



MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Income Statement

For The Period Ended 30 June 2016

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Revenue	2,392,429	2,600,472	4,786,898	5,090,740
Cost of sales	(1,656,295)	(1,816,735)	(3,256,032)	(3,584,948)
GROSS PROFIT	736,134	783,737	1,530,866	1,505,792
Other operating income	67,773	46,328	847,285	94,404
General and administrative expenses	(303,595)	(158,013)	(902,303)	(464,571)
OPERATING PROFIT	500,312	672,052	1,475,848	1,135,625
Net impairment provisions	-	-	(73,440)	-
Net loss on deemed disposal of joint ventures	(48,693)	-	(48,693)	-
Net gain on acquisition of subsidiaries	847,296	-	847,296	-
Recognition of Intangibles	47,453	-	47,453	-
Provision for charter hire loss	-	-	(200,758)	-
Net gain on disposal of ships, property, plant and equipment	-	2,128	-	6,756
Finance costs	(63,759)	(48,227)	(111,453)	(103,256)
Share of profit of associates	-	192	-	192
Share of profit of joint ventures	91,534	146,426	218,613	245,106
PROFIT BEFORE TAX	1,374,143	772,571	2,154,866	1,284,423
Taxation	(19,369)	(6,140)	(4,706)	(5,845)
PROFIT FOR THE PERIOD	1,354,774	766,431	2,150,160	1,278,578
PROFIT ATTRIBUTABLE TO:				
Equity Holders of the Corporation	1,346,554	745,186	1,917,563	1,231,496
Non-Controlling Interests	8,220	21,245	232,597	47,082
PROFIT FOR THE PERIOD	1,354,774	766,431	2,150,160	1,278,578
BASIC & DILUTED EARNINGS PER SHARE				
ATTRIBUTABLE TO EQUITY HOLDERS				
OF THE CORPORATION	30.2	16.7	43.0	27.6

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.



MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Comprehensive Income

For The Period Ended 30 June 2016

	Quarter Ended 30 June		Cumulative 6 Months Ended 30 June	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
PROFIT AFTER TAX FOR THE PERIOD	1,354,774	766,431	2,150,160	1,278,578
OTHER COMPREHENSIVE INCOME				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Fair value gain/(loss) on non-current investments	1,911	(2,129)	(1,911)	(1,082)
Cash Flow hedges:				
Fair value (loss)/gain				
Group	(7,824)	(4,108)	(34,717)	(4,572)
Joint ventures	263	94	263	280
Gain/(loss) on currency translation *	715,119	576,826	(2,076,874)	2,052,688
Total other comprehensive income/(loss)	709,469	570,683	(2,113,239)	2,047,314
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,064,243	1,337,114	36,921	3,325,892
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
Equity Holders of the Corporation	2,043,332	1,301,239	(177,472)	3,265,715
Non-Controlling Interests	20,911	35,875	214,393	60,177
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	2,064,243	1,337,114	36,921	3,325,892

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

	2016	2015	2014
As at 31 December	-	4.29400	3.49450
As at 31 March	3.93300	3.70750	-
As at 30 June	4.01800	3.77450	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.



MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Financial Position

As at 30 June 2016

	30 June 2016 RM'000	31 December 2015 RM'000
NON CURRENT ASSETS		
Ships	22,209,714	22,947,385
Offshore floating assets	405,369	403,429
Property, plant and equipment	1,997,064	2,092,769
Prepaid lease payments on land and buildings	237,881	238,208
Finance lease receivables	11,447,466	3,786,759
Finance lease assets under construction	1,365,230	1,256,005
Investments in associates	2,396	2,369
Investments in joint ventures	1,560,155	4,684,574
Other non-current financial assets	285,166	360,967
Derivative assets	-	976
Intangible assets	847,721	925,635
Deferred tax assets	90,276	92,186
	40,448,438	36,791,262
CURRENT ASSETS		
Inventories	261,926	205,216
Finance lease receivables	965,220	491,240
Trade and other receivables	3,737,651	3,502,508
Cash and cash equivalents	4,974,277	5,654,024
Amounts due from related companies	21,815	371,134
Amounts due from associates	375	448
Amounts due from joint ventures	95,546	522,717
Derivative assets	-	525
	10,056,810	10,747,812
TOTAL ASSETS	50,505,248	47,539,074
EQUITY		
Share capital	4,463,794	4,463,794
Share premium	4,459,468	4,459,468
Reserves	5,680,584	7,775,619
Retained profits	19,575,781	18,662,571
Equity attributable to equity holders of the Corporation	34,179,627	35,361,452
Non-Controlling Interests	1,298,910	1,097,690
TOTAL EQUITY	35,478,537	36,459,142
NON-CURRENT LIABILITIES		
Interest bearing loans and borrowings	5,041,322	5,394,348
Deferred tax liabilities	37,707	30,369
Provisions	693,063	697,044
Derivative liabilities	30,178	1,931
	5,802,270	6,123,692
CURRENT LIABILITIES		
Interest bearing loans and borrowings	6,199,419	1,110,055
Trade and other payables	2,914,756	3,707,351
Provision for taxation	3,621	29,155
Amounts due to related companies	6,550	1,458
Amounts due to associates	2,125	2,137
Amounts due to joint ventures	97,970	106,084
	9,224,441	4,956,240
TOTAL LIABILITIES	15,026,711	11,079,932
TOTAL EQUITY AND LIABILITIES	50,505,248	47,539,074

