



MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Income Statement

For The Period Ended 30 September 2018

	Quarter Ended		Cumulative	
	30 September		9 Months Ended	
	2018	2017	2018	2017
	RM million	RM million	RM million	RM million
Revenue	2,229.2	2,315.8	6,391.8	7,603.2
Cost of sales	(1,685.7)	(1,560.2)	(4,765.7)	(5,053.5)
GROSS PROFIT	543.5	755.6	1,626.1	2,549.7
Other operating income	51.9	103.4	168.9	405.8
General and administrative expenses	(240.9)	(180.9)	(710.1)	(878.7)
OPERATING PROFIT	354.5	678.1	1,084.9	2,076.8
Impairment loss on ships, property, plant and equipment and other investment	-	-	(1.1)	(133.6)
Gain/(loss) on liquidation of a subsidiary	-	0.5	-	(16.7)
Gain on disposal of a joint venture	-	43.5	-	43.5
Gain on acquisition of a business	70.4	-	70.4	-
(Loss)/gain on disposal of ships, property, plant and equipment	(3.7)	0.6	(2.7)	29.0
Finance costs	(109.9)	(65.5)	(285.1)	(196.4)
Share of profit of an associate	-	1.1	-	1.1
Share of profit of joint ventures	39.8	47.9	122.4	157.8
PROFIT BEFORE TAX	351.1	706.2	988.8	1,961.5
Taxation	(11.9)	(10.4)	(31.4)	(18.0)
PROFIT AFTER TAX	339.2	695.8	957.4	1,943.5
PROFIT ATTRIBUTABLE TO:				
Equity holders of the Corporation	341.0	680.5	972.8	1,913.2
Non-controlling interests	(1.8)	15.3	(15.4)	30.3
PROFIT AFTER TAX	339.2	695.8	957.4	1,943.5
BASIC EARNINGS PER SHARE				
ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION (SEN)	7.6	15.2	21.8	42.9

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2017.



MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Comprehensive Income

For The Period Ended 30 September 2018

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2018 RM million	2017 RM million	2018 RM million	2017 RM million
PROFIT AFTER TAX	339.2	695.8	957.4	1,943.5
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)	-	(4.1)
Cash flow hedges:				
Fair value gain/(loss)				
Group	2.9	(0.8)	29.1	9.2
Joint ventures	-	1.0	-	0.4
Gain/(loss) on currency translation *	798.1	(558.9)	696.6	(2,087.3)
Total other comprehensive gain/(loss)	801.0	(560.6)	725.7	(2,081.8)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	1,140.2	135.2	1,683.1	(138.3)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Equity holders of the Corporation	1,141.6	126.0	1,694.8	(150.3)
Non-controlling interests	(1.4)	9.2	(11.7)	12.0
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	1,140.2	135.2	1,683.1	(138.3)

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

	2018	2017	2016
As at 31 December	-	4.05950	4.48450
As at 30 June	4.04550	4.29500	-
As at 30 September	4.14450	4.22650	-



MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 September 2018

	30 September 2018 RM million	31 December 2017 RM million
NON CURRENT ASSETS		
Ships	21,714.7	20,902.5
Offshore floating assets	243.2	322.6
Property, plant and equipment	1,736.6	1,757.3
Prepaid lease payments on land and buildings	214.8	220.1
Finance lease receivables	16,717.1	13,862.4
Finance lease assets under construction	-	688.5
Investments in associates	0.5	0.5
Investments in joint ventures	1,020.5	1,127.8
Other non-current financial assets	253.0	237.7
Derivative assets	38.1	3.3
Intangible assets	858.6	844.4
Deferred tax assets	104.1	99.5
	42,901.2	40,066.6
CURRENT ASSETS		
Inventories	246.9	198.6
Finance lease receivables	1,043.2	990.8
Trade and other receivables	2,486.9	3,049.0
Cash, deposits and bank balances	5,334.4	5,900.7
Amounts due from related companies	52.9	47.3
Amounts due from joint ventures	29.3	74.7
Assets held for sale	125.6	123.0
Derivative assets	-	4.4
Tax receivable	19.7	14.6
	9,338.9	10,403.1
	52,240.1	50,469.7
TOTAL ASSETS		
EQUITY		
Share capital	8,923.3	8,923.3
Reserves	6,628.5	5,959.5
Retained profits	19,847.4	19,961.3
Equity attributable to equity holders of the Corporation	35,399.2	34,844.1
Non-controlling interests	1,025.5	1,060.6
TOTAL EQUITY	36,424.7	35,904.7
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	7,265.9	3,946.3
Deferred income	621.0	635.4
Deferred tax liabilities	28.6	31.1
	7,915.5	4,612.8
CURRENT LIABILITIES		
Interest bearing loans and borrowings	5,783.7	7,717.6
Trade and other payables	1,990.3	2,126.8
Amounts due to related companies	17.4	4.7
Amounts due to associates	0.9	1.0
Amounts due to joint ventures	107.6	102.1
	7,899.9	9,952.2
TOTAL LIABILITIES	15,815.4	14,565.0
TOTAL EQUITY AND LIABILITIES	52,240.1	50,469.7

