

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2018

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter <b>30/04/2018</b> RM'000	Preceding year corresponding quarter <b>30/04/2017</b> RM'000	Three months to <b>30/04/2018</b> RM'000	Three months to <b>30/04/2017</b> RM'000
<b>1. Revenue</b>	<b>1,054,945</b>	<b>1,769,571</b>	<b>1,054,945</b>	<b>1,769,571</b>
Other operating income	3,596	15,054	3,596	15,054
Operating expenses	(841,744)	(1,362,287)	(841,744)	(1,362,287)
<b>Profit from operations</b>	<b>216,797</b>	<b>422,338</b>	<b>216,797</b>	<b>422,338</b>
Depreciation and amortisation	(221,647)	(275,710)	(221,647)	(275,710)
Finance income	5,637	4,563	5,637	4,563
Finance costs	(227,935)	(204,319)	(227,935)	(204,319)
Net foreign exchange gain	10,730	37,318	10,730	37,318
Gain on disposal of property, plant and equipment	-	5,583	-	5,583
Share of profit from associates and joint ventures	108,239	114,613	108,239	114,613
<b>(Loss)/profit before taxation</b>	<b>(108,179)</b>	<b>104,386</b>	<b>(108,179)</b>	<b>104,386</b>
Taxation	(28,365)	(76,972)	(28,365)	(76,972)
<b>(Loss)/profit after taxation</b>	<b>(136,544)</b>	<b>27,414</b>	<b>(136,544)</b>	<b>27,414</b>
Attributable to:				
Owners of the Parent	(135,734)	27,533	(135,734)	27,533
Non-controlling interests	(810)	(119)	(810)	(119)
	<b>(136,544)</b>	<b>27,414</b>	<b>(136,544)</b>	<b>27,414</b>
<b>2. Earnings per share (sen)</b>				
Basic/Diluted	<b>(2.28)</b>	<b>0.46</b>	<b>(2.28)</b>	<b>0.46</b>

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

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THE FIGURES HAVE NOT BEEN AUDITED

II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter <b>30/04/2018</b> RM'000	Preceding year corresponding quarter <b>30/04/2017</b> RM'000	Three months to <b>30/04/2018</b> RM'000	Three months to <b>30/04/2017</b> RM'000
(Loss)/profit after taxation	<b>(136,544)</b>	<b>27,414</b>	<b>(136,544)</b>	<b>27,414</b>
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified to income statements in subsequent periods:</i>				
Foreign currency translation differences	18,268	(140,526)	18,268	(140,526)
Cash flow hedge:				
- Changes in fair value of derivatives	28,788	(8,331)	28,788	(8,331)
- Foreign exchange gain/(loss) on hedged items	27,323	(59,848)	27,323	(59,848)
Share of other comprehensive (loss)/income of associates and joint ventures:				
- Foreign currency translation differences	(15,221)	(29,609)	(15,221)	(29,609)
- Changes in fair value of derivatives	25,471	(10,167)	25,471	(10,167)
Total comprehensive loss	<u>(51,915)</u>	<u>(221,067)</u>	<u>(51,915)</u>	<u>(221,067)</u>
Attributable to:				
Owners of the Parent	(51,038)	(219,787)	(51,038)	(219,787)
Non-controlling interests	(877)	(1,280)	(877)	(1,280)
Total comprehensive loss	<u>(51,915)</u>	<u>(221,067)</u>	<u>(51,915)</u>	<u>(221,067)</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 2018  
THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>UNAUDITED</b> As at end of current financial period <b>30/04/2018</b> RM'000	<b>AUDITED</b> As at end of preceding financial year <b>31/01/2018</b> RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	11,378,971	11,454,733
Expenditure on oil and gas properties	4,007,131	3,938,046
Goodwill on consolidation	7,923,646	7,899,113
Other intangible assets	17,835	19,767
Investment in associates and joint ventures	1,678,465	1,557,506
Deferred tax assets	130,021	103,690
Derivative assets	291,351	262,563
Trade receivables	31,615	30,537
	<b>25,459,035</b>	<b>25,265,955</b>
<b>Current assets</b>		
Inventories	417,012	376,555
Trade and other receivables	2,598,989	2,530,111
Tax recoverable	102,937	103,913
Cash and cash equivalents	1,358,431	1,716,235
	<b>4,477,369</b>	<b>4,726,814</b>
<b>TOTAL ASSETS</b>	<b>29,936,404</b>	<b>29,992,769</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	8,066,410	8,066,410
Shares held under trust	(114,942)	(114,942)
Other reserves	1,528,315	1,443,619
(Accumulated losses)/Retained profits	(80,855)	54,879
	<b>9,398,928</b>	<b>9,449,966</b>
<b>Non-controlling interests</b>	<b>(478)</b>	<b>399</b>
<b>Total equity</b>	<b>9,398,450</b>	<b>9,450,365</b>
<b>Non-current liabilities</b>		
Borrowings	10,899,913	14,692,954
Other payables	2,332	1,620
Provision for assets retirement obligation	200,016	196,118
Deferred tax liabilities	1,024,073	1,023,726
	<b>12,126,334</b>	<b>15,914,418</b>
<b>Current liabilities</b>		
Borrowings	5,574,058	1,722,201
Trade and other payables	2,717,892	2,797,114
Provision for assets retirement obligation	19,653	25,086
Income tax payable	100,017	83,585
	<b>8,411,620</b>	<b>4,627,986</b>
<b>TOTAL LIABILITIES</b>	<b>20,537,954</b>	<b>20,542,404</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>29,936,404</b>	<b>29,992,769</b>
<b>Net assets per share (RM)</b>	<b>1.58</b>	<b>1.59</b>

