

MISC Berhad

(Company No. 8178 H)

The figures have not been audited.



Condensed Consolidated Income Statement

For The Period Ended 30 June 2014

| | 3 Months Ended | | Cumulative | |
|---|----------------|----------------|------------------|----------------|
| | 30 June | | 6 Months Ended | |
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 2,538,633 | 2,284,413 | 4,829,175 | 4,663,952 |
| Cost of sales | (1,935,419) | (1,828,472) | (3,510,218) | (3,687,518) |
| GROSS PROFIT | 603,214 | 455,941 | 1,318,957 | 976,434 |
| Other operating income | 22,484 | 130,226 | 66,136 | 199,397 |
| General and administrative expenses | (243,362) | (239,965) | (498,481) | (438,644) |
| OPERATING PROFIT | 382,336 | 346,202 | 886,612 | 737,187 |
| Net impairment reversals | - | 54,343 | - | 30,376 |
| Net loss on ships disposal | (47,919) | (14,262) | (47,919) | (14,262) |
| Finance costs | (95,445) | (123,596) | (191,184) | (199,217) |
| Share of (loss)/profit of associates | (6) | 14 | (7) | 35 |
| Share of profit of joint ventures | 105,597 | 84,912 | 224,931 | 142,644 |
| PROFIT BEFORE TAX | 344,563 | 347,613 | 872,433 | 696,763 |
| Taxation | (25,547) | (12,741) | (41,566) | (25,196) |
| PROFIT FOR THE PERIOD | 319,016 | 334,872 | 830,867 | 671,567 |
| PROFIT/(LOSS) ATTRIBUTABLE TO: | | | | |
| Equity Holders of the Corporation: | 288,084 | 300,948 | 774,480 | 601,373 |
| Non-Controlling Interests | 30,932 | 33,924 | 56,387 | 70,194 |
| PROFIT FOR THE PERIOD | 319,016 | 334,872 | 830,867 | 671,567 |
| BASIC & DILUTED EARNINGS /(LOSS) PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION | 6.5 | 6.7 | 17.4 | 13.5 |

MISC Berhad

(Company No. 8178 H)

The figures have not been audited.



Condensed Consolidated Statement of Comprehensive Income

For The Period Ended 30 June 2014

| | 3 Months Ended | | Cumulative | |
|--|------------------|----------------|------------------|------------------|
| | 30 June | | 6 Months Ended | |
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| PROFIT AFTER TAX FOR THE PERIOD | 319,016 | 334,872 | 830,867 | 671,567 |
| OTHER COMPREHENSIVE INCOME | | | | |
| <i>Items that may be reclassified to profit or loss in subsequent periods:</i> | | | | |
| Fair value (loss)/gain on non-current investments | (15,754) | (2,669) | (40,385) | 11,387 |
| Cash Flow hedges: | | | | |
| Fair value (loss)/gain | | | | |
| Group | 2,032 | 32,337 | 1,671 | 46,902 |
| Joint ventures | 4,654 | (4,691) | 6,977 | 1,046 |
| Other reserves | | | | |
| (Loss)/gain on currency translation | (340,514) | 577,268 | (553,780) | 701,388 |
| Total other comprehensive (loss)/income | (349,582) | 602,245 | (585,517) | 760,723 |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD | (30,566) | 937,117 | 245,350 | 1,432,290 |
| TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO: | | | | |
| Equity Holders of the Corporation: | (59,594) | 900,523 | 192,838 | 1,358,379 |
| Non-Controlling Interests | 29,028 | 36,594 | 52,512 | 73,911 |
| TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD | (30,566) | 937,117 | 245,350 | 1,432,290 |

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2013.

MISC Berhad

(Company No. 8178 H)

The figures have not been audited.



