

MISC BERHAD

(Company No. 8178 H)



Unaudited Condensed Consolidated Income Statement

For The Period Ended 30 June 2015

	3 Months Ended 30 June		Cumulative 6 Months Ended 30 June	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Revenue	2,600,472	2,538,633	5,090,740	4,829,175
Cost of sales	(1,816,735)	(1,935,419)	(3,584,948)	(3,510,218)
GROSS PROFIT	783,737	603,214	1,505,792	1,318,957
Other operating income	46,328	22,484	94,404	66,136
General and administrative expenses	(158,013)	(243,362)	(464,571)	(498,481)
OPERATING PROFIT	672,052	382,336	1,135,625	886,612
Net gain/(loss) on disposal of ships, property, plant and equipment	2,128	(47,919)	6,756	(47,919)
Finance costs	(48,227)	(95,445)	(103,256)	(191,184)
Share of profit/(loss) of associates	192	(6)	192	(7)
Share of profit of joint ventures	146,426	105,597	245,106	224,931
PROFIT BEFORE TAX	772,571	344,563	1,284,423	872,433
Taxation	(6,140)	(25,547)	(5,845)	(41,566)
PROFIT FOR THE PERIOD	766,431	319,016	1,278,578	830,867
PROFIT ATTRIBUTABLE TO:				
Equity Holders of the Corporation:	745,186	288,084	1,231,496	774,480
Non-Controlling Interests	21,245	30,932	47,082	56,387
PROFIT FOR THE PERIOD	766,431	319,016	1,278,578	830,867
BASIC & DILUTED EARNINGS PER SHARE				
ATTRIBUTABLE TO EQUITY HOLDERS				
OF THE CORPORATION	16.7	6.5	27.6	17.4

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 June 2015

	3 Months Ended 30 June		Cumulative 6 Months Ended 30 June	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
PROFIT AFTER TAX FOR THE PERIOD	766,431	319,016	1,278,578	830,867
OTHER COMPREHENSIVE INCOME				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Fair value loss on non-current investments	(2,129)	(15,754)	(1,082)	(40,385)
Cash Flow hedges:				
Fair value (loss)/gain				
Group	(4,108)	2,032	(4,572)	1,671
Joint ventures	94	4,654	280	6,977
Gain/(loss) on currency translation *	576,826	(340,514)	2,052,688	(553,780)
Total other comprehensive income/(loss)	570,683	(349,582)	2,047,314	(585,517)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,337,114	(30,566)	3,325,892	245,350
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Equity Holders of the Corporation:	1,301,239	(59,594)	3,265,715	192,838
Non-Controlling Interests	35,875	29,028	60,177	52,512
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	1,337,114	(30,566)	3,325,892	245,350

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

	2015	2014	2013
As at 31 December	-	3.49450	3.29000
As at 30 June	3.77450	3.21150	-

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 June 2015

	30 June 2015 RM'000	31 December 2014 RM'000
NON CURRENT ASSETS		
Ships	20,162,844	18,215,599
Offshore floating assets	320,303	326,374
Property, plant and equipment	2,044,957	1,971,972
Prepaid lease payments on land and buildings	240,429	249,905
Finance lease receivables	3,589,018	3,561,430
Investments in associates	2,206	1,987
Investments in joint ventures	6,983,322	6,248,878
Other non-current financial assets	457,656	572,000
Intangible assets	983,521	931,319
Deferred tax asset	91,403	90,373
	34,875,659	32,169,837
CURRENT ASSETS		
Inventories	246,179	243,782
Finance lease receivables	441,309	390,635
Trade and other receivables	3,371,942	2,549,910
Cash and cash equivalents	4,631,705	4,838,829
Amounts due from Group companies	195,683	87,516
Amounts due from associates	179	308
Amounts due from joint ventures	418,649	380,517
Assets held for sale	1,010,724	922,722
Derivatives assets	-	246
	10,316,370	9,414,465
TOTAL ASSETS	45,192,029	41,584,302
EQUITY		
Share capital	4,463,794	4,463,794
Share premium	4,459,468	4,459,468
Reserves	4,069,815	2,035,596
Retained profits	17,761,076	16,797,403
Equity attributable to equity holders of the Corporation	30,754,153	27,756,261
Non-Controlling Interests	1,092,975	1,064,843
TOTAL EQUITY	31,847,128	28,821,104
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	8,156,673	7,590,349
Deferred tax liabilities	27,857	28,963
Liner Exit Provisions	582,384	551,189
Derivatives liabilities	3,524	-
	8,770,438	8,170,501
CURRENT LIABILITIES		
Interest bearing loans and borrowings	803,253	1,148,814
Trade and other payables	3,601,333	3,300,602
Provision for taxation	31,831	42,491
Amounts due to Group companies	24,613	4,099
Amounts due to associates	2,158	2,169
Amounts due to joint ventures	110,721	94,522
Derivative liabilities	554	-
	4,574,463	4,592,697
TOTAL LIABILITIES	13,344,901	12,763,198
TOTAL EQUITY AND LIABILITIES	45,192,029	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 June 2015

