

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 JULY 2014

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

| | Individual Quarter | | Cumulative Quarter | |
|--|--|---|--|--|
| | Current year quarter 31/07/2014 RM'000 | Preceding year corresponding quarter 31/07/2013 RM'000 | Six months to 31/07/2014 RM'000 | Six months to 31/07/2013 RM'000 |
| 1. Revenue | 2,694,782 | 2,490,381 | 5,138,350 | 4,112,903 |
| Operating expenses | (1,893,030) | (1,983,630) | (3,480,120) | (3,281,423) |
| Other operating income | 182 | 4,475 | 10,462 | 8,634 |
| Profit from operations | 801,934 | 511,226 | 1,668,692 | 840,114 |
| Interest income | 3,740 | 3,870 | 6,058 | 7,984 |
| Interest expenses | (158,790) | (107,826) | (341,531) | (184,926) |
| Net fair value loss on derivatives | - | (1,982) | (139) | (1,601) |
| Depreciation and amortisation | (249,336) | (189,955) | (565,460) | (284,224) |
| Net foreign exchange gain | 22,897 | 143,934 | 20,209 | 94,560 |
| Net allowance for impairment on receivables | - | (8,789) | - | (8,789) |
| Changes in provision | 63,526 | - | 63,526 | - |
| Gain on disposal of property, plant and equipment | 7,263 | - | 7,263 | - |
| Gain arising from acquisition of subsidiaries | - | - | 177,842 | - |
| Share of profit from associated and joint venture companies | 35,453 | 99,661 | 129,241 | 146,512 |
| Profit before taxation | 526,687 | 450,139 | 1,165,701 | 609,630 |
| Taxation | (80,560) | (38,737) | (209,462) | (69,586) |
| Profit after taxation | 446,127 | 411,402 | 956,239 | 540,044 |
| Attributable to: | | | | |
| Owners of the Parent | 445,798 | 410,457 | 955,218 | 504,125 |
| Non-controlling interests | 329 | 945 | 1,021 | 35,919 |
| | 446,127 | 411,402 | 956,239 | 540,044 |
| 2. Earnings per share (sen) | | | | |
| Basic | 7.44 | 6.85 | 15.94 | 9.17 |

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 SECOND QUARTER ENDED 31 JULY 2014

THE FIGURES HAVE NOT BEEN AUDITED

II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Individual Quarter | | Cumulative Quarter | |
|---|---|--|---|---|
| | Current year quarter 31/07/2014 RM'000 | Preceding year corresponding quarter 31/07/2013 RM'000 | Six months to 31/07/2014 RM'000 | Six months to 31/07/2013 RM'000 |
| Profit after taxation | 446,127 | 411,402 | 956,239 | 540,044 |
| Other comprehensive income: | | | | |
| <i>Items that may be reclassified to income statements in subsequent periods:</i> | | | | |
| Foreign currency translation differences | (257,577) | 60,596 | (322,040) | (12,786) |
| Share of other comprehensive income of associated and joint venture companies: | | | | |
| - Foreign currency translation differences | (13,344) | 2,762 | (23,183) | 4,332 |
| - Hedging reserve | 12,257 | (1,636) | 11,327 | (2,421) |
| Total comprehensive income | <u>187,463</u> | <u>473,124</u> | <u>622,343</u> | <u>529,169</u> |
| Attributable to: | | | | |
| Owners of the parent | 187,258 | 472,923 | 621,322 | 532,159 |
| Non-controlling interests | 205 | 201 | 1,021 | (2,990) |
| Total comprehensive income | <u>187,463</u> | <u>473,124</u> | <u>622,343</u> | <u>529,169</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 SECOND QUARTER ENDED 31 JULY 2014

THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | UNAUDITED As at end of current financial period 31/07/2014 RM'000 | AUDITED As at end of preceding financial year 31/01/2014 RM'000 |
|--|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 12,260,988 | 12,518,547 |
| Investment in associated and joint venture companies | 1,080,657 | 1,028,573 |
| Expenditures on oil and gas properties | 4,898,381 | 769,672 |
| Goodwill on consolidation | 7,166,381 | 7,312,366 |
| Other intangible assets | 114,462 | 140,080 |
| Deferred tax assets | 161,803 | 114,497 |
| Trade receivables | 6,678 | 55,432 |
| | <u>25,689,350</u> | <u>21,939,167</u> |
| Current assets | | |
| Inventories | 709,697 | 472,287 |
| Trade and other receivables | 3,005,613 | 2,734,419 |
| Tax recoverable | 121,622 | 81,957 |
| Cash and bank balances | 1,607,721 | 1,386,661 |
| | <u>5,444,653</u> | <u>4,675,324</u> |
| TOTAL ASSETS | <u>31,134,003</u> | <u>26,614,491</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to owners of the parent | | |
| Share capital | 5,992,155 | 5,992,155 |
| Share premium | 2,074,255 | 2,074,255 |
| Other reserves | (321,491) | 12,405 |
| Retained profits | 2,912,722 | 2,115,986 |
| | <u>10,657,641</u> | <u>10,194,801</u> |
| Non-controlling interests | 7,322 | 6,301 |
| Total equity | <u>10,664,963</u> | <u>10,201,102</u> |
| Non-current liabilities | | |
| Borrowings | 13,961,395 | 11,326,261 |
| Other payables | 556,046 | 625,422 |
| Provision for assets retirement obligation | 151,329 | - |
| Derivatives | - | 893 |
| Deferred tax liabilities | 1,065,503 | 71,128 |
| | <u>15,734,273</u> | <u>12,023,704</u> |
| Current liabilities | | |
| Borrowings | 1,292,733 | 1,034,362 |
| Trade and other payables | 3,149,243 | 3,250,430 |
| Provision for assets retirement obligation | 108,173 | - |
| Derivatives | - | 1,775 |
| Provision for taxation | 184,618 | 103,118 |
| | <u>4,734,767</u> | <u>4,389,685</u> |
| TOTAL LIABILITIES | <u>20,469,040</u> | <u>16,413,389</u> |
| TOTAL EQUITY AND LIABILITIES | <u>31,134,003</u> | <u>26,614,491</u> |
| Net assets per share (RM) | <u>1.78</u> | <u>1.70</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 SECOND QUARTER ENDED 31 JULY 2014

THE FIGURES HAVE NOT BEEN AUDITED

IV. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Unaudited Six months to 31/07/2014 RM'000 | Unaudited Six months to 31/07/2013 RM'000 |
|--|---|---|
| Profit before taxation | 1,165,701 | 609,630 |
| Adjustments | 585,594 | 260,518 |
| Operating profit before working capital changes | 1,751,295 | 870,148 |
| Changes in working capital | (870,535) | (173,669) |
| Cash generated from operations | 880,760 | 696,479 |
| Taxation paid | (238,654) | (114,239) |
| Net cash generated from operating activities | 642,106 | 582,240 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (575,570) | (1,288,869) |
| Net cash outflow on acquisition of subsidiaries | (2,675,273) | (6,119,312) |
| Expenditure on oil and gas properties | (251,859) | (142,803) |
| Net (advances to)/repayment from joint venture companies | (35,713) | 418,868 |
| Dividends from/(to) a joint venture company and non-controlling interest | 40,888 | (44,475) |
| Dividends paid on ordinary shares | (140,816) | - |
| Proceed from disposal of property, plant and equipment | 15,796 | - |
| Other items | (1,519) | 3,912 |
| Net cash used in investing activities | (3,624,066) | (7,172,679) |
| Cash flows from financing activities | | |
| Issuance of shares, net | - | 1,592,783 |
| Interest paid | (211,455) | (138,264) |
| Net drawdown of revolving credit/term loans and bonds | 3,432,812 | 5,209,412 |
| Net (repayment)/drawdown of hire purchase and lease financing | (2,357) | 2,114 |
| Net cash generated from financing activities | 3,219,000 | 6,666,045 |
| Net increase in cash and cash equivalents | 237,040 | 75,606 |
| Cash and cash equivalents at beginning of year | 1,386,661 | 1,025,772 |
| Effect of exchange rate translation | (15,980) | 38,948 |
| Cash and cash equivalents at end of period | 1,607,721 | 1,140,326 |

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 SECOND QUARTER ENDED 31 JULY 2014

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 | Share premium | Other reserves | Retained profits | | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | |
| Six months to 31 July 2014 | | | | | | | |
| (Unaudited) | | | | | | | |
| At 1 February 2014 | 5,992,155 | 2,074,255 | 12,405 | 2,115,986 | 10,194,801 | 6,301 | 10,201,102 |
| Total comprehensive income | - | - | (333,896) | 955,218 | 621,322 | 1,021 | 622,343 |
| Transaction with owners: | | | | | | | |
| Effect arising from step acquisition of a subsidiary | - | - | - | (17,666) | (17,666) | - | (17,666) |
| Dividends on ordinary shares | - | - | - | (140,816) | (140,816) | - | (140,816) |
| Total transaction with owners | - | - | - | (158,482) | (158,482) | - | (158,482) |
| At 31 July 2014 | <u>5,992,155</u> | <u>2,074,255</u> | <u>(321,491)</u> | <u>2,912,722</u> | <u>10,657,641</u> | <u>7,322</u> | <u>10,664,963</u> |

