



# MISC BERHAD

(Registration No. 196801000580 (8178-H))

## Unaudited Condensed Consolidated Income Statement

For The Period Ended 30 September 2021

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2021	2020	2021	2020
	RM million	RM million	RM million	RM million
Revenue	2,691.8	2,059.5	7,586.5	6,759.6
Cost of sales	(2,013.2)	(1,521.1)	(5,544.6)	(4,427.9)
<b>GROSS PROFIT</b>	<b>678.6</b>	<b>538.4</b>	<b>2,041.9</b>	<b>2,331.7</b>
Other operating income	44.4	64.1	329.6	200.7
General and administrative expenses	(238.7)	(272.5)	(796.4)	(834.4)
<b>OPERATING PROFIT</b>	<b>484.3</b>	<b>330.0</b>	<b>1,575.1</b>	<b>1,698.0</b>
Impairment of non current assets	(9.0)	(9.6)	(75.6)	(315.6)
Loss from deconsolidation of a subsidiary	-	-	(2.3)	-
Gain on disposal of ships	-	-	4.0	21.6
Write off of trade receivables and loss on re-measurement of finance lease receivables	-	-	-	(935.2)
Provision for litigation claims	-	-	-	(1,049.2)
Finance costs	(103.8)	(77.8)	(294.8)	(274.1)
Share of profit of joint ventures and an associate	30.6	38.6	136.1	176.3
<b>PROFIT/(LOSS) BEFORE TAX</b>	<b>402.1</b>	<b>281.2</b>	<b>1,342.5</b>	<b>(678.2)</b>
Taxation	(10.8)	(20.8)	(31.5)	(48.1)
<b>PROFIT/(LOSS) AFTER TAX</b>	<b>391.3</b>	<b>260.4</b>	<b>1,311.0</b>	<b>(726.3)</b>
<b>PROFIT/(LOSS) ATTRIBUTABLE TO:</b>				
Equity holders of the Corporation	401.0	258.3	1,369.6	(599.0)
Non-controlling interests	(9.7)	2.1	(58.6)	(127.3)
<b>PROFIT/(LOSS) AFTER TAX</b>	<b>391.3</b>	<b>260.4</b>	<b>1,311.0</b>	<b>(726.3)</b>
<b>BASIC EARNINGS/(LOSS) PER SHARE</b>				
<b>ATTRIBUTABLE TO EQUITY HOLDERS</b>				
<b>OF THE CORPORATION (SEN)</b>	<b>9.0</b>	<b>5.8</b>	<b>30.7</b>	<b>(13.4)</b>

The Condensed Consolidated Income Statement should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2020.

**MISC BERHAD**

(Registration No. 196801000580 (8178-H))

**Unaudited Condensed Consolidated Statement of Comprehensive Income**

For The Period Ended 30 September 2021

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2021	2020	2021	2020
	RM million	RM million	RM million	RM million
<b>PROFIT/(LOSS) AFTER TAX</b>	<b>391.3</b>	<b>260.4</b>	<b>1,311.0</b>	<b>(726.3)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Cash flow hedges:				
Fair value gain/(loss)				
Group	37.1	32.9	306.5	(463.3)
Joint venture	3.3	-	13.2	-
Gain/(loss) on currency translation *	252.5	(961.6)	1,233.3	461.5
<b>Total other comprehensive income/(loss)</b>	<b>292.9</b>	<b>(928.7)</b>	<b>1,553.0</b>	<b>(1.8)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>684.2</b>	<b>(668.3)</b>	<b>2,864.0</b>	<b>(728.1)</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:</b>				
Equity holders of the Corporation	690.4	(661.8)	2,901.1	(600.5)
Non-controlling interests	(6.2)	(6.5)	(37.1)	(127.6)
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>	<b>684.2</b>	<b>(668.3)</b>	<b>2,864.0</b>	<b>(728.1)</b>

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

	2021	2020	2019
As at 31 December	-	4.02850	4.09950
As at 30 June	4.15450	4.28500	4.14150
As at 30 September	4.18900	4.15750	4.18700

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2020.



# MISC BERHAD

(Registration No. 196801000580 (8178-H))

## Unaudited Condensed Consolidated Statement of Financial Position

As at 30 September 2021

	30 September 2021 RM million	31 December 2020 RM million
<b>NON CURRENT ASSETS</b>		
Ships	21,490.2	21,088.4
Offshore floating assets	51.3	51.3
Other property, plant and equipment	1,930.7	2,169.5
Prepaid lease payments on land and buildings	207.1	212.5
Finance lease receivables	15,790.8	13,754.5
Investments in associates	19.6	0.7
Investments in joint ventures	972.2	873.1
Other non current financial assets	2,451.2	389.5
Derivative assets	55.4	-
Intangible assets	1,062.8	819.2
Deferred tax assets	102.7	104.4
	<b>44,134.0</b>	<b>39,463.1</b>
<b>CURRENT ASSETS</b>		
Inventories	73.8	91.3
Finance lease receivables	1,320.4	1,282.9
Trade and other receivables	2,867.4	3,956.6
Cash, deposits and bank balances	7,413.4	6,855.0
Amounts due from related companies	56.6	104.6
Amounts due from joint ventures	4.7	62.7
Assets held for sale	-	4.8
	<b>11,736.3</b>	<b>12,357.9</b>
<b>TOTAL ASSETS</b>	<b>55,870.3</b>	<b>51,821.0</b>
<b>EQUITY</b>		
Share capital	8,923.3	8,923.3
Treasury shares	(0.3)	(0.3)
Reserves	6,653.0	5,122.0
Retained profits	18,436.8	18,227.8
<b>Equity attributable to equity holders of the Corporation</b>	<b>34,012.8</b>	<b>32,272.8</b>
Non-controlling interests	801.2	878.3
<b>TOTAL EQUITY</b>	<b>34,814.0</b>	<b>33,151.1</b>
<b>NON CURRENT LIABILITIES</b>		
Interest bearing loans and borrowings	8,471.0	11,434.9
Deferred income	1,128.5	1,150.5
Deferred tax liabilities	7.3	7.8
Derivative liabilities	191.0	527.0
	<b>9,797.8</b>	<b>13,120.2</b>
<b>CURRENT LIABILITIES</b>		
Interest bearing loans and borrowings	7,848.7	2,005.5
Trade and other payables	3,173.5	3,427.5
Provision for taxation	20.9	23.3
Amounts due to related companies	17.0	11.8
Amounts due to an associate	17.9	1.0
Amounts due to joint ventures	71.4	68.9
Derivative liabilities	109.1	11.7
	<b>11,258.5</b>	<b>5,549.7</b>
<b>TOTAL LIABILITIES</b>	<b>21,056.3</b>	<b>18,669.9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>55,870.3</b>	<b>51,821.0</b>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2020.



