

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 OCTOBER 2017

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/10/2017 RM'000	Preceding year corresponding quarter 31/10/2016 RM'000	Nine months to 31/10/2017 RM'000	Nine months to 31/10/2016 RM'000
1. Revenue	1,279,973	2,221,724	4,705,752	5,838,504
Other operating income	13,072	11,178	51,531	1,357,666
Operating expenses	(1,018,067)	(1,700,064)	(3,649,479)	(4,944,272)
Profit from operations	274,978	532,838	1,107,804	2,251,898
Depreciation and amortisation	(270,735)	(262,065)	(818,113)	(1,479,161)
Finance income	8,019	6,071	16,009	18,149
Finance costs	(227,464)	(190,941)	(648,343)	(578,773)
Net foreign exchange (loss)/gain	(22,212)	22,317	45,914	(11,003)
Gain on disposal of property, plant and equipment	-	-	5,583	-
Share of profit from associates and joint ventures	27,698	91,032	219,574	309,417
(Loss)/profit before taxation	(209,716)	199,252	(71,572)	510,527
Taxation	(65,505)	(41,838)	(146,850)	(131,444)
(Loss)/profit after taxation	(275,221)	157,414	(218,422)	379,083
Attributable to:				
Owners of the Parent	(274,406)	158,059	(217,945)	380,636
Non-controlling interests	(815)	(645)	(477)	(1,553)
	(275,221)	157,414	(218,422)	379,083
2. Earnings per share (sen)				
Basic/Diluted	(4.62)	2.66	(3.66)	6.40

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 THIRD QUARTER ENDED 31 OCTOBER 2017

THE FIGURES HAVE NOT BEEN AUDITED

II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/10/2017 RM'000	Preceding year corresponding quarter 31/10/2016 RM'000	Nine months to 31/10/2017 RM'000	Nine months to 31/10/2016 RM'000
(Loss)/profit after taxation	(275,221)	157,414	(218,422)	379,083
Other comprehensive income:				
<i>Items that may be reclassified to income statements in subsequent periods:</i>				
Foreign currency translation differences	(87,113)	195,016	(354,885)	23,109
Transfer of exchange differences arising upon dissolution of Berantai Floating Production Limited	-	-	(52,757)	-
Cash flow hedge:				
- Changes in fair value of derivatives	35,429	-	77,300	-
- Foreign exchange loss on hedged items	(29,516)	(9,600)	(129,928)	(9,600)
Share of other comprehensive income of associates and joint ventures:				
- Foreign currency translation differences	(25,558)	49,477	(66,333)	65,751
- Changes in fair value of derivatives	13,350	28,840	(252)	6,657
Total comprehensive (loss)/income	<u>(368,629)</u>	<u>421,147</u>	<u>(745,277)</u>	<u>465,000</u>
Attributable to:				
Owners of the parent	(367,690)	421,735	(743,747)	466,202
Non-controlling interests	(939)	(588)	(1,530)	(1,202)
Total comprehensive (loss)/ income	<u>(368,629)</u>	<u>421,147</u>	<u>(745,277)</u>	<u>465,000</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 THIRD QUARTER ENDED 31 OCTOBER 2017
THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED As at end of current financial period 31/10/2017 RM'000	AUDITED As at end of preceding financial year 31/01/2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	14,538,143	15,140,032
Expenditures on oil and gas properties	4,242,136	4,398,855
Goodwill on consolidation	8,248,254	8,443,539
Other intangible assets	23,873	39,991
Investment in associates and joint ventures	1,585,337	1,858,609
Deferred tax assets	120,837	221,571
Derivatives	55,441	-
Trade receivables	31,534	39,129
	<u>28,845,555</u>	<u>30,141,726</u>
Current assets		
Inventories	466,034	458,483
Trade and other receivables	3,015,282	3,234,444
Tax recoverable	102,793	95,099
Cash and cash equivalents	1,892,733	3,519,509
	<u>5,476,842</u>	<u>7,307,535</u>
TOTAL ASSETS	<u>34,322,397</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	(139,304)	(93,304)
Other reserves	1,959,230	2,485,032
Retained profits	2,340,407	2,617,980
	<u>12,226,743</u>	<u>13,076,118</u>
Non-controlling interests	2,660	4,190
Total equity	<u>12,229,403</u>	<u>13,080,308</u>
Non-current liabilities		
Borrowings	15,525,906	15,135,967
Other payables	4,549	347,043
Provision for assets retirement obligation	252,819	251,967
Derivatives	-	21,859
Deferred tax liabilities	1,161,754	1,282,684
	<u>16,945,028</u>	<u>17,039,520</u>
Current liabilities		
Borrowings	1,749,594	3,511,050
Trade and other payables	3,299,487	3,765,602
Provision for assets retirement obligation	21,009	28,377
Income tax payable	77,876	24,404
	<u>5,147,966</u>	<u>7,329,433</u>
TOTAL LIABILITIES	<u>22,092,994</u>	<u>24,368,953</u>
TOTAL EQUITY AND LIABILITIES	<u>34,322,397</u>	<u>37,449,261</u>
Net assets per share (RM)	<u>2.06</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 THIRD QUARTER ENDED 31 OCTOBER 2017