	30 June 2015 RM'000	30 June 2014 RM'000
Cash Flow from Operating Activities:		
Cash receipts from customers	4,703,668	4,611,923
Cash paid to suppliers and employees	(2,799,043)	(3,129,544)
Cash from Operations	1,904,625	1,482,379
Taxation paid	(19,596)	(43,462)
Net cash generated from operating activities	1,885,029	1,438,917
Cash Flow from Investing Activities:		
Purchase of ships, offshore floating assets and other property, plant and equipment	(1,712,072)	(938,265)
Proceeds from disposal of ships, other property, plant and equipment and assets held for sale	16,699	445,644
Dividend received from:		
Quoted investments	955	795
Associates and joint ventures	1,563	19,316
Repayment of loans due from joint ventures	113,256	-
Loans to joint ventures	-	(5,245)
Proceeds from disposal of a subsidiary	-	5,000
Interest received	9,937	14,366
Net cash flows used in investing activities	(1,569,662)	(458,389)
Cash Flow from Financing Activities:		
Drawdown of term loans and revolving credit	588,472	2,453,532
Repayment of term loans and revolving credit	(1,044,853)	(234,910)
Acquisition of non-controlling interest	-	(58,771)
Dividends paid to the equity holders of the Corporation	(267,823)	(226,031)
Dividends paid to non-controlling interest of subsidiaries	(31,721)	(46,942)
Interest paid	(72,315)	(178,540)
Net cash flows (used in)/generated from financing activities	(828,240)	1,708,338
Net Change in Cash & Cash Equivalents	(512,873)	2,688,866
Cash & Cash Equivalents at the beginning of the year	4,838,829	4,747,735
Currency translation difference	305,749	(92,741)
Cash & Cash Equivalents at the end of the period	4,631,705	7,343,860

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 June 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
6 MONTHS ENDED 30 JUNE 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)	3,325,892	3,265,715	-	-	1,231,496	2,034,219	-	-	-	-	-	(1,082)	(4,292)	2,039,593	60,177
Transactions with owners															
Disposal of a subsidiary	(324)	-	-	-	-	-	-	-	-	-	-	-	-	-	(324)
Dividends	(299,544)	(267,823)	-	-	(267,823)	-	-	-	-	-	-	-	-	-	(31,721)
Total transactions with owners	(299,868)	(267,823)	-	-	(267,823)	-	-	-	-	-	-	-	-	-	(32,045)
At 30 June 2015	31,847,128	30,754,153	4,463,794	4,459,468	17,761,076	4,069,815	41,415	435,284	1,357	1,966	59,715	62,317	(9,838)	3,477,599	1,092,975
6 MONTHS ENDED 30 JUNE 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)	245,351	192,839	-	-	774,480	(581,641)	-	-	-	-	-	(40,385)	8,462	(549,718)	52,512
Transactions with owners															
Dividends	(272,972)	(226,030)	-	-	(226,030)	-	-	-	-	-	-	-	-	-	(46,942)
Total transactions with owners	(272,972)	(226,030)	-	-	(226,030)	-	-	-	-	-	-	-	-	-	(46,942)
At 30 June 2014	25,729,748	24,679,738	4,463,794	4,459,468	15,543,285	213,191	41,415	435,284	1,357	1,966	59,715	150,369	(23,844)	(453,071)	1,050,010

* 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 August 2015.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the period ended 30 June 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

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.