# MISC BERHAD

(Registration No. 196801000580 (8178-H))

## Unaudited Condensed Consolidated Statement of Cash Flows

For the Period Ended 30 September 2021

	30 September 2021 RM million	30 September 2020 RM million
<b>Cash Flows from Operating Activities:</b>		
Profit/(loss) before tax	1,342.5	(678.2)
Writeback of impairment loss on finance lease receivables and trade receivables	(6.1)	(8.8)
Impairment loss on receivables	53.9	40.1
Bad debts written off	0.2	-
Depreciation of ships, offshore floating assets and other property, plant and equipment	1,450.4	1,574.9
Amortisation of prepaid lease payments	5.6	5.6
Impairment of non current assets	75.6	315.6
Write off of ships, property, plant and equipment	0.1	0.1
Write off of trade receivables and loss on re-measurement of finance lease receivables	-	935.2
Provision for litigation claims	-	1,049.2
Gain on disposal of ships	(4.0)	(21.6)
Net unrealised foreign exchange gain	(12.0)	(17.2)
Dividend income from equity investments	(1.6)	(0.9)
Interest expense	277.7	274.1
Finance income	(30.5)	(76.4)
Loss from deconsolidation of a subsidiary	2.3	-
Fair value movement in other investments	(5.9)	7.9
Changes in fair value of hedging derivatives	(3.1)	-
Amortisation of intangibles	14.2	4.4
Amortisation of upfront fees for borrowings	17.1	14.3
Share of profit of joint ventures and an associate	(136.1)	(176.3)
Operating profit before working capital changes	3,040.3	3,242.0
Inventories	20.7	6.5
Trade and other receivables	(701.8)	428.7
Trade and other payables *	(128.8)	199.1
Deferred income	(66.7)	646.2
Cash generated from operations	2,163.7	4,522.5
Net tax paid	(33.8)	(31.0)
<b>Net cash generated from operating activities</b>	<b>2,129.9</b>	<b>4,491.5</b>

\* The working capital changes in trade and other payables include payments for costs relating to the turnkey activities for the conversion of a Floating, Production, Storage and Offloading ("FPSO") facility amounting to RM831.2 million in the current period. 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.



	30 September 2021 RM million	30 September 2020 RM million
<b>Cash Flows from Investing Activities:</b>		
Purchase of ships and other property, plant and equipment	(3,113.6)	(3,583.3)
Investment in joint ventures	(95.1)	(50.4)
Proceeds from disposal of ships and offshore floating assets	348.0	253.6
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	1.6	0.9
Joint ventures	177.3	180.7
Interest received	12.6	58.9
Net fixed deposit placement	(34.0)	(4.4)
<b>Net cash used in investing activities</b>	<b>(2,724.9)</b>	<b>(3,144.0)</b>
<b>Cash Flows from Financing Activities:</b>		
Drawdown of term loans and revolving credit	5,085.7	5,196.2
Repayment of term loans and revolving credit	(2,600.5)	(5,023.7)
Repayment of lease liabilities	(139.7)	(255.9)
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)	(3.0)
Interest paid	(284.7)	(344.0)
Receipt of cash pledged with banks - restricted	726.2	74.7
<b>Net cash generated from/(used in) financing activities</b>	<b>1,601.9</b>	<b>(1,516.3)</b>
Net change in cash & cash equivalents	1,006.9	(168.8)
Cash & cash equivalents at the beginning of the year	5,545.1	5,740.4
Currency translation difference	201.8	74.3
Cash & cash equivalents at the end of the period	<b>6,753.8</b>	<b>5,645.9</b>
Cash pledged with banks - restricted and deposit with maturity more than 90 days	659.6	1,239.7
<b>Cash, deposits and bank balances</b>	<b>7,413.4</b>	<b>6,885.6</b>

**MISC BERHAD**

(Registration No. 196801000580 (8178-H))

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

For the Period Ended 30 September 2021

	Attributable to equity holders of the Corporation												Non-controlling Interests
	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	Statutory reserve	Hedging reserve	Currency translation reserve	
	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million	RM million
<b>9 MONTHS ENDED 30 SEPTEMBER 2021</b>													
<b>At 1 January 2021</b>	<b>33,151.1</b>	<b>32,272.8</b>	<b>8,923.3</b>	<b>(0.3)</b>	<b>18,227.8</b>	<b>5,122.0</b>	<b>99.3</b>	<b>435.2</b>	<b>1.4</b>	<b>3.2</b>	<b>(577.5)</b>	<b>5,160.4</b>	<b>878.3</b>
Total comprehensive income	2,864.0	2,901.1	-	-	1,369.6	1,531.5	-	-	-	-	308.1	1,223.4	(37.1)
<b>Transactions with owners</b>													
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)
<b>Total transactions with owners</b>	<b>(1,201.1)</b>	<b>(1,161.1)</b>	<b>-</b>	<b>-</b>	<b>(1,160.6)</b>	<b>(0.5)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.2)</b>	<b>-</b>	<b>(0.3)</b>	<b>(40.0)</b>
<b>At 30 September 2021</b>	<b>34,814.0</b>	<b>34,012.8</b>	<b>8,923.3</b>	<b>(0.3)</b>	<b>18,436.8</b>	<b>6,653.0</b>	<b>99.3</b>	<b>435.2</b>	<b>1.4</b>	<b>3.0</b>	<b>(269.4)</b>	<b>6,383.5</b>	<b>801.2</b>
<b>9 MONTHS ENDED 30 SEPTEMBER 2020</b>													
<b>At 1 January 2020</b>	<b>35,753.8</b>	<b>34,727.3</b>	<b>8,923.3</b>	<b>(0.3)</b>	<b>19,744.0</b>	<b>6,060.3</b>	<b>99.3</b>	<b>435.2</b>	<b>1.4</b>	<b>3.2</b>	<b>(160.0)</b>	<b>5,681.2</b>	<b>1,026.5</b>
Total comprehensive loss	(728.1)	(600.5)	-	-	(599.0)	(1.5)	-	-	-	-	(462.0)	460.5	(127.6)
<b>Transactions with owners</b>													
Dividends	(1,163.6)	(1,160.6)	-	-	(1,160.6)	-	-	-	-	-	-	-	(3.0)
<b>Total transactions with owners</b>	<b>(1,163.6)</b>	<b>(1,160.6)</b>	<b>-</b>	<b>-</b>	<b>(1,160.6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3.0)</b>
<b>At 30 September 2020</b>	<b>33,862.1</b>	<b>32,966.2</b>	<b>8,923.3</b>	<b>(0.3)</b>	<b>17,984.4</b>	<b>6,058.8</b>	<b>99.3</b>	<b>435.2</b>	<b>1.4</b>	<b>3.2</b>	<b>(622.0)</b>	<b>6,141.7</b>	<b>895.9</b>

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

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Statements for the year ended 31 December 2020.