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

| | Attributable to owners of the parent | | | | Total | Non- | Total equity |
|--|--------------------------------------|------------------|-----------------|------------------|------------------|-----------------------|------------------|
| | Share capital | Share premium | Other reserves | Retained profits | | controlling interests | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Six months to 31 July 2013 | | | | | | | |
| (Unaudited) | | | | | | | |
| At 1 February 2013 | 5,004,366 | 242,886 | (19,190) | 1,109,072 | 6,337,134 | 405,775 | 6,742,909 |
| Total comprehensive income | - | - | 28,034 | 504,125 | 532,159 | (2,990) | 529,169 |
| Transaction with owners: | | | | | | | |
| Issuance of ordinary shares, net | 587,000 | 1,019,179 | - | - | 1,606,179 | - | 1,606,179 |
| Shares issue pursuant to the acquisition of subsidiaries and merger exercise | 400,789 | 825,735 | - | - | 1,226,524 | - | 1,226,524 |
| Dividend to non-controlling interest of a subsidiary | - | - | - | - | - | (44,475) | (44,475) |
| Fair value adjustment arising from acquisition of non controlling interests | - | - | - | (80,000) | (80,000) | 80,000 | - |
| Acquisition of non-controlling interests, net | - | - | (38,165) | - | (38,165) | (432,480) | (470,645) |
| Total transaction with owners | <u>987,789</u> | <u>1,844,914</u> | <u>(38,165)</u> | <u>(80,000)</u> | <u>2,714,538</u> | <u>(396,955)</u> | <u>2,317,583</u> |
| At 31 July 2013 | <u>5,992,155</u> | <u>2,087,800</u> | <u>(29,321)</u> | <u>1,533,197</u> | <u>9,583,831</u> | <u>5,830</u> | <u>9,589,661</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 July 2014 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. 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 period ended 31 July 2014 should be read in conjunction with the audited financial statements for the financial year ended 31 January 2014.

The accounting policies and methods of computation adopted by 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 2014 except for the following MFRS and amendments to MFRS during the current financial period:

Effective for annual periods beginning on or after 1 January 2014:

Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting

At the date of authorisation of these condensed consolidated interim financial statements, the Malaysian Accounting Standards Board ("MASB") had issued several MFRS and amendments but not yet effective and have not been adopted by the Group:

Effective for annual periods beginning on or after July 2014:

Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions
Annual Improvements 2010-2012 Cycle
Annual Improvements 2011-2013 Cycle

Effective for annual periods to be announced by MASB:

MFRS 9: Financial Instruments (2009)
MFRS 9: Financial Instruments (2010)
MFRS 9: Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139

The above MFRS and amendments are expected to have no significant impact on the financial statements of the Group upon their initial application, except as discussed below:

The adoption of the first phase of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

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.

4. Changes in estimates

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

5. Debts and equity securities

There was no issuance, repurchase and repayment of debt and securities during the current financial period.

6. Subsequent events

SapuraKencana Energy Sarawak Inc. has made another gas discovery from Bakong-1, the fifth and final well in its 2014 drilling campaign within the SK408 Production Sharing Contract area, offshore Malaysia. The financial effect subsequent to Bakong discovery can only be determined later with more certainty on resource volumes, field development plans and commodity prices.

Other than as disclosed above, there was no other material event subsequent to 31 July 2014 which has not been reflected in these condensed consolidated interim financial statements.

7. Changes in the composition of the Group

On 11 February 2014, the Group completed the acquisition of SapuraKencana Energy Inc. Group ("SKEI") (formerly known as Newfield Malaysia Holding Inc.) and paid USD896 million (RM3.0 billion) as purchase consideration.

