## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

| | Quarter Ended 30 June | | Cumulative 6 Months Ended 30 June | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **RM million** | **RM million** | **RM million** | **RM million** |
| Revenue | 3,212.3 | 2,353.8 | 6,079.9 | 4,894.7 |
| Cost of sales | (2,534.2) | (1,656.5) | (4,743.9) | (3,531.4) |
| **GROSS PROFIT** | **678.1** | **697.3** | **1,336.0** | **1,363.3** |
| Other operating income | 92.5 | 220.2 | 173.6 | 285.2 |
| General and administrative expenses | (309.7) | (290.5) | (531.8) | (557.7) |
| **OPERATING PROFIT** | **460.9** | **627.0** | **977.8** | **1,090.8** |
| Impairment of non current assets | (309.8) | (42.0) | (309.8) | (66.6) |
| Loss from deconsolidation of a subsidiary | - | (2.3) | - | (2.3) |
| Gain on disposal of ships | 5.7 | 3.6 | 9.5 | 4.0 |
| Finance costs | (147.5) | (97.9) | (300.4) | (191.0) |
| Share of profit of an associate | 0.6 | 1.6 | 1.9 | 1.6 |
| Share of (loss)/profit of joint ventures | (10.3) | 44.7 | 7.2 | 103.9 |
| **(LOSS)/PROFIT BEFORE TAX** | **(0.4)** | **534.7** | **386.2** | **940.4** |
| Taxation | (13.1) | (10.6) | (24.7) | (20.7) |
| **(LOSS)/PROFIT AFTER TAX** | **(13.5)** | **524.1** | **361.5** | **919.7** |
| **(LOSS)/PROFIT ATTRIBUTABLE TO:** | | | | |
| Equity holders of the Corporation | (19.1) | 538.8 | 357.3 | 968.6 |
| Non-controlling interests | 5.6 | (14.7) | 4.2 | (48.9) |
| **(LOSS)/PROFIT AFTER TAX** | **(13.5)** | **524.1** | **361.5** | **919.7** |
| **BASIC (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION (SEN)** | (0.4) | 12.1 | 8.0 | 21.7 |

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Quarter Ended 30 June | | Cumulative 6 Months Ended 30 June | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **RM million** | **RM million** | **RM million** | **RM million** |
| **(LOSS)/PROFIT AFTER TAX** | **(13.5)** | **524.1** | **361.5** | **919.7** |
| **OTHER COMPREHENSIVE INCOME/(LOSS)** | | | | |
| *Items that may be reclassified to profit or loss in subsequent periods:* | | | | |
| Cash flow hedges: | | | | |
| Fair value gain/(loss) | | | | |
| Group | 197.2 | (55.9) | 693.0 | 269.4 |
| Joint ventures | 36.0 | (12.5) | 81.2 | 9.9 |
| Gain on currency translation * | 1,582.0 | 16.7 | 1,818.0 | 980.8 |
| **Total other comprehensive income/(loss)** | **1,815.2** | **(51.7)** | **2,592.2** | **1,260.1** |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **1,801.7** | **472.4** | **2,953.7** | **2,179.8** |
| **TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:** | | | | |
| Equity holders of the Corporation | 1,764.3 | 495.5 | 2,892.3 | 2,210.7 |
| Non-controlling interests | 37.4 | (23.1) | 61.4 | (30.9) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **1,801.7** | **472.4** | **2,953.7** | **2,179.8** |

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

| | **2022** | **2021** | **2020** |
|---|---|---|---|
| As at 30 June | 4.40350 | 4.15450 | 4.28500 |
| As at 31 March | 4.20300 | 4.15300 | 4.32750 |
| As at 31 December | - | 4.17400 | 4.02850 |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As at 30 June 2022 RM million | As at 31 December 2021 RM million |
|---|---|---|
| **NON CURRENT ASSETS** | | |
| Ships | 22,942.7 | 21,496.3 |
| Offshore floating assets | 26.7 | 25.5 |
| Other property, plant and equipment | 1,767.7 | 1,890.0 |
| Prepaid lease payments on land and buildings | 202.0 | 205.5 |
| Finance lease receivables | 15,563.8 | 15,439.5 |
| Investments in associates | 20.9 | 21.0 |
| Investments in joint ventures | 1,079.9 | 1,047.5 |
| Other non current assets | 4,978.6 | 3,289.2 |
| Derivative assets | 602.6 | 103.0 |
| Intangible assets | 1,124.4 | 1,060.9 |
| Deferred tax assets | 97.6 | 101.9 |
| | **48,406.9** | **44,680.3** |
| **CURRENT ASSETS** | | |
| Inventories | 187.7 | 120.1 |
| Finance lease receivables | 1,447.6 | 1,347.5 |
| Trade and other receivables | 3,592.6 | 3,406.8 |
| Cash, deposits and bank balances | 8,584.6 | 7,952.3 |
| Non current assets classified as held for sale | - | 14.3 |
| | **13,812.5** | **12,841.0** |
| **TOTAL ASSETS** | **62,219.4** | **57,521.3** |
| **EQUITY** | | |
| Share capital | 8,923.3 | 8,923.3 |
| Treasury shares | (0.3) | (0.3) |
| Reserves | 9,188.7 | 6,653.7 |
| Retained profits | 18,095.3 | 18,586.1 |
| **Equity attributable to equity holders of the Corporation** | **36,207.0** | **34,162.8** |
| Non-controlling interests | 824.8 | 762.2 |
| **TOTAL EQUITY** | **37,031.8** | **34,925.0** |
| **NON CURRENT LIABILITIES** | | |
| Interest bearing loans and borrowings | 15,287.4 | 8,719.7 |
| Deferred income | 1,107.3 | 1,105.0 |
| Deferred tax liabilities | 6.2 | 6.8 |
| Derivative liabilities | - | 161.2 |
| Other non current liabilities | 270.0 | 176.0 |
| | **16,670.9** | **10,168.7** |
| **CURRENT LIABILITIES** | | |
| Interest bearing loans and borrowings | 4,075.7 | 8,309.3 |
| Trade and other payables | 4,407.8 | 4,041.5 |
| Provision for taxation | 32.9 | 19.9 |
| Derivative liabilities | 0.3 | 56.9 |
| | **8,516.7** | **12,427.6** |
| **TOTAL LIABILITIES** | **25,187.6** | **22,596.3** |
| **TOTAL EQUITY AND LIABILITIES** | **62,219.4** | **57,521.3** |

