MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Income Statement

For The Period Ended 31 March 2019

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2019	**2018**	**2019**	**2018**
	RM million	**RM million**	**RM million**	**RM million**
Revenue	2,277.7	2,020.8	2,277.7	2,020.8
Cost of sales	(1,517.8)	(1,456.6)	(1,517.8)	(1,456.6)
GROSS PROFIT	**759.9**	**564.2**	**759.9**	**564.2**
Other operating income	87.2	65.8	87.2	65.8
General and administrative expenses	(255.2)	(246.6)	(255.2)	(246.6)
OPERATING PROFIT	**591.9**	**383.4**	**591.9**	**383.4**
Impairment loss on other investment	-	(1.1)	-	(1.1)
Gain on acquisition of a business	23.7	-	23.7	-
Gain on disposal of a ship	17.5	-	17.5	-
Finance costs	(134.2)	(75.7)	(134.2)	(75.7)
Share of profit of joint ventures	43.1	12.6	43.1	12.6
PROFIT BEFORE TAX	**542.0**	**319.2**	**542.0**	**319.2**
Taxation	(26.0)	(10.2)	(26.0)	(10.2)
PROFIT AFTER TAX	**516.0**	**309.0**	**516.0**	**309.0**
PROFIT ATTRIBUTABLE TO:				
Equity holders of the Corporation	510.5	310.6	510.5	310.6
Non-controlling interests	5.5	(1.6)	5.5	(1.6)
PROFIT AFTER TAX	**516.0**	**309.0**	**516.0**	**309.0**
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION (SEN)	11.4	7.0	11.4	7.0

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2018.

MISC BERHAD
(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Comprehensive Income
For The Period Ended 31 March 2019

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2019	2018	2019	2018
	RM million	RM million	RM million	RM million
PROFIT AFTER TAX	**516.0**	**309.0**	**516.0**	**309.0**
OTHER COMPREHENSIVE (LOSS)/ INCOME				
Items that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges:				
Fair value (loss)/gain				
Group	(58.9)	17.8	(58.9)	17.8
Loss on currency translation *	(524.1)	(1,602.8)	(524.1)	(1,602.8)
Total other comprehensive loss	**(583.0)**	**(1,585.0)**	**(583.0)**	**(1,585.0)**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(67.0)**	**(1,276.0)**	**(67.0)**	**(1,276.0)**
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:				
Equity holders of the Corporation	(69.4)	(1,265.7)	(69.4)	(1,265.7)
Non-controlling interests	2.4	(10.3)	2.4	(10.3)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**(67.0)**	**(1,276.0)**	**(67.0)**	**(1,276.0)**

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

	2019	2018	2017
As at 31 December	-	4.14450	4.05950
As at 31 March	4.07950	3.86200	4.42400

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2018.

MISC BERHAD
(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Financial Position
As at 31 March 2019

	31 March 2019 RM million	31 December 2018 RM million
NON CURRENT ASSETS		
Ships	22,128.3	21,224.8
Offshore floating assets	208.1	222.2
Property, plant and equipment	1,646.8	1,888.9
Prepaid lease payments on land and buildings	211.1	213.0
Finance lease receivables	15,896.9	16,377.4
Investments in associates	0.5	0.5
Investments in joint ventures	935.9	955.1
Other non-current financial assets	242.2	244.6
Derivative assets	4.4	8.2
Intangible assets	840.7	856.9
Deferred tax assets	104.0	104.4
	42,218.9	**42,096.0**
CURRENT ASSETS		
Inventories	252.7	250.0
Finance lease receivables	1,255.2	1,247.2
Trade and other receivables	2,423.7	2,555.9
Cash,deposits and bank balances	6,225.5	5,755.6
Amounts due from related companies	81.9	102.5
Amounts due from joint ventures	26.8	43.7
Tax recoverable	3.6	14.5
	10,269.4	**9,969.4**
TOTAL ASSETS	**52,488.3**	**52,065.4**
EQUITY		
Share capital	8,923.3	8,923.3
Treasury shares	(0.3)	(0.3)
Reserves	6,004.1	6,584.0
Retained profits	19,858.7	19,844.2
Equity attributable to equity holders of the Corporation	**34,785.8**	**35,351.2**
Non-controlling interests	1,015.1	1,013.0
TOTAL EQUITY	**35,800.9**	**36,364.2**
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	11,433.0	7,271.4
Deferred income	589.9	612.4
Deferred tax liabilities	30.3	32.5
Derivative liabilities	60.9	5.8
	12,114.1	**7,922.1**
CURRENT LIABILITIES		
Interest bearing loans and borrowings	2,791.9	5,778.5
Trade and other payables	1,677.6	1,890.2
Amounts due to related companies	9.1	17.7
Amounts due to associates	0.9	0.9
Amounts due to joint ventures	93.8	91.8
	4,573.3	**7,779.1**
TOTAL LIABILITIES	**16,687.4**	**15,701.2**
TOTAL EQUITY AND LIABILITIES	**52,488.3**	**52,065.4**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2018.

MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Cash Flows

For the Period Ended 31 March 2019

	31 March 2019 RM million	31 March 2018 RM million
Cash Flows from Operating Activities:		
Profit before tax	542.0	319.2
Impairment loss on receivables	9.0	18.5
Bad debts written off	-	1.4
Depreciation of ships, offshore floating assets and other property, plant and equipment	538.3	455.2
Amortisation of prepaid lease payments	1.8	1.7
Impairment loss on other investment	-	1.1
Write off of ships, property, plant and equipment	-	1.4
Gain on disposal of a ship	(17.5)	-
Net unrealised foreign exchange (gain)/loss	(0.1)	4.9
Dividend income from equity investments	(0.2)	-
Finance costs	134.2	75.7
Finance income	(42.4)	(25.3)
Gain on acquisition of a business	(23.7)	-
Fair value movement in other investments	(3.0)	-
Amortisation of intangibles	2.0	1.5
Amortisation of upfront fees for borrowings	1.2	3.2
Share of profit of joint ventures	(43.1)	(12.6)
Operating profit before working capital changes	1,098.5	845.9
Inventories	(6.1)	(7.2)
Trade and other receivables	543.4	118.4
Trade and other payables	(264.6)	(55.0)
Cash generated from operations	1,371.2	902.1
Net tax paid	(15.4)	(5.2)
Net cash flows generated from operating activities	**1,355.8**	**896.9**

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2018.

	31 March 2019 RM million	31 March 2018 RM million
Cash Flows from Investing Activities:		
Purchase of ships, offshore floating assets and other property, plant and equipment	(756.7)	(911.1)
Proceeds from disposal of a ship	100.8	-
Progress payments for finance lease assets under construction	-	(499.3)
Dividend income from:		
Quoted investments	0.2	-
Associates and joint ventures	45.9	71.9
Acquisition of a business	(145.6)	-
Interest income received	30.2	18.8
Net fixed deposit withdrawal	(0.9)	(1.4)
Net cash flows used in investing activities	**(726.1)**	**(1,321.1)**
Cash Flows from Financing Activities:		
Drawdown of term loans and revolving credit	4,832.9	667.3
Repayment of term loans and revolving credit	(4,310.0)	(187.2)
Repayment of lease liabilities	(87.2)	-
Dividends paid to the equity holders of the Corporation	(401.7)	(401.7)
Dividends paid to non-controlling interest of subsidiaries	-	(23.4)
Interest expense paid	(114.2)	(130.8)
Receipt/(placement) of cash pledged with bank - restricted	43.3	(2.0)
Net cash flows used in financing activities	**(36.9)**	**(77.8)**
Net Change in Cash & Cash Equivalents	592.8	(501.9)
Cash & Cash Equivalents at the beginning of the year	5,537.2	5,792.0
Currency translation difference	(79.6)	(236.8)
Cash & Cash Equivalents at the end of the period	**6,050.4**	**5,053.3**
Cash pledged with bank - restricted	175.1	106.8
Cash, deposits and bank balances	**6,225.5**	**5,160.1**

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2018.

