

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2017

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/04/2017 RM'000	Preceding year corresponding quarter 30/04/2016 RM'000	Three months to 30/04/2017 RM'000	Three months to 30/04/2016 RM'000
1. Revenue	1,769,571	1,941,444	1,769,571	1,941,444
Operating expenses	(1,362,287)	(1,362,176)	(1,362,287)	(1,362,176)
Other operating income	15,054	10,327	15,054	10,327
Profit from operations	422,338	589,595	422,338	589,595
Depreciation and amortisation	(275,710)	(321,770)	(275,710)	(321,770)
Finance income	4,563	6,547	4,563	6,547
Finance costs	(204,319)	(192,704)	(204,319)	(192,704)
Net foreign exchange gain/(loss)	37,318	(36,899)	37,318	(36,899)
Gain on disposal of property, plant and equipment	5,583	-	5,583	-
Share of profit from associates and joint ventures	114,613	79,850	114,613	79,850
Profit before taxation	104,386	124,619	104,386	124,619
Taxation	(76,972)	(14,592)	(76,972)	(14,592)
Profit after taxation	27,414	110,027	27,414	110,027
Attributable to:				
Owners of the Parent	27,533	110,311	27,533	110,311
Non-controlling interests	(119)	(284)	(119)	(284)
	27,414	110,027	27,414	110,027
2. Earnings per share (sen)				
Basic/Diluted	0.46	1.85	0.46	1.85

The condensed consolidated income statement should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2017

THE FIGURES HAVE NOT BEEN AUDITED

II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/04/2017 RM'000	Preceding year corresponding quarter 30/04/2016 RM'000	Three months to 30/04/2017 RM'000	Three months to 30/04/2016 RM'000
Profit after taxation	27,414	110,027	27,414	110,027
Other comprehensive income:				
<i>Items that may be reclassified to income statements in subsequent periods:</i>				
Foreign currency translation differences	(140,526)	(438,639)	(140,526)	(438,639)
Cash flow hedge:				
- Changes in fair value of derivatives	(8,331)	-	(8,331)	-
- Foreign exchange loss on hedged items	(59,848)	-	(59,848)	-
Share of other comprehensive income of associated and joint ventures:				
- Foreign currency translation differences	(29,609)	(57,726)	(29,609)	(57,726)
- Hedge reserve	(10,167)	206	(10,167)	206
Total comprehensive income	<u>(221,067)</u>	<u>(386,132)</u>	<u>(221,067)</u>	<u>(386,132)</u>
Attributable to:				
Owners of the parent	(219,787)	(385,071)	(219,787)	(385,071)
Non-controlling interests	(1,280)	(1,061)	(1,280)	(1,061)
Total comprehensive income	<u>(221,067)</u>	<u>(386,132)</u>	<u>(221,067)</u>	<u>(386,132)</u>

The condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2017
THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED As at end of current financial period 30/04/2017 RM'000	AUDITED As at end of preceding financial year 31/01/2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	14,691,998	15,140,032
Expenditures on oil and gas properties	4,363,844	4,398,855
Goodwill on consolidation	8,363,069	8,443,539
Other intangible assets	34,669	39,991
Investment in associates and joint ventures	1,931,436	1,858,609
Deferred tax assets	144,594	221,571
Trade receivables	29,441	39,129
	<u>29,559,051</u>	<u>30,141,726</u>
Current assets		
Inventories	478,046	458,483
Trade and other receivables	3,139,434	3,234,444
Tax recoverable	86,156	95,099
Cash and cash equivalents	2,146,050	3,519,509
	<u>5,849,686</u>	<u>7,307,535</u>
TOTAL ASSETS	<u>35,408,737</u>	<u>37,449,261</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	8,066,410	8,066,410
Shares held under trust	(93,304)	(93,304)
Other reserves	2,237,712	2,485,032
Retained profits	2,585,885	2,617,980
	<u>12,796,703</u>	<u>13,076,118</u>
Non-controlling interests	2,910	4,190
Total equity	<u>12,799,613</u>	<u>13,080,308</u>
Non-current liabilities		
Borrowings	15,808,848	15,135,967
Other payables	271,257	347,043
Provision for assets retirement obligation	251,496	251,967
Derivatives	30,190	21,859
Deferred tax liabilities	1,198,205	1,282,684
	<u>17,559,996</u>	<u>17,039,520</u>
Current liabilities		
Borrowings	1,160,946	3,511,050
Trade and other payables	3,809,779	3,765,602
Provision for assets retirement obligation	22,900	28,377
Income tax payable	55,503	24,404
	<u>5,049,128</u>	<u>7,329,433</u>
TOTAL LIABILITIES	<u>22,609,124</u>	<u>24,368,953</u>
TOTAL EQUITY AND LIABILITIES	<u>35,408,737</u>	<u>37,449,261</u>
Net assets per share (RM)	<u>2.15</u>	<u>2.19</u>

