

**MISC BERHAD**

(Registration No. 196801000580 (8178-H))

**QUARTERLY REPORT****FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022****UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT**

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2022	2021	2022	2021
	RM million	RM million	RM million	RM million
Revenue	3,614.1	2,691.8	9,694.0	7,586.5
Cost of sales	(2,548.0)	(2,013.2)	(7,291.9)	(5,544.6)
<b>GROSS PROFIT</b>	<b>1,066.1</b>	<b>678.6</b>	<b>2,402.1</b>	<b>2,041.9</b>
Other operating income	307.3	44.4	480.9	329.6
General and administrative expenses	(343.5)	(238.7)	(875.3)	(796.4)
<b>OPERATING PROFIT</b>	<b>1,029.9</b>	<b>484.3</b>	<b>2,007.7</b>	<b>1,575.1</b>
Impairment of non current assets	-	(9.0)	(309.8)	(75.6)
Loss from deconsolidation of a subsidiary	-	-	-	(2.3)
Gain on disposal of ships	5.8	-	15.3	4.0
Finance costs	(172.5)	(103.8)	(472.9)	(294.8)
Share of profit of an associate	0.7	1.2	2.6	2.8
Share of (loss)/profit of joint ventures	(26.1)	29.4	(18.9)	133.3
<b>PROFIT BEFORE TAX</b>	<b>837.8</b>	<b>402.1</b>	<b>1,224.0</b>	<b>1,342.5</b>
Taxation	(15.4)	(10.8)	(40.1)	(31.5)
<b>PROFIT AFTER TAX</b>	<b>822.4</b>	<b>391.3</b>	<b>1,183.9</b>	<b>1,311.0</b>
<b>PROFIT ATTRIBUTABLE TO:</b>				
Equity holders of the Corporation	820.6	401.0	1,177.9	1,369.6
Non-controlling interests	1.8	(9.7)	6.0	(58.6)
<b>PROFIT AFTER TAX</b>	<b>822.4</b>	<b>391.3</b>	<b>1,183.9</b>	<b>1,311.0</b>
<b>BASIC EARNINGS PER SHARE</b>				
<b>ATTRIBUTABLE TO EQUITY HOLDERS</b>				
<b>OF THE CORPORATION (SEN)</b>	<b>18.4</b>	<b>9.0</b>	<b>26.4</b>	<b>30.7</b>


**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2022	2021	2022	2021
	RM million	RM million	RM million	RM million
<b>PROFIT AFTER TAX</b>	<b>822.4</b>	<b>391.3</b>	<b>1,183.9</b>	<b>1,311.0</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Cash flow hedges:				
Fair value gain				
Group	338.6	37.1	1,031.6	306.5
Joint ventures	30.1	3.3	111.3	13.2
Gain on currency translation *	1,899.9	252.5	3,717.9	1,233.3
<b>Total other comprehensive income</b>	<b>2,268.6</b>	<b>292.9</b>	<b>4,860.8</b>	<b>1,553.0</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>3,091.0</b>	<b>684.2</b>	<b>6,044.7</b>	<b>2,864.0</b>
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
Equity holders of the Corporation	3,060.1	690.4	5,952.4	2,901.1
Non-controlling interests	30.9	(6.2)	92.3	(37.1)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>3,091.0</b>	<b>684.2</b>	<b>6,044.7</b>	<b>2,864.0</b>

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

	2022	2021	2020
As at 30 September	4.63750	4.18900	4.15750
As at 30 June	4.40350	4.15450	4.28500
As at 31 December	-	4.17400	4.02850

**QUARTERLY REPORT****FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022****UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As at 30 September 2022 RM million	As at 31 December 2021 RM million
<b>NON CURRENT ASSETS</b>		
Ships	23,661.3	21,496.3
Offshore floating assets	20.1	25.5
Other property, plant and equipment	1,790.2	1,890.0
Prepaid lease payments on land and buildings	200.3	205.5
Finance lease receivables	15,959.1	15,439.5
Investments in associates	21.6	21.0
Investments in joint ventures	1,121.3	1,047.5
Other non current assets	6,267.4	3,289.2
Derivative assets	974.0	103.0
Intangible assets	1,177.1	1,060.9
Deferred tax assets	97.3	101.9
	<b>51,289.7</b>	<b>44,680.3</b>
<b>CURRENT ASSETS</b>		
Inventories	132.5	120.1
Finance lease receivables	1,522.2	1,347.5
Trade and other receivables	4,060.2	3,406.8
Cash, deposits and bank balances	9,001.5	7,952.3
Non current assets classified as held for sale	191.1	14.3
Derivative assets	10.9	-
	<b>14,918.4</b>	<b>12,841.0</b>
<b>TOTAL ASSETS</b>	<b>66,208.1</b>	<b>57,521.3</b>
<b>EQUITY</b>		
Share capital	8,923.3	8,923.3
Treasury shares	(0.3)	(0.3)
Reserves	11,427.6	6,653.7
Retained profits	18,603.4	18,586.1
<b>Equity attributable to equity holders of the Corporation</b>	<b>38,954.0</b>	<b>34,162.8</b>
Non-controlling interests	855.7	762.2
<b>TOTAL EQUITY</b>	<b>39,809.7</b>	<b>34,925.0</b>
<b>NON CURRENT LIABILITIES</b>		
Interest bearing loans and borrowings	16,612.7	8,719.7
Deferred income	1,142.8	1,105.0
Deferred tax liabilities	6.5	6.8
Derivative liabilities	-	161.2
Other non current liabilities	281.9	176.0
	<b>18,043.9</b>	<b>10,168.7</b>
<b>CURRENT LIABILITIES</b>		
Interest bearing loans and borrowings	3,741.3	8,309.3
Trade and other payables	4,586.4	4,041.5
Provision for taxation	26.8	19.9
Derivative liabilities	-	56.9
	<b>8,354.5</b>	<b>12,427.6</b>
<b>TOTAL LIABILITIES</b>	<b>26,398.4</b>	<b>22,596.3</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>66,208.1</b>	<b>57,521.3</b>


**QUARTERLY REPORT**
**FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022**
**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

	<b>Cumulative 9 Months Ended</b>	
	<b>30 September 2022</b>	<b>30 September 2021</b>
	<b>RM million</b>	<b>RM million</b>
<b>Cash Flows from Operating Activities:</b>		
Profit before tax	1,224.0	1,342.5
Writeback of impairment loss on finance lease receivables and trade receivables	(34.7)	(6.1)
Impairment loss on receivables	17.5	53.9
Bad debts written off	-	0.2
Depreciation of ships, offshore floating asset and other property, plant and equipment	1,496.2	1,450.4
Amortisation of prepaid lease payments	5.6	5.6
Impairment of non current assets	309.8	75.6
Write off of ships, property, plant and equipment	1.6	0.1
Gain on disposal of ships	(15.3)	(4.0)
Net unrealised foreign exchange gain	(19.6)	(12.0)
Dividend income from equity investments	(1.8)	(1.6)
Interest expense	403.0	277.7
Finance income	(78.0)	(30.5)
Loss from deconsolidation of a subsidiary	-	2.3
Fair value movement in other investments	(4.5)	(5.9)
Changes in fair value of hedging derivatives	(9.0)	(3.1)
Amortisation of intangibles	29.0	14.2
Amortisation of upfront fees for borrowings	69.9	17.1
Share of profit of an associate	(2.6)	(2.8)
Share of loss/(profit) of joint ventures	18.9	(133.3)
Operating profit before working capital changes	3,410.0	3,040.3
Inventories	0.6	20.7
Trade and other receivables	643.5	(701.8)
Trade, other payables and other non current liabilities *	(2,148.9)	(128.8)
Deferred income	(78.7)	(66.7)
Cash generated from operations	1,826.5	2,163.7
Net tax paid	(34.2)	(33.8)
<b>Net cash generated from operating activities</b>	<b>1,792.3</b>	<b>2,129.9</b>

\* The working capital changes in trade, other payables and other non current liabilities include payments for costs relating to the turnkey activities for the conversion of a Floating, Production, Storage and Offloading ("FPSO") facility amounting to RM2,157.0 million in the current period and RM831.2 million in the period ended 30 September 2021. These payments are disclosed as part of cash flows from operating activities as the turnkey activities contribute to the recognition of contract assets per MFRS 15: Revenue from Contract with Customers.