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 2018

THE FIGURES HAVE NOT BEEN AUDITED

IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Parent					Non- controlling interests	Total equity
	Share capital RM'000	Shares held under trust RM'000	Other reserves RM'000	(Accumulated losses)/ Retained profits RM'000	Total RM'000	RM'000	RM'000
<b>Three months to 30 April 2018 (Unaudited)</b>							
At 1 February 2018	8,066,410	(114,942)	1,443,619	54,879	9,449,966	399	9,450,365
<b>Total comprehensive income/(loss)</b>	-	-	84,696	(135,734)	(51,038)	(877)	(51,915)
At 30 April 2018	<u>8,066,410</u>	<u>(114,942)</u>	<u>1,528,315</u>	<u>(80,855)</u>	<u>9,398,928</u>	<u>(478)</u>	<u>9,398,450</u>
<b>Three months to 30 April 2017 (Unaudited)</b>							
At 1 February 2017	8,066,410	(93,304)	2,485,032	2,617,980	13,076,118	4,190	13,080,308
<b>Total comprehensive (loss)/income</b>	-	-	(247,320)	27,533	(219,787)	(1,280)	(221,067)
<b>Transactions with owners:</b>							
Dividend on ordinary shares	-	-	-	(59,628)	(59,628)	-	(59,628)
<b>Total transactions with owners</b>	-	-	-	(59,628)	(59,628)	-	(59,628)
At 30 April 2017	<u>8,066,410</u>	<u>(93,304)</u>	<u>2,237,712</u>	<u>2,585,885</u>	<u>12,796,703</u>	<u>2,910</u>	<u>12,799,613</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.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2018

