



MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Income Statement

For The Period Ended 31 December 2017

	Quarter Ended 31 December		Cumulative 12 Months Ended 31 December	
	2017	2016	2017	2016
	RM million	RM million	RM million	RM million
Revenue	2,434.5	2,517.5	10,037.7	9,597.2
Cost of sales	(1,713.0)	(1,721.8)	(6,766.5)	(6,758.7)
GROSS PROFIT	721.5	795.7	3,271.2	2,838.5
Other operating income	151.8	385.7	557.6	1,268.9
General and administrative expenses	(246.3)	(514.9)	(1,125.0)	(1,654.3)
OPERATING PROFIT	627.0	666.5	2,703.8	2,453.2
Impairment loss on ships, property, plant and equipment, offshore floating asset and other investment	(553.9)	(175.6)	(687.5)	(358.8)
Net loss on liquidation of a subsidiary	-	-	(16.7)	-
Net gain on disposal of a subsidiary	-	73.6	-	73.6
Net gain on disposal of a joint venture	-	-	43.5	-
Net gain on disposal of an associate	1.6	-	1.6	-
Net loss on deemed disposal of joint ventures	-	(10.1)	-	(42.5)
Net gain on acquisition of subsidiaries	-	11.6	-	856.2
Recognition of intangibles	-	-	-	47.5
Write off of intangibles	-	-	-	(54.6)
Provision for charter hire loss	-	-	-	(200.8)
Gain on disposal of ships, property, plant and equipment	-	-	29.0	-
Finance costs	(68.6)	(68.3)	(265.0)	(247.9)
Share of profit of an associate	-	-	1.1	0.1
Share of profit of joint ventures	35.9	6.7	193.7	287.9
PROFIT BEFORE TAX	42.0	504.4	2,003.5	2,814.0
Taxation	5.1	(4.7)	(12.9)	(20.7)
PROFIT AFTER TAX	47.1	499.7	1,990.6	2,793.3
PROFIT ATTRIBUTABLE TO:				
Equity holders of the Corporation	68.2	529.8	1,981.4	2,581.6
Non-controlling interests	(21.1)	(30.1)	9.2	211.7
PROFIT AFTER TAX	47.1	499.7	1,990.6	2,793.3
BASIC EARNINGS PER SHARE				
ATTRIBUTABLE TO EQUITY HOLDERS				
OF THE CORPORATION (SEN)	1.5	11.9	44.4	57.8

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2016.



MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Comprehensive Income

For The Period Ended 31 December 2017

	Quarter Ended 31 December		Cumulative 12 Months Ended 31 December	
	2017	2016	2017	2016
	RM million	RM million	RM million	RM million
PROFIT AFTER TAX	47.1	499.7	1,990.6	2,793.3
OTHER COMPREHENSIVE INCOME				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Fair value gain/(loss) on non-current investments	1.2	(4.6)	(3.0)	(9.6)
Cash flow hedges:				
Fair value gain/(loss)				
Group	4.6	17.4	13.8	(9.9)
Joint ventures	0.1	0.3	0.4	1.0
(Loss)/gain on currency translation *	(1,343.9)	2,601.2	(3,430.2)	1,612.7
Total other comprehensive (loss)/income	(1,338.0)	2,614.3	(3,419.0)	1,594.2
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(1,290.9)	3,114.0	(1,428.4)	4,387.5
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:				
Equity holders of the Corporation	(1,263.2)	3,117.5	(1,412.8)	4,154.9
Non-controlling interests	(27.7)	(3.5)	(15.6)	232.6
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(1,290.9)	3,114.0	(1,428.4)	4,387.5

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

	2017	2016	2015
As at 31 December	4.05950	4.48450	4.29400
As at 30 September	4.22650	4.14650	-
As at 30 June	4.29500	4.01800	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2016.



MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Financial Position

As at 31 December 2017

	31 December 2017 RM million	31 December 2016 RM million
NON CURRENT ASSETS		
Ships	20,964.5	23,858.4
Offshore floating assets	322.6	473.5
Property, plant and equipment	1,695.5	1,782.4
Prepaid lease payments on land and buildings	220.1	227.8
Finance lease receivables	13,862.3	13,454.2
Finance lease assets under construction	688.5	1,418.0
Investments in associates	0.5	2.5
Investments in joint ventures	1,127.8	1,602.2
Other non-current financial assets	237.7	318.8
Derivative assets	3.3	1.5
Intangible assets	844.4	938.7
Deferred tax assets	99.5	85.3
	40,066.7	44,163.3
CURRENT ASSETS		
Inventories	198.6	213.5
Finance lease receivables	990.8	1,010.3
Trade and other receivables	3,043.7	3,900.2
Cash, deposits and bank balances	5,900.7	6,559.2
Amounts due from related companies	47.3	70.9
Amounts due from joint ventures	74.7	58.9
Assets held for sale	123.0	175.0
Derivative assets	4.4	-
Tax receivable	14.6	-
	10,397.8	11,988.0
TOTAL ASSETS	50,464.5	56,151.3
EQUITY		
Share capital	8,923.3	4,463.8
Share premium	-	4,459.5
Reserves	5,954.2	9,349.0
Retained profits	19,961.3	19,793.4
Equity attributable to equity holders of the Corporation	34,838.8	38,065.7
Non-controlling interests	1,060.6	1,265.3
TOTAL EQUITY	35,899.4	39,331.0
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	3,946.3	5,228.5
Deferred income	635.4	757.0
Deferred tax liabilities	31.1	37.2
Provisions	-	681.8
Derivative liabilities	-	0.7
	4,612.8	6,705.2
CURRENT LIABILITIES		
Interest bearing loans and borrowings	7,717.6	7,372.9
Trade and other payables	2,126.8	2,620.6
Provision for taxation	-	1.4
Amounts due to related companies	4.7	4.4
Amounts due to associates	1.0	1.0
Amounts due to joint ventures	102.2	108.1
Derivative liabilities	-	6.7
	9,952.3	10,115.1
TOTAL LIABILITIES	14,565.1	16,820.3
TOTAL EQUITY AND LIABILITIES	50,464.5	56,151.3