# MISC BERHAD

(Registration No. 196801000580 (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 18 November 2021.

### A2. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements for the period ended 30 September 2021 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 2020.

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 2020.

The audited consolidated financial statements of the Group for the year ended 31 December 2020 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 2021 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2020 except as disclosed below:

During the financial period, the Group and the Corporation have adopted the following Amendments to MFRSs that have been issued by the MASB:

#### Effective for annual periods beginning on or after 1 January 2021:

- Amendments to MFRS 9: Financial Instruments (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 139: Financial Instruments: Recognition and Measurement (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 7: Financial Instruments: Disclosure (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 4: Insurance Contract (Interest Rate Benchmark Reform - Phase 2)
- Amendments to MFRS 16: Leases (Interest Rate Benchmark Reform - Phase 2)

#### Effective for annual periods beginning on or after 1 April 2021:

- Amendment to MFRS 16: Leases (COVID-19 Related Rent Concessions beyond 30 June 2021)

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

**Amendments to MFRS 9, MFRS 139, MFRS7 and MFRS16: (Interest Rate Benchmark Reform – Phase 2)**

At 30 September 2021, the Group has cash flow hedges of USD London Interbank Offered Rate (“LIBOR”) risk. The Group expects that indexation of the hedged items and hedging instruments to USD LIBOR will be replaced with a risk free rate. Whenever the replacement occurs, the Group expects to apply the amendments related to hedge accounting. However, there is uncertainty about when and how replacement may occur. When the change occurs to the hedged item or the hedging instrument, the Group will remeasure the cumulative change in fair value of the hedged item or the fair value of the interest rate swap, respectively based on the risk free rate. Hedging relationships may experience hedge ineffectiveness if there is a timing or other mismatch between the transition of the hedge item and that of the hedging instrument to the risk free rate.

Under the Amendments to MFRS 9, MFRS 139, MFRS7 and MFRS16: (Interest Rate Benchmark Reform – Phase 2), entities will account for these changes by updating the effective interest rate without the recognition of an immediate gain or loss in the income statement. This applies only to such a change and only to the extent that it is necessary as a direct consequence of interest rate benchmark reform, and the new basis is economically equivalent to the previous basis.

**A4. CHANGES IN ESTIMATES**

There were no material changes in estimates reported in the current financial period.

**A5. AUDIT REPORT OF PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors issued an unqualified audit opinion on the financial statements for the year ended 31 December 2020.

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

- (a) Pursuant to a Share Sale and Purchase Agreement entered into between the Corporation and Ombak Simfoni Sdn. Bhd. on 31 March 2021 in respect of the disposal of a portion of equity interest held by the Corporation in FPSO Ventures Sdn. Bhd. (“FVSB”), comprising 3,795,200 ordinary shares representing approximately 31% of the total issued share capital of FVSB (“Proposed Disposal”), the Proposed Disposal was subsequently completed. Subsequent thereto, the Corporation’s equity interest in FVSB stood at 20% and FVSB has since ceased to be a subsidiary of the Corporation.
- (b) Based on the Notice of Formalization of Withdrawal of MISC from Nikorma Transport Limited (“Nikorma”) dated 16 April 2021, Nikorma had completed the filings at the Nigerian Corporate Affairs Commission to formalize exit of MISC Berhad (“MISC”) from Nikorma as per MISC’s notice of withdrawal dated 4 June 2015. MISC’s withdrawal from Nikorma was made effective from 19 June 2015 and Nikorma has since ceased to be an associate company of MISC.
- (c) On 19 April 2021, the Corporation has been notified by its joint venture counterpart that MISC Shipping Services UAE (LLC), a 49%-owned joint venture company of MISC Agencies Sdn. Bhd., a wholly owned subsidiary of the Corporation, had completed its liquidation process.
- (d) Pursuant to a Shareholders’ Agreement entered into between the Corporation, Magellan X Pte. Ltd. (“Magellan X”), BCG Digital Ventures, an operating division of The Boston Consulting Group, Inc. (“BCGDV”) and SOL-X Pte. Ltd. (“SOL-X”), SOL-X, then an indirect wholly-owned subsidiary of the Corporation, had on 1 April 2021 issued 200,000 Series A Shares to The Boston Consulting Group, Inc. Subsequent thereto, SOL-X became an 87.5%-owned subsidiary of the Corporation via Magellan X. Magellan X is wholly-owned by Magellan X Holdings (L) Pte. Ltd., a wholly-owned subsidiary of the Corporation.
- (e) Pursuant to a Shareholders’ Agreement entered into between the Corporation, Magellan X Pte. Ltd. (“Magellan X”), BCG Digital Ventures, an operating division of The Boston Consulting Group, Inc. (“BCGDV”) and CHORD X Pte. Ltd. (“CHORD X”), CHORD X, then an indirect wholly-owned subsidiary of the Corporation, had on 1 April 2021 issued 150,000 Series A Shares to The Boston Consulting Group, Inc. Subsequent thereto, CHORD X became an 88.5%-owned subsidiary of the Corporation via Magellan X. Magellan X is wholly-owned by Magellan X Holdings (L) Pte. Ltd., a wholly-owned subsidiary of the Corporation.



- (f) Pursuant to a Shareholders' Agreement entered into between the Corporation, Magellan X Pte. Ltd. ("Magellan X"), BCG Digital Ventures, an operating division of The Boston Consulting Group, Inc. ("BCGDV") and Spares CNX Pte. Ltd. ("Spares CNX"), Spares CNX, then an indirect wholly-owned subsidiary of the Corporation, had on 1 April 2021 issued 160,000 Series A Shares to The Boston Consulting Group, Inc. Subsequent thereto, Spares CNX became an 89%-owned subsidiary of the Corporation via Magellan X. Magellan X is wholly-owned by Magellan X Holdings (L) Pte. Ltd., a wholly-owned subsidiary of the Corporation.
- (g) The Corporation had, on 30 June 2021, incorporated a new subsidiary, AET Norway AS ("AETNAS"), under the Norwegian Companies Act for the purpose of providing management services and related activities. AETNAS is a wholly-owned subsidiary of AET UK Limited, an indirect wholly-owned subsidiary of the Corporation.
- (h) The Corporation had, on 29 July 2021, incorporated a new subsidiary, AET Tankers VLCC Pte. Ltd. ("AETVLCC"), under the Singapore Companies Act (Chapter 50) for the purpose of owning, chartering and operating of vessel. AETVLCC is a wholly-owned subsidiary of AET Bermuda Holdings Limited, an indirect wholly-owned subsidiary of the Corporation.
- (i) The Corporation had, on 30 July 2021, incorporated a new subsidiary, AET DP Shuttle Tankers Sdn. Bhd. ("AETDPST"), under the Malaysian Companies Act 2016 for the purpose of owning, chartering and operating of vessels. AETDPST is a wholly-owned subsidiary of AET Labuan Pte. Ltd., an indirect wholly-owned subsidiary of the Corporation.
- (j) The Corporation had, on 2 August 2021, incorporated a new subsidiary, AET Tankers VLCC II Sdn. Bhd. ("AETVLCC II"), under the Malaysian Companies Act 2016 for the purpose of owning, chartering and operating of vessels. AETVLCC II is a wholly-owned subsidiary of AET Holdings (L) Pte. Ltd., an indirect wholly-owned subsidiary of the Corporation.