THE FIGURES HAVE NOT BEEN AUDITED

V. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED Three months to <b>30/04/2018</b> RM'000	UNAUDITED Three months to <b>30/04/2017</b> RM'000
<b>(Loss)/profit before taxation</b>	<b>(108,179)</b>	<b>104,386</b>
Adjustments	305,292	370,989
Operating profit before working capital changes	197,113	475,375
Changes in working capital ^	(154,056)	94,344
<b>Cash generated from operations</b>	<b>43,057</b>	<b>569,719</b>
Taxation paid	(26,649)	(16,536)
<b>Net cash generated from operating activities</b>	<b>16,408</b>	<b>553,183</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(94,854)	(5,629)
Purchase of expenditure on oil and gas properties	(25,193)	(89,741)
Payment of deferred consideration ^	(58,503)	(66,463)
Other items	5,269	9,563
<b>Net cash used in investing activities</b>	<b>(173,281)</b>	<b>(152,270)</b>
<b>Cash flows from financing activities</b>		
Finance costs paid	(207,888)	(165,490)
Dividend paid on ordinary shares	-	(59,628)
Net repayment of revolving credit, term loans, Islamic Facility and Sukuk Programme	(1,854)	(1,469,809)
Net repayment of hire purchase and finance lease creditors	(1,518)	(4,761)
<b>Net cash used in financing activities</b>	<b>(211,260)</b>	<b>(1,699,688)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(368,133)</b>	<b>(1,298,775)</b>
Effect of exchange rate translation	10,329	(74,684)
Cash and cash equivalents at beginning of year	1,716,235	3,519,509
<b>Cash and cash equivalents at end of period</b>	<b>1,358,431</b>	<b>2,146,050</b>

^ The comparatives have been changed to conform with the current quarter's presentation.

The condensed consolidated statement of cash flows 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 2018 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 30 April 2018 should be read in conjunction with the audited financial statements for the financial year ended 31 January 2018.

The accounting policies and methods of computation adopted by Sapura Energy 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 2018 except for the following:

On 1 February 2018, the Group and the Company have adopted the following Amendments to MFRS that have been issued by the Malaysian Accounting Standards Board ("MASB").

#### **Effective for annual periods beginning on or after 1 January 2018:**

Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)

Amendments to MFRS 2: Share-based Payment: Classification and Measurement of Share-based Payment Transactions

MFRS 9: Financial Instruments

MFRS 15: Revenue from Contracts with Customers

MFRS 15: Revenue from Contracts with Customers: Clarifications to MFRS 15

Amendments to MFRS 128: Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)

Amendments to MFRS 140: Investment Property: Transfers of Investment Property

IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The adoption of the above standards and interpretations are not expected to have a material impact on the financial statements in the period of application except as discussed below:

#### **(i) MFRS 9: Financial Instruments**

MFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. MFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. During the financial period ended 30 April 2018, the Group and the Company have performed an impact assessment on MFRS 9 and concluded that the adoption of the new standard did not have a significant impact to the interim financial statements.

The Group and the Company applied the simplified approach and assessed the lifetime expected losses on all trade receivables, which did not have a material impact on the impairment allowance.

## **1. Basis of preparation (cont'd.)**

The adoption of the above standards and interpretations are not expected to have a material impact on the financial statements in the period of application except as discussed below: (cont'd.)

### **(ii) MFRS 15: Revenue from Contracts with Customers**

MFRS 15 establishes a new five-step model that applies to revenue arising from contracts with customers. MFRS 15 supersedes the current revenue recognition guidance including MFRS 118: Revenue, MFRS 111: Construction Contracts and the related interpretations when it became effective.

The core principle of MFRS 15 is that an entity should recognise revenue which depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The Group and the Company have undertaken an assessment of the impact and have concluded that MFRS 15 did not have a significant impact on the results and financial position 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 30 April 2018.

## 6. Subsequent events

On 11 June 2018, the Group through its wholly-owned subsidiary, Sapura Exploration and Production (Sarawak) Inc. and its partners Sarawak Shell Berhad and PETRONAS Carigali Sdn Bhd announced its ninth gas discovery offshore Sarawak, following the completion of its 2017 drilling campaign within the SK408 Production Sharing Contract.

There was no other material event subsequent to 30 April 2018 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 given to financial institutions for credit facilities granted to joint ventures amounting to RM803.8 million (31 January 2018: RM816.8 million).