The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2017

THE FIGURES HAVE NOT BEEN AUDITED

IV. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED Three months to 30/04/2017 RM'000	UNAUDITED Three months to 30/04/2016 RM'000
Profit before taxation	104,386	124,619
Adjustments	370,989	467,807
Operating profit before working capital changes	475,375	592,426
Changes in working capital	27,881	429,116
Cash generated from operations	503,256	1,021,542
Taxation paid	(16,536)	(58,511)
Net cash generated from operating activities	486,720	963,031
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,629)	(27,194)
Expenditure on oil and gas properties	(89,741)	(150,010)
Net advances to joint venture companies	-	(30,321)
Other items	9,563	9,606
Net cash used in investing activities	(85,807)	(197,919)
Cash flows from financing activities		
Finance cost paid	(165,490)	(167,908)
Dividend paid on ordinary shares	(59,628)	-
Net repayment of revolving credit, term loans, Islamic Facility and Sukuk Programme	(1,469,809)	(134,423)
Net repayment of hire purchase and lease financing	(4,761)	(2,101)
Net cash used in financing activities	(1,699,688)	(304,432)
Net (decrease)/increase in cash and cash equivalents	(1,298,775)	460,680
Effect of exchange rate translation	(74,684)	(69,419)
Cash and cash equivalent at beginning of year	3,519,509	1,947,527
Cash and cash equivalent at end of period	2,146,050	2,338,788

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2017

THE FIGURES HAVE NOT BEEN AUDITED

V. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent				Non-controlling interests	Total equity	
	Share capital	Shares held under trust	Other reserves	Retained profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Three months to 30 April 2017 (Unaudited)							
At 1 February 2017	8,066,410	(93,304)	2,485,032	2,617,980	13,076,118	4,190	13,080,308
Total comprehensive income	-	-	(247,320)	27,533	(219,787)	(1,280)	(221,067)
Transaction with owners:							
Dividend on ordinary shares	-	-	-	(59,628)	(59,628)	-	(59,628)
Total transaction with owners	-	-	-	(59,628)	(59,628)	-	(59,628)
At 30 April 2017	8,066,410	(93,304)	2,237,712	2,585,885	12,796,703	2,910	12,799,613

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2017

THE FIGURES HAVE NOT BEEN AUDITED

V. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D.)

	Attributable to owners of the parent					Non-controlling interests	Total equity	
	Share capital	Share premium	Shares held under trust	Other reserves	Retained profits			Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Three months to 30 April 2016								
(Unaudited)								
At 1 February 2016	5,992,155	2,074,255	(80,000)	1,821,934	2,398,609	12,206,953	6,054	12,213,007
Total comprehensive income	-	-	-	(495,382)	110,311	(385,071)	(1,061)	(386,132)
At 30 April 2016	<u>5,992,155</u>	<u>2,074,255</u>	<u>(80,000)</u>	<u>1,326,552</u>	<u>2,508,920</u>	<u>11,821,882</u>	<u>4,993</u>	<u>11,826,875</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated interim financial statements for the period ended 30 April 2017 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"). These condensed consolidated interim financial statements also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board.

The unaudited condensed consolidated interim financial statements for the financial period ended 30 April 2017 should be read in conjunction with the audited financial statements for the financial year ended 31 January 2017.

The accounting policies and methods of computation adopted by Sapura Energy Berhad (formerly known as SapuraKencana Petroleum Berhad) ("the Company") and its subsidiaries ("the Group") in these condensed consolidated interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 January 2017 except for the following:

As at 1 February 2017, the Group and the Company have adopted the following revised MFRS and Amendments to MFRS that have been issued by the Malaysian Accounting Standards Board ("MASB").