## A7. SEGMENT REPORT

Segmental analysis for the current financial period is as follows:

	<b>LNG Asset Solutions</b>	<b>Petroleum &amp; Product Shipping</b>	<b>Offshore Business</b>	<b>Marine &amp; Heavy Engineering</b>	<b>Others, Eliminations and Adjustments</b>	<b>Total</b>
	<b>RM million</b>	<b>RM million</b>	<b>RM million</b>	<b>RM million</b>	<b>RM million</b>	<b>RM million</b>
Revenue						
External sales	2,117.4	2,357.4	1,996.7	997.8	117.2	7,586.5
Inter-segment	-	0.8	16.1	37.5	(54.4)	-
	<b>2,117.4</b>	<b>2,358.2</b>	<b>2,012.8</b>	<b>1,035.3</b>	<b>62.8</b> *	<b>7,586.5</b>
Operating profit/(loss)	908.2	238.1	669.4	(148.3)	(92.3) **	1,575.1

\* Comprises inter-segment eliminations.

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

## A8. SEASONALITY OF OPERATIONS

The businesses of the Group are subject to market fluctuations.

**A9. PROFIT FOR THE PERIOD**

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

	<b>Quarter Ended 30 September</b>		<b>Cumulative 9 Months Ended 30 September</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM million</b>	<b>RM million</b>	<b>RM million</b>	<b>RM million</b>
Finance income	6.9	12.9	30.5	76.4
Other income	34.5	41.6	264.8	86.4
Finance costs	(103.8)	(77.8)	(294.8)	(274.1)
Depreciation of ships, offshore floating assets and other property, plant and equipment	(484.9)	(520.6)	(1,450.4)	(1,574.9)
Amortisation of prepaid lease payments	(1.9)	(1.9)	(5.6)	(5.6)
Amortisation of intangibles	(8.3)	(1.5)	(14.2)	(4.4)
Write off of ships, property, plant and equipment	-	-	(0.1)	(0.1)
Gain on disposal of ships	-	-	4.0	21.6
Impairment of non current assets	(9.0)	(9.6)	(75.6)	(315.6)
Loss from deconsolidation of a subsidiary	-	-	(2.3)	-
Impairment loss on receivables	(1.7)	(13.2)	(53.9)	(40.1)
Bad debts written off	-	-	(0.2)	-
Write off of trade receivables and loss on re-measurement of finance lease receivables	-	-	-	(935.2)
Provision for litigation claims	-	-	-	(1,049.2)
Fair value gain/(loss) in other investments	0.4	(5.4)	5.9	(7.9)
Changes in fair value of hedging derivatives	2.5	-	3.1	-
Writeback of impairment loss on finance lease receivables and trade receivables	2.5	1.5	6.1	8.8
Net realised foreign exchange gain/(loss)	2.4	4.5	(14.8)	(3.3)
Net unrealised foreign exchange (loss)/gain	(6.8)	(2.3)	12.0	17.2

**A10. SHIPS, OFFSHORE FLOATING ASSETS AND OTHER PROPERTY, PLANT AND EQUIPMENT**

Included in ships, offshore floating assets and other property, plant and equipment are construction work-in-progress, mainly for the construction of ships totalling RM2,655.7 million (31 December 2020: RM2,229.6 million) and right-of-use assets amounting to RM149.6 million (31 December 2020: RM229.9 million).

**A11. INTANGIBLE ASSETS**

	<b>Goodwill</b>	<b>Other Intangible Assets</b>	<b>Total</b>
	<b>RM million</b>	<b>RM million</b>	<b>RM million</b>
<b>Cost</b>			
<b>At 1 January 2020</b>	<b>982.1</b>	<b>212.7</b>	<b>1,194.8</b>
Currency translation differences	(15.6)	-	(15.6)
<b>At 31 December 2020</b>	<b>966.5</b>	<b>212.7</b>	<b>1,179.2</b>
Addition	-	220.0	220.0
Deconsolidation of a subsidiary	(0.2)	-	(0.2)
Currency translation differences	35.3	2.7	38.0
<b>At 30 September 2021</b>	<b>1,001.6</b>	<b>435.4</b>	<b>1,437.0</b>
<b>Accumulated amortisation and impairment</b>			
<b>At 1 January 2020</b>	<b>162.5</b>	<b>191.6</b>	<b>354.1</b>
Amortisation	-	5.9	5.9
<b>At 31 December 2020</b>	<b>162.5</b>	<b>197.5</b>	<b>360.0</b>
Amortisation	-	14.2	14.2
<b>At 30 September 2021</b>	<b>162.5</b>	<b>211.7</b>	<b>374.2</b>
<b>Net carrying amount</b>			
<b>At 1 January 2020</b>	<b>819.6</b>	<b>21.1</b>	<b>840.7</b>
<b>At 31 December 2020</b>	<b>804.0</b>	<b>15.2</b>	<b>819.2</b>
<b>At 30 September 2021</b>	<b>839.1</b>	<b>223.7</b>	<b>1,062.8</b>

Goodwill is tested for impairment annually (31 December), or when circumstances indicate that the carrying value may be impaired. The Group's goodwill impairment test is a comparison of the goodwill's carrying value against its recoverable amount. The recoverable amounts are based on value-in-use for cash generating units ("CGU"), calculated using cash flow projections. The key assumptions used to determine the value-in-use of CGUs are disclosed in the annual consolidated financial statements for the year ended 31 December 2020.

**A12. INVENTORIES**

The Group did not recognise any write-down of inventories and reversal of inventories during the quarter ended 30 September 2021.

**A13. CASH, DEPOSITS AND BANK BALANCES**

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

	<b>30 September 2021</b>	<b>31 December 2020</b>
	<b>RM million</b>	<b>RM million</b>
Cash with PETRONAS Integrated Financial Shared Service Centre *	5,094.0	4,023.3
Cash and bank balances	1,960.1	1,840.1
Deposits with licensed banks	359.3	991.6
<b>Total cash, deposits and bank balances</b>	<b>7,413.4</b>	<b>6,855.0</b>

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

Included in total cash, deposits and bank balances is the retention account of RM619.1 million (31 December 2020: RM1,303.4 million) which is restricted for use because it is pledged to the bank for the purpose of loan covenants.