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.



MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Cash Flows

For the Period Ended 30 June 2016

	30 June 2016 RM'000	30 June 2015 RM'000
Cash Flow from Operating Activities:		
Cash receipts from customers	6,380,233	4,703,668
Cash paid to suppliers and employees	(3,536,854)	(2,799,043)
Cash from Operations	2,843,379	1,904,625
Taxation paid	(14,762)	(19,596)
Net cash flows generated from operating activities	2,828,617	1,885,029
Cash Flow from Investing Activities:		
Purchase of ships, offshore floating assets and other property, plant and equipment	(1,002,375)	(1,712,072)
Proceeds from disposal of ships, other property, plant and equipment and assets held for sale	-	16,699
Dividend received from:		
Quoted investments	638	955
Associates and joint ventures	122,106	1,563
Repayment of loans due from joint ventures	61,980	113,256
Proceeds from disposal of a subsidiary	26,335	-
Additional investments in subsidiaries	(1,950,130)	-
Cash acquired on acquisition of subsidiaries	424,421	-
Interest received	23,612	9,937
Net cash flows used in investing activities	(2,293,413)	(1,569,662)
Cash Flow from Financing Activities:		
Drawdown of term loans and revolving credit	623,005	588,472
Repayment of term loans and revolving credit	(411,491)	(1,044,853)
Dividends paid to the equity holders of the Corporation	(1,004,353)	(267,823)
Dividends paid to non-controlling interest of subsidiaries	(33,173)	(31,721)
Cash advances from joint ventures	17,917	-
Interest paid	(110,134)	(72,315)
Net cash flows used in financing activities	(918,229)	(828,240)
Net Change in Cash & Cash Equivalents	(383,025)	(512,873)
Cash & Cash Equivalents at the beginning of the year	5,654,024	4,838,829
Currency translation difference	(296,722)	305,749
Cash & Cash Equivalents at the end of the period	4,974,277	4,631,705

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.


MISC BERHAD

(Company No. 8178 H)

Unaudited Condensed Consolidated Statement of Changes in Equity

For the Period Ended 30 June 2016

← Attributable to equity holders of the Corporation →

	Total equity	Equity attributable to equity holders of the Corporation	Share capital* Ordinary shares	Share premium	Retained profits	Other reserves, total	Other capital reserve	Capital reserve	Revaluation reserve	Statutory reserve	Capital redemption reserve	Fair value reserve	Hedging reserve	Currency translation reserve	Non-controlling Interests
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
6 MONTHS ENDED 30 JUNE 2016															
At 1 January 2016	36,459,142	35,361,452	4,463,794	4,459,468	18,662,571	7,775,619	41,415	435,284	1,357	1,966	59,715	65,566	1,843	7,168,473	1,097,690
Total comprehensive income/(loss)	36,921	(177,472)	-	-	1,917,563	(2,095,035)	-	-	-	-	-	(1,911)	(32,335)	(2,060,789)	214,393
Transactions with owners															
Dividends	(1,017,526)	(1,004,353)	-	-	(1,004,353)	-	-	-	-	-	-	-	-	-	(13,173)
Total transactions with owners	(1,017,526)	(1,004,353)	-	-	(1,004,353)	-	-	-	-	-	-	-	-	-	(13,173)
At 30 June 2016	35,478,537	34,179,627	4,463,794	4,459,468	19,575,781	5,680,584	41,415	435,284	1,357	1,966	59,715	63,655	(30,492)	5,107,684	1,298,910
6 MONTHS ENDED 30 JUNE 2015															
At 1 January 2015	28,821,104	27,756,261	4,463,794	4,459,468	16,797,403	2,035,596	41,415	435,284	1,357	1,966	59,715	63,399	(5,546)	1,438,006	1,064,843
Total comprehensive income/(loss)	3,325,892	3,265,715	-	-	1,231,496	2,034,219	-	-	-	-	-	(1,082)	(4,292)	2,039,593	60,177
Transactions with owners															
Dilution of interest in a subsidiary	(324)	-	-	-	-	-	-	-	-	-	-	-	-	-	(324)
Dividends	(299,544)	(267,823)	-	-	(267,823)	-	-	-	-	-	-	-	-	-	(31,721)
Total transactions with owners	(299,868)	(267,823)	-	-	(267,823)	-	-	-	-	-	-	-	-	-	(32,045)
At 30 June 2015	31,847,128	30,754,153	4,463,794	4,459,468	17,761,076	4,069,815	41,415	435,284	1,357	1,966	59,715	62,317	(9,838)	3,477,599	1,092,975