Effective for annual periods beginning on or after 1 January 2017:

Annual improvement to MFRS 2012-2014 Cycle

Amendments to MFRS 107: Disclosure Initiative

Amendments to MFRS 112: Recognition of Deferred Tax for Unrealised Losses

Adoption of the above revised standards does not have material impact on the financial statements of the Group and the Company.

2. Seasonality and cyclicity of operations

The Group's operations are not materially affected by any seasonal or cyclical factors except for severe weather conditions.

3. Unusual items due to their nature, size and incidence

There were no other unusual items affecting the assets, liabilities, equity, net income or cash flows for the current financial period, other than as disclosed in these condensed consolidated interim financial statements.

4. Changes in estimates

There were no other changes in estimates other than as disclosed in these unaudited condensed consolidated income statement, that have a material effect in the current financial period.

5. Debt and equity securities

There were no issuance and repayment of debt securities, share buy-back, share cancellations, shares held under trust and resale of shares held under trust during the quarter ended 30 April 2017.

6. Subsequent events

In the month on May 2017 and June 2017, the trustee appointed by the Company purchased 10,977,700 units of its issued ordinary shares from the open market at an average price of RM1.90 per share for the purpose of the share bonus scheme in relation to Long Term Incentive Plan ("LTIP").

There was no other material event subsequent to 30 April 2017 which has not been reflected in these condensed consolidated interim financial statements.

7. Changes in the composition of the Group

There was no significant change in the composition of the Group during the current financial period.

8. Contingent liabilities

The Group has provided corporate guarantees to financial institutions for credit facilities granted to joint ventures amounting to RM967.0 million (31 January 2017: RM1,174.7 million).

9. Capital commitments

Capital expenditure for property, plant and equipment and expenditures on oil and gas properties approved and not provided for in these condensed consolidated interim financial statements as at 30 April 2017 are as follows:

Approved and contracted:	30/04/2017
	RM'000
Group	<u>1,526,519</u>

10. Taxation

Taxation comprises the following:

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Three months to	Three months to
	30/04/2017	30/04/2016	30/04/2017	30/04/2016
	RM'000	RM'000	RM'000	RM'000
Current taxation:				
Malaysian taxation	53,279	27,106	53,279	27,106
Foreign taxation	17,358	(12,179)	17,358	(12,179)
Deferred taxation	<u>6,335</u>	<u>(335)</u>	<u>6,335</u>	<u>(335)</u>
	<u>76,972</u>	<u>14,592</u>	<u>76,972</u>	<u>14,592</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year.

10. Taxation (cont'd.)

Income from petroleum operation in Malaysia is calculated at the Malaysian petroleum income tax rate of 38%.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

11. Status of corporate proposals announced

There were no corporate proposals announced but not completed as at the date of this announcement.

12. Borrowings

12.1 The Group's borrowings as at 30 April 2017 and 31 January 2017 are as follows:

	30/04/2017	31/01/2017
	RM'000	RM'000
Short term borrowings		
Secured	5,745	8,740
Unsecured	<u>1,155,201</u>	<u>3,502,310</u>
	<u>1,160,946</u>	<u>3,511,050</u>
Long term borrowings		
Secured	4,867	6,634
Unsecured	<u>15,803,981</u>	<u>15,129,333</u>
	<u>15,808,848</u>	<u>15,135,967</u>
	<u>16,969,794</u>	<u>18,647,017</u>

12.2 Included in the borrowings are borrowings denominated in foreign currency as follows:

	30/04/2017	31/01/2017
	RM'000	RM'000
United States Dollar	<u>11,570,185</u>	<u>15,194,274</u>

12.3 Sapura TMC Sdn. Bhd. ("STMC") (formerly known as SapuraKencana TMC Sdn. Bhd.) (a wholly-owned subsidiary of Sapura Energy Berhad (formerly known as SapuraKencana Petroleum Berhad)) had, on 22 February 2017 signed a seven-year financing facilities of approximately USD1.5 billion with a consortium of Malaysian, regional and international banks.

Subsequent to the signing, the Group announced on 7 March 2017 the issuances of up to RM3.3 billion and USD74.8 million in nominal value of Unrated Sukuk Murabahah under the existing 30-years multi-currency sukuk programme of up to RM7 billion in nominal value.

