MISC BERHAD
(Company No. 8178 H)

Unaudited Condensed Consolidated Income Statement
For The Period Ended 30 June 2018

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2018	**2017**	**2018**	**2017**
	RM million	**RM million**	**RM million**	**RM million**
Revenue	2,141.8	2,302.5	4,162.6	5,287.4
Cost of sales	(1,623.4)	(1,609.5)	(3,080.0)	(3,493.3)
GROSS PROFIT	**518.4**	**693.0**	**1,082.6**	**1,794.1**
Other operating income	51.2	240.4	117.0	302.4
General and administrative expenses	(222.6)	(216.0)	(469.2)	(697.8)
OPERATING PROFIT	**347.0**	**717.4**	**730.4**	**1,398.7**
Impairment loss on ships, property, plant and equipment and other investment	-	(133.6)	(1.1)	(133.6)
Net loss on liquidation of a subsidiary	-	(17.2)	-	(17.2)
Gain/(loss) on disposal of ships, property, plant and equipment	1.0	(2.4)	1.0	28.4
Finance costs	(99.5)	(65.1)	(175.2)	(130.9)
Share of profit of joint ventures	70.0	59.6	82.6	109.9
PROFIT BEFORE TAX	**318.5**	**558.7**	**637.7**	**1,255.3**
Taxation	(9.3)	(4.9)	(19.5)	(7.6)
PROFIT AFTER TAX	**309.2**	**553.8**	**618.2**	**1,247.7**
PROFIT ATTRIBUTABLE TO:				
Equity holders of the Corporation	321.2	556.5	631.8	1,232.7
Non-controlling interests	(12.0)	(2.7)	(13.6)	15.0
PROFIT AFTER TAX	**309.2**	**553.8**	**618.2**	**1,247.7**
BASIC EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE CORPORATION (SEN)	7.2	12.5	14.2	27.6

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 30 June 2018

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2018	**2017**	**2018**	**2017**
	RM million	**RM million**	**RM million**	**RM million**
PROFIT AFTER TAX	**309.2**	**553.8**	**618.2**	**1,247.7**
OTHER COMPREHENSIVE INCOME				
Items that may be reclassified to profit or loss in subsequent periods:				
Fair value loss on non-current investments	-	(0.8)	-	(2.2)
Cash flow hedges:				
Fair value gain/(loss)				
Group	8.4	(1.6)	26.2	10.0
Joint ventures	-	(0.9)	-	(0.6)
Gain/(loss) on currency translation *	1,492.6	(1,037.1)	(101.5)	(1,528.3)
Total other comprehensive gain/(loss)	**1,501.0**	**(1,040.4)**	**(75.3)**	**(1,521.1)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**1,810.2**	**(486.6)**	**542.9**	**(273.4)**
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Equity holders of the Corporation	1,814.1	(476.7)	557.1	(276.1)
Non-controlling interests	(3.9)	(9.9)	(14.2)	2.7
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**1,810.2**	**(486.6)**	**542.9**	**(273.4)**

* 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	-
As at 30 June	4.04550	4.29500	-

The Condensed Consolidated Statement of Comprehensive Income 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 Financial Position

