MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Income Statement

For The Period Ended 30 September 2020

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2020	**2019**	**2020**	**2019**
	RM million	**RM million**	**RM million**	**RM million**
Revenue	2,059.5	2,147.8	6,759.6	6,587.2
Cost of sales	(1,521.1)	(1,579.0)	(4,427.9)	(4,608.1)
GROSS PROFIT	**538.4**	**568.8**	**2,331.7**	**1,979.1**
Other operating income	64.1	64.2	200.7	211.2
General and administrative expenses	(272.5)	(256.6)	(834.4)	(737.7)
OPERATING PROFIT	**330.0**	**376.4**	**1,698.0**	**1,452.6**
Impairment loss on ships, offshore floating assets and other property, plant and equipment	(9.6)	(50.0)	(315.6)	(101.1)
Gain on acquisition of a business	-	-	-	23.7
(Loss)/gain on disposal of ships	-	(5.2)	21.6	12.3
Write off of trade receivables and loss on re-measurement of finance lease receivables	-	-	(935.2)	-
Provision for litigation claims	-	-	(1,049.2)	-
Finance costs	(77.8)	(116.1)	(274.1)	(365.9)
Share of profit of joint ventures	38.6	82.4	176.3	227.0
PROFIT/(LOSS) BEFORE TAX	**281.2**	**287.5**	**(678.2)**	**1,248.6**
Taxation	(20.8)	(16.6)	(48.1)	(59.8)
PROFIT/(LOSS) AFTER TAX	**260.4**	**270.9**	**(726.3)**	**1,188.8**
PROFIT/(LOSS) ATTRIBUTABLE TO:				
Equity holders of the Corporation	258.3	266.1	(599.0)	1,176.4
Non-controlling interests	2.1	4.8	(127.3)	12.4
PROFIT/(LOSS) AFTER TAX	**260.4**	**270.9**	**(726.3)**	**1,188.8**
BASIC EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION (SEN)	5.8	6.0	(13.4)	26.4

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019.

MISC BERHAD
(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Comprehensive Income
For The Period Ended 30 September 2020

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2020 RM million	2019 RM million	2020 RM million	2019 RM million
PROFIT/(LOSS) AFTER TAX	**260.4**	**270.9**	**(726.3)**	**1,188.8**
OTHER COMPREHENSIVE (LOSS)/INCOME				
Items that may be reclassified to profit or loss in subsequent periods:				
Cash flow hedges:				
Fair value gain/(loss)				
Group	32.9	(120.4)	(463.3)	(257.3)
(Loss)/gain on currency translation *	(961.6)	364.1	461.5	342.4
Total other comprehensive (loss)/income	**(928.7)**	**243.7**	**(1.8)**	**85.1**
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(668.3)**	**514.6**	**(728.1)**	**1,273.9**
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:				
Equity holders of the Corporation	(661.8)	507.7	(600.5)	1,259.6
Non-controlling interests	(6.5)	6.9	(127.6)	14.3
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(668.3)**	**514.6**	**(728.1)**	**1,273.9**

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

	2020	2019	2018
As at 31 December	-	4.09950	4.14450
As at 30 June	4.28500	4.14150	4.04450
As at 30 September	4.15750	4.18700	4.14450

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019.

MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 September 2020

	30 September 2020 RM million	31 December 2019 RM million
NON CURRENT ASSETS		
Ships	21,939.1	20,975.9
Offshore floating assets	59.1	82.4
Property, plant and equipment	2,042.6	2,228.9
Prepaid lease payments on land and buildings	214.4	219.8
Finance lease receivables	14,095.4	15,008.0
Investments in associates	0.5	0.5
Investments in joint ventures	998.5	925.7
Other non-current financial assets	199.8	225.9
Intangible assets	849.0	840.7
Deferred tax assets	105.0	103.5
	40,503.4	**40,611.3**
CURRENT ASSETS		
Inventories	161.6	165.7
Finance lease receivables	1,241.2	1,387.7
Trade and other receivables	3,475.1	2,441.2
Cash, deposits and bank balances	6,885.6	7,030.8
Amounts due from related companies	80.0	82.6
Amounts due from joint ventures	72.6	19.2
Assets held for sale	28.0	125.3
	11,944.1	**11,252.5**
TOTAL ASSETS	**52,447.5**	**51,863.8**
EQUITY		
Share capital	8,923.3	8,923.3
Treasury shares	(0.3)	(0.3)
Reserves	6,058.8	6,060.3
Retained profits	17,984.4	19,744.0
Equity attributable to equity holders of the Corporation	**32,966.2**	**34,727.3**
Non-controlling interests	895.9	1,026.5
TOTAL EQUITY	**33,862.1**	**35,753.8**
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	10,345.9	7,552.7
Deferred income	1,208.8	566.3
Deferred tax liabilities	28.9	30.9
Derivative liabilities	613.2	158.4
	12,196.8	**8,308.3**
CURRENT LIABILITIES		
Interest bearing loans and borrowings	2,870.7	5,599.5
Trade and other payables	3,389.3	2,109.2
Provision for taxation	35.0	14.2
Amounts due to related companies	11.6	8.6
Amounts due to associates	1.0	1.0
Amounts due to joint ventures	75.4	67.6
Derivative liabilities	5.6	1.6
	6,388.6	**7,801.7**
TOTAL LIABILITIES	**18,585.4**	**16,110.0**
TOTAL EQUITY AND LIABILITIES	**52,447.5**	**51,863.8**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019.

MISC BERHAD

(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Cash Flows

For the Period Ended 30 September 2020

	30 September 2020 RM million	30 September 2019 RM million
Cash Flows from Operating Activities:		
(Loss)/profit before tax	(678.2)	1,248.6
Writeback of impairment loss on finance lease receivables and other receivables	(8.8)	(4.1)
Impairment loss on receivables	40.1	19.2
Bad debts written back	-	(0.9)
Depreciation of ships, offshore floating assets and other property, plant and equipment	1,574.9	1,648.0
Amortisation of prepaid lease payments	5.6	5.4
Impairment loss on ships, offshore floating assets and other property, plant and equipment	315.6	101.1
Write off of ships, property, plant and equipment	0.1	2.6
Write off of trade receivables and loss on re-measurement of finance lease receivables	935.2	-
Provision for litigation claims	1,049.2	-
Gain on disposal of ships	(21.6)	(12.3)
Net unrealised foreign exchange (gain)/loss	(17.2)	1.8
Dividend income from equity investments	(0.9)	(1.1)
Finance costs	274.1	365.9
Finance income	(76.4)	(123.6)
Gain on acquisition of a business	-	(23.7)
Fair value movement in other investments	7.9	7.8
Amortisation of intangibles	4.4	4.9
Amortisation of upfront fees for borrowings	14.3	15.4
Share of profit of joint ventures	(176.3)	(227.0)
Operating profit before working capital changes	3,242.0	3,028.0
Inventories	6.5	75.7
Trade and other receivables	428.7	1,292.0
Trade and other payables	199.1	(171.0)
Deferred income	646.2	(33.4)
Cash generated from operations	4,522.5	4,191.3
Net tax paid	(31.0)	(46.9)
Net cash generated from operating activities	**4,491.5**	**4,144.4**

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2019.