*The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2021.*

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Cumulative 6 Months Ended | |
|---|---|---|
| | **30 June 2022 RM million** | **30 June 2021 RM million** |
| **Cash Flows from Operating Activities:** | | |
| Profit before tax | 386.2 | 940.4 |
| Writeback of impairment loss on finance lease receivables and trade receivables | (31.2) | (3.6) |
| Impairment loss on receivables | 21.2 | 52.2 |
| Bad debts written off | - | 0.2 |
| Depreciation of ships, offshore floating asset and other property, plant and equipment | 972.9 | 965.5 |
| Amortisation of prepaid lease payments | 3.7 | 3.7 |
| Impairment of non current assets | 309.8 | 66.6 |
| Write off of ships, property, plant and equipment | 1.6 | 0.1 |
| Gain on disposal of ships | (9.5) | (4.0) |
| Net unrealised foreign exchange gain | (7.6) | (18.8) |
| Dividend income from equity investments | (0.6) | (0.6) |
| Interest expense | 240.9 | 179.1 |
| Finance income | (36.3) | (23.6) |
| Loss from deconsolidation of a subsidiary | - | 2.3 |
| Fair value movement in other investments | (6.3) | (5.5) |
| Changes in fair value of hedging derivatives | (6.9) | (0.6) |
| Amortisation of intangibles | 18.8 | 5.9 |
| Amortisation of upfront fees for borrowings | 59.5 | 11.9 |
| Share of profit of an associate | (1.9) | (1.6) |
| Share of profit of joint ventures | (7.2) | (103.9) |
| Operating profit before working capital changes | 1,907.1 | 2,065.7 |
| Inventories | (59.4) | 6.5 |
| Trade and other receivables | 810.7 | (502.6) |
| Trade, other payables and other non current liabilities * | (1,505.7) | (85.9) |
| Deferred income | (56.3) | (50.3) |
| Cash generated from operations | 1,096.4 | 1,433.4 |
| Net tax paid | (12.2) | (14.9) |
| **Net cash generated from operating activities** | **1,084.2** | **1,418.5** |

* The working capital changes in trade, other payables and other non current liabilities include payments for costs relating to the turnkey activities for the conversion of a Floating, Production, Storage and Offloading ("FPSO") facility amounting to RM1,288.4 million in the current period and RM540.6 million in the period ended 30 June 2021. These payments are disclosed as part of cash flows from operating activities as the turnkey activities contribute to the recognition of contract assets per MFRS 15: Revenue from Contract with Customers.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

| | Cumulative 6 Months Ended | |
|---|---|---|
| | 30 June 2022 RM million | 30 June 2021 RM million |
| **Cash Flows from Investing Activities:** | | |
| Purchase of ships, other property, plant and equipment | (1,394.4) | (2,399.4) |
| Investment in a joint venture | - | (45.6) |
| Proceeds from disposal of ships, offshore floating assets and other property, plant and equipment | 120.7 | 345.2 |
| Proceeds from disposal of interest in a subsidiary | - | 26.9 |
| Cash outflow from deconsolidation of a subsidiary | - | (48.6) |
| Dividend received from: | | |
| Quoted investments | 0.6 | 0.6 |
| Joint ventures and an associate | 91.1 | 127.8 |
| Interest received | 22.4 | 8.8 |
| Net fixed deposit withdrawal/(placement) | 8.0 | (11.1) |
| **Net cash used in investing activities** | **(1,151.6)** | **(1,995.4)** |
| | | |
| **Cash Flows from Financing Activities:** | | |
| Drawdown of interest bearing loans and borrowings | 9,084.9 | 3,685.0 |
| Repayment of interest bearing loans and borrowings | (7,653.3) | (2,247.9) |
| Repayment of lease liabilities | (66.8) | (96.6) |
| Dividends paid to the equity holders of the Corporation | (848.1) | (848.1) |
| Dividends paid to non-controlling interest of subsidiaries | - | (24.5) |
| Interest paid | (200.0) | (193.3) |
| Receipt of cash pledged with banks (restricted for use) | 378.3 | 393.8 |
| **Net cash generated from financing activities** | **695.0** | **668.4** |
| | | |
| Net change in cash & cash equivalents | 627.6 | 91.5 |
| Cash & cash equivalents at the beginning of the year | 6,994.3 | 5,545.1 |
| Currency translation difference | 351.1 | 148.9 |
| Cash & cash equivalents at the end of period | **7,973.0** | **5,785.5** |
| Cash pledged with banks - restricted and deposited with maturity more than 90 days | 611.6 | 962.6 |
| **Cash, deposits and bank balances** | **8,584.6** | **6,748.1** |

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | Total equity | Attributable to equity holders of the Corporation | | | | | | | | | | | | Non-controlling Interests |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Equity attributable to equity holders of the Corporation | Share capital* | Treasury shares | Retained profits | Other reserves, total | Other capital reserve | Capital reserve | Revaluation reserve | Put option reserve | Statutory reserve | Hedging reserve | Currency translation reserve | |
| | RM million | RM million | RM million | RM million | RM million | RM million | RM million | RM million | RM million | RM million | RM million | RM million | RM million | RM million |
| **6 MONTHS ENDED 30 JUNE 2022** | | | | | | | | | | | | | | |
| **At 1 January 2022** | **34,925.0** | **34,162.8** | **8,923.3** | **(0.3)** | **18,586.1** | **6,653.7** | **99.3** | **435.2** | **1.4** | **(10.6)** | **3.0** | **(136.4)** | **6,261.8** | **762.2** |
| Total comprehensive income | 2,953.7 | 2,892.3 | - | - | 357.3 | 2,535.0 | - | - | - | - | - | 733.0 | 1,802.0 | 61.4 |
| **Transactions with owners** | | | | | | | | | | | | | | |
| Dilution of interest in subsidiaries | 1.2 | - | - | - | - | - | - | - | - | - | - | - | - | 1.2 |
| Dividends | (848.1) | (848.1) | - | - | (848.1) | - | - | - | - | - | - | - | - | - |
| **Total transactions with owners** | (846.9) | (848.1) | - | - | (848.1) | - | - | - | - | - | - | - | - | 1.2 |
| **At 30 June 2022** | **37,031.8** | **36,207.0** | **8,923.3** | **(0.3)** | **18,095.3** | **9,188.7** | **99.3** | **435.2** | **1.4** | **(10.6)** | **3.0** | **596.6** | **8,063.8** | **824.8** |
| **6 MONTHS ENDED 30 JUNE 2021** | | | | | | | | | | | | | | |
| **At 1 January 2021** | **33,151.1** | **32,272.8** | **8,923.3** | **(0.3)** | **18,227.8** | **5,122.0** | **99.3** | **435.2** | **1.4** | **-** | **3.2** | **(577.5)** | **5,160.4** | **878.3** |
| Total comprehensive income | 2,179.8 | 2,210.7 | - | - | 968.6 | 1,242.1 | - | - | - | - | - | 268.6 | 973.5 | (30.9) |
| **Transactions with owners** | | | | | | | | | | | | | | |
| Liquidation of a joint venture | (0.5) | (0.5) | - | - | - | (0.5) | - | - | - | - | (0.2) | - | (0.3) | - |
| Deconsolidation of a subsidiary | (36.8) | - | - | - | - | - | - | - | - | - | - | - | - | (36.8) |
| Dilution of interest in subsidiaries | 21.2 | - | - | - | - | - | - | - | - | - | - | - | - | 21.2 |
| Dividends | (872.6) | (848.1) | - | - | (848.1) | - | - | - | - | - | - | - | - | (24.5) |
| **Total transactions with owners** | (888.7) | (848.6) | - | - | (848.1) | (0.5) | - | - | - | - | (0.2) | - | (0.3) | (40.1) |
| **At 30 June 2021** | **34,442.2** | **33,634.9** | **8,923.3** | **(0.3)** | **18,348.3** | **6,363.6** | **99.3** | **435.2** | **1.4** | **-** | **3.0** | **(308.9)** | **6,133.6** | **807.3** |

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

## PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

### 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 August 2022.

### A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the period ended 30 June 2022 have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market 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 financial statements and the accompanying notes for the year ended 31 December 2021.

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 2021.