THE FIGURES HAVE NOT BEEN AUDITED

IV. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED Nine months to 31/10/2017 RM'000	UNAUDITED Nine months to 31/10/2016 RM'000
(Loss)/profit before taxation	(71,572)	510,527
Adjustments	1,194,114	1,831,067
Operating profit before working capital changes	1,122,542	2,341,594
Changes in working capital	(478,507)	(21,599)
Cash generated from operations	644,035	2,319,995
Taxation paid	(58,523)	(104,839)
Net cash generated from operating activities	585,512	2,215,156
Cash flows from investing activities		
Purchase of property, plant and equipment	(909,432)	(186,905)
Expenditure on oil and gas properties	(191,553)	(233,719)
Net advances from/(to) joint venture companies	42,400	(59,167)
Dividend received from a joint venture company	423,695	449,479
Other items	20,536	17,949
Net cash used in investing activities	(614,354)	(12,363)
Cash flows from financing activities		
Finance cost paid	(561,527)	(607,887)
Dividend paid on ordinary shares	(59,628)	-
Purchase of shares held under trust	(46,000)	(80,000)
Net repayment of revolving credit, term loans, Islamic Facility and Sukuk Programme	(880,541)	(644,917)
Net repayment of hire purchase and lease financing	(7,027)	(11,274)
Net cash used in financing activities	(1,554,723)	(1,344,078)
Net (decrease)/increase in cash and cash equivalents	(1,583,565)	858,715
Effect of exchange rate translation	(43,211)	17,519
Cash and cash equivalent at beginning of year	3,519,509	1,947,527
Cash and cash equivalent at end of period	1,892,733	2,823,761

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 THIRD QUARTER ENDED 31 OCTOBER 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			Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Nine months to 31 October 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	-	-	(525,802)	(217,945)	(743,747)	(1,530)	(745,277)
Transaction with owners:							
Purchase of shares held under trust	-	(46,000)	-	-	(46,000)	-	(46,000)
Dividend on ordinary shares	-	-	-	(59,628)	(59,628)	-	(59,628)
Total transaction with owners	-	(46,000)	-	(59,628)	(105,628)	-	(105,628)
At 31 October 2017	<u>8,066,410</u>	<u>(139,304)</u>	<u>1,959,230</u>	<u>2,340,407</u>	<u>12,226,743</u>	<u>2,660</u>	<u>12,229,403</u>

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 OCTOBER 2017

THE FIGURES HAVE NOT BEEN AUDITED

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

	Attributable to owners of the parent					Total	Non-controlling interests	Total equity
	Share capital	Share premium	Shares held under trust	Other reserves	Retained profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Nine months to 31 October 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	-	-	-	85,566	380,636	466,202	(1,202)	465,000
Transaction with owners:								
Purchase of shares held under trust	-	-	(80,000)	-	-	(80,000)	-	(80,000)
Shares vested during the period	-	-	66,679	-	-	66,679	-	66,679
Total transaction with owners	-	-	(13,321)	-	-	(13,321)	-	(13,321)
At 31 October 2016	<u>5,992,155</u>	<u>2,074,255</u>	<u>(93,321)</u>	<u>1,907,500</u>	<u>2,779,245</u>	<u>12,659,834</u>	<u>4,852</u>	<u>12,664,686</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 31 October 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 International Auditing Standards ("IAS") 34: Interim Financial Reporting issued by the International Accounting Standards Board.