As at 30 June 2018

	30 June 2018 RM million	31 December 2017 RM million
NON CURRENT ASSETS		
Ships	20,934.4	20,902.5
Offshore floating assets	1,292.1	322.6
Property, plant and equipment	1,774.8	1,757.3
Prepaid lease payments on land and buildings	216.5	220.1
Finance lease receivables	15,334.1	13,862.4
Finance lease assets under construction	-	688.5
Investments in associates	0.5	0.5
Investments in joint ventures	1,029.0	1,127.8
Other non-current financial assets	253.1	237.7
Derivative assets	31.4	3.3
Intangible assets	838.4	844.4
Deferred tax assets	104.0	99.5
	41,808.3	**40,066.6**
CURRENT ASSETS		
Inventories	180.3	198.6
Finance lease receivables	1,134.7	990.8
Trade and other receivables	2,363.8	3,049.0
Cash,deposits and bank balances	5,352.5	5,900.7
Amounts due from related companies	62.4	47.3
Amounts due from joint ventures	20.8	74.7
Assets held for sale	122.6	123.0
Derivative assets	3.2	4.4
Tax receivable	13.5	14.6
	9,253.8	**10,403.1**
TOTAL ASSETS	**51,062.1**	**50,469.7**
EQUITY		
Share capital	8,923.3	8,923.3
Reserves	5,831.8	5,959.5
Retained profits	19,818.9	19,961.3
Equity attributable to equity holders of the Corporation	**34,574.0**	**34,844.1**
Non-controlling interests	1,023.0	1,060.6
TOTAL EQUITY	**35,597.0**	**35,904.7**
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	5,115.7	3,946.3
Deferred income	614.1	635.4
Deferred tax liabilities	27.6	31.1
	5,757.4	**4,612.8**
CURRENT LIABILITIES		
Interest bearing loans and borrowings	6,965.8	7,717.6
Trade and other payables	2,635.9	2,126.8
Amounts due to related companies	2.2	4.7
Amounts due to associates	1.0	1.0
Amounts due to joint ventures	102.8	102.1
	9,707.7	**9,952.2**
TOTAL LIABILITIES	**15,465.1**	**14,565.0**
TOTAL EQUITY AND LIABILITIES	**51,062.1**	**50,469.7**

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 30 June 2018

	30 June 2018 RM million	30 June 2017 RM million
Cash Flows from Operating Activities:		
Profit before tax	637.7	1,255.3
Impairment loss on receivables	52.1	225.0
Bad debts (written back)/written off	(4.0)	1.0
Depreciation of ships, offshore floating assets and other property, plant and equipment	919.5	1,031.0
Amortisation of prepaid lease payments	3.6	3.6
Impairment loss on ships, property, plant and equipment and other investment	1.1	133.6
Write off of ships, property, plant and equipment	3.4	22.2
Gain on disposal of ships, property, plant and equipment	(1.0)	(28.4)
Net unrealised foreign exchange (gain)/loss	(17.3)	33.5
Dividend income from equity investments	(1.1)	(1.3)
Finance costs	175.2	130.9
Interest income	(57.2)	(38.6)
Net loss on liquidation of a subsidiary	-	17.2
Fair value gain on other investment	(3.0)	-
Amortisation of intangibles	2.9	7.5
Amortisation of upfront fees for borrowings	6.4	7.9
Share of profit of joint ventures	(82.6)	(109.9)
Net movement in provisions	-	(28.4)
Operating profit before working capital changes	1,635.7	2,662.1
Inventories	18.1	(13.7)
Trade and other receivables	719.1	904.3
Trade and other payables	(492.7)	(1,127.1)
Cash generated from operations	1,880.2	2,425.6
Net tax paid	(23.0)	(11.2)
Net cash flows generated from operating activities	**1,857.2**	**2,414.4**

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

	30 June 2018 RM million	30 June 2017 RM million
Cash Flows from Investing Activities:		
Purchase of ships, offshore floating assets and other property, plant and equipment	(1,089.6)	(863.6)
Proceeds from disposal of ships, other property, plant and equipment and assets held for sale	26.5	113.6
Progress payments for finance lease assets under construction	(978.4)	(546.8)
Dividend income from:		
Quoted investments	1.1	1.3
Associates and joint ventures	176.6	133.3
Net fixed deposit (withdrawal)/placement	(0.8)	4.6
Interest received	26.7	29.5
Net cash flows used in investing activities	**(1,837.9)**	**(1,128.1)**
Cash Flows from Financing Activities:		
Drawdown of term loans and revolving credit	2,192.6	597.1
Repayment of term loans and revolving credit	(1,753.4)	(1,382.7)
Dividends paid to the equity holders of the Corporation	(714.2)	(1,205.2)
Dividends paid to non-controlling interest of subsidiaries	(23.4)	(103.5)
Interest paid	(243.3)	(113.3)
Cash pledged with bank - restricted (net)	(5.4)	(2.7)
Net cash flows used in financing activities	**(547.1)**	**(2,210.3)**
Net Change in Cash & Cash Equivalents	(527.8)	(924.0)
Cash & Cash Equivalents at the beginning of the year	5,792.0	6,409.0
Currency translation difference	(26.9)	(243.5)
Cash & Cash Equivalents at the end of the period	**5,237.3**	**5,241.5**
Cash pledged with bank - restricted	115.2	148.3
Cash, deposits and bank balances	**5,352.5**	**5,389.8**