The fair value of the identifiable assets and liabilities of SKEI's business as at the date of acquisition was:

| | Fair value recognised on acquisition RM'000 |
|--|--|
| Assets | |
| Expenditures on oil and gas properties | 4,339,994 |
| Property, plant and equipment | 7,089 |
| Deferred tax assets | 119,663 |
| Inventories | 279,571 |
| Trade and other receivables | 206,810 |
| Tax recoverable | 50,673 |
| Cash and bank balances | <u>310,561</u> |
| | <u>5,314,361</u> |
| Liabilities | |
| Trade and other payables | (617,990) |
| Borrowings | (22,918) |
| Provision for liabilities | (304,645) |
| Provision for tax | (82,384) |
| Deferred tax liabilities | <u>(1,122,748)</u> |
| | <u>(2,150,685)</u> |
| Fair value of identifiable net assets | 3,163,676 |
| Gain arising from acquisition of subsidiaries | <u>(177,842)</u> |
| Total cost of business combination | <u>2,985,834</u> |
| Purchase consideration consists of: | |
| Cash | <u>2,985,834</u> |
| Analysis of cash flows on acquisition: | |
| Total cash paid | 2,985,834 |
| Less: Cash and cash equivalents of subsidiaries acquired | <u>(310,561)</u> |
| Net cash flow on acquisition | <u>2,675,273</u> |

There was no other change in the composition of the Group during the current financial period, except as disclosed above.

As permitted by MFRS 3: Business Combinations, allocation of the purchase price will be finalised within one year from acquisition date to determine the fair values of acquired tangible assets and liabilities and identifiable intangible assets.

8. Contingent liabilities

The Group has provided corporate guarantees to financial institutions for credit facilities granted to joint venture companies amounting to RM611.1 million (31 January 2014: RM610.3 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 statement as at 31 July 2014 are as follows:

Approved and contracted for:

| | 31/07/2014 |
|---|-------------------------|
| | RM'000 |
| Property, plant and equipment and expenditures on oil and gas properties | |
| Group | 1,155,717 |
| Share of capital commitment in joint venture companies* | 1,389,580 |
| Equity commitment in joint venture companies | <u>5,046</u> |
| Total | <u><u>2,550,343</u></u> |

* *These capital commitments will be self-funded by the joint venture companies without financial assistance from the Group.*

10. Taxation

Taxation comprises the following:

| | Individual Quarter | | Cumulative Quarter | |
|--------------------|--|---|--|--|
| | Current year quarter 31/07/2014 RM'000 | Preceding year corresponding quarter 31/07/2013 RM'000 | Six months to 31/07/2014 RM'000 | Six months to 31/07/2013 RM'000 |
| Current taxation: | | | | |
| Malaysian taxation | 83,551 | 25,414 | 211,501 | 50,622 |
| Foreign taxation | 27,455 | 8,013 | 43,979 | 9,222 |
| Deferred taxation | <u>(30,446)</u> | <u>5,310</u> | <u>(46,018)</u> | <u>9,742</u> |
| | <u><u>80,560</u></u> | <u><u>38,737</u></u> | <u><u>209,462</u></u> | <u><u>69,586</u></u> |

11. Status of corporate proposals announced

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

12. Borrowings

(a) The Group's borrowings as at 31 July 2014 and 31 January 2014 are as follows:

| | 31/07/2014 | 31/01/2014 |
|------------------------------|-------------------|-------------------|
| | RM'000 | RM'000 |
| Short term borrowings | | |
| Secured | 36,984 | 741,709 |
| Unsecured | <u>1,255,749</u> | <u>292,653</u> |
| | <u>1,292,733</u> | <u>1,034,362</u> |
| Long term borrowings | | |
| Secured | 34,618 | 11,326,261 |
| Unsecured | <u>13,926,777</u> | <u>-</u> |
| | <u>13,961,395</u> | <u>11,326,261</u> |
| | <u>15,254,128</u> | <u>12,360,623</u> |

(b) Included in the borrowings are foreign borrowings as follows:

| | 31/07/2014 |
|----------------------|-------------------|
| | RM'000 |
| United States Dollar | <u>11,990,165</u> |

13. 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:

| | 31/07/2014 |
|---|-------------------|
| | RM'000 |
| Total retained profits of the Group | |
| - Realised | 3,648,063 |
| - Unrealised | <u>(911,209)</u> |
| | 2,736,854 |
| Joint ventures and associated companies | |
| - Realised | 413,370 |
| - Unrealised | <u>(23,183)</u> |
| | 390,187 |
| Total Group retained profits | 3,127,041 |
| Less: Consolidation adjustments | <u>(214,319)</u> |
| Total Group retained profits as per consolidated accounts | <u>2,912,722</u> |

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 next dates fixed are 22nd and 23rd December 2014 for the cross examination on ONGC's witness by SESSB solicitor. The final submissions are expected to take place on the following dates:

