



# MISC BERHAD

(Company No. 8178 H)

## Unaudited Condensed Consolidated Income Statement

For The Period Ended 31 March 2018

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2018	2017	2018	2017
	RM million	RM million	RM million	RM million
Revenue	2,020.8	2,984.9	2,020.8	2,984.9
Cost of sales	(1,456.6)	(1,883.8)	(1,456.6)	(1,883.8)
<b>GROSS PROFIT</b>	<b>564.2</b>	<b>1,101.1</b>	<b>564.2</b>	<b>1,101.1</b>
Other operating income	65.8	62.0	65.8	62.0
General and administrative expenses	(246.6)	(481.8)	(246.6)	(481.8)
<b>OPERATING PROFIT</b>	<b>383.4</b>	<b>681.3</b>	<b>383.4</b>	<b>681.3</b>
Impairment loss on other investment	(1.1)	-	(1.1)	-
Gain on disposal of ships, property, plant and equipment	-	30.8	-	30.8
Finance costs	(75.7)	(65.8)	(75.7)	(65.8)
Share of profits of joint ventures	12.6	50.3	12.6	50.3
<b>PROFIT BEFORE TAX</b>	<b>319.2</b>	<b>696.6</b>	<b>319.2</b>	<b>696.6</b>
Taxation	(10.2)	(2.7)	(10.2)	(2.7)
<b>PROFIT AFTER TAX</b>	<b>309.0</b>	<b>693.9</b>	<b>309.0</b>	<b>693.9</b>
<b>PROFIT ATTRIBUTABLE TO:</b>				
Equity holders of the Corporation	310.6	676.2	310.6	676.2
Non-controlling interests	(1.6)	17.7	(1.6)	17.7
<b>PROFIT AFTER TAX</b>	<b>309.0</b>	<b>693.9</b>	<b>309.0</b>	<b>693.9</b>
<b>BASIC EARNINGS PER SHARE</b>				
<b>ATTRIBUTABLE TO EQUITY HOLDERS</b>				
<b>OF THE CORPORATION (SEN)</b>	<b>7.0</b>	<b>15.1</b>	<b>7.0</b>	<b>15.1</b>

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2017.



# MISC BERHAD

(Company No. 8178 H)

## Unaudited Condensed Consolidated Statement of Comprehensive Income

For The Period Ended 31 March 2018

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2018	2017	2018	2017
	RM million	RM million	RM million	RM million
<b>PROFIT AFTER TAX</b>	<b>309.0</b>	<b>693.9</b>	<b>309.0</b>	<b>693.9</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Fair value loss on non-current investments	-	(1.4)	-	(1.4)
Cash flow hedges:				
Fair value gain/(loss)				
Group	17.8	12.2	17.8	12.2
Joint ventures	-	(0.3)	-	(0.3)
Loss on currency translation *	(1,602.8)	(491.3)	(1,602.8)	(491.3)
<b>Total other comprehensive loss</b>	<b>(1,585.0)</b>	<b>(480.8)</b>	<b>(1,585.0)</b>	<b>(480.8)</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(1,276.0)</b>	<b>213.1</b>	<b>(1,276.0)</b>	<b>213.1</b>
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the Corporation	(1,265.7)	200.5	(1,265.7)	200.5
Non-controlling interests	(10.3)	12.6	(10.3)	12.6
<b>TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD</b>	<b>(1,276.0)</b>	<b>213.1</b>	<b>(1,276.0)</b>	<b>213.1</b>

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

	2018	2017	2016
As at 31 December	-	4.05950	4.48450
As at 31 March	3.86200	4.42400	-



# MISC BERHAD

(Company No. 8178 H)