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	3,489,730	1,367,376	233,634	5,090,740
Inter-Segment	2,587	408,852	(411,439)	-
	<u>3,492,317</u>	<u>1,776,228</u>	<u>(177,805) *</u>	<u>5,090,740</u>
Operating profit	<u>954,000</u>	<u>238,839</u>	<u>(57,214) **</u>	<u>1,135,625</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:

	3 Months Ended		Cumulative 6 Months Ended	
	30-June-2015 RM'000	30-June-2014 RM'000	30-June-2015 RM'000	30-June-2014 RM'000
Interest income	8,391	8,619	16,145	20,222
Other income	28,958	15,665	46,442	31,085
Finance cost	(48,227)	(95,445)	(103,256)	(191,184)
Depreciation of property, plant and equipment	(333,932)	(318,405)	(648,104)	(634,143)
Amortisation of prepaid lease payments	(2,035)	(1,555)	(4,028)	(3,377)
Amortisation of intangibles	(3,260)	(3,260)	(6,484)	(6,484)
Impairment loss on trade and non trade receivables:				
Third parties	(759)	(794)	(5,466)	(5,320)
Bad debts written off	-	(1,046)	(2,392)	(1,046)
Net realised foreign exchange gain/(loss)	28,200	(5,299)	21,552	(7,994)
Net unrealised foreign exchange loss	(19,531)	(27,275)	(28,913)	(26,834)

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 RM716,645,000.

For the quarter ended 30 June 2015, the Group recognised a net gain on disposal of RM2,128,000 (30 June 2014: Net loss on disposal of RM47,919,000) from disposal of SPPE with carrying amount of RM1,477,000 (30 June 2014: RM386,829,000).

For the cumulative six months ended 30 June 2015, the Group recognised a net gain on disposal of RM6,756,000 (30 June 2014 : Net loss on disposal of RM47,919,000).

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	58,687	-	58,687
At 30 June 2015	912,233	504,463	1,416,696
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	-	6,484	6,484
Currency translation differences	-	-	-
At 30 June 2015	2,325	430,849	433,174
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 June 2015	909,908	73,614	983,522

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.

Goodwill was not tested for impairment in the quarter as there were no indications of impairment as at 30 June 2015.

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 June 2015.

A13. CASH AND CASH EQUIVALENTS

Breakdown of cash and cash equivalents is as follows:

	30-June-2015 RM'000	31-Dec-2014 RM'000
Cash with PETRONAS Integrated Financial Shared Service Centre *	3,103,063	3,258,864
Cash and bank balances	288,728	351,092
Deposits with licensed banks	1,239,914	1,228,873
Total cash and cash equivalents	4,631,705	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 June 2015				
<u>Financial Assets</u>				
Available-for-sale financial assets				
Quoted investments	<u>73,271</u>	<u>-</u>	<u>-</u>	<u>73,271</u>
<u>Financial Liabilities</u>				
Derivatives				
Forward exchange contracts	-	554	-	-
Interest rate swaps designated as hedging instruments	<u>-</u>	<u>3,524</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>4,078</u>	<u>-</u>	<u>-</u>
At 31 December 2014				
<u>Financial Assets</u>				
Available-for-sale financial assets				
Quoted investments	74,333	-	-	74,333
Derivatives				
Forward exchange contracts	-	1,298	-	1,298
	<u>74,333</u>	<u>1,298</u>	<u>-</u>	<u>75,631</u>

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 June 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-June-2015 RM'000	31-Dec-2014 RM'000
Short Term Borrowings		
Secured	114,407	324,694
Unsecured	688,846	824,120
	<u>803,253</u>	<u>1,148,814</u>
Long Term Borrowings		
Secured	1,104,899	711,169
Unsecured	7,051,774	6,879,180
	<u>8,156,673</u>	<u>7,590,349</u>
Total	<u>8,959,926</u>	<u>8,739,163</u>

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

	RM'000
United States Dollar Borrowings	<u>8,924,252</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.