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

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2015.

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 3 August 2016.

A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the period ended 30 June 2016 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 2015.

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 2015.

The audited consolidated financial statements of the Group for the year ended 31 December 2015 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 2016 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2015.

As of 1 January 2016, 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 2016:

MFRS 14: Regulatory Deferral Accounts

Amendments to MFRS 5: Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)

Amendments to MFRS 7: Financial Instruments – Disclosures (Annual Improvements 2012-2014 Cycle)

Amendments to MFRS 10: Consolidated Financial Statements: Investment Entities - Applying the Consolidation Exception

Amendments to MFRS 11: Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 12: Disclosure of Interests in Other Entities - Investment Entities: Applying the Consolidation Exception

Amendments to MFRS 101: Presentation of Financial Statements - Disclosure Initiative

Amendments to MFRS 116: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116: Property, Plant and Equipment - Bearer Plants

Amendments to MFRS 119: Employee Benefits (Annual Improvements 2012-2014 Cycle)

Amendments to MFRS 127: Separate Financial Statements: Equity Method in Separate Financial Statements

Amendments to MFRS 128: Investment in Associates and Joint Ventures - Investment Entities - Applying the Consolidation Exception
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 138: Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 141: Agriculture - Bearer Plants

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

A4. CHANGES IN ESTIMATES

Having considered rapid changes in vessel design and technology, and as part of the Group's annual review on estimated useful life ("EUL") of Ships, Property, Plant and Equipment ("SPPE"), the Board had in the current year decided to change the estimated useful life of ships as follows:

Vessel Type	Current EUL	Previous EUL
Petroleum and Chemical Tankers	20 Years	25 Years
LNG Carriers	Higher of 25 years, firm contract period or the extended life post vessel refurbishment	Higher of 30 years or firm contract period with a maximum of 40 years for refurbished ships

The change in useful life of ships caused an increase in depreciation for the current 6 months period as follows:

	Current EUL RM'000	Previous EUL RM'000	Increase in Depreciation RM'000
Depreciation	986,989	793,694	193,295

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 2015.

A6. CHANGES IN COMPOSITION OF THE GROUP

- (a) On 24 February 2016, the Corporation entered into a conditional share purchase agreement with E&P Venture Solutions Co Sdn. Bhd., a wholly-owned subsidiary of PETRONAS Carigali Sdn. Bhd., for the proposed acquisition of the remaining 50% equity interest in Gumusut-Kakap Semi-Floating Production System (L) Limited ("GKL") for a cash consideration of USD445.0 million (approximately RM1,727.5 million). The proposed acquisition was approved by the shareholders at the Extraordinary General Meeting held on 19 April 2016.

Upon completion of the acquisition on 13 May 2016, GKL became a wholly-owned subsidiary of the Corporation. Accordingly, the Group recognised a loss on deemed disposal of a joint venture amounting to RM19.0 million and a gain on acquisition of a subsidiary of RM822.8 million in the current quarter.

- (b) On 21 April 2016, AET Inc. Limited, a wholly-owned subsidiary in the MISC Group entered into a conditional share purchase agreement with Golden Energy Tankers Holdings Corp. for the proposed acquisition of the remaining 50% equity interest in Paramount Tankers Corp. for a cash consideration of USD55.9 million (approximately RM180.7 million).

Upon acquiring full control on 13 May 2016, Paramount Tankers Corp. became a wholly-owned subsidiary of AET Inc. Limited. The final purchase consideration, however, is to be finalised in August 2016. The Group recognised a provisional loss on deemed disposal of a joint venture amounting to RM29.7 million and a gain on acquisition of a subsidiary of RM24.5 million in relation to this acquisition in the current quarter.