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2016.



MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Cash Flows

For the Period Ended 31 December 2017

	31 December 2017	31 December 2016
	RM million	RM million
Cash Flow from Operating Activities:		
Profit before tax	2,003.5	2,814.0
Impairment loss on receivables	131.2	266.4
Bad debts written off	7.0	1.5
Write off of finance lease receivables	-	276.6
Depreciation of ships, offshore floating assets and other property, plant and equipment	2,050.0	2,004.9
Amortisation of prepaid lease payments	7.2	7.5
Impairment loss on ships, property, plant and equipment, offshore floating asset and other investment	687.4	358.7
Write off of ships, property, plant and equipment	23.4	25.0
Gain on disposal of ships, property, plant and equipment	(29.0)	-
Net unrealised foreign exchange loss/(gain)	47.8	(20.8)
Dividend income from equity investments	(2.9)	(2.6)
Finance costs	265.0	247.9
Interest income	(95.7)	(50.3)
Net loss on liquidation of a subsidiary	16.7	-
Net gain on disposal of a joint venture	(43.5)	-
Net gain on disposal of an associate	(1.6)	-
Net gain on disposal of a subsidiary	-	(73.6)
Net gain on acquisition of subsidiaries	-	(856.2)
Net loss on deemed disposal of joint ventures	-	42.5
Recognition of intangibles	-	(47.5)
Amortisation of intangibles	9.4	17.7
Write off of intangibles	-	54.6
Share of profit of an associate	(1.1)	(0.1)
Share of profit of joint ventures	(193.7)	(287.9)
Net movement in provisions	(12.4)	(53.1)
Operating profit before working capital changes	4,868.7	4,725.1
Inventories	(5.1)	63.7
Trade and other receivables	770.4	877.9
Trade and other payables	(452.5)	(406.6)
Cash generated from operations	5,181.6	5,260.1
Net tax paid	(30.2)	(37.8)
Net cash flows generated from operating activities	5,151.4	5,222.3

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2016.



31 December 2017 **31 December 2016**
RM million **RM million**

Cash Flow from Investing Activities:

Purchase of ships, offshore floating assets and other property, plant and equipment	(2,839.2)	(1,396.6)
Proceeds from disposal of ships, other property, plant and equipment and assets held for sale	123.6	-
Progress payments for finance lease assets under construction	(1,166.8)	(1,006.4)
Dividend income from:		
Quoted investments	2.9	2.6
Associates and joint ventures	439.4	227.6
Repayment of loans due from joint ventures	-	49.6
Proceeds from disposal of a subsidiary	0.5	324.0
Proceeds from disposal of investment in a joint venture	188.9	-
Proceeds from disposal of investment in an associate	4.0	-
Additional investments in subsidiaries	-	(1,966.1)
Cash acquired on acquisition of subsidiaries	-	424.4
Cash disposed on disposal of a subsidiary	-	(32.5)
Interest received	76.6	34.2
Net cash flows used in investing activities	(3,170.1)	(3,339.2)

Cash Flow from Financing Activities:

Drawdown of term loans and revolving credit	2,671.0	5,787.3
Repayment of term loans and revolving credit	(2,416.9)	(1,100.8)
Repayment of shareholders loan	-	(4,114.9)
Dividends paid to the equity holders of the Corporation	(1,830.2)	(1,450.8)
Dividends paid to non-controlling interest of subsidiaries	(189.1)	(64.5)
Interest paid	(334.4)	(239.0)
Cash pledged with bank - restricted (net)	37.0	(30.0)
Net cash flows used in financing activities	(2,062.6)	(1,212.7)

Net Change in Cash & Cash Equivalents	(81.3)	670.4
Cash & Cash Equivalents at the beginning of the year	6,413.6	5,538.4
Currency translation difference	(536.3)	204.8
Cash & Cash Equivalents at the end of the period	5,796.0	6,413.6
Cash pledged with bank - restricted	104.7	145.6
Cash, deposits and bank balances	5,900.7	6,559.2

**MISC BERHAD**

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the Period Ended 31 December 2017