The unaudited condensed consolidated interim financial statements for the financial period ended 31 October 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:

Amendments to MFRS 12 (Annual Improvements to MFRS Standards 2014-2016 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 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 changes in estimates that have a material effect in the current financial period, other than as disclosed in these condensed consolidated income statement.

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 31 October 2017.

6. Subsequent events

There was no material event subsequent to 31 October 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 RM907.0 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 31 October 2017 are as follows:

Approved and contracted:	31/10/2017
	RM'000
Group	<u>1,390,417</u>

10. Taxation

Taxation comprises the following:

	Individual Quarter		Cumulative Quarter	
	Current year quarter	Preceding year corresponding quarter	Nine months to	Nine months to
	31/10/2017	31/10/2016	31/10/2017	31/10/2016
	RM'000	RM'000	RM'000	RM'000
Current taxation:				
Malaysian taxation	22,163	8,563	45,476	67,331
Foreign taxation	31,300	31,840	64,046	60,458
Deferred taxation	12,042	1,435	37,328	3,655
	<u>65,505</u>	<u>41,838</u>	<u>146,850</u>	<u>131,444</u>

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

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

	Short term borrowings		Long term borrowings		Total borrowings	
	Foreign denomination	RM denomination	Foreign denomination	RM denomination	Foreign denomination	RM denomination
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 October 2017						
Secured						
Hire purchase	-	6,835	-	1,511	-	8,346
Unsecured						
Term loan	66,941	-	7,435,018	-	7,501,959	-
Islamic facility	-	-	1,665,517	1,867,279	1,665,517	1,867,279
Sukuk programme	-	-	1,157,685	3,398,896	1,157,685	3,398,896
Revolving credit	832,885	837,100	-	-	832,885	837,100
Bank overdraft	5,833	-	-	-	5,833	-
	<u>905,659</u>	<u>843,935</u>	<u>10,258,220</u>	<u>5,267,686</u>	<u>11,163,879</u>	<u>6,111,621</u>
Total		<u>1,749,594</u>		<u>15,525,906</u>		<u>17,275,500</u>

	Short term borrowings		Long term borrowings		Total borrowings	
	Foreign denomination	RM denomination	Foreign denomination	RM denomination	Foreign denomination	RM denomination
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 January 2017						
Secured						
Hire purchase	-	8,740	-	6,635	-	15,375
Unsecured						
Term loan	1,845,122	-	8,473,926	-	10,319,048	-
Islamic facility	226,174	241,961	2,704,101	2,896,198	2,930,275	3,138,159
Sukuk programme	-	-	882,400	172,707	882,400	172,707
Revolving credit	1,057,240	126,502	-	-	1,057,240	126,502
Bank overdraft	5,311	-	-	-	5,311	-
	<u>3,133,847</u>	<u>377,203</u>	<u>12,060,427</u>	<u>3,075,540</u>	<u>15,194,274</u>	<u>3,452,743</u>
Total		<u>3,511,050</u>		<u>15,135,967</u>		<u>18,647,017</u>

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 31 October 2017 are as follows:

	Notional Value RM'000	Assets Fair Value RM'000
5 years Islamic Cross-Currency Swap	<u>2,704,606</u>	<u>55,441</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:

	31/10/2017 RM'000
Total retained profits of the Company and its subsidiaries	
- Realised	2,517,572
- Unrealised:	
- in respect of deferred tax	(1,042,029)
- in respect of other items of income statement	<u>34,913</u>
	1,510,456
Total share of retained profits from joint ventures and associates	
- Realised	598,159
- Unrealised:	
- in respect of deferred tax	<u>24,100</u>
	622,259
Total Group retained profits	2,132,714
Add: Consolidation adjustments	<u>207,693</u>
Total Group retained profits as per consolidated accounts	<u>2,340,407</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 from 8th to 10th January 2018 and continues on 5th to 6th February 2018.