- i) 5th to 7th January 2015 by SESSB solicitor; and
- ii) 2nd and 3rd February 2015 by ONGC solicitor

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

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

15. Segment information

| | <u>6 months to 31/07/2014</u> | |
|---|-------------------------------|-------------------------|
| | Revenue | Operating profit |
| | RM'000 | RM'000 |
| Offshore Construction and Subsea Services ("OCSS") | 1,782,391 | 358,605 |
| Drilling and Energy Services ("DES") | 2,563,133 | 836,067 |
| Fabrication, Hook -Up and Commissioning ("FAB & HUC") | 945,755 | 151,651 |
| | <u>5,291,279</u> | <u>1,346,323</u> |
| Corporate expenses and eliminations | (152,929) | (180,622) |
| Group revenue / profit before taxation | <u>5,138,350</u> | <u>1,165,701</u> |

DES segment in current financial period includes:

- Revenues from Drilling of RM1,274.9 million and Energy Services of RM1,288.3 million; and
- Operating profits from Drilling of RM317.7 million and Energy Services of RM518.3 million.

16. Review of performance

16.1 Current quarter vs. corresponding quarter of the preceding year

| | Revenue 3 months to | | Operating profit 3 months to | |
|--|-------------------------|-------------------------|---------------------------------|-----------------------|
| | 31/07/2014 RM'000 | 31/07/2013 RM'000 | 31/07/2014 RM'000 | 31/07/2013 RM'000 |
| Business Segments: | | | | |
| OCSS | 1,081,243 | 1,144,293 | 209,973 | 138,168 |
| DES | 1,181,814 | 749,839 | 303,679 | 238,492 |
| FAB & HUC | 496,896 | 600,752 | 72,803 | 76,965 |
| | <u>2,759,953</u> | <u>2,494,884</u> | <u>586,455</u> | <u>453,625</u> |
| Corporate expenses and eliminations | (65,171) | (4,503) | (59,768) | (3,486) |
| Group revenue/ profit before taxation | <u>2,694,782</u> | <u>2,490,381</u> | <u>526,687</u> | <u>450,139</u> |

Note:

Effective from first quarter ended 30 April 2014, the Group recognised corporate expenses and consolidation adjustments as a single line. Similar adjustments were made to the previous quarters to enable comparison of operational performance.

Group

Group revenue for the quarter ended 31 July 2014 of RM2,694.8 million was 8.2% higher than RM2,490.4 million revenue in the corresponding quarter in the preceding year ("Q2 FY2014"), primarily attributable to inclusion of SKEI business subsequent to completion of its acquisition on 11 February 2014. This was however offset with lower revenue contribution from FAB & HUC business.

Operationally, excluding net unrealised forex gain of RM22.9 million and RM143.9 million in the current quarter and Q2 FY2014 respectively, the Group reported RM197.6 million higher profit before tax. This is largely driven by higher contribution from OCSS division from contracts executed during the year combined with contribution from SKEI subsequent to its acquisition on 11 February 2014.

Business Segments:

Offshore Construction and Subsea Services

The segment revenue for current quarter decreased by RM63.1 million or 5.5% compared to Q2 FY2014, mainly due to lower scope of works in line with clients' planned activities.

Profit before taxation recorded an increase of RM71.8 million or 52.0% compared to Q2 FY2014, mainly due to higher contribution from contracts executed during the quarter.

16. Review of performance

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

Business Segments (cont'd.):

Drilling and Energy Services

The segment revenue for the current quarter increased by RM432.0 million compared to Q2 FY2014, primarily due to inclusion of SKEI business subsequent to completion of its acquisition on 11 February 2014.

Profit before taxation of RM303.7 million in the current quarter was RM65.2 million higher than RM238.5 million in Q2 FY2014. This was attributable to higher contribution from EJV business and SKEI business subsequent to completion of its acquisition.

Fabrication, Hook -Up and Commissioning

The segment revenue for current quarter was lower by RM103.9 million or 17.3% compared to Q2 FY2014 mainly due to lower contributions from a number of projects which are nearing completion stage.

The segment posted comparatively lower profit before tax for the quarter, in line with lower revenue as outlined above.

