than the corresponding period's profit of RM74.1 million, mainly due to higher revenue in the current period coupled with impairment of finance lease receivables made in the corresponding period.

Heavy Engineering

Heavy Engineering revenue of RM708.6 million was 20.2% lower than the corresponding period's revenue of RM887.7 million as most 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 repairs in its Marine sub-segment.

Heavy Engineering recorded higher operating loss of RM9.5 million against the RM5.7 million loss in the corresponding period, with lower revenue and contribution recorded.

Others, Eliminations and Adjustments

Other segment's operating profit of RM17.9 million was lower than the corresponding period's operating profit of RM233.0 million, mainly due to the inclusion of a RM250.8 million reversal for a legal suit in the corresponding period.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

<u>GROUP</u>	Quarter Ended 30 September 2017 RM million	Quarter Ended 30 June 2017 RM million
Revenue	2,315.8	2,302.5
Operating Profit	678.1	717.4
Impairment loss on ships, property, plant and equipment	-	(133.6)
Net gain/(loss) on liquidation of a subsidiary	0.5	(17.2)
Net gain on disposal of a joint venture	43.5	-
Net gain/(loss) on disposal of ships, property, plant and equipment	0.6	(2.4)
Finance costs	(65.5)	(65.1)
Share of profit of an associate and joint ventures	49.0	59.6
Profit Before Tax	706.2	558.7

Group revenue of RM2,315.8 million was 0.6% higher than the preceding quarter's revenue of RM2,302.5 million, mainly due to recognition of one time gain from GKL's variation works which was awarded by the adjudicator in August 2017.

Group operating profit of RM678.1 million was 5.5% lower than the preceding quarter's profit of RM717.4 million, mainly from recognition of compensation for early termination of a time charter contract for an LNG carrier in the preceding quarter.

B3. GROUP CURRENT YEAR PROSPECTS

Petroleum shipping demand continues to be affected by global production cuts in response to high crude inventory levels and low oil prices. This has also been exacerbated by the delivery of new tankers during the year. Nonetheless, seasonal demand during peak winter months will end the year on a firmer note for the petroleum shipping sector.

On the LNG shipping front, spot charter rates remains sluggish as a result of the tonnage oversupply situation led by higher vessel deliveries and older vessels coming off charter. Spot charter rates are however expected to pick up as countries start building up inventories to meet the winter heating demand. The present portfolio of long term charters in the Group's LNG shipping business will continue to support the financial performance of this segment.

Expectation of a more stable oil price environment will pave the way for a gradual recovery in investments in the global offshore exploration and production space, especially for developments within the Atlantic Basin. Although opportunities may be limited, the current long term contracts in hand will support the financial performance of the Group's Offshore business division.

Meanwhile, the Heavy Engineering business segment remains committed to managing costs, optimising its resources and improving operational efficiency to combat the challenging environment. Replenishment of order book from the marine segment and offshore services are progressing and remain a priority. While the segment has successfully secured several offshore fabrication projects during the period, the 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 September 2017 RM million	Cumulative 9 Months Ended 30 September 2017 RM million
Taxation for the period comprises the following charge:		
Income tax charge		
- current period	9.7	17.5
- prior year	1.0	1.1
Deferred taxation	<u>(0.3)</u>	<u>(0.6)</u>
	<u>10.4</u>	<u>18.0</u>

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 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.

On 30 May 2017, SSPC filed its Statement of Defence and Counterclaim ("SDCC"). In its SDCC, SSPC 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:

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

GKL maintains its view on the strength of its claims against SSPC and continues to rigorously resist and defend against SSPC's counterclaims during the course of the Arbitration Proceedings.

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:

GKL has filed its Reply and Defence to Counterclaim on 29 August 2017. SSPC will be filing its Statement of Rejoinder and Reply to Defence to Counterclaim by 24 November 2017.

Thereafter, a final reply will be filed by GKL by December 2017.

Adjudication Claims:

As previously updated, GKL has made a second Adjudication Claim against SSPC on 25 April 2017 for USD12.4 million for further outstanding Variation Orders.

On 29th August 2017, the Adjudicator decided the following in GKL's favour:

- (i) GKL has carried out the Instructed Variations in the sum of USD10,940,380.13 ("VO Sum");
- (ii) GKL is entitled to outstanding payments for Variation Works (through the Additional Lease Rate) due from 11.04.2014 to 31.01.2017 in the sum of USD 3,794,984.33; and
- (iii) Interest and costs.

GKL is invoicing SSPC the VO Sum as increased lease rate consistent with the Adjudicator's declaration in (i) and (ii) above.

Injunction:

On 20 February 2017, GKL was ordered by the High Court to release the Bank Guarantee sum of USD20 million together with interest. GKL has filed an appeal at the Court of Appeal against the High Court's judgment.

The hearing date for the appeal has been set for 14th February 2018.

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 is a wholly-owned subsidiary of MISC Berhad, whilst 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%).

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 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.

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

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

The Arbitration proceedings are kept in abeyance pending possibility of a commercial solution. In the meantime, MOMPL is making preparation to proceed with the Legal Proceedings in case the commercial solution does not materialise.

B8. DIVIDENDS

The Board of Directors has approved a third 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 30 November 2017 to shareholders registered at the close of business on 17 November 2017.

No dividend was proposed by the Board of Directors for quarter ended 30 September 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 17 November 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 September 2017 are as follows:

Contract/Tenure	Notional Value RM million	Fair Value Gain RM million
<u>Foreign exchange contracts</u>		
1 year to 3 years	19.0	0.4
	<u>19.0</u>	<u>0.4</u>
<u>Interest rate swaps</u>		
1 year to 3 years	1,268.0	3.0
More than 3 years	359.7	0.6
	<u>1,627.7</u>	<u>3.6</u>
Total	<u>1,646.7</u>	<u>4.0</u>

B10. EARNINGS PER SHARE

	Quarter Ended 30 September 2017	2016	Cumulative 9 Months Ended 30 September 2017	2016
Basic earnings per share are computed as follows:				
Profit for the period attributable to equity holders of the Corporation (RM million):	680.5	134.2	1,913.2	2,051.7
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)	15.2	3.0	42.9	46.0

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 September 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 September 2017 RM million	31 December 2016 RM million
Total retained profits/(loss) of MISC Group and its subsidiaries:		
- Realised	21,385.6	21,636.9
- Unrealised	(34.4)	(955.9)
	<u>21,351.2</u>	<u>20,681.0</u>
Total share of retained profit from associates:		
- Realised	1.2	0.1
	<u>1.2</u>	<u>0.1</u>
Total share of retained profits/(loss) from joint ventures:		
- Realised	765.9	936.9
- Unrealised	0.7	(0.6)
	<u>766.6</u>	<u>936.3</u>
Total Group retained profits	<u>22,119.0</u>	<u>21,617.4</u>
Less:		
Consolidation adjustments	(1,913.4)	(1,824.0)
Total Group retained profits as per consolidated accounts	<u>20,205.6</u>	<u>19,793.4</u>

By Order of the Board