

MISC BERHAD

(Company No. 8178 H)



Unaudited Condensed Consolidated Income Statement

For The Period Ended 30 September 2015

| | 3 Months Ended 30 September | | Cumulative 9 Months Ended 30 September | |
|---|--------------------------------|----------------|--|------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 2,505,584 | 2,180,288 | 7,596,324 | 7,009,463 |
| Cost of sales | (1,598,426) | (1,522,633) | (5,183,374) | (5,032,851) |
| GROSS PROFIT | 907,158 | 657,655 | 2,412,950 | 1,976,612 |
| Other operating income | 35,326 | 51,812 | 129,730 | 117,948 |
| General and administrative expenses | (323,622) | (223,628) | (788,193) | (722,109) |
| OPERATING PROFIT | 618,862 | 485,839 | 1,754,487 | 1,372,451 |
| Net impairment provisions | (232,325) | - | (232,325) | - |
| Net gain/(loss) on disposal of ships, property, plant and equipment | 895 | 14,462 | 7,651 | (33,457) |
| Finance costs | (40,289) | (56,286) | (143,545) | (247,470) |
| Share of profit/(loss) of associates | 21 | (25) | 213 | (32) |
| Share of profit of joint ventures | 172,137 | 66,528 | 417,243 | 291,459 |
| PROFIT BEFORE TAX | 519,301 | 510,518 | 1,803,724 | 1,382,951 |
| Taxation | (15,161) | (12,957) | (21,006) | (54,523) |
| PROFIT FOR THE PERIOD | 504,140 | 497,561 | 1,782,718 | 1,328,428 |
| PROFIT ATTRIBUTABLE TO: | | | | |
| Equity Holders of the Corporation: | 483,564 | 470,796 | 1,715,060 | 1,245,276 |
| Non-Controlling Interests | 20,576 | 26,765 | 67,658 | 83,152 |
| PROFIT FOR THE PERIOD | 504,140 | 497,561 | 1,782,718 | 1,328,428 |
| BASIC & DILUTED EARNINGS PER SHARE | | | | |
| ATTRIBUTABLE TO EQUITY HOLDERS | | | | |
| OF THE CORPORATION | 10.8 | 10.5 | 38.4 | 27.9 |

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2014.

MISC BERHAD

(Company No. 8178 H)



Unaudited Condensed Consolidated Statement of Comprehensive Income

For The Period Ended 30 September 2015

| | 3 Months Ended 30 September | | Cumulative 9 Months Ended 30 September | |
|--|--------------------------------|----------------|--|------------------|
| | 2015 | 2014 | 2015 | 2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| PROFIT AFTER TAX FOR THE PERIOD | 504,140 | 497,561 | 1,782,718 | 1,328,428 |
| OTHER COMPREHENSIVE INCOME | | | | |
| <i>Items that may be reclassified to profit or loss in subsequent periods:</i> | | | | |
| Fair value loss on non-current investments | (4,297) | (15,754) | (5,379) | (53,403) |
| Cash Flow hedges: | | | | |
| Fair value (loss)/gain | | | | |
| Group | (27,166) | 2,032 | (31,738) | 4,026 |
| Joint ventures | 19,989 | 4,654 | 20,270 | 24,366 |
| Other reserves | - | 476,837 | - | 476,837 |
| Gain/(loss) on currency translation * | 4,974,463 | (340,514) | 7,027,163 | (163,577) |
| Total other comprehensive income | 4,962,989 | 127,255 | 7,010,316 | 288,249 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 5,467,129 | 624,816 | 8,793,034 | 1,616,677 |
| TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO: | | | | |
| Equity Holders of the Corporation | 5,410,733 | 594,147 | 8,676,461 | 1,533,496 |
| Non-Controlling Interests | 56,396 | 30,669 | 116,573 | 83,181 |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | 5,467,129 | 624,816 | 8,793,034 | 1,616,677 |

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

| | 2015 | 2014 | 2013 |
|--------------------|---------|---------|---------|
| As at 31 December | N/A | 3.49450 | 3.29000 |
| As at 30 September | 4.44750 | 3.27650 | N/A |

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2014.

MISC BERHAD

(Company No. 8178 H)