**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

	<b>Cumulative 9 Months Ended</b>	
	<b>30 September 2022</b>	<b>30 September 2021</b>
	<b>RM million</b>	<b>RM million</b>
<b>Cash Flows from Investing Activities:</b>		
Purchase of ships, other property, plant and equipment	(1,906.7)	(3,113.6)
Investment in joint ventures	-	(95.1)
Proceeds from disposal of ships, offshore floating assets and other property, plant and equipment	314.9	348.0
Proceeds from disposal of interest in a subsidiary	-	26.9
Cash outflow from deconsolidation of a subsidiary	-	(48.6)
Dividend received from:		
Quoted and unquoted investments	1.8	1.6
Joint ventures and an associate	112.4	177.3
Interest received	54.5	12.6
Net fixed deposit withdrawal/(placement)	15.8	(34.0)
<b>Net cash used in investing activities</b>	<b>(1,407.3)</b>	<b>(2,724.9)</b>
<b>Cash Flows from Financing Activities:</b>		
Drawdown of interest bearing loans and borrowings	10,097.6	5,085.7
Repayment of interest bearing loans and borrowings	(8,634.4)	(2,600.5)
Repayment of lease liabilities	(97.5)	(139.7)
Dividends paid to the equity holders of the Corporation	(1,160.6)	(1,160.6)
Dividends paid to non-controlling interest of subsidiaries	-	(24.5)
Interest paid	(320.4)	(284.7)
Receipt of cash pledged with banks (restricted for use)	342.9	726.2
<b>Net cash generated from financing activities</b>	<b>227.6</b>	<b>1,601.9</b>
Net change in cash & cash equivalents	612.6	1,006.9
Cash & cash equivalents at the beginning of the year	6,994.3	5,545.1
Currency translation difference	714.1	201.8
Cash & cash equivalents at the end of period	<b>8,321.0</b>	<b>6,753.8</b>
Cash pledged with banks - restricted and deposited with maturity more than 90 days	680.5	659.6
<b>Cash, deposits and bank balances</b>	<b>9,001.5</b>	<b>7,413.4</b>

# MISC BERHAD

(Registration No. 196801000580 (8178-H))

## QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Corporation						Attributable to equity holders of the Corporation								
	Total equity	Equity attributable to equity holders of the Corporation	Share capital*	Treasury shares	Retained profits	Other reserves, total	Other capital reserve	Capital reserve	Revaluation reserve	Put option reserve	Statutory 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	
9 MONTHS ENDED 30 SEPTEMBER 2022															
At 1 January 2022	34,925.0	34,162.8	8,923.3	(0.3)	18,586.1	6,653.7	99.3	435.2	1.4	(10.6)	3.0	(136.4)	6,261.8	762.2	
Total comprehensive income	6,044.7	5,952.4	-	-	1,177.9	4,774.5	-	-	-	-	-	1,086.2	3,688.3	92.3	
Transactions with owners															
Disposal of interest in a joint venture	(0.6)	(0.6)	-	-	-	(0.6)	-	-	-	-	(0.6)	-	-	-	
Dilution of interest in subsidiaries	1.2	-	-	-	-	-	-	-	-	-	-	-	-	1.2	
Dividends	(1,160.6)	(1,160.6)	-	-	(1,160.6)	-	-	-	-	-	-	-	-	-	
Total transactions with owners	(1,160.0)	(1,161.2)	-	-	(1,160.6)	(0.6)	-	-	-	-	(0.6)	-	-	1.2	
At 30 September 2022	39,809.7	38,954.0	8,923.3	(0.3)	18,603.4	11,427.6	99.3	435.2	1.4	(10.6)	2.4	949.8	9,950.1	855.7	
9 MONTHS ENDED 30 SEPTEMBER 2021															
At 1 January 2021	33,151.1	32,272.8	8,923.3	(0.3)	18,227.8	5,122.0	99.3	435.2	1.4	-	3.2	(577.5)	5,160.4	878.3	
Total comprehensive income	2,864.0	2,901.1	-	-	1,369.6	1,531.5	-	-	-	-	-	308.1	1,223.4	(37.1)	
Transactions with owners															
Liquidation of a joint venture	(0.5)	(0.5)	-	-	-	(0.5)	-	-	-	-	(0.2)	-	(0.3)	-	
Deconsolidation of a subsidiary	(36.8)	-	-	-	-	-	-	-	-	-	-	-	-	(36.8)	
Dilution of interest in subsidiaries	21.3	-	-	-	-	-	-	-	-	-	-	-	-	21.3	
Dividends	(1,185.1)	(1,160.6)	-	-	(1,160.6)	-	-	-	-	-	-	-	-	(24.5)	
Total transactions with owners	(1,201.1)	(1,161.1)	-	-	(1,160.6)	(0.5)	-	-	-	-	(0.2)	-	(0.3)	(40.0)	
At 30 September 2021	34,814.0	34,012.8	8,923.3	(0.3)	18,436.8	6,653.0	99.3	435.2	1.4	-	3.0	(269.4)	6,383.5	801.2	

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

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(Registration No. 196801000580 (8178-H))

## QUARTERLY REPORT

### FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

#### PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

##### 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 17 November 2022.

##### A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the period ended 30 September 2022 have been prepared in accordance with MFRS 134 Interim Financial Reporting and paragraph 9.22 of the Main Market 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 financial statements and the accompanying notes for the year ended 31 December 2021.

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 2021.

The audited financial statements of the Group for the year ended 31 December 2021 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 Group's annual financial statements for the year ending 31 December 2022 under the Malaysian Financial Reporting Standards ("MFRS") framework. These policies do not differ significantly from those used in the Group's audited financial statements for the year ended 31 December 2021 except as disclosed below.

As at 1 January 2022, the Group and the Corporation have adopted the following Amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB"):

###### Effective for annual periods beginning on or after 1 January 2022:

- Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018 - 2020)
- Amendments to MFRS 3: Business Combinations (Reference to the Conceptual Framework)
- Amendments to MFRS 9: Financial Instruments (Annual Improvements to MFRS Standards 2018 - 2020)
- Amendments to MFRS 116: Property, Plant and Equipment (Property, Plant and Equipment—Proceeds before Intended Use)
- Amendments to MFRS 137: Provisions, Contingent Liabilities and Contingent Assets (Onerous Contracts—Cost of Fulfilling a Contract)
- Amendments to MFRS 141: Agriculture (Annual Improvements to MFRS Standards 2018 - 2020)

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

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(Registration No. 196801000580 (8178-H))

## QUARTERLY REPORT

### FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

#### PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

##### A4. EXCEPTIONAL ITEMS

There were no exceptional items during the current period other than as disclosed in the condensed consolidated interim financial statements.

##### A5. MATERIAL CHANGES IN ACCOUNTING ESTIMATES

Having considered significant changes in vessels' scrapping price from rising steel price and transportation costs, and as part of the Group's annual review on estimated residual value of ships and offshore floating assets, the Group had revised the base of its estimated residual value of the relevant assets, prospectively beginning 1 September 2022.

The change in the estimated residual value of ships and offshore floating assets resulted in the following impact in the current period:

Assets	Decrease/(Increase) in depreciation RM'000	Write down of finance lease receivables RM'000
GAS carriers	1,180	-
Petroleum & Product tankers	1,552	-
GAS floating assets	-	(14,222)
Offshore floating assets	(7,529)	(41,310)

##### A6. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS

The audited financial statements of the Group for the year ended 31 December 2021 were not subjected to any audit qualification.