	30 September 2020 RM million	30 September 2019 RM million
Cash Flows from Investing Activities:		
Purchase of ships, offshore floating assets and other property, plant and equipment	(3,583.3)	(1,445.0)
Investment in joint ventures	(50.4)	-
Proceeds from disposal of ships	253.6	156.3
Dividend received from:		
Quoted investments	0.9	1.1
Joint ventures	180.7	155.5
Acquisition of a business	-	(147.1)
Interest received	58.9	91.3
(Placement)/withdrawal of fixed deposit	(4.4)	1.7
Net cash used in investing activities	**(3,144.0)**	**(1,186.2)**
Cash Flows from Financing Activities:		
Drawdown of term loans and revolving credit	5,196.2	5,225.6
Repayment of term loans and revolving credit	(5,023.7)	(4,961.4)
Repayment of lease liabilities	(255.9)	(265.4)
Dividends paid to the equity holders of the Corporation	(1,160.6)	(1,026.7)
Dividends paid to non-controlling interest of subsidiaries	(3.0)	(3.0)
Interest paid	(344.0)	(343.8)
Receipt/(placement) of cash pledged with banks - restricted	74.7	(890.8)
Net cash used in financing activities	**(1,516.3)**	**(2,265.5)**
Net change in cash & cash equivalents	(168.8)	692.7
Cash & cash equivalents at the beginning of the year	5,740.4	5,537.2
Currency translation difference	74.3	71.1
Cash & cash equivalents at the end of the period	**5,645.9**	**6,301.0**
Cash pledged with bank - restricted and deposit with maturity more than 90 days	1,239.7	1,109.3
Cash, deposits and bank balances	**6,885.6**	**7,410.3**

MISC BERHAD
(Registration No. 196801000580 (8178-H))

Unaudited Condensed Consolidated Statement of Changes in Equity

For the Period Ended 30 September 2020

		Attributable to equity holders of the Corporation											
	Total equity	Equity attributable to equity holders of the Corporation	Share capital*	Treasury shares	Retained profits	Other reserves, total	Other capital reserve	Capital reserve	Revaluation reserve	Statutory 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
9 MONTHS ENDED 30 SEPTEMBER 2020													
At 1 January 2020	**35,753.8**	**34,727.3**	**8,923.3**	**(0.3)**	**19,744.0**	**6,060.3**	**99.3**	**435.2**	**1.4**	**3.2**	**(160.0)**	**5,681.2**	**1,026.5**
Total comprehensive (loss)/income	(728.1)	(600.5)	-	-	(599.0)	(1.5)	-	-	-	-	(462.0)	460.5	(127.6)
Transactions with owners													
Dividends	(1,163.6)	(1,160.6)	-	-	(1,160.6)	-	-	-	-	-	-	-	(3.0)
Total transactions with owners	(1,163.6)	(1,160.6)	-	-	(1,160.6)	-	-	-	-	-	-	-	(3.0)
At 30 September 2020	**33,862.1**	**32,966.2**	**8,923.3**	**(0.3)**	**17,984.4**	**6,058.8**	**99.3**	**435.2**	**1.4**	**3.2**	**(622.0)**	**6,141.7**	**895.9**
9 MONTHS ENDED 30 SEPTEMBER 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	(92.2)	(92.7)	-	-	(92.7)	-	-	-	-	-	-	-	0.5
At 1 January 2019 (Restated)	**36,272.0**	**35,258.5**	**8,923.3**	**(0.3)**	**19,751.5**	**6,584.0**	**99.3**	**435.2**	**1.4**	**3.2**	**2.9**	**6,042.0**	**1,013.5**
Total comprehensive income/(loss)	1,273.9	1,259.6	-	-	1,176.4	83.2	-	-	-	-	(257.3)	340.5	14.3
Transactions with owners													
Dividends	(1,029.7)	(1,026.7)	-	-	(1,026.7)	-	-	-	-	-	-	-	(3.0)
Total transactions with owners	(1,029.7)	(1,026.7)	-	-	(1,026.7)	-	-	-	-	-	-	-	(3.0)
At 30 September 2019	**36,516.2**	**35,491.4**	**8,923.3**	**(0.3)**	**19,901.2**	**6,667.2**	**99.3**	**435.2**	**1.4**	**3.2**	**(254.4)**	**6,382.5**	**1,024.8**

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

MISC BERHAD

(Registration No. 196801000580 (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 17 November 2020.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the quarter ended 30 September 2020 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 2019.

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 2019.

The audited consolidated financial statements of the Group for the year ended 31 December 2019 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 2020 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2019 except as disclosed below:

As of 1 January 2020, 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 2020:

- Amendments to MFRS 3: Business Combinations (Definition of a Business)
- Amendments to MFRS 7: Financial Instruments: Disclosure (Interest Rate Benchmark Reform)
- Amendments to MFRS 9: Financial Instruments (Interest Rate Benchmark Reform)
- Amendment to MFRS 16: Leases (COVID-19-Related Rent Concessions)
- Amendments to MFRS 101: Presentation of Financial Statements (Definition of Material)
- Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)

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 2019.

A6. CHANGES IN COMPOSITION OF THE GROUP

(a) Pursuant to a Shareholders' Agreement entered into in September 2019 between Mitsubishi Corporation, Nippon Yusen Kabushiki Kaisha ("NYK") and Asia LNG Transport Dua Sdn. Bhd. ("ALT Dua"), a 51%-owned subsidiary of the Corporation, ALT Dua, had on 26 February 2020 completed the acquisition of shares in Diamond LNG Shipping 5 Pte. Ltd. ("DLS5"), a company incorporated in Singapore, from NYK. Subsequent thereto, DLS5 became a 50%-owned joint venture company of ALT Dua. The principal activity of DLS5 is owning and chartering of a LNG vessel.

(b) Malaysia Marine and Heavy Engineering Sdn. Bhd. ("MMHE"), a wholly-owned subsidiary of Malaysia Marine and Heavy Engineering Holdings Berhad, which in turn is a partly-owned subsidiary of the Corporation, had on 27 February 2020 incorporated a new subsidiary, MHS Integrated Engineering Sdn. Bhd. ("MHSI"), under the Malaysian Companies Act 2016 for the purpose of providing plant turnaround and shutdown maintenance.

(c) Pursuant to a Shareholders' Agreement entered into in September 2019 between Mitsubishi Corporation, Nippon Yusen Kabushiki Kaisha and Asia LNG Transport Dua Sdn. Bhd. ("ALT Dua"), a 51%-owned subsidiary of the Corporation, ALT Dua, had on 26 March 2020 completed the transfer of business from Diamond LNG Shipping 6 Ltd. ("DLS6 Bahamas"), a company incorporated in The Bahamas, to Diamond LNG Shipping 6 Pte. Ltd. ("DLS6 Singapore"), a company incorporated in Singapore. The business transfer is to align business ownership structure and optimise cost of operations. Subsequent thereto, DLS6 Singapore became a 50%-owned joint venture company of ALT Dua. The principal activity of DLS6 Singapore is owning and chartering of a LNG vessel. DLS6 Bahamas is to be dissolved thereafter.

(d) The Corporation had, on 2 April 2020, incorporated a new subsidiary, Magellan X Holdings (L) Pte Ltd ("Magellan X Holdings (L)"), under the Labuan Companies Act, 1990 for the purpose of investment holding. Magellan X Holdings (L) is a wholly-owned subsidiary of the Corporation.