	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	Fair value reserve	Hedging reserve	Currency translation reserve	Non-controlling Interests
	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million
12 MONTHS ENDED 31 DECEMBER 2017														
At 1 January 2017	39,331.0	38,065.7	4,463.8	4,459.5	19,793.4	9,349.0	101.1	435.3	1.4	2.0	56.0	(3.8)	8,757.0	1,265.3
Total comprehensive (loss)/income	(1,428.4)	(1,412.8)	-	-	1,981.4	(3,394.2)	-	-	-	-	(3.0)	12.2	(3,403.4)	(15.6)
Transactions with owners														
Liquidation of a subsidiary	16.3	16.3	-	-	16.7	(0.4)	-	(0.1)	-	(0.3)	-	-	-	-
Disposal of an associate	(0.2)	(0.2)	-	-	-	(0.2)	(1.8)	-	-	1.5	-	-	0.1	-
Dividends	(2,019.3)	(1,830.2)	-	-	(1,830.2)	-	-	-	-	-	-	-	-	(189.1)
Transition in accordance with section 618(2) of the Companies Act 2016 to no-par value regime on 31 January 2017 ^{Note a}	-	-	4,459.5	(4,459.5)	-	-	-	-	-	-	-	-	-	-
Total transactions with owners	(2,003.3)	(1,814.2)	4,459.5	(4,459.5)	(1,813.5)	(0.6)	(1.8)	(0.1)	-	1.2	-	-	0.1	(189.1)
At 31 December 2017	35,899.4	34,838.8	8,923.3	-	19,961.3	5,954.2	99.3	435.2	1.4	3.2	53.0	8.4	5,353.7	1,060.6
12 MONTHS ENDED 31 DECEMBER 2016														
At 1 January 2016	36,459.1	35,361.5	4,463.8	4,459.5	18,662.6	7,775.7	101.1	435.3	1.4	2.0	65.6	1.8	7,168.5	1,097.7
Total comprehensive income/(loss)	4,387.5	4,154.9	-	-	2,581.6	1,573.3	-	-	-	-	(9.6)	(5.6)	1,588.5	232.6
Transactions with owners														
Additional investment in a subsidiary	(3.5)	-	-	-	-	-	-	-	-	-	-	-	-	(3.5)
Incorporation of a subsidiary	3.0	-	-	-	-	-	-	-	-	-	-	-	-	3.0
Dividends	(1,515.3)	(1,450.8)	-	-	(1,450.8)	-	-	-	-	-	-	-	-	(64.5)
Total transactions with owners	(1,515.9)	(1,450.8)	-	-	(1,450.8)	-	-	-	-	-	-	-	-	(65.1)
At 31 December 2016	39,331.0	38,065.7	4,463.8	4,459.5	19,793.4	9,349.0	101.1	435.3	1.4	2.0	56.0	(3.8)	8,757.0	1,265.3

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

Note a Pursuant to section 74 of the Companies Act, 2016 ('the Act'), the Company's shares no longer have a par or nominal value with effect from 31 January 2017. In accordance with the transitional provision set out in section 618 of the Act, any amount standing to the credit of the share premium account and capital redemption reserve becomes part of the Company's share capital. Companies have 24 months upon the commencement of the Act to utilise the credit.

There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. During the financial period, the Company has not utilised any of the credit in the share premium account which are now part of share capital.

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2016.

MISC BERHAD

(Company No. 8178 H)

Notes to the Unaudited Condensed Financial Statements

A1. CORPORATE INFORMATION

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

These unaudited condensed consolidated interim financial statements were authorised for issue by the Board of Directors on 13 February 2018.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the quarter and the year ended 31 December 2017 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 2016.

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 2016.

The audited consolidated financial statements of the Group for the year ended 31 December 2016 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 2017 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2016.

As of 1 January 2017, the Group and the Corporation have adopted the following revised MFRSs and Amendments to MFRSs that have been issued by the MASB:

MFRS and amendments effective for annual periods beginning on or after 1 January 2017:

Amendments to MFRS 12: Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 Cycle)

Amendments to MFRS 107: Statement of Cash Flows: Disclosure Initiative

Amendments to MFRS 112: Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

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

A4. CHANGES IN ESTIMATES

There were no material changes in estimates reported in the current financial period.

A5. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors issued an unqualified audit opinion on the financial statements for the year ended 31 December 2016.

A6. CHANGES IN COMPOSITION OF THE GROUP

- (a) On 31 October 2017, MISC Enterprises Holdings Sdn. Bhd. ("MEH") (in members' voluntary liquidation), a wholly-owned subsidiary of the Corporation, had entered into a Share Sale and Purchase Agreement with John Keells Holdings PLC for the disposal of all its 25% equity interest held by MEH in Trans-Ware Logistics (Private) Limited ("TWL"), comprising 5,500,000 shares for an aggregate cash consideration of Sri Lankan Rupee 152,355,750 (equivalent to approximately RM4.2 million). Subsequent to the above, the Corporation had, on 30 November 2017, announced the completion of the disposal of TWL and TWL ceased to be an associated company of the Corporation.
- (b) Pursuant to the integration of fleet management services of MISC Berhad ("MISC") and American Eagle Tankers ("AET"), Eaglestar Marine Holdings (L) Pte. Ltd. ("EMH"), a 50:50 jointly-owned subsidiary of MISC and AET Inc. Limited, had incorporated Eaglestar Marine B.V. ("EMBV") in Rotterdam, Netherlands as its wholly-owned subsidiary and the announcement on the incorporation was made on 24 November 2017 by the Corporation. The principal activity of EMBV is to provide marine and procurement services in Europe.