A7. SEGMENT REPORT

Segmental analysis for the current financial period is as follows:

	LNG	Petroleum ⁽¹⁾	Offshore	Heavy Engineering	Others, eliminations and adjustments	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
External sales	1,310,145	2,427,129	386,499	383,572	279,553	4,786,898
Inter-segment	3,241	-	45,333	170,643	(219,217)	-
	<u>1,313,386</u>	<u>2,427,129</u>	<u>431,832</u>	<u>554,215</u>	<u>60,336</u> *	<u>4,786,898</u>
Operating profit	<u>999,531</u>	<u>279,423</u>	<u>2,133</u>	<u>(3,987)</u>	<u>198,748</u> **	<u>1,475,848</u>

1) Following internal reorganization in the current year, Chemical segment's results have been combined with the product-group sub segment of the Petroleum sector.

* Comprises Integrated Logistics results, Tank Terminal results and Inter-segment eliminations

** Comprises Integrated Logistics results, Tank Terminal results, net foreign exchange differences, interest income, dividend income from quoted investments, eliminations and adjustments.

A8. SEASONALITY OF OPERATIONS

The businesses of the Group are subject to market fluctuations.

A9. PROFIT FOR THE PERIOD

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

	Quarter Ended		Cumulative 6 Months Ended	
	30-June-2016 RM'000	30-June-2015 RM'000	30-June-2016 RM'000	30-June-2015 RM'000
Interest income	11,474	8,391	22,828	16,145
Other income	10,212	28,958	722,401	46,442
Finance costs	(63,759)	(48,227)	(111,453)	(103,256)
Depreciation of ships, property, plant and equipment	(484,413)	(332,366)	(986,989)	(648,104)
Amortisation of prepaid lease payments	(1,948)	(2,035)	(3,873)	(4,028)
Amortisation of intangibles	(8,089)	(3,260)	(10,296)	(6,484)
Net impairment provisions	-	-	(73,440)	-
Impairment loss on trade and non trade receivables:				
Third parties	(1,015)	(759)	(1,187)	(5,466)
Bad debts written off	(893)	-	(893)	(2,392)
Net realised foreign exchange (loss)/gain	(14,556)	28,200	(2,647)	21,552
Net unrealised foreign exchange loss	(18,541)	(19,531)	(74,441)	(28,913)

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

Included in total assets are construction work-in-progress, mainly for the construction of ships and offshore floating assets totalling RM986,862,000.

The Group did not dispose any SPPE in the quarter ended 30 June 2016 as compared to a net gain on disposal of RM2,128,000, with carrying amount of RM1,477,000, in the quarter ended 30 June 2015.

The Group did not dispose any SPPE for the six months period ended 30 June 2016 compared with a net loss on disposal of RM6,756,000 for the six months period ended 30 June 2015.

A11. INTANGIBLE ASSETS

	Goodwill	Other Intangible Assets	Total
	RM'000	RM'000	RM'000
Cost			
At 1 January 2015	853,546	504,463	1,358,009
Addition	-	-	-
Currency translation differences	167,569	-	167,569
At 31 December 2015	1,021,115	504,463	1,525,578
Addition	-	47,453	47,453
Currency translation differences	(60,440)	-	(60,440)
At 30 June 2016	960,675	551,916	1,512,591
Accumulated amortisation and impairment			
At 1 January 2015	2,325	424,365	426,690
Amortisation	-	13,077	13,077
Impairment	160,176	-	160,176
At 31 December 2015	162,501	437,442	599,943
Amortisation	-	10,296	10,296
Impairment	-	54,631	54,631
At 30 June 2016	162,501	502,369	664,870
Net carrying amount			
At 1 January 2015	851,221	80,098	931,319
At 31 December 2015	858,614	67,021	925,635
At 30 June 2016	798,174	49,547	847,721

Goodwill is tested for impairment on an annual basis (31 December), or when circumstances indicate that the carrying value may be impaired. The Group's 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 2015.

Goodwill was not tested for impairment in the quarter as there were no indications of impairment as at 30 June 2016.

The other intangible assets relate to fair value of long term charter hire contracts, as determined by an independent professional valuer, amortised over the time charter period of the contracts. Following the early termination of contract for two vessels, the Group has written off the related intangible assets of the said contracts amounting to RM54,631,000 in the previous quarter.

On 7 July 2015, the Corporation acquired the entire equity interest in PETRONAS Maritime Services Sdn. Bhd. ("PMSSB") from its immediate holding company, Petroliaam Nasional Berhad. Following completion of the purchase price allocation exercise of this acquisition, the Group recognised intangible assets of customer contracts from PMSSB and its subsidiary, Sungai Udang Port Sdn. Bhd., amounting to RM47,453,000 in the current quarter.