Unaudited Condensed Consolidated Statement of Financial Position

As at 30 September 2015

| | 30 September 2015 RM'000 | 31 December 2014 RM'000 |
|---|-----------------------------|----------------------------|
| NON CURRENT ASSETS | | |
| Ships | 23,583,756 | 18,215,599 |
| Offshore floating assets | 385,766 | 326,374 |
| Property, plant and equipment | 2,016,490 | 1,971,972 |
| Prepaid lease payments on land and buildings | 235,872 | 249,905 |
| Finance lease receivables | 4,024,363 | 3,561,430 |
| Investments in associates | 2,467 | 1,987 |
| Investments in joint ventures | 4,733,492 | 6,248,878 |
| Other non-current financial assets | 393,689 | 572,000 |
| Intangible assets | 1,121,280 | 931,319 |
| Deferred tax asset | 89,839 | 90,373 |
| | 36,587,014 | 32,169,837 |
| CURRENT ASSETS | | |
| Inventories | 70,301 | 243,782 |
| Finance lease receivables | 611,296 | 390,635 |
| Trade and other receivables | 3,759,438 | 2,549,910 |
| Cash and cash equivalents | 5,100,079 | 4,838,829 |
| Amounts due from related companies | 197,477 | 87,516 |
| Amounts due from associates | 101 | 308 |
| Amounts due from joint ventures | 536,968 | 380,517 |
| Assets held for sale | 4,833,669 | 922,722 |
| Derivatives assets | - | 246 |
| | 15,109,329 | 9,414,465 |
| TOTAL ASSETS | 51,696,343 | 41,584,302 |
| EQUITY | | |
| Share capital | 4,463,794 | 4,463,794 |
| Share premium | 4,459,468 | 4,459,468 |
| Reserves | 8,996,997 | 2,035,596 |
| Retained profits | 17,939,872 | 16,797,403 |
| Equity attributable to equity holders of the Corporation | 35,860,131 | 27,756,261 |
| Non-Controlling Interests | 1,123,750 | 1,064,843 |
| TOTAL EQUITY | 36,983,881 | 28,821,104 |
| NON-CURRENT LIABILITIES | | |
| Interest bearing loans and borrowings | 8,991,643 | 7,590,349 |
| Deferred tax liabilities | 32,436 | 28,963 |
| Liner Exit Provisions | 623,832 | 551,189 |
| Derivatives liabilities | 11,981 | - |
| | 9,659,892 | 8,170,501 |
| CURRENT LIABILITIES | | |
| Interest bearing loans and borrowings | 1,146,884 | 1,148,814 |
| Trade and other payables | 3,754,285 | 3,300,602 |
| Provision for taxation | 29,963 | 42,491 |
| Amounts due to related companies | 6,488 | 4,099 |
| Amounts due to associates | 3,346 | 2,169 |
| Amounts due to joint ventures | 111,604 | 94,522 |
| | 5,052,570 | 4,592,697 |
| TOTAL LIABILITIES | 14,712,462 | 12,763,198 |
| TOTAL EQUITY AND LIABILITIES | 51,696,343 | 41,584,302 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2014.

MISC BERHAD

(Company No. 8178 H)



Unaudited Condensed Consolidated Statement of Cash Flow

For the Period Ended 30 September 2015

| | 30 September 2015 | 30 September 2014 |
|---|--------------------|--------------------|
| | RM'000 | RM'000 |
| Cash Flow from Operating Activities: | | |
| Cash receipts from customers | 9,035,306 | 7,338,706 |
| Cash paid to suppliers and employees | (6,274,968) | (5,441,601) |
| Cash from Operations | 2,760,338 | 1,897,105 |
| Taxation paid | (32,993) | (68,881) |
| Net cash flows generated from operating activities | 2,727,345 | 1,828,224 |
| Cash Flow from Investing Activities: | | |
| Purchase of ships, offshore floating assets and other property, plant and equipment | (2,195,119) | (1,020,533) |
| Proceeds from disposal of ships, other property, plant and equipment and assets held for sale | 11,078 | 591,404 |
| Dividend received from: | | |
| Quoted investments | 1,575 | 4,824 |
| Associates and joint ventures | 13,188 | 639,946 |
| Repayment of loans due from joint ventures | 182,268 | - |
| Loans to joint ventures | - | (5,245) |
| Proceeds from disposal of a subsidiary | - | 5,000 |
| Interest received | 38,701 | 18,938 |
| Net cash flows used in investing activities | (1,948,309) | 234,334 |
| Cash Flow from Financing Activities: | | |
| Drawdown of term loans and revolving credit | 994,425 | 5,223,736 |
| Repayment of term loans and revolving credit | (1,811,808) | (5,505,735) |
| Acquisition of non-controlling interest | - | (58,340) |
| Acquisition of subsidiary | 1,896 | - |
| Dividends paid to the equity holders of the Corporation | (572,591) | (403,099) |
| Dividends paid to non-controlling interest of subsidiaries | (57,327) | (70,965) |
| Interest paid | (112,476) | (252,020) |
| Net cash flows (used in)/generated from financing activities | (1,557,881) | (1,066,423) |
| Net Change in Cash & Cash Equivalents | (778,845) | 996,135 |
| Cash & Cash Equivalents at the beginning of the year | 4,838,829 | 4,747,735 |
| Currency translation difference | 1,040,095 | (16,249) |
| Cash & Cash Equivalents at the end of the period | 5,100,079 | 5,727,621 |

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2014.

MISC BERHAD

(Company No. 8178 H)