A7. SEGMENT REPORT

Segmental analysis for the current financial period is as follows:

	LNG	Petroleum	Offshore	Heavy Engineering	Others, eliminations and adjustments	Total
	RM million	RM million	RM million	RM million	RM million	RM million
Revenue						
External sales	2,795.2	4,508.3	1,813.2	761.2	159.8	10,037.7
Inter-segment	36.7	3.4	82.9	197.7	(320.7)	-
	2,831.9	4,511.7	1,896.1	958.9	(160.9) *	10,037.7
Operating profit	1,422.3	46.9	1,129.7	15.3	89.6 **	2,703.8

* Comprises inter-segment eliminations.

** Comprises Tank Terminal 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 31 December		Cumulative 12 Months Ended 31 December	
	2017	2016	2017	2016
	RM million	RM million	RM million	RM million
Interest income	38.0	15.1	95.7	50.3
Other income	81.3	400.4	409.7	1,131.4
Finance costs	(68.6)	(68.3)	(265.0)	(247.9)
Depreciation of ships, offshore floating assets and other property, plant and equipment	(518.1)	(509.5)	(2,050.0)	(2,004.9)
Amortisation of prepaid lease payments	(1.8)	(1.8)	(7.2)	(7.5)
Amortisation of intangibles	(1.0)	(3.7)	(9.4)	(17.7)
Write off of finance lease receivables	-	(34.6)	-	(276.6)
Write off of ships, property, plant and equipment	(3.9)	-	(23.4)	(25.0)
Gain on disposal of ships, property, plant and equipment	-	-	29.0	-
Impairment loss on ships, property, plant and equipment, offshore floating asset and other investment	(553.9)	(175.4)	(687.5)	(358.7)
Write off of intangibles	-	-	-	(54.6)
Write back/(impairment) on receivables	33.3	(263.8)	(131.2)	(266.4)
Bad debts written off	(2.0)	(0.6)	(7.0)	(1.5)
Net realised foreign exchange gain/(loss)	26.1	(80.6)	21.2	(64.6)
Net unrealised foreign exchange (loss)/gain	(27.0)	75.9	(47.8)	20.8

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

Included in ships, offshore floating assets and other property, plant and equipment are construction work-in-progress, mainly for the construction of ships and offshore floating asset totalling RM1,044.4 million.

The Group recognised a net gain on disposal of RM29.0 million from disposal of ships, property, plant and equipment in the year ended 31 December 2017. The Group did not dispose any ships, property, plant and equipment in the year ended 31 December 2016.

A11. INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
	RM million	RM million	RM million
Cost			
At 1 January 2016	1,021.1	504.5	1,525.6
Addition	-	47.5	47.5
Disposal of a subsidiary	(0.1)	-	(0.1)
Write-off	-	(339.3)	(339.3)
Currency translation differences	37.9	-	37.9
At 31 December 2016	1,058.9	212.7	1,271.6
Currency translation differences	(84.9)	-	(84.9)
At 31 December 2017	974.0	212.7	1,186.7
Accumulated amortisation and impairment			
At 1 January 2016	162.5	437.4	599.9
Amortisation	-	17.7	17.7
Write-off	-	(284.7)	(284.7)
At 31 December 2016	162.5	170.4	332.9
Amortisation	-	9.4	9.4
At 31 December 2017	162.5	179.8	342.3
Net carrying amount			
At 1 January 2016	858.6	67.1	925.7
At 31 December 2016	896.4	42.3	938.7
At 31 December 2017	811.5	32.9	844.4

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 are disclosed in the annual consolidated financial statements for the year ended 31 December 2017.

A12. INVENTORIES

The Group did not recognise any write-down of inventories or reversal of inventories during the quarter ended 31 December 2017.

A13. CASH, DEPOSITS AND BANK BALANCES

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

	31 December 2017 RM million	31 December 2016 RM million
Cash with PETRONAS Integrated Financial Shared Service Centre *	4,539.4	5,359.7
Cash and bank balances	381.0	369.0
Deposits with licensed banks	980.3	830.5
Total cash, deposits and bank balances	5,900.7	6,559.2

* To allow for more efficient cash management by the Group, the Corporation's and a few subsidiaries in the Group's cash and bank balances have, since 1 July 2013, been held in the In-House Account ("IHA") managed by PETRONAS Integrated Financial Shared Service Centre ("IFSSC").

Included in cash and bank balances is the retention account of RM104.7 million (31 December 2016: RM145.6 million) which is restricted for use because it is pledged to the bank for the purpose of acquisition of ships.