A12. INVENTORIES

The Group did not recognise any write-down of inventories or reversal of inventories during the quarter ended 30 June 2016.

A13. CASH AND CASH EQUIVALENTS

Breakdown of cash and cash equivalents is as follows:

	30-June-2016 RM'000	31-Dec-2015 RM'000
Cash with PETRONAS Integrated Financial Shared Service Centre *	2,694,157	3,721,928
Cash and bank balances	885,233	386,141
Deposits with licensed banks	1,394,887	1,545,955
Total cash and cash equivalents	4,974,277	5,654,024

* 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").

A14. FAIR VALUE HIERARCHY

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

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

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 30 June 2016				
<u>Financial Assets</u>				
Available-for-sale financial assets				
Quoted investments	74,333	-	-	74,333
<u>Financial Liabilities</u>				
Derivatives				
Forward exchange contracts	-	(1,200)	-	(1,200)
Interest rate swaps designated as hedging instruments	-	(28,978)	-	(28,978)
	-	(30,178)	-	(30,178)

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
At 31 December 2015				
<u>Financial Assets</u>				
Available-for-sale financial assets				
Quoted investments	76,244	-	-	76,244
Derivatives				
Interest rate swaps designated as hedging instruments	-	976	-	976
Forward exchange contracts	-	525	-	525
	76,244	1,501	-	77,745
<u>Financial Liabilities</u>				
Derivatives				
Interest rate swaps designated as hedging instruments	-	(1,931)	-	(1,931)

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 2016.

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-2016 RM'000	31-Dec-2015 RM'000
Short Term Borrowings		
Secured	230,208	173,964
Unsecured	5,969,211	936,091
	6,199,419	1,110,055
Long Term Borrowings		
Secured	2,014,100	1,576,006
Unsecured	3,027,222	3,818,342
	5,041,322	5,394,348
Total	11,240,741	6,504,403

ii) Foreign borrowings in United States Dollar equivalent as at 30 June 2016 is as follows:

	RM'000
United States Dollar Borrowings	11,204,844

A17. DIVIDENDS PAID

The Corporation paid a second interim tax exempt dividend in respect of the financial year ended 31 December 2015 of 12.5 sen per share (2014: 6 sen) totalling RM558.0 million (2014: RM267.8 million) on 9 March 2016.

The Corporation also paid a final tax exempt dividend in respect of the financial year ended 31 December 2015 of 10.0 sen per share (2014: nil) totalling RM446.4 million (2014: nil) on 19 May 2016.

A18. CAPITAL COMMITMENTS

	30-June-2016 RM'000	31-Dec-2015 RM'000
Approved and contracted for:		
Group	5,002,007	5,105,336
	<u>5,002,007</u>	<u>5,105,336</u>
Approved but not contracted for:		
Group	157,931	258,689
	<u>157,931</u>	<u>258,689</u>
Total	<u>5,159,938</u>	<u>5,364,025</u>

A19. CONTINGENT LIABILITIES

Contingent liabilities of the Group comprise the following:

	RM'000
Secured	
Bank guarantees extended to a third party	15,820
	<u>15,820</u>
Unsecured	
Bank guarantees extended to a third party	50,643
Performance bond on contract extended to third parties	568,089
	<u>618,732</u>

A20. SUBSEQUENT MATERIAL EVENT

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

B1. REVIEW OF GROUP PERFORMANCE

	Quarter Ended		6 Months Ended	
	30-June-2016	30-June-2015	30-June-2016	30-June-2015
	RM Million	RM Million	RM Million	RM Million
Revenue (Third party):				
LNG	626.9	677.7	1,310.1	1,346.8
Petroleum	1,165.6	1,151.8	2,427.1	2,142.9
Offshore	213.9	227.3	386.5	424.7
Heavy Engineering	241.1	478.5	383.6	942.7
Others, Eliminations and Adjustments	144.9	65.2	279.6	233.6
Total	2,392.4	2,600.5	4,786.9	5,090.7
Operating Profit				
LNG	251.7	406.7	999.5	766.9
Petroleum	58.0	150.2	279.4	187.1
Offshore	166.6	99.2	2.1	181.6
Heavy Engineering	(0.4)	19.2	(3.9)	57.3
Others, Eliminations and Adjustments	24.4	(3.2)	198.8	(57.3)
Total Operating Profit	500.3	672.1	1,475.9	1,135.6
Net impairment provision	-	-	(73.4)	-
Net loss on deemed disposal of joint ventures	(48.7)	-	(48.7)	-
Net gain on acquisition of subsidiaries	847.3	-	847.3	-
Recognition of Intangibles	47.5	-	47.5	-
Provision for charter hire loss	-	-	(200.8)	-
Net gain on disposal of SPPE	-	2.1	-	6.8
Finance costs	(63.8)	(48.2)	(111.5)	(103.3)
Share of profit of associates and joint ventures	91.5	146.6	218.6	245.3
Profit Before Tax	1,374.1	772.6	2,154.9	1,284.4