Condensed Consolidated Statement of Financial Position

As at 30 June 2014

| | 30 June 2014 RM'000 | 31 December 2013 RM'000 |
|--|------------------------|----------------------------|
| NON CURRENT ASSETS | | |
| Ships | 18,067,698 | 18,948,734 |
| Offshore floating assets | 1,898,071 | 1,888,439 |
| Property, plant and equipment | 1,904,633 | 1,854,313 |
| Prepaid lease payments on land and buildings | 253,913 | 251,750 |
| Finance lease receivables | 1,344,210 | 1,387,841 |
| Investments in associates | 1,909 | 1,971 |
| Investments in joint ventures | 6,073,146 | 6,031,026 |
| Other non-current financial assets | 755,198 | 817,780 |
| Intangible assets | 878,596 | 901,533 |
| Deferred tax asset | 67,473 | 65,422 |
| | 31,244,847 | 32,148,809 |
| CURRENT ASSETS | | |
| Inventories | 234,376 | 262,900 |
| Finance lease receivables | 51,651 | 59,124 |
| Trade and other receivables | 2,650,560 | 2,370,047 |
| Cash and cash equivalents | 7,343,857 | 4,747,735 |
| Amounts due from Group companies | 76,330 | 61,003 |
| Amounts due from associates | 337 | 197 |
| Amounts due from joint ventures | 333,510 | 359,344 |
| Assets held for sale | 123,786 | 221,728 |
| Derivatives assets | 1,238 | 1,344 |
| | 10,815,645 | 8,083,422 |
| TOTAL ASSETS | 42,060,492 | 40,232,231 |
| EQUITY | | |
| Share capital | 4,463,794 | 4,463,794 |
| Share premium | 4,459,468 | 4,459,468 |
| Reserves | 213,191 | 794,832 |
| Retained profits | 15,543,285 | 14,994,835 |
| Equity attributable to owners of the parent | 24,679,738 | 24,712,929 |
| Non-Controlling Interests | 1,050,010 | 1,044,440 |
| TOTAL EQUITY | 25,729,748 | 25,757,369 |
| NON-CURRENT LIABILITIES | | |
| Interest bearing loans and borrowings | 8,804,085 | 6,826,205 |
| Deferred tax liabilities | 24,030 | 20,143 |
| Liner Exit Provisions | 526,629 | 602,973 |
| Derivatives liabilities | 3,115 | 4,230 |
| | 9,357,859 | 7,453,551 |
| CURRENT LIABILITIES | | |
| Interest bearing loans and borrowings | 3,384,235 | 3,392,624 |
| Trade and other payables | 3,458,003 | 3,491,213 |
| Provision for taxation | 31,549 | 34,421 |
| Amounts due to Group companies | 7,201 | 15,996 |
| Amounts due to associates | 2,180 | 2,177 |
| Amounts due to joint ventures | 89,717 | 84,880 |
| Derivative liabilities | - | - |
| | 6,972,885 | 7,021,311 |
| TOTAL LIABILITIES | 16,330,744 | 14,474,862 |
| TOTAL EQUITY AND LIABILITIES | 42,060,492 | 40,232,231 |

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2013.

MISC Berhad

(Company No. 8178 H)

The figures have not been audited.