## 9. Capital commitments

Capital expenditure for property, plant and equipment and expenditure on oil and gas properties approved and not provided for in these condensed consolidated interim financial statements as at 30 April 2018 is as follows:

<b>Approved and contracted for:</b>	<b>30/04/2018</b>
	RM'000
Group	<u>548,106</u>

## 10. Taxation

Taxation comprises the following:

	Individual Quarter		Cumulative Quarter	
	Current year quarter <b>30/04/2018</b> RM'000	Preceding year corresponding quarter <b>30/04/2017</b> RM'000	Three months to <b>30/04/2018</b> RM'000	Three months to <b>30/04/2017</b> RM'000
Current taxation:				
Malaysian taxation	21,121	53,279	21,121	53,279
Foreign taxation	16,505	17,358	16,505	17,358
Deferred taxation	(9,261)	6,335	(9,261)	6,335
	<u>28,365</u>	<u>76,972</u>	<u>28,365</u>	<u>76,972</u>

Domestic income tax is calculated at the Malaysian statutory corporate 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'000	RM denomination RM'000	Foreign denomination RM'000	RM denomination RM'000	Foreign denomination RM'000	RM denomination RM'000
<b>As at</b>						
<b>30 April 2018</b>						
<b>Secured</b>						
Hire purchase	594	114	62	3,673	656	3,787
<b>Unsecured</b>						
Revolving credits	768,790	952,100	-	-	768,790	952,100
Term loans	3,852,460	-	3,004,462	-	6,856,922	-
Islamic Facility	-	-	1,544,799	1,868,872	1,544,799	1,868,872
Sukuk Programme	-	-	1,072,904	3,405,141	1,072,904	3,405,141
	<u>4,621,844</u>	<u>952,214</u>	<u>5,622,227</u>	<u>5,277,686</u>	<u>10,244,071</u>	<u>6,229,900</u>
<b>Total</b>		<u>5,574,058</u>		<u>10,899,913</u>		<u>16,473,971</u>
<b>As at</b>						
<b>31 January 2018</b>						
<b>Secured</b>						
Hire purchase	1,055	5,079	110	177	1,165	5,256
<b>Unsecured</b>						
Revolving credits	762,581	952,100	-	-	762,581	952,100
Term loans	1,386	-	6,820,682	-	6,822,068	-
Islamic Facility	-	-	1,534,595	1,868,894	1,534,595	1,868,894
Sukuk Programme	-	-	1,066,067	3,402,429	1,066,067	3,402,429
	<u>765,022</u>	<u>957,179</u>	<u>9,421,454</u>	<u>5,271,500</u>	<u>10,186,476</u>	<u>6,228,679</u>
<b>Total</b>		<u>1,722,201</u>		<u>14,692,954</u>		<u>16,415,155</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 at the reporting date are as follows:

	As at 30 April 2018		As at 31 January 2018	
	Notional Value RM'000	Assets Fair Value RM'000	Notional Value RM'000	Assets Fair Value RM'000
5 years Islamic Cross-Currency Swap	2,704,606	291,351	2,704,606	262,563

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 profit or loss arising from fair value changes of derivatives.

### 14. 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 were on 22 to 23 December 2014 and 5 to 7 January 2015.

In January 2018 and February 2018 sittings, SESSB have concluded its arguments on each of the claims filed before the Tribunal. On 5 February 2018, submissions were made by SESSB's external counsel and thereafter arguments were closed.

Thereafter, ONGC counsel commenced their arguments in defence on 6 February 2018 and continued on the 2 to 4 May 2018. They have concluded their arguments in the said sittings and have handed over written note of their arguments.

SESSB external counsel will address the Tribunal in rejoinder arguments on behalf of SESSB on the next rescheduled dates of hearing which are 21, 22 and 23 November 2018. SESSB counsel is required to submit detailed written submissions before the hearing dates.

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

## 15. Review of Group Performance

### 15.1 Current quarter vs. corresponding quarter of the preceding year

	Individual Quarter		
	3 months to		
	30/04/2018	30/04/2017	Changes
	RM'000	RM'000	%
Revenue	1,054,945	1,769,571	(40.4)
Profit from operations	216,797	422,338	(48.7)
(Loss)/profit before taxation	(108,179)	104,386	(>100.0)
(Loss)/profit after taxation	(136,544)	27,414	(>100.0)
(Loss)/profit attributable to owners of the Parent	(135,734)	27,533	(>100.0)

The Group revenue of RM1,054.9 million was 40.4% lower than RM1,769.6 million in the corresponding quarter of the preceding year ("Q1 FY2018"), mainly attributable to the lower revenue from Engineering and Construction and Drilling business segments.