The Condensed Consolidated Statement of Cash Flows 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 Changes in Equity

For the Period Ended 30 June 2018

		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
6 MONTHS ENDED 30 JUNE 2018														
At 1 January 2018	**35,904.7**	**34,844.1**	**8,923.3**	-	**19,961.3**	**5,959.5**	**99.3**	**435.2**	**1.4**	**3.2**	**53.0**	**8.3**	**5,359.1**	**1,060.6**
Adjustment on initial application of MFRS 9	(113.0)	(113.0)	-	-	(60.0)	(53.0)	-	-	-	-	(53.0)	-	-	-
At 1 January 2018 (Restated)	**35,791.7**	**34,731.1**	**8,923.3**	-	**19,901.3**	**5,906.5**	**99.3**	**435.2**	**1.4**	**3.2**	-	**8.3**	**5,359.1**	**1,060.6**
Total comprehensive income/(loss)	542.9	557.1	-	-	631.8	(74.7)	-	-	-	-	-	26.2	(100.9)	(14.2)
Transactions with owners														
Dividends	(737.6)	(714.2)	-	-	(714.2)	-	-	-	-	-	-	-	-	(23.4)
Total transactions with owners	(737.6)	(714.2)	-	-	(714.2)	-	-	-	-	-	-	-	-	(23.4)
At 30 JUNE 2018	**35,597.0**	**34,574.0**	**8,923.3**	-	**19,818.9**	**5,831.8**	**99.3**	**435.2**	**1.4**	**3.2**	-	**34.5**	**5,258.2**	**1,023.0**
6 MONTHS ENDED 30 JUNE 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	(273.4)	(276.1)	-	-	1,232.7	(1,508.8)	-	-	-	-	(2.2)	6.7	(1,513.3)	2.7
Transactions with owners														
Liquidation of a subsidiary	16.7	16.7	-	-	16.7	-	-	-	-	-	-	-	-	-
Dividends	(1,308.7)	(1,205.2)	-	-	(1,205.2)	-	-	-	-	-	-	-	-	(103.5)
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	(1,292.0)	(1,188.5)	4,459.5	(4,459.5)	(1,188.5)	-	-	-	-	-	-	-	-	(103.5)
At 30 JUNE 2017	**37,765.6**	**36,601.1**	**8,923.3**	-	**19,837.6**	**7,840.2**	**101.1**	**435.3**	**1.4**	**2.0**	**53.8**	**2.9**	**7,243.7**	**1,164.5**

* 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.

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 7 August 2018.

A2. BASIS OF PREPARATION

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

	Impact of adoption of MFRS 9 to opening balance at 1 January 2018 RM million
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

Current period to date impact on MFRS 9 is RM20.5 million.

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 Cemara on 30 April 2018, MISC Tankers Sdn. Bhd., a wholly-owned subsidiary of the Corporation, incorporated a wholly-owned subsidiary, Seri Cemara (L) Private Limited, under the Labuan Companies Act, 1990, to own and operate Seri Cemara.

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	1,180.5	1,983.7	542.9	372.7	82.8		4,162.6
Inter-segment	-	0.8	41.1	39.6	(81.5)		-
	1,180.5	**1,984.5**	**584.0**	**412.3**	**1.3**	*	**4,162.6**
Operating profit/(loss)	549.8	(93.6)	296.5	(71.5)	49.2	**	730.4

* 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 30 June		Cumulative 6 Months Ended 30 June	
	2018	2017	2018	2017
	RM million	RM million	RM million	RM million
Interest income	31.9	16.6	57.2	38.6
Other income	29.0	221.0	39.2	258.2
Finance costs	(99.5)	(65.1)	(175.2)	(130.9)
Depreciation of ships, offshore floating assets and other property, plant and equipment	(464.3)	(490.1)	(919.5)	(1,031.0)
Amortisation of prepaid lease payments	(1.9)	(1.8)	(3.6)	(3.6)
Amortisation of intangibles	(1.4)	(3.8)	(2.9)	(7.5)
Write off of ships, property, plant and equipment	(2.0)	(16.3)	(3.4)	(22.2)
Gain/(loss) on disposal of ships, property, plant and equipment	1.0	(2.4)	1.0	28.4
Impairment loss on ships, property, plant and equipment and other investment	-	(133.6)	(1.1)	(133.6)
Impairment loss on receivables	(33.6)	-	(52.1)	(225.0)
Bad debts written back/(written off)	5.4	(1.0)	4.0	(1.0)
Net realised foreign exchange (loss)/gain	(24.0)	13.8	(16.6)	(0.8)
Net unrealised foreign exchange gain/(loss)	22.2	(17.9)	17.3	(33.5)

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 totalling RM965.1 million.