Condensed Consolidated Statement of Cash Flow

For The Period Ended 30 June 2014

| | 30 June 2014 | 30 June 2013 |
|---|------------------|--------------------|
| | RM'000 | RM'000 |
| Cash Flow from Operating Activities: | | |
| Cash receipts from customers | 4,611,923 | 4,412,389 |
| Cash paid to suppliers and employees | (3,129,544) | (3,715,338) |
| Cash from Operations | 1,482,379 | 697,051 |
| Taxation paid | (43,462) | (10,724) |
| Net cash generated from operating activities | 1,438,916 | 686,327 |
| Cash Flow from Investing Activities: | | |
| Purchase of ships, offshore floating assets and other property, plant and equipment | (938,265) | (1,320,582) |
| Proceeds from disposal of ships, other property, plant and equipment and assets held for sale | 445,644 | 292,278 |
| Dividend received from: | | |
| Quoted investments | 795 | 2,688 |
| Associates and joint ventures | 19,316 | - |
| Repayment of loans due from joint ventures | - | 18,742 |
| Loans to joint ventures | (5,245) | (87,567) |
| Cash advances from a joint venture | - | 33,930 |
| Proceeds from disposal of a subsidiary | 5,000 | 2,948 |
| Additional investments in a subsidiary and a joint venture | - | (2,200) |
| Acquisitions of associates and joint ventures | - | - |
| Interest received | 14,366 | 20,500 |
| Net cash flows (used in)/generated from investing activities | (458,390) | (1,039,263) |
| Cash Flow from Financing Activities: | | |
| Drawdown of term loans and revolving credit | 2,453,532 | 190,000 |
| Repayment of term loans and revolving credit | (234,910) | (231,441) |
| Drawdown of Islamic loans | - | - |
| Repayment of Islamic loans | - | - |
| Drawdown of shareholder's revolving credit | - | - |
| Repayment of shareholders loan | - | - |
| Acquisition of non-controlling interest | (58,771) | - |
| Dividends paid | (226,031) | - |
| Dividends paid to non-controlling interest of subsidiaries | (46,942) | (87,736) |
| Interest paid | (178,540) | (167,138) |
| Net cash generated from/(used in) financing activities - continuing operations | 1,708,337 | (296,315) |
| Net Change in Cash & Cash Equivalents | 2,688,863 | (649,252) |
| Cash & Cash Equivalents at the beginning of the year | 4,747,735 | 3,972,743 |
| Currency translation difference | (92,741) | 88,080 |
| Cash & Cash Equivalent at the end of the period | 7,343,857 | 3,411,571 |

The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2013.

MISC Berhad

(Company No. 8178 H)



Condensed Consolidated Statement of Changes in Equity

For The Period Ended 30 June 2014

| | ← 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 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 | | | | | | | | | | | | | | | |
| Disposal of a subsidiary | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Acquisition of non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 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 |
| 6 MONTHS ENDED 30 JUNE 2013 | | | | | | | | | | | | | | | |
| At 1 January 2013 | 22,484,960 | 21,081,970 | 4,463,794 | 4,459,468 | 12,858,809 | (700,101) | 41,415 | 435,284 | 1,357 | 1,966 | 59,715 | 252,794 | (116,147) | (1,376,485) | 1,402,990 |
| Impact on adoption of MFRS 10 & 11 | (280,967) | 42,008 | - | - | 47,819 | (5,811) | (5,764) | - | - | - | - | - | - | (47) | (322,975) |
| At 1 January 2013 (Restated) | 22,203,993 | 21,123,978 | 4,463,794 | 4,459,468 | 12,906,628 | (705,912) | 35,651 | 435,284 | 1,357 | 1,966 | 59,715 | 252,794 | (116,147) | (1,376,532) | 1,080,015 |
| Total comprehensive income | 1,432,290 | 1,358,379 | - | - | 601,373 | 757,006 | - | - | - | - | - | 11,387 | 47,762 | 697,857 | 73,911 |
| Transactions with owners | | | | | | | | | | | | | | | |
| Disposal of a subsidiary | (1,617) | - | - | - | - | - | - | - | - | - | - | - | - | - | (1,617) |
| Acquisition of non-controlling interest | (500) | (2,116) | - | - | (2,116) | - | - | - | - | - | - | - | - | - | 1,616 |
| Dividends | (87,736) | - | - | - | - | - | - | - | - | - | - | - | - | - | (87,736) |
| Total transactions with owners | (89,853) | (2,116) | - | - | (2,116) | - | - | - | - | - | - | - | - | - | (87,737) |
| At 30 June 2013 | 23,546,430 | 22,480,241 | 4,463,794 | 4,459,468 | 13,505,885 | 51,094 | 35,651 | 435,284 | 1,357 | 1,966 | 59,715 | 264,181 | (68,385) | (678,675) | 1,066,189 |

* 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 2013.

MISC Berhad

(Company No. 8178 H)

Notes to The Condensed Financial Report

The figures have not been audited

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 5 August 2014.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the period ended 30 June 2014 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 2013.

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 2013.

The audited consolidated financial statements of the Group for the year ended 31 December 2013 are available upon request from the Corporation's registered office located at Level 25, Menara Dayabumi, Jalan Sultan Hishamuddin, 50050 Kuala Lumpur.