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2017.



MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Cash Flows

For the Period Ended 30 September 2018

	30 September 2018	30 September 2017
	RM million	RM million
Cash Flows from Operating Activities:		
Profit before tax	988.8	1,961.5
Impairment loss on receivables	93.7	164.5
Bad debts (written back)/written off	(3.3)	5.0
Depreciation of ships, offshore floating assets and other property, plant and equipment	1,395.5	1,531.9
Amortisation of prepaid lease payments	5.3	5.4
Impairment loss on ships, property, plant and equipment and other investment	1.1	133.6
Write off of ships, property, plant and equipment	6.9	30.3
Loss/(gain) on disposal of ships, property, plant and equipment	2.7	(29.0)
Net unrealised foreign exchange (gain)/loss	(16.5)	20.8
Dividend income from equity investments	(1.6)	(1.9)
Finance costs	285.1	196.4
Interest income	(97.3)	(57.7)
Loss on liquidation of a subsidiary	-	16.7
Gain on disposal of a joint venture	-	(43.5)
Gain on acquisition of a business	(70.4)	-
Fair value gain on other investment	(5.8)	-
Amortisation of intangibles	4.4	8.4
Amortisation of upfront fees for borrowings	9.7	11.4
Share of profit of an associate	-	(1.1)
Share of profit of joint ventures	(122.4)	(157.8)
Net movement in provisions	-	13.8
Operating profit before working capital changes	<u>2,475.9</u>	<u>3,808.7</u>
Inventories	(42.7)	(11.7)
Trade and other receivables	875.0	690.0
Trade and other payables	(378.9)	(763.3)
Cash generated from operations	<u>2,929.3</u>	<u>3,723.7</u>
Net tax paid	(28.8)	(28.5)
Net cash flows generated from operating activities	<u>2,900.5</u>	<u>3,695.2</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2017.



	30 September 2018	30 September 2017
	RM million	RM million
Cash Flows from Investing Activities:		
Purchase of ships, offshore floating assets and other property, plant and equipment	(1,594.4)	(2,308.8)
Proceeds from disposal of ships, other property, plant and equipment and assets held for sale	102.3	123.6
Progress payments for finance lease assets under construction	(990.9)	(1,179.6)
Dividend income from:		
Quoted investments	1.6	1.9
Associates and joint ventures	249.5	261.6
Acquisition of a business	(1,047.8)	-
Proceeds from disposal of a subsidiary	-	0.5
Proceeds from disposal of investment in a joint venture	-	188.9
Interest income received	51.3	48.4
Net fixed deposit (withdrawal)/placement	(0.8)	4.1
Net cash flows used in investing activities	(3,229.2)	(2,859.4)
Cash Flows from Financing Activities:		
Drawdown of term loans and revolving credit	5,171.6	2,700.3
Repayment of term loans and revolving credit	(4,083.3)	(2,235.7)
Dividends paid to the equity holders of the Corporation	(1,026.7)	(1,517.7)
Dividends paid to non-controlling interest of subsidiaries	(23.4)	(102.5)
Interest expense paid	(363.8)	(202.7)
Cash pledged with bank - restricted (net)	(3.0)	17.0
Net cash flows used in financing activities	(328.6)	(1,341.3)
Net Change in Cash & Cash Equivalents	(657.3)	(505.5)
Cash & Cash Equivalents at the beginning of the year	5,792.0	6,409.0
Currency translation difference	87.3	(331.6)
Cash & Cash Equivalents at the end of the period	5,222.0	5,572.0
Cash pledged with bank - restricted	112.4	128.7
Cash, deposits and bank balances	5,334.4	5,700.6