(e) The Corporation had, on 30 April 2020, incorporated a new subsidiary, Eaglestar Shipmanagement GAS (S) Pte. Ltd. ("ESG"), under the Singapore Companies Act (Chapter 50) for the purpose of providing ship management and marine related services. ESG is a wholly-owned subsidiary of Eaglestar Marine Holdings (L) Pte. Ltd., a 50:50 jointly-owned subsidiary of the Corporation and AET Pte. Ltd., an indirect wholly-owned subsidiary of the Corporation.

(f) The Corporation had, on 30 April 2020, incorporated a new subsidiary, Eaglestar Shipmanagement Ventures (S) Pte. Ltd. ("ESV"), under the Singapore Companies Act (Chapter 50) for the purpose of providing ship management and marine related services. ESV is a wholly-owned subsidiary of Eaglestar Marine Holdings (L) Pte. Ltd., a 50:50 jointly-owned subsidiary of the Corporation and AET Pte. Ltd., an indirect wholly-owned subsidiary of the Corporation.

(g) The Corporation had, on 27 July 2020, incorporated a new subsidiary, AET DP Shuttle Pte. Ltd. ("AETDPS"), under the Singapore Companies Act (Chapter 50) for the purpose of owning, chartering and operating of vessels. AETDPS is a wholly-owned subsidiary of AET Singapore Holdings Pte. Ltd., an indirect wholly-owned subsidiary of the Corporation.

(h) The Corporation had, on 27 July 2020, incorporated a new subsidiary, AET DP Shuttle II Pte. Ltd. ("AETDPS II"), under the Singapore Companies Act (Chapter 50) for the purpose of owning, chartering and operating of vessels. AETDPS II is a wholly-owned subsidiary of AET Singapore Holdings Pte. Ltd., an indirect wholly-owned subsidiary of the Corporation.

(i) The Corporation had, on 27 July 2020, incorporated a new subsidiary, AET Shuttle Tankers III Pte. Ltd. ("AETST III"), under the Singapore Companies Act (Chapter 50) for the purpose of owning, chartering and operating of vessels. AETST III is a wholly-owned subsidiary of AET Singapore Holdings Pte. Ltd., an indirect wholly-owned subsidiary of the Corporation.

(j) The Corporation had, on 1 September 2020, incorporated a new subsidiary, MISC Offshore (Americas) Holdings Pte. Ltd. ("MISCOAH"), under the Labuan Companies Act, 1990 for the purpose of investment holding. MISCOAH is a wholly-owned subsidiary of the Corporation.

(k) The Corporation had, on 15 September 2020, incorporated a new subsidiary, MISC Offshore Services Pte. Ltd. ("MISCOS"), under the Singapore Companies Act (Chapter 50) for the purpose of providing operations and maintenance services for deepwater offshore assets. MISCOS is a wholly-owned subsidiary of MISCOAH, a wholly-owned subsidiary of the Corporation.

(l) The Corporation had, on 28 September 2020, incorporated a new subsidiary, Seri Everest (Singapore) Pte. Ltd. ("Seri Everest (Singapore)"), under the Singapore Companies Act (Chapter 50) for the purpose of owning and operating Very Large Ethane Carriers ("VLEC") for the transportation of liquefied ethane and/or liquefied petroleum gas. Seri Everest (Singapore) is a wholly-owned subsidiary of Portovenere and Lerici (Labuan) Private Limited, a wholly-owned subsidiary of the Corporation.

(m) The Corporation had, on 28 September 2020, incorporated a new subsidiary, Seri Erlang (Singapore) Pte. Ltd. ("Seri Erlang (Singapore)"), under the Singapore Companies Act (Chapter 50) for the purpose of owning and operating VLEC for the transportation of liquefied ethane and/or liquefied petroleum gas. Seri Erlang (Singapore) is a wholly-owned subsidiary of Portovenere and Lerici (Labuan) Private Limited, a wholly-owned subsidiary of the Corporation.

(n) The Corporation had, on 28 September 2020, incorporated a new subsidiary, Seri Emory (Singapore) Pte. Ltd. ("Seri Emory (Singapore)"), under the Singapore Companies Act (Chapter 50) for the purpose of owning and operating VLEC for the transportation of liquefied ethane and/or liquefied petroleum gas. Seri Emory (Singapore) is a wholly-owned subsidiary of Portovenere and Lerici (Labuan) Private Limited, a wholly-owned subsidiary of the Corporation.

(o) The Corporation had, on 28 September 2020, incorporated a new subsidiary, Seri Emei (Singapore) Pte. Ltd. ("Seri Emei (Singapore)"), under the Singapore Companies Act (Chapter 50) for the purpose of owning and operating VLEC for the transportation of liquefied ethane and/or liquefied petroleum gas. Seri Emei (Singapore) is a wholly-owned subsidiary of Portovenere and Lerici (Labuan) Private Limited, a wholly-owned subsidiary of the Corporation.

(p) The Corporation had, on 28 September 2020, incorporated a new subsidiary, Seri Emperor (Singapore) Pte. Ltd. ("Seri Emperor (Singapore)"), under the Singapore Companies Act (Chapter 50) for the purpose of owning and operating VLEC for the transportation of liquefied ethane and/or liquefied petroleum gas. Seri Emperor (Singapore) is a wholly-owned subsidiary of Portovenere and Lerici (Labuan) Private Limited, a wholly-owned subsidiary of the Corporation.

(q) The Corporation had, on 28 September 2020, incorporated a new subsidiary, Seri Elbert (Singapore) Pte. Ltd. ("Seri Elbert (Singapore)"), under the Singapore Companies Act (Chapter 50) for the purpose of owning and operating VLEC for the transportation of liquefied ethane and/or liquefied petroleum gas. Seri Elbert (Singapore) is a wholly-owned subsidiary of Portovenere and Lerici (Labuan) Private Limited, a wholly-owned subsidiary of the Corporation.

(r) The Corporation had, on 14 October 2020, incorporated a new subsidiary, AET Malaysia One Sdn. Bhd. ("AET Malaysia One"), under the Malaysian Companies Act 2016 for the purpose of investment holding. AET Malaysia One is a wholly-owned subsidiary of AET Petroleum Tanker (M) Sdn. Bhd., an indirect wholly-owned subsidiary of the Corporation.

(s) The Corporation had, on 16 October 2020, incorporated a new subsidiary, MISC Serviços de Petróleo do Brasil Ltda ("MSPB"), under the laws of Brazil for the purpose of providing operations and maintenance services for deepwater offshore assets. MSPB is 99.99%-owned by MISCOS and 0.01%-owned by MISC Offshore Holdings (Brazil) Sdn. Bhd. Hence, MSPB is 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	2,001.3	3,168.4	625.6	854.5	109.8		6,759.6
Inter-segment	-	0.8	58.3	16.6	(75.7)		-
	2,001.3	**3,169.2**	**683.9**	**871.1**	**34.1**	*	**6,759.6**
Operating profit/(loss)	**953.2**	**558.4**	**393.4**	**(92.3)**	**(114.7)**	**	**1,698.0**