**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:

	<b>Level 1</b> <b>RM million</b>	<b>Level 2</b> <b>RM million</b>	<b>Level 3</b> <b>RM million</b>	<b>Total</b> <b>RM million</b>
<b>At 30 September 2021</b>				
<b>Financial Assets</b>				
Quoted investments	46.5	-	-	46.5
Unquoted investments	-	-	66.2	66.2
Interest rate swaps designated as hedging instruments	-	55.4	-	55.4
	<b>46.5</b>	<b>55.4</b>	<b>66.2</b>	<b>168.1</b>
<b>Financial Liabilities</b>				
Forward currency contracts	-	(0.7)	-	(0.7)
Interest rate swaps designated as hedging instruments	-	(299.4)	-	(299.4)
	<b>-</b>	<b>(300.1)</b>	<b>-</b>	<b>(300.1)</b>
<b>At 31 December 2020</b>				
<b>Financial Assets</b>				
Quoted investments	40.7	-	-	40.7
Unquoted investments	-	-	63.5	63.5
	<b>40.7</b>	<b>-</b>	<b>63.5</b>	<b>104.2</b>
<b>Financial Liabilities</b>				
Forward currency contracts	-	(19.2)	-	(19.2)
Interest rate swaps designated as hedging instruments	-	(519.5)	-	(519.5)
	<b>-</b>	<b>(538.7)</b>	<b>-</b>	<b>(538.7)</b>

No transfers between any levels of the fair value hierarchy took place during the current period and the comparative period. There were also no changes in the purpose of any financial instruments that subsequently caused a change in classification of those instruments.

**A15. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES**

There were no issuance or repayment of debt and equity securities made by the Group during the quarter ended 30 September 2021.

**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:

	<b>30 September 2021</b> RM million	<b>31 December 2020</b> RM million
Short Term Borrowings		
Secured	5,557.1	1,478.5
Unsecured	2,162.6	342.4
Lease liabilities	129.0	184.6
	<u>7,848.7</u>	<u>2,005.5</u>
Long Term Borrowings		
Secured	7,220.2	10,977.5
Unsecured	1,139.6	292.7
Lease liabilities	111.2	164.7
	<u>8,471.0</u>	<u>11,434.9</u>
<b>Total</b>	<b><u>16,319.7</u></b>	<b><u>13,440.4</u></b>

- ii) Foreign borrowings in United States Dollar equivalent as at 30 September 2021 is as follows:

	<b>RM million</b>
United States Dollar Borrowings	<u>15,890.3</u>

**A17. DIVIDENDS PAID**

The Corporation paid the following dividends in the period ended 30 September 2021 and year ended 31 December 2020:

	<b>30 September 2021</b> RM million	<b>31 December 2020</b> RM million
<b>In respect of the financial year ended 31 December 2019:</b>		
Fourth tax exempt dividend of 9.0 sen per share paid on 17 March 2020	-	401.7
Special tax exempt dividend of 3.0 sen per share paid on 17 March 2020	-	133.9
<b>In respect of the financial year ended 31 December 2020:</b>		
First tax exempt dividend of 7.0 sen per share paid on 9 June 2020	-	312.5
Second tax exempt dividend of 7.0 sen per share paid on 15 September 2020	-	312.5
Third tax exempt dividend of 7.0 sen per share paid on 15 December 2020	-	312.5
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	-

**A18. CAPITAL COMMITMENTS**

	<b>30 September 2021</b> RM million	<b>31 December 2020</b> RM million
Approved and contracted for:		
Group	<u>3,955.1</u>	<u>6,637.5</u>
	<u>3,955.1</u>	<u>6,637.5</u>

**A19. CONTINGENT LIABILITIES**

Contingent liabilities of the Group as at 30 September 2021 comprise the following:

	<b>RM million</b>
Performance bonds on contract and bank guarantees extended to customers	<u>498.5</u>

**A20. SUBSEQUENT MATERIAL EVENTS**

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

**B1. REVIEW OF GROUP PERFORMANCE**

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2021	2020	2021	2020
	RM million	RM million	RM million	RM million
<b>Revenue</b>				
LNG Asset Solutions	741.2	613.4	2,117.4	2,001.3
Petroleum & Product Shipping	775.9	851.1	2,358.2	3,169.2
Offshore Business	749.7	215.0	2,012.8	683.9
Marine & Heavy Engineering	389.3	369.4	1,035.3	871.1
Others, Eliminations and Adjustments	35.7	10.6	62.8	34.1
<b>Total Revenue</b>	<b>2,691.8</b>	<b>2,059.5</b>	<b>7,586.5</b>	<b>6,759.6</b>
<b>Operating Profit/(Loss)</b>				
LNG Asset Solutions	313.7	239.0	908.2	953.2
Petroleum & Product Shipping	(8.3)	20.1	238.1	558.4
Offshore Business	243.3	98.9	669.4	393.4
Marine & Heavy Engineering	(20.1)	2.3	(148.3)	(92.3)
Others, Eliminations and Adjustments	(44.3)	(30.3)	(92.3)	(114.7)
<b>Total Operating Profit</b>	<b>484.3</b>	<b>330.0</b>	<b>1,575.1</b>	<b>1,698.0</b>
Impairment of non current assets	(9.0)	(9.6)	(75.6)	(315.6)
Loss from deconsolidation of a subsidiary	-	-	(2.3)	-
Gain on disposal of ships	-	-	4.0	21.6
Write off of trade receivables and loss on re-measurement of finance lease receivables	-	-	-	(935.2)
Provision for litigation claims	-	-	-	(1,049.2)
Finance costs	(103.8)	(77.8)	(294.8)	(274.1)
Share of profit of joint ventures and an associate	30.6	38.6	136.1	176.3
<b>Profit/(Loss) Before Tax</b>	<b>402.1</b>	<b>281.2</b>	<b>1,342.5</b>	<b>(678.2)</b>

**Current quarter's performance against the quarter ended 30 September 2020**

Group revenue of RM2,691.8 million was RM632.3 million or 30.7% higher than the quarter ended 30 September 2020 ("corresponding quarter") revenue of RM2,059.5 million, while Group operating profit of RM484.3 million was RM154.3 million or 46.8% higher than the corresponding quarter's profit of RM330.0 million. The variances in Group performance by segments are further explained below.

**LNG Asset Solutions**

Revenue of RM741.2 million was RM127.8 million or 20.8% higher than the corresponding quarter's revenue of RM613.4 million, mainly from higher earning days following deliveries of six Very Large Ethane Carriers ("VLEC") since the fourth quarter of 2020.