A18. CAPITAL COMMITMENTS

	30-June-2015 RM'000	31-Dec-2014 RM'000
Approved and contracted for:		
Group	3,624,510	525,250
Share of capital commitments in joint ventures	<u>277,507</u>	<u>144,506</u>
	<u>3,902,017</u>	<u>669,756</u>
Approved but not contracted for:		
Group	311,218	316,396
Share of capital commitments in joint ventures	<u>195,591</u>	<u>79,661</u>
	<u>506,809</u>	<u>396,057</u>
Total	<u>4,408,826</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>365,003</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

<u>GROUP</u>	<u>Quarter</u> RM Million		<u>Cumulative 6 Months Ended</u> RM Million	
	30-June-2015	30-June-2014	30-June-2015	30-June-2014
Revenue	2,600.5	2,538.6	5,090.7	4,829.2
Operating Profit	672.1	382.3	1,135.6	886.6
Net gain/(loss) on disposal of SPPE	2.1	(47.9)	6.8	(47.9)
Finance costs	(48.2)	(95.4)	(103.3)	(191.2)
Share of profit of joint ventures and associates	146.6	105.6	245.3	224.9
Profit Before Tax	772.6	344.6	1,284.4	872.4

Performance of current quarter against the quarter ended 30 June 2014

Group revenue of RM2,600.5 million was 2.4% higher than RM2,538.6 million in the quarter ended 30 June 2014 ("corresponding quarter").

The increase in Group revenue was mainly due to improved freight rates in Petroleum business, revenue recognised from an Engineering, Procurement and Construction ("EPC") project in the current quarter and finance lease income contribution of a Floating, Production, Storage and Offloading ("FPSO") unit which commenced in September 2014. Meanwhile, a smaller fleet of operating vessels in Chemical business, lower earning days in LNG business and different phases of project construction in Heavy Engineering caused a decline in revenue of the respective businesses in the current quarter.

Group operating profit of RM674.2 million was 76.3% higher than the corresponding quarter's profit of RM382.3 million, mainly from higher revenue in Petroleum and Offshore businesses coupled with lower operating costs from a smaller fleet of operating vessels in Chemical business. However, LNG business recorded lower operating profit from lower revenue while additional provision for cost to complete an ongoing project caused a decline in Heavy Engineering operating profit.

Performance of current 6-months period against the 6-months period ended 30 June 2014

Group revenue for the 6-months ended 30 June 2015 of RM5,090.7 million was 5.4% higher than the RM4,829.2 million revenue for the 6-months ended 30 June 2014 ("corresponding period").

Improved freight rates in Petroleum business, revenue recognised from an EPC project in the current period and finance lease income contribution of an FPSO unit which commenced in September 2014 were the main contributors to the increase in Group revenue. Meanwhile, a smaller fleet of operating vessels in Chemical business, lower earning days in LNG business and different phases of project construction in Heavy Engineering caused a decline in revenue of the respective businesses in the current period.

Group operating profit of RM1,142.4 million was 28.9% higher than RM886.6 million in the corresponding period, mainly from higher revenue in Petroleum and Offshore businesses coupled with lower operating costs from a smaller fleet of operating vessels in Chemical business. However, LNG business recorded lower operating profit from lower revenue while additional provision for cost to complete an ongoing project caused a decline in Heavy Engineering operating profit.

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

ENERGY RELATED SHIPPING ("ERS")

	Quarter RM Million		Cumulative 6 Months Ended RM Million	
	30-June-2015	30-June-2014	30-June-2015	30-June-2014
Revenue:				
Third Party	<u>1,829.5</u>	<u>1,568.5</u>	<u>3,489.7</u>	<u>3,206.4</u>
Operating profit	<u>556.9</u>	<u>346.5</u>	<u>954.0</u>	<u>796.8</u>

Performance of current quarter against the quarter ended 30 June 2014

Revenue of RM1,829.5 million was 16.6% higher than the corresponding quarter's revenue of RM1,568.5 million, mainly from improved freight rates in Petroleum business. However, a smaller fleet of operating vessels and lower earning days caused a decline in Chemical business and LNG business revenue respectively in the current quarter.