* 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	
	2020	**2019**	**2020**	**2019**
	RM million	**RM million**	**RM million**	**RM million**
Finance income	12.9	39.5	76.4	123.6
Other income	41.6	24.1	86.4	74.1
Finance costs	(77.8)	(116.1)	(274.1)	(365.9)
Depreciation of ships, offshore floating assets and other property, plant and equipment	(520.6)	(566.0)	(1,574.9)	(1,648.0)
Amortisation of prepaid lease payments	(1.9)	(1.8)	(5.6)	(5.4)
Amortisation of intangibles	(1.5)	(1.5)	(4.4)	(4.9)
Write off of ships, property, plant and equipment	-	(0.1)	(0.1)	(2.6)
Gain on acquisition of a business	-	-	-	23.7
(Loss)/gain on disposal of ships	-	(5.2)	21.6	12.3
Impairment loss on ships, offshore floating assets and other property, plant and equipment	(9.6)	(50.0)	(315.6)	(101.1)
Impairment loss on receivables	(13.2)	(5.8)	(40.1)	(19.2)
Bad debts written back	-	-	-	0.9
Write off of trade receivables and loss on re-measurement of finance lease receivables	-	-	(935.2)	-
Provision for litigation claims	-	-	(1,049.2)	-
Fair value loss in other investment	(5.4)	(12.1)	(7.9)	(7.8)
Writeback of impairment loss on finance lease receivables and other receivables	1.5	1.8	8.8	4.1
Net realised foreign exchange gain/(loss)	4.5	0.4	(3.3)	(5.3)
Net unrealised foreign exchange (loss)/gain	(2.3)	(5.4)	17.2	(1.8)

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 RM2,783.3 million (31 December 2019: RM2,903.1 million) and right-of-use assets amounting to RM258.0 million (31 December 2019: RM461.0 million).

A11. INTANGIBLE ASSETS

	Goodwill RM million	Other Intangible Assets RM million	Total RM million
Cost			
At 1 January 2019	**991.9**	**212.7**	**1,204.6**
Currency translation differences	(9.8)	-	(9.8)
At 31 December 2019	**982.1**	**212.7**	**1,194.8**
Currency translation differences	12.7	-	12.7
At 30 September 2020	**994.8**	**212.7**	**1,207.5**
Accumulated amortisation and impairment			
At 1 January 2019	**162.5**	**185.2**	**347.7**
Amortisation	-	6.4	6.4
At 31 December 2019	**162.5**	**191.6**	**354.1**
Amortisation	-	4.4	4.4
At 30 September 2020	**162.5**	**196.0**	**358.5**
Net carrying amount			
At 1 January 2019	**829.4**	**27.5**	**856.9**
At 31 December 2019	**819.6**	**21.1**	**840.7**
At 30 September 2020	**832.3**	**16.7**	**849.0**

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 2019.

A12. INVENTORIES

The Group did not recognise any write-down of inventories and reversal of inventories during the quarter ended 30 September 2020.

A13. CASH, DEPOSITS AND BANK BALANCES

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

	30 September 2020 RM million	31 December 2019 RM million
Cash with PETRONAS Integrated Financial Shared Service Centre *	4,176.5	4,355.5
Cash and bank balances	1,611.3	1,113.4
Deposits with licensed banks	1,097.8	1,561.9
Total cash, deposits and bank balances	**6,885.6**	**7,030.8**

* 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 total cash, deposits and bank balances is the retention account of RM1,239.7 million (31 December 2019: RM1,289.7 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 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 2020				
Financial Assets				
Quoted investments	39.3	-	-	39.3
Unquoted investments	-	-	51.6	51.6
	39.3	**-**	**51.6**	**90.9**
Financial Liabilities				
Derivatives				
Forward currency contracts	-	(5.6)	-	(5.6)
Interest rate swaps designated as hedging instruments	-	(613.2)	-	(613.2)
	-	**(618.8)**	**-**	**(618.8)**

	Level 1 RM million	Level 2 RM million	Level 3 RM million	Total RM million
At 31 December 2019				
Financial Assets				
Quoted investments	47.3	-	-	47.3
Unquoted investments	-	-	65.1	65.1
	47.3	**-**	**65.1**	**112.4**
Financial Liabilities				
Forward exchange contracts	-	(1.6)	-	(1.6)
Interest rate swaps designated as hedging instruments	-	(158.4)	-	(158.4)
	-	**(160.0)**	**-**	**(160.0)**

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 2020.

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 2020 RM million	31 December 2019 RM million
Short Term Borrowings		
Secured	1,984.4	4,530.3
Unsecured	690.1	755.1
Lease liabilities	196.2	314.1
	2,870.7	5,599.5
Long Term Borrowings		
Secured	10,148.3	7,228.7
Lease liabilities	197.6	324.0
	10,345.9	7,552.7
Total	**13,216.6**	**13,152.2**

ii) Foreign borrowings in United States Dollar equivalent as at 30 September 2020 is as follows:

	RM million
United States Dollar Borrowings	12,881.9

A17. DIVIDENDS PAID

The Corporation paid the following dividends in the period ended 30 September 2020 and 31 December 2019:

	30 September 2020		31 December 2019	
	Sen/Share	RM million	Sen/Share	RM million
Second tax exempt dividend in respect of:				
- Financial year ended 31 December 2020 on 15 September 2020	7.0	312.5	-	-
- Financial year ended 31 December 2019 on 18 September 2019	-	-	7.0	312.5
First tax exempt dividend in respect of:				
- Financial year ending 31 December 2020 on 9 June 2020	7.0	312.5	-	-
- Financial year ending 31 December 2019 on 25 June 2019	-	-	7.0	312.5
Special tax exempt dividend in respect of:				
- Financial year ended 31 December 2019 on 17 March 2020	3.0	133.9	-	-
Fourth tax exempt dividend in respect of:				
- Financial year ended 31 December 2019 on 17 March 2020	9.0	401.7	-	-
- 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 2019 on 10 December 2019	-	-	7.0	312.5

A18. CAPITAL COMMITMENTS

	30 September 2020 RM million	31 December 2019 RM million
Approved and contracted for:		
Group	8,286.9	4,112.7
Share of capital commitments of a joint venture	61.9	115.8
	8,348.8	4,228.5

A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 30 September 2020 comprise the following:

	RM million
Performance bonds on contract and bank guarantees extended to customers	401.7

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	
	2020	2019	2020	2019
	RM million	RM million	RM million	RM million
Revenue				
LNG	613.4	650.4	2,001.3	1,933.7
Petroleum	851.1	980.0	3,169.2	3,146.2
Offshore	215.0	260.2	683.9	788.9
Heavy Engineering	369.4	254.3	871.1	734.1
Others, Eliminations and Adjustments	10.6	2.9	34.1	(15.7)
Total Revenue	**2,059.5**	**2,147.8**	**6,759.6**	**6,587.2**
Operating Profit/(Loss)				
LNG	239.0	278.0	953.2	921.1
Petroleum	20.1	21.0	558.4	189.0
Offshore	98.9	117.0	393.4	398.9
Heavy Engineering	2.3	(4.8)	(92.3)	(42.5)
Others, Eliminations and Adjustments	(30.3)	(34.8)	(114.7)	(13.9)
Total Operating Profit	**330.0**	**376.4**	**1,698.0**	**1,452.6**
Impairment loss on ships, offshore floating assets and other property, plant and equipment	(9.6)	(50.0)	(315.6)	(101.1)
Gain on acquisition of a business	-	-	-	23.7
(Loss)/gain on disposal of ships	-	(5.2)	21.6	12.3
Write off of trade receivables and loss on re-measurement of finance lease receivables	-	-	(935.2)	-
Provision for litigation claims	-	-	(1,049.2)	-
Finance costs	(77.8)	(116.1)	(274.1)	(365.9)
Share of profit of joint ventures	38.6	82.4	176.3	227.0
Profit/(Loss) Before Tax	**281.2**	**287.5**	**(678.2)**	**1,248.6**

Current quarter's performance against the quarter ended 30 September 2020

Group revenue of RM2,059.5 million was 4.1% lower than the quarter ended 30 September 2019 ("corresponding quarter") revenue of RM2,147.8 million, while Group operating profit of RM330.0 million was RM46.4 million lower than the corresponding quarter's profit of RM376.4 million. The variances in Group performance by segments are further explained below.