**MISC BERHAD**

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the Period Ended 30 September 2018

	Total equity	Attributable to equity holders of the Corporation											Non-controlling Interests	
		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	Fair value reserve	Hedging reserve		Currency translation reserve
	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 2018														
At 1 January 2018	35,904.7	34,844.1	8,923.3	-	19,961.3	5,959.5	99.3	435.2	1.4	3.2	53.0	8.3	5,359.1	1,060.6
Adjustment on initial application of MFRS 9	(113.0)	(113.0)	-	-	(60.0)	(53.0)	-	-	-	-	(53.0)	-	-	-
At 1 January 2018 (Restated)	35,791.7	34,731.1	8,923.3	-	19,901.3	5,906.5	99.3	435.2	1.4	3.2	-	8.3	5,359.1	1,060.6
Total comprehensive income/(loss)	1,683.1	1,694.8	-	-	972.8	722.0	-	-	-	-	-	29.1	692.9	(11.7)
Transactions with owners														
Dividends	(1,050.1)	(1,026.7)	-	-	(1,026.7)	-	-	-	-	-	-	-	-	(23.4)
Total transactions with owners	(1,050.1)	(1,026.7)	-	-	(1,026.7)	-	-	-	-	-	-	-	-	(23.4)
At 30 SEPTEMBER 2018	36,424.7	35,399.2	8,923.3	-	19,847.4	6,628.5	99.3	435.2	1.4	3.2	-	37.4	6,052.0	1,025.5
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	101.1	435.3	1.4	2.0	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}	-	-	4,459.5	(4,459.5)	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	(1,603.5)	(1,501.0)	4,459.5	(4,459.5)	(1,501.0)	-	-	-	-	-	-	-	-	(102.5)
At 30 SEPTEMBER 2017	37,589.2	36,414.4	8,923.3	-	20,205.6	7,285.5	101.1	435.3	1.4	2.0	51.9	3.3	6,690.5	1,174.8

* 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 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 2017.

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 19 November 2018.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the quarter ended 30 September 2018 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 2017.

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 2017.

The audited consolidated financial statements of the Group for the year ended 31 December 2017 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 2018 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2017 except as disclosed below:

As of 1 January 2018, 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 2018:

Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)

Amendments to MFRS 2: Share-based Payment: Classification and Measurement of Share-based Payment Transactions

MFRS 9: Financial Instruments

MFRS 15: Revenue from Contracts with Customers

MFRS 15: Revenue from Contracts with Customers: Clarifications to MFRS 15

Amendments to MFRS 128: Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)

Amendments to MFRS 140: Investment Property: Transfers of Investment Property

IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The adoption of the above pronouncements has no material financial impact to the Group and the Corporation other than as set out below:

i. MFRS 9: Financial Instruments

The Group adopted MFRS 9: Financial Instruments on 1 January 2018. MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

MFRS 9 contains three principal classifications categories for financial assets: measured at amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale. The Group has elected to classify the equity investments as FVTPL and present subsequent changes in the investment’s fair value to profit or loss.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss (“ECL”) model. Under MFRS 9, loss allowances will be measured on either 12 month ECLs or Lifetime ECLs. As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives.

Effects arising from the initial application of the new impairment model and the recognition of equity investments to FVTPL are as follows:

	Impact of adoption of MFRS 9 to opening balance at 1 January 2018
	RM million
Decrease in retained earnings	60.0
Decrease in fair value reserve	53.0
Decrease in trade and other receivables	63.7
Decrease in finance lease receivables	75.6
Increase in other non-current financial assets	26.3

Current period to date impact on MFRS 9 is RM48.2 million.

ii. MFRS 15: Revenue from Contract with Customers

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The application of MFRS 15 does not have a material effect on the Group’s financial statements.

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 2017.