The segment recorded higher operating profit of RM556.9 million compared to RM346.5 million in the corresponding quarter, mainly due to cost reductions from operating a smaller fleet of Chemical tankers and higher revenue in Petroleum business. However, lower earning days caused a decrease in LNG shipping profit.

Performance of current 6-months period against the 6-months period ended 30 June 2014

Revenue for the 6-months ended 30 June 2015 of RM3,489.7 million was 8.8% higher than RM3,206.4 million in the corresponding period, mainly due to improved freight rates in Petroleum business. However, a smaller fleet of operating vessels and lower earning days caused a decline in Chemical business and LNG business revenue respectively in the current period.

On the back of higher revenue and lower operating cost from a smaller fleet of operating vessels, the segment recorded higher operating profit of RM954.0 million compared to RM796.8 million in the corresponding period.

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

OTHER ENERGY BUSINESS ("OEB")

	Quarter RM Million		Cumulative 6 Months Ended RM Million	
	30-June-2015	30-June-2014	30-June-2015	30-June-2014
Revenue:				
Third Party	<u>705.7</u>	<u>883.0</u>	<u>1,367.4</u>	<u>1,449.9</u>
Operating profit	<u>118.3</u>	<u>50.5</u>	<u>238.8</u>	<u>109.5</u>

Performance of current quarter against the quarter ended 30 June 2014

Revenue of RM705.7 million was 20.1% lower than RM883.0 million in the corresponding quarter, mainly due to lower revenue recognised by Heavy Engineering in the current quarter, from different phases of project construction. However, finance lease income contribution of an FPSO unit which commenced in September 2014 and revenue from an EPC project in Offshore business cushioned the decrease in the segment's revenue.

The segment's operating profit of RM118.3 million was higher than RM50.5 million in the corresponding quarter, mainly from the increase in revenue in Offshore business. However, additional provision for cost to complete an ongoing project caused a decline in Heavy Engineering profit in the current quarter.

Performance of current 6-months period against the 6-months period ended 30 June 2014

Revenue for the 6-months ended 30 June 2015 of RM1,367.4 million was 5.7% lower than the corresponding period's profit of RM1,449.9 million, mainly due to lower revenue recognised by Heavy Engineering from different phases of project construction. However, revenue recognised from an EPC project in the current period and finance lease income contribution of an FPSO unit which commenced in September 2014 mitigated the decrease in the segment's revenue.

The segment recorded higher operating profit of RM238.8 million compared to RM109.5 million in the corresponding period mainly due to finance lease income contribution from the new FPSO unit and contribution from an EPC project in the Offshore business. However, Heavy Engineering recorded lower operating profit from additional provision for cost to complete an on-going project.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

<u>GROUP</u>	Current Quarter RM Million 30-June-2015	Preceding Quarter RM Million 31-Mar-2015
Revenue	<u>2,600.5</u>	<u>2,490.3</u>
Operating Profit	674.2	468.2
Finance costs	(48.2)	(55.0)
Share of profit of joint ventures and associates	146.6	98.7
Profit Before Tax	<u>772.6</u>	<u>511.9</u>

Group revenue of RM2,600.5 million was 4.4% higher than the preceding quarter's revenue of RM2,490.3 million. Improved freight rates in Petroleum business and revenue recognised from an EPC project contributed to the increase in Group revenue.

Group operating profit of RM674.2 million was higher than the preceding quarter's profit of RM468.2 million, mainly from higher revenue and cost savings from operating a smaller fleet of Chemical tankers.