LNG

Revenue of RM613.4 million was RM37.0 million or 5.7% lower than the corresponding quarter's revenue of RM650.4 million, mainly from lower earning days following dry-dockings and offhire of certain vessels in the current quarter.

Operating profit of RM239.0 million was RM39.0 million or 14.0% lower than the corresponding quarter's profit of RM278.0 million, mainly from lower earning days as explained above.

Petroleum

Revenue of RM851.1 million was RM128.9 million or 13.2% lower than the corresponding quarter's revenue of RM980.0 million mainly from lower freight rates and lower number of vessels in operation in the current quarter.

Operating profit of RM20.1 million was marginally lower than the corresponding quarter's profit of RM21.0 million, mainly from lower revenue as explained above but offset by lower vessels operating costs.

Offshore

Revenue of RM215.0 million was RM45.2 million or 17.4% lower than the corresponding quarter's revenue of RM260.2 million mainly due to the impact of reducing finance lease income and the expiry of a Floating, Storage and Offloading ("FSO") contract in December 2019.

The abovementioned lower revenue led to a decrease in Offshore operating profit by RM18.1 million in the current quarter.

Heavy Engineering

Revenue of RM369.4 million was RM115.1 million or 45.3% higher than the corresponding quarter's revenue of RM254.3 million mainly from increased activities in on-going heavy engineering projects.

Heavy Engineering segment reported an operating profit of RM2.3 million compared to RM4.8 million loss in the corresponding quarter mainly due to higher revenue as mentioned above.

Others, Eliminations and Adjustments

Other segment's operating loss of RM30.3 million was RM4.5 million lower compared to corresponding quarter's loss of RM34.8 million, mainly from lower fair value loss in an investment in the current quarter.

Current 9 months period performance against the 9 months period ended 30 September 2019

Group revenue of RM6,759.6 million was RM172.4 million or 2.6% higher than RM6,587.2 million revenue for the 9-month period ended 30 September 2019 ("corresponding period"). Group operating profit of RM1,698.0 million was RM245.4 million higher than the corresponding period's profit of RM1,452.6 million. The variances in Group performance by segments are further explained below.

LNG

LNG revenue of RM2,001.3 million was RM67.6 million or 3.5% higher than the corresponding period's revenue of RM1,933.7 million, mainly from higher earning days following fewer dry-docking being performed in the current period.

LNG operating profit of RM953.2 million was RM32.1 million or 3.5% higher than the corresponding period's profit of RM921.1 million, mainly from higher revenue as explained above.

Petroleum

Petroleum revenue of RM3,169.2 million was RM23.0 million or 0.7% higher than the corresponding period's revenue of RM3,146.2 million, mainly due to the weakening of Ringgit Malaysia ("RM") against United States Dollar ("USD") offset by lower number of operating vessels since the end of the corresponding period.

Petroleum operating profit of RM558.4 million was RM369.4 million higher than the corresponding period's profit of RM189.0 million, mainly from higher margin on freight rates in the current period.

Offshore

Revenue of RM683.9 million was RM105.0 million or 13.3% lower than the corresponding period's revenue of RM788.9 million mainly due to the impact of reducing finance lease income and the expiry of a Floating, Storage and Offloading ("FSO") contract in December 2019.

Operating profit of RM393.4 million was RM5.5 million or 1.4% lower than the corresponding period's profit of RM398.9 million mainly due to the lower revenue as explained above offset by lower cost due to recognition of demobilisation cost in the corresponding period.

Heavy Engineering
Heavy Engineering revenue of RM871.1 million was RM137.0 million or 18.7% higher than the corresponding period's revenue of RM734.1 million mainly due to higher revenue from on-going heavy engineering projects.

Heavy Engineering posted an operating loss of RM92.3 million, compared to operating loss of RM42.5 million in the corresponding period mainly due to additional cost provision and associated higher unabsorbed overheads arising from the COVID-19 pandemic.

Others, Eliminations and Adjustments
The Others segment posted an operating loss for the period of RM114.7 million as compared to corresponding period's profit of RM13.9 million mainly due to lower interest income and unallocated corporate expenses in the current period.

The Group also recorded higher impairment loss on ships, offshore floating assets and other property, plant and equipment of RM315.6 million in the current period compared to RM101.1 million in the corresponding period. The impairment loss in the current period was recorded after the Group completed its assessment on the impact of COVID-19 pandemic and depressed oil price environment to the Heavy Engineering business where most oil and gas companies are expected to postpone their upstream projects and reduce their capital spend. Additionally, provision for litigation claims amounting to RM1,049.2 million and write off of trade receivables and loss on re-measurement of finance lease receivables of RM935.2 million was recognised in the current period following the decision by the Arbitration Tribunal on the Group's arbitration proceeding against Sabah Shell Petroleum Limited ("SSPC").

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

GROUP	**Quarter Ended 30 September 2020 RM million**	**Quarter Ended 30 June 2020 RM million**
Revenue	**2,059.5**	**2,186.3**
Operating Profit	**330.0**	**522.9**
Impairment loss on a ship, offshore floating asset and other property, plant and equipment	(9.6)	(306.0)
Gain on disposal of a ship	-	21.6
Finance costs	(77.8)	(100.5)
Share of profit of joint ventures	38.6	48.0
Profit Before Tax	**281.2**	**186.0**

Group revenue of RM2,059.5 million was RM126.8 million or 5.8% lower than the preceding quarter's revenue of RM2,186.3 million, mainly due to lower freight rates achieved in Petroleum segment and lower earning days in the LNG segment. However, the reduction was partially offset by higher revenue from Heavy Engineering segment upon the resumption of its yard operations since April 2020.

Group operating profit of RM330.0 million was RM192.9 million or 36.9% lower than the preceding quarter's profit of RM522.9 million, mainly due to lower revenue as explained above and lower margins on freight rates in the Petroleum segment. However, the Heavy Engineering segment recorded higher profit in the current quarter as the segment had previously recognised COVID-19 associated costs of RM90 .0 million in the preceding quarter.

B3. GROUP CURRENT YEAR PROSPECTS

In the LNG shipping market, spot charter rates have strengthened ahead of the traditionally busy winter trading season on the back of Asia-LNG demand recovery and buyers securing supplies in anticipation of the colder months. Slower pace of LNG supply growth and some instances of weather-related outages at liquefaction plants have tightened supply and is expected to provide further support to the spot charter rates in the fourth quarter of the year. Nevertheless, the operating income of the LNG shipping segment continues to be underwritten by the portfolio of long-term charters that are in place.

The crude tanker market continues to be affected by weak tonnage demand coupled with increased vessel availability from the unwinding of floating storage. After an exceptionally strong first half year, freight rates fell sharply and have remained under pressure since. The weak market could persist until the end of 2020, based on the expected rate of oil demand recovery. However, the medium-term tanker supply fundamentals appear healthier, given the current low orderbook for new vessels. Given this environment, the Petroleum shipping segment will continue to focus on building long-term secured income through its niche shuttle tanker business and rejuvenation of its fleet with eco-friendly LNG dual-fuel systems.