## Unaudited Condensed Consolidated Statement of Financial Position

As at 31 March 2018

	31 March 2018 RM million	31 December 2017 RM million
<b>NON CURRENT ASSETS</b>		
Ships	20,395.8	20,902.5
Offshore floating assets	286.6	322.6
Property, plant and equipment	1,687.0	1,757.3
Prepaid lease payments on land and buildings	225.4	220.1
Finance lease receivables	13,681.0	13,862.4
Finance lease assets under construction	322.8	688.5
Investments in associates	0.5	0.5
Investments in joint ventures	1,011.3	1,127.8
Other non-current financial assets	250.3	237.7
Derivative assets	13.3	3.3
Intangible assets	799.7	844.4
Deferred tax assets	98.4	99.5
	<b>38,772.1</b>	<b>40,066.6</b>
<b>CURRENT ASSETS</b>		
Inventories	198.3	198.6
Finance lease receivables	964.3	990.8
Trade and other receivables	2,975.5	3,049.0
Cash, deposits and bank balances	5,160.1	5,900.7
Amounts due from related companies	59.7	47.3
Amounts due from joint ventures	34.0	74.7
Assets held for sale	117.0	123.0
Derivative assets	5.7	4.4
Tax receivable	20.0	14.6
	<b>9,534.6</b>	<b>10,403.1</b>
<b>TOTAL ASSETS</b>	<b>48,306.7</b>	<b>50,469.7</b>
<b>EQUITY</b>		
Share capital	8,923.3	8,923.3
Reserves	4,330.2	5,959.5
Retained profits	19,810.2	19,961.3
<b>Equity attributable to equity holders of the Corporation</b>	<b>33,063.7</b>	<b>34,844.1</b>
Non-controlling interests	1,026.9	1,060.6
<b>TOTAL EQUITY</b>	<b>34,090.6</b>	<b>35,904.7</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest bearing loans and borrowings	3,577.6	3,946.3
Deferred income	618.3	635.4
Deferred tax liabilities	27.2	31.1
	<b>4,223.1</b>	<b>4,612.8</b>
<b>CURRENT LIABILITIES</b>		
Interest bearing loans and borrowings	7,994.3	7,717.6
Trade and other payables	1,895.4	2,126.8
Amounts due to related companies	4.8	4.7
Amounts due to associates	1.0	1.0
Amounts due to joint ventures	97.5	102.1
	<b>9,993.0</b>	<b>9,952.2</b>
<b>TOTAL LIABILITIES</b>	<b>14,216.1</b>	<b>14,565.0</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>48,306.7</b>	<b>50,469.7</b>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2017.



# MISC BERHAD

(Company No. 8178 H)

## Unaudited Condensed Consolidated Statement of Cash Flows

For the Period Ended 31 March 2018

	31 March 2018 RM million	31 March 2017 RM million
<b>Cash Flows from Operating Activities:</b>		
Profit before tax	319.2	696.6
Impairment loss on receivables	18.5	227.9
Bad debts written off	1.4	-
Depreciation of ships, offshore floating assets and other property, plant and equipment	455.2	540.9
Amortisation of prepaid lease payments	1.7	1.8
Impairment loss on other investment	1.1	-
Write off of ships, property, plant and equipment	1.4	5.9
Gain on disposal of ships, property, plant and equipment	-	(30.8)
Net unrealised foreign exchange loss	4.9	15.6
Dividend income from equity investments	-	(0.6)
Finance costs	75.7	65.8
Interest income	(25.3)	(22.0)
Amortisation of intangibles	1.5	3.7
Upfront fees	3.2	-
Share of profit of joint ventures	(12.6)	(50.3)
Net movement in provisions	-	14.0
Operating profit before working capital changes	845.9	1,468.5
Inventories	(7.2)	(23.9)
Trade and other receivables	118.4	361.3
Trade and other payables	(55.0)	(284.3)
Cash generated from operations	902.1	1,521.6
Net tax paid	(5.2)	(7.5)
<b>Net cash flows generated from operating activities</b>	<b>896.9</b>	<b>1,514.1</b>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2017.