A6. CHANGES IN COMPOSITION OF THE GROUP

The Corporation had, on 25 July 2018, announced the incorporation of a new subsidiary, AET Labuan One Limited (“AETL1”), under the Labuan Companies Act, 1990 for the purpose of owning, chartering and operating vessels. AETL1 is wholly-owned by AET Inc. 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	1,784.0	3,034.2	853.0	609.0	111.6	6,391.8
Inter-segment	-	0.4	68.3	93.1	(161.8)	-
	1,784.0	3,034.6	921.3	702.1	(50.2) *	6,391.8
Operating profit/(loss)	799.2	(121.0)	436.4	(94.3)	64.6	1,084.9

* Comprises inter-segment eliminations.

** Comprises net foreign exchange differences, interest income, dividend income from quoted investments, eliminations and adjustments.

A8. SEASONALITY OF OPERATIONS

The businesses of the Group are subject to market fluctuations.

A9. PROFIT FOR THE PERIOD

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

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2018	2017	2018	2017
	RM million	RM million	RM million	RM million
Interest income	40.1	19.1	97.3	57.7
Other income	82.6	70.2	121.8	328.4
Finance costs	(109.9)	(65.5)	(285.1)	(196.4)
Depreciation of ships, offshore floating assets and other property, plant and equipment	(476.0)	(500.9)	(1,395.5)	(1,531.9)
Amortisation of prepaid lease payments	(1.7)	(1.8)	(5.3)	(5.4)
Amortisation of intangibles	(1.5)	(0.9)	(4.4)	(8.4)
Write off of ships, property, plant and equipment	(3.5)	(8.1)	(6.9)	(30.3)
(Loss)/gain on disposal of ships, property, plant and equipment	(3.7)	0.6	(2.7)	29.0
Impairment loss on ships, property, plant and equipment and other investment	-	-	(1.1)	(133.6)
(Impairment)/write back on receivables	(41.6)	60.5	(93.7)	(164.5)
Bad debts (written off)/written back	(0.7)	(4.0)	3.3	(5.0)
Net realised foreign exchange gain/(loss)	5.3	(4.1)	(11.3)	(4.9)
Net unrealised foreign exchange (loss)/gain	(0.8)	12.7	16.5	(20.8)

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 totalling RM1,536.7 million.

A11. INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
	RM million	RM million	RM million
Cost			
At 1 January 2017	1,058.9	212.7	1,271.6
Currency translation differences	(84.9)	-	(84.9)
At 31 December 2017	974.0	212.7	1,186.7
Currency translation differences	18.6	-	18.6
At 30 September 2018	992.6	212.7	1,205.3
Accumulated amortisation and impairment			
At 1 January 2017	162.5	170.4	332.9
Amortisation	-	9.4	9.4
At 31 December 2017	162.5	179.8	342.3
Amortisation	-	4.4	4.4
At 30 September 2018	162.5	184.2	346.7
Net carrying amount			
At 1 January 2017	896.4	42.3	938.7
At 31 December 2017	811.5	32.9	844.4
At 30 September 2018	830.1	28.5	858.6

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 2017.

A12. INVENTORIES

The Group did not recognise any write-down of inventories or reversal of inventories during the quarter ended 30 September 2018.

A13. CASH, DEPOSITS AND BANK BALANCES

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

	30 September 2018 RM million	31 December 2017 RM million
Cash with PETRONAS Integrated Financial Shared Service Centre *	4,008.9	4,539.4
Cash and bank balances	297.5	381.0
Deposits with licensed banks	1,028.0	980.3
Total cash, deposits and bank balances	5,334.4	5,900.7

* 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 RM112.4 million (31 December 2017: RM104.7 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 that are measured at fair value:

	Level 1 RM million	Level 2 RM million	Level 3 RM million	Total RM million
At 30 September 2018				
Financial Assets				
Fair value through profit or loss				
Quoted investments	55.7	-	-	55.7
Derivatives				
Interest rate swaps designated as hedging instruments	-	38.1	-	38.1
	55.7	38.1	-	93.8
At 31 December 2017				
Financial Assets				
Available-for-sale financial assets				
Quoted investments	63.7	-	-	63.7
Derivatives				
Interest rate swaps designated as hedging instruments	-	7.7	-	7.7
	63.7	7.7	-	71.4

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 2018.