A14. FAIR VALUE HIERARCHY

The Group uses the following hierarchy to determine the fair value of all financial instruments carried at fair value:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities
- Level 2 - Inputs that are based on observable market data, either directly or indirectly
- Level 3 - Inputs that are not based on observable market data

As at the reporting date, the Group held the following financial assets and liabilities that are measured at fair value:

	Level 1 RM million	Level 2 RM million	Level 3 RM million	Total RM million
At 31 December 2017				
<u>Financial Assets</u>				
Available-for-sale financial assets				
Quoted investments	63.7	-	-	63.7
Derivatives				
Interest rate swaps designated as hedging instruments	-	7.7	-	7.7
	63.7	7.7	-	71.4

	Level 1 RM million	Level 2 RM million	Level 3 RM million	Total RM million
At 31 December 2016				
<u>Financial Assets</u>				
Available-for-sale financial assets				
Quoted investments	66.7	-	-	66.7
Derivatives				
Interest rate swaps designated as hedging instruments	-	1.5	-	1.5
	66.7	1.5	-	68.2
<u>Financial Liabilities</u>				
Derivatives				
Forward exchange contracts	-	(6.7)	-	(6.7)
Interest rate swaps designated as hedging instruments	-	(0.7)	-	(0.7)
	-	(7.4)	-	(7.4)

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

A15. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance or repayment of debt and equity securities made by the Group during the quarter ended 31 December 2017.

A16. INTEREST BEARING LOANS AND BORROWINGS

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

	31 December 2017 RM million	31 December 2016 RM million
Short Term Borrowings		
Secured	1,037.8	241.4
Unsecured	6,679.8	7,131.5
	7,717.6	7,372.9
Long Term Borrowings		
Secured	2,786.2	2,102.7
Unsecured	1,160.1	3,125.8
	3,946.3	5,228.5
Total	11,663.9	12,601.4

ii) Foreign borrowings in United States Dollar equivalent as at 31 December 2017 is as follows:

	RM million
United States Dollar Borrowings	11,663.9

A17. DIVIDENDS PAID

The Corporation paid the following dividends in the period ended 31 December 2017 and year ended 31 December 2016:

	31 December 2017		31 December 2016	
	Sen/Share	RM million	Sen/Share	RM million
Third interim tax exempt dividend in respect of:				
- Financial year ended 31 December 2017 on 30 November 2017	7.0	312.5	-	-
Second interim tax exempt dividend in respect of:				
- Financial year ended 31 December 2017 on 7 September 2017	7.0	312.5	-	-
- Financial year ended 31 December 2016 on 16 March 2017	20.0	892.8	-	-
- Financial year ended 31 December 2015 on 9 March 2016	-	-	12.5	558.0
Final tax exempt dividend in respect of:				
- Financial year ended 31 December 2015 on 19 May 2016	-	-	10.0	446.4
First interim tax exempt dividend in respect of:				
- Financial year ended 31 December 2016 on 7 September 2016	-	-	10.0	446.4
- Financial year ended 31 December 2017 on 31 May 2017	7.0	312.5	-	-

A18. CAPITAL COMMITMENTS

	31 December 2017	31 December 2016
	RM million	RM million
Approved and contracted for	3,142.1	3,975.1
Approved but not contracted for	689.6	371.0
Total	3,831.7	4,346.1

A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group comprise the following:

	RM million
Secured	
Bank guarantees extended to third parties	0.6
Unsecured	
Bank guarantees extended to third parties	161.9
Bank guarantees extended to related companies	119.5
	281.4

A20. SUBSEQUENT MATERIAL EVENT

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

B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended 31 December		Cumulative 12 Months Ended 31 December	
	2017 RM million	2016 RM million	2017 RM million	2016 RM million
Revenue				
LNG	646.2	558.1	2,831.9	2,481.6
Petroleum	1,174.5	1,270.8	4,511.7	4,754.9
Offshore	446.2	463.6	1,896.1	1,159.6
Heavy Engineering	250.3	303.6	958.9	1,191.3
Others, Eliminations and Adjustments	(82.7)	(78.6)	(160.9)	9.8
Total	2,434.5	2,517.5	10,037.7	9,597.2
Operating Profit				
LNG	131.9	256.4	1,422.3	1,492.9
Petroleum	44.1	78.3	46.9	327.0
Offshore	354.5	301.3	1,129.7	375.4
Heavy Engineering	24.8	18.7	15.3	13.1
Others, Eliminations and Adjustments	71.7	11.8	89.6	244.8
Total Operating Profit	627.0	666.5	2,703.8	2,453.2
Impairment loss on ships, property, plant and equipment, offshore floating asset and other investment	(553.9)	(175.6)	(687.5)	(358.8)
Net loss on liquidation of a subsidiary	-	-	(16.7)	-
Net gain on disposal of a subsidiary	-	73.6	-	73.6
Net gain on disposal of a joint venture	-	-	43.5	-
Net gain on disposal of an associate	1.6	-	1.6	-
Net loss on deemed disposal of joint ventures	-	(10.1)	-	(42.5)
Net gain on acquisition of subsidiaries	-	11.6	-	856.2
Recognition of intangibles	-	-	-	47.5
Write off of intangibles	-	-	-	(54.6)
Provision for charter hire loss	-	-	-	(200.8)
Gain on disposal of ships, property, plant and equipment	-	-	29.0	-
Finance costs	(68.6)	(68.3)	(265.0)	(247.9)
Share of profit of an associate and joint ventures	35.9	6.7	194.8	288.0
Profit Before Tax	42.0	504.4	2,003.5	2,814.0

Current quarter's performance against the quarter ended 31 December 2016

Group revenue of RM2,434.5 million was 3.3% or RM83.0 million lower than the quarter ended 31 December 2016 ("corresponding quarter") revenue of RM2,517.5 million, while Group operating profit of RM627.0 million was RM39.5 million lower than the corresponding quarter's profit of RM666.5 million. The variances in Group performance by segments are further explained below.