	31 March 2018 RM million	31 March 2017 RM million
<b>Cash Flows from Investing Activities:</b>		
Purchase of ships, offshore floating assets and other property, plant and equipment	(911.1)	(281.4)
Proceeds from disposal of ships, other property, plant and equipment and assets held for sale	-	88.9
Progress payments for finance lease assets under construction	(499.3)	(553.8)
Dividend income from:		
Quoted investments	-	0.6
Associates and joint ventures	71.9	75.8
Net fixed deposit (withdrawal)/placement	(1.4)	4.6
Interest received	18.8	12.3
<b>Net cash flows used in investing activities</b>	<b>(1,321.1)</b>	<b>(653.0)</b>
<b>Cash Flows from Financing Activities:</b>		
Drawdown of term loans and revolving credit	667.3	604.8
Repayment of term loans and revolving credit	(187.2)	(1,033.7)
Dividends paid to the equity holders of the Corporation	(401.7)	(892.8)
Dividends paid to non-controlling interest of subsidiaries	(23.4)	-
Interest paid	(130.8)	(58.3)
Cash pledged with bank - restricted (net)	(2.0)	(7.1)
<b>Net cash flows used in financing activities</b>	<b>(77.8)</b>	<b>(1,387.1)</b>
Net Change in Cash & Cash Equivalents	(501.9)	(526.0)
Cash & Cash Equivalents at the beginning of the year	5,792.0	6,409.0
Currency translation difference	(236.8)	(77.7)
Cash & Cash Equivalents at the end of the period	<b>5,053.3</b>	<b>5,805.3</b>
Cash pledged with bank - restricted	106.8	152.7
<b>Cash, deposits and bank balances</b>	<b>5,160.1</b>	<b>5,958.0</b>


**MISC BERHAD**

(Company No. 8178 H)

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

For the Period Ended 31 March 2018

	← Attributable to equity holders of the Corporation →													Non-controlling Interests
	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	
	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
<b>3 MONTHS ENDED 31 MARCH 2018</b>														
<b>At 1 January 2018</b>	<b>35,904.7</b>	<b>34,844.1</b>	<b>8,923.3</b>	-	<b>19,961.3</b>	<b>5,959.5</b>	<b>99.3</b>	<b>435.2</b>	<b>1.4</b>	<b>3.2</b>	<b>53.0</b>	<b>8.3</b>	<b>5,359.1</b>	<b>1,060.6</b>
Adjustment on initial application of MFRS 9	(113.0)	(113.0)	-	-	(60.0)	(53.0)	-	-	-	-	(53.0)	-	-	-
<b>At 1 January 2018 (Restated)</b>	<b>35,791.7</b>	<b>34,731.1</b>	<b>8,923.3</b>	-	<b>19,901.3</b>	<b>5,906.5</b>	<b>99.3</b>	<b>435.2</b>	<b>1.4</b>	<b>3.2</b>	-	<b>8.3</b>	<b>5,359.1</b>	<b>1,060.6</b>
Total comprehensive (loss)/income	(1,276.0)	(1,265.7)	-	-	310.6	(1,576.3)	-	-	-	-	-	17.8	(1,594.1)	(10.3)
<b>Transactions with owners</b>														
Dividends	(425.1)	(401.7)	-	-	(401.7)	-	-	-	-	-	-	-	-	(23.4)
<b>Total transactions with owners</b>	<b>(425.1)</b>	<b>(401.7)</b>	<b>-</b>	<b>-</b>	<b>(401.7)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(23.4)</b>
<b>At 31 March 2018</b>	<b>34,090.6</b>	<b>33,063.7</b>	<b>8,923.3</b>	-	<b>19,810.2</b>	<b>4,330.2</b>	<b>99.3</b>	<b>435.2</b>	<b>1.4</b>	<b>3.2</b>	-	<b>26.1</b>	<b>3,765.0</b>	<b>1,026.9</b>
<b>3 MONTHS ENDED 31 MARCH 2017</b>														
<b>At 1 January 2017</b>	<b>39,331.0</b>	<b>38,065.7</b>	<b>4,463.8</b>	<b>4,459.5</b>	<b>19,793.4</b>	<b>9,349.0</b>	<b>101.1</b>	<b>435.3</b>	<b>1.4</b>	<b>2.0</b>	<b>56.0</b>	<b>(3.8)</b>	<b>8,757.0</b>	<b>1,265.3</b>
Total comprehensive income/(loss)	213.1	200.5	-	-	676.2	(475.7)	-	-	-	-	(1.4)	8.8	(483.1)	12.6
<b>Transactions with owners</b>														
Dividends	(892.8)	(892.8)	-	-	(892.8)	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners</b>	<b>(892.8)</b>	<b>(892.8)</b>	<b>-</b>	<b>-</b>	<b>(892.8)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 31 March 2017</b>	<b>38,651.3</b>	<b>37,373.4</b>	<b>4,463.8</b>	<b>4,459.5</b>	<b>19,576.8</b>	<b>8,873.3</b>	<b>101.1</b>	<b>435.3</b>	<b>1.4</b>	<b>2.0</b>	<b>54.6</b>	<b>5.0</b>	<b>8,273.9</b>	<b>1,277.9</b>