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 2018 RM million	31 December 2017 RM million
Short Term Borrowings		
Secured	395.0	1,037.8
Unsecured	5,388.7	6,679.8
	<u>5,783.7</u>	<u>7,717.6</u>
Long Term Borrowings		
Secured	6,438.3	2,786.2
Unsecured	827.6	1,160.1
	<u>7,265.9</u>	<u>3,946.3</u>
Total	<u>13,049.6</u>	<u>11,663.9</u>

ii) Foreign borrowings in United States Dollar equivalent as at 30 September 2018 is as follows:

	RM million
United States Dollar Borrowings	<u>13,049.6</u>

A17. DIVIDENDS PAID

The Corporation paid the following dividends in the period ended 30 September 2018 and year ended 31 December 2017:

	30 September 2018		31 December 2017	
	Sen/Share	RM million	Sen/Share	RM million
Second tax exempt dividend in respect of:				
- Financial year ending 31 December 2018 on 14 September 2018	7.0	312.5	-	-
First tax exempt dividend in respect of:				
- Financial year ending 31 December 2018 on 12 June 2018	7.0	312.5	-	-
Fourth tax exempt dividend in respect of:				
- Financial year ended 31 December 2017 on 15 March 2018	9.0	401.6	-	-
Third interim tax exempt dividend in respect of:				
- Financial year ended 31 December 2017 on 30 November 2017	-	-	7.0	312.5
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
First interim tax exempt dividend in respect of:				
- Financial year ended 31 December 2017 on 31 May 2017	-	-	7.0	312.5

A18. CAPITAL COMMITMENTS

	30 September 2018 RM million	31 December 2017 RM million
Approved and contracted for	2,268.9	3,142.1
Approved but not contracted for	291.8	689.6
Total	<u>2,560.7</u>	<u>3,831.7</u>

A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 30 September 2018 comprise the following:

	RM million
Secured	
Bank guarantees extended to third parties	<u>0.4</u>
Unsecured	
Bank guarantees extended to third parties	114.5
Bank guarantees extended to related companies	<u>103.1</u>
	<u>217.6</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	
	2018 RM million	2017 RM million	2018 RM million	2017 RM million
Revenue				
LNG	603.5	709.2	1,784.0	2,185.7
Petroleum	1,050.1	1,025.8	3,034.6	3,337.2
Offshore	337.3	399.9	921.3	1,449.9
Heavy Engineering	289.8	215.4	702.1	708.6
Others, Eliminations and Adjustments	(51.5)	(34.5)	(50.2)	(78.2)
Total	2,229.2	2,315.8	6,391.8	7,603.2
Operating Profit				
LNG	249.4	402.7	799.2	1,290.4
Petroleum	(27.4)	(59.7)	(121.0)	2.8
Offshore	139.9	313.2	436.4	775.2
Heavy Engineering	(22.8)	16.4	(94.3)	(9.5)
Others, Eliminations and Adjustments	15.4	5.5	64.6	17.9
Total Operating Profit	354.5	678.1	1,084.9	2,076.8
Impairment loss on ships, property, plant and equipment and other investment	-	-	(1.1)	(133.6)
Gain/(loss) on liquidation of a subsidiary	-	0.5	-	(16.7)
Gain on disposal of a joint venture	-	43.5	-	43.5
Gain on acquisition of a business	70.4	-	70.4	-
(Loss)/gain on disposal of ships, property, plant and equipment	(3.7)	0.6	(2.7)	29.0
Finance costs	(109.9)	(65.5)	(285.1)	(196.4)
Share of profit of joint ventures	39.8	49.0	122.4	158.9
Profit Before Tax	351.1	706.2	988.8	1,961.5

Current quarter's performance against the quarter ended 30 September 2017

Group revenue of RM2,229.2 million was 3.7% lower than the quarter ended 30 September 2017 ("corresponding quarter") revenue of RM2,315.8 million, while Group operating profit of RM354.5 million was RM323.6 million lower than the corresponding quarter's profit of RM678.1 million. The variances in Group performance by segments are further explained below.

LNG

Revenue of RM603.5 million was RM105.7 million or 14.9% lower than the corresponding quarter's revenue of RM709.2 million, mainly due to lower earning days and lower charter rate following contract renewal of an LNG carrier in October 2017.

Operating profit of RM249.4 million was RM153.3 million or 38.1% lower than the corresponding quarter's profit of RM402.7 million, mainly due to lower revenue as explained above coupled with one time reimbursement from charterer in the corresponding quarter.