The Group recognised a net gain on disposal of RM1.0 million from disposal of ships, property, plant and equipment in the quarter ended 30 June 2018. The Group recognised a net loss on disposal of RM2.4 million from disposal of ships, property, plant and equipment in the quarter ended 30 June 2017.

A11. INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
	RM million	RM million	RM million
Cost			
At 1 January 2017	**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**
Currency translation differences	(3.1)	-	(3.1)
At 30 June 2018	**970.9**	**212.7**	**1,183.6**
Accumulated amortisation and impairment			
At 1 January 2017	**162.5**	**170.4**	**332.9**
Amortisation	-	9.4	9.4
At 31 December 2017	**162.5**	**179.8**	**342.3**
Amortisation	-	2.9	2.9
At 30 June 2018	**162.5**	**182.7**	**345.2**
Net carrying amount			
At 1 January 2017	**896.4**	**42.3**	**938.7**
At 31 December 2017	**811.5**	**32.9**	**844.4**
At 30 June 2018	**808.4**	**30.0**	**838.4**

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 30 June 2018.

A13. CASH, DEPOSITS AND BANK BALANCES

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

	30 June 2018 RM million	31 December 2017 RM million
Cash with PETRONAS Integrated Financial Shared Service Centre *	3,119.9	4,539.4
Cash and bank balances	383.0	381.0
Deposits with licensed banks	1,849.6	980.3
Total cash, deposits and bank balances	**5,352.5**	**5,900.7**

* 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 RM115.2 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 that are measured at fair value:

	Level 1 RM million	Level 2 RM million	Level 3 RM million	Total RM million
At 30 June 2018				
Financial Assets				
Fair value through profit or loss				
Quoted investments	58.6	-	-	58.6
Derivatives				
Interest rate swaps designated as hedging instruments	-	34.6	-	34.6
	58.6	**34.6**	**-**	**93.2**

	Level 1 RM million	Level 2 RM million	Level 3 RM million	Total RM million
At 31 December 2017				
Financial Assets				
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**

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 30 June 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:

	30 June 2018 RM million	31 December 2017 RM million
Short Term Borrowings		
Secured	304.9	1,037.8
Unsecured	6,660.9	6,679.8
	6,965.8	7,717.6
Long Term Borrowings		
Secured	4,191.8	2,786.2
Unsecured	923.9	1,160.1
	5,115.7	3,946.3
Total	**12,081.5**	**11,663.9**

ii) Foreign borrowings in United States Dollar equivalent as at 30 June 2018 is as follows:

	RM million
United States Dollar Borrowings	12,081.5

A17. DIVIDENDS PAID

The Corporation paid the following dividends in the period ended 30 June 2018 and year ended 31 December 2017:

	30 June 2018		31 December 2017	
	Sen/Share	RM million	Sen/Share	RM million
First tax exempt dividend in respect of:				
- Financial year ending 31 December 2018 on 12 June 2018	7.0	312.5	-	-
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

	30 June 2018 RM million	31 December 2017 RM million
Approved and contracted for	2,741.0	3,142.1
Approved but not contracted for	346.6	689.6
Total	**3,087.6**	**3,831.7**

A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 30 June 2018 comprise the following:

	RM million
Secured	
Bank guarantees extended to third parties	0.2
Unsecured	
Bank guarantees extended to third parties	143.3
Bank guarantees extended to related companies	88.1
	231.4