\* 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 2017.

# 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 14 May 2018.

### A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the quarter ended 31 March 2018 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 2017.

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 2017.

The audited consolidated financial statements of the Group for the year ended 31 December 2017 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 2018 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2017 except as disclosed below:

As of 1 January 2018, 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 2018:**

Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)

Amendments to MFRS 2: Share-based Payment: Classification and Measurement of Share-based Payment Transactions

MFRS 9: Financial Instruments

MFRS 15: Revenue from Contracts with Customers

MFRS 15: Revenue from Contracts with Customers: Clarifications to MFRS 15

Amendments to MFRS 128: Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)

Amendments to MFRS 140: Investment Property: Transfers of Investment Property

IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The adoption of the above pronouncements has no material financial impact to the Group and the Corporation other than as set out below:

i. MFRS 9 Financial Instruments

The Group adopted MFRS 9 Financial Instruments on 1 January 2018. MFRS 9 replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, impairment of financial assets, and on hedge accounting.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

MFRS 9 contains three principal classifications categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale. The Group has elected to classify the equity investments as FVTPL and present subsequent changes in the investment's fair value to profit or loss.

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances will be measured on either 12 month ECLs or Lifetime ECLs. As allowed by the transitional provision of MFRS 9, the Group elected not to restate the comparatives.

Effects arising from the initial application of the new impairment model and the recognition of equity investments to FVTPL are as follows:

	<b>Impact of adoption of MFRS 9 to opening balance at 1 January 2018 RM million</b>
Decrease in retained earnings	60.0
Decrease in fair value reserve	53.0
Decrease in trade and other receivables	63.7
Decrease in finance lease receivables	75.6
Increase in other non-current financial assets	26.3

ii. MFRS 15 Revenue from Contract with Customers

MFRS 15 replaces the guidance in MFRS 111 Construction Contracts, MFRS 118 Revenue, IC Interpretation 13 Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligations.

The application of MFRS 15 does not have a material effect on the Group's financial statements.

**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 2017.

**A6. CHANGES IN COMPOSITION OF THE GROUP**

- (a) In conjunction with the delivery of Seri Camar on 28 February 2018, MISC Tankers Sdn. Bhd., a wholly-owned subsidiary of the Corporation, incorporated a wholly-owned subsidiary, Seri Camar (L) Private Limited, under the Labuan Companies Act, 1990, to own and operate Seri Camar.



## 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	584.6	976.0	276.0	146.9	37.3	2,020.8
Inter-segment	-	0.3	18.9	33.0	(52.2)	-
	<u>584.6</u>	<u>976.3</u>	<u>294.9</u>	<u>179.9</u>	<u>(14.9)</u> *	<u>2,020.8</u>
Operating profit/(loss)	<u>275.2</u>	<u>(39.2)</u>	<u>149.9</u>	<u>(25.5)</u>	<u>23.0</u> **	<u>383.4</u>

\* Comprises inter-segment eliminations.