In the current quarter, the Group recorded a loss before taxation of RM108.2 million. The Group financial performance was lower by RM212.6 million compared to the profit before taxation of RM104.4 million in Q1 FY2018, in line with the lower revenue.

### 15.2 Current quarter vs. immediate preceding quarter

	Individual Quarter		
	3 months to		
	30/04/2018	31/01/2018	Changes
	RM'000	RM'000	%
Revenue	1,054,945	1,189,245	(11.3)
Profit from operations	216,797	348,922	(37.9)
Loss before taxation and impairments	(108,179)	(119,727)	9.6
Loss before taxation, after impairments	(108,179)	(2,252,020)	95.2
Loss after taxation	(136,544)	(2,286,396)	94.0
Loss attributable to owners of the Parent	(135,734)	(2,285,531)	94.1

The Group revenue of RM1,054.9 million was 11.3% lower than the immediate preceding quarter ("Q4 FY2018") of RM1,189.2 million, primarily due to the lower revenue from the Drilling and Exploration and Production business segments.

In the current quarter, the Group recorded a loss before taxation and impairments of RM108.2 million. The Group financial performance had improved by 9.6% compared to the loss before taxation and impairments of RM119.7 million in Q4 FY2018, mainly due to better performance in the Engineering and Construction segment as well as higher share of profit from associates and joint venture companies.

## 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"); and
- (iv) Corporate

	<b>3 months to 30/04/2018</b>	
	<b>Revenue</b> RM'000	<b>Operating profit/(loss)</b> RM'000
E&C	665,621	36,458
Drilling	183,387	(68,684)
E&P	209,772	8,954
	<u>1,058,780</u>	<u>(23,272)</u>
Corporate expenses and eliminations	(3,835)	(84,907)
<b>Group revenue / loss before taxation</b>	<b><u>1,054,945</u></b>	<b><u>(108,179)</u></b>

## 17. Review of Segment Performance

Current quarter vs. corresponding quarter of the preceding year

	<b>Revenue</b>			<b>Operating profit/(loss)</b>		
	<b>3 months to</b>	<b>3 months to</b>	<b>Changes</b>	<b>3 months to</b>	<b>3 months to</b>	<b>Changes</b>
	<b>30/04/2018</b>	<b>30/04/2017</b>		<b>30/04/2018</b>	<b>30/04/2017</b>	
	RM'000	RM'000	%	RM'000	RM'000	%
<b>Business Segments:</b>						
E&C	665,621	1,202,159	(44.6)	36,458	181,427	(79.9)
Drilling	183,387	385,391	(52.4)	(68,684)	20,801	(>100.0)
E&P	209,772	194,272	8.0	8,954	24,582	(63.6)
	<u>1,058,780</u>	<u>1,781,822</u>		<u>(23,272)</u>	<u>226,810</u>	
Corporate expenses and eliminations	(3,835)	(12,251)	68.7	(84,907)	(122,424)	30.6
<b>Group revenue/ (loss)/profit before taxation</b>	<b><u>1,054,945</u></b>	<b><u>1,769,571</u></b>	<b>(40.4)</b>	<b><u>(108,179)</u></b>	<b><u>104,386</u></b>	<b>(&gt;100.0)</b>

### Business Segments:

#### Engineering and Construction

The segment recorded revenue of RM665.6 million, which was 44.6% lower than the revenue of RM1,202.2 million in Q1 FY2018, in line with the lower activities during the current quarter.

The segment recorded a profit before taxation for the current quarter of RM36.5 million which was lower by RM145.0 million compared to RM181.4 million in Q1 FY2018, in line with the lower revenue in the current quarter.