A20. SUBSEQUENT MATERIAL EVENT

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

B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2018	2017	2018	2017
	RM million	RM million	RM million	RM million
Revenue				
LNG	595.9	730.0	1,180.5	1,476.5
Petroleum	1,008.2	1,026.2	1,984.5	2,311.4
Offshore	289.1	315.3	584.0	1,050.0
Heavy Engineering	232.4	257.3	412.3	493.2
Others, Eliminations and Adjustments	16.2	(26.3)	1.3	(43.7)
Total	**2,141.8**	**2,302.5**	**4,162.6**	**5,287.4**
Operating Profit				
LNG	274.6	557.7	549.8	887.7
Petroleum	(54.4)	(20.1)	(93.6)	62.5
Offshore	146.6	159.9	296.5	462.0
Heavy Engineering	(46.0)	(10.3)	(71.5)	(25.9)
Others, Eliminations and Adjustments	26.2	30.2	49.2	12.4
Total Operating Profit	**347.0**	**717.4**	**730.4**	**1,398.7**
Impairment loss on ships, property, plant and equipment and other investment	-	(133.6)	(1.1)	(133.6)
Net loss on liquidation of a subsidiary	-	(17.2)	-	(17.2)
Gain/(loss) on disposal of ships, property, plant and equipment	1.0	(2.4)	1.0	28.4
Finance costs	(99.5)	(65.1)	(175.2)	(130.9)
Share of profit of joint ventures	70.0	59.6	82.6	109.9
Profit Before Tax	**318.5**	**558.7**	**637.7**	**1,255.3**

Current quarter's performance against the quarter ended 30 June 2017

Group revenue of RM2,141.8 million was 7.0% lower than the quarter ended 30 June 2017 ("corresponding quarter") revenue of RM2,302.5 million, while Group operating profit of RM347.0 million was RM370.4 million lower than the corresponding quarter's profit of RM717.4 million. The variances in Group performance by segments are further explained below.

LNG

Revenue of RM595.9 million was RM134.1 million or 18.4% lower than the corresponding quarter's revenue of RM730.0 million, mainly due to reduced number of operating vessels and a lower charter rate for the contract renewal of an LNG carrier in October 2017.

Operating profit of RM274.6 million was RM283.1 million lower than the corresponding quarter's profit of RM557.7 million, as corresponding quarter's profit included recognition of compensation for early termination of a time charter contract coupled with lower revenue in the current quarter.

Petroleum
Revenue of RM1,008.2 million was RM18.0 million or 1.8% lower than the corresponding quarter's revenue of RM1,026.2 million, mainly due to the strengthening of Ringgit Malaysia ("RM") against United States Dollar ("USD") as follows:

	Year-to-Date Average USD1:RM
Period ended 30 June 2017	4.39065
Period ended 30 June 2018	3.93636

Operationally, Petroleum recorded higher earning days from delivery of six vessels since June 2017.

Petroleum business recorded operating loss of RM54.4 million compared to corresponding quarter's loss of RM20.1 million, mainly due to higher bunker and vessel depreciation costs in the current quarter.

Offshore
Revenue of RM289.1 million was RM26.2 million lower than the corresponding quarter's revenue of RM315.3 million as corresponding quarter's revenue included reimbursable revenue from demobilisation of Mobile Offshore Production Units (MOPUs).

Operating profit of RM146.6 million was RM13.3 million or 8.3% lower than corresponding quarter's profit of RM159.9 million, mainly due to lower revenue as explained above, partially offset with higher construction gain from Floating, Storage and Offloading ("FSO") Benchamas 2.

Heavy Engineering
Revenue of RM232.4 million was RM24.9 million or 9.7% lower than the corresponding quarter's revenue of RM257.3 million, mainly due to lower revenue from post sail away projects in the Heavy Engineering sub-segment while new secured projects are still in their early stages. Lower revenue from conversion works as well as lesser number of dry-docking repairs in the Marine sub-segment also contributed to the overall decrease in revenue.

Operating loss of RM46.0 million was higher than the corresponding quarter's loss of RM10.3 million, mainly due to additional costs incurred in the current quarter.

Others, Eliminations and Adjustments
Other segment's operating profit of RM26.2 million was RM4.0 million lower than corresponding quarter's profit of RM30.2 million as corresponding quarter included reversal of provision following early termination of charter-in contracts for three container vessels. The vessels were previously chartered in for the liner business.