##### A7. CHANGES IN COMPOSITION OF THE GROUP

- Pursuant to a Shareholders' Agreement entered into between Nippon Yusen Kabushiki Kaisha, Kawasaki Kisen Kaisha, Ltd., China LNG Shipping (Holdings) Limited and Portovenere and Lerici (Labuan) Private Limited ("PLL"), a wholly-owned subsidiary of the Corporation, PLL had, on 1 August 2022, completed the acquisition of shares in Oasis LNG No 1 Pte. Ltd. ("Oasis 1"), Oasis LNG No 2 Pte. Ltd. ("Oasis 2"), Oasis LNG No 3 Pte. Ltd. ("Oasis 3"), Oasis LNG No 4 Pte. Ltd. ("Oasis 4"), Oasis LNG No 5 Pte. Ltd. ("Oasis 5") and Oasis LNG No 6 Pte. Ltd. ("Oasis 6"), all companies incorporated in Singapore. Subsequent thereto, Oasis 1, Oasis 2, Oasis 3, Oasis 4, Oasis 5 and Oasis 6 became 25%-owned associate companies of PLL. The principal activity of Oasis 1, Oasis 2, Oasis 3, Oasis 4, Oasis 5 and Oasis 6 is shipping.
- Pursuant to a Shareholders' Agreement entered into between Nippon Yusen Kabushiki Kaisha, Kawasaki Kisen Kaisha, Ltd., China LNG Shipping (Holdings) Limited and Portovenere and Lerici (Labuan) Private Limited ("PLL"), a wholly-owned subsidiary of the Corporation, PLL had, on 3 August 2022, completed the acquisition of shares in Oasis LNG No. 7 Pte. Ltd. ("Oasis 7"), a company incorporated in Singapore. Subsequent thereto, Oasis 7 became a 25%-owned associate company of PLL. The principal activity of Oasis 7 is shipping.
- The Corporation had, on 16 September 2022, incorporated a new subsidiary, Polaris LNG Three Pte. Ltd. ("PLNG3"), under the Singapore Companies Act 1967 for the purpose of owning and operating Liquefied Natural Gas ("LNG") ships for the transportation of LNG. PLNG3 is a wholly-owned subsidiary of Portovenere and Lerici (Labuan) Private Limited, a wholly-owned subsidiary of the Corporation.



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## QUARTERLY REPORT

### FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

#### PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

- (d) The Corporation had, on 16 September 2022, incorporated a new subsidiary, Polaris LNG Four Pte. Ltd. (“PLNG4”), under the Singapore Companies Act 1967 for the purpose of owning and operating LNG ships for the transportation of LNG. PLNG4 is a wholly-owned subsidiary of Portovenere and Leric (Labuan) Private Limited, a wholly-owned subsidiary of the Corporation.
- (e) On 3 October 2022, the Corporation received confirmation from the Registrar of Companies, India that MISC Agencies India Private Limited, a 60%-owned joint venture company of MISC Agencies Sdn. Bhd., a wholly-owned subsidiary of the Corporation, has been dissolved effective 14 July 2022.

#### A8. DISCONTINUED OPERATIONS

There was no discontinued operation in the Group during the period under review.

#### A9. SEASONALITY OF OPERATIONS

The businesses of the Group are subject to market fluctuations.

#### A10. REVENUE

The Group's revenue by segments are as follows:

	Gas Assets & Solutions		Petroleum & Product Shipping		Offshore Business		Marine & Heavy Engineering		Others, Eliminations and Adjustments		Total	
	RM million		RM million		RM million		RM million		RM million		RM million	
Quarter Ended 30 September	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue from contracts with customers	-	-	695.7	332.8	979.4	602.2	409.2	389.3	29.8	35.7	2,114.1	1,360.0
Revenue from charter *	790.1	741.2	569.5	443.1	140.4	147.5	-	-	-	-	1,500.0	1,331.8
	<b>790.1</b>	<b>741.2</b>	<b>1,265.2</b>	<b>775.9</b>	<b>1,119.8</b>	<b>749.7</b>	<b>409.2</b>	<b>389.3</b>	<b>29.8</b>	<b>35.7</b>	<b>3,614.1</b>	<b>2,691.8</b>
	Gas Assets & Solutions		Petroleum & Product Shipping		Offshore Business		Marine & Heavy Engineering		Others, Eliminations and Adjustments		Total	
	RM million		RM million		RM million		RM million		RM million		RM million	
Cumulative 9 Months Ended 30 September	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Revenue from contracts with customers	-	-	1,793.9	999.4	2,366.0	1,565.4	1,227.6	1,035.3	91.4	62.8	5,478.9	3,662.9
Revenue from charter *	2,310.3	2,117.4	1,490.5	1,358.8	414.3	447.4	-	-	-	-	4,215.1	3,923.6
	<b>2,310.3</b>	<b>2,117.4</b>	<b>3,284.4</b>	<b>2,358.2</b>	<b>2,780.3</b>	<b>2,012.8</b>	<b>1,227.6</b>	<b>1,035.3</b>	<b>91.4</b>	<b>62.8</b>	<b>9,694.0</b>	<b>7,586.5</b>

\* Revenue from charter consists of charter income and finance income on lease receivables.

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## QUARTERLY REPORT

### FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

#### PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

##### A11. SEGMENT REPORT

The operating segments of the Group are as follows:

- Gas Assets & Solutions** - provision of Liquefied Natural Gas (“LNG”) carrier services and non-conventional gas asset solutions;
- Petroleum & Product Shipping** - provision of petroleum tanker and chemical tanker services;
- Offshore Business** - own, lease, operation and maintenance of offshore, floating, production, storage and offloading terminals;
- Marine & Heavy Engineering** - marine repair, marine conversion and engineering and construction works; and
- Others** - integrated marine services, port & terminal services, maritime education & training and other diversified businesses.

Revenue and operating results by segments are as follows:

	Gas Assets & Solutions		Petroleum & Product Shipping		Offshore Business		Marine & Heavy Engineering		Others, Eliminations and Adjustments *		Total	
Quarter Ended 30 September	RM million 2022	2021	RM million 2022	2021	RM million 2022	2021	RM million 2022	2021	RM million 2022	2021	RM million 2022	2021
Revenue												
External sales	790.1	741.2	1,264.7	775.4	1,119.8	749.7	400.0	384.7	39.5	40.8	3,614.1	2,691.8
Inter-segment	-	-	0.5	0.5	-	-	9.2	4.6	(9.7)	(5.1)	-	-
	<b>790.1</b>	<b>741.2</b>	<b>1,265.2</b>	<b>775.9</b>	<b>1,119.8</b>	<b>749.7</b>	<b>409.2</b>	<b>389.3</b>	<b>29.8</b>	<b>35.7</b>	<b>3,614.1</b>	<b>2,691.8</b>
Operating profit/(loss)	<b>355.1</b>	<b>313.7</b>	<b>470.7</b>	<b>(8.3)</b>	<b>190.0</b>	<b>243.3</b>	<b>19.0</b>	<b>(20.1)</b>	<b>(4.9)</b>	<b>(44.3)</b>	<b>1,029.9</b>	<b>484.3</b>
	Gas Assets & Solutions		Petroleum & Product Shipping		Offshore Business		Marine & Heavy Engineering		Others, Eliminations and Adjustments *		Total	
Cumulative 9 Months Ended 30 September	RM million 2022	2021	RM million 2022	2021	RM million 2022	2021	RM million 2022	2021	RM million 2022	2021	RM million 2022	2021
Revenue												
External sales	2,310.3	2,117.4	3,283.3	2,357.4	2,780.3	1,996.7	1,198.5	997.8	121.6	117.2	9,694.0	7,586.5
Inter-segment	-	-	1.1	0.8	-	16.1	29.1	37.5	(30.2)	(54.4)	-	-
	<b>2,310.3</b>	<b>2,117.4</b>	<b>3,284.4</b>	<b>2,358.2</b>	<b>2,780.3</b>	<b>2,012.8</b>	<b>1,227.6</b>	<b>1,035.3</b>	<b>91.4</b>	<b>62.8</b>	<b>9,694.0</b>	<b>7,586.5</b>
Operating profit/(loss)	<b>1,076.3</b>	<b>908.2</b>	<b>618.0</b>	<b>238.1</b>	<b>354.4</b>	<b>669.4</b>	<b>51.1</b>	<b>(148.3)</b>	<b>(92.1)</b>	<b>(92.3)</b>	<b>2,007.7</b>	<b>1,575.1</b>

\* Comprises other diversified businesses, net foreign exchange differences, interest income, dividend income from quoted investments, corporate expenses, eliminations and adjustments.