**Unaudited Condensed Consolidated Statement of Changes in Equity**

For the Period Ended 30 September 2015

← Attributable to equity holders of the Corporation →

| | Total equity | Equity attributable to equity holders of the Corporation | Share capital* Ordinary shares | Share premium | Retained profits | Other reserves, total | Other capital reserve | Capital reserve | Revaluation reserve | Statutory reserve | Capital redemption reserve | Fair value reserve | Hedging reserve | Currency translation reserve | Non-controlling Interests |
|---|-------------------|--|--------------------------------|------------------|-------------------|-----------------------|-----------------------|-----------------|---------------------|-------------------|----------------------------|--------------------|-----------------|------------------------------|---------------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 9 MONTHS ENDED 30 SEPTEMBER 2015 | | | | | | | | | | | | | | | |
| At 1 January 2015 | 28,821,104 | 27,756,261 | 4,463,794 | 4,459,468 | 16,797,403 | 2,035,596 | 41,415 | 435,284 | 1,357 | 1,966 | 59,715 | 63,399 | (5,546) | 1,438,006 | 1,064,843 |
| Total comprehensive income/(loss) | 8,793,034 | 8,676,461 | - | - | 1,715,060 | 6,961,401 | - | - | - | - | - | (5,379) | (11,468) | 6,978,248 | 116,573 |
| Transactions with owners | | | | | | | | | | | | | | | |
| Transfer to reserves | | | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposal of a subsidiary | (339) | - | - | - | - | - | - | - | - | - | - | - | - | - | (339) |
| Dilution of interest in a subsidiary | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Acquisition of Subsidiary | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Dividends | (629,918) | (572,591) | - | - | (572,591) | - | - | - | - | - | - | - | - | - | (57,327) |
| Total transactions with owners | (630,257) | (572,591) | - | - | (572,591) | - | - | - | - | - | - | - | - | - | (57,666) |
| At 30 September 2015 | 36,983,881 | 35,860,131 | 4,463,794 | 4,459,468 | 17,939,872 | 8,996,997 | 41,415 | 435,284 | 1,357 | 1,966 | 59,715 | 58,020 | (17,014) | 8,416,254 | 1,123,750 |
| 9 MONTHS ENDED 30 SEPTEMBER 2014 | | | | | | | | | | | | | | | |
| At 1 January 2014 | 25,757,369 | 24,712,929 | 4,463,794 | 4,459,468 | 14,994,835 | 794,832 | 41,415 | 435,284 | 1,357 | 1,966 | 59,715 | 190,754 | (32,306) | 96,647 | 1,044,440 |
| Total comprehensive income/(loss) | 1,616,676 | 1,533,495 | - | - | 1,245,276 | 288,219 | 476,837 | - | - | - | - | (53,403) | 27,649 | (162,864) | 83,181 |
| Transactions with owners | | | | | | | | | | | | | | | |
| Dividends | (474,064) | (403,099) | - | - | (403,099) | - | - | - | - | - | - | - | - | - | (70,965) |
| Total transactions with owners | (474,064) | (403,099) | - | - | (403,099) | - | - | - | - | - | - | - | - | - | (70,965) |
| At 30 September 2014 | 26,899,981 | 25,843,325 | 4,463,794 | 4,459,468 | 15,837,012 | 1,083,051 | 518,252 | 435,284 | 1,357 | 1,966 | 59,715 | 137,351 | (4,657) | (66,217) | 1,056,656 |

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

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2014.

MISC BERHAD

(Company No. 8178 H)

Notes to the Unaudited Condensed Financial Report

A1. CORPORATE INFORMATION

MISC Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These unaudited condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 3 November 2015.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the period ended 30 September 2015 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 2014.

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 2014.

The audited consolidated financial statements of the Group for the year ended 31 December 2014 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 2015 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2014.

As of 1 January 2015, 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 July 2014:

Amendments to MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)

Amendments to MFRS 2 Share-based Payment (Annual Improvements 2010-2012 Cycle)

Amendments to MFRS 3 Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)

Amendments to MFRS 8 Operating Segments (Annual Improvements 2010-2012 Cycle)

Amendments to MFRS 13 Fair Value Measurement (Annual Improvements 2011-2013 Cycle)

Amendments to MFRS 116 Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)

Amendments to MFRS 119 Employee Benefits – Defined Benefit Plans: Employee Contributions

Amendments to MFRS 124 Related Party Disclosures (Annual Improvements 2010-2012 Cycle)

Amendments to MFRS 138 Intangible Assets (Annual Improvements 2010-2012 Cycle)

Amendments to MFRS 140 Investment Property (Annual Improvements 2011-2013 Cycle)

A4. CHANGES IN ESTIMATES

There were no material changes in estimates reported in the current period or prior 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 2014.

A6. CHANGES IN COMPOSITION OF THE GROUP

- (a) On 15 June 2015, the Corporation entered into an Agreement for Sale and Purchase of Shares with Petroliaam Nasional Berhad ("PETRONAS") for the acquisition of PETRONAS' entire equity interest in PETRONAS Maritime Services Sdn. Bhd. ("PMSSB") for a cash consideration of RM54,111,244. PMSSB has a wholly-owned subsidiary, Sungai Udang Port Sdn Bhd ("SUPSB").

Upon completion of the acquisition on 7 July 2015, PMSSB became a wholly-owned subsidiary of the Corporation.

- (b) On 21 August 2015, the Corporation and its Subsidiary, MTTI Sdn. Bhd. ("MTTI") entered into an Agreement for Sale and Purchase of 50% of the Issued Share Capital of VTTI B.V. with VIP Terminals Finance B.V., ultimately a wholly-owned subsidiary of Vitol Investment Partnership Limited, for the disposal of 50% of the issued share capital of VTTI B.V. for a cash consideration of USD830.0 million ("Proposed Disposal").

Upon completion of the Proposed Disposal, VTTI will cease to be a joint-venture company of MTTI.