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. Review of Group Performance

16.1 Current quarter vs. corresponding quarter of the preceding year

	Individual Quarter		Changes
	31/10/2017	31/10/2016	
	RM'000	RM'000	%
Revenue	1,279,973	2,221,724	(42.4)
Profit from operations	274,978	532,838	(48.4)
(Loss)/profit before taxation	(209,716)	199,252	(>100)
(Loss)/profit after taxation	(275,221)	157,414	(>100)
(Loss)/profit attributable to owners of the Parent	(274,406)	158,059	(>100)

The Group revenue of RM1,280.0 million was 42.4% lower than RM2,221.7 million in the corresponding quarter of the preceding year (“Q3 FY2017”), mainly attributable to the lower revenue from Engineering and Construction and Drilling business segments.

In the current quarter, the Group recorded loss before taxation of RM209.7 million. The Group financial performance was lower by RM409.0 million as compared to profit before taxation of RM199.3 million in Q3 FY2017 in line with lower revenue from Engineering and Construction and Drilling business segments and lower contribution from share of profit from joint ventures due to the share of loss on disposal of vessel from SapuraAcergy amounting to RM46.1 million.

16. Review of Group Performance (cont'd.)

16.2 Current period vs. corresponding period of the preceding year

	Cumulative Quarter		Changes
	31/10/2017	31/10/2016	
	RM'000	RM'000	%
Revenue	4,705,752	5,838,504	(19.4)
Profit from operations	1,107,804	2,251,898	(50.8)
(Loss)/profit before taxation	(71,572)	510,527	(>100)
(Loss)/profit after taxation	(218,422)	379,083	(>100)
(Loss)/profit attributable to owners of the Parent	(217,945)	380,636	(>100)

The Group revenue of RM4,705.8 million was 19.4% lower than RM5,838.5 million in the corresponding period of the preceding year ("corresponding period"), mainly attributable to the lower revenue from Drilling and Exploration and Production business segments.

In the current period, the Group recorded loss before taxation of RM71.6 million. The Group financial performance was lower by RM582.1 million as compared to profit before taxation of RM510.5 million in the corresponding period in line with lower revenue from Drilling business segment and lower contribution from share of profit from joint ventures due to the share of loss on disposal of vessel from SapuraAcergy amounting to RM46.1 million. Included in the corresponding period was the financial performance of Berantai Risk Service Contract ("Berantai RSC") until the cessation in Q2 FY2017.

16.3 Current quarter vs. immediate preceding quarter

	Individual Quarter		Changes
	31/10/2017	31/07/2017	
	RM'000	RM'000	%
Revenue	1,279,973	1,656,208	(22.7)
Profit from operations	274,978	410,487	(33.0)
(Loss)/profit before taxation	(209,716)	33,756	(>100)
(Loss)/profit after taxation	(275,221)	29,384	(>100)
(Loss)/profit attributable to owners of the Parent	(274,406)	28,927	(>100)

Group revenue of RM1,280.0 million was 22.7% lower than the immediate preceding quarter ("Q2 FY2018") of RM1,656.2 million, primarily due to the lower activities from the Engineering and Construction and Drilling business segments.

In the current quarter, the Group recorded loss before taxation of RM209.7 million. The Group financial performance was lower by RM243.5 million as compared to profit before taxation of RM33.8 million in Q2 FY2018, in line with the lower revenue from the Engineering and Construction and Drilling business segments and lower contribution from share of profit from joint ventures due to the share of loss on disposal of vessel from SapuraAcergy amounting to RM46.1 million.