MISC BERHAD
(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Changes in Equity
For the Year Ended 31 March 2019

		← Attributable to equity holders of the Corporation →												
	Total equity	Equity attributable to equity holders of the Corporation	Share capital* Ordinary shares	Treasury shares	Retained profits	Other reserves, total	Other capital reserve	Capital reserve	Revaluation reserve	Statutory 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
3 MONTHS ENDED 31 March 2019														
At 1 January 2019	**36,364.2**	**35,351.2**	**8,923.3**	**(0.3)**	**19,844.2**	**6,584.0**	**99.3**	**435.2**	**1.4**	**3.2**	**-**	**2.9**	**6,042.0**	**1,013.0**
Adjustment on initial application of MFRS 16	(94.6)	(94.3)	-	-	(94.3)	-	-	-	-	-	-	-	-	(0.3)
At 1 January 2019 (Restated)	**36,269.6**	**35,256.9**	**8,923.3**	**(0.3)**	**19,749.9**	**6,584.0**	**99.3**	**435.2**	**1.4**	**3.2**	**-**	**2.9**	**6,042.0**	**1,012.7**
Total comprehensive (loss)/income	(67.0)	(69.4)	-	-	510.5	(579.9)	-	-	-	-	-	(58.9)	(521.0)	2.4
Transactions with owners														
Dividends	(401.7)	(401.7)	-	-	(401.7)	-	-	-	-	-	-	-	-	-
Total transactions with owners	(401.7)	(401.7)	-	-	(401.7)	-	-	-	-	-	-	-	-	-
At 31 March 2019	**35,800.9**	**34,785.8**	**8,923.3**	**(0.3)**	**19,858.7**	**6,004.1**	**99.3**	**435.2**	**1.4**	**3.2**	**-**	**(56.0)**	**5,521.0**	**1,015.1**
3 MONTHS ENDED 31 March 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 (loss)/income	(1,276.0)	(1,265.7)	-	-	310.6	(1,576.3)	-	-	-	-	-	17.8	(1,594.1)	(10.3)
Transactions with owners														
Dividends	(425.1)	(401.7)	-	-	(401.7)	-	-	-	-	-	-	-	-	(23.4)
Total transactions with owners	(425.1)	(401.7)	-	-	(401.7)	-	-	-	-	-	-	-	-	(23.4)
At 31 March 2018	**34,090.6**	**33,063.7**	**8,923.3**	**-**	**19,810.2**	**4,330.2**	**99.3**	**435.2**	**1.4**	**3.2**	**-**	**26.1**	**3,765.0**	**1,026.9**

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

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 24 May 2019.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the quarter ended 31 March 2019 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 2018.

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 2018.

The audited consolidated financial statements of the Group for the year ended 31 December 2018 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 2019 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2018 except as disclosed below:

As of 1 January 2019, 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 2019:

- MFRS 16: Leases
- Annual Improvements to MFRS Standards 2015 – 2017 Cycle
- IC Interpretation 23 Uncertainty over Income Tax Treatments

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 16: Leases

The Group adopted MFRS 16: Leases on 1 January 2019. MFRS 16 replaces the guidance in MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Leases – Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The lessee shall choose to measure the right-of-use asset at either its carrying amount as if MFRS 16 has been applied since inception or an amount equal to the lease liability. There are recognition exemptions for short-term leases, leases of low-value items and variable lease payments. Lessor accounting remains similar i.e. lessor continues to classify leases as finance or operating leases.

The Group has elected modified retrospective approach with no restatement of comparative.

Effects arising from the initial application of MFRS 16 in retained earnings as at 1 January 2019 are as disclosed below:

	Impact of adoption of MFRS 16 to opening balance at 1 January 2019 RM million
Decrease in retained earnings	94.3
Decrease in non-controlling interests	0.3
Increase in right-of-use assets	851.9
Increase in lease liabilities	946.2

The current period to date impact on depreciation of right-of-use assets is RM81.5 million and interest on lease liabilities is RM11.2 million.

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 2018.

A6. CHANGES IN COMPOSITION OF THE GROUP

(a) The Corporation had, on 30 April 2019, announced the incorporation of a new subsidiary, MISC Offshore (Singapore) Pte. Ltd. (“MOSPL”), under the Singapore Companies Act (Chapter 50) for the purpose of providing support services to the MISC Group in the bidding and execution of offshore deepwater floating production, storage and offloading (FPSO) projects. MOSPL is a wholly-owned subsidiary of MISC Offshore Holdings (Brazil) Sdn. Bhd., a wholly-owned subsidiary of the Corporation.