Proceeds raised from the issuance of the Unrated Sukuk Murabahah were utilised to part refinance STMC's existing borrowings. The Unrated Sukuk Murabahah is structured based on the Shariah principle of Commodity Murabahah (via Tawarruq arrangement). The refinancing exercise is part of the Group's proactive capital management initiative.

13. Derivative financial instruments

The Group has entered into Islamic Cross-Currency Swap ("ICRCS") contracts with various banks to hedge part of the Group's borrowings.

Details of the derivative outstanding as at 30 April 2017 are as follows:

	Notional Value RM'000	Liabilities Fair Value RM'000
5 years Islamic Cross-Currency Swap	<u>2,704,606</u>	<u>30,190</u>

The Group treats the derivatives as cash flow hedges. The Group uses cash flow hedges to mitigate the risk of variability of future cash flows attributable to foreign currency fluctuation over the hedging period on its borrowings.

There is no gain/(loss) recognised in the income statement arising from fair value changes of derivatives.

14. Realised and unrealised profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits is as follows:

	30/04/2017 RM'000
Total retained profits of the Company and its subsidiaries	
- Realised	2,529,228
- Unrealised:	
- in respect of deferred tax	(1,054,728)
- in respect of other items of income statement	<u>7,731</u>
	1,482,231
Total share of retained profits from joint ventures and associates	
- Realised	936,869
- Unrealised:	
- in respect of deferred tax	<u>19,595</u>
	956,464
Total Group retained profits	2,438,695
Add: Consolidation adjustments	<u>147,190</u>
Total Group retained profits as per consolidated accounts	<u>2,585,885</u>

15. Material litigation

On 20 February 2006, Sarku Engineering Services Sdn. Bhd. ("SESSB"), a wholly-owned subsidiary of the Company entered into a contract with Oil and Natural Gas Corporation Limited ("ONGC") for the performance of works by SESSB to revamp 26 well platforms located in Mumbai High South field offshore site ("Contract").

On 21 September 2012, SESSB commenced arbitration proceedings by filing a statement of claim against ONGC in relation to disputes pursuant to the Contract for a sum of Indian Rupee ("INR") 1,063,759,201 and USD123,819,632 (including interest, costs, losses and damages).

On 17 December 2012, ONGC has filed their reply to the Statement of Claim. No counter claims have been filed by ONGC. Documents and witness statements have been filed.

Further examination in chief took place in January 2014 whereby revised list of documents were exchanged and has been taken on record.

The cross examination of ONGC's witness commenced on 22nd, 23rd December 2014 and 5th, 6th and 7th January 2015.

The next dates of hearing fixed by the tribunal are on 21st, 22nd, 23rd August 2017 and 24th, 25th October 2017.

SESSB has been advised by its solicitors, that SESSB has a reasonable basis for its claims against ONGC.

There were no other material litigation that may, upon materialisation, have a material effect on the Group's financial results or position, except as disclosed above.

16. Segment information

The Group organises its business activities into four major segments as follows:

- (i) Engineering and Construction ("E&C");
- (ii) Drilling;
- (iii) Exploration and Production ("E&P") (previously referred to as Energy segment); and
- (iv) Corporate

	3 months to 30/04/2017	
	Revenue	Operating profit
	RM'000	RM'000
E&C	1,202,159	181,427
Drilling	385,391	20,801
E&P	194,272	24,582
	<u>1,781,822</u>	<u>226,810</u>
Corporate expenses and eliminations	(12,251)	(122,424)
Group revenue / profit before taxation	<u>1,769,571</u>	<u>104,386</u>

17. Review of performance

Current quarter vs. corresponding quarter of the preceding year

	Revenue 3 months to		Operating profit 3 months to	
	30/04/2017 RM'000	30/04/2016 RM'000	30/04/2017 RM'000	30/04/2016 RM'000
Business Segments:				
E&C	1,202,159	1,024,356	181,427	78,591
Drilling	385,391	623,289	20,801	151,638
E&P	194,272	297,143	24,582	1,380
	<u>1,781,822</u>	<u>1,944,788</u>	<u>226,810</u>	<u>231,609</u>
Corporate expenses and eliminations	<u>(12,251)</u>	<u>(3,344)</u>	<u>(122,424)</u>	<u>(106,990)</u>
Group revenue/ Profit before taxation	<u>1,769,571</u>	<u>1,941,444</u>	<u>104,386</u>	<u>124,619</u>

Group

The Group revenue of RM1,769.6 million was 8.9% lower than RM1,941.4 million in the corresponding quarter of the preceding year ("Q1 FY2017"), mainly attributable to the lower revenue from Drilling and Exploration and Production business segments.