A7. SEGMENT REPORT

Segmental analysis for the current financial period is as follows:

| | Energy Related Shipping ¹⁾ | Other Energy Businesses ²⁾ | Others, eliminations and adjustments | Total |
|------------------|--|--|---|------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | | | |
| External sales | 5,477,793 | 1,748,391 | 370,140 | 7,596,324 |
| Inter-Segment | - | 641,007 | (641,007) | - |
| | <u>5,477,793</u> | <u>2,389,398</u> | <u>(270,867) *</u> | <u>7,596,324</u> |
| Operating profit | <u>1,506,152</u> | <u>256,931</u> | <u>(8,596) **</u> | <u>1,754,487</u> |

1) LNG, Petroleum and Chemical

2) Offshore, Heavy Engineering and Tank Terminal (including VTTI)

* Comprises Integrated Logistics results and Inter-segment eliminations

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

A8. SEASONALITY OF OPERATIONS

The businesses of the Group are subject to market fluctuations.

A9. PROFIT FOR THE PERIOD

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

| | Quarter Ended | | Cumulative 9 Months Ended | |
|--|------------------------|------------------------|------------------------------|------------------------|
| | 30-Sept-2015 RM'000 | 30-Sept-2014 RM'000 | 30-Sept-2015 RM'000 | 30-Sept-2014 RM'000 |
| Interest income | 12,893 | 6,663 | 29,038 | 26,885 |
| Other income | 35,601 | 36,211 | 82,043 | 67,296 |
| Finance cost | (40,289) | (56,286) | (143,545) | (247,470) |
| Depreciation of property, plant and equipment | (359,973) | (292,410) | (1,008,077) | (926,553) |
| Amortisation of prepaid lease payments | (1,668) | (1,816) | (5,696) | (5,193) |
| Amortisation of intangibles | (3,296) | (3,296) | (9,780) | (9,780) |
| Impairment loss on trade and non trade receivables: | | | | |
| Third parties | 5,349 | (1,430) | (117) | (6,750) |
| Bad debts written off | - | - | (2,392) | (1,046) |
| Net realised foreign exchange gain/(loss) | 18,857 | (70,115) | 40,409 | (78,109) |
| Net unrealised foreign exchange gain/(loss) | 14,805 | 24,745 | (14,108) | (2,089) |

A10. SHIPS, PROPERTY, PLANT AND EQUIPMENT ("SPPE")

Included in total assets are construction work-in-progress, mainly for the construction of ships and offshore floating assets totalling RM1,422,301,000.

For the quarter ended 30 September 2015, the Group recognised a net gain on disposal of RM895,000 (30 September 2014: RM14,462,000) from disposal of SPPE with carrying amount of RM320,000 (30 September 2014: RM132,503,000).

For the cumulative nine months ended 30 September 2015, the Group recognised a net gain on disposal of RM7,651,000 (30 September 2014 : Net loss on disposal of RM33,457,000).

A11. INTANGIBLE ASSETS

| | Goodwill | Other Intangible Assets | Total |
|--|------------------|-------------------------|------------------|
| | RM'000 | RM'000 | RM'000 |
| Cost | | | |
| At 1 January 2014 | 810,684 | 504,463 | 1,315,147 |
| Addition | - | - | - |
| Currency translation differences | 42,862 | - | 42,862 |
| At 31 December 2014 | 853,546 | 504,463 | 1,358,009 |
| Addition | - | - | - |
| Currency translation differences | 199,742 | - | 199,742 |
| At 30 September 2015 | 1,053,288 | 504,463 | 1,557,751 |
| Accumulated amortisation and impairment | | | |
| At 1 January 2014 | 2,325 | 411,289 | 413,614 |
| Amortisation | - | 13,076 | 13,076 |
| At 31 December 2014 | 2,325 | 424,365 | 426,690 |
| Amortisation | - | 9,781 | 9,781 |
| Currency translation differences | - | - | - |
| At 30 September 2015 | 2,325 | 434,146 | 436,471 |
| Net carrying amount | | | |
| At 1 January 2014 | 808,359 | 93,174 | 901,533 |
| At 31 December 2014 | 851,221 | 80,098 | 931,319 |
| At 30 September 2015 | 1,050,963 | 70,317 | 1,121,280 |

Goodwill is tested for impairment on an annual basis (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 2014.

The other intangible assets relate to fair value of long term charter hire contracts, as determined by an independent professional valuer, amortised over the time charter period of the contracts.

A12. INVENTORIES

The Group did not recognise any write-down of inventories or reversal of inventories during the quarter ended 30 September 2015.

A13. CASH AND CASH EQUIVALENTS

Breakdown of cash and cash equivalents is as follows:

| | 30-Sept-2015 RM'000 | 31-Dec-2014 RM'000 |
|--|------------------------|-----------------------|
| Cash with PETRONAS Integrated Financial Shared Service Centre * | 3,132,819 | 3,258,864 |
| Cash and bank balances | 304,869 | 351,092 |
| Deposits with licensed banks | 1,662,391 | 1,228,873 |
| Total cash and cash equivalents | 5,100,079 | 4,838,829 |

* 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").