In August 2020, the Offshore business segment has ushered in a new era by securing its first large-size ultra-deep-water FPSO project in Brazil, laying the foundation for future large-scale projects in the Atlantic basin. Although the cutback in capital spending by major oil companies will affect the number of floater opportunities available in the near term, the Offshore business segment will continue to source for attractive opportunities in targeted markets and concentrate on the execution of the new FPSO project in hand. The existing portfolio of long-term contracts will continue to support the stable financial performance of the Offshore business segment.

For the Heavy Engineering segment, uncertainty will continue to shroud the oil market for the rest of the year. With the rise of new COVID-19 cases worldwide and the lingering effects from the pandemic, the segment expects further cuts to oil and gas capital spending and deferment of final investment decisions by oil majors, thus limiting its ability to secure new orders in the interim. For the marine business segment, it is expected to continue to be challenging for the remainder of the year due to the limited number of dry-docking works exacerbated by the pandemic that leads to stiffer competition. Given the prolonged oil market downturn prognosis, the Heavy Engineering segment remains vigilant in pursuing business opportunities in other segments to replenish its order book and continues to focus on cost management to optimize its operating cost and to prioritize safe execution and delivery of ongoing projects while the market is recovering.

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 2020 RM million	Cumulative 9 Months Ended 30 September 2020 RM million
Taxation for the period comprises the following charge:		
Income tax charge		
- current period	(13.8)	(41.6)
- prior year	(6.6)	(10.1)
Deferred taxation	(0.4)	3.6
	(20.8)	(48.1)

Section 54A of the Income Tax Act, 1967 was amended effective from Year of Assessment ("YA") 2012, in which the tax exemption on shipping profits was reduced from 100% to 70%. The implementation of the amended Section 54A, however, was deferred and on 10 July 2020, the Ministry of Finance ("MoF") issued an approval letter for the extension of the 100% shipping tax exemption up to YA2023 subject to the following two conditions to be implemented by the Ministry of Transport ("MoT"):

a) Each Malaysian shipowner to comply with the minimum requirements in terms of annual operating expenditure and number of full-time employees. MoT has been requested to establish the framework for each category of vessels; and

b) MoT to develop a framework and implement the imposition of annual tonnage fee to Malaysian shipowners by 1 January 2022.

Failure to adhere to the above conditions will result in the 100% tax exemption being withdrawn from YA2022 onwards.

The taxation charge in the accounts 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 2020.

B7. CHANGES IN MATERIAL LITIGATION

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

We refer to previous announcements made by MISC Berhad ("MISC or the Company") in respect of the Arbitration Proceedings commenced by the Company's wholly-owned subsidiary, Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") against Sabah Shell Petroleum Company Limited ("SSPC").

As announced on 10 April 2020, the Arbitral Tribunal has issued its Award on 8 April 2020 ("Award") which found, among others, as follows:

(1) That GKL's claim in relation to the achievement of Handover Completion under the Contract was rejected and the Arbitral Tribunal decided that Handover Completion did not occur prior to 11 October 2014;

(2) In relation to GKL's claims for Variation Works, GKL was awarded:

a. USD 222,132,575.60;
b. That an amount of USD 88,791,006.17 is deducted from USD222,132,575.60 being manpower costs incurred by way of the Variation Works for rectification of defects (which the Tribunal held GKL to be liable for);
c. That the remainder sum of USD 133,341,569.49 is converted to an Additional Lease Rate and represents a reduction from the Additional Lease Rate awarded by the Adjudication Awards. The new Additional Lease Rate is payable from the date of the Award. The base rate is unaffected by the Award and will continue for the Fixed Term.

(3) SSPC was awarded the following sums:

a. USD 236,378,824.46 for defects rectification work (inclusive of USD 15,000,000.00 for Liquidated Damages);
b. USD 88,317,146.13 as a refund for overpayment of the Additional Lease Rate originally awarded in the Adjudication Proceedings for the period of April 2014 to January 2020 due to the reduction of the Additional Lease Rate as set out in Item 2(c) above;
c. Applicable interest up to the date of the Award;
d. Costs of USD 12,746,570.70;
e. Interest at 6.65% on the sums awarded in the Award from the date of the Award until payment.

(4) SSPC is entitled to set-off the above claims against moneys owed by SSPC to GKL under the Contract, including but not limited to the lease rate.

(5) Any GST payable pursuant to the Goods and Services Tax Act 2014 to be accounted by the parties.

GKL is advised that it has legal grounds to challenge the Award and on 7 July 2020, GKL has filed the following court applications:

(i) an Originating Summons dated 7 July 2020 for setting aside of parts of the Arbitral Award dated 8 April 2020 (“**Setting Aside OS**”); and

(ii) a Notice of Application for an injunction to restrain SSPC from setting off the sums that GKL was ordered to pay to SSPC under the Arbitral Award dated 8 April 2020 (“**Injunction NOA**”).

Setting Aside OS and Injunction NOA

On 6 October, GKL withdrew the Injunction NOA on the basis that a statutory stay on enforcement is automatically imposed on SSPC upon GKL’s application to set aside SSPC’s Award enforcement.

On 9 October, the Court gave further directions for Parties’ to exchange affidavits. Parties to exhaust exchange of affidavits for the Setting Aside OS by 17 November 2020.

SSPC’s *ex-parte* application for enforcement of the Award

GKL has filed its application to set aside the ex-parte Order on 27 July 2020. At case management, the Court directed parties to exhaust exchange of affidavits by 17 November 2020.

Hearing of the Setting Aside application is expected within Q1 2021.

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 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:

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. MOMPL continues to pursue and progress the arbitration proceedings.

2. MOMPL has re-filed the Notice of Arbitration for the second arbitration proceedings for part of the outstanding sums amounting to approximately USD80,954,000 and RM4,674,000. PCPP has responded to the Notice of Arbitration on 15 July 2020. Parties are in the midst of constituting the tribunal.

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. On 9 January 2019, MOMPL was awarded its entire claim of USD9,949,734 plus interest and costs.

4. The second adjudication proceedings under CIPAA was commenced to recover the disputed demobilisation costs amounting to approximately USD4,796,000. On 7 October 2019, MOMPL received the second Adjudication decision dated 26 July 2019 where MOMPL was awarded its entire claim of USD4,752,239.11 plus interest and costs.

5. The Federal Court ("FC") had on 16 October 2019 made a ruling that the CIPAA, which provides the basis upon which the Adjudication Proceedings were commenced, only applies prospectively to construction contracts entered into after the date CIPAA became effective i.e. 15 April 2014. The MOMPL lease agreement is dated 28 November 2008 and as such, falls outside the purview of CIPAA.

6. In view of the FC decision, MOMPL has stayed its hand on moving for the enforcement of the Adjudication decisions and will focus on the Arbitration Proceedings in order to recover the monies owing by PCPP.

7. As far as MOMPL is aware, there is no pending application to set aside the said Adjudication decisions.

Proceedings in Court

8. 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 had, on 30 May 2019, allowed PCPP's application to stay the Originating Summons pending the disposal of the arbitration proceedings. MOMPL has filed an appeal to the Court of Appeal against this decision, with case management fixed on 28 October 2020. On 28 October 2020, the Court fixed the appeal for Hearing on 12 April 2021.