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 2014 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2013.

As of 1 January 2014, the Group and the Corporation have adopted revised MFRSs and Amendments to MFRSs that have been issued by the MASB as listed below:

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014:

Amendments to MFRS 10: Consolidated Financial Statements
Amendments to MFRS 12: Disclosure of Interests in Other Entities
Amendments to MFRS 127: Consolidated and Separate Financial Statements
Amendments to MFRS 132: Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
(Annual Improvements 2009-2011 Cycle)
IC Interpretation 21: Levies

MFRS and amendments effective for annual periods beginning on or after 1 July 2014:

Amendments to MFRS 2: Share-based Payment (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 3: Business Combinations (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 3: Business Combinations (Annual Improvements 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: 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 prior 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 2013.

A6. CHANGES IN COMPOSITION OF THE GROUP

On 21 March 2014, the Corporation announced that it has entered into an Agreement for Sale and Purchase of Shares with Golden Age Logistics Sdn. Bhd. ("GAL"), a wholly-owned subsidiary of Utusan Printcorp Sdn. Bhd. ("UPSB"), for the proposed disposal of 100% equity interest held by the Corporation in MISC Integrated Logistics Sdn. Bhd. ("MILS") for a cash consideration of RM250.0 million.

A7. SEGMENT REPORT

Segmental analysis for the current financial year 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 | 3,206,385 | 1,449,891 | 172,899 | 4,829,175 |
| Inter-Segment | 1,707 | 475,435 | (477,142) | - |
| | 3,208,092 | 1,925,326 | (304,243) * | 4,829,175 |
| Operating profit | 796,786 | 109,486 | (19,660) ** | 886,612 |

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-2014 RM'000 | 30-June-2013 RM'000 | 30-June-2014 RM'000 | 30-June-2013 RM'000 |
| Interest income | 8,619 | 7,779 | 20,222 | 17,979 |
| Other income | 15,665 | 29,057 | 31,085 | 64,548 |
| Finance cost | (95,445) | (123,596) | (191,184) | (199,217) |
| Depreciation of property, plant and equipment | (318,274) | (301,514) | (634,012) | (581,155) |
| Amortisation of prepaid lease payments | (1,686) | (2,782) | (3,508) | (4,756) |
| Amortisation of intangibles | (3,260) | (7,022) | (6,484) | (13,968) |
| Impairment loss on trade and non trade receivables: | | | | |
| Joint ventures | - | 767 | - | (1,277) |
| Third parties | (794) | - | (5,320) | (85) |
| Bad debts written off | (1,055) | (452) | (1,055) | (1,213) |
| Impairment reversal of ships, property, plant and equipment, and assets held for sales | - | 54,343 | - | 30,376 |
| Net realised foreign exchange gain/(loss) | (5,299) | 81,944 | (7,994) | 96,516 |
| Net unrealised foreign exchange (loss)/gain | (27,275) | (44,843) | (26,834) | (59,054) |

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

Included in total assets are constructions work-in-progress, mainly for the construction of ships and offshore floating assets, of RM3,153,592,000.

In the quarter ended 30 June 2014, the Group disposed assets with carrying amount of RM386,829,000 (30 June 2013: RM285,383,000) recognising a net loss on disposal of RM47,919,000 (30 June 2013: Net loss on disposal of RM14,146,000). For the cumulative six months ended 30 June 2014, the Group recognised a net loss on disposal of RM47,919,000 (30 June 2013 : Net loss on disposal of RM14,435,000).