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

## A8. SEASONALITY OF OPERATIONS

The businesses of the Group are subject to market fluctuations.

## A9. PROFIT FOR THE PERIOD

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

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2018 RM million	2017 RM million	2018 RM million	2017 RM million
Interest income	25.3	22.0	25.3	22.0
Other income	10.2	37.2	10.2	37.2
Finance costs	(75.7)	(65.8)	(75.7)	(65.8)
Depreciation of ships, offshore floating assets and other property, plant and equipment	(455.2)	(540.9)	(455.2)	(540.9)
Amortisation of prepaid lease payments	(1.7)	(1.8)	(1.7)	(1.8)
Amortisation of intangibles	(1.5)	(3.7)	(1.5)	(3.7)
Write off of ships, property, plant and equipment	(1.4)	(5.9)	(1.4)	(5.9)
Gain on disposal of ships, property, plant and equipment	-	30.8	-	30.8
Impairment loss on other investment	(1.1)	-	(1.1)	-
Impairment loss on receivables	(18.5)	(227.9)	(18.5)	(227.9)
Bad debts written off	(1.4)	-	(1.4)	-
Net realised foreign exchange gain/(loss)	7.4	(14.6)	7.4	(14.6)
Net unrealised foreign exchange loss	(4.9)	(15.6)	(4.9)	(15.6)

#### 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 RM1,089.6 million.

The Group did not dispose any ships, property, plant and equipment in the quarter ended 31 March 2018. The Group recognised a net gain on disposal of RM30.8 million from disposal of ships, property, plant and equipment in the quarter ended 31 March 2017.

#### A11. INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
	RM million	RM million	RM million
<b>Cost</b>			
<b>At 1 January 2017</b>	<b>1,058.9</b>	<b>212.7</b>	<b>1,271.6</b>
Currency translation differences	(84.9)	-	(84.9)
<b>At 31 December 2017</b>	<b>974.0</b>	<b>212.7</b>	<b>1,186.7</b>
Currency translation differences	(43.2)	-	(43.2)
<b>At 31 March 2018</b>	<b>930.8</b>	<b>212.7</b>	<b>1,143.5</b>
<b>Accumulated amortisation and impairment</b>			
<b>At 1 January 2017</b>	<b>162.5</b>	<b>170.4</b>	<b>332.9</b>
Amortisation	-	9.4	9.4
<b>At 31 December 2017</b>	<b>162.5</b>	<b>179.8</b>	<b>342.3</b>
Amortisation	-	1.5	1.5
<b>At 31 March 2018</b>	<b>162.5</b>	<b>181.3</b>	<b>343.8</b>
<b>Net carrying amount</b>			
<b>At 1 January 2017</b>	<b>896.4</b>	<b>42.3</b>	<b>938.7</b>
<b>At 31 December 2017</b>	<b>811.5</b>	<b>32.9</b>	<b>844.4</b>
<b>At 31 March 2018</b>	<b>768.3</b>	<b>31.4</b>	<b>799.7</b>

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 March 2018.

### A13. CASH, DEPOSITS AND BANK BALANCES

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

	31 March 2018 RM million	31 December 2017 RM million
Cash with PETRONAS Integrated Financial Shared Service Centre *	3,647.0	4,539.4
Cash and bank balances	350.7	381.0
Deposits with licensed banks	1,162.4	980.3
<b>Total cash, deposits and bank balances</b>	<b>5,160.1</b>	<b>5,900.7</b>