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#### PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

##### A12. PROFIT FOR THE PERIOD

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

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2022	2021	2022	2021
	RM million	RM million	RM million	RM million
Finance income	41.7	6.9	78.0	30.5
Other income	231.4	34.5	300.5	264.8
Interest expense	(162.1)	(98.6)	(403.0)	(277.7)
Amortisation of upfront fees for borrowings	(10.4)	(5.2)	(69.9)	(17.1)
Depreciation of ships, offshore floating asset and other property, plant and equipment	(523.3)	(484.9)	(1,496.2)	(1,450.4)
Amortisation of prepaid lease payments	(1.9)	(1.9)	(5.6)	(5.6)
Amortisation of intangibles	(10.2)	(8.3)	(29.0)	(14.2)
Write off of ships, property, plant and equipment	-	-	(1.6)	(0.1)
Gain on disposal of ships	5.8	-	15.3	4.0
Impairment of non current assets	-	(9.0)	(309.8)	(75.6)
Loss from deconsolidation of a subsidiary	-	-	-	(2.3)
Bad debts written off	-	-	-	(0.2)
Fair value (loss)/gain in other investments	(1.8)	0.4	4.5	5.9
Changes in fair value of hedging derivatives	2.1	2.5	9.0	3.1
Writeback/(Write off) of impairment loss on receivables	7.2	0.8	17.2	(47.8)
Net realised foreign exchange gain/(loss)	7.1	2.4	11.7	(14.8)
Net unrealised foreign exchange gain/(loss)	12.0	(6.8)	19.6	12.0

##### A13. SHIPS, OFFSHORE FLOATING ASSET AND OTHER PROPERTY, PLANT AND EQUIPMENT

Included in ships, offshore floating asset and other property, plant and equipment are construction work-in-progress, mainly for the construction of ships totalling RM1,199.6 million (31 December 2021: RM3,351.5 million) and right-of-use assets amounting to RM98.3 million (31 December 2021: RM168.9 million).

The volatility of charter hire rates, expired charter contracts or contracts that are approaching their expiry dates were identified as indications that the carrying amount of certain ships may be impaired. The Group has performed a review of the recoverable amount of the ships at the end of the quarter. The recoverable amount was based on the higher of fair value less costs of disposal or value-in-use, and determined at the cash generating unit ("CGU") level of each asset.

The review led to the recognition of net impairment losses on non current assets amounting to RM309.8 million in the current financial period as the recoverable amount of the non current assets amounting to RM1,893.9 million was lower than their carrying value.

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#### PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

##### A14. INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
	RM million	RM million	RM million
<b>Cost</b>			
<b>At 1 January 2021</b>	<b>966.5</b>	<b>212.7</b>	<b>1,179.2</b>
Reclassification from property, plant and equipment	-	231.2	231.2
Deconsolidation of a subsidiary	(0.2)	-	(0.2)
Currency translation differences	32.0	1.3	33.3
<b>At 31 December 2021</b>	<b>998.3</b>	<b>445.2</b>	<b>1,443.5</b>
Reclassification from property, plant and equipment	-	20.7	20.7
Currency translation differences	101.5	23.0	124.5
<b>At 30 September 2022</b>	<b>1,099.8</b>	<b>488.9</b>	<b>1,588.7</b>
<b>Accumulated amortisation and impairment</b>			
<b>At 1 January 2021</b>	<b>162.5</b>	<b>197.5</b>	<b>360.0</b>
Amortisation	-	22.6	22.6
<b>At 31 December 2021</b>	<b>162.5</b>	<b>220.1</b>	<b>382.6</b>
Amortisation	-	29.0	29.0
<b>At 30 September 2022</b>	<b>162.5</b>	<b>249.1</b>	<b>411.6</b>
<b>Net carrying amount</b>			
<b>At 1 January 2021</b>	<b>804.0</b>	<b>15.2</b>	<b>819.2</b>
<b>At 31 December 2021</b>	<b>835.8</b>	<b>225.1</b>	<b>1,060.9</b>
<b>At 30 September 2022</b>	<b>937.3</b>	<b>239.8</b>	<b>1,177.1</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 were disclosed in the annual consolidated financial statements for the year ended 31 December 2021.

The other intangible assets relate to the fair value of long term customer contracts from acquisition of a subsidiary at the date of acquisition, which is amortised over the remaining contract periods and digital products, measured at cost which comprises the development costs and all costs that can be directly attributed to preparing the asset for its intended use. The intangible assets on digital products are amortised on a straight-line basis over its estimated useful life.

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### FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

#### PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

##### A15. 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 30 September 2022</b>				
<b>Financial Assets</b>				
Quoted investments	55.3	-	-	55.3
Unquoted investments	-	-	73.1	73.1
Forward currency contracts	-	10.9	-	10.9
Interest rate swaps designated as hedging instruments	-	974.0	-	974.0
	<u>55.3</u>	<u>984.9</u>	<u>73.1</u>	<u>1,113.3</u>
<b>At 31 December 2021</b>				
<b>Financial Assets</b>				
Quoted investments	51.0	-	-	51.0
Unquoted investments	-	-	72.6	72.6
Interest rate swaps designated as hedging instruments	-	103.0	-	103.0
	<u>51.0</u>	<u>103.0</u>	<u>72.6</u>	<u>226.6</u>
<b>Financial Liabilities</b>				
Forward currency contracts	-	(4.7)	-	(4.7)
Interest rate swaps designated as hedging instruments	-	(213.4)	-	(213.4)
	<u>-</u>	<u>(218.1)</u>	<u>-</u>	<u>(218.1)</u>

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.

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#### PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

##### A16. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES

Pursuant to the Global Medium Term Notes Programme of up to USD3.0 billion in nominal value or its equivalent in other currencies ("GMTN Programme") guaranteed by the Corporation, MISC Capital Two (Labuan) Limited, a wholly-owned subsidiary of the Corporation, had successfully priced its USD1.0 billion Global Medium Term Notes ("Notes") in nominal value on 30 March 2022. Subsequently, the Notes comprising USD400 million 3-year and USD600 million 5-year Notes have been issued on 6 April 2022. The proceeds from the Notes were mainly used to refinance the existing borrowings of the Group.

##### A17. 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 September 2022 RM million	31 December 2021 RM million
Short Term Borrowings		
Secured	1,206.1	5,726.5
Unsecured	2,466.7	2,448.6
Lease liabilities	68.5	134.2
	<u>3,741.3</u>	<u>8,309.3</u>
Long Term Borrowings		
Secured	9,677.7	7,211.9
Unsecured	6,875.8	1,408.6
Lease liabilities	59.2	99.2
	<u>16,612.7</u>	<u>8,719.7</u>
<b>Total</b>	<b><u>20,354.0</u></b>	<b><u>17,029.0</u></b>

- ii) Foreign borrowings in United States Dollar equivalent as at 30 September 2022 and 31 December 2021 are as follows:

	30 September 2022 RM million	31 December 2021 RM million
United States Dollar Borrowings	<u>19,937.0</u>	<u>16,567.4</u>

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### FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

#### PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134 (Continued)

##### A18. DIVIDENDS PAID

The Corporation paid the following dividends in the period ended 30 September 2022 and year ended 31 December 2021:

	30 September 2022 RM million	31 December 2021 RM million
<b>In respect of the financial year ended 31 December 2020:</b>		
Fourth tax exempt dividend of 12.0 sen per share paid on 16 March 2021	-	535.6
<b>In respect of the financial year ended 31 December 2021:</b>		
First tax exempt dividend of 7.0 sen per share paid on 9 June 2021	-	312.5
Second tax exempt dividend of 7.0 sen per share paid on 14 September 2021	-	312.5
Third tax exempt dividend of 7.0 sen per share paid on 14 December 2021	-	312.5
Fourth tax exempt dividend of 12.0 sen per share paid on 16 March 2022	535.6	-
<b>In respect of the financial year ended 31 December 2022:</b>		
First tax exempt dividend of 7.0 sen per share paid on 15 June 2022	312.5	-
Second tax exempt dividend of 7.0 sen per share paid on 14 September 2022	312.5	-

##### A19. RELATED PARTY TRANSACTIONS

There were no new and significant transactions entered with related parties for the period ended 30 September 2022, compared to the related party transactions disclosed in the audited consolidated financial statements of the Group for the year ended 31 December 2021.

##### A20. CAPITAL COMMITMENTS

The Group's outstanding commitments in respect of capital expenditure not provided for in the financial statements as at 30 September 2022 and 31 December 2021 are as follows:

	30 September 2022 RM million	31 December 2021 RM million
Approved and contracted for	4,604.8	3,416.8

The Group has excluded the approved and contracted capital expenditure relating to the turnkey activities for the conversion of a vessel to an FPSO to be leased out to a customer under a time charter contract. Accordingly, the Group has excluded the amount of RM2,556.0 million as at 30 September 2022 (31 December 2021: RM3,799.1 million) from the above capital commitments as the turnkey activities contribute to the recognition of contract assets per MFRS 15: Revenue from Contract with Customers.