A11. INTANGIBLE ASSETS

| | Goodwill | Other Intangible Assets | Total |
|--|----------------|----------------------------|------------------|
| | RM'000 | RM'000 | RM'000 |
| Cost | | | |
| At 1 January 2013 | 763,002 | 504,463 | 1,267,465 |
| Addition | | | - |
| Currency translation differences | 47,682 | | 47,682 |
| At 31 December 2013 | 810,684 | 504,463 | 1,315,147 |
| Addition | | | - |
| Currency translation differences | (16,453) | | (16,453) |
| At 30 June 2014 | 794,231 | 504,463 | 1,298,694 |
| Accumulated amortisation and impairment | | | |
| At 1 January 2013 | 2,325 | 398,213 | 400,538 |
| Amortisation | | 13,076 | 13,076 |
| At 31 December 2013 | 2,325 | 411,289 | 413,614 |
| Amortisation | | 6,484 | 6,484 |
| At 30 June 2014 | 2,325 | 417,773 | 420,098 |
| Net carrying amount | | | |
| At 1 January 2013 | 760,677 | 106,250 | 866,927 |
| At 31 December 2013 | 808,359 | 93,174 | 901,533 |
| At 30 June 2014 | 791,906 | 86,690 | 878,596 |

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 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 2013.

Goodwill was not tested for impairment in the quarter as there were no indications of impairment as at 30 June 2014.

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

A12. INVENTORIES

There were no write-down of inventories or reversal of inventories written-down recognised by the Group during the quarter ended 30 June 2014.

A13. CASH AND CASH EQUIVALENTS

Breakdown of cash and cash equivalents are as follows:

| | 30-June-2014 RM'000 | 31-Dec-2013 RM'000 |
|--|------------------------|-----------------------|
| Cash with PETRONAS Integrated Financial Shared Service Centre * | 3,311,230 | 2,414,069 |
| Cash and bank balances | 231,248 | 286,098 |
| Deposits with licensed banks | 3,801,379 | 2,047,568 |
| Total cash and cash equivalents | 7,343,857 | 4,747,735 |

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

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 2014 | | | | |
| <u>Financial Assets</u> | | | | |
| Available-for-sale financial assets | | | | |
| Quoted investments | 298,223 | - | - | 298,223 |
| Derivatives | | | | |
| Forward exchange contracts | - | 1,238 | - | 1,238 |
| | 298,223 | 1,238 | - | 299,461 |
| <u>Financial Liabilities</u> | | | | |
| Derivatives | | | | |
| Interest rate swaps designated as hedging instruments | - | (3,115) | - | (3,115) |
| At 31 December 2013 | | | | |
| <u>Financial Assets</u> | | | | |
| Available-for-sale financial assets | | | | |
| Quoted investments | 338,613 | - | - | 338,613 |
| Derivatives | | | | |
| Forward exchange contracts | - | 1,344 | - | 1,344 |
| | 338,613 | 1,344 | - | 339,957 |
| <u>Financial Liabilities</u> | | | | |
| Derivatives | | | | |
| Interest rate swaps designated as hedging instruments | - | (4,230) | - | (4,230) |

A14. FAIR VALUE HIERARCHY (CONT'D.)

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 2014.

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-2014 | 31-Dec-2013 |
|-----------------------|--------------------------|--------------------------|
| | RM'000 | RM'000 |
| Short Term Borrowings | | |
| Secured | 278,185 | 301,372 |
| Unsecured | 3,106,050 | 3,091,252 |
| | <u>3,384,235</u> | <u>3,392,624</u> |
| Long Term Borrowings | | |
| Secured | 966,397.00 | 1,122,819 |
| Unsecured | 7,837,688.00 | 5,703,386 |
| | <u>8,804,085</u> | <u>6,826,205</u> |
| Total | <u>12,188,320</u> | <u>10,218,829</u> |

ii) Foreign borrowings in United States Dollar equivalent as at 30 June 2014 are as follows :-

| | RM'000 |
|---------------------------------|------------------|
| United States Dollar Borrowings | <u>8,235,980</u> |

A17. DIVIDENDS

No interim dividend has been declared for the financial period ended 30 June 2014 (30 June 2013 : Nil).