17. 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

	<u>9 months to 31/10/2017</u>	
	Revenue RM'000	Operating profit/(loss) RM'000
E&C	3,285,561	278,754
Drilling	915,170	(157,353)
E&P	563,950	55,625
	<u>4,764,681</u>	<u>177,026</u>
Corporate expenses and eliminations	(58,929)	(248,598)
Group revenue / loss before taxation	<u>4,705,752</u>	<u>(71,572)</u>

18. Review of Segment Performance

18.1 Current quarter vs. corresponding quarter of the preceding year

	Revenue 3 months to			Operating profit/(loss) 3 months to		
	31/10/2017 RM'000	31/10/2016 RM'000	Changes %	31/10/2017 RM'000	31/10/2016 RM'000	Changes %
Business Segments:						
E&C	822,291	1,566,467	(47.5)	(29,324)	274,107	(>100)
Drilling	251,205	460,391	(45.4)	(93,144)	33,968	(>100)
E&P	207,695	196,491	5.7	8,663	1,786	> 100
	<u>1,281,191</u>	<u>2,223,349</u>		<u>(113,805)</u>	<u>309,861</u>	
Corporate expenses and eliminations	(1,218)	(1,625)	25.0	(95,911)	(110,609)	13.3
Group revenue/ (loss)/profit before taxation	<u>1,279,973</u>	<u>2,221,724</u>	(42.4)	<u>(209,716)</u>	<u>199,252</u>	(>100)

Business Segments:

Engineering and Construction

The segment recorded revenue of RM822.3 million, which was 47.5% lower than RM1,566.5 million in Q3 FY2017, in line with the lower activities during the current quarter.

The segment recorded loss before taxation for the current quarter of RM29.3 million. The financial performance was lower by RM303.4 million as compared to profit before taxation of RM274.1 million in Q3 FY2017, in line with the lower activities during the current quarter. Included in the current quarter share of profit from joint ventures is the share of loss on disposal of vessel from SapuraAcergy amounting to RM46.1 million.

18. Review of Segment Performance (cont'd.)

18.1 Current quarter vs. corresponding quarter of the preceding year

Drilling

The segment revenue for the current quarter of RM251.2 million was 45.4% lower than RM460.4 million in Q3 FY2017, mainly due to the lower revenue from certain rigs which were off contract during the current quarter, compared to Q3 FY2017.

The segment loss before taxation in the current quarter is RM93.1 million. The financial performance was lower by RM127.1 million as compared to profit before taxation of RM34.0 million in Q3 FY2017, in line with the lower revenue.

Exploration and Production

The segment recorded revenue of RM207.7 million, which was RM11.2 million higher than RM196.5 million in Q3 FY2017. The increase is due to the higher barrels of oil lifted and the effect of the higher average realised oil price achieved in the current quarter compared to Q3 FY2017.

The segment recorded profit before taxation of RM8.7 million which was higher by RM6.9 million compared to RM1.8 million in Q3 FY2017, in line with higher revenue in the current quarter.

18.2 Current period vs. corresponding period of the preceding year

	Revenue			Operating profit/(loss)		
	9 months to		Changes %	9 months to		Changes %
	31/10/2017	31/10/2016		31/10/2017	31/10/2016	
	RM'000	RM'000		RM'000	RM'000	
Business Segments:						
E&C	3,285,561	3,387,521	(3.0)	278,754	472,753	(41.0)
Drilling	915,170	1,621,403	(43.6)	(157,353)	235,858	(>100)
E&P	563,950	846,903	(33.4)	55,625	55,774	(0.3)
	<u>4,764,681</u>	<u>5,855,827</u>		<u>177,026</u>	<u>764,385</u>	
Corporate expenses and eliminations	<u>(58,929)</u>	<u>(17,323)</u>	(>100)	<u>(248,598)</u>	<u>(253,858)</u>	2.1
Group revenue/ (loss)/profit before taxation	<u>4,705,752</u>	<u>5,838,504</u>	(19.4)	<u>(71,572)</u>	<u>510,527</u>	(>100)

18. Review of Segment Performance (cont'd.)

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

Business Segments:

Engineering and Construction

The segment revenue for the current period of RM3,285.6 million was 3.0% lower compared to the corresponding period, in line with lower activities during the current period.