##### A21. CONTINGENT LIABILITIES

Contingent liabilities of the Group as at 30 September 2022 and 31 December 2021 comprise the following:

	30 September 2022 RM million	31 December 2021 RM million
Performance bonds on contract and bank guarantees extended to customers	506.4	498.4

##### A22. SUBSEQUENT MATERIAL EVENTS

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

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## QUARTERLY REPORT FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

### PART B – OTHER EXPLANATORY NOTES

#### B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2022 RM million	2021 RM million	2022 RM million	2021 RM million
<b>Revenue</b>				
Gas Assets & Solutions	790.1	741.2	2,310.3	2,117.4
Petroleum & Product Shipping	1,265.2	775.9	3,284.4	2,358.2
Offshore Business	1,119.8	749.7	2,780.3	2,012.8
Marine & Heavy Engineering	409.2	389.3	1,227.6	1,035.3
Others, Eliminations and Adjustments	29.8	35.7	91.4	62.8
<b>Total Revenue</b>	<b>3,614.1</b>	<b>2,691.8</b>	<b>9,694.0</b>	<b>7,586.5</b>
<b>Operating Profit/(Loss)</b>				
Gas Assets & Solutions	355.1	313.7	1,076.3	908.2
Petroleum & Product Shipping	470.7	(8.3)	618.0	238.1
Offshore Business	190.0	243.3	354.4	669.4
Marine & Heavy Engineering	19.0	(20.1)	51.1	(148.3)
Others, Eliminations and Adjustments	(4.9)	(44.3)	(92.1)	(92.3)
<b>Total Operating Profit</b>	<b>1,029.9</b>	<b>484.3</b>	<b>2,007.7</b>	<b>1,575.1</b>
Impairment of non current assets	-	(9.0)	(309.8)	(75.6)
Loss from deconsolidation of a subsidiary	-	-	-	(2.3)
Gain on disposal of ships	5.8	-	15.3	4.0
Finance costs	(172.5)	(103.8)	(472.9)	(294.8)
Share of profit of an associate	0.7	1.2	2.6	2.8
Share of (loss)/profit of joint ventures	(26.1)	29.4	(18.9)	133.3
<b>Profit Before Tax</b>	<b>837.8</b>	<b>402.1</b>	<b>1,224.0</b>	<b>1,342.5</b>

#### Current quarter's performance against the quarter ended 30 September 2021

Group revenue of RM3,614.1 million was RM922.3 million or 34.3% higher than the quarter ended 30 September 2021 ("corresponding quarter") revenue of RM2,691.8 million, while Group operating profit of RM1,029.9 million was RM545.6 million or 112.7% higher than the corresponding quarter's profit of RM484.3 million. The variances in Group performance by segments are further explained below.



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### FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

#### PART B – OTHER EXPLANATORY NOTES (Continued)

##### **Gas Assets & Solutions**

Revenue of RM790.1 million was RM48.9 million or 6.6% higher than the corresponding quarter's revenue of RM741.2 million, mainly due to translational impact from weakening of Ringgit Malaysia ("RM") against the United States Dollar ("USD") in the current quarter. Operationally, the segment's revenue in the current quarter was comparable to the corresponding period's revenue.

Operating profit of RM355.1 million was RM41.4 million or 13.2% higher than the corresponding quarter's profit of RM313.7 million, mainly from higher revenue as mentioned above, coupled with lower vessel operating costs in the current quarter.

##### **Petroleum & Product Shipping**

Revenue of RM1,265.2 million was RM489.3 million or 63.1% higher than the corresponding quarter's revenue of RM775.9 million mainly from higher freight rates in the mid-sized tanker segment in the current quarter.

Operating profit of RM470.7 million was RM479.0 million higher than the corresponding quarter's loss of RM8.3 million, mainly due to a one-off compensation for a contract renegotiation and higher freight rates in the current quarter.

##### **Offshore Business**

Revenue of RM1,119.8 million was RM370.1 million or 49.4% higher than the corresponding quarter's revenue of RM749.7 million, mainly from higher recognition of revenue from conversion of a Floating, Production, Storage and Offloading unit ("FPSO") following improved project progress in this quarter.

Operating profit of RM190.0 million was RM53.3 million or 21.9% lower than the corresponding quarter's profit of RM243.3 million, mainly due to impact of change in accounting estimate recorded in the current quarter.

##### **Marine & Heavy Engineering**

Revenue of RM409.2 million was RM19.9 million or 5.1% higher than the corresponding quarter's revenue of RM389.3 million, mainly from increased dry-docking activities in the Marine sub-segment in the current quarter.

Marine & Heavy Engineering segment's operating profit of RM19.0 million was RM39.1 million higher than the corresponding quarter's loss of RM20.1 million mainly from the recovery of COVID-19 claims and higher dry-docking activities in the current quarter.

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

Others segment recorded an operating loss of RM4.9 million as compared to the corresponding quarter's loss of RM44.3 million, mainly due to lower corporate expenses and higher net foreign exchange gain in the current quarter.

##### **Current 9 months period performance against the 9 months period ended 30 September 2021**

Group revenue of RM9,694.0 million was RM2,107.5 million or 27.8% higher than the revenue for the 9-month period ended 30 September 2021 ("corresponding period") of RM7,586.5 million, while Group operating profit of RM2,007.7 million was RM432.6 million or 27.5% higher than the corresponding period's profit of RM1,575.1 million. The variances in Group performance by segments are further explained below.

##### **Gas Assets & Solutions**

Revenue of RM2,310.3 million was RM192.9 million or 9.1% higher than the corresponding period revenue of RM2,117.4 million, following higher earning days mainly from lower dry-docking activities in the current period.

Operating profit of RM1,076.3 million was RM168.1 million or 18.5% higher than the corresponding period's profit of RM908.2 million, mainly from higher earning days as mentioned above.

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#### PART B – OTHER EXPLANATORY NOTES (Continued)

##### **Petroleum & Product Shipping**

Revenue of RM3,284.4 million was RM926.2 million or 39.3% higher than the corresponding period's revenue of RM2,358.2 million mainly from higher freight rates in the mid-sized tanker segment in the current period.

Operating profit of RM618.0 million was RM379.9 million or 159.6% higher than the corresponding period's profit of RM238.1 million, mainly due to higher revenue as mentioned above.

##### **Offshore Business**

Revenue of RM2,780.3 million was RM767.5 million or 38.1% higher than the corresponding period's revenue of RM2,012.8 million, mainly from higher recognition of revenue from conversion of an FPSO following improved project progress in the current period.

Operating profit of RM354.4 million was RM315.0 million or 47.1% lower than the corresponding period's profit of RM669.4 million, mainly due to increase in construction costs of an FPSO arising from the global supply chain issue and recent lockdowns in parts of China which affected the movement of project personnel, goods and services as well as from engineering, procurement and construction activities.

##### **Marine & Heavy Engineering**

Revenue of RM1,227.6 million was RM192.3 million or 18.6% higher than the corresponding period's revenue of RM1,035.3 million, mainly from higher progress for an on-going Heavy Engineering project and increased dry-docking activities in the Marine sub-segment in the current period.

Marine & Heavy Engineering segment's operating profit of RM51.1 million was RM199.4 million higher than the corresponding period's loss of RM148.3 million as it was impacted by additional costs provisions for on-going heavy engineering projects in the corresponding period. The segment's increase in profit was also contributed by the higher revenue and reversal of cost provision for both on-going and post sail-away heavy engineering projects coupled with partial recovery of COVID-19 claims in the current period.

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

Others segment's operating loss of RM92.1 million was comparable to the corresponding period's loss of RM92.3 million.

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### FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

#### PART B – OTHER EXPLANATORY NOTES (Continued)

##### B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

<u>GROUP</u>	Quarter Ended 30 September 2022 RM million	Quarter Ended 30 June 2022 RM million
Revenue	<u>3,614.1</u>	<u>3,212.3</u>
Operating Profit	1,029.9	460.9
Impairment of non current assets	-	(309.8)
Gain on disposal of ships	5.8	5.7
Finance costs	(172.5)	(147.5)
Share of profit of an associate	0.7	0.6
Share of loss of joint ventures	(26.1)	(10.3)
Profit/(Loss) Before Tax	<u>837.8</u>	<u>(0.4)</u>

Group revenue of RM3,614.1 million was RM401.8 million or 12.5% higher than the preceding quarter's revenue of RM3,212.3 million, mainly from higher recognition of revenue from conversion of an FPSO in the Offshore Business segment due to further project progress during the quarter, as well as from the increase in freight rates for mid-sized tankers in the Petroleum & Product Shipping segment.