(b) The Corporation had, on 30 April 2019, announced the incorporation of a new subsidiary, MagellanX Pte. Ltd. (“MXPL”), under the Singapore Companies Act (Chapter 50) for the purpose of providing support services to the MISC Group in the development of digital products and solutions. MXPL is a wholly-owned subsidiary of MISC Ship Management Sdn. Bhd., a 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	625.4	1,173.6	244.5	195.3	38.9		2,277.7
Inter-segment	-	0.1	25.4	7.5	(33.0)		-
	625.4	**1,173.7**	**269.9**	**202.8**	**5.9**	*	**2,277.7**
Operating profit/(loss)	324.2	134.9	142.3	(29.1)	19.6	**	591.9

* 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 31 March		Cumulative 3 Months Ended 31 March	
	2019	2018	2019	2018
	RM million	RM million	RM million	RM million
Finance income	42.4	25.3	42.4	25.3
Other income	33.7	10.2	33.7	10.2
Finance costs	(134.2)	(75.7)	(134.2)	(75.7)
Depreciation of ships, offshore floating assets and other property, plant and equipment	(538.3)	(455.2)	(538.3)	(455.2)
Amortisation of prepaid lease payments	(1.8)	(1.7)	(1.8)	(1.7)
Amortisation of intangibles	(2.0)	(1.5)	(2.0)	(1.5)
Write off of ships, property, plant and equipment	-	(1.4)	-	(1.4)
Gain on acquisition of a business	23.7	-	23.7	-
Gain on disposal of a ship	17.5	-	17.5	-
Impairment loss on other investment	-	(1.1)	-	(1.1)
Impairment loss on receivables	(9.0)	(18.5)	(9.0)	(18.5)
Bad debts written off	-	(1.4)	-	(1.4)
Fair value gain on other investments	3.0	-	3.0	-
Net realised foreign exchange (loss)/gain	(1.4)	7.4	(1.4)	7.4
Net unrealised foreign exchange gain/(loss)	0.1	(4.9)	0.1	(4.9)

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

Included in ships, offshore floating assets and property, plant and equipment are construction work-in-progress, mainly for the construction of ships totalling RM1,166.7 million (31 December 2018: RM1,664.6 million) and right-of-use assets amounting to RM758.2 million.

A11. INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
	RM million	RM million	RM million
Cost			
At 1 January 2018	**974.0**	**212.7**	**1,186.7**
Write-off	(0.7)	-	(0.7)
Currency translation differences	18.6	-	18.6
At 31 December 2018	**991.9**	**212.7**	**1,204.6**
Currency translation differences	(14.2)	-	(14.2)
At 31 March 2019	**977.7**	**212.7**	**1,190.4**
Accumulated amortisation and impairment			
At 1 January 2018	**162.5**	**179.8**	**342.3**
Amortisation	-	5.4	5.4
At 31 December 2018	**162.5**	**185.2**	**347.7**
Amortisation	-	2.0	2.0
At 31 March 2019	**162.5**	**187.2**	**349.7**
Net carrying amount			
At 1 January 2018	**811.5**	**32.9**	**844.4**
At 31 December 2018	**829.4**	**27.5**	**856.9**
At 31 March 2019	**815.2**	**25.5**	**840.7**

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 2018.

A12. INVENTORIES

The Group did not recognise any write-down of inventories and reversal of inventories during the quarter ended 31 March 2019.

A13. CASH, DEPOSITS AND BANK BALANCES

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

	31 March 2019 RM million	31 December 2018 RM million
Cash with PETRONAS Integrated Financial Shared Service Centre *	3,891.5	4,204.4
Cash and bank balances	1,350.1	1,214.8
Deposits with licensed banks	983.9	336.4
Total cash, deposits and bank balances	**6,225.5**	**5,755.6**

* 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 RM175.1 million (31 December 2018: RM218.4 million) which is restricted for use because it is pledged to the bank for the purpose of loan covenants.