The Group recorded profit before taxation of RM104.4 million, a decrease of RM20.2 million as compared to profit before taxation of RM124.6 million in Q1 FY2017 due to the lower Group revenue offset by higher contribution from joint ventures in the current quarter.

The Group performance by business segments is further explained below.

Business Segments:

Engineering and Construction

The segment recorded revenue of RM1,202.2 million, which was 17.4% higher than RM1,024.4 million in Q1 FY2017, in line with the higher activities during the current quarter.

The segment recorded profit before taxation for the current quarter of RM181.4 million, an increase of RM102.8 million as compared to RM78.6 million in Q1 FY2017, due to the higher revenue and higher contribution from joint ventures.

17. Review of performance (cont'd.)

Current quarter vs. corresponding quarter of the preceding year (cont'd.)

Business Segments: (cont'd.)

Drilling

The segment revenue for the current quarter of RM385.4 million was RM237.9 million lower than RM623.3 million in Q1 FY2017, mainly due to the lower revenue from certain rigs which were off contract during the current quarter, compared to Q1 FY2017.

The segment profit before taxation in the current quarter of RM20.8 million was lower by RM130.8 million as compared to RM151.6 million in Q1 FY2017, in line with the lower revenue.

Exploration and Production

The segment recorded revenue of RM194.3 million, which was RM102.9 million lower than RM297.1 million in Q1 FY2017. The decrease is mainly due to the cessation of Berantai Risk Service Contract ("Berantai RSC") in Q2 FY2017, mitigated by higher average realised oil price achieved in the current quarter.

The segment recorded profit before taxation of RM24.6 million compared to RM1.4 million in Q1 FY2017, mainly due to the higher average realised oil price achieved in the current quarter.

18. Review of performance as compared to the immediate preceding quarter

Group revenue of RM1,769.6 million was 2.4% lower than the immediate preceding quarter ("Q4 FY2017") of RM1,812.8 million, primarily due to the lower activities from the Drilling and Exploration and Production business segments.

The Group profit before taxation of RM104.4 million was RM229.7 million higher than Q4 FY2017 Group loss before taxation of RM125.3 million. Included in Q4 FY2017 were provision for impairment on property, plant and equipment and oil and gas properties of RM282.7 million.

After excluding provision for impairment on property, plant and equipment and oil and gas properties, the Group profit before taxation in the current quarter of RM104.4 million was lower than Q4 FY2017 Group profit before taxation of RM157.4 million. The reduction of RM53.0 million was in line with the lower revenue in the current quarter.

19. (a) Commentary on prospects

The outlook for crude oil prices remains uncertain. The trend of prolonged low levels of capital spending is expected to continue and poses significant challenges to the industry.

The Group remains committed to its key strategies of replenishing the order book, continuing to re-base costs and improving operational efficiency. In addition, the Group's recently completed refinancing exercise, which is part of its proactive capital management initiative, will further strengthen the Group's fundamentals.

The Board anticipates the challenging environment to persist in the short and medium term, however, the Board is confident that the Group's strategic and operational plans that have been put in place will enable the Group to navigate through this period.

(b) Revenue or profit estimate, forecast, projection or internal targets

The Company has not provided any revenue or profit estimate, forecast, projection or internal targets in any previous announcement or public document.

20. Dividend

The Board of Directors does not recommend any payment of dividend for the current quarter under review.

21. Earnings per share

	Individual Quarter		Cumulative Quarter	
	3 months to 30/04/2017	3 months to 30/04/2016	3 months to 30/04/2017	3 months to 30/04/2016
Basic/Diluted				
Profit attributable to owners of the Parent (RM'000)	27,533	110,311	27,533	110,311
Weighted average number of ordinary shares in issue ('000)	5,962,751	5,971,797	5,962,751	5,971,797
Basic/diluted earnings per share (sen)	0.46	1.85	0.46	1.85

By Order of the Board

Seri Kembangan, Selangor Darul Ehsan
19 June 2017

Izzam bin Ibrahim
LS 0008731
Group Company Secretary