Operating profit of RM313.7 million was RM74.7 million or 31.3% higher than the corresponding quarter's profit of RM239.0 million, mainly from higher earning days as explained above.

**Petroleum & Product Shipping**

Revenue of RM775.9 million was RM75.2 million or 8.8% lower than the corresponding quarter's revenue of RM851.1 million resulting from lower freight rates in the current quarter and lower earning days from vessel disposals and redeliveries since last year.

Petroleum & Product Shipping segment recorded an operating loss of RM8.3 million compared to corresponding quarter's profit of RM20.1 million, mainly due to lower freight rates and lower earning days as explained above.

**Offshore Business**

Revenue of RM749.7 million was RM534.7 million or more than 100% higher than the corresponding quarter's revenue of RM215.0 million, mainly from the recognition of revenue from conversion of a Floating, Production, Storage and Offloading ("FPSO") in this quarter.

Operating profit of RM243.3 million was RM144.4 million or more than 100% higher than the corresponding quarter's profit of RM98.9 million, mainly due to the abovementioned higher revenue.

**Marine & Heavy Engineering**

Revenue of RM389.3 million was RM19.9 million or 5.4% higher than the corresponding quarter's revenue of RM369.4 million, mainly from increased activities for an on-going Heavy Engineering project partially offset by absence of conversion works in the Marine sub-segment in the current quarter.

Marine & Heavy Engineering segment reported an operating loss of RM20.1 million compared to corresponding quarter's profit of RM2.3 million, mainly due to lower contribution from post-sailaway Heavy Engineering projects and lower revenue in the Marine sub-segment in the current quarter.

**Others, Eliminations and Adjustments**

Others segment recorded an operating loss of RM44.3 million as compared to corresponding quarter's loss of RM30.3 million, mainly due to net foreign exchange loss in the current quarter and amortisation of new intangibles beginning May 2021.



### **Current 9 months period performance against the 9 months period ended 30 September 2020**

Group revenue of RM7,586.5 million was RM826.9 million or 12.2% higher than the revenue for the 9-month period ended 30 September 2020 (“corresponding period”) of RM6,759.6 million. Group operating profit of RM1,575.1 million was RM122.9 million or 7.2% lower than the corresponding period's profit of RM1,698.0 million. The variances in Group performance by segments are further explained below.

#### **LNG Asset Solutions**

Revenue of RM2,117.4 million was RM116.1 million or 5.8% higher than the corresponding period's revenue of RM2,001.3 million, mainly from deliveries of six Very Large Ethane Carriers (“VLEC”) since the fourth quarter of 2020.

Operating profit of RM908.2 million was RM45.0 million or 4.7% lower than the corresponding period's profit of RM953.2 million, mainly due to higher vessel operating costs and impairment on receivables during the period.

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

Revenue of RM2,358.2 million was RM811.0 million or 25.6% lower than the corresponding period's revenue of RM3,169.2 million, mainly from lower freight rates in the current period and lower earning days from vessel disposals and redeliveries since last year.

Operating profit of RM238.1 million was RM320.3 million or 57.4% lower compared to corresponding period's profit of RM558.4 million, mainly from lower margin on freight rates in the current period and lower earning days from vessel disposals and redeliveries since last year. However, the reduction in profit was softened by the one-off compensation for a contract renegotiation in the current period.

#### **Offshore Business**

Revenue of RM2,012.8 million was RM1,328.9 million or more than 100% higher than the corresponding period's revenue of RM683.9 million mainly from the recognition of revenue from conversion of an FPSO in the current period.

Operating profit of RM669.4 million was RM276.0 million or 70.2% higher compared to corresponding period's profit of RM393.4 million, mainly from the abovementioned higher revenue.

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

Revenue of RM1,035.3 million was RM164.2 million or 18.8% higher than the corresponding period's revenue of RM871.1 million mainly due to higher revenue from an on-going Heavy Engineering project as well as the corresponding period was impacted by the yard shutdown during MCO 1.0. This was partially offset by lower number of repair and conversion work in the current period coupled with prolonged border restrictions imposed by the Government due to the COVID-19 pandemic.

Operating loss of RM148.3 million was RM56.0 million or 60.7% higher compared to operating loss of RM92.3 million in the corresponding period mainly due to additional cost provision recognised for an on-going project during the current period.

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

Others segment posted an operating loss for the period of RM92.3 million as compared to corresponding period's loss of RM114.7 million mainly due to lower corporate expenses in the current period.

In the corresponding period, the Group recorded a provision for litigation claims of RM1,049.2 million and write off of trade receivables and loss on re-measurement of finance lease receivables of RM935.2 million following the decision by the Arbitration Tribunal on the Group's arbitration proceeding against Sabah Shell Petroleum Company Limited (“SSPC”).

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

<u>GROUP</u>	Quarter Ended 30 September 2021 RM million	Quarter Ended 30 June 2021 RM million
Revenue	<u>2,691.8</u>	<u>2,353.8</u>
Operating Profit	<b>484.3</b>	<b>627.0</b>
Impairment of non current assets	(9.0)	(42.0)
Loss from deconsolidation of a subsidiary	-	(2.3)
Gain on disposal of ships	-	3.6
Finance costs	(103.8)	(97.9)
Share of profit of joint ventures and an associate	30.6	46.3
<b>Profit Before Tax</b>	<u><b>402.1</b></u>	<u><b>534.7</b></u>

Group revenue of RM2,691.8 million was RM338.0 million or 14.4% higher than the preceding quarter's revenue of RM2,353.8 million, mainly from higher recognition of revenue from conversion of an FPSO in the Offshore Business segment as well as higher revenue in the Marine & Heavy Engineering segment in the current quarter.

Group operating profit of RM484.3 million was RM142.7 million or 22.8% lower than the preceding quarter's profit of RM627.0 million, mainly from a one-off compensation for a contract renegotiation in the Petroleum & Product Shipping segment in the preceding quarter.

**B3. GROUP CURRENT YEAR PROSPECTS**

In the LNG shipping market, spot charter rates remained relatively steady in the third quarter of 2021 despite a surge in European gas demand due to lower wind and solar power generation. However, LNG shipping rates are expected to strengthen towards the year-end on account of high winter season demand in Europe and Asia. Despite surging gas prices, Asian LNG demand is likely to remain robust as China is facing power outages in its Northern regions with its policy of curbing coal consumption leading to gas shortages. Notwithstanding the market volatility, the operating income of the LNG Asset Solutions segment is expected to remain fairly stable, underwritten by its portfolio of long-term charters.