Group operating profit of RM1,029.9 million was RM569.0 million higher than the preceding quarter's profit of RM460.9 million, mainly due to a one-off compensation for a contract renegotiation in the Petroleum & Product Shipping segment in the current quarter, coupled with the higher revenue as explained above.

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### FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

#### PART B – OTHER EXPLANATORY NOTES (Continued)

##### B3. REVIEW OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30 September 2022 RM million	As at 31 December 2021 RM million
Total assets	66,208.1	57,521.3
Total equity attributable to equity holders of the Corporation	38,954.0	34,162.8
Total liabilities	26,398.4	22,596.3

The Group's total assets at RM66,208.1 million was higher by RM8,686.8 million or 15.1% as a result of higher recognition of contract asset from conversion of an FPSO, higher cash, deposits and bank balances, coupled with capital expenditure incurred for ships in the current period.

Total equity attributable to shareholders of the Company increased by RM4,791.2 million or 14.0% mainly due to favourable movement in hedging reserve and currency translation reserve following weakening of RM against USD.

Total liabilities were higher by RM3,802.1 million or 16.8% following issuances of Global Medium Term Notes and drawdown of term loans in the current period.

##### B4. REVIEW OF CONSOLIDATED STATEMENT OF CASH FLOWS

	Cumulative 9 Months Ended	
	30 September 2022 RM million	30 September 2021 RM million
Net cash generated from operating activities	1,792.3	2,129.9
Net cash used in investing activities	(1,407.3)	(2,724.9)
Net cash generated from financing activities	227.6	1,601.9
Net change in cash and cash equivalents	612.6	1,006.9

The Group's net cash generated from operating activities of RM1,792.3 million was lower by 15.9% or RM337.6 million compared to RM2,129.9 million in the corresponding period, mainly due to higher payments for cost relating to turnkey activities for the conversion of a FPSO amounting to RM2,157.0 million in the current period compared to payments of RM831.2 million in the corresponding period. Excluding the payments for the above turnkey activities, the Group's adjusted net cash generated from operating activities of RM3,949.3 million was higher by RM988.2 million or 33.4% compared to RM2,961.1 million in the corresponding period from higher collection received from customers in the current period.

The Group's net cash used in investing activities of RM1,407.3 million was lower by RM1,317.6 million or 48.4% compared to net cash used in investing activities of RM2,724.9 million in the corresponding period, mainly due to lower payments on capital expenditure for ships, property, plant and equipment in the current period.

The Group's net cash generated from financing activities of RM227.6 million was lower by 85.8% or RM1,374.3 million compared to net cash generated from financing activities of RM1,601.9 million in the corresponding period, mainly due to higher repayments of loans and borrowings in the current period.

**PART B – OTHER EXPLANATORY NOTES (Continued)****B5. GROUP CURRENT YEAR PROSPECTS**

Spot rates continued to surge in the LNG shipping market in the third quarter of 2022, driven by strengthening winter season demand towards year-end in Asia and Europe, high European demand due to the prolonged Russia-Ukraine war, and tight vessel availability. In the near term, prospects remain positive backed by growing global demand for LNG amidst the ongoing European energy crisis and additional LNG infrastructure investment, which would further support LNG growth despite tonne-mile demand coming under some pressure from trade pattern shifts to shorter distances. Notwithstanding the market situation, the operating income of the Gas Assets and Solutions segment is expected to remain stable, underwritten by its portfolio of long-term charters.

The petroleum shipping market rates have seen improvements since the last quarter with average tanker rates strengthening, supported by rebounding oil production, ongoing recovery from COVID-19 impacts and shifts to longer-haul trade flows arising from the Ukraine invasion. In addition, VLCC rates continue to strengthen in September due to the increase of US crude flows to the Far East and South Asia. Notwithstanding this, upcoming OPEC+ production curbs are anticipated to keep oil supply tight this winter, capping any rise in freight rates. In addition, downside risks to the demand outlook remains, with a lack of improvement in Chinese oil demand and a slowing global economy. Amidst this volatile backdrop, the Petroleum and Product Shipping segment has been continuing to improve the quality of its income and balance sheet through its shuttle tanker business and asset rejuvenation with greener-fueled newbuildings.

Higher oil prices have encouraged the increase in global upstream capex spending as the world economy continues to recover despite impacts of inflation and supply chain disruptions. The demand for FPSOs is positive with the increase in project sanctions around the world particularly from Brazil, being the highest FPSO demand center, followed by West Africa. Meanwhile, the Offshore Business segment will remain focused on executing the project in hand while undertaking mitigation measures to minimize cost and schedule pressures. In the meantime, the segment's financial performance will continue to be supported by its existing portfolio of long-term contracts.

Despite the increase in global upstream capex spending, the Marine & Heavy Engineering segment remains cautiously optimistic on the outlook of its Heavy Engineering sub-segment for the remainder of the year in view of prolonged supply chain disruptions and high steel prices. The reopening of international borders in April 2022 contributed to the Marine sub-segment's significant turnaround this year due to higher dry-docking activities. However, soaring global gas prices and robust LNG demand are anticipated to lead to growth in LNG trade, in which more vessel owners are expected to defer dry-docking and create stiffer competition amongst shipyards. Given this backdrop, the Marine sub-segment expects its business to remain challenging. The Group aims to replenish its order book, including venturing into carbon capture and storage as well as renewables. It will also continue to focus on cost management, improving project execution and project delivery through prudent investment in technology, people, digitalisation and automation.

**B6. PROFIT FORECAST AND PROFIT GUARANTEE**

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

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### FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

#### PART B – OTHER EXPLANATORY NOTES (Continued)

##### B7. TAXATION

	Quarter Ended 30 September 2022 RM million	Cumulative 9 Months Ended 30 September 2022 RM million
Taxation for the period comprises the following charge:		
Income tax charge		
- current period	(15.9)	(40.1)
- prior year	-	(1.0)
Deferred taxation	0.5	1.0
	<u>(15.4)</u>	<u>(40.1)</u>

Section 54A of the Income Tax Act, 1967 was amended effective from Year of Assessment (“YA”) 2012, in which the tax exemption on shipping profits was reduced from 100% to 70%. The implementation of the amended Section 54A, however, was deferred several times up to YA2020. On 6 October 2022, Gazette Order (i.e. Income Tax (Exemption) (No. 7) Order 2022 (P.U. (A) 312)) was enacted for the extension of the 100% shipping tax exemption from YA2021 to YA2023 subject to obtaining annual verification from the Ministry of Transport Malaysia that each Malaysian shipowner complies with the minimum substance requirements in terms of annual operating expenditure and minimum number of full-time Malaysian employees for each Malaysian ship for both shore employees and ship personnel.

Based on the Gazette Order, the Group would now be able to continue to enjoy the 100% shipping tax exemption up to YA 2023 on the basis that the substance requirements are duly met.

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

##### B8. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

There were no outstanding corporate proposals submitted by the Group for the quarter ended 30 September 2022.

**PART B – OTHER EXPLANATORY NOTES (Continued)****B9. CHANGES IN MATERIAL LITIGATION****i) Gumusut-Kakap Semi-Floating Production System (L) Limited (“GKL”) and Sabah Shell Petroleum Limited (“SSPC”)**

We refer to previous announcements made by MISC Berhad (“MISC or the Company”) in respect of the Arbitration Proceedings commenced by the Company’s wholly-owned subsidiary, Gumusut-Kakap Semi-Floating Production System (L) Limited (“GKL”) against Sabah Shell Petroleum Company Limited (“SSPC”).