A18. CAPITAL COMMITMENTS

| | 30-June-2014 | 31-Dec-2013 |
|---|-------------------------|-------------------------|
| | RM'000 | RM'000 |
| Approved and contracted for: | | |
| <i>Group</i> | 913,421 | 705,590 |
| <i>Share of capital commitments</i> | | |
| <i>in joint ventures</i> | 120,818 | 309,581 |
| | <u>1,034,239</u> | <u>1,015,171</u> |
| Approved but not contracted for: | | |
| <i>Group</i> | 2,370,475 | 2,423,013 |
| <i>Share of capital commitments</i> | | |
| <i>in joint ventures</i> | 103,950 | 77,670 |
| | <u>2,474,425</u> | <u>2,500,683</u> |
| Total | <u>3,508,664</u> | <u>3,515,854</u> |

A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group comprise the following :-

| | RM'000 |
|---|----------------|
| <i>Secured</i> | |
| Bank guarantees extended to a third party | <u>53,400</u> |
| <i>Unsecured</i> | |
| Bank guarantees extended to third parties | 10,287 |
| Trade guarantees and performance bonds | <u>406,592</u> |
| | <u>416,879</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

GROUP

| | Quarter RM Million | | Year to date RM Million | |
|--|-----------------------|--------------|----------------------------|--------------|
| | 30-June-2014 | 30-June-2013 | 30-June-2014 | 30-June-2013 |
| Revenue | 2,538.6 | 2,284.4 | 4,829.2 | 4,664.0 |
| Operating Profit | 382.3 | 346.2 | 886.6 | 737.2 |
| Net impairment reversals | - | 54.3 | - | 30.4 |
| Net loss on ship disposals | (47.9) | (14.3) | (47.9) | (14.3) |
| Finance costs | (95.4) | (123.6) | (191.2) | (199.2) |
| Share of profit of joint ventures and associates | 105.6 | 85.0 | 224.9 | 142.7 |
| PBT | 344.6 | 347.6 | 872.4 | 696.8 |

Performance of current quarter against the corresponding quarter

Group revenue for the quarter ended 30 June 2014 of RM2,538.6 million was 11.1% higher than RM2,284.4 million revenue in the corresponding quarter.

The increase in Group revenue was mainly due to higher revenue in Heavy Engineering following progress of projects in hand during the quarter. Higher earning days in LNG business and improved freight rates in Petroleum business contributed to the increase in Group revenue, while a smaller fleet of operating vessels caused a decline in Chemical business revenue.

Arising from the increase in Group revenue, coupled with lower operating costs from a smaller fleet of operating vessels, Group operating profit of RM382.3 million was 10.4% higher than the corresponding quarter's profit of RM346.2 million.

Group profit before tax of RM344.6 million was 0.9% lower than the corresponding quarter's profit of RM347.6 million.

Performance of the year against prior year

Group revenue for the 6-months ended 30 June 2014 of RM4,829.2 million was 3.5% higher than the RM4,664.0 million revenue for the 6-months ended 30 June 2013 ("corresponding period").

Improved freight rates in Petroleum business and higher earning days in LNG business were the main contributors to the increase in Group revenue. However, a smaller fleet of operating vessels in Chemical business and lower revenue recognised by Heavy Engineering in the current year, from different phases of project construction, partially negated the increase in Group revenue.

Group operating profit of RM886.6 million was 20.3% higher than RM737.2 million in the corresponding period, mainly from higher revenue and lower operating costs from a smaller fleet of operating vessels.

Group profit before tax of RM872.4 million was 25.2% higher than RM696.8 million in the corresponding period.

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

Performance and prospects of each operating segment are discussed below:

ENERGY RELATED SHIPPING ("ERS")

| | Quarter RM Million | | Year to date RM Million | |
|-------------------------|-----------------------|--------------|----------------------------|--------------|
| | 30-June-2014 | 30-June-2013 | 30-June-2014 | 30-June-2013 |
| Revenue: | | | | |
| Third Party | 1,568.5 | 1,428.6 | 3,206.4 | 2,853.3 |
| Operating profit | <u>346.5</u> | <u>196.2</u> | <u>796.8</u> | <u>449.1</u> |

Performance of current quarter against the corresponding quarter

Revenue of RM1,568.5 million was 9.8% higher than the corresponding quarter's revenue of RM1,428.6 million, mainly due to higher earning days in LNG business and improved freight rates in Petroleum business. However, lower revenue in Chemical business, from a smaller fleet of operating vessels, partially countered the increase in the segment's revenue.