LNG

Revenue of RM646.2 million was 15.8% or RM88.1 million higher than the corresponding quarter's revenue of RM558.1 million with the lease commencement of two new vessels.

Operating profit of RM131.9 million was RM124.5 million lower than the corresponding quarter's profit of RM256.4 million from higher vessel operating costs and impairment of receivables.

Petroleum

Revenue of RM1,174.5 million was 7.6% or RM96.3 million lower than the corresponding quarter's revenue of RM1,270.8 million, mainly due to lower earning days in the current quarter.

Operating profit of RM44.1 million was RM34.2 million lower than corresponding quarter's profit of RM78.3 million, mainly due to lower revenue.

Offshore

Revenue of RM446.2 million was 3.8% or RM17.4 million lower than the corresponding quarter's revenue of RM463.6 million due to lower demobilisation reimbursable revenue in the current quarter.

Operating profit of RM354.5 million was RM53.2 million higher than corresponding quarter's profit of RM301.3 million, mainly from reversal of provision for receivables in the current quarter.

Heavy Engineering

Revenue of RM250.3 million was RM53.3 million lower than the corresponding quarter's revenue of RM303.6 million, mainly due to lower value and number of LNG and tanker repairs in its Marine sub-segment.

Operating profit of RM24.8 million was RM6.1 million higher than corresponding quarter's profit of RM18.7 million, mainly from finalisation of completed projects in its Heavy Engineering sub-segment.

Others, Eliminations and Adjustments

Other segment's operating profit of RM71.7 million was RM59.9 million higher than corresponding quarter's profit of RM11.8 million mainly from higher interest income and higher net foreign exchange gain in the current quarter.

Current year performance against the year ended 31 December 2016

Group revenue of RM10,037.7 million was 4.6% higher than RM9,597.2 million revenue for the year ended 31 December 2016 ("corresponding year"). Group operating profit of RM2,703.8 million was 10.2% higher than the corresponding year's profit of RM2,453.2 million. The variances in Group performance by segments are further explained below.

LNG

LNG revenue of RM2,831.9 million was 14.1% higher than the corresponding year's revenue of RM2,481.6 million, mainly from lease commencement of two new vessels in the current year.

LNG operating profit of RM1,422.3 million was 4.7% lower than the corresponding year's profit of RM1,492.9 million, mainly from recognition of compensation for early termination of time charter of contracts in the corresponding year.

Petroleum

Petroleum revenue of RM4,511.7 million was 5.1% lower than the corresponding year's revenue of RM4,754.9 million, due to lesser earning days and lower freight rates.

Petroleum operating profit of RM46.9 million was 85.7% lower than the corresponding year's profit of RM327.0 million, mainly from lower revenue and higher bunker costs.

Offshore

Offshore revenue of RM1,896.1 million was RM736.5 million higher than the corresponding year's revenue of RM1,159.6 million mainly from consolidation of Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") beginning 13 May 2016, higher revenue from GKL via variation works following favourable decision of the adjudication, construction revenue from Floating, Storage and Offloading Vessel ("FSO") Benchamas 2 and lease commencement of Marginal Marine Production Unit ("MaMPU") in Q4 FY2016.

Offshore operating profit of RM1,129.7 million was higher than the corresponding year's profit of RM375.4 million, mainly from higher revenue in the current year coupled with impairment of finance lease receivables made in the corresponding year.

Heavy Engineering

Heavy Engineering revenue of RM958.9 million was 19.5% lower than the corresponding year's revenue of RM1,191.3 million due to completion of projects in its Heavy Engineering sub-segment while new secured projects are still at their early stages, and lower value of vessel repairs in its Marine sub-segment.

Operating profit of RM15.3 million was higher than corresponding year's profit of RM13.1 million mainly from recognition of change orders and finalisation of completed projects in its Heavy Engineering sub-segment.

Others, Eliminations and Adjustments

Others segment operating profit of RM89.6 million was lower than operating profit of RM244.8 million in the corresponding year, mainly due to the inclusion of a legal suit provision reversal of RM250.8 million in the corresponding year.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

<u>GROUP</u>	Quarter Ended 31 December 2017 RM million	Quarter Ended 30 September 2017 RM million
Revenue	2,434.5	2,315.8
Operating Profit	627.0	678.1
Impairment loss on ships, property, plant and equipment, offshore floating asset and other investment	(553.9)	-
Net gain on liquidation of a subsidiary	-	0.5
Net gain on disposal of a joint venture	-	43.5
Net gain on disposal of an associate	1.6	-
Net gain on disposal of ships, property, plant and equipment	-	0.6
Finance costs	(68.6)	(65.5)
Share of profit of an associate and joint ventures	35.9	49.0
Profit Before Tax	42.0	706.2

Group revenue of RM2,434.5 million was RM118.7 million higher than the preceding quarter's revenue of RM2,315.8 million, mainly from higher earning days and freight rates in the Petroleum segment.