As announced on 10 April 2020, the Arbitral Tribunal has issued its Award on 8 April 2020 (“Award”) which found, among others, as follows:

- (1) That GKL’s claim in relation to the achievement of Handover Completion under the Contract was rejected and the Arbitral Tribunal decided that Handover Completion did not occur prior to 11 October 2014;
- (2) In relation to GKL’s claims for Variation Works, GKL was awarded:
  - a. USD222,132,575.60;
  - b. That an amount of USD88,791,006.17 is deducted from USD222,132,575.60 being manpower costs incurred by way of the Variation Works for rectification of defects (which the Tribunal held GKL to be liable for);
  - c. That the remainder sum of USD133,341,569.49 is converted to an Additional Lease Rate and represents a reduction from the Additional Lease Rate awarded by the Adjudication Awards. The new Additional Lease Rate is payable from the date of the Award. The base rate is unaffected by the Award and will continue for the Fixed Term.
- (3) SSPC was awarded the following sums:
  - a. USD236,378,824.46 for defects rectification work (inclusive of USD15,000,000.00 for Liquidated Damages);
  - b. USD88,317,146.13 as a refund for overpayment of the Additional Lease Rate originally awarded in the Adjudication Proceedings for the period of April 2014 to January 2020 due to the reduction of the Additional Lease Rate as set out in Item 2(c) above;
  - c. Applicable interest up to the date of the Award;
  - d. Costs of USD12,746,570.70;
  - e. Interest at 6.65% on the sums awarded from the date of the Award until payment.
- (4) SSPC is entitled to set-off the above claims against moneys owed by SSPC to GKL under the Contract, including but not limited to the lease rate.
- (5) Any GST payable pursuant to the Goods and Services Tax Act 2014 to be accounted by the parties.

**Proceedings Post the Award**

GKL was advised that it has legal grounds to challenge the Award and on 7 July 2020, GKL has filed the following court applications:

- (i) an Originating Summons dated 7 July 2020 for setting aside of parts of the Arbitral Award dated 8 April 2020 (“Setting Aside OS”); and
- (ii) a Notice of Application for an injunction to restrain SSPC from setting off the sums that GKL was ordered to pay to SSPC under the Arbitral Award dated 8 April 2020 (“Injunction NOA”).

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#### PART B – OTHER EXPLANATORY NOTES (Continued)

##### Setting Aside OS

On 7 July 2020, GKL filed an Originating Summons to set aside parts of the Arbitral Award dated 8 April 2020. The proceeding of this Setting Aside OS was delayed due to the COVID-19 situation and the various applications filed by both Parties in relation to this matter:

(i) Injunction NOA

On 6 October 2020, GKL withdrew the Injunction NOA on the basis that a statutory stay of enforcement is automatically imposed on SSPC upon GKL's application to set aside SSPC's Award enforcement.

Additionally, GKL had filed an interim application preventing SSPC from enforcing the Award prior to the determination of the Setting Aside OS. This application was heard on 16 August 2021 and 1 October 2021. On 25 October 2021, the High Court dismissed GKL's interim application and decided that SSPC has the right to set off the award against the charter hire without full grounds of judgment. GKL has since obtained the High Court's written grounds of judgment and is of the opinion that there are grounds to appeal against the High Court's decision in dismissing GKL's interim application. As such, on 22 November 2021 GKL filed an appeal to the Court of Appeal against the High Court's decision which was heard on 6 July 2022. On 7 November 2022, the Court of Appeal dismissed GKL's appeal in respect of the interim application. General grounds were delivered orally and no written grounds were provided by the Court of Appeal. GKL is filing an application for leave to appeal to the Federal Court against the Court of Appeal's dismissal of its appeal in respect of the interim application. In addition, GKL is seeking to secure the Court of Appeal's written grounds of judgement.

GKL's Setting Aside OS was heard on 20 and 25 October 2021, 13 January 2022, 16 and 17 February 2022, 4 April 2022, 10 August 2022 and 23 September 2022. The High Court Judge has indicated that he will be preparing his written grounds of judgement which is expected to be delivered on 29 December 2022.

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

Malaysia Offshore Mobile Production (Labuan) Ltd ("MOMPL"), MISC Berhad's wholly owned subsidiary, and PCPP Operating Company Sdn Bhd ("PCPP") are parties to an Agreement for the Leasing, Operation and Maintenance of Two (2) Plain Mobile Offshore Production Unit Facilities for D30 and Dana Fields Development Project dated 28 November 2008 ("the Contract").

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").

A dispute has arisen between the parties in relation to the Contract and there are substantial sums due and owing to MOMPL. Attempts to resolve the matter by means of a commercial settlement agreement failed to materialise and MOMPL was constrained to proceed with legal proceedings against PCPP to seek to recover the sums outstanding to MOMPL for the lease rates, payment for completed variation works, early termination fees, reimbursement of demobilisation costs and associated costs under the Contract totalling to approximately USD99,784,000 and service rates totalling approximately RM22,618,000. In this respect, the following actions have been filed:

##### Adjudication

1. Adjudication proceedings under the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") was first commenced to recover MOMPL's claim for the completed variation works amounting to approximately USD9,949,000.00. On 9 January 2019, MOMPL was awarded its entire claim of USD9,949,734.00 plus interest and costs.



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### FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

#### PART B – OTHER EXPLANATORY NOTES (Continued)

2. The second adjudication proceedings under CIPAA was commenced to recover the disputed demobilisation costs amounting to approximately USD4,796,000. On 7 October 2019, MOMPL received the second Adjudication decision dated 26 July 2019 where MOMPL was awarded its entire claim of USD4,752,239.11 plus interest and costs.
3. The Federal Court (“FC”) had on 16 October 2019 made a ruling that the CIPAA, which provides the basis upon which the Adjudication Proceedings were commenced, only applies prospectively to construction contracts entered into after the date CIPAA became effective i.e. 15 April 2014. The MOMPL lease agreement is dated 28 November 2008 and as such, falls outside the purview of CIPAA.
4. In view of the FC decision, MOMPL has stayed its hand on moving for the enforcement of the Adjudication decisions and will focus on the Arbitration Proceedings in order to recover the monies owing by PCPP.
5. As far as MOMPL is aware, there is no pending application to set aside the said Adjudication decisions.

#### Proceedings in Court

6. An Originating Summons in the High Court was filed on 7 August 2018 to recover the undisputed portion of the early termination fees and demobilisation costs amounting to approximately USD42,307,000.
  - a. The High Court had, on 30 May 2019, allowed PCPP’s application to stay the Originating Summons pending the disposal of the arbitration proceedings. MOMPL filed an appeal to the Court of Appeal (“CA”) against this decision which was heard on 12 April 2021. The CA set aside the stay application granted by the High Court and instead imposed a conditional stay on PCPP wherein PCPP is required to deposit a sum of USD7,766,549.61 into a joint account held by both parties’ solicitors within 30 days, failing which MOMPL will be able to proceed with the full hearing in the High Court action against PCPP. PCPP failed to make any such deposit and therefore the Originating Summons was reinstated in the High Court at MOMPL’s request.
  - b. The matter was heard on 7 October 2021 and on 26 October 2021, the High Court decided the matter in favour of MOMPL. MOMPL has now been awarded the full sum claimed amounting to USD42,307,549.61 together with interest and costs which is to be paid by PCPP. PCPP did not file any appeal against the High Court’s decision however PCPP has failed to pay the sum awarded to MOMPL.
  - c. In the circumstances, MOMPL proceeded to file a Statutory Notice pursuant to Sections 465 and 466 of the Companies Act 2016 against PCPP on 14 December 2021 (“Statutory Notice”). PCPP has failed to comply with the Statutory Notice and therefore on 25 March 2022, MOMPL proceeded to file a winding-up petition against PCPP in the High Court (“Winding-up Proceedings”). The Winding-up Proceedings was heard on 6 September 2022 and the Winding-Up Order against PCPP was granted in the terms prayed for together with costs. This means that PCPP is in the process of being wound up and a liquidator has been appointed. MOMPL is now in the midst of preparing its Proof of Debt against PCPP which shall be submitted in due course.
7. A writ action in the High Court was also filed on 13 August 2018 against PCSB, PPHE and PVEP (being the shareholders of PCPP) seeking for a declaration that the shareholders be liable for the amounts due and owing by PCPP to MOMPL under the Contract. PCSB and PCPP filed applications in the High Court to strike out (“PCSB’s Striking Out Application”) and stay the proceedings pending the disposal of the arbitration proceedings (“PCPP’s Stay Application”) which were allowed on 26 October 2018 and 11 December 2018 respectively. MOMPL appealed against both decisions to the Court of Appeal.