16.2 Current financial period compared to corresponding period of the preceding year

| | Revenue | | Operating profit | |
|--|-------------------------|-------------------------|-------------------------|-----------------------|
| | 6 months to | 6 months to | 6 months to | 6 months to |
| | 31/07/2014 | 31/07/2013 | 31/07/2014 | 31/07/2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Business Segments: | | | | |
| OCSS | 1,782,391 | 1,958,459 | 358,605 | 239,552 |
| DES | 2,563,133 | 1,011,980 | 836,067 | 335,902 |
| FAB & HUC | 945,755 | 1,154,735 | 151,651 | 167,850 |
| | <u>5,291,279</u> | <u>4,125,174</u> | <u>1,346,323</u> | <u>743,304</u> |
| Corporate expenses and eliminations | <u>(152,929)</u> | <u>(12,271)</u> | <u>(180,622)</u> | <u>(133,674)</u> |
| Group revenue/ profit before taxation | <u>5,138,350</u> | <u>4,112,903</u> | <u>1,165,701</u> | <u>609,630</u> |

Note:

Effective from first quarter ended 30 April 2014, the Group recognised corporate expenses and consolidation adjustments as a single line. Similar adjustments were made to the previous quarters to enable comparison of operational performance.

16. Review of performance

16.2 Current financial period compared to corresponding period of the preceding year (cont'd.)

Group

The Group revenue and profit before taxation for the current financial period increased by RM1,025.4 million and RM556.1 million respectively compared to revenue and profit before taxation for the 6 months ended 31 July 2014 ("corresponding period"), primarily due to inclusion of tender rig business subsequent to its acquisition on 30 April 2013, and the SKEI business subsequent to its acquisition on 11 February 2014. The RM177.8 million gain arising from the SKEI acquisition further contributed to the increase in segment profit before taxation.

Business Segments:

Offshore Construction and Subsea Services

The segment revenue for current financial period decreased by RM176.1 million or 9.0% compared to the corresponding period, mainly due to lower scope of works in line with clients' planned activities.

Profit before taxation for the current financial period increased by RM119.1 million or 49.7% compared to the corresponding period, mainly due to higher contribution from contracts executed during the current financial period.

Drilling and Energy Services

The segment revenue for the current financial period increased by RM1,551.2 million compared to corresponding period, primarily due to inclusion of SKEI business subsequent to completion of its acquisition on 11 February 2014.

Profit before taxation of RM836.1 million in the current financial period was RM500.2 million higher than RM335.9 million in the corresponding period, attributable to the contribution from EJV business segment coupled with contribution from SKEI business subsequent to completion of its acquisition.

Fabrication, Hook -Up and Commissioning

The segment revenue for current financial period was lower by RM209.0 million or 18.1% compared to corresponding period mainly due to lower contributions from a number of projects which are nearing completion stage.

The segment posted comparatively lower profit before taxation for the current financial period, in line with lower revenue as outlined above.

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

Group revenue of RM2,694.8 million was RM251.2 million higher compared to the immediate preceding quarter ("Q1 FY2015") of RM2,443.6 million. Group profit before taxation of RM526.7 million was RM112.4 million lower as compared to Q1 FY2015 of RM639.1 million.

The increase in revenue was primarily attributable to higher scope of works in line with clients' planned activities. Profit before taxation was lower by 17.6% primarily due to recognition of one off gain arising from acquisition of SKEI of RM177.8 million in Q1 FY2015.

Adjusting for the one-off gain recognised by the Group in Q1 FY2015, the Group profit before taxation in the current quarter is RM65.4 million higher compared to Q1 FY2015.

18. (a) Commentary on prospects

The Group maintains a healthy order book which stands at RM27 billion and is optimistic of our ability to capture further growth opportunities in key growth regions. The producing upstream assets will continue to positively contribute to the Group's results.

The Board remains confident on prospects of the Group going forward.

(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.

19. Dividend

An interim and special single tier dividends of 2.35 sen per share for the financial year ending 31 January 2015 amounting to RM140.8 million was paid on 21 July 2014.

20. Earnings per share

| | Individual Quarter | | Cumulative Quarter | |
|---|---------------------------|------------|---------------------------|------------|
| | 3 months to 31/07/2014 | 31/07/2013 | 6 months to 31/07/2014 | 31/07/2013 |
| Basic | | | | |
| Profit attributable to owners of the Parent (RM'000) | 445,798 | 410,457 | 955,218 | 504,125 |
| Weighted average number of ordinary shares in issue ('000) | 5,992,155 | 5,992,155 | 5,992,155 | 5,498,261 |
| Basic earnings per share (sen) | 7.44 | 6.85 | 15.94 | 9.17 |

By Order of the Board

Kuala Lumpur
25 September 2014

Mohamad Affendi bin Yusoff
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Company Secretaries