\* 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 RM106.8 million (31 December 2017: RM104.7 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
<b>At 31 March 2018</b>				
<b>Financial Assets</b>				
<b>Available-for-sale financial assets</b>				
Quoted investments	62.7	-	-	62.7
<b>Derivatives</b>				
Interest rate swaps designated as hedging instruments	-	19.0	-	19.0
	<b>62.7</b>	<b>19.0</b>	<b>-</b>	<b>81.7</b>
	Level 1 RM million	Level 2 RM million	Level 3 RM million	Total RM million
<b>At 31 December 2017</b>				
<b>Financial Assets</b>				
<b>Available-for-sale financial assets</b>				
Quoted investments	63.7	-	-	63.7
<b>Derivatives</b>				
Interest rate swaps designated as hedging instruments	-	7.7	-	7.7
	<b>63.7</b>	<b>7.7</b>	<b>-</b>	<b>71.4</b>

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 March 2018.

## 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 March 2018 RM million	31 December 2017 RM million
Short Term Borrowings		
Secured	1,642.1	1,037.8
Unsecured	6,352.2	6,679.8
	<u>7,994.3</u>	<u>7,717.6</u>
Long Term Borrowings		
Secured	2,580.1	2,786.2
Unsecured	997.5	1,160.1
	<u>3,577.6</u>	<u>3,946.3</u>
<b>Total</b>	<b><u>11,571.9</u></b>	<b><u>11,663.9</u></b>

ii) Foreign borrowings in United States Dollar equivalent as at 31 March 2018 is as follows:

	RM million
United States Dollar Borrowings	<u>11,571.9</u>

## A17. DIVIDENDS PAID

The Corporation paid the following dividends in the period ended 31 March 2018 and year ended 31 December 2017:

	31 March 2018 Sen/Share	RM million	31 December 2017 Sen/Share	RM million
Fourth tax exempt dividend in respect of:				
- Financial year ended 31 December 2017 on 15 March 2018	9.0	401.6	-	-
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
First interim tax exempt dividend in respect of:				
- Financial year ended 31 December 2017 on 31 May 2017	-	-	7.0	312.5

## A18. CAPITAL COMMITMENTS

	31 March 2018 RM million	31 December 2017 RM million
Approved and contracted for	1,725.7	3,142.1
Approved but not contracted for	291.9	689.6
<b>Total</b>	<b><u>2,017.6</u></b>	<b><u>3,831.7</u></b>

## A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 31 March 2018 comprise the following:

	RM million
<b>Secured</b>	
Bank guarantees extended to third parties	0.4
<b>Unsecured</b>	
Bank guarantees extended to third parties	127.4
Bank guarantees extended to related companies	84.6
	<u>212.0</u>

## A20. SUBSEQUENT MATERIAL EVENT

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

## B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2018 RM million	2017 RM million	2018 RM million	2017 RM million
<b>Revenue</b>				
LNG	584.6	746.5	584.6	746.5
Petroleum	976.3	1,285.2	976.3	1,285.2
Offshore	294.9	734.7	294.9	734.7
Heavy Engineering	179.9	235.9	179.9	235.9
Others, Eliminations and Adjustments	(14.9)	(17.4)	(14.9)	(17.4)
<b>Total</b>	<u>2,020.8</u>	<u>2,984.9</u>	<u>2,020.8</u>	<u>2,984.9</u>
<b>Operating Profit</b>				
LNG	275.2	330.0	275.2	330.0
Petroleum	(39.2)	82.6	(39.2)	82.6
Offshore	149.9	302.1	149.9	302.1
Heavy Engineering	(25.5)	(15.6)	(25.5)	(15.6)
Others, Eliminations and Adjustments	23.0	(17.8)	23.0	(17.8)
<b>Total Operating Profit</b>	<u>383.4</u>	<u>681.3</u>	<u>383.4</u>	<u>681.3</u>
Impairment loss on other investment	(1.1)	-	(1.1)	-
Gain on disposal of ships, property, plant and equipment	-	30.8	-	30.8
Finance costs	(75.7)	(65.8)	(75.7)	(65.8)
Share of profits of joint ventures	12.6	50.3	12.6	50.3
<b>Profit Before Tax</b>	<u>319.2</u>	<u>696.6</u>	<u>319.2</u>	<u>696.6</u>

### **Current quarter's performance against the quarter ended 31 March 2017**

Group revenue of RM2,020.8 million was 32.3% or RM964.1 million lower than the quarter ended 31 March 2017 ("corresponding quarter") revenue of RM2,984.9 million. Group operating profit of RM383.4 million was 43.7% or RM297.9 million lower than the corresponding quarter's profit of RM681.3 million. The variances in Group performance by segments are further explained below.