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 31 March 2019				
Financial Assets				
Fair value through profit or loss				
Quoted investments	50.4	-	-	50.4
Unquoted investments	-	-	72.7	72.7
Derivatives				
Interest rate swaps designated as hedging instruments	-	4.4	-	4.4
	50.4	**4.4**	**72.7**	**127.5**
Financial Liabilities				
Derivatives				
Interest rate swaps designated as hedging instruments	-	(60.9)	-	(60.9)
	-	**(60.9)**	**-**	**(60.9)**

	Level 1 RM million	Level 2 RM million	Level 3 RM million	Total RM million
At 31 December 2018				
Financial Assets				
Fair value through profit or loss				
Quoted investments	47.8	-	-	47.8
Unquoted investments	-	-	73.9	73.9
Derivatives				
Interest rate swaps designated as hedging instruments	-	8.2	-	8.2
	47.8	**8.2**	**73.9**	**129.9**
Financial Liabilities				
Derivatives				
Interest rate swaps designated as hedging instruments	-	(5.8)	-	(5.8)
	-	**(5.8)**	**-**	**(5.8)**

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

A15. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance or repayment of debt and equity securities made by the Group during the quarter ended 31 March 2019.

A16. INTEREST BEARING LOANS AND BORROWINGS

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

	31 March 2019 RM million	31 December 2018 RM million
Short Term Borrowings		
Secured	739.6	389.8
Unsecured	1,701.7	5,388.7
Lease liabilities	350.6	-
	2,791.9	5,778.5
Long Term Borrowings		
Secured	10,246.4	6,512.8
Unsecured	691.5	758.6
Lease liabilities	495.1	-
	11,433.0	7,271.4
Total	**14,224.9**	**13,049.9**

ii) Foreign borrowings in United States Dollar equivalent as at 31 March 2019 is as follows:

	RM million
United States Dollar Borrowings	14,064.1

A17. DIVIDENDS PAID

The Corporation paid the following dividends in the period ended 31 March 2019 and 31 December 2018:

	31 March 2019		31 December 2018	
	Sen/Share	**RM million**	**Sen/Share**	**RM million**
Fourth tax exempt dividend in respect of:				
- Financial year ended 31 December 2018 on 26 March 2019	9.0	401.7	-	-
Third tax exempt dividend in respect of:				
- Financial year ended 31 December 2018 on 18 December 2018	-	-	7.0	312.5
Second tax exempt dividend in respect of:				
- Financial year ended 31 December 2018 on 14 September 2018	-	-	7.0	312.5
First tax exempt dividend in respect of:				
- Financial year ended 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	401.7

A18. CAPITAL COMMITMENTS

	31 March 2019 **RM million**	**31 December 2018** **RM million**
Approved and contracted for:		
Group	2,012.7	2,792.3
Share of capital commitments in a joint venture	113.6	-
	2,126.3	2,792.3
Approved but not contracted for:		
Group	970.1	939.9
Share of capital commitments in a joint venture	80.8	-
	1,050.9	939.9
Total	**3,177.2**	**3,732.2**

A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 31 March 2019 comprise the following:

	RM million
Secured	
Bank guarantees extended to third parties	0.4
Unsecured	
Performance bonds on contract and bank guarantees extended to third parties	180.2

A20. SUBSEQUENT MATERIAL EVENT

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

B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended 31 March 2019 RM million	Quarter Ended 31 March 2018 RM million	Cumulative 3 Months Ended 31 March 2019 RM million	Cumulative 3 Months Ended 31 March 2018 RM million
Revenue				
LNG	625.4	584.6	625.4	584.6
Petroleum	1,173.7	976.3	1,173.7	976.3
Offshore	269.9	294.9	269.9	294.9
Heavy Engineering	202.8	179.9	202.8	179.9
Others, Eliminations and Adjustments	5.9	(14.9)	5.9	(14.9)
Total Revenue	**2,277.7**	**2,020.8**	**2,277.7**	**2,020.8**
Operating Profit/(Loss)				
LNG	324.2	275.2	324.2	275.2
Petroleum	134.9	(39.2)	134.9	(39.2)
Offshore	142.3	149.9	142.3	149.9
Heavy Engineering	(29.1)	(25.5)	(29.1)	(25.5)
Others, Eliminations and Adjustments	19.6	23.0	19.6	23.0
Total Operating Profit	**591.9**	**383.4**	**591.9**	**383.4**
Impairment loss on other investment	-	(1.1)	-	(1.1)
Gain on acquisition of a business	23.7	-	23.7	-
Gain on disposal of a ship	17.5	-	17.5	-
Finance costs	(134.2)	(75.7)	(134.2)	(75.7)
Share of profit of joint ventures	43.1	12.6	43.1	12.6
Profit Before Tax	**542.0**	**319.2**	**542.0**	**319.2**