Group operating profit of RM627.0 million was 7.5% lower than the preceding quarter's profit of RM678.1 million, due to impairment of receivables.

B3. GROUP CURRENT YEAR PROSPECTS

The oversupply of tonnage and cut in global oil production by OPEC in 2017 will continue to weigh on the petroleum shipping segment in 2018. However, a smaller order book for tankers and robust oil demand projections amidst declining global crude inventory will help improve tanker supply-demand balance.

Similarly, the LNG shipping segment faces an ongoing tonnage oversupply situation and the difficult market will persist in 2018. Lack of short term positive indicators suggests another challenging year. The Group continues to rely on its present portfolio of long term time charters to provide it the stability of profits and cashflow during the year. On a positive note, two additional new LNG carriers will join the fleet in 2018, providing a source of income growth for the segment.

Although the low level of project approvals in 2017 will not spell a greater level of activity for the offshore market in 2018, the recovery in oil price will likely drive the global revival of upstream projects. Assuming final investment decisions (FIDs) are taken during 2018, it will shape a robust and healthier outlook for 2019.

Meanwhile, the Heavy Engineering segment continues to focus on its efforts on cost management and resource optimisation whilst staying committed to its key strategies which includes strengthening its position in existing markets as well as expansion into new markets. This segment has successfully secured several offshore fabrication projects during the period and this is expected to contribute positively to its revenue in 2018 and beyond.

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

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

B5. TAXATION

	Quarter Ended 31 December 2017 RM million	Cumulative 12 Months Ended 31 December 2017 RM million
Taxation for the period comprises the following charge:		
Income tax charge		
- current period	(4.6)	12.9
- prior year	0.2	1.2
Deferred taxation	(0.7)	(1.2)
	<u>(5.1)</u>	<u>12.9</u>

The Government had proposed to reduce the exemption for the shipping sector provided under Section 54A of the Income Tax Act, 1967 from 100% to 70% of statutory income effective from Year of Assessment 2012. Subsequently in December 2015, the Government decided to defer the implementation of the above proposal to Year of Assessment 2020.

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

B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There were no outstanding corporate proposals submitted by the Group for the quarter ended 31 December 2017.

B7. CHANGES IN MATERIAL LITIGATION

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

On 9 November 2012, MISC's wholly-owned subsidiary, GKL entered into a Semi FPS Lease Agreement with SSPC, a wholly-owned subsidiary of Shell, for the construction and lease of Gumusut-Kakap Semi-Floating Production System ("Semi-FPS") for the purposes of the production of crude oil ("the Contract").

On 2 September 2016, GKL filed a Notice of Arbitration dated 2 September 2016 with the Kuala Lumpur Regional Centre for Arbitration to commence arbitration proceedings against SSPC and on 23 September 2016, GKL filed a Notice of Adjudication against SSPC under Construction Industry Payment and Adjudication Act ("CIPAA") 2012 ("Legal Proceedings").

The Legal Proceedings were commenced to seek resolution on contractual disputes covering claims for outstanding additional lease rates, payment for completed variation works and other associated costs under the Contract.

Among others, GKL claimed the following from SSPC:

- i. The total sum of approximately USD245.0 million and applicable interest at any rate deemed fit by the tribunal/adjudicator;
- ii. Declaratory relief;
- iii. The costs of the arbitration/adjudication; and
- iv. Any further or other awards as the tribunal/adjudicator deems fit.

On 30 May 2017, SSPC filed its Statement of Defence and Counterclaim ("SDCC"). In its SDCC, SSPC refuted GKL's claims and is counterclaiming against GKL for alleged defective work, alleged limited functionality of the Semi-FPS, liquidated damages and a refund of the full amount paid to GKL under the First Adjudication Decision dated 23 September 2016 ("First Adjudication Decision"). SSPC's claims cover, among others, the following:

- i. The sum of approximately USD583 million together with any applicable interest;
- ii. Repayment to SSPC for the full amount paid to GKL under the First Adjudication Decision; and
- iii. The costs and expenses of the Adjudication and Arbitration Proceedings.

GKL filed its Reply and Defence to Counterclaim on 29 August 2017, which was followed by SSPC's filing of its Statement of Rejoinder and Reply to Defence to Counterclaim ("RRDC") on 24 November 2017. In SSPC's RRDC, the amount of approximately USD583 million included in SSPC's original counterclaim was revised to approximately USD588 million. SSPC's revision also claimed repayment of the full amount paid to GKL under the Second Adjudication Decision dated 29 August 2017 ("Second Adjudication Decision"). Thereafter GKL filed its Statement of Rejoinder to Counterclaim ("RCC") on 22 December 2017.

The status to date of the Legal Proceedings is as follows:

Arbitration Proceedings:

Pleadings have now closed with the filing of GKL's RCC on 22 December 2017.

Parties are now in the process of carrying out procedural directions given by the Tribunal such as the production of documents, finalisation of expert witnesses and drafting of witness statements in preparation for the Arbitration hearing due to be held from 25th February 2019 to 16th March 2019.

GKL maintains its view on the strength of its claims against SSPC and is of the opinion that GKL has a good legal position to resist and defend against SSPC's counterclaims.