The prolonged impacts of the pandemic and OPEC+ production cuts continue to have an adverse effect on the petroleum shipping market, especially in the crude sector. In the short term, the tanker market is expected to see some modest improvement towards winter, although risks to the market outlook still remain. Meanwhile, the medium-term prospects remain positive for the tanker market, with likely improvements focused towards the second half of 2022 whereby tanker demand is projected to return close to 2019 levels, driven by OPEC+ phased supply increases and continued economic recovery. Nonetheless, the Petroleum & Product shipping segment will continue to focus on building long-term secured income through its niche shuttle tanker business and rejuvenation of its fleet with eco-friendly LNG dual-fuel tankers.

The global offshore exploration and production space has shown its resilience and ability to execute projects despite COVID-19 restrictions. The medium-term outlook for the floating production systems sector seems promising with positive expectations for global growth and sturdy oil price, together with attractive returns for offshore developments and pipeline projects to be sanctioned. The Offshore Business segment will continue to focus on the execution of the new FPSO project in hand while also sourcing for opportunities in targeted markets. For the time being, the existing portfolio of long-term contracts will continue to support the financial performance of the segment.

With continued uncertainty over the economic recovery coupled with high steel prices, the Marine and Heavy Engineering segment remains cautious on the prospects for the Heavy Engineering sub-segment during the remainder of the year. Meanwhile, the Marine sub-segment is expected to remain challenging as foreign clients are likely to continue to send their vessels to countries with more relaxed border restrictions until international borders reopen. In addition, the increase in LNG trade this upcoming winter is anticipated to lead to greater competition amongst shipyards for limited dry-docking opportunities. In the meantime, the segment's key priorities are to replenish its order book, as well as focusing on cost management, safe execution and timely delivery of on-going projects.

**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 September 2021 RM million	Cumulative 9 Months Ended 30 September 2021 RM million
Taxation for the period comprises the following charge:		
Income tax charge		
- current period	(12.2)	(33.6)
- prior year	-	2.3
Deferred taxation	1.4	(0.2)
	<u>(10.8)</u>	<u>(31.5)</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 and on 10 July 2020, the Ministry of Finance ("MoF") issued an approval letter for the extension of the 100% shipping tax exemption up to YA2023 subject to the following two conditions to be implemented by the Ministry of Transport ("MoT"):

- a) Each Malaysian shipowner to comply with the minimum substance requirements in terms of annual operating expenditure and number of full-time employees. MoT has been requested to establish the framework for each category of vessels; and
- b) MoT to develop a framework and implement the imposition of annual tonnage fee to Malaysian shipowners by 1 January 2022.

In respect of the imposition of tonnage fee, MoF has indicated in their letter that if MoT fails to start imposing tonnage fee from 1 January 2022, the 100% tax exemption will be reverted to 70% from YA2022.

On 2 November 2021, MoT notified the Malaysian Shipowners' Association that MoF has approved for a deferment in the imposition of the annual tonnage fee to latest by 31 December 2023. Based on this latest development, 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.

**B6. STATUS OF CORPORATE PROPOSALS ANNOUNCED BUT NOT COMPLETED**

There were no outstanding corporate proposals submitted by the Group for the quarter ended 30 September 2021.

**B7. 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**").

**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, GKL will be taking steps to file an appeal in the Court of Appeal against the said dismissal.

(ii) **SSPC Expungement Application**

SSPC filed an interim application to expunge the affidavit of GKL's quantum expert ("**SSPC Expungement Application**"), which was filed by GKL to clarify certain issues in support of the Setting Aside OS.

This application was heard on 9 August 2021 and 9 September 2021. On 1 October 2021, the High Court allowed SSPC's application with costs. Although no reasons were given by the High Court, attempts are being made by GKL's lawyers to try and secure the same. Despite the High Court's decision in allowing SSPC's Expungement Application, GKL's lawyers have advised that this argument can still be shown from the records and therefore, the expungement of the quantum expert's affidavit does not affect GKL's arguments in the Setting Aside.

GKL's Setting Aside OS was partly heard on 20 and 25 October 2021 where GKL's counsel presented its case before the Judge at the High Court. The matter is fixed for continued hearing on 13 and 14 January 2022 and a further hearing date is to be agreed by the parties.

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:

**Arbitration**

1. 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.
2. 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.

**Adjudication**

3. 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.

4. 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.
5. 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.
6. 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.
7. As far as MOMPL is aware, there is no pending application to set aside the said Adjudication decisions.

#### **Proceedings in Court**

8. 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. 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. 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 has thirty days from the date of judgement to file any appeal.
9. 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.
10. 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.
11. 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 however no reasons were given in support of the decision. MOMPL will be taking steps to secure the High Court's grounds of judgment to consider its options in the matter.

(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")**

MMHE had on 13 March 2019 received a notice of arbitration from KPOC in relation to claims arising from the Kebabangan ("KBB") field project. KPOC claims that MMHE was and is in breach of the contract in respect of the appointed supplier of the valves per the contract. The actual valves procured were claimed to be defective and thus KPOC has suffered substantial loss and damage.

Pursuant to the Statement of Claim by KPOC dated 13 October 2019, total claims of approximately RM93.1 million were made in relation to loss and damage in respect of the valves procured by MMHE. KPOC, subsequently, as part of its Closing Submissions dated 9 March 2021, identified its claim amount as RM58.9 million.

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 costs 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 day of payment;
- 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 also dismissed all of KPOC's claim for loss of revenue in the sum of RM28,030,906.

On 29 September 2021, KPOC filed an application to recognise and enforce the Final Award. 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.

**iv) Boskalis Malaysia Sdn Bhd ("BMSB") and Malaysia Marine and Heavy Engineering Sdn Bhd ("MMHE")**

MMHE had on 16 March 2021 received a Notice of Arbitration from BMSB in relation to claims arising from Subcontract No. 3900006700 ("Subcontract") for the Transportation and Installation (T&I) Works for Topsides Float Over for Bokor CPP Project.

In the Notice of Arbitration, BMSB claims that there was a delay in the load out exercise and that it had allegedly incurred demurrage and standby costs ("Alleged Costs") as a result of the delay. BMSB seeks the Alleged Costs, in the amount of USD11,954,475, together with interest and costs (collectively, "Claims").

MMHE disputes the Claims and maintains that MMHE has fully observed the provisions of the Subcontract at all times.

In terms of status of the Arbitration, parties have jointly conveyed to the Arbitral Tribunal that a full and final settlement has been reached. Following the settlement reached between BMSB and MMHE, on 26 August 2021, BMSB notified the Arbitral Tribunal that BMSB has agreed to discontinue the arbitration proceedings against MMHE without liberty to file afresh and requested for the necessary orders to be issued. By an Order dated 15 November 2021 (which was received by MMHE on 16 November 2021), the Arbitral Tribunal formally issued the requested order recording the termination of the arbitration proceedings.