Current 6 months period performance against the 6 months period ended 30 June 2017

Group revenue of RM4,162.6 million was 21.3% lower than RM5,287.4 million revenue for the 6-month period ended 30 June 2017 ("corresponding period"). Group operating profit of RM730.4 million was RM668.3 million lower than the corresponding period's profit of RM1,398.7 million. The variances in Group performance by segments are further explained below.

LNG
LNG revenue of RM1,180.5 million was 20.0% lower than the corresponding period's revenue of RM1,476.5 million, mainly due to reduced number of operating vessels and a lower charter rate for the contract renewal of an LNG carrier in October 2017.

LNG operating profit of RM549.8 million was 38.1% lower than the corresponding period's profit of RM887.7 million, mainly due to lower revenue as explained above and corresponding period's profit included recognition of compensation for early termination of a time charter contract.

Petroleum
Petroleum revenue of RM1,984.5 million was 14.1% lower than the corresponding period's revenue of RM2,311.4 million, mainly due to lower freight rates.

Petroleum segment recorded an operating loss of RM93.6 million compared to corresponding period's profit of RM62.5 million, mainly due to the lower freight rates, higher bunker and vessel depreciation costs in the current period.

Offshore

Revenue of RM584.0 million was 44.3% lower than the corresponding period's revenue of RM1,050.0 million, due to the recognition of one time gain for Gumusut-Kakap Semi-Floating Production System (L) Limited's ("GKL") arising from the adjudication in February 2017 and lower construction revenue for FSO Benchamas 2 in the current period from different phase of project construction.

The abovementioned lower revenue has caused the decrease in Offshore operating profit by RM165.5 million.

Heavy Engineering

Heavy Engineering revenue of RM412.3 million was 16.4% lower than the corresponding period's revenue of RM493.2 million mainly from post sail away projects in the Heavy Engineering sub-segment while new secured projects are still in their early stages.

Heavy Engineering operating loss of RM71.5 million was higher than the corresponding period's loss of RM25.9 million mainly due to additional costs incurred on conversion works.

Others, Eliminations and Adjustments

Other segment's operating profit for the period of RM49.2 million is RM36.8 million higher than corresponding period's profit of RM12.4 million. This was mainly from higher net foreign exchange gain, and higher contribution from integrated marine, port and terminal services in the current period.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

GROUP	Quarter Ended 30 June 2018 RM million	Quarter Ended 31 March 2018 RM million
Revenue	**2,141.8**	**2,020.8**
Operating Profit	**347.0**	**383.4**
Impairment loss on other investment	-	(1.1)
Gain on disposal of ships, property, plant and equipment	1.0	-
Finance costs	(99.5)	(75.7)
Share of profit joint ventures	70.0	12.6
Profit Before Tax	**318.5**	**319.2**

Group revenue of RM2,141.8 million was RM121.0 million higher than the preceding quarter's revenue of RM2,020.8 million, mainly from higher project progress in the Heavy Engineering segment.

Group operating profit of RM347.0 million was 9.5% lower than the preceding quarter's profit of RM383.4 million, mainly due to the higher bunker costs in Petroleum segment.

B3. GROUP CURRENT YEAR PROSPECTS

In June 2018, OPEC and other top crude producers agreed to raise output from July by about 1 million barrels per day although the actual oil supply coming online is likely to be lower due to persisting geopolitical challenges in some oil producing countries. As such, OPEC-led production cuts will begin to ease over the second half of 2018. Nonetheless, this development is expected to be positive for tanker markets as demand for crude tankers are likely to pick-up and the Very Large Crude Carriers (VLCC) segment is expected to benefit the most, especially for the Arabian Gulf-Asia trade.

Tanker demolition rates have remained high but tanker earnings are still being hit as fleet growth continues to exert pressure on the petroleum freight rates. Nevertheless, rising global oil consumption, higher US exports and eroding inventories is expected to support the recovery in freight rates in the medium to longer term.

In the LNG shipping segment, current spot rates are rising gradually on the back of improved chartering activities. International LNG trade has continued to thrive from both a supply and demand perspective, mainly driven by demand growth from strong enforcement of coal-to-gas switching policies in China and expected new and/or ramping of LNG supplies from the Atlantic during second half of 2018. Despite the tonnage oversupply situation in the spot market, indicators are positive for further improvements through the rest of the year. Nevertheless, our present portfolio of long term charters will provide stable income and cashflow to the Group's LNG business segment.