B3. GROUP CURRENT YEAR PROSPECTS

The financial performance for the Group for the remaining quarters of 2015 will continue to be supported by secured recurring income from a portfolio of long term contracts in the LNG shipping and Offshore business segments. The strength in the Petroleum shipping segment enjoyed in the first half of 2015 is likely to be carried into the second half of the year, barring any material cutback in global oil production. Full year financial performance of the Petroleum shipping segment is expected to show a marked improvement over the performance of 2014. However, chemical shipping prospects still remain mixed.

The Heavy Engineering business is currently active in various stages of the bidding process for several potential projects. Aggressive competition is expected for selected projects with participation of regional and international companies. Operationally, a lesser number of ongoing projects are in progress as compared to the previous financial year. There is still residual revenue and profit to be recognised from some of the recently completed or delivered projects subject to approval of outstanding Variation Orders by the respective clients.

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

	Current Quarter Apr 2015 - June 2015 RM'000	Cumulative 6 Months Jan 2015 - June 2015 RM'000
Taxation for the period comprises the following charge:		
Income tax charge		
- current period	3,581	8,409
Deferred taxation	<u>2,559</u>	<u>(2,564)</u>
	<u>6,140</u>	<u>5,845</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) The status of the utilisation of proceeds raised from disposal of 50% stake in Gumusut ('Share Disposal') as at 30 June 2015 is as follows:

Purpose	Proposed utilisation ⁽¹⁾ RM million	Actual utilisation RM million	Estimated timeframe for utilisation from the Completion Date ⁽¹⁾	Revised timeframe for utilisation from the Completion Date	Deviation amount RM million	Explanations ⁽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
Estimated expenses relating to the Share Disposal	2.0	1.8	Within three (3) months	Within three (3) months	0.2	10.0
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.

Equatorial can file an appeal to the Singapore Court of Appeal within 1 month from the date of judgement.

B8. DIVIDENDS

The Board of Directors has approved a 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). The proposed dividend will be paid on 2 September 2015 to shareholders registered at the close of business on 20 August 2015.

A depositor shall qualify for entitlement to the dividend only in respect of:

- i) Shares transferred into the Depositor's Securities Account before 4.00 pm on 20 August 2015 in respect of Ordinary Transfers; and
- ii) Shares bought on the BMSB on a cum entitlement basis according to the rules of BMSB.

B9. DERIVATIVES

As part of the Group's efforts to hedge its interest rate risks, the Group entered into interest rate swap ("IRS") 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.

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

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

Contract/Tenure	Notional Value RM'000	Fair Value gain/(loss) RM'000
<u>Foreign exchange contracts</u>		
less than 1 year	15,375	(554)
<u>Interest rate swaps</u>		
More than 3 years	1,132,350	(3,524)
Total	1,147,725	(4,078)

B10. EARNINGS PER SHARE

	Quarter ended 30 June		Cumulative 6 months ended 30 June	
	2015	2014	2015	2014
Basic earnings per share are computed as follows:				
Profit for the period attributable to equity holders of the Corporation (RM'000):	745,186	288,084	1,231,496	774,480
Weighted average number of ordinary shares in issue (thousand)	4,463,794	4,463,794	4,463,794	4,463,794
Basic earnings per share (sen)	16.7	6.5	27.6	17.4

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 June 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-June-2015 RM'000	31-Dec-2014 RM'000
Total retained profits of MISC Group and its subsidiaries:		
- Realised	19,341,511	17,864,552
- Unrealised	<u>(960,312)</u>	<u>(226,394)</u>
	<u>18,381,199</u>	<u>17,638,158</u>
Total share of retained loss from associates:		
- Realised	(2,391)	(2,335)
- Unrealised	<u>-</u>	<u>-</u>
	<u>(2,391)</u>	<u>(2,335)</u>
Total share of retained profits from joint ventures:		
- Realised	1,632,708	1,509,442
- Unrealised	<u>(35,151)</u>	<u>(8,825)</u>
	<u>1,597,557</u>	<u>1,500,617</u>
Total Group retained profits	<u>19,976,365</u>	<u>19,136,440</u>
Less:		
Consolidation adjustments	(2,215,289)	(2,339,037)
Total Group retained profits as per consolidated accounts	<u>17,761,076</u>	<u>16,797,403</u>

By Order of the Board