The audited financial statements of the Group for the year ended 31 December 2021 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 Group's annual financial statements for the year ending 31 December 2022 under the Malaysian Financial Reporting Standards ("MFRS") framework. These policies do not differ significantly from those used in the Group's audited financial statements for the year ended 31 December 2021 except as disclosed below:

As at 1 January 2022, the Group and the Corporation have adopted the following Amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB"):

**Effective for annual periods beginning on or after 1 January 2022:**

- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018 - 2020)
- Amendments to MFRS 3: Business Combinations (Reference to the Conceptual Framework)
- Amendments to MFRS 9: Financial Instruments (Annual Improvements to MFRS Standards 2018 - 2020)
- Amendments to MFRS 116: Property, Plant and Equipment (Property, Plant and Equipment−Proceeds before Intended Use)
- Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts−Cost of Fulfilling a Contract)
- Amendments to MFRS 141: Agriculture (Annual Improvements to MFRS Standards 2018 - 2020)

The adoption of the above pronouncements has no material financial impact to the Group and the Corporation.

## PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

### A4. EXCEPTIONAL ITEM

There were no exceptional items during the current period other than as disclosed in the condensed consolidated interim financial statements.

### A5. MATERIAL CHANGES IN ACCOUNTING ESTIMATES

There were no material changes in estimates of the amounts reported in the most recent audited financial statements of the Group for the year ended 31 December 2021 that may have a material effect in the current quarter results.

### A6. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the year ended 31 December 2021 were not subjected to any audit qualification.

### A7. CHANGES IN COMPOSITION OF THE GROUP

There was no change in the composition of the Group during the period under review.

### A8. DISCONTINUED OPERATIONS

There was no discontinued operation in the Group during the period under review.

### A9. SEASONALITY OF OPERATIONS

The businesses of the Group are subject to market fluctuations.

### A10. REVENUE

The disaggregated revenue of the Group's reportable segments are as follows:

| | Gas Assets & Solutions | | Petroleum & Product Shipping | | Offshore Business | | Marine & Heavy Engineering | | Others, Eliminations and Adjustments | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | RM million | | RM million | | RM million | | RM million | | RM million | | RM million | |
| **Quarter Ended 30 June** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| Revenue from contracts with customers | - | - | 642.7 | 346.2 | 754.4 | 415.9 | 400.6 | 302.5 | 27.0 | 6.5 | 1,824.7 | 1,071.1 |
| Revenue from charter * | 762.5 | 690.5 | 489.1 | 441.0 | 136.0 | 151.2 | - | - | - | - | 1,387.6 | 1,282.7 |
| | **762.5** | **690.5** | **1,131.8** | **787.2** | **890.4** | **567.1** | **400.6** | **302.5** | **27.0** | **6.5** | **3,212.3** | **2,353.8** |

| | Gas Assets & Solutions | | Petroleum & Product Shipping | | Offshore Business | | Marine & Heavy Engineering | | Others, Eliminations and Adjustments | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cumulative 6 months** | RM million | | RM million | | RM million | | RM million | | RM million | | RM million | |
| **Ended 30 June** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| Revenue from contracts with customers | - | - | 1,098.2 | 666.6 | 1,386.6 | 963.2 | 818.4 | 646.0 | 61.6 | 27.1 | 3,364.8 | 2,302.9 |
| Revenue from charter * | 1,520.2 | 1,376.2 | 921.0 | 915.7 | 273.9 | 299.9 | - | - | - | - | 2,715.1 | 2,591.8 |
| | **1,520.2** | **1,376.2** | **2,019.2** | **1,582.3** | **1,660.5** | **1,263.1** | **818.4** | **646.0** | **61.6** | **27.1** | **6,079.9** | **4,894.7** |

* Revenue from charter consists of charter income and finance income on lease receivables.

## PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

### A11. SEGMENT REPORT

The operating segments of the Group are as follows:

**Gas Assets & Solutions** - provision of liquefied natural gas ("LNG") carrier services and non-conventional gas asset solutions;

**Petroleum & Product Shipping** - provision of petroleum tanker and chemical tanker services;

**Offshore Business** - own, lease, operation and maintenance of offshore, floating, production, storage and offloading terminals;

**Marine & Heavy Engineering** - marine repair, marine conversion and engineering and construction works; and

**Others** - integrated marine services, port & terminal services, maritime education & training and other diversified businesses.

Revenue and operating results by segments are as follows:

| | Gas Assets & Solutions | | Petroleum & Product Shipping | | Offshore Business | | Marine & Heavy Engineering | | Others, Eliminations and Adjustments * | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | RM million | | RM million | | RM million | | RM million | | RM million | | RM million | |
| **Quarter Ended 30 June** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| Revenue | | | | | | | | | | | | |
| External sales | 762.5 | 690.5 | 1,131.5 | 787.2 | 890.4 | 567.1 | 386.6 | 270.1 | 41.3 | 38.9 | 3,212.3 | 2,353.8 |
| Inter-segment | - | - | 0.3 | - | - | - | 14.0 | 32.4 | (14.3) | (32.4) | - | - |
| | **762.5** | **690.5** | **1,131.8** | **787.2** | **890.4** | **567.1** | **400.6** | **302.5** | **27.0** | **6.5** | **3,212.3** | **2,353.8** |
| Operating profit/(loss) | **330.0** | **293.6** | **115.1** | **212.0** | **43.6** | **186.8** | **25.8** | **(26.3)** | **(53.6)** | **(39.1)** | **460.9** | **627.0** |

| | Gas Assets & Solutions | | Petroleum & Product Shipping | | Offshore Business | | Marine & Heavy Engineering | | Others, Eliminations and Adjustments * | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cumulative 6 months** | RM million | | RM million | | RM million | | RM million | | RM million | | RM million | |
| **Ended 30 June** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| Revenue | | | | | | | | | | | | |
| External sales | 1,520.2 | 1,376.2 | 2,018.6 | 1,582.0 | 1,660.5 | 1,247.0 | 798.5 | 613.1 | 82.1 | 76.4 | 6,079.9 | 4,894.7 |
| Inter-segment | - | - | 0.6 | 0.3 | - | 16.1 | 19.9 | 32.9 | (20.5) | (49.3) | - | - |
| | **1,520.2** | **1,376.2** | **2,019.2** | **1,582.3** | **1,660.5** | **1,263.1** | **818.4** | **646.0** | **61.6** | **27.1** | **6,079.9** | **4,894.7** |
| Operating profit/(loss) | **721.2** | **594.5** | **147.3** | **246.4** | **164.4** | **426.1** | **32.1** | **(128.2)** | **(87.2)** | **(48.0)** | **977.8** | **1,090.8** |

* Comprises other diversified businesses, net foreign exchange differences, interest income, dividend income from quoted investments, corporate expenses, eliminations and adjustments.

## PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

### A12. PROFIT FOR THE PERIOD

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

| | Quarter Ended 30 June | | Cumulative 6 Months Ended 30 June | |
|---|---|---|---|---|
| | 2022 RM million | 2021 RM million | 2022 RM million | 2021 RM million |
| Finance income | 23.2 | 11.5 | 36.3 | 23.6 |
| Other income | 26.4 | 207.6 | 69.1 | 230.3 |
| Interest expense | (135.7) | (90.5) | (240.9) | (179.1) |
| Amortisation of upfront fees for borrowings | (11.8) | (7.4) | (59.5) | (11.9) |
| Depreciation of ships, offshore floating asset and other property, plant and equipment | (499.1) | (469.6) | (972.9) | (965.5) |
| Amortisation of prepaid lease payments | (1.8) | (1.8) | (3.7) | (3.7) |
| Amortisation of intangibles | (9.9) | (5.5) | (18.8) | (5.9) |
| Write off of ships, property, plant and equipment | (0.2) | (0.1) | (1.6) | (0.1) |
| Gain on disposal of ships | 5.7 | 3.6 | 9.5 | 4.0 |
| Impairment of non current assets | (309.8) | (42.0) | (309.8) | (66.6) |
| Loss from deconsolidation of a subsidiary | - | (2.3) | - | (2.3) |
| Impairment loss on receivables | (15.2) | (43.7) | (21.2) | (52.2) |
| Bad debts written off | - | - | - | (0.2) |
| Fair value gain in other investments | 2.1 | 1.8 | 6.3 | 5.5 |
| Changes in fair value of hedging derivatives | 5.5 | 0.4 | 6.9 | 0.6 |
| Writeback of impairment loss on finance lease receivables and trade receivables | 18.4 | 2.6 | 31.2 | 3.6 |
| Net realised foreign exchange gain/(loss) | 1.2 | (1.0) | 4.6 | (17.2) |
| Net unrealised foreign exchange gain/(loss) | 8.4 | (1.5) | 7.6 | 18.8 |

### A13. SHIPS, OFFSHORE FLOATING ASSET AND OTHER PROPERTY, PLANT AND EQUIPMENT

Included in ships, offshore floating asset and other property, plant and equipment are construction work-in-progress, mainly for the construction of ships totalling RM2,237.1 million (31 December 2021: RM3,351.5 million) and right-of-use assets amounting to RM114.2 million (31 December 2021: RM168.9 million).

The volatility of charter hire rates, expired charter contracts or contracts that are approaching the expiry date were identified as indications that the carrying amount of certain ships may be impaired. The Group has performed a review of the recoverable amount of the ships at the end of the current quarter. The recoverable amount was based on the higher of fair value less costs of disposal or value-in-use, and determined at the cash generating unit ("CGU") of each asset.

The review led to the recognition of net impairment losses on non current assets and amounting to RM309.8 million in the current financial period as the recoverable amount of the non current assets amounting to RM1,893.9 million as at the end of the current financial period was lower than their carrying value.

## PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

### A14. INTANGIBLE ASSETS

| | Goodwill | Other Intangible Assets | Total |
|---|---|---|---|
| | RM million | RM million | RM million |
| **Cost** | | | |
| **At 1 January 2021** | **966.5** | **212.7** | **1,179.2** |
| Reclassification from property, plant and equipment | - | 231.2 | 231.2 |
| Deconsolidation of a subsidiary | (0.2) | - | (0.2) |
| Currency translation differences | 32.0 | 1.3 | 33.3 |
| **At 31 December 2021** | **998.3** | **445.2** | **1,443.5** |
| Reclassification from property, plant and equipment | - | 20.3 | 20.3 |
| Currency translation differences | 50.2 | 11.8 | 62.0 |
| **At 30 June 2022** | **1,048.5** | **477.3** | **1,525.8** |
| **Accumulated amortisation and impairment** | | | |
| **At 1 January 2021** | **162.5** | **197.5** | **360.0** |
| Amortisation | - | 22.6 | 22.6 |
| **At 31 December 2021** | **162.5** | **220.1** | **382.6** |
| Amortisation | - | 18.8 | 18.8 |
| **At 30 June 2022** | **162.5** | **238.9** | **401.4** |
| **Net carrying amount** | | | |
| **At 1 January 2021** | **804.0** | **15.2** | **819.2** |
| **At 31 December 2021** | **835.8** | **225.1** | **1,060.9** |
| **At 30 June 2022** | **886.0** | **238.4** | **1,124.4** |

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 were disclosed in the annual consolidated financial statements for the year ended 31 December 2021.

The other intangible assets relate to the fair value, at the date of acquisition, of long term customer contracts from acquisition of a subsidiary which is amortised over the remaining contract periods and digital products, measured at cost which comprises the development costs and all costs that can be directly attributed to preparing the asset for its intended use. The intangible assets on digital products are amortised on a straight-line basis over its estimated useful life.

## PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

### A15. 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<br>RM million | Level 2<br>RM million | Level 3<br>RM million | Total<br>RM million |
|---|---|---|---|---|
| **At 30 June 2022** | | | | |
| **Financial Assets** | | | | |
| Quoted investments | 57.2 | - | - | 57.2 |
| Unquoted investments | - | - | 76.6 | 76.6 |
| Forward currency contracts | - | 4.8 | - | 4.8 |
| Interest rate swaps designated as hedging instruments | - | 597.8 | - | 597.8 |
| | **57.2** | **602.6** | **76.6** | **736.4** |
| **Financial Liabilities** | | | | |
| Forward currency contracts | - | (0.2) | - | (0.2) |
| Interest rate swaps designated as hedging instruments | - | (0.1) | - | (0.1) |
| | **-** | **(0.3)** | **-** | **(0.3)** |

| | Level 1<br>RM million | Level 2<br>RM million | Level 3<br>RM million | Total<br>RM million |
|---|---|---|---|---|
| **At 31 December 2021** | | | | |
| **Financial Assets** | | | | |
| Quoted investments | 51.0 | - | - | 51.0 |
| Unquoted investments | - | - | 72.6 | 72.6 |
| Interest rate swaps designated as hedging instruments | - | 103.0 | - | 103.0 |
| | **51.0** | **103.0** | **72.6** | **226.6** |
| **Financial Liabilities** | | | | |
| Forward currency contracts | - | (4.7) | - | (4.7) |
| Interest rate swaps designated as hedging instruments | - | (213.4) | - | (213.4) |
| | **-** | **(218.1)** | **-** | **(218.1)** |

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.

## PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

### A16. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

Pursuant to the Global Medium Term Notes Programme of up to USD3.0 billion in nominal value or its equivalent in other currencies ("GMTN Programme") guaranteed by the Corporation, MISC Capital Two (Labuan) Limited, a wholly-owned subsidiary of the Corporation, has successfully priced its USD1.0 billion Global Medium Term Notes ("Notes") in nominal value on 30 March 2022. Subsequently, the Notes comprising USD400 million 3-year and USD600 million 5-year Notes have been issued on 6 April 2022. The proceeds from the Notes were mainly used to refinance the existing borrowings of the Group.

### A17. INTEREST BEARING LOANS AND BORROWINGS

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

| | 30 June 2022<br>RM million | 31 December 2021<br>RM million |
|---|---|---|
| Short Term Borrowings | | |
| Secured | 1,558.7 | 5,726.5 |
| Unsecured | 2,431.0 | 2,448.6 |
| Lease liabilities | 86.0 | 134.2 |
| | 4,075.7 | 8,309.3 |
| Long Term Borrowings | | |
| Secured | 9,199.8 | 7,211.9 |
| Unsecured | 6,018.4 | 1,408.6 |
| Lease liabilities | 69.2 | 99.2 |
| | 15,287.4 | 8,719.7 |
| **Total** | **19,363.1** | **17,029.0** |

ii) Foreign borrowings in United States Dollar equivalent as at 30 June 2022 and 31 December 2021 are as follows:

| | 30 June 2022<br>RM million | 31 December 2021<br>RM million |
|---|---|---|
| United States Dollar Borrowings | 18,926.3 | 16,567.4 |

## PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

### A18. DIVIDENDS PAID

The Corporation paid the following dividends in the period ended 30 June 2022 and year ended 31 December 2021:

| | 30 June 2022 RM million | 31 December 2021 RM million |
|---|---|---|
| **In respect of the financial year ended 31 December 2020:** | | |
| Fourth tax exempt dividend of 12.0 sen per share paid on 16 March 2021 | - | 535.6 |
| **In respect of the financial year ended 31 December 2021:** | | |
| First tax exempt dividend of 7.0 sen per share paid on 9 June 2021 | - | 312.5 |
| Second tax exempt dividend of 7.0 sen per share paid on 14 September 2021 | - | 312.5 |
| Third tax exempt dividend of 7.0 sen per share paid on 14 December 2021 | - | 312.5 |
| Fourth tax exempt dividend of 12.0 sen per share paid on 16 March 2022 | 535.6 | - |
| **In respect of the financial year ended 31 December 2022:** | | |
| First tax exempt dividend of 7.0 sen per share paid on 15 June 2022 | 312.5 | - |

### A19. RELATED PARTY TRANSACTIONS

There were no new and significant transactions entered with related parties for the period ended 30 June 2022, compared to the related party transactions disclosed in the audited consolidated financial statements of the Group for the year ended 31 December 2021.

### A20. CAPITAL COMMITMENTS

The Group's outstanding commitments in respect of capital expenditure not provided for in the financial statements as at 30 June 2022 and 31 December 2021 are as follows:

| | 30 June 2022 RM million | 31 December 2021 RM million |
|---|---|---|
| Approved and contracted for | 2,398.6 | 3,416.8 |

The Group has excluded the approved and contracted capital expenditure relating to the turnkey activities for the conversion of a vessel to an FPSO to be leased out to a customer under a time charter contract. Accordingly, the Group has excluded the amount of RM3,158.8 million as at 30 June 2022 (31 December 2021: RM3,799.1 million) from the above capital commitments as the turnkey activities contribute to the recognition of contract assets per MFRS 15: Revenue from Contract with Customers.

### A21. CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 30 June 2022 and 31 December 2021 comprise the following:

| | 30 June 2022 RM million | 31 December 2021 RM million |
|---|---|---|
| Performance bonds on contract and bank guarantees extended to customers | 507.4 | 498.4 |

### A22. SUBSEQUENT MATERIAL EVENTS

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

## PART B – OTHER EXPLANATORY NOTES

### B1. REVIEW OF GROUP PERFORMANCE

| | Quarter Ended 30 June | | Cumulative 6 Months Ended 30 June | |
|---|---|---|---|---|
| | 2022 RM million | 2021 RM million | 2022 RM million | 2021 RM million |
| **Revenue** | | | | |
| Gas Assets & Solutions | 762.5 | 690.5 | 1,520.2 | 1,376.2 |
| Petroleum & Product Shipping | 1,131.8 | 787.2 | 2,019.2 | 1,582.3 |
| Offshore Business | 890.4 | 567.1 | 1,660.5 | 1,263.1 |
| Marine & Heavy Engineering | 400.6 | 302.5 | 818.4 | 646.0 |
| Others, Eliminations and Adjustments | 27.0 | 6.5 | 61.6 | 27.1 |
| **Total Revenue** | **3,212.3** | **2,353.8** | **6,079.9** | **4,894.7** |
| **Operating Profit/(Loss)** | | | | |
| Gas Assets & Solutions | 330.0 | 293.6 | 721.2 | 594.5 |
| Petroleum & Product Shipping | 115.1 | 212.0 | 147.3 | 246.4 |
| Offshore Business | 43.6 | 186.8 | 164.4 | 426.1 |
| Marine & Heavy Engineering | 25.8 | (26.3) | 32.1 | (128.2) |
| Others, Eliminations and Adjustments | (53.6) | (39.1) | (87.2) | (48.0) |
| **Total Operating Profit** | **460.9** | **627.0** | **977.8** | **1,090.8** |
| Impairment of non current assets | (309.8) | (42.0) | (309.8) | (66.6) |
| Loss from deconsolidation of a subsidiary | - | (2.3) | - | (2.3) |
| Gain on disposal of ships | 5.7 | 3.6 | 9.5 | 4.0 |
| Finance costs | (147.5) | (97.9) | (300.4) | (191.0) |
| Share of profit of an associate | 0.6 | 1.6 | 1.9 | 1.6 |
| Share of (loss)/profit of joint ventures | (10.3) | 44.7 | 7.2 | 103.9 |
| **(Loss)/Profit Before Tax** | **(0.4)** | **534.7** | **386.2** | **940.4** |

**<u>Current quarter's performance against the quarter ended 30 June 2021</u>**

Group revenue of RM3,212.3 million was RM858.5 million or 36.5% higher than the quarter ended 30 June 2021 ("corresponding quarter") revenue of RM2,353.8 million, while Group operating profit of RM460.9 million was RM166.1 million or 26.5% lower than the corresponding quarter's profit of RM627.0 million. The variances in Group performance by segments are further explained below.

**<u>Gas Assets & Solutions</u>**

Revenue of RM762.5 million was RM72.0 million or 10.4% higher than the corresponding quarter's revenue of RM690.5 million, mainly from higher earning days following lower dry-docking activities during the quarter.

Operating profit of RM330.0 million was RM36.4 million or 12.4% higher than the corresponding quarter's profit of RM293.6 million, mainly from higher earning days as mentioned above.

## PART B – OTHER EXPLANATORY NOTES (Continued)

**Petroleum & Product Shipping**
Revenue of RM1,131.8 million was RM344.6 million or 43.8% higher than the corresponding quarter's revenue of RM787.2 million mainly from higher freight rates in the mid-sized tanker segment in the current quarter.

Operating profit of RM115.1 million was RM96.9 million or 45.7% lower than the corresponding quarter's profit of RM212.0 million, mainly due to a one-off compensation for a contract renegotiation in the corresponding quarter which has offset the impact of higher freight rates in the current quarter.

**Offshore Business**
Revenue of RM890.4 million was RM323.3 million or 57.0% higher than the corresponding quarter's revenue of RM567.1 million, mainly from higher recognition of revenue from conversion of a Floating, Production, Storage and Offloading unit ("FPSO") following improved project progress in this quarter.

Operating profit of RM43.6 million was RM143.2 million or 76.7% lower than the corresponding quarter's profit of RM186.8 million, mainly due to increase in construction costs of an FPSO arising from the global supply chain issue and recent lockdowns in parts of China which affected the movement of project personnel, goods and services as well as from engineering, procurement and construction activities.

**Marine & Heavy Engineering**
Revenue of RM400.6 million was RM98.1 million or 32.4% higher than the corresponding quarter's revenue of RM302.5 million, mainly from higher activities for on-going Heavy Engineering projects and increased dry-docking activities in the Marine sub-segment in the current quarter.

Marine & Heavy Engineering segment's operating profit of RM25.8 million was RM52.1 million higher than the corresponding quarter's loss of RM26.3 million mainly from higher revenue and reversal of warranty provision for post sail-away heavy engineering projects in the current quarter.

**Others, Eliminations and Adjustments**
Others segment recorded an operating loss of RM53.6 million as compared to the corresponding quarter's loss of RM39.1 million, mainly due to higher corporate expenses.

**Current 6 months period performance against the 6 months period ended 30 June 2021**

Group revenue of RM6,079.9 million was RM1,185.2 million or 24.2% higher than the revenue for the 6-month period ended 30 June 2021 ("corresponding period") of RM4,894.7 million, while Group operating profit of RM977.8 million was RM113.0 million or 10.4% lower than the corresponding period's profit of RM1,090.8 million. The variances in Group performance by segments are further explained below.