Current quarter's performance against the quarter ended 31 March 2018

Group revenue of RM2,277.7 million was 12.7% higher than the quarter ended 31 March 2018 ("corresponding quarter") revenue of RM2,020.8 million, while Group operating profit of RM591.9 million was RM208.5 million higher than the corresponding quarter's profit of RM383.4 million. The variances in Group performance by segment are further explained below.

LNG

Revenue of RM625.4 million was RM40.8 million or 7.0% higher than the corresponding quarter's revenue of RM584.6 million, mainly from higher number of operating vessels in the current quarter.

Operating profit of RM324.2 million was RM49.0 million or 17.8% higher than the corresponding quarter's profit of RM275.2 million, mainly from higher revenue as explained above coupled with additional charter rate for Floating Storage Units ("FSU").

Petroleum

Revenue of RM1,173.7 million was RM197.4 million or 20.2% higher than the corresponding quarter's revenue of RM976.3 million resulting from higher freight rates in the current quarter for Aframax, Very Large Crude Carrier (VLCC) and Suezmax vessels.

Operating profit of RM134.9 million was RM174.1 million higher than corresponding quarter's loss of RM39.2 million, from higher freight rates as explained above.

Offshore

Revenue of RM269.9 million was RM25.0 million or 8.5% lower than the corresponding quarter's revenue of RM294.9 million as corresponding quarter included construction revenue of Floating, Storage and Offloading ("FSO") Benchamas 2 which was completed in May 2018. The reduction in revenue was mitigated by the charter commencement of FSO Mekar Bergading in August 2018.

Operating profit of RM142.3 million was RM7.6 million lower than corresponding quarter's profit of RM149.9 million, mainly due to the inclusion of construction gain from FSO Benchamas 2 in the corresponding quarter's results.

Heavy Engineering

Revenue of RM202.8 million was RM22.9 million or 12.7% higher than the corresponding quarter's revenue of RM179.9 million, mainly due to higher progress of ongoing projects in the current quarter.

Heavy Engineering segment recorded operating loss of RM29.1 million compared to corresponding quarter's loss of RM25.5 million, mainly due to higher unabsorbed overheads as expected contract awards have yet to materialise.

Others, Eliminations and Adjustments

Other segment operating profit of RM19.6 million was RM3.4 million lower compared to corresponding quarter's profit of RM23.0 million mainly due to lower interest income and lower net foreign exchange gain.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

GROUP	Quarter Ended 31 March 2019 RM million	Quarter Ended 31 December 2018 RM million
Revenue	**2,277.7**	**2,388.5**
Operating Profit	**591.9**	**381.4**
Impairment loss on ships	-	(97.9)
Gain on acquisition of businesses	23.7	29.6
Gain/(loss) on disposal of ships and other property, plant and equipment	17.5	(9.2)
Finance costs	(134.2)	(109.5)
Share of profit of joint ventures	43.1	160.9
Profit Before Tax	**542.0**	**355.3**

Group revenue of RM2,277.7 million was RM110.8 million or 4.6% lower than the preceding quarter's revenue of RM2,388.5 million, mainly from lower earning days in Petroleum and lower project progress in Heavy Engineering segment. The reduction in revenue is partially negated by higher revenue in LNG segment from higher number of operating vessels in the current quarter.

Group operating profit of RM591.9 million was RM210.5 million or 55.2% higher than the preceding quarter's profit of RM381.4 million, mainly from lower vessel operating costs in the Petroleum segment as well as the preceding quarter included higher impairment of receivables, bad debts written off and fair value loss of investment.