The segment profit before taxation of RM278.8 million was 41.0% lower than the corresponding period, in line with the lower revenue. Included in the current period's share of profit from joint ventures is the share of loss on disposal of vessel from SapuraAcergy amounting to RM46.1 million.

Drilling

The segment revenue for the current period of RM915.2 million was lower by 43.6% compared to the corresponding period, mainly due to certain rigs which were off contract during the current period.

The segment recorded loss before taxation of RM157.4 million in the current period. The financial performance was RM393.2 million lower than profit before taxation RM235.9 million in the corresponding period, in line with the lower revenue in the current period.

Exploration and Production

The segment revenue for the current period of RM564.0 million was 33.4% lower compared to the corresponding period, mainly due to lower barrels of oil lifted in the current period, offset by the effect of the higher average realised oil price achieved. In the corresponding period, the revenue included revenue from Berantai RSC until the cessation in Q2 FY2017.

The segment profit before taxation of RM55.6 million was marginally lower than the corresponding period. Included in corresponding period was the financial performance of Berantai RSC until the cessation in Q2 FY2017.

19. Additional disclosure information

19.1 Foreign exchange exposure/Hedging policy

Foreign currency (a currency which is other than the functional currency of the Group entities) risk is the risk that the fair value or future cash flows of the Group's financial instrument will fluctuate because of the changes in foreign exchange rates.

The Group has transactional currency exposures arising mainly from revenue or costs and advances that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily RM and US Dollar ("USD"). The foreign currencies in which these transactions are denominated are mainly in USD and RM.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the assets or investment is located or by borrowing in the currencies that match the future revenue stream to be generated from its investments. Where possible, the strategy is to match the payments for foreign currency payables against receivables denominated in the same foreign currency.

The Group has entered into Islamic Cross-Currency Swap ("ICRCS") contracts with various banks to hedge part of the Group's borrowings. Further details on derivative financial instruments are disclosed in Note 13.

19.2 Trade and other receivables

	As at 31/10/2017 RM'000	As at 31/01/2017 RM'000
Non-current		
Trade receivables, representing total non-current trade receivables	31,534	39,129
Current		
Trade receivables	1,780,296	1,971,936
Less: Provision for impairment	(29,954)	(30,328)
	<u>1,750,342</u>	<u>1,941,608</u>
Other receivables	1,265,021	1,292,917
Less: Provision for impairment	(81)	(81)
	<u>1,264,940</u>	<u>1,292,836</u>
Total current trade and other receivables	<u>3,015,282</u>	<u>3,234,444</u>
Total trade and other receivables	<u>3,046,816</u>	<u>3,273,573</u>

Trade receivables are non-interest bearing. The Group's normal trade credit term ranges from 30 to 120 days (As at 31 January 2017: 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis. Overdue balances are reviewed regularly by the management. Trade receivables are recognised at original invoice amounts which represent their fair values on initial recognition.

20. (a) Commentary on prospects

Industry condition continues to be challenging and the Group's current performance is a reflection of the prolonged low levels of capital spending within the industry. With the recent increase in tendering and bidding activities across key geographies, the Group will continue to focus on replenishing the orderbook by strengthening its position in existing markets and expanding into new markets.

In the E&P segment, the Group has successfully completed its first gas development project, the SK310 B15 field, which will contribute to the Group's revenue going forward.

The Board anticipates the challenging environment to persist in the short and medium term. However, the Board is currently considering various strategic and operational plans to mitigate the impact and improve the competitive position of the Group.

(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.

21. Dividend

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

22. Earnings per share

	Individual Quarter		Cumulative Quarter	
	3 months to		9 months to	
Basic/Diluted	31/10/2017	31/10/2016	31/10/2017	31/10/2016
(Loss)/profit attributable to owners of the Parent (RM'000)	(274,406)	158,059	(217,945)	380,636
Weighted average number of ordinary shares in issue ('000)	5,936,249	5,935,606	5,947,136	5,946,693
Basic/diluted earnings per share (sen)	(4.62)	2.66	(3.66)	6.40

By Order of the Board

Lew Sue Li (MIA 42700)
Group Company Secretary

Seri Kembangan, Selangor Darul Ehsan
7 December 2017