**Gas Assets & Solutions**
Revenue of RM1,520.2 million was RM144.0 million or 10.5% higher than the corresponding period revenue of RM1,376.2 million, mainly from higher earning days following full recognition of Very Large Ethane Carriers ("VLEC") revenue since charter commencements in the previous year, as well as lower dry-docking activities during the period.

Operating profit of RM721.2 million was RM126.7 million or 21.3% higher than the corresponding period's profit of RM594.5 million, mainly from higher earning days as mentioned above.

## PART B – OTHER EXPLANATORY NOTES (Continued)

**Petroleum & Product Shipping**

Revenue of RM2,019.2 million was RM436.9 million or 27.6% higher than the corresponding period's revenue of RM1,582.3 million mainly from higher freight rates in the mid-sized tanker segment in the current period.

Operating profit of RM147.3 million was RM99.1 million or 40.2% lower than the corresponding period's profit of RM246.4 million, mainly due to a one-off compensation for a contract renegotiation in the corresponding period which has offset the impact of higher freight rates in the current period.

**Offshore Business**

Revenue of RM1,660.5 million was RM397.4 million or 31.5% higher than the corresponding period's revenue of RM1,263.1 million, mainly from higher recognition of revenue from conversion of an FPSO following improved project progress in the current period.

Operating profit of RM164.4 million was RM261.7 million or 61.4% lower than the corresponding period's profit of RM426.1 million, mainly due to increase in construction costs of an FPSO arising from the global supply chain issue and recent lockdowns in parts of China which affected the movement of project personnel, goods and services as well as from engineering, procurement and construction activities.

**Marine & Heavy Engineering**

Revenue of RM818.4 million was RM172.4 million or 26.7% higher than the corresponding period's revenue of RM646.0 million, mainly from higher activities for on-going Heavy Engineering projects and increased dry-docking activities in the Marine sub-segment in the current period.

Marine & Heavy Engineering segment's operating profit of RM32.1 million was RM160.3 million higher than the corresponding period's loss of RM128.2 million as it was impacted by additional costs provisions for on-going heavy engineering projects in the corresponding period coupled with higher revenue and reversal of warranty provision for post sail-away heavy engineering projects and partial recovery of COVID-19 claims in the current period.

**Others, Eliminations and Adjustments**

Others segment's operating loss of RM87.2 million was RM39.2 million higher than the corresponding period's loss of RM48.0 million, mainly due to higher corporate expenses during the period.

## PART B – OTHER EXPLANATORY NOTES (Continued)

### B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

| GROUP | Quarter Ended 30 June 2022 RM million | Quarter Ended 31 March 2022 RM million |
|---|---|---|
| **Revenue** | **3,212.3** | **2,867.6** |
| **Operating Profit** | **460.9** | **516.9** |
| Impairment of non current assets | (309.8) | - |
| Gain on disposal of ships | 5.7 | 3.8 |
| Finance costs | (147.5) | (152.9) |
| Share of profit of an associate | 0.6 | 1.3 |
| Share of (loss)/profit of joint ventures | (10.3) | 17.5 |
| **(Loss)/Profit Before Tax** | **(0.4)** | **386.6** |

Group revenue of RM3,212.3 million was RM344.7 million or 12.0% higher than the preceding quarter's revenue of RM2,867.6 million, mainly from the increase in freight rates for mid-sized tanker market in the Petroleum & Product Shipping segment, as well as from higher recognition of revenue from conversion of an FPSO in the Offshore Business segment due to further project progress during the quarter.

Group operating profit of RM460.9 million was RM56.0 million or 10.8% lower than the preceding quarter's profit of RM516.9 million, mainly due to increase in construction costs of an FPSO arising from the global supply chain issue and recent lockdowns in parts of China which affected the movement of project personnel, goods and services as well as from engineering, procurement and construction activities.

## PART B – OTHER EXPLANATORY NOTES (Continued)

### B3. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | As at 30 June 2022 RM million | As at 31 December 2021 RM million |
|---|---|---|
| Total assets | 62,219.4 | 57,521.3 |
| Total equity attributable to equity holders of the Corporation | 36,207.0 | 34,162.8 |
| Total liabilities | 25,187.6 | 22,596.3 |

The Group's total assets at RM62,219.4 billion was higher by 8.2% or RM4,698.1 million as a result of higher recognition of contract asset from conversion of a Floating, Production, Storage and Offloading unit ("FPSO").

Total equity attributable to shareholders of the Company increased by 6.0% or RM2,044.2 million mainly due to favourable movement in hedging reserve and currency translation reserve following weakening of RM against USD.

Total liabilities were higher by 11.5% or RM2,591.3 million following issuances of Global Medium Term Notes and drawdown of term loans in the current period.

### B4. REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS

| | Cumulative 6 months ended | |
|---|---|---|
| | 30 June 2022 RM million | 30 June 2021 RM million |
| Net cash generated from operating activities | 1,084.2 | 1,418.5 |
| Net cash used in investing activities | (1,151.6) | (1,995.4) |
| Net cash generated from financing activities | 695.0 | 668.4 |
| Net change in cash and cash equivalents | 627.6 | 91.5 |

The Group's net cash generated from operating activities of RM1,084.2 million was lower by 23.6% or RM334.3 million compared to RM1,418.5 million in the corresponding period, mainly due to higher payments for cost relating to turnkey activities for the conversion of a FPSO amounting to RM1,288.4 million in the current period compared to payments of RM540.6 million in the corresponding period. Excluding the payments for the above turnkey activities, the Group's adjusted net cash generated from operating activities of RM2,372.6 billion was higher by 21.1% or RM413.5 million compared to RM1,959.1 million in the corresponding period from higher collection received from customers in the current period.

The Group's net cash used in investing activities of RM1,151.6 million was lower by 42.3% or RM843.8 million compared to net cash used in investing activities of RM1,995.4 million in the corresponding period, mainly due to lower payment on capital expenditure for ships, property, plant and equipment in the current period.

The Group's net cash generated from financing activities of RM695.0 million was higher by 4.0% or RM26.6 million compared to net cash generated from financing activities of RM668.4 million in the corresponding period, mainly due to issuances of Global Medium Term Notes and drawdown of term loans in the current period.

## PART B – OTHER EXPLANATORY NOTES (Continued)

### B5. GROUP CURRENT YEAR PROSPECTS

In the LNG shipping market, spot rates continue to soar since the last quarter due to higher demand for LNG cargo especially from the European region, as well as expected restocking of gas for the coming winter in UK, Asia and Europe. In the near term, prospects remain positive due to strong global demand for LNG especially from Europe as a result of the push towards energy security, and accelerated investment in liquefaction infrastructure is expected to further support LNG supply growth. In this environment, the Gas Assets and Solutions segment will continue to pursue growth opportunities available while its operating income continues to remain sturdy, supported by its existing portfolio of long-term charters.

The petroleum shipping market rates for VLCCs remained weak while that of mid-sized tankers continued to increase before weakening in early May 2022 due to easing of premiums in Russian cargoes and lower oil supply due to production disruptions in some countries. In the short-term, some improvements are expected in fundamentals through continued changes in oil trade patterns, gradual increase of OPEC+ production and increase in global oil demand particularly due to easing of China lockdowns. However, there remain downside risk of further lockdowns in China due to the country's zero COVID policy, as well as recessionary risk as interest rates are hiked. As such, the Petroleum & Product Shipping segment continues to focus on building long-term secured income through its niche shuttle tanker business and rejuvenation of its tanker fleet.