#### **LNG**

Revenue of RM584.6 million was 21.7% or RM161.9 million lower than the corresponding quarter's revenue of RM746.5 million, mainly due to the reduced number of operating vessels and a lower charter rate for the contract renewal of an LNG carrier in October 2017.

Operating profit of RM275.2 million was RM54.8 million lower than the corresponding quarter's profit of RM330.0 million. This was due to the corresponding quarter's profit included a recognition of compensation for an early termination of the time charter contract for one of the vessels and lower revenue in current quarter. However, the reduction in profit is partially negated with the lease commencement of two new vessels and lower vessel operating costs in the current quarter.

#### **Petroleum**

Revenue of RM976.3 million was 24.0% or RM308.9 million lower than the corresponding quarter's revenue of RM1,285.2 million, mainly due to the lower freight rates in the current quarter.

Petroleum segment recorded an operating loss of RM39.2 million compared to corresponding quarter's profit of RM82.6 million, mainly due to the lower revenue.

#### **Offshore**

Revenue of RM294.9 million was 59.9% or RM439.8 million lower than the corresponding quarter's revenue of RM734.7 million, due to the corresponding quarter's revenue included a recognition of one time gain for Gumusut-Kakap Semi-Floating Production System (L) Limited's ("GKL") variation works following the favourable decision of the adjudication in February 2017.

Operating profit of RM149.9 million was RM152.2 million lower than the corresponding quarter's profit of RM302.1 million, mainly from a lower revenue in GKL following the favourable adjudication results in corresponding quarter.

#### **Heavy Engineering**

Revenue of RM179.9 million was RM56.0 million lower than the corresponding quarter's revenue of RM235.9 million, mainly due to the completion of projects in its Heavy Engineering sub-segment while new secured projects are still in their early stages.

Operating loss of RM25.5 million was RM9.9 million higher than corresponding quarter's loss of RM15.6 million, mainly due to the lower revenue.

#### **Others, Eliminations and Adjustments**

Other segment's operating profit for the quarter is RM23.0 million compared to corresponding quarter's loss of RM17.8 million. This was mainly from higher net foreign exchange gain, and higher contribution from integrated marine, port and terminal services in the current quarter.

## B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

<u>GROUP</u>	Quarter Ended 31 March 2018 RM million	Quarter Ended 31 December 2017 RM million
Revenue	<u>2,020.8</u>	<u>2,434.5</u>
Operating Profit	383.4	627.0
Impairment loss on other investment	(1.1)	(553.9)
Net gain on disposal of an associate	-	1.6
Finance costs	(75.7)	(68.6)
Share of profits of joint ventures	12.6	35.9
Profit Before Tax	<u>319.2</u>	<u>42.0</u>

Group revenue of RM2,020.8 million was RM413.7 million lower than the preceding quarter's revenue of RM2,434.5 million, mainly from the lower freight rates in the Petroleum segment.

Group operating profit of RM383.4 million was 38.9% lower than the preceding quarter's profit of RM627.0 million, mainly due to the lower revenue in Petroleum segment.

## B3. GROUP CURRENT YEAR PROSPECTS

In Q1 2018, petroleum tanker earnings were considerably weaker than previous years, despite the winter season. Lower tonnage demand on the back of OPEC-led production cuts as well as tonnage oversupply depressed the market considerably. The petroleum shipping segment is expected to face a challenging 2018 and performance for the year is expected to be weaker than 2017.