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'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| At 30 September 2015 | | | | |
| Financial Assets | | | | |
| Available-for-sale financial assets | | | | |
| Quoted investments | 69,024 | - | - | 69,024 |
| Financial Liabilities | | | | |
| Derivatives | | | | |
| Interest rate swaps designated as hedging instruments | - | 11,981 | - | - |
| At 31 December 2014 | | | | |
| Financial Assets | | | | |
| Available-for-sale financial assets | | | | |
| Quoted investments | 74,333 | - | - | 74,333 |
| Derivatives | | | | |
| Forward exchange contracts | - | 1,298 | - | 1,298 |
| | 74,333 | 1,298 | - | 75,631 |

No transfers between any levels of the fair value hierarchy took place during the current period and the comparative periods. 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 2015.

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-Sept-2015 RM'000 | 31-Dec-2014 RM'000 |
|-----------------------|--------------------------|-------------------------|
| Short Term Borrowings | | |
| Secured | 179,553 | 324,694 |
| Unsecured | 967,331 | 824,120 |
| | <u>1,146,884</u> | <u>1,148,814</u> |
| Long Term Borrowings | | |
| Secured | 1,678,334 | 711,169 |
| Unsecured | 7,313,309 | 6,879,180 |
| | <u>8,991,643</u> | <u>7,590,349</u> |
| Total | <u>10,138,527</u> | <u>8,739,163</u> |

ii) Foreign borrowings in United States Dollar equivalent as at 30 September 2015 are as follows:

| | RM'000 |
|---------------------------------|-------------------|
| United States Dollar Borrowings | <u>10,099,579</u> |

A17. DIVIDENDS PAID

The Corporation paid a second interim tax exempt dividend in respect of the financial year ended 31 December 2014 of 6 sen per share (2013: Nil) totalling RM267.8 million (2013: Nil) on 11 March 2015.

The Corporation also paid first interim tax exempt dividend of 7.5 sen per share (2014: 4 sen) in respect of financial year 2015 amounting to RM334.8 million (2014: RM178.6 million) on 2 September 2015.

A18. CAPITAL COMMITMENTS

| | 30-Sept-2015 RM'000 | 31-Dec-2014 RM'000 |
|---|-------------------------|-------------------------|
| Approved and contracted for: | | |
| Group | 4,292,594 | 525,250 |
| Share of capital commitments in joint ventures | 19,636 | 144,506 |
| | <u>4,312,230</u> | <u>669,756</u> |
| Approved but not contracted for: | | |
| Group | 346,051 | 316,396 |
| Share of capital commitments in joint ventures | - | 79,661 |
| | <u>346,051</u> | <u>396,057</u> |
| Total | <u>4,658,281</u> | <u>1,065,813</u> |

A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group comprise the following:

| | RM'000 |
|--|----------------|
| Secured | |
| Bank guarantees extended to a third party | <u>23,147</u> |
| Unsecured | |
| Performance bond on contract extended to third parties | <u>414,957</u> |

A20. SUBSEQUENT MATERIAL EVENT

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

B1. REVIEW OF GROUP PERFORMANCE AND CURRENT YEAR PROSPECTS

| | Quarter Ended | | Cumulative 9 Months Ended | |
|--|----------------|----------------|---------------------------|----------------|
| | 30-Sept-2015 | 30-Sept-2014 | 30-Sept-2015 | 30-Sept-2014 |
| | RM Million | RM Million | RM Million | RM Million |
| Revenue (Third party): | | | | |
| Energy Related Shipping ("ERS") | 1,988.1 | 1,475.5 | 5,477.8 | 4,681.9 |
| Other Energy Business ("OEB") | 381.0 | 533.2 | 1,748.4 | 1,983.1 |
| Others, Eliminations and adjustments | 136.5 | 171.6 | 370.1 | 344.5 |
| Total | 2,505.6 | 2,180.3 | 7,596.3 | 7,009.5 |
| Operating Profit | | | | |
| Energy Related Shipping ("ERS") | 552.2 | 439.1 | 1,506.2 | 1,235.9 |
| Other Energy Business ("OEB") | 18.1 | 43.0 | 256.9 | 152.5 |
| Others, Eliminations and adjustments | 48.6 | 3.7 | (8.7) | (15.9) |
| Total Operating Profit | 618.9 | 485.8 | 1,754.4 | 1,372.5 |
| Net impairment provision | (232.3) | - | (232.3) | - |
| Net gain/(loss) on disposal of SPPE | 0.9 | 14.5 | 7.7 | (33.5) |
| Finance costs | (40.3) | (56.3) | (143.5) | (247.5) |
| Share of profit of joint ventures and associates | 172.2 | 66.5 | 417.5 | 291.4 |
| Profit Before Tax | 519.3 | 510.5 | 1,803.7 | 1,383.0 |

Performance of current quarter against the quarter ended 30 September 2014

Group revenue of RM2,505.6 million was 14.9% higher than RM2,180.3 million in the quarter ended 30 September 2014 ("corresponding quarter") and Group operating profit of RM618.9 million was 27.4% higher than the corresponding quarter's profit of RM485.8 million. The variance in Group performance by segments is further explained below.

ERS

ERS revenue of RM1,988.1 million was 34.7% higher than the corresponding quarter's revenue of RM1,475.5 million, mainly due to improved freight rates in the Petroleum business. However, a smaller fleet of operating vessels and lower earning days caused declines in Chemical and LNG businesses' revenue respectively.