The upstream oil and gas sector continues to remain optimistic, backed by the combination of high oil prices, improved global oil demand and increased capex spending. Demand for FPSOs is expected to stay firm with increasing project awards expected over the next few years. As such, the Offshore Business segment will actively assess and pursue available opportunities in the market. For the time being, the segment will remain focused on executing the project in hand. Although the project is expected to face continuing pressure on schedule and cost arising from the lockdowns in parts of China, significant mitigation efforts are being undertaken to minimise the impacts. In the meantime, the existing portfolio of long-term contracts will continue to support the financial performance of the Offshore Business segment.

The Marine & Heavy Engineering segment remains cautiously optimistic on the outlook of its Heavy Engineering sub-segment due to prolonged supply chain disruptions and volatile commodity prices despite continuing high oil prices that will further support higher capital spending by energy majors. The reopening of international borders also augurs well for the Marine sub-segment's recovery with more demand for dry-docking activities as vessel owners gear up for improved seaborne trade requirements. The China lockdown situation has continued to be advantageous as clients seek alternatives for their dry-docking activities. However, the prevalent nationwide labour shortage could unfavourably affect timely execution of shipyard activities. Given this backdrop, the segment maintains a cautious stance on the outlook, whilst focusing on order book replenishment. It will also continue to focus on cost optimisation while ensuring safe and timely execution of ongoing projects.

### B6. PROFIT FORECAST AND PROFIT GUARANTEE

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

## PART B – OTHER EXPLANATORY NOTES (Continued)

### B7. TAXATION

| | Quarter Ended 30 June 2022 RM million | Cumulative 6 Months Ended 30 June 2022 RM million |
|---|---|---|
| Taxation for the period comprises the following charge: | | |
| Income tax charge | | |
| - current period | (13.6) | (24.2) |
| - prior year | (1.0) | (1.0) |
| Deferred taxation | 1.5 | 0.5 |
| | (13.1) | (24.7) |

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 substance 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.

In respect of the imposition of tonnage fee, MoF has indicated in their letter that if MoT fails to start imposing tonnage fee from 1 January 2022, the 100% tax exemption will be reverted to 70% from YA2022.

On 2 November 2021, MoT notified the Malaysian Shipowners' Association that MoF has approved for a deferment in the imposition of the annual tonnage fee to latest by 31 December 2023. Based on this latest development, the Group would now be able to continue to enjoy the 100% shipping tax exemption up to YA 2023 on the basis that the substance requirements are duly met.

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

### B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There were no outstanding corporate proposals submitted by the Group for the quarter ended 30 June 2022.

### B9. CHANGES IN MATERIAL LITIGATION

**i) <u>Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") and Sabah Shell Petroleum Limited ("SSPC")</u>**

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. USD222,132,575.60;
   b. That an amount of USD88,791,006.17 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 USD133,341,569.49 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. USD236,378,824.46 for defects rectification work (inclusive of USD15,000,000.00 for Liquidated Damages);
   b. USD88,317,146.13 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 USD12,746,570.70;
   e. Interest at 6.65% on the sums awarded 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.

**<u>Proceedings Post the Award</u>**

GKL was 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**").

## PART B – OTHER EXPLANATORY NOTES (Continued)

**Setting Aside OS**

On 7 July 2020, GKL filed an Originating Summons to set aside parts of the Arbitral Award dated 8 April 2020. The proceeding of this Setting Aside OS was delayed due to the COVID-19 situation and the various applications filed by both Parties in relation to this matter:

(i) Injunction NOA

On 6 October 2020, GKL withdrew the Injunction NOA on the basis that a statutory stay of enforcement is automatically imposed on SSPC upon GKL's application to set aside SSPC's Award enforcement.

Additionally, GKL had filed an interim application preventing SSPC from enforcing the Award prior to the determination of the Setting Aside OS. This application was heard on 16 August 2021 and 1 October 2021. On 25 October 2021, the High Court dismissed GKL's interim application and decided that SSPC has the right to set off the award against the charter hire without full grounds of judgment. GKL has since obtained the High Court's written grounds of judgment and is of the opinion that there are grounds to appeal against the High Court's decision in dismissing GKL's interim application. As such, on 22 November 2021 GKL filed an appeal to the Court of Appeal against the High Court's decision which was heard on 6 July 2022. The Court of Appeal informed Parties that it would require time to consider the full arguments raised and fixed the matter for decision on 7 November 2022.

GKL's Setting Aside OS was partly heard on 20 and 25 October 2021, 13 January 2022, 16 and 17 February 2022, 4 April 2022 and 10 August 2022. The High Court has fixed a final hearing date on 23 September 2022.

**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:

**Adjudication**

1. 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 USD9,949,734.00 plus interest and costs.

## PART B – OTHER EXPLANATORY NOTES (Continued)

2. 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.

3. 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.

4. 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.

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

**<u>Proceedings in Court</u>**

6. 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.

   a. 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 filed an appeal to the Court of Appeal ("CA") against this decision which was heard on 12 April 2021. The CA set aside the stay application granted by the High Court and instead imposed a conditional stay on PCPP wherein PCPP is required to deposit a sum of USD7,766,549.61 into a joint account held by both parties' solicitors within 30 days, failing which MOMPL will be able to proceed with the full hearing in the High Court action against PCPP. PCPP failed to make any such deposit and therefore the Originating Summons was reinstated in the High Court at MOMPL's request.

   b. The matter was heard on 7 October 2021 and on 26 October 2021, the High Court decided the matter in favour of MOMPL. MOMPL has now been awarded the full sum claimed amounting to USD42,307,549.61 together with interest and costs which is to be paid by PCPP. PCPP did not file any appeal against the High Court's decision however PCPP has failed to pay the sum awarded to MOMPL.

   c. In the circumstances, MOMPL proceeded to file a Statutory Notice pursuant to Sections 465 and 466 of the Companies Act 2016 against PCPP on 14 December 2021 ("Statutory Notice"). PCPP has failed to comply with the Statutory Notice and therefore on 25 March 2022, MOMPL proceeded to file a winding-up petition against PCPP in the High Court ("Winding-up Proceedings"). The Winding-up Proceedings was fixed for hearing on 3 August 2022, however it was unable to proceed due to some technical issues with the High Court system. The hearing has been rescheduled to 6 September 2022.

7. 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 ("PCSB's Striking Out Application") and stay the proceedings pending the disposal of the arbitration proceedings ("PCPP's Stay Application") which were allowed on 26 October 2018 and 11 December 2018 respectively. MOMPL appealed against both decisions to the Court of Appeal.

   a. MOMPL's appeal against PCSB's Striking Out Application by the High Court 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

## PART B – OTHER EXPLANATORY NOTES (Continued)

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.

b. MOMPL's appeal against PCPP's Stay Application by the High Court was heard by the Court of Appeal on 19 June 2020. The Court of Appeal has set aside the stay against the shareholders i.e. PCSB, PPHE and PVEP, whilst the stay against PCPP is affirmed. Pursuant to this decision, MOMPL has proceeded to serve the cause papers out of jurisdiction on PPHE and PVEP. PVEP has failed to respond to MOMPL's claim and therefore MOMPL has applied for a summary judgment to be made against PVEP. PPHE has filed an application in the High Court of Malaysia to challenge the service of the cause papers in Indonesia which was heard on 11 August 2021. On 24 September 2021, the High Court allowed PPHE's application. MOMPL has elected to await the outcome of the Winding-up Proceedings against PCPP and will consider whether to file a fresh claim against PCPP's shareholders thereafter.