On a positive note, vessels scrapped have been on the rise in Q1 2018 as the number of oil tanker tonnage recycled outnumbered new vessel delivered. The trend in scrapping is expected to continue, supported by good steel prices and a weak earnings environment encouraging owners to retire older tonnages. This supports a recovery in freight rates in the medium to longer term.

In the LNG shipping segment, spot charter rates have eased off in Q1 2018 on the back of diminishing winter demand and new tonnage delivery, after a strong pick up towards the end of 2017. Similar to petroleum shipping, the LNG shipping market is expected to face a weak spot market during the year as a result of tonnage overcapacity, exacerbated by a large number of long term charter expiries. Nonetheless, most of the Group's LNG carriers are on secured long term charters. Two new LNG carriers join the fleet in the first half of 2018 on long term charters, providing growth to operating profits.

The Group believes a more stable and higher oil price environment in 2018 will pave the way for a gradual recovery in global offshore oil and gas investments. The expected recovery in the number of projects approved represent opportunities for the Group, both locally and internationally, including opportunities in West Africa, Middle East and the Americas. Meanwhile, the present portfolio of current long term contracts in hand will support the financial performance of the Offshore segment for the financial year.

The Heavy Engineering segment in MHB continues to suffer from scarcity of new contracts despite signs of improving offshore investment and performance for 2018 is expected to remain under pressure. Similarly, MHB's Marine segment has encountered headwinds as ship owners have deferred their drydocking activities in the first quarter as a result of uncertainty in the enforcement of new regulations in the shipping industry but is expected to improve during the year.

## 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 March 2018  
RM million

Taxation for the period comprises the following charge:

Income tax charge	
- current period	(10.6)
- prior year	-
Deferred taxation	0.4
	<u>(10.2)</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 March 2018.

## 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, and pleadings have been closed.

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

**Arbitration Proceedings:**

Parties are in the midst of carrying out procedural directions given by the Tribunal in preparation for the Arbitration hearing due to be held from 25 February 2019 to 16 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.

Adjudication Proceedings have 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 deferred to 21 June 2018.

**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:

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

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 still in the midst of negotiating a commercial settlement. The Legal Proceedings are kept in abeyance unless the settlement does not materialise.

## B8. DIVIDENDS

The Board of Directors has approved a first tax exempt dividend of 7.0 sen per share in respect of financial year 2018 amounting to RM312.5 million. The proposed dividend will be paid on 12 June 2018 to shareholders registered at the close of business on 28 May 2018.

MISC Berhad declared a first tax exempt dividend of 7.0 sen per share in respect of financial year 2017 amounting to RM312.5 million on 31 May 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 May 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 March 2018 are as follows:

Contract/Tenure	Notional Value RM million	Fair Value Gain RM million
<b><u>Interest rate swaps</u></b>		
1 year to 3 years	1,158.6	1.5
More than 3 years	887.6	16.3
	<u>2,046.2</u>	<u>17.8</u>
<b>Total</b>	<b><u>2,046.2</u></b>	<b><u>17.8</u></b>

During the quarter ended 31 March 2018, the Group had not entered into any interest rate swap arrangement to hedge against adverse movements in interest rates.

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 December 2017:

- (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 March 2018, the Group does not have any financial liabilities measured at fair value through profit or loss.

## B11. EARNINGS PER SHARE

	Quarter Ended 31 March		Cumulative 3 Months Ended 31 March	
	2018	2017	2018	2017
Basic earnings per share are computed as follows:				
Profit for the period attributable to equity holders of the Corporation (RM million):	310.6	676.2	310.6	676.2
Weighted average number of ordinary shares in issue (million)	<u>4,463.8</u>	<u>4,463.8</u>	<u>4,463.8</u>	<u>4,463.8</u>
Basic earnings per share (sen)	7.0	15.1	7.0	15.1

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

By Order of the Board