9. 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 pending the disposal of the arbitration proceedings which were allowed on 26 October 2018 and 11 December 2018 respectively. MOMPL appealed against both decisions to the Court of Appeal.

   MOMPL's appeal against PCSB's striking out application was dismissed by the Court of Appeal on 26 September 2019. MOMPL has filed leave to appeal against the Court of Appeal's decision to uphold the High Court's decision to strike out the proceedings against PCSB to the Federal Court. On 18 August 2020, the Federal Court dismissed MOMPL's appeal.

   The appeal against PCPP's stay application was heard on 19 June 2020. The Court of Appeal has set aside the stay against the shareholders i.e. PCSB, PERTAMINA and PETROVIETNAM, whilst the stay against PCPP is affirmed. Pursuant to this decision, MOMPL has proceeded to serve the cause papers out of jurisdiction on PERTAMINA and PETROVIETNAM.

(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, and EAT are parties to a contract entered 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 "Contract").

Disputes and differences have arisen between parties, amongst others, in relation to MMHE's entitlement to payment for additional works completed under the Contract pursuant to the Additional Work Orders ("AWOs"), as well as in relation to a Letter of Undertaking dated 22 June 2018 ("LOU").

A Notice of Arbitration was filed by EAT on 27 September 2018 claiming for the sum of USD21,656,198 being (a) alleged over-payment; (b) refund of sums paid by EAT to MMHE under the LOU; (c) certain costs incurred under the Contract as well as (d) a declaration that MMHE is not entitled to payment for the AWOs.

MMHE disputed EAT's claims and counter claims, amongst others, for the sum of USD49,095,096 being payment for the AWOs, prolongation costs and additional costs incurred due to variations to the original scope of work.

The evidential hearing for the Arbitration was concluded on 6 November 2019. Following the aforesaid, parties were directed to, and have complied with, the filing of written legal submissions whereby the latest written submissions were filed on 2 March 2020. The Arbitral Tribunal has requested that an oral clarification be fixed and this clarification, initially fixed on 31 March 2020, was re-scheduled to, and took place on 16 June 2020 in view of the extended MCO, as announced by the Government. Thereafter, parties were directed to file submissions including on costs which were duly complied. The Arbitral Tribunal declared the close of proceedings on 10 July 2020. On 8 October 2020, the Arbitral Tribunal informed parties that the draft Final Award has been submitted to the Asian International Arbitration Centre (Malaysia) ("AIAC") for technical review, and AIAC confirmed receipt of the same on the same day.

MMHE was informed by its solicitors Messrs Mohanadass Partnership that they received the Final Award dated 10 November 2020 ("Final Award") on 11 November 2020. Pursuant to the Final Award, the Arbitral Tribunal, amongst others, ordered EAT to pay MMHE a total of USD29,520,172.65 and costs in the sum of RM4,686,398.16 (together with interest at 5% per annum from date of Award to the date of full payment). Under the Final Award, MMHE is not liable to pay any sum to EAT.

In parallel to the Arbitration, MMHE also referred part of its claim in the Arbitration to Adjudication proceedings pursuant to the Construction Industry Payment and Adjudication Act 2012 ("CIPAA"). The First Adjudication proceeding was in relation to MMHE's claim for the sum of USD30,211,301 for additional works performed by MMHE pursuant to the Contract in the form of the AWOs. In particular, MMHE seeks payment for invoices raised in Batch 1-34, 36 and 37 in respect of the AWOs, in which MMHE was successful via an Adjudication Decision dated 27 May 2019 ("1st Adjudication Decision). In the 1st Adjudication Decision, the Adjudicator awarded MMHE, amongst others, the sum of USD21,520,006.

EAT has applied to set aside and/or stay the 1st Adjudication Decision in the High Court of Malaya at Kuala Lumpur ("1st Setting Aside and/or Stay Application"). In turn, MMHE applied to register and enforce the Adjudication Decision ("1st Enforcement Application"). The High Court, on 1 June 2020, dismissed EAT's 1st Setting Aside Application and allowed MMHE's 1st Enforcement Application with costs payable by EAT to MMHE. Following this, the High Court heard the 1st Stay Application on 13 and 24 July 2020. On 27 October 2020, the High Court dismissed the 1st Stay Application with costs to MMHE.

On 2 July 2020, EAT served on MMHE sealed Notices of Appeal to the Court of Appeal dated 26 June 2020, seeking to appeal against the High Court's decision in dismissing the 1st Setting Aside Application and allowed MMHE's 1st Enforcement Application. EAT's appeal is fixed for Hearing on 6 July 2021.

The Second Adjudication proceeding was in relation to MMHE's claim for the sum of USD6,096,791.91, also for additional works performed by MMHE pursuant to the Contract in the form of AWOs. In particular, MMHE seeks payment for the invoices raised in Batch 38 as well as for a set of works known to Parties as Tank Treatment works. MMHE was successful in this Claim via an Adjudication decision dated 2 December 2019 ("2nd Adjudication Decision"). In the 2nd Adjudication Decision, the Adjudicator awarded MMHE, amongst others, the full claim sum.

MMHE has filed an application on 9 December 2019 to enforce the 2nd Adjudication Decision in the High Court of Malaya at Johor Bahru ("2nd Enforcement Application") whereas EAT has filed an application on 31 December 2019 to set aside and/or stay the 2nd Adjudication Decision ("2nd Setting Aside and/or Stay Application") in the High Court of Malaya at Kuala Lumpur. Affidavits have been exhausted in respect of the 2nd Enforcement Application and 2nd Setting Aside and/or Stay Application.

In relation to the 2nd Setting Aside and/or Stay Application, on 25 February 2020, EAT filed an application to consolidate the 1st Setting Aside and/or Stay Application with that of the 2nd Setting Aside and/or Stay Application or, in the alternative, transfer the 2nd Setting Aside and/or Stay Application from Kuala Lumpur Construction No. 2 to Kuala Lumpur Construction Court No. 1 ("1st Transfer Application").

On 10 June 2020, EAT subsequently informed Court that it intends to withdraw the 1st Transfer Application and will instead seek to transfer the 2nd Setting Aside and/or Stay Application from Kuala Lumpur Construction Court No. 2 to the High Court of Johor Bharu in order for it to be heard together with the 2nd Enforcement Application ("2nd Transfer Application").

On 23 July 2020, the 2nd Setting Aside and/or Stay Application was transferred to the Johor Bharu High Court and the 1st Transfer Application and 2nd Transfer Application were withdrawn with no order as to costs.

The Hearing date in relation to the 2nd Enforcement Application and the 2nd Setting Aside and/or Stay Application is on 3 December 2020.

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, received on 14 March 2019, via its solicitors, a Notice of Arbitration dated 13 March 2019 from KPOC in relation to claims arising from contracts known to parties as (a) Fabrication of KBB Topsides dated 20 September 2011 (Contract No. KPOC/COC/2009/015); and (b) Novation Agreement dated 30 March 2012, collectively hereinafter referred to as the "Contracts".

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 in the sum of approximately RM125.1 million in the Notice of Arbitration, and claims that it continues, allegedly, to suffer losses.

On 11 April 2019, MMHE, through its solicitors, filed its Response to the Notice of Arbitration dated 11 April 2019 ("Response"). In the Response, MMHE has denied owing any liability whatsoever to KPOC. MMHE will vigorously defend itself from the claims made by KPOC.