The Group believes that the steady oil price recovery in recent months and renewed interest in growth opportunities have led to increase of activities in the offshore segment, especially for developments within the Atlantic Basin. Such optimism is expected to boost the number of projects approved which will also represent opportunities for the Group, both locally and internationally. Our existing portfolio of long term contracts will also continue to support the stable financial performance of the Offshore business segment.

While there is growing optimism for an increase in offshore activities, these have yet to trickle down to real opportunities for the Heavy Engineering segment. As such, the Heavy Engineering segment performance is expected to remain under pressure in 2018. For the second half of the year, Heavy Engineering segment expects improved activity in the marine repair business arising from the deferral of some dry docking activities during the first half of 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 30 June 2018 RM million	Cumulative 6 Months Ended 30 June 2018 RM million
Taxation for the period comprises the following charge:		
Income tax charge		
- current period	(11.3)	(21.9)
Deferred taxation	2.0	2.4
	(9.3)	(19.5)

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 30 June 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.

On 21 June 2018, the Court of Appeal has heard and dismissed GKL's appeal with costs. The dismissal of the GKL's appeal is not expected to have any material impact on the earnings and net assets of MISC Group for financial year ending 31 December 2018. The Bank Guarantee sum shall be set off against any liability that GKL may have in the Arbitration. The Injunction is now closed.

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

MISC Berhad ("MISC") wishes to announce its wholly owned subsidiary, Malaysia Offshore Mobile Production (Labuan) Ltd ("MOMPL"), has resumed legal proceedings and commenced fresh legal actions against 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%) ("PCSB"), PT Pertamina Hulu Energi (30%) ("PPHE") and PetroVietnam Exploration Production Corporation Ltd (30%) ("PVEP").

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:

1. filed a Statement of Claim under Arbitration on 21 December 2016 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") on 21 April 2017 amounting to USD9,949,734.00 for speedy recovery of claims for the completed variation works ("Adjudication").

As the commercial settlement agreement failed to materialise, MOMPL is pursuing legal recourse to recover the outstanding sums due and owing from PCPP, as follows:

1. MOMPL resumes both the Arbitration and Adjudication against PCPP. In respect of the Adjudication, MOMPL has issued the Notice of Adjudication under CIPAA on 7 August 2018 amounting to USD9,949,734.00.

2. MOMPL further filed/issued the following proceedings:

   (a) an Originating Summons in the High Court on 7 August 2018 amounting to USD44,380,009.61 to claim for the undisputed portion of the early termination fees and demobilisation costs ("Originating Summons"); and

   (b) a Notice of Arbitration on 7 August 2018 amounting to USD40,198,613.64 and RM4,673,993.68 respectively, claiming for the disputed portion of the early termination fees, disputed demobilisation costs and the remaining months of daily charter and maintenance fees ("Second Arbitration").

3. In addition, MOMPL will file a legal action in the High Court against PCSB, PPHE and PVEP (being the shareholders of PCPP) seeking for the shareholders to be liable for the amounts due and owing by PCPP to MOMPL under the Contract ("Shareholder Proceedings").

(collectively referred to as "Legal Proceedings")

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.

B8. DIVIDENDS

The Board of Directors has approved a second 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 14 September 2018 to shareholders registered at the close of business on 21 August 2018.

A second tax exempt dividend of 7.0 sen per share was declared on 9 August 2017 in respect of financial year 2017 amounting to RM312.5 million and paid on 7 September 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 21 August 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 30 June 2018 are as follows:

Contract/Tenure	**Notional Value**	**Fair Value (Loss)/Gain**
	RM million	**RM million**
Interest rate swaps		
1 year to 3 years	1,213.7	(1.1)
More than 3 years	1,344.8	27.3
	2,558.5	26.2
Total	**2,558.5**	**26.2**

During the quarter ended 30 June 2018, the Group had entered into an 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 30 June 2018, the Group does not have any financial liabilities measured at fair value through profit or loss.

B11. EARNINGS PER SHARE

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	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):	321.2	556.5	631.8	1,232.7
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)	7.2	12.5	14.2	27.6

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

By Order of the Board