The segment recorded higher operating profit of RM346.5 million compared to RM196.2 million in the corresponding quarter, in line with higher revenue and lower operating cost from a smaller fleet of operating vessels in Petroleum and Chemical businesses.

Performance of the year against prior year

Revenue for the 6-months ended 30 June 2014 of RM3,206.4 million was 12.4% higher than RM2,853.3 million in the corresponding period, mainly due to higher earning days in LNG business and improved freight rates in Petroleum business. However, lower revenue in Chemical business from a smaller fleet of operating vessels partially negated the increase in the

On the back of higher revenue and lower operating cost from a smaller fleet of operating vessels, the segment recorded higher operating profit of RM796.8 million compared to RM449.1 million in the corresponding period.

Chemical and Petroleum shipping prospects remain challenging amidst a vessel oversupply market.

Long-term contracts in LNG business continue to provide stability to the Group.

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

OTHER ENERGY BUSINESS ("OEB")

| | Quarter RM Million | | Year to date RM Million | |
|-------------------------|-----------------------|--------------|----------------------------|--------------|
| | 30-June-2014 | 30-June-2013 | 30-June-2014 | 30-June-2013 |
| Revenue: | | | | |
| Third Party | 883.0 | 722.4 | 1,449.9 | 1,549.2 |
| Operating profit | <u>50.5</u> | <u>115.5</u> | <u>109.5</u> | <u>233.6</u> |

Performance of current quarter against the corresponding quarter

Revenue of RM883.0 million was 22.2% higher than RM722.4 million in the corresponding quarter, mainly due to higher revenue in Heavy Engineering following progress of projects in hand during the quarter.

Operating profit of RM50.5 million was lower compared to RM115.5 million in the corresponding quarter mainly due to additional costs incurred for certain projects in Heavy Engineering.

Performance of the year against prior year

Revenue for the 6-months ended 30 June 2014 of RM1,449.9 million was 6.4% lower than the corresponding quarter's profit of RM1,549.2 million, mainly due to lower revenue by Heavy Engineering from different phases of project construction.

The segment recorded lower operating profit of RM109.5 million compared to RM233.6 million in the corresponding period following the decline in Heavy Engineering revenue.

Growth opportunities in the segment remains strong with rising demand from various field development projects within the Oil and Gas sector.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

GROUP

| | Current Quarter RM Million 30-June-2014 | Preceding Quarter RM Million 31-Mar-2014 |
|--|---|--|
| Revenue | <u>2,538.6</u> | <u>2,290.5</u> |
| Operating Profit | 382.3 | 504.3 |
| Net loss on ships disposal | (47.9) | - |
| Finance costs | (95.4) | (95.7) |
| Share of profit of joint ventures and associates | 105.6 | 119.3 |
| PBT | <u>344.6</u> | <u>527.9</u> |

The Group's revenue of RM2,538.6 million was 10.8% higher than RM2,290.5 million in the preceding quarter, mainly due to higher revenue in Heavy Engineering following progress of projects in hand during the quarter.

Group operating profit of RM382.3 million was 24.2% lower than the preceding quarter's profit of RM504.3 million, mainly due to an operating loss incurred in Petroleum business from a decline in freight rates.

The current quarter's profit before tax of RM344.6 million was 34.7% lower compared to the preceding quarter's profit of RM527.9 million.

B3. GROUP CURRENT YEAR PROSPECTS

Chemical and Petroleum shipping prospects remain challenging amidst a vessel oversupply market. Long-term contracts in LNG and Offshore businesses continue to provide stability to the Group.

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

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

B5. TAXATION

| | Current Quarter Apr 2014 - June 2014 RM'000 | Year to date Jan 2014 - June 2014 RM'000 |
|--|---|--|
| Taxation for the period comprises the following charge | | |
| Income tax charge | | |
| - current period | 18,717 | 37,316 |
| - prior year | (21) | 2 |
| Deferred taxation | <u>6,851</u> | <u>4,248</u> |
| | <u>25,547</u> | <u>41,566</u> |

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

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

B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

(a) On 21 March 2014, the Corporation announced that it has entered into an Agreement for Sale and Purchase of Shares with Golden Age Logistics Sdn. Bhd. ("GAL"), a wholly-owned subsidiary of Utusan Printcorp Sdn. Bhd. ("UPSB"), for the proposed disposal of 100% equity interest held by the Corporation in MISC Integrated Logistics Sdn. Bhd. ("MILS") for a cash consideration of RM250.0 million.