## 17. Review of Segment 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 RM183.4 million was 52.4% lower than the revenue of RM385.4 million in Q1 FY2018, mainly due to the lower revenue from certain rigs which were off contract during the current quarter, compared to Q1 FY2018.

The segment recorded a loss before taxation of RM68.7 million, which was lower by RM89.5 million compared to the profit before taxation of RM20.8 million in Q1 FY2018, in line with the lower revenue in the current quarter.

##### Exploration and Production

The segment recorded revenue of RM209.8 million, which was 8.0% higher than the revenue of RM194.3 million in Q1 FY2018. The increase was due to the higher liftings and the effect of the higher average realised oil and gas price achieved in the current quarter compared to Q1 FY2018.

The segment recorded a profit before taxation of RM9.0 million which was lower by RM15.6 million compared to the profit before taxation of RM24.6 million in Q1 FY2018.

## 18. Additional disclosure information

### 18.1 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.

## 18. Additional disclosure information (cont'd.)

### 18.2 Trade and other receivables

	As at 30/04/2018 RM'000	As at 31/01/2018 RM'000
<b>Non-current</b>		
Trade receivables, representing total non-current trade receivables	<u>31,615</u>	<u>30,537</u>
<b>Current</b>		
Trade receivables	1,655,355	1,576,527
Less: Provision for impairment	<u>(34,446)</u>	<u>(34,446)</u>
	<u>1,620,909</u>	<u>1,542,081</u>
Other receivables	<u>978,080</u>	<u>988,030</u>
Total current trade and other receivables	<u>2,598,989</u>	<u>2,530,111</u>
Total trade and other receivables	<u>2,630,604</u>	<u>2,560,648</u>

Trade receivables are non-interest bearing. The Group's normal trade credit term ranges from 30 to 120 days (as at 31 January 2018: 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.

### 19. (a) Commentary on prospects

The oil and gas industry is gradually recovering from the low level of activities experienced in the last three years leading to an increase in projects being sanctioned. As a result, our Services segment has witnessed a significant increase in new orders and the recent contract wins have brought the Group's total new wins to-date to RM4.5 billion. This is expected to contribute positively towards the Group's earnings from this financial year and beyond. These new wins are a testimony of our growth strategy taking shape as we continue to strengthen our presence in existing and new markets.

Among the notable wins in our E&C segment are the EPCIC Pegaga Gas Development contract in Malaysia and the EPC gas pipeline (Ayatsil Line 16) contract in Mexico, which represent recognition of our strong track record and technical capabilities in delivering innovative technologies and fit-for-purpose solutions.

The E&P segment has marked significant milestones including taking Final Investment Decision ("FID") to develop Gorek, Larak and Bakong as phase 1 of its SK408 gas fields which represents a critical milestone in unlocking value and providing visibility of our long-term gas monetisation plans. The recent ninth discovery in the Pepulut field further reinforces our commitment to realise the full potential of our highly prospective gas fields in SK408. Additionally, our entry into Mexico's Block 30 with the recent PSC signing and farm-ins into five offshore exploration permits in New Zealand provide new growth opportunities for the business in the long term.

Notwithstanding the above, the Group remains committed to strengthening its financial position. Towards that end, the Group has identified several initiatives, including the potential listing of the E&P business and a possible capital raising exercise.

The Board remains optimistic that the gradual recovery in the industry will improve the medium-to-long term prospects for the Group.

**19. (cont'd.)**

**(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	
	30/04/2018	30/04/2017	30/04/2018	30/04/2017
<b>Basic/Diluted</b>				
(Loss)/profit attributable to owners of the Parent (RM'000)	(135,734)	27,533	(135,734)	27,533
Weighted average number of ordinary shares in issue ('000)	5,952,277	5,962,751	5,952,277	5,962,751
Basic/diluted earnings per share (sen)	(2.28)	0.46	(2.28)	0.46

**By Order of the Board**

Lew Sue Li (MIA 42700)  
Group Company Secretary

Seri Kembangan, Selangor Darul Ehsan  
29 June 2018