Petroleum

Revenue of RM1,050.1 million was RM24.3 million or 2.4% higher than the corresponding quarter's revenue of RM1,025.8 million, due to higher freight rates achieved for Aframax and Suezmax vessels.

Petroleum business recorded lower operating loss of RM27.4 million compared to corresponding quarter's loss of RM59.7 million, mainly due to higher freight rates as explained above.

Offshore

Revenue of RM337.3 million was RM62.6 million lower than the corresponding quarter's revenue of RM399.9 million as corresponding quarter's revenue included the recognition of one time gain from favourable adjudication decision on Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") variation works in August 2017 and construction revenue of Floating, Storage and Offloading ("FSO") Benchamas 2 which was completed in May 2018. However, the impact was reduced by the commencement of FSO Mekar Bergading in the current quarter.

Operating profit of RM139.9 million was RM173.3 million or 55.3% lower than corresponding quarter's profit of RM313.2 million, mainly due to the one time gain from the variation works awarded to GKL and construction profit from FSO Benchamas 2 recorded in the corresponding quarter.

Heavy Engineering

Revenue of RM289.8 million was RM74.4 million or 34.5% higher than the corresponding quarter's revenue of RM215.4 million, mainly due to higher revenue from an ongoing project, conversion works and dry docking activities in the current quarter.

Heavy Engineering segment recorded operating loss of RM22.8 million compared to the corresponding quarter's profit of RM16.4 million, mainly due to additional cost provisions made for ongoing projects and additional costs incurred on conversion works and compressed margins for dry docking activities in the current quarter.

Others, Eliminations and Adjustments

Other segment's operating profit of RM15.4 million was RM9.9 million higher than corresponding quarter's profit of RM5.5 million mainly due to higher interest income earned.

Current 9 months period performance against the 9 months period ended 30 September 2017

Group revenue of RM6,391.8 million was 15.9% lower than RM7,603.2 million revenue for the 9-month period ended 30 September 2017 ("corresponding period"). Group operating profit of RM1,084.9 million was RM991.9 million lower than the corresponding period's profit of RM2,076.8 million. The variances in Group performance by segments are further explained below.

LNG

LNG revenue of RM1,784.0 million was RM401.7 million or 18.3% lower than the corresponding period's revenue of RM2,185.7 million, mainly due to lower earning days and lower charter rate following contract renewal of an LNG carrier in October 2017.

LNG operating profit of RM799.2 million was RM491.2 million or 38.1% lower than the corresponding period's profit of RM1,290.4 million, mainly due to lower revenue as explained above and the recognition of compensation for early termination of a time charter contract and one time reimbursement from charterer in the corresponding period.

Petroleum

Petroleum revenue of RM3,034.6 million was RM302.6 million or 9.1% lower than the corresponding period's revenue of RM3,337.2 million, mainly due to lower freight rates for Aframax and Very Large Crude Carrier ("VLCC") class vessels.

Petroleum segment recorded an operating loss of RM121.0 million compared to corresponding period's profit of RM2.8 million, mainly due to the lower freight rates as explained above.

Offshore

Revenue of RM921.3 million was RM528.6 million or 36.5% lower than the corresponding period's revenue of RM1,449.9 million, due to the recognition of a one time gain for GKL variation works following favourable adjudication decisions in 2017 in the corresponding period and lower construction revenue for FSO Benchamas 2 in the current period.

Offshore operating profit of RM436.4 million was RM338.8 million or 43.7% lower than the corresponding period's profit of RM775.2 million, mainly from lower revenue in GKL following favourable adjudication results in corresponding period and lower construction profit for FSO Benchamas 2 in the current period.

Heavy Engineering

Heavy Engineering revenue of RM702.1 million was RM6.5 million or 0.9% lower than the corresponding period's revenue of RM708.6 million, mainly due to fewer ongoing projects in hand, lesser dry docking repair works secured and lower conversion works in the current period.

Heavy Engineering operating loss of RM94.3 million was higher than the corresponding period's loss of RM9.5 million mainly due to additional costs incurred on conversion works as well as lower margins earned on dry docking works in the current period.