ERS operating profit of RM552.2 million was 25.8% higher than the corresponding quarter's profit of RM439.1 million. Petroleum business recorded higher profit from increase in revenue while Chemical business showed a slight profit in the current quarter from improvement in charter rates. LNG business, however, recorded lower operating profit from lower revenue in the current quarter.

OEB

OEB revenue of RM381.0 million was 28.5% lower than the corresponding quarter's revenue of RM533.2 million, mainly due to different phases of project construction of on-going projects in Heavy Engineering and lower reimbursable revenue in Offshore business in the current quarter.

OEB operating profit of RM18.1 million was 57.9% lower than the corresponding quarter's profit of RM43.0 million, mainly due to lower OEB revenue and higher additional costs to complete an on-going project in Heavy Engineering business.

B1. REVIEW OF GROUP PERFORMANCE AND CURRENT YEAR PROSPECTS (CONT'D.)

Performance of current 9-months period against the 9-months period ended 30 September 2014

Group revenue for the 9-months ended 30 September 2015 of RM7,596.3 million was 8.4% higher than the RM7,009.5 million revenue for the 9-months ended 30 September 2014 ("corresponding period") and Group operating profit of RM1,754.4 million was 27.8% higher than the corresponding period's profit of RM1,372.5 million. The variance in Group performance by segments is further explained below.

ERS

ERS revenue of RM5,477.8 million was 17.0% higher than the corresponding period's revenue of RM4,681.9 million, mainly due to improved freight rates in the Petroleum business. However, a smaller fleet of operating vessels and lower earning days caused declines in Chemical and LNG businesses' revenue respectively.

ERS operating profit of RM1,506.2 million was 21.9% higher than the corresponding period's profit of RM1,235.9 million, mainly due to higher profit in Petroleum business from higher revenue and lower loss in Chemical business from operating a smaller fleet of vessels. However, LNG business recorded lower operating profit from lower revenue in the current period.

OEB

OEB revenue of RM1,748.4 million was 11.8% lower than the corresponding period's revenue of RM1,983.1 million, mainly due to different phases of project construction in Heavy Engineering. However, finance lease income contribution of a Floating Production, Storage and Offloading ("FPSO") unit which commenced in September 2014 and revenue from an EPC project in Offshore business cushioned the decrease in OEB revenue.

OEB operating profit of RM256.9 million was 68.5% higher than the corresponding period's profit of RM152.5 million, mainly from finance lease income contribution from the new FPSO unit and contribution from an Engineering, Procurement and Construction ("EPC") project in the Offshore business. However, Heavy Engineering business recorded lower operating profit due to lower revenue and higher additional costs to complete an on-going project.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

| <u>GROUP</u> | Quarter Ended 30-Sept-2015 RM Million | Quarter Ended 30-June-2015 RM Million |
|--|--|--|
| Revenue | <u>2,505.6</u> | <u>2,600.5</u> |
| Operating Profit | 618.9 | 672.1 |
| Net impairment provision | (232.3) | - |
| Net gain on disposal of SPPE | 0.9 | 2.1 |
| Finance costs | (40.3) | (48.2) |
| Share of profit of joint ventures and associates | 172.2 | 146.6 |
| Profit Before Tax | <u>519.4</u> | <u>772.6</u> |

Group revenue of RM2,505.6 million was 3.6% lower than the preceding quarter's revenue of RM2,600.5 million due to lower earning days in LNG business in the current quarter and revenue recognised from an EPC project by Offshore business in the preceding quarter.

Group operating profit of RM618.9 million was lower than the preceding quarter's profit of RM672.1 million, mainly due to lower revenue and higher additional costs to complete an on-going project in Heavy Engineering business.

B3. GROUP CURRENT YEAR PROSPECTS

The Petroleum shipping segment continues to enjoy the benefits of market strength in the first half of 2015 into the third quarter of the year, despite the quarter being a seasonally weaker period. This segment is likely to end the year on an equally strong note given the start of the winter season in the Northern Hemisphere which is seasonally positive for this segment.

The steady performance of the LNG shipping and Offshore business segments of the past nine months will continue into the last quarter of the year on the back of the portfolio of long term contracts both business segments have in place.

However, the outlook and prospects of the Upstream oil and gas industry is projected to remain poor with the prolonged weakness in oil price. The cutback in exploration and production activities will continue to weigh heavily on the offshore construction activities for the Heavy Engineering segment. On a positive note, the segment's marine repair business is expected to perform steadily for the rest of the financial year and to a limited extent, cushion the weak performance of offshore construction business.

Operationally, the Group is expected to sustain its financial performance for the past 9 months into the final quarter of the financial year 2015. However, the overall performance for the financial year is still subject to potential accounting impact from impairment tests, if any.