B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

(b) The status of the utilisation of proceeds raised from disposal of 50% stake in Gumusut ("Share Disposal") as at 31 July 2014 is as follows:

| Purpose | Proposed utilisation ⁽¹⁾ | Actual utilisation | Estimated timeframe for utilisation from the Completion Date ⁽¹⁾ | Revised timeframe for utilisation from the Completion Date | Deviation amount | Explanations |
|---|-------------------------------------|--------------------|---|--|------------------|---|
| | RM'million | RM'million | | | RM'million | |
| 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 | 696.1 | Within eighteen (18) months | Within thirty six (36) months ⁽²⁾ | 776.1 | 52.7 Slower progress than originally anticipated of a capital project and deferment of a capital project to which some of the proceeds were intended for utilisation. |
| Estimated expenses relating to the Share Disposal | 2.0 | 1.8 | Within three (3) months | Within three (3) months | 0.2 | 10.0 See note (4) below. |
| Total | 5,294.8 | 4,518.5 | | | 776.3 | |

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

There were no material litigations involving the Group for the quarter ended 30 June 2014.

B8. DIVIDENDS

The Board of Directors has approved a first interim tax exempt dividend of 4 sen per share (2013: Nil) in respect of financial year 2014 amounting to RM178.6 million (2013: Nil). The proposed dividend will be paid on 24 September 2014 to shareholders registered at the close of business on 10 September 2014.

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 10 September 2014 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 existing IRS entered in March 2010 will mature in February 2017. 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 2014 are as follows:

| Contract/Tenure | Notional Value RM'000 | Fair Value gain/(loss) RM'000 |
|-----------------------------------|--------------------------|----------------------------------|
| Foreign exchange contracts | | |
| less than 1 year | 75,143 | 1,238 |
| Interest rate swaps | | |
| More than 3 years | 153,587 | (3,115) |
| Total | 228,730 | (1,877) |

B10. EARNINGS/(LOSS) PER SHARE

| | Quarter ended 31-Mar | | Financial period ended 31-Mar | |
|--|-------------------------|------------------|----------------------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 |
| Basic earnings/(loss) per share are computed as follows: | | | | |
| Profit/(loss) for the period attributable to owners of the Corporation (RM'000): | 288,084 | 300,948 | 774,480 | 601,373 |
| Weighted average number of ordinary shares in issue (thousand) | 4,463,794 | 4,463,794 | 4,463,794 | 4,463,794 |
| Basic earnings/(loss) per share (sen) | 6.5 | 6.7 | 17.4 | 13.5 |

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 31 December 2013 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-2014 | 31-Dec-2013 |
|--|--------------------------|--------------------------|
| | RM'000 | RM'000 |
| Total retained profits of MISC Group and its subsidiaries: | | |
| - Realised | 16,157,139 | 15,825,477 |
| - Unrealised | <u>(10,915)</u> | <u>(59,965)</u> |
| | <u>16,146,224</u> | <u>15,765,512</u> |
| Total share of retained loss from associates: | | |
| - Realised | (2,396) | (2,251) |
| - Unrealised | <u>-</u> | <u>(68)</u> |
| | <u>(2,396)</u> | <u>(2,319)</u> |
| Total share of retained profits from joint ventures : | | |
| - Realised | 1,758,344 | 1,532,069 |
| - Unrealised | <u>1,937</u> | <u>22,865</u> |
| | <u>1,760,281</u> | <u>1,554,934</u> |
| Total Group retained profits | <u>17,904,109</u> | <u>17,318,127</u> |
| Less: | | |
| Consolidation adjustments | (2,360,824) | (2,323,292) |
| Total Group retained profits as per consolidated accounts | <u>15,543,285</u> | <u>14,994,835</u> |

By Order of the Board