Others, Eliminations and Adjustments

Other segment's operating profit for the period of RM64.6 million was RM46.7 million higher than corresponding period's profit of RM17.9 million. This was mainly from higher net foreign exchange gain, and higher contribution from integrated marine, port and terminal services in the current period.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

<u>GROUP</u>	Quarter Ended 30 September 2018 RM million	Quarter Ended 30 June 2018 RM million
Revenue	2,229.2	2,141.8
Operating Profit	354.5	347.0
Gain on acquisition of a business	70.4	-
(Loss)/gain on disposal of ships, property, plant and equipment	(3.7)	1.0
Finance costs	(109.9)	(99.5)
Share of profit of joint ventures	39.8	70.0
Profit Before Tax	351.1	318.5

Group revenue of RM2,229.2 million was RM87.4 million or 4.1% higher than the preceding quarter's revenue of RM2,141.8 million, mainly from charter commencement of FSO Mekar Bergading, higher freight rates in Petroleum segment and higher project progress in Heavy Engineering segment in the current quarter.

Group operating profit of RM354.5 million was RM7.5 million or 2.2% higher than the preceding quarter's profit of RM347.0 million, mainly from higher revenue as explained above.

B3. GROUP CURRENT YEAR PROSPECTS

In the immediate term, the petroleum tanker market looks forward to a rise in seasonal demand during the upcoming winter months. Slowing newbuilding orderbook and continued scrapping of older tankers are additional immediate term support factors. Over the longer term, growth in tonne-miles that is driven by rising movement of oil from the Atlantic region to Asia suggests a more robust outlook in charter rates.

Meanwhile, LNG spot rates rose to a peak in third quarter 2018, after a lacklustre start for the year, fuelled by higher than expected Chinese imports. The Group's LNG shipping unit will take advantage of the buoyant market conditions to lock-in higher charter rates for two (2) to three (3) of its vessels which are presently in the spot market. Nevertheless, the operating income of the larger and core LNG fleet continues to be underwritten by the portfolio of long term charters that are in place.

The outlook for the offshore segment continues to be positive, supported by healthy activities in oil and gas exploration and production. A growing number of floating production system contracts are expected to be awarded over the coming years. MISC's Offshore business unit will be actively pursuing these opportunities. The unit's core operating income,

similar to the LNG shipping unit, remains underpinned by a portfolio of assets on long term charter contracts. Growth in income is expected in 2019, arising from full year contribution of two new assets added in 2018 – FSO Benchamas 2 and FSO Bergading.

The Heavy Engineering segment is expecting a pickup in marine repair activities in the coming year in view of the impending compliance to the International Maritime Organisation (IMO) fuel sulphur cap ruling by January 2020 and is optimistic of maintaining current level of repair activities for the final quarter of the year. Although the industry outlook continues to be challenging in the current year, the Heavy Engineering segment will focus on replenishing its order book. Effort to ensure competitiveness of ongoing and future bids are progressing and remains a priority.

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 2018 RM million	Cumulative 9 Months Ended 30 September 2018 RM million
Taxation for the period comprises the following charge:		
Income tax charge		
- current period	(8.0)	(29.9)
- prior year	(9.8)	(9.8)
Deferred taxation	5.9	8.3
	(11.9)	(31.4)

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 2018.

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 (now known as Asian International Arbitration Centre) to commence arbitration proceedings against SSPC ("Arbitration") whereby GKL is claiming for outstanding additional lease rates, payment for completed variation works and other associated costs under the Contract from SSPC, which covers the following:

- 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.

In addition, GKL filed Notices of Adjudication against SSPC under the Construction Industry Payment and Adjudication Act 2012, resulting with GKL being successful under the First and Second Adjudication Decisions for payment of completed

variation works amounting to approximately USD255.0 million and USD10.9 million respectively. A total of approximately USD73.0 million of outstanding increased Day Rates has been paid by SSPC as lump sum payments, with the balance amounts payable by SSPC as increased Day Rates for the relevant lease period.

SSPC refuted GKL's claims and filed a counterclaim against GKL in the Arbitration 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 Decisions. SSPC's claims cover, among others, the following:

- i. The sum of approximately USD588.0 million together with any applicable interest;
- ii. Repayment to SSPC for the full amount paid to GKL under the First and Second Adjudication Decisions; and
- iii. The costs and expenses of the Adjudication and Arbitration Proceedings.