B4. VARIANCE OF ACTUAL RESULTS COMPARED WITH FORECASTED 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-Sept-2015 RM'000 | Cumulative 9 Months Ended 30-Sept-2015 RM'000 |
|---|---|--|
| Taxation for the period comprises the following charge: | | |
| Income tax charge | | |
| - current period | 14,228 | 22,637 |
| Deferred taxation | 933 | (1,631) |
| | <u>15,161</u> | <u>21,006</u> |

The income of the Group that is derived from the operations of sea-going Malaysian registered ships is tax exempt under Section 54A of the Income Tax Act, 1967. The Government had on 7 October 2011 proposed that the current exemption for the shipping sector provided under Section 54A of the Income Tax Act, 1967 ("the Act") be reduced from 100% to 70% of statutory income effective from Year of Assessment ("YA") 2012. However, the Government subsequently decided to defer the above proposal for a period of 2 years via Income Tax (Exemption) (No.2) Order 2012 dated 29 May 2012. The Government decided to extend the deferment on implementation of the reduction in tax exemption under S54A by a further period of 2 years as stated in a letter issued by Ministry of Finance dated 29 October 2013.

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

B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

- (a) On 21 August 2015, the Corporation and its Subsidiary, MTTI Sdn. Bhd. ("MTTI") entered into an Agreement for Sale and Purchase of 50% of the Issued Share Capital of VTTI B.V. with VIP Terminals Finance B.V., ultimately a wholly-owned subsidiary of Vitol Investment Partnership Limited, for the disposal of 50% of the issued share capital of VTTI B.V. for a cash consideration of USD830.0 million ("Proposed Disposal").

Upon completion of the Proposed Disposal, VTTI will cease to be a joint-venture company of the Group.



B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED (CONT'D.)

(b) The status of the utilisation of proceeds raised from disposal of 50% stake in Gumusut ("Share Disposal") as at 30 September 2015 is as follows:

| Purpose | Proposed utilisation ⁽¹⁾ | Actual utilisation | Estimated timeframe for utilisation from the Completion Date ⁽¹⁾ | Revised timeframe for utilisation from the Completion Date | Deviation amount | | Explanations |
|---|-------------------------------------|--------------------|---|--|------------------|------------------|--|
| | RM million | RM million | | | RM million | ⁽³⁾ % | |
| Repayment of bank loans and borrowings | 3,820.6 | 3,820.6 | Within nine (9) months | Within nine (9) months | 0.0 | 0.0 | |
| Capital expenditure | 1,472.2 | 1,472.4 | Within eighteen (18) months | Within thirty six (36) months ⁽²⁾ | -0.2 | 0.0 | Slower progress than originally anticipated of a capital project and deferment of a capital project to which some of the proceeds were intended for utilisation. |
| Estimated expenses relating to the Share Disposal | 2.0 | 1.8 | Within three (3) months | Within three (3) months | 0.2 | 10.0 | See note (4) below. |
| Total | 5,294.8 | 5,294.8 | | | 0.0 | | |

Note:

(1) As disclosed in MISC's circular to shareholders in relation to the Share Disposal dated 12 November 2012.

(2) Given the progress of utilisation of proceeds for capital expenditure against the actual utilisation as at 31 March 2014, the Board agreed to extend the timeframe for utilisation of proceeds for capital expenditure by an additional eighteen (18) months. This results in the extension of the timeframe for utilisation of proceeds for capital expenditure to thirty six (36) months from the original timeframe of eighteen (18) months.

(3) Computed based on the deviation amount divided by the proposed utilisation for each purpose.

(4) As disclosed in MISC's circular to shareholders in relation to the Share Disposal dated 12 November 2012, any excess in funds allocated for estimated expenses relating to the Share Disposal will be used for capital expenditure.

B7. CHANGES IN MATERIAL LITIGATION

Scandinavian Bunkering (Singapore) Pte. Ltd. ("SBS") vs MISC

On 16 September 2008, MISC entered into a three (3)-month Fixed Forward Bunker Supply Contract ("Bunker Hedging Contract") with Marinehub (Malaysia) Sdn. Bhd. ("Marinehub"). On 14 November 2008, MISC terminated the Bunker Hedging Contract on the basis that Marinehub had breached a clause that allowed MISC to carry over unutilised bunker allowance from month to month at market price.

Marinehub had signed a separate contract with Scandinavian Bunkering (Singapore) Pte. Ltd. ("SBS") for such supply of bunker and when the Bunker Hedging Contract was terminated, Marinehub assigned all its right under the contract to SBS. In early 2009, SBS filed a claim against MISC in the High Court, Kuala Lumpur for wrongful termination and sought to recover all monies due for the balance of the contract tenure, i.e. being the difference between the contract price and the market price, which amounts to approximately USD27.5 million.

Summary judgement for wrongful termination was entered against MISC in September 2009 by the High Court. In April 2011, parties went to Court for the assessment of damages and on 16 May 2011, the High Court awarded SBS the sum of USD25,246,233.17 with interest.

MISC thereafter lodged an appeal on the award of damages in the Court of Appeal and contended that SBS, being the assignee, could only claim the loss of profit that Marinehub suffered, which was approximately USD180,000.

On 19 December 2012, the Court of Appeal set aside the High Court's award of damages and substituted it with an order for the sum of USD177,410.90 with interest of 8% per annum from 19 November 2008 to the date of final realisation ("Judgement Sum").

On 28 December 2012, MISC paid the Judgement Sum awarded by the Court of Appeal to SBS.

SBS subsequently appealed to the Federal Court. On 16 March 2015, the Federal Court delivered its judgement and upheld the award by the High Court of USD25,246,233.17 with interest. MISC made substantial provision for this legal claim in the prior years and paid the said judgement amount with interest totalling USD37,849,113.90 on 1 April 2015.