B3. GROUP CURRENT YEAR PROSPECTS

Petroleum tanker earnings are expected to continue to trend downward in the first half of the year on the back of persistent tonnage oversupply, seasonal factors and oil supply cuts. While 2019 as a whole is expected to be a better year for the tanker sector than 2018, continued OPEC-led oil production cuts and the end of Iran oil waivers by the US are a concern as these may affect shipping volumes. Over the longer term, growth in tonne-miles that is driven by higher exports from the Atlantic region to Asia suggests a more robust outlook in charter rates.

In the LNG shipping segment, spot charter rates have eased off in Q1 2019 on the back of diminishing winter demand and new tonnage delivery, after a historical winter peak towards the end of 2018. In the second half of 2019, tanker deliveries are expected to slow and new liquefaction capacity will likely help keep rates afloat. Two new LNG carriers have joined MISC's fleet at the end of 2018 and early 2019, providing a source of income growth for the segment. These additions and the existing portfolio of long term charters that are in place will underwrite a steady performance for MISC's LNG business for the year.

The Offshore segment continues to be supported by healthy activities in oil and gas exploration and production. An increasing number of opportunities are present in the global offshore exploration and production space, especially for developments within the Atlantic Basin, and MISC's Offshore business unit will be actively assessing the merit of pursuing these opportunities in the current year. Our existing portfolio of long term contracts will also continue to support the stable financial performance of the Offshore business segment.

The Heavy Engineering segment is expecting to see more dry docking activities at its yard in view of encouraging growth in global sea trade. As more orders for LNG repairs have been received compared to last year, the segment is positive in maintaining the current level of marine repair activities for this year. The segment had secured an award of a long term plant turnaround and maintenance services contract by PETRONAS, a new service that provides recurring orders in support of business sustainability. As the industry outlook continues to be challenging in the current financial year, the Heavy Engineering segment remains cautious and committed to replenish its order book, not only from the domestic market but also various geographical areas.

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

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

B5. TAXATION

	Quarter Ended 31 March 2019 RM million
Taxation for the period comprises the following charge:	
Income tax charge	
- current period	(25.0)
- prior year	(1.4)
Deferred taxation	0.4
	(26.0)

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 2021.

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

B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There were no outstanding corporate proposals submitted by the Group for the quarter ended 31 March 2019.

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 million and USD10.9 million respectively. A total of approximately USD73 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 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.

The hearing for the Arbitration from 25 February 2019 to 16 March 2019 has been concluded and parties have filed their respective closing submissions.

GKL is of the view that GKL has a good legal position to succeed in its claims against SSPC and has a good legal position to defend SSPC's counterclaims.

The Arbitration and Adjudication 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 continues to receive payment from SSPC for the relevant lease period.

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

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 rates, payment for completed variation works, early termination fees, reimbursement of demobilisation costs and associated costs under the Contract totalling to approximately USD99,784,000 and service rates totalling approximately RM22,618,000. In this respect, the following actions have been filed:

<u>Arbitration</u>

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 USD9,949,000.00. On 9 January 2019, MOMPL was awarded its entire claim of USD USD9,949,734.00 plus interest and costs. PCPP has since filed an application in the High Court to set aside the Adjudication decision.

4. The second adjudication proceedings under CIPAA was commenced to recover the disputed demobilisation costs amounting to approximately USD4,796,000. MOMPL filed its Payment Claim on 14 August 2018 and Notice of Adjudication on 25 January 2019.

Proceedings in Court

5. An Originating Summons in the High Court was filed on 7 August 2018 to recover the undisputed portion of the early termination fees and demobilisation costs amounting to approximately USD42,307,000. The High Court has allowed PCPP's application to stay the Originating Summons. MOMPL shall file an appeal to the Court of Appeal against the decision of the High Court by 30th May 2019.

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. PCSB and PCPP filed applications in the High Court to strike out and stay the proceedings which were allowed on 26 October 2018 and 11 December 2018 respectively. MOMPL is appealing against both decisions to the Court of Appeal. The hearing for the appeal against PCSB's striking out application is fixed on 26 September 2019.