**B8. DIVIDENDS**

The Board of Directors has approved a third tax exempt dividend of 7.0 sen per share in respect of financial year 2021 amounting to RM312.5 million. The proposed dividend will be paid on 14 December 2021 to shareholders registered at the close of business on 6 December 2021.

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 6 December 2021 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.

**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 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.

Details of the Group's derivative financial instruments outstanding as at 30 September 2021 are as follows:

<b>Contract/Tenure</b>	<b>Notional Value RM million</b>	<b>Fair Value as at 30 September 2021 RM million</b>
<b><u>Foreign currency contracts</u></b>		
1 year to 3 years	440.8	(0.7)
	<u>440.8</u>	<u>(0.7)</u>
<b><u>Interest rate swaps</u></b>		
1 year to 3 years	3,961.7	(119.1)
More than 3 years	7,626.6	(124.9)
	<u>11,588.3</u>	<u>(244.0)</u>

During the current quarter ended 30 September 2021, 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 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 2020:

- (a) the credit risk, market risk and liquidity risk associated with these financial derivatives;
- (b) the cash requirements of the financial derivatives; and
- (c) the policy in place for mitigating or controlling the risks associated with these financial derivatives.

**B10. FAIR VALUE CHANGES OF FINANCIAL LIABILITIES**

As at 30 September 2021, the Group does not have any material financial liabilities measured at fair value through profit or loss.



**B11. EARNINGS/(LOSS) PER SHARE**

	Quarter Ended 30 September		Cumulative 9 Months Ended 30 September	
	2021	2020	2021	2020
Basic earnings/(loss) per share are computed as follows:				
Profit/(loss) for the period attributable to equity holders of the Corporation (RM million):	401.0	258.3	1,369.6	(599.0)
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/(loss) per share (sen)	9.0	5.8	30.7	(13.4)

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

**B12. IMPACT OF COVID-19 PANDEMIC**

For the LNG Asset Solutions segment, the majority of its vessels are on long-term time charter and the charter contracts remain intact. These long-term charter contracts underwrite its stable financial performance although there were some off hire days due to the pandemic in the current quarter.

Freight rates for crude tankers continue to be under pressure mainly due to weak global oil demand impacted by the pandemic, affecting the performance of the Petroleum & Product Shipping segment during the quarter.

Both the LNG and Petroleum segments had recorded an increase in their ship operating costs arising from the pandemic, mainly relating to quarantine and crew change activities.

The Offshore Business segment's assets are all on long-term charter contracts which support its stable financial performance. However, the segment also incurred additional operating costs due to the pandemic, mainly for quarantine, crew change and support activities in the current quarter.

The Marine & Heavy Engineering business segment's financial performance continued to be affected by the COVID-19 pandemic mainly from the major disruption to the revenue stream of Marine sub-segment. The nation's prevailing border restrictions remain the lingering factor for the business to be less competitive compared to the neighbouring yards and hence, resulted in significant reduction in the number of vessels secured during the financial period. Its Heavy Engineering sub-segment is also not spared from the pandemic although less severely impacted compared to the Marine sub-segment. Despite the continuing yard operation, the sub-segment's productivity remains at levels below pre-pandemic due to the SOP requirements and thus, impacting the projects' progress to a certain extent.

**Impact on the Group's financial performance, financial position, cash flows and liquidity**

Although there have been off hire days and increase in operating costs, the COVID-19 pandemic has not materially affected the financial performance, financial position, cash flows and liquidity of LNG Asset Solutions and Offshore Business segments in the period to-date.

However, the financial performance of the Petroleum & Product Shipping segment for the period to-date was affected by the lower tanker freight rates, while the Marine & Heavy Engineering segment was affected by the on-going government-imposed border restrictions as explained above.

In terms of cash flow and liquidity, the Group has not experienced any major delinquencies in its receivables account relating to the COVID-19 pandemic.

The Group's financial position remains healthy at the end of the current quarter with cash balance of RM7,413.4 million coupled with low gearing as well as adequate working capital facilities to remain resilient in the current crisis. As a result, the Group does not anticipate any financial difficulties to meet its debt obligations in the foreseeable future as well as its ability to operate as a going concern. Notwithstanding this, the Group remains steadfast in its efforts to preserve cash through optimizing overheads and CAPEX spending.

#### **Impact on the Group's business and earning prospects**

Apart from Petroleum & Product Shipping and Marine & Heavy Engineering segments, the other core businesses' performances namely LNG Asset Solutions and Offshore Business have remained relatively steady and are not expected to be significantly impacted by COVID-19. This is attributable to the recurring income streams from the portfolio of long-term contracts under these Business segments.

The Petroleum & Product Shipping segment continues to remain depressed due to prolonged impacts of the pandemic and OPEC+ production cuts though there could be some modest improvement towards the winter in the short term. Nevertheless, the medium-term prospects remain positive, with improvements expected towards mid-2022 driven by OPEC+ phased supply increases and continued economic recovery.

The Marine & Heavy Engineering segment continues to be cautious on the prospects for the remainder of the year. Concerns remain on a potential fourth global wave of infections which could disrupt the progress of economic recovery. This uncertainty coupled with high steel prices is expected to continue to result in modest spending by oil majors. The Marine business prospects continue to be challenging until the international border reopens as foreign clients continue to favor shipyards in countries with more relaxed border restrictions.

Going forward, the Group continues to be vigilant in replenishing its order book and focusing on operating costs optimisation as well as safe execution and timely delivery of on-going projects.

#### **COVID-19 health and safety measures**

The Group remains vigilant and has continuously implemented all necessary COVID-19 mitigation measures in accordance with Standard Operating Procedures ("SOPs") issued by the Ministry of Health Malaysia and regulators of home countries where we operate such as physical distancing at work, workplace segregation, staggered work hours and lunch breaks, flexible working arrangements including working from home, virtual meetings, temperature checks and regular workplace sanitization. Only staff who are fully vaccinated, do not exhibit flu-like symptoms and tested negative of COVID-19 using the self-test kit provided by the Company are allowed to return to office on rotation. To further enhance health and safety at the office, the Management has agreed to install medical-grade True HEPA air cleaners in all offices starting with our headquarters and to be adopted groupwide for the various locations we operate in.

Continuous advisories were sent out to the Group staff on strict adherence to the SOPs. Online programs were also carried out to ensure employees mental wellness and wellbeing.

Staff returning from international business travel are required to undergo quarantine as per Government's directive and perform the COVID-19 self-test before returning to office. All ships and offshore crew are also required to undergo COVID-19 RT-PCR testing during sign-on and sign-off (joining and leaving the vessel).

For suspected and positive cases at the workplace within the Group, there are SOPs established to follow through and render assistance accordingly.

By Order of the Board