On 11 October 2019, KPOC, through its solicitors, filed the Statement of Claim dated 11 October 2019 ("SOC") and claimed, amongst others, an identified sum of RM93,191,304.29 (which differs from the amount claimed in the Notice of Arbitration i.e RM125.1 million, as previously announced by the Group on 18 March 2019) as loss and damage in respect of the valves procured by MMHE. KPOC further alleged in the SOC that such damage, arising from the procurement of valves, is continuing. MMHE has filed its Statement of Defence on 6 December 2019, following which, KPOC has subsequently filed its Statement of Reply on 17 January 2020. The latter filing marks the close of pleadings as no counterclaim is pursued by MMHE.

Parties have filed their respective witness statements of facts on 14 September 2020 and continue to attend to procedural directions under the Procedural Protocol No. 2 (Re-Amended) dated 15 September 2020.

The Hearing is scheduled to take place between 17-20 and 30 November 2020, and 1 and 4 December 2020. In the event that the Hearing is not completed by 4 December 2020, the Hearing will continue on 14, 15 and 16 December 2020.

Apart from the Arbitration, 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.

Based on the parties' respective positions to date in the Arbitration and the evidence reviewed so far, MMHE has been advised by its solicitors that it has good grounds to defend the claim pursued by KPOC and therefore has not made any provisions in respect of this claim.

B8. DIVIDENDS

The Board of Directors has approved a third tax exempt dividend of 7.0 sen per share in respect of financial year 2020 amounting to RM312.5 million. The proposed dividend will be paid on 15 December 2020 to shareholders registered at the close of business on 3 December 2020.

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 3 December 2020 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.

The Group had also entered into forward currency contracts to manage its foreign currency risk.

Details of the Group's derivative financial instruments outstanding as at 30 September 2020 are as follows:

Contract/Tenure	**Notional Value** RM million	**Fair Value as at 30 September 2020** RM million
<u>Foreign currency contracts</u>		
1 year to 3 years	444.4	(5.6)
	444.4	(5.6)
<u>Interest rate swaps</u>		
1 year to 3 years	918.1	(26.6)
More than 3 years	9,579.5	(586.6)
	10,497.6	(613.2)

During the quarter ended 30 September 2020, the Group had entered into an IRS arrangement to hedge against adverse movements in interest rates in compliance with the facility agreement as well as forward currency contracts designated as hedges of expected future payments denominated in United States Dollars.

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 December 2019:

(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 2020, the Group does not have any financial liabilities measured at fair value through profit or loss.

B11. EARNINGS/(LOSS) PER SHARE

	Quarter Ended 30 September 2020	2019	Cumulative 9 Months Ended 30 September 2020	2019
Basic earnings/(loss) per share are computed as follows:				
Profit/(loss) for the period attributable to equity holders of the Corporation (RM million):	258.3	266.1	(599.0)	1,176.4
Weighted average number of ordinary shares in issue (million)	**4,463.8**	**4,463.8**	**4,463.8**	**4,463.8**
Basic earnings/(loss) per share (sen)	5.8	6.0	(13.4)	26.4

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

B12. IMPACT OF COVID-19 PANDEMIC

After an exceptional performance in the first half, the Petroleum shipping segment was affected by lower freight rates mainly due to the impact of the pandemic on global oil demand as well as seasonal factors.

For the LNG business segment, the majority of its vessels are on long-term time charter and the charter contracts remain intact. However, there were some offhire days due to the pandemic which has resulted in lower revenue in the current quarter.

Both the LNG and Petroleum segments had recorded minimal increase to its ship operating costs arising from the pandemic, mainly relating to crew change activities.

All of Offshore business segment's assets are on long-term charter contracts which underwrite its financial performance and its operation is largely unaffected by the pandemic.

In terms of assets under construction for the LNG and Offshore segments, there was some delay in the construction progress of an LNG bunker vessel and an FSO arising from the COVID-19 movement restrictions in the first half of the year. Subsequently in the third quarter, both vessels have sailed away from the yards to their delivery destinations. The financial impact of these delays is not expected to be material.

For the Heavy Engineering business segment, activities have increased significantly compared to the preceding quarter upon the resumption and ramping up of yard operations since April 2020. This has resulted in improved financial results in the current quarter.

<u>Impact on the Group's financial performance, financial position, cash flows and liquidity</u>

The COVID-19 pandemic has not materially affected the financial performance, financial position, cash flows and liquidity of LNG, Petroleum and Offshore businesses in the period to date.

However, the Heavy Engineering business is impacted as follows:

- The yard closure and suspension of operations during MCO in March 2020 has resulted in loss of revenue and higher unabsorbed overheads in the preceding quarter, mainly from the lower progress for on-going heavy engineering projects and the inability of Marine segment to secure new vessels. Even though the yard had since resumed operations from April 2020, progress is still affected by the requirements under the new normal way of working. The Marine segment continues to be impacted by the border restriction ruling imposed by the Government to contain the COVID-19 pandemic.
- The COVID-19 pandemic is estimated to cost the segment RM90 million so far, mainly from the extended project duration, resulting from claims from subcontractors and associated unabsorbed overheads.

- In light of the weakening oil demand from the COVID-19 pandemic, the segment has recognised an impairment loss on property, plant and equipment amounting to RM300 million based on its latest business outlook in the second quarter.

In terms of cash flow and liquidity, the Group has not experienced any major delinquencies in its receivables account relating to COVID-19 pandemic.

The Group's financial position remains healthy at the end of the current quarter with cash balance of RM6,885.6 million coupled with low gearing as well as adequate working capital facilities to remain resilient in the current crisis. As a result, the Group does not anticipate any financial difficulties to meet its debt obligations in the foreseeable future as well as its ability to operate as a going concern. Notwithstanding this, the Group remains steadfast in its efforts to preserve cash through optimizing overheads and CAPEX spending by reducing and deferring all non-critical and non-essential spending.

Impact on the Group's business and earning prospects

Apart from the Petroleum and Heavy Engineering segments, the performance of the other core businesses have remained relatively stable and are not expected to be significantly impacted by COVID-19. This is due to the recurring income streams from the portfolio of long-term contracts under the LNG and Offshore business segments.

Although Petroleum shipping segment is affected by weak demand and low spot rates in the short term due to the impact of the pandemic as well as seasonal factors, the medium-term prospects are brighter, given the current low orderbook for new tankers.

Prospects remain uncertain for the Heavy Engineering segment due to the rise of new COVID-19 cases worldwide and the lingering effects from the pandemic. The Marine business segment is expected to continue to be faced by challenging conditions for the remainder of the year due to the limited number of dry-docking works exacerbated by the pandemic that leads to stiffer competition.

The Group will continue to focus on completing ongoing projects, optimizing operating expenditure and pursuing growth prospects to ensure resilience and sustainability of its business operations.

COVID-19 health and safety measures

The Group has remained vigilant and continuously implemented all necessary COVID-19 mitigation measures in accordance with Standard Operating Procedures issued by the Ministry of Health Malaysia and regulators of home countries where we operate such as social distancing at work, workplace segregation, staggered work hours and lunch breaks, flexible working arrangements including working from home, virtual meetings, temperature checks and regular workplace sanitization.

In addition, staff returning from international business travel or red zones within the country are required to undergo COVID-19 RT-PCR test prior to returning to work. All seafarers are also required to undergo COVID-19 RT-PCR testing during sign-on and sign-off (joining & leaving the vessel).

By Order of the Board