Current quarter's performance against the quarter ended 30 June 2015

Group revenue of RM2,392.4 million was 8.0% lower than RM2,600.5 million in the quarter ended 30 June 2015 ("corresponding quarter"). Consequently, Group operating profit of RM500.3 million was 25.6% lower than the corresponding quarter's profit of RM672.1 million. The variances in Group performance by segments are further explained below.

LNG

LNG revenue of RM626.9 million was 7.5% lower than the corresponding quarter's revenue of RM677.7 million, mainly from operating a smaller fleet of vessels and lower charter rates earned on new contracts in the current quarter. Commencement of new leases for vessels that underwent refurbishment in the corresponding quarter mitigated the decrease in revenue.

LNG operating profit of RM251.7 million was 38.1% lower than the corresponding quarter's profit of RM406.7 million, mainly from lower revenue and higher depreciation by RM29.3 million from the change in estimated useful life of vessels from January 2016.

Petroleum

Petroleum revenue of RM1,165.6 million was 1.2% higher than the corresponding quarter's revenue of RM1,151.8 million, mainly due to strengthening of United States Dollar ("USD") against Ringgit Malaysia ("RM").

Petroleum operating profit of RM58.0 million was 61.4% lower than the corresponding quarter's profit of RM150.2 million, mainly from higher depreciation by RM75.9 million from the change in estimated useful life of vessels commencing January 2016.

Offshore

Offshore revenue of RM213.9 million was 5.9% lower than the corresponding quarter's revenue of RM227.3 million. The corresponding quarter's revenue includes revenue from an Engineering, Procurement and Construction ("EPC") project that was completed in the said quarter. With the completion of the 50% equity buyback of GKL on 13 May 2016, GKL's results have been fully consolidated from the said date.

Offshore operating profit of RM166.6 million was 67.9% higher than the corresponding quarter's profit of RM99.2 million, mainly due to higher profit from GKL.

Heavy Engineering

Heavy Engineering revenue of RM241.1 million was 49.6% lower than the corresponding quarter's revenue of RM478.5 million, mainly due to fewer and lower value of projects in progress in its Heavy Engineering sub-segment and lower number of rig repairs and conversion works in its Marine sub-segment.

Heavy Engineering recorded operating loss of RM0.4 million in the current quarter compared to corresponding quarter's profit of RM19.2 million in line with the decrease in revenue.

Others, Eliminations and Adjustments

Others segment recorded operating profit of RM24.4 million compared to operating loss of RM3.2 million in the corresponding quarter, mainly due to profit contribution from PMSSB Group in the current quarter following its acquisition in July 2015.

Current 6 months period performance against the 6 months period ended 30 June 2015

Group revenue of RM4,786.9 million was 6.0% lower than RM5,090.7 million revenue for the 6-month period ended 30 June 2015 ("corresponding period"). Group operating profit of RM1,475.9 million was 30.0% higher than the corresponding period's profit of RM1,135.6 million. The variances in Group performance by segments are further explained below.

LNG

LNG revenue of RM1,310.1 million was 2.7% lower than the corresponding period's revenue of RM1,346.8 million, mainly from operating a smaller fleet of vessels and lower charter rates earned on new contracts in the current period.

LNG operating profit of RM999.5 million was 30.3% higher than the corresponding period's profit of RM766.9 million, mainly from recognition of compensation for early termination of time charter contracts for two vessels. The higher profit have also factored in higher depreciation by RM53.4 million in the current period from the change in estimated useful life of vessels commencing January 2016.

Petroleum

Petroleum revenue of RM2,427.1 million was 13.3% higher than the corresponding period's revenue of RM2,142.9 million, mainly from improved freight rates.

Petroleum operating profit of RM279.4 million was 49.3% higher than the corresponding period's profit of RM187.1 million, mainly from higher revenue and lower bunker costs. The improved results have also accounted for higher depreciation by RM139.9 million from the change in estimated useful life of vessels commencing January 2016.

Offshore

Offshore revenue of RM386.5 million was 9.0% lower than the corresponding period's revenue of RM424.7 million. The corresponding period's revenue includes revenue from an Engineering, Procurement and Construction ("EPC") project that was completed in the said period.