**Arbitration**

8. 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.

9. MOMPL has re-filed the Notice of Arbitration for the second arbitration proceedings for part of the outstanding sums amounting to approximately USD80,954,000.00 and RM4,674,000.00. PCPP has responded to the Notice of Arbitration on 15 July 2020.

   The arbitral tribunal for both arbitration proceedings have now been constituted respectively and parties are in the midst of negotiating and finalising the terms of appointment. However given the development in the filing of the Winding-up Proceedings, MOMPL has written to the arbitral tribunal for both the first and second arbitrations to request for the proceedings to be kept in abeyance until the Winding-up Proceedings is disposed off by the High Court.

(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 Kebabangan Petroleum Operating Company Sdn Bhd ("KPOC")**

On 13 March 2019, MMHE received a notice of arbitration from KPOC in relation to claims arising from the Kebabangan ("KBB") field project. KPOC claimed that MMHE was in breach of contract in respect of matters relating to supply of certain valves. The valves procured by MMHE were claimed to be defective and that KPOC suffered substantial loss and damage.

By way of Final Award dated 23 July 2021 that was made available to MMHE on 3 August 2021 ("Final Award"), the Arbitral Tribunal has ordered that MMHE shall pay KPOC the following:-

a. The sum of RM17,241,178 as damages for the expenses incurred by KPOC for assessment, procurement and replacement of valves in the period of 2016 to 2019, together with interest at the rate of 5% per annum from 11 October 2019 to the date of payment;

## PART B – OTHER EXPLANATORY NOTES (Continued)

b. The sum of RM9,820,770 as damages suffered by KPOC in having to procure 1,365 valves and install 1,454 valves in the future, together with interest at the rate of 5% per annum from 11 October 2019 till the date of payment; and

c. The sum of RM1,029,167 for its legal fees and expenses.

In the Final Award, the Arbitral Tribunal dismissed all of KPOC's claim for loss of revenue in the sum of RM28,030,906.

On 30 September 2021, MMHE filed an application to set aside the Final Award pursuant to Section 37 of the Arbitration Act 2005, whereby MMHE seeks for the Final Award to be set aside on grounds, amongst others, that there was a breach of the rules of natural justice in connection with the making of the Final Award.

KPOC, in this regard, has filed an application to seek leave from the High Court to register and enforce the Final Award as a Judgment of the High Court. (collectively, "Applications").

The Applications were fixed for Hearing on 11 February 2022 during which the Judge ordered for the matter to be heard in a single session, on 15 April 2022.

The Hearing proceeded on 15 April 2022 as scheduled but could not be completed. The matter was scheduled for continued Hearing on 20 May 2022, at which point, oral submissions were completed.

The matter was then scheduled for Clarification on 24 June 2022 but was postponed to 21 July 2022. The matter has now been fixed for a further Clarification/Decision on 30 August 2022.

### B10. DIVIDENDS

The Board of Directors has approved a second tax exempt dividend of 7.0 sen per share in respect of financial year 2022 amounting to RM312.5 million. The proposed dividend will be paid on 14 September 2022 to shareholders registered at the close of business on 5 September 2022.

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 5 September 2022 in respect of Ordinary Transfers; and

ii) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

## PART B – OTHER EXPLANATORY NOTES (Continued)

### B11. TRADE AND OTHER RECEIVABLES

| | 30 June 2022<br>RM million | 31 December 2021<br>RM million |
|---|---|---|
| **Trade receivables** | | |
| Third parties | 3,357.6 | 2,931.4 |
| Fellow subsidiaries | 41.7 | 20.8 |
| Associates | - | 14.1 |
| Joint ventures | 27.2 | 30.5 |
| | **3,426.5** | **2,996.8** |
| **Due from customers on contracts** | 291.3 | 496.2 |
| **Other receivables** | 284.8 | 318.8 |
| Less: Impairment | (410.0) | (405.0) |
| **Trade and other receivables** | **3,592.6** | **3,406.8** |

The Group's normal trade credit terms with its customers range from 7 to 90 days. Credit terms are assessed and approved on a case-by-case basis and each customer is assigned a maximum credit limit.

The ageing of trade receivables (excluding amount due from customers on contracts) as at reporting date are as follows:

| | 30 June 2022<br>RM million | 31 December 2021<br>RM million |
|---|---|---|
| Current | 633.7 | 620.5 |
| Past due 1-30 days | 202.8 | 120.1 |
| Past due 31-60 days | 18.7 | 95.0 |
| Past due 61-90 days | 14.7 | 97.5 |
| Past due more than 90 days | 2,556.6 | 2,063.7 |
| | 3,426.5 | 2,996.8 |
| Less: Impairment | (408.5) | (404.3) |
| **Trade receivables, net** | **3,018.0** | **2,592.5** |

### B12. 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 June 2022 are as follows:

| Contract/Tenure | Notional Value RM million | Fair Value as at 30 June 2022 RM million |
|---|---|---|
| **Foreign currency contracts** | | |
| 1 year to 3 years | 350.5 | 4.6 |
| | 350.5 | 4.6 |
| **Interest rate swaps** | | |
| 1 year to 3 years | 102.9 | (0.1) |
| More than 3 years | 10,013.2 | 597.8 |
| | 10,116.1 | 597.7 |

During the current period ended 30 June 2022, the Group had entered into IRS arrangements 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 mainly 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 2021:

(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.

## B13. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

The Group's derivative financial instruments such as interest rate swaps and foreign currency contracts are measured at fair value. The fair value of the derivative financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include:

(a) using recent arm's length market transactions;

(b) reference to the current fair value of another instrument that is substantially the same; and

(c) discounted cash flow analysis or other valuation models.

Any gains or losses arising from changes in fair value on derivative financial instruments during the period that do not qualify for hedge accounting and the ineffective portion of an effective hedge are recognised in the income statement. During the financial period, the Group recorded the following gain from change in fair value of derivative financial instruments:

| | Quarter ended 30 June 2022 | | Cumulative 6 months ended 30 June 2022 | |
|---|---|---|---|---|
| | Gain recognised in income statements RM million | Gain recognised in other comprehensive income RM million | Gain recognised in income statements RM million | Gain recognised in other comprehensive income RM million |
| Interest rate swaps | - | 231.0 | - | 771.8 |
| Foreign currency contracts | 5.5 | 2.2 | 6.9 | 2.4 |

## PART B – OTHER EXPLANATORY NOTES (Continued)

### B14. (LOSS)/EARNINGS PER SHARE

| | Quarter Ended 30 June | | Cumulative 6 Months Ended 30 June | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| Basic (loss)/earnings per share are computed as follows: | | | | |
| (Loss)/Profit for the period attributable to equity holders of the Corporation (RM million): | (19.1) | 538.8 | 357.3 | 968.6 |
| Weighted average number of ordinary shares in issue (million) | **4,463.8** | **4,463.8** | **4,463.8** | **4,463.8** |
| Basic (loss)/earnings per share (sen) | (0.4) | 12.1 | 8.0 | 21.7 |

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

By Order of the Board