In relation to the Arbitration, pleadings are now closed. Parties are in preparation for the hearing due to be held from 25 February 2019 to 16 March 2019.

GKL maintains its view on the strength of its claims against SSPC and is of the opinion that GKL has a good legal position to resist and defend against SSPC's counterclaims. GKL continues to receive payment from SSPC for the relevant lease period.

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")

Malaysia Offshore Mobile Production (Labuan) Ltd ("MOMPL"), MISC Berhad's wholly owned subsidiary, and PCPP Operating Company Sdn Bhd ("PCPP") are parties to an Agreement for the Leasing, Operation and Maintenance of Two (2) Plain Mobile Offshore Production Unit Facilities for D30 and Dana Fields Development Project dated 28 November 2008 ("the Contract").

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

A dispute has arisen between the parties in relation to the Contract and there are substantial sums due and owing to MOMPL. Attempts to resolve the matter by means of a commercial settlement agreement failed to materialise and MOMPL was constrained to proceed with legal proceedings against PCPP to seek to recover the sums outstanding to MOMPL for the lease and service rates, payment for completed variation works, early termination fees, reimbursement of demobilization costs and associated costs under the Contract totaling to approximately USD99,784,000 and RM22,618,000. In this respect, the following actions have been filed:

Arbitration

1. The first arbitration proceedings seek to claim for part of the outstanding sums amounting to approximately USD18,829,000 and RM17,944,000. MOMPL's Statement of Claim was filed on 21 December 2016.
2. The second arbitration proceedings seek to claim for the disputed portion of the early termination fees and demobilisation costs and the remaining lease and service rates amounting to approximately USD38,646,000 and RM4,674,000. MOMPL's Notice of Arbitration was filed on 7 August 2018.

Adjudication

3. Adjudication proceedings under the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") was first commenced to recover MOMPL's claim for the completed variation works amounting to approximately USD9,949,000. In this respect, MOMPL's Adjudication Claim was filed on 12 October 2018.
4. The second adjudication proceedings under CIPAA was commenced to recover the disputed demobilisation costs amounting to approximately USD4,796,000. MOMPL's Payment Claim was filed on 14 August 2018.

Proceedings in Court

5. An Originating Summons in the High Court was filed on 7 August 2018 for the undisputed portion of the early termination fees and demobilisation costs amounting to approximately USD42,307,000.
6. A writ action in the High Court was also filed on 13 August 2018 against PCSB, PPHE and PVEP (being the shareholders of PCPP) seeking for a declaration that the shareholders be liable for the amounts due and owing by PCPP to MOMPL under the Contract.

(collectively referred to as the "Legal Proceedings")

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.

B8. DIVIDENDS

The Board of Directors has approved a third tax exempt dividend of 7.0 sen per share in respect of financial year 2018 amounting to RM312.5 million. The proposed dividend will be paid on 18 December 2018 to shareholders registered at the close of business on 4 December 2018.

A third tax exempt dividend of 7.0 sen per share was declared on 3 November 2017 in respect of financial year 2017 amounting to RM312.5 million and paid on 30 November 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 4 December 2018 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.

Details of the Group's derivative financial instruments outstanding as at 30 September 2018 are as follows:

Contract/Tenure	Notional Value RM million	Fair Value Gain RM million
<u>Interest rate swaps</u>		
More than 3 years	1,315.8	29.1
	<u>1,315.8</u>	<u>29.1</u>

During the quarter ended 30 September 2018, the Group had not entered into an interest rate swap arrangement to hedge against adverse movements in interest rates.

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 December 2017:

- (a) the credit risk, market risk and liquidity risk associated with these financial derivatives;
- (b) the cash requirements of the financial derivatives; and
- (c) the policy in place for mitigating or controlling the risks associated with these financial derivatives.

B10. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

As at 30 September 2018, the Group does not have any financial liabilities measured at fair value through profit or loss.

B11. EARNINGS PER SHARE

	Quarter Ended		Cumulative	
	30 September		9 Months Ended	
	2018	2017	2018	2017
Basic earnings per share are computed as follows:				
Profit for the period attributable to equity holders of the Corporation (RM million):	341.0	680.5	972.8	1,913.2
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)	7.6	15.2	21.8	42.9

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

By Order of the Board