The Legal Proceedings initiated to resolve the contractual disputes will not have any impact on the operation of the Semi-FPS or the performance of the Contract, including the lease payments which continue to be paid by SSPC since October 2014. The lease period pursuant to the Contract remains intact and GKL continues to receive payment from SSPC for the relevant lease period.

Adjudication Proceedings:

As previously updated, GKL was successful in the First Adjudication Decision for payment of completed variation works amounting to approximately USD255 million and the Second Adjudication Decision for payment of further completed variation works amounting to approximately USD10.9 million, whereby a total of approximately USD3.8 million of outstanding increased Day Rates has been paid by SSPC as lump sum payments. The balance amounts are payable by SSPC as increased Day Rates for the relevant lease period.

The Adjudication Proceedings have now closed. Nevertheless in the Arbitration Proceedings, SSPC has claimed for repayment of the full amount paid to GKL under the First Adjudication Decision and the Second Adjudication Decision. GKL continues to preserve/defend the Adjudication decisions rendered, throughout the Arbitration Proceedings.

Injunction:

On 20 February 2017, GKL was ordered by the High Court to release the Bank Guarantee sum of USD20 million together with interest. GKL has filed an appeal at the Court of Appeal against the High Court's judgment.

The hearing date for the appeal has been set for 14th February 2018.

Further announcements on any material developments on the Legal Proceedings will be made in due course.

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

MOMPL is a wholly owned subsidiary of MISC Berhad, whilst PCPP is a joint operating company with shareholders comprising PETRONAS Carigali Sdn Bhd (40%), PT Pertamina Hulu Energi (30%) and PetroVietnam Exploration Production Corporation Ltd (30%).

MOMPL and PCPP are parties to an Agreement for the Leasing, Operation and Maintenance of Two (2) Plain Mobile Offshore Production Unit ("MOPUs") Facilities for D30 and Dana Fields Development Project dated 28 November 2008 ("the Contract").

MOMPL has decided to pursue legal actions against PCPP in order to recover sums outstanding from PCPP with respect to the outstanding lease and service rates, payment for completed variation works, early termination fees and other associated costs under the Contract ("Dispute").

In this respect:

1. MOMPL has filed a Statement of Claim under Arbitration amounting to USD18,829,900.00 and RM17,943,935.00 to claim for part of the outstanding sums ("Arbitration"); and
2. Issued a payment claim under the Construction Industry Payment And Adjudication Act 2012 ("CIPAA") amounting to USD9,949,734.00 for speedy recovery of claims for the completed variation works ("Adjudication").

(collectively referred to as "Legal Proceedings")

MOMPL will also be pursuing relevant legal recourse to claim for the remaining portions of the outstanding sums due and owing from PCPP, amounting to USD85,515,849.00 and RM4,673,994.00 respectively.

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.

The status to date of the Legal Proceedings is as follows:

Parties are finalising a commercial settlement in respect of the Dispute. As such, the Legal Proceedings continue to be kept in abeyance.

B8. DIVIDENDS

The Board of Directors has approved a fourth tax exempt dividend of 9 sen per share in respect of financial year 2017 amounting to RM401.6 million. The proposed dividend will be paid on 15 March 2018 to shareholders registered at the close of business on 28 February 2018.

MISC Berhad declared a tax exempt dividend of 20.0 sen per share in respect of financial year 2016 amounting to RM892.8 million on 16 March 2017.

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 28 February 2018 in respect of Ordinary Transfers; and
- ii) Shares bought on the BMSB on a cum entitlement basis according to the rules of BMSB.

B9. DERIVATIVES

As part of the Group's efforts to hedge its interest rate risks, the Group entered into interest rate swap ("IRS") arrangements, a form of derivative to convert its interest exposure from floating term into fixed term. The maturity of the IRS arrangements coincides with the maturity of the original floating rate loans.

Details of the Group's derivative financial instruments outstanding as at 31 December 2017 are as follows:

Contract/Tenure	Notional Value RM million	Fair Value Gain RM million
<u>Interest rate swaps</u>		
1 year to 3 years	1,217.9	4.7
More than 3 years	927.5	3.5
	<u>2,145.4</u>	<u>8.2</u>
Total	<u>2,145.4</u>	<u>8.2</u>

During the financial year ended 31 December 2017, the Group had entered into an interest rate swap arrangement to hedge against adverse movements in interest rates in compliance with a newly entered facility agreement.

Other than the above, there is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 December 2016:

- (a) the credit risk, market risk and liquidity risk associated with these financial derivatives;
- (b) the cash requirements of the financial derivatives; and
- (c) the policy in place for mitigating or controlling the risks associated with these financial derivatives.

B10. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

As at 31 December 2017, the Group does not have any financial liabilities measured at fair value through profit or loss.

B11. EARNINGS PER SHARE

	Quarter Ended 31 December		12 Months Ended 31 December	
	2017	2016	2017	2016
Basic earnings per share are computed as follows:				
Profit for the period attributable to equity holders of the Corporation (RM million):	68.2	529.8	1,981.4	2,581.6
Weighted average number of ordinary shares in issue (million)	4,463.8	4,463.8	4,463.8	4,463.8
Basic earnings per share (sen)	1.5	11.9	44.4	57.8

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

By Order of the Board