Equatorial Marine Fuel Management Services Pte. Ltd. ("Equatorial") vs MISC

On 14 March 2008, MISC entered into a contract with Market Asia Link Sdn. Bhd. ("MAL") for the supply of bunkers. In order to meet MAL's obligation to supply the bunkers to MISC, MAL entered into contracts with several bunker suppliers, including a contract with Equatorial. MAL failed to pay its suppliers (including Equatorial) for the bunker supplied despite having been paid by MISC for such supply.

Equatorial sought to claim from MISC the amount owed by MAL and filed a claim against MISC in the Singapore Admiralty High Court in February 2010 for the sum of USD21,703,059.39 plus contractual interest at the rate of 2% per month. MISC defended the claim on grounds there is no contract between Equatorial and MISC.

On 22 July 2015, the Singapore Admiralty High Court delivered judgment in MISC's favour and dismissed Equatorial's claim.

On 21 August 2015, Equatorial filed an appeal to the Singapore Court of Appeal. A hearing date for the appeal has not been fixed.

B7. CHANGES IN MATERIAL LITIGATION (CONT'D.)

Global Terminal Investments Ltd ("GTIL") vs MISC and Dialog Group Berhad

On 4 October 2007, MISC entered into a shareholders agreement with Dialog Group ("SHA") where MISC acquired a 45% equity stake in Centralised Terminals Sdn Bhd. ("CTSB"). MISC thereafter commenced negotiations with Prostar Capital Ltd ("Prostar") to divest the said stake and negotiations were on-going till May 2015. Under the SHA, MISC must seek Dialog's consent before selling the shares, however Dialog's consent did not materialise.

On 30 September 2015, Global Terminal Investments Ltd ("GTIL"), Prostar's nominee to acquire MISC's shares filed a suit against MISC and Dialog in the Kuala Lumpur High Court. GTIL alleged that MISC concluded a valid share sale agreement with GTIL and MISC was in breach for not concluding the agreement. The orders sought by GTIL include specific performance of the draft share sale agreement between MISC and GTIL and in lieu of specific performance, MISC is to pay special damages of USD721,609.18 being transaction costs incurred. MISC's defence is that there is no binding agreement with GTIL.

The next case management date has been fixed on 13 November 2015.

B8. DIVIDENDS

No dividend has been proposed by the Board of Directors for this quarter ended 30 September 2015 (30 September 2014 : Nil).

B9. DERIVATIVES

As part of the Group's efforts to hedge its interest rate risks, the Group entered into an interest rate swap ("IRS") arrangement, a form of derivative to convert its interest exposure from floating term into fixed term. The IRS entered in June 2015 will mature in September 2018. The maturity of the IRS coincides with the maturity of the original floating rate loan.

Details of the Group's derivative financial instruments outstanding as at 30 September 2015 are as follows:

| Contract/Tenure | Notional Value RM'000 | Fair Value Loss RM'000 |
|----------------------------|--------------------------|---------------------------|
| <u>Interest rate swaps</u> | | |
| More than 3 years | 1,334,250 | (3,251) |

B10. EARNINGS PER SHARE

| | Quarter Ended | | Cumulative 9 Months Ended | |
|---|------------------|------------------|---------------------------|------------------|
| | 30-Sept-2015 | 30-Sept-2014 | 30-Sept-2015 | 30-Sept-2014 |
| Basic earnings per share are computed as follows: | | | | |
| Profit for the period attributable to equity holders of the Corporation (RM'000): | 483,564 | 470,796 | 1,715,060 | 1,245,276 |
| Weighted average number of ordinary shares in issue (thousand) | <u>4,463,794</u> | <u>4,463,794</u> | <u>4,463,794</u> | <u>4,463,794</u> |
| Basic earnings per share (sen) | 10.8 | 10.5 | 38.4 | 27.9 |

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

B11. REALISED AND UNREALISED PROFIT

The breakdown of the Group's retained profits as at 30 September 2015 and 31 December 2014 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

| | 30-Sept-2015 RM'000 | 31-Dec-2014 RM'000 |
|--|--------------------------------|-------------------------------|
| Total retained profits of MISC Group and its subsidiaries: | | |
| - Realised | 19,044,942 | 17,864,552 |
| - Unrealised | <u>(1,099,777)</u> | <u>(226,394)</u> |
| | <u>17,945,165</u> | <u>17,638,158</u> |
| Total share of retained loss from associates: | | |
| - Realised | (2,229) | (2,335) |
| - Unrealised | <u>-</u> | <u>-</u> |
| | <u>(2,229)</u> | <u>(2,335)</u> |
| Total share of retained profits from joint ventures: | | |
| - Realised | 1,780,831 | 1,509,442 |
| - Unrealised | <u>(35,675)</u> | <u>(8,825)</u> |
| | <u>1,745,156</u> | <u>1,500,617</u> |
| Total Group retained profits | <u>19,688,092</u> | <u>19,136,440</u> |
| Less: | | |
| Consolidation adjustments | (1,748,220) | (2,339,037) |
| Total Group retained profits as per consolidated accounts | <u>17,939,872</u> | <u>16,797,403</u> |

By Order of the Board