(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.

iii) Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE") and E.A. Technique (M) Berhad ("EAT")

MMHE, a wholly owned subsidiary of the Company, had on 27 September 2018 received a Notice of Arbitration from EAT for a number of claims in relation to the contract entered into by MMHE in June 2015 for the Provision of Demolition, Refurbishment and Conversion of Donor Vessel into a Floating, Storage and Offloading Facility for Full Development Project, North Malay Basin, hereinafter referred to as the "Conversion Contract".

During the period of the contract, MMHE issued Additional Work Orders ("AWOs") to EAT, claiming for payments for works done. Disputes and differences have arisen between the parties over the valuation of the invoices and AWOs issued.

On 22 June 2018, EAT and MMHE entered into an agreement via a Letter of Undertaking ("LOU") to settle the sums due under the invoices and AWOs. Under the LOU, the parties agreed to perform a joint review of the claims made by MMHE over a specified period. However, both parties were unable to reach an amicable settlement and as a result thereof, EAT initiated arbitration proceedings against MMHE to resolve the disputes.

EAT's claims totalling USD21,743,398 are in relation to over-payment of original contract value, sums paid under the LOU and costs incurred pursuant to the Conversion Contract.

MMHE rejected EAT's claims and issued counter claims totalling USD49,105,095 representing payment for unpaid invoices, prolongation costs and additional variations to the original scope of work.

The Group will continue to defend the claims made by EAT and pursue its counterclaims. As at the date of this announcement, Statement of Claim has been served by EAT and MMHE has responded with a Statement of Defence and Counterclaim on 15 March 2019.

iv) Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE") and Kebabangan Petroleum Operating Company Sdn Bhd ("KPOC")

MMHE, a wholly owned subsidiary of the Company, had received via its solicitors a Notice of Arbitration dated 13 March 2019 from KPOC on 14 March 2019 in relation to claims arising from the contracts of Fabrication of KBB Topside and Novation Agreement, hereinafter referred to as the "Contract".

KPOC, in its Notice of Arbitration, claims that MMHE was and is in breach of the express and/or implied terms of the Contracts in respect of the supply of certain valves. KPOC has included an indicative amount of its alleged loss as part of the Notice of Arbitration, at approximately RM125.1 million, and has claimed that it continues to allegedly suffer losses.

MMHE will vigorously defend the claims made by KPOC and is presently exploring its options to pursue a counterclaim against KPOC. Apart from the arbitration proceeding, MMHE reserves its right to pursue any other legal actions as may be permitted under the Malaysian laws, including, if appropriate, to seek indemnity from the ultimate supplier of the said valves.

B8. DIVIDENDS

The Board of Directors has approved a first tax exempt dividend of 7.0 sen per share in respect of financial year 2019 amounting to RM312.5 million. The proposed dividend will be paid on 25 June 2019 to shareholders registered at the close of business on 11 June 2019.

A first tax exempt dividend of 7.0 sen per share was declared on 14 May 2018 in respect of financial year 2018 amounting to RM312.5 million and paid on 12 June 2018.

A depositor shall qualify for entitlement to the dividend only in respect of:
i) Shares transferred into the Depositor's Securities Account before 4.30 pm on 11 June 2019 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 rate into fixed rate. 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 31 March 2019 are as follows:

Contract/Tenure	**Notional Value RM million**	**Fair Value Loss RM million**
Interest rate swaps		
1 year to 3 years	347.1	(1.7)
More than 3 years	3,184.5	(57.2)
	3,531.6	(58.9)

During the quarter ended 31 March 2019, the Group had entered into an IRS arrangement to hedge against adverse movements in interest rates in compliance with the facility agreement.

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 December 2018:

(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 31 March 2019, the Group does not have any financial liabilities measured at fair value through profit or loss.

B11. EARNINGS PER SHARE

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2019	**2018**	**2019**	**2018**
Basic earnings per share are computed as follows:				
Profit for the period attributable to equity holders of the Corporation (RM million):	510.5	310.6	510.5	310.6
Weighted average number of ordinary shares in issue (million)	**4,463.8**	**4,463.8**	**4,463.8**	**4,463.8**
Basic earnings per share (sen)	11.4	7.0	11.4	7.0

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

By Order of the Board