Offshore operating profit of RM2.1 million was 98.8% lower than the corresponding period's profit of RM181.6 million, mainly due to impairment provisions in the current period.

Heavy Engineering

Heavy Engineering revenue of RM383.6 million was 59.3% lower than the corresponding period's revenue of RM942.7 million as a result of fewer and lower value of projects in progress in its Heavy Engineering sub-segment and lower number of rig repairs and conversion works in its Marine sub-segment.

Heavy Engineering recorded operating loss of RM3.9 million in the current period compared to the corresponding period's profit of RM57.3 million as lower revenue and contribution recorded are insufficient to absorb the segment's overheads.

Others, Eliminations and Adjustments

Others segment recorded operating profit of RM198.8 million compared to operating loss of RM57.3 million in the corresponding period, mainly due to RM250.8 million reversal of provision for a legal suit in the current period.

B2. COMPARISON WITH PRECEDING QUARTER'S RESULTS

<u>GROUP</u>	Quarter Ended 30-June-2016 RM Million	Quarter Ended 31-Mar-2016 RM Million
Revenue	2,392.4	2,394.5
Operating Profit	500.3	975.6
Net impairment provisions	-	(73.5)
Net loss on deemed disposal of joint ventures	(48.7)	-
Net gain on acquisition of subsidiaries	847.3	-
Recognition of intangibles	47.5	-
Provision for charter hire loss	-	(200.8)
Net loss on disposal of SPPE	-	-
Finance costs	(63.8)	(47.7)
Share of profit of associates and joint ventures	91.5	127.1
Profit Before Tax	1,374.1	780.7

Group revenue of RM2,392.4 million was 0.1% lower than the preceding quarter's revenue of RM2,394.5 million, mainly due to weakening of United States Dollar ("USD") against Ringgit Malaysia ("RM") in the current quarter.

Group operating profit of RM500.3 million was lower than the preceding quarter's profit of RM975.6 million, mainly due to the reversal of provision for a legal suit and compensation received for early termination of LNG time charter contracts in the preceding quarter. However, the Group also recorded impairment provisions in the preceding quarter.

B3. GROUP CURRENT YEAR PROSPECTS

High global stock level is expected to dampen demand for the movement of crude oil in the immediate term. Coupled with projected larger delivery of new petroleum tankers in second half of 2016, freight rates may come under some pressure. However, this will be compensated by rising seasonal demand towards the end of the year.

Meanwhile, the market for LNG vessel spot charter remains weak due to the escalating oversupply of vessels. We expect this negative outlook to remain throughout the year. On a positive note, the Group's present portfolio of long term charters that are in place will underwrite a steady financial performance for MISC's LNG fleet for the rest of the year.

As upstream activities in the oil and gas sector stay extremely sluggish in view of the low oil price environment, prospects of new tenders and projects remain poor. As a result, the underutilization of assets at the Group's heavy engineering business, MHB, may be subjected to impairment tests. MHB's initiatives in diversifying into the onshore segment, hook-up and commissioning as well as facilities maintenance projects have partly helped replenish the order book in the short term. The marine business of MHB continues to provide some reprieve against the slowdown in the heavy engineering segment.

Despite the dearth of fresh greenfield projects, MISC's offshore business unit has been able to participate in bidding for various brownfield development projects. Long term contracts in hand will support the financial performance of the offshore business unit for remaining quarters 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-2016 RM'000
Taxation for the period comprises the following charge:	
Income tax charge	
- current period	8,384
Deferred taxation	10,985
	<u>19,369</u>

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

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

B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED

On 9 May 2016, the Corporation announced that it had entered into an Agreement for Sale and Purchase of Shares ("SPA") with Swift Haulage Sdn. Bhd. ("SWIFT"), for the disposal of the entire equity interest held by MISC in MILS, comprising 20,000,000 issued and paid-up ordinary shares of RM1.00 each and 332,848,600 issued and paid-up redeemable convertible preference shares of RM1.00 each, to SWIFT for a purchase consideration of RM257.2 million ("Purchase Consideration"). The Purchase Consideration was arrived at on a "willing-buyer willing-seller" basis after taking into consideration MILS' audited net assets of RM255.5 million as at 31 December 2015. SWIFT will also fully repay the shareholder's loan (denominated in USD) owed by MILS to MISC of RM66.8 million upon completion of the SPA. In addition, SWIFT will repay other receivables due from MILS to MISC of up to a maximum of RM34.0 million post completion of the SPA.

The above disposal is still pending completion of the Conditions Precedent of the SPA.