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#### PART B – OTHER EXPLANATORY NOTES (Continued)

- a. MOMPL's appeal against PCSB's Striking Out Application by the High Court was dismissed by the Court of Appeal on 26 September 2019. MOMPL has filed leave to appeal against the Court of Appeal's decision to uphold the High Court's decision to strike out the proceedings against PCSB to the Federal Court. On 18 August 2020, the Federal Court dismissed MOMPL's appeal.
- b. MOMPL's appeal against PCPP's Stay Application by the High Court was heard by the Court of Appeal on 19 June 2020. The Court of Appeal has set aside the stay against the shareholders i.e. PCSB, PPHE and PVEP, whilst the stay against PCPP is affirmed. Pursuant to this decision, MOMPL has proceeded to serve the cause papers out of jurisdiction on PPHE and PVEP. PVEP has failed to respond to MOMPL's claim and therefore MOMPL has applied for a summary judgment to be made against PVEP. PPHE has filed an application in the High Court of Malaysia to challenge the service of the cause papers in Indonesia which was heard on 11 August 2021. On 24 September 2021, the High Court allowed PPHE's application. MOMPL has elected to await the outcome of the Winding-up Proceedings against PCPP and will consider whether to file a fresh claim against PCPP's shareholders thereafter.

#### Arbitration

8. The first arbitration proceedings seek to claim for part of the outstanding sums amounting to approximately USD18,829,000 and RM17,944,000. MOMPL's Statement of Claim was filed on 21 December 2016.
9. MOMPL has re-filed the Notice of Arbitration for the second arbitration proceedings for part of the outstanding sums amounting to approximately USD80,954,000.00 and RM4,674,000.00. PCPP has responded to the Notice of Arbitration on 15 July 2020.

The arbitral tribunal for both arbitration proceedings have now been constituted respectively and parties are in the midst of negotiating and finalising the terms of appointment. However given the development in the filing of the Winding-up Proceedings, MOMPL has written to the arbitral tribunal for both the first and second arbitrations to request for the proceedings to be kept in abeyance until the Winding-up Proceedings is disposed off by the High Court.

(collectively referred to as the "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.

#### **iii) Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE") and Kebabangan Petroleum Operating Company Sdn Bhd ("KPOC")**

On 13 March 2019, MMHE received a notice of arbitration from KPOC in relation to claims arising from the Kebabangan ("KBB") field project. KPOC claimed that MMHE was in breach of contract in respect of matters relating to supply of certain valves. The valves procured by MMHE were claimed to be defective and that KPOC suffered substantial loss and damage.

By way of Final Award dated 23 July 2021 that was made available to MMHE on 3 August 2021 ("Final Award"), the Arbitral Tribunal has ordered that MMHE shall pay KPOC the following:-

- a. The sum of RM17,241,178 as damages for the expenses incurred by KPOC for assessment, procurement and replacement of valves in the period of 2016 to 2019, together with interest at the rate of 5% per annum from 11 October 2019 to the date of payment;

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#### PART B – OTHER EXPLANATORY NOTES (Continued)

- b. The sum of RM9,820,770 as damages suffered by KPOC in having to procure 1,365 valves and install 1,454 valves in the future, together with interest at the rate of 5% per annum from 11 October 2019 till the date of payment; and
- c. The sum of RM1,029,167 for its legal fees and expenses.

In the Final Award, the Arbitral Tribunal dismissed all of KPOC's claim for loss of revenue in the sum of RM28,030,906.

On 30 September 2021, MMHE filed an application to set aside the Final Award pursuant to Section 37 of the Arbitration Act 2005, whereby MMHE seeks for the Final Award to be set aside on grounds, amongst others, that there was a breach of the rules of natural justice in connection with the making of the Final Award. KPOC, in this regard, has filed an application to seek leave from the High Court to register and enforce the Final Award as a Judgment of the High Court. (collectively, "Applications").

The Applications were heard by the High Court on 15 April 2022 and 20 May 2022. After the completion of the Hearing, the matter proceeded for Clarification on 21 July 2022.

On 30 August 2022, the High Court allowed MMHE's application to set aside the Final Award pursuant to Section 37 of the Arbitration Act 2005, amongst others, on grounds that there was a breach of the rules of natural justice in connection with the making of the Final Award with costs in favour of MMHE for the sum of RM30,000 and further dismissed KPOC's application for leave to register and enforce the Final Award as a Judgment of the High Court with the costs to MMHE of RM10,000.

On 27 September 2022, KPOC lodged Notices of Appeal against the Orders of the High Court dated 30 August 2022.

#### **B10. DIVIDENDS**

The Board of Directors has approved a third tax exempt dividend of 7.0 sen per share in respect of financial year 2022 amounting to RM312.5 million. The proposed dividend will be paid on 14 December 2022 to shareholders registered at the close of business on 2 December 2022.

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

- i) Shares transferred into the Depositor's Securities Account before 4.30 pm on 2 December 2022 in respect of Ordinary Transfers; and
- ii) Shares bought on the Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

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#### PART B – OTHER EXPLANATORY NOTES (Continued)

##### B11. TRADE AND OTHER RECEIVABLES

	30 September 2022 RM million	31 December 2021 RM million
<b>Trade receivables</b>		
Third parties	3,502.7	2,931.4
Fellow subsidiaries	15.6	20.8
Associates	-	14.1
Joint ventures	46.6	30.5
	<b>3,564.9</b>	<b>2,996.8</b>
<b>Due from customers on contracts</b>	415.9	496.2
<b>Other receivables</b>	503.7	318.8
Less: Impairment	(424.3)	(405.0)
<b>Trade and other receivables</b>	<b>4,060.2</b>	<b>3,406.8</b>

The Group's normal trade credit terms with its customers range from 7 to 90 days. Credit terms are assessed and approved on a case-by-case basis and each customer is assigned a maximum credit limit.

The ageing of trade receivables (excluding amount due from customers on contracts) as at reporting date are as follows:

	30 September 2022 RM million	31 December 2021 RM million
Current	615.7	620.5
Past due 1-30 days	166.5	120.1
Past due 31-60 days	29.8	95.0
Past due 61-90 days	25.3	97.5
Past due more than 90 days	2,727.6	2,063.7
	<b>3,564.9</b>	<b>2,996.8</b>
Less: Impairment	(422.6)	(404.3)
<b>Trade receivables, net</b>	<b>3,142.3</b>	<b>2,592.5</b>

##### B12. 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 rate into fixed rate. The maturity of the IRS arrangements coincides with the maturity of the original floating rate loans.

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

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#### PART B – OTHER EXPLANATORY NOTES (Continued)

Details of the Group's derivative financial instruments outstanding as at 30 September 2022 are as follows:

Contract/Tenure	Notional Value RM million	Fair Value as at 30 September 2022 RM million
<b><u>Foreign currency contracts</u></b>		
1 year to 3 years	303.9	10.9
	<u>303.9</u>	<u>10.9</u>
<b><u>Interest rate swaps</u></b>		
More than 3 years	10,514.8	974.0
	<u>10,514.8</u>	<u>974.0</u>

During the current period ended 30 September 2022, the Group had entered into IRS arrangements to hedge against adverse movements in interest rates in compliance with the facility agreement as well as forward currency contracts designated as hedges of expected future payments denominated mainly in United States Dollars.

There is no significant change for the financial derivatives in respect of the following since the last financial year ended 31 December 2021:

- (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.

#### B13. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES

The Group's derivative financial instruments such as interest rate swaps and foreign currency contracts are measured at fair value. The fair value of the derivative financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include:

- (a) using recent arm's length market transactions;
- (b) reference to the current fair value of another instrument that is substantially the same; and
- (c) discounted cash flow analysis or other valuation models.

Any gains or losses arising from changes in fair value on derivative financial instruments during the period that do not qualify for hedge accounting and the ineffective portion of an effective hedge are recognised in the income statement. During the financial period, the Group recorded the following gain from change in fair value of derivative financial instruments:

	Quarter Ended 30 September 2022		Cumulative 9 Months Ended 30 September 2022	
	Gain recognised in income statements RM million	Gain recognised in other comprehensive income RM million	Gain recognised in income statements RM million	Gain recognised in other comprehensive income RM million
Interest rate swaps	-	364.5	-	1,136.3
Foreign currency contracts	2.1	4.2	9.0	6.6

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### FOR THIRD QUARTER ENDED 30 SEPTEMBER 2022

#### PART B – OTHER EXPLANATORY NOTES (Continued)

##### B14. EARNINGS PER SHARE

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2022	2021	2022	2021
Basic earnings per share are computed as follows:				
Profit for the period attributable to equity holders of the Corporation (RM million):	820.6	401.0	1,177.9	1,369.6
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)	18.4	9.0	26.4	30.7

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

By Order of the Board