B7. CHANGES IN MATERIAL LITIGATION

Equatorial Marine Fuel Management Services Pte. Ltd. ("Equatorial") vs MISC

On 14 March 2008, MISC entered into a contract with Market Asia Link Sdn. Bhd. ("MAL") for the supply of bunkers. In order to meet MAL's obligation to supply the bunkers to MISC, MAL entered into contracts with several bunker suppliers, including a contract with Equatorial. MAL failed to pay its suppliers (including Equatorial) for the bunker supplied despite having been paid by MISC.

Equatorial filed a claim against MISC in the Singapore Admiralty High Court for USD21,703,059.39 plus contractual interest at the rate of 2% per month being the amount owed by MAL. When its claim was dismissed, Equatorial subsequently appealed to the Singapore Court of Appeal.

On 29th March 2016, the Singapore Court of Appeal dismissed Equatorial's appeal with costs. Since this is the final appeal court in Singapore, this brought the suit to an end.

Global Terminal Investments Ltd ("GTIL") vs MISC and Dialog Group Berhad

On 4 October 2007, MISC entered into a shareholders agreement with Dialog Group ("SHA") where MISC acquired a 45% equity stake in Centralised Terminals Sdn Bhd. ("CTSB"). MISC thereafter commenced negotiations with Prostar Capital Ltd ("Prostar") to divest the said stake and negotiations were on-going till May 2015. Under the SHA, MISC must seek Dialog's consent before selling the shares, however Dialog's consent did not materialise.

On 30 September 2015, Global Terminal Investments Ltd ("GTIL"), Prostar's nominee to acquire MISC's shares filed a suit against MISC and Dialog in the Kuala Lumpur High Court. GTIL alleged that MISC concluded a valid share sale agreement with GTIL and MISC was in breach for not concluding the agreement. The orders sought by GTIL include specific performance of the draft share sale agreement between MISC and GTIL and in lieu of specific performance, MISC is to pay special damages of USD721,609.18 being transaction costs incurred. MISC's defence is that there is no binding agreement with GTIL.

MISC succeeded in its application to strike out GTIL's suit. On 29 February 2016, GTIL confirmed they will not appeal against the striking out and has since compensated MISC with costs.

B8. DIVIDENDS

The Board of Directors has approved a first interim tax exempt dividend of 10.0 sen per share (2015: 7.5 sen) in respect of financial year 2016 amounting to RM446.4 million (2015: RM334.8 million). The proposed dividend will be paid on 7 September 2016 to shareholders registered at the close of business on 22 August 2016.

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 22 August 2016 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 coincide with the maturity of the original floating rate loans.

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

Details of the Group's derivative financial instruments outstanding as at 30 June 2016 are as follows:

Contract/Tenure	Notional Value RM'000	Fair Value Gain/(Loss) RM'000
<u>Foreign exchange contracts</u>		
1 year to 3 years	85,980	122
	<u>85,980</u>	<u>122</u>
<u>Interest rate swaps</u>		
1 year to 3 years	1,205,400	(15,453)
More than 3 years	389,899	(12,142)
	<u>1,595,299</u>	<u>(27,595)</u>
Total	<u>1,681,279</u>	<u>(27,473)</u>

B10. EARNINGS PER SHARE

	Quarter Ended		6 Months Ended	
	30-June-2016	30-June-2015	30-June-2016	30-June-2015
Basic earnings per share are computed as follows:				
Profit for the period attributable to equity holders of the Corporation (RM'000):	1,346,554	745,186	1,917,563	1,231,496
Weighted average number of ordinary shares in issue (thousand)	<u>4,463,794</u>	<u>4,463,794</u>	<u>4,463,794</u>	<u>4,463,794</u>
Basic earnings per share (sen)	30.2	16.7	43.0	27.6

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

B11. REALISED AND UNREALISED PROFIT

The breakdown of the Group's retained profits as at 30 June 2016 and 31 December 2015 into realised and unrealised profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	30-June-2016 RM'000	31-Dec-2015 RM'000
Total retained profits of MISC Group and its subsidiaries:		
- Realised	21,554,029	18,976,102
- Unrealised	(1,018,630)	(1,142,352)
	20,535,399	17,833,750
Total share of retained loss from associates:		
- Realised	(2,178)	(2,178)
- Unrealised	-	-
	(2,178)	(2,178)
Total share of retained profits from joint ventures:		
- Realised	1,052,820	2,314,807
- Unrealised	(168)	(580)
	1,052,652	2,314,227
Total Group retained profits	21,585,873	20,145,799
Less:		
Consolidation adjustments	(2,010,092)	(1,483,228)
Total Group retained profits as per consolidated accounts	19,575,781	18,662,571

By Order of the Board