

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2015

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/04/2015 RM'000	Preceding year corresponding quarter 30/04/2014 RM'000	Three months to 30/04/2015 RM'000	Three months to 30/04/2014 RM'000
1. Revenue	2,258,170	2,443,568	2,258,170	2,443,568
Operating expenses	(1,464,823)	(1,587,090)	(1,464,823)	(1,587,090)
Other operating income	2,037	10,280	2,037	10,280
Profit from operations	795,384	866,758	795,384	866,758
Finance income	2,716	2,318	2,716	2,318
Finance costs	(179,653)	(182,741)	(179,653)	(182,741)
Net fair value loss on derivatives	-	(139)	-	(139)
Depreciation and amortisation	(337,556)	(316,124)	(337,556)	(316,124)
Net foreign exchange gain/(loss)	12,253	(2,688)	12,253	(2,688)
Gain arising from acquisition of subsidiaries	-	177,842	-	177,842
Share of profit from associates and joint venture companies	43,196	93,788	43,196	93,788
Profit before taxation	336,340	639,014	336,340	639,014
Taxation	(75,118)	(128,902)	(75,118)	(128,902)
Profit after taxation	261,222	510,112	261,222	510,112
Attributable to:				
Owners of the Parent	260,694	509,420	260,694	509,420
Non-controlling interests	528	692	528	692
	261,222	510,112	261,222	510,112
2. Earnings per share (sen)				
Basic	4.37	8.50	4.37	8.50

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2015

THE FIGURES HAVE NOT BEEN AUDITED

II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/04/2015 RM'000	Preceding year corresponding quarter 30/04/2014 RM'000	Three months to 30/04/2015 RM'000	Three months to 30/04/2014 RM'000
Profit after taxation	261,222	510,112	261,222	510,112
Other comprehensive income:				
<i>Items that may be reclassified to income statements in subsequent periods:</i>				
Foreign currency translation differences	(104,333)	(64,463)	(104,333)	(64,463)
Share of other comprehensive income of associated and joint venture companies:				
- Foreign currency translation differences	7,334	(9,839)	7,334	(9,839)
- Hedging reserve	(40,188)	(930)	(40,188)	(930)
Total comprehensive income	<u>124,035</u>	<u>434,880</u>	<u>124,035</u>	<u>434,880</u>
Attributable to:				
Owners of the parent	123,696	434,064	123,696	434,064
Non-controlling interests	339	816	339	816
Total comprehensive income	<u>124,035</u>	<u>434,880</u>	<u>124,035</u>	<u>434,880</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 2015

THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED	AUDITED
	As at end of current financial period 30/04/2015	As at end of preceding financial year 31/01/2015
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	13,476,549	13,770,854
Investment in associates and joint venture companies	1,359,839	1,376,723
Expenditures on oil and gas properties	5,373,764	5,555,063
Goodwill on consolidation	7,579,504	7,631,514
Other intangible assets	98,653	108,476
Deferred tax assets	342,542	352,977
Trade receivables	34,790	50,162
	<u>28,265,641</u>	<u>28,845,769</u>
Current assets		
Inventories	580,176	636,629
Trade and other receivables	3,907,738	3,620,805
Tax recoverable	191,044	203,030
Cash and bank balances	1,471,273	1,256,551
	<u>6,150,231</u>	<u>5,717,015</u>
TOTAL ASSETS	<u>34,415,872</u>	<u>34,562,784</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
Treasury shares - Held on trust at cost	(80,000)	(80,000)
Other reserves	591,831	728,829
Retained profits	3,531,477	3,270,783
	<u>12,109,718</u>	<u>11,986,022</u>
Non-controlling interests	<u>7,289</u>	<u>6,950</u>
Total equity	<u>12,117,007</u>	<u>11,992,972</u>
Non-current liabilities		
Borrowings	8,879,481	15,854,690
Other payables	687,333	683,786
Provision for assets retirement obligation	153,180	151,350
Deferred tax liabilities	1,400,907	1,425,025
	<u>11,120,901</u>	<u>18,114,851</u>
Current liabilities		
Borrowings	8,150,711	1,098,576
Trade and other payables	2,890,858	3,191,979
Provision for assets retirement obligation	76,536	72,217
Provision for taxation	59,859	92,189
	<u>11,177,964</u>	<u>4,454,961</u>
TOTAL LIABILITIES	<u>22,298,865</u>	<u>22,569,812</u>
TOTAL EQUITY AND LIABILITIES	<u>34,415,872</u>	<u>34,562,784</u>
Net assets per share (RM)	<u>2.03</u>	<u>2.01</u>

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2015

THE FIGURES HAVE NOT BEEN AUDITED

IV. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED Three months to 30/04/2015 RM'000	UNAUDITED Three months to 30/04/2014 RM'000
Profit before taxation	336,340	639,014
Adjustments	442,032	204,923
Operating profit before working capital changes	778,372	843,937
Changes in working capital	(314,255)	(325,745)
Cash generated from operations	464,117	518,192
Taxation paid	(68,989)	(100,389)
Net cash generated from operating activities	395,128	417,803
Cash flows from investing activities		
Purchase of property, plant and equipment	(99,118)	(404,560)
Additional investment in joint venture companies	(7,433)	-
Net cash outflow on acquisition of subsidiaries	-	(2,675,273)
Expenditure on oil and gas properties	(25,544)	(145,698)
Net advances to joint venture companies	(48,746)	(18,955)
Dividends from a joint venture company	31,522	40,887
Other items	2,092	1,956
Net cash used in investing activities	(147,227)	(3,201,643)
Cash flows from financing activities		
Interest paid	(137,959)	(121,476)
Dividend paid on ordinary shares	(119,436)	-
Net drawdown of revolving credit and term loans	240,081	3,251,778
Net drawdown of hire purchase and lease financing	2,350	3,339
Net cash (used in)/generated from financing activities	(14,964)	3,133,641
Net increase in cash and cash equivalents	232,937	349,801
Cash and cash equivalents at beginning of year	1,256,551	1,386,661
Effect of exchange rate translation	(18,215)	(7,352)
Cash and cash equivalents at end of period	1,471,273	1,729,110

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2015

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	Treasury shares *	Other reserves	Retained profits			Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Three months to 30 April 2015								
(Unaudited)								
At 1 February 2015	5,992,155	2,074,255	(80,000)	728,829	3,270,783	11,986,022	6,950	11,992,972
Total comprehensive income	-	-	-	(136,998)	260,694	123,696	339	124,035
At 30 April 2015	<u>5,992,155</u>	<u>2,074,255</u>	<u>(80,000)</u>	<u>591,831</u>	<u>3,531,477</u>	<u>12,109,718</u>	<u>7,289</u>	<u>12,117,007</u>

* Held on trust at cost

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

	Attributable to owners of the parent				Non-controlling interests	Total equity	
	Share capital	Share premium	Other reserves	Retained profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Three months to 30 April 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	-	-	(75,356)	509,420	434,064	816	434,880
Transaction with owners:							
Effect arising from step acquisition of a subsidiary	-	-	-	(6,044)	(6,044)	-	(6,044)
Total transaction with owners	-	-	-	(6,044)	(6,044)	-	(6,044)
At 30 April 2014	<u>5,992,155</u>	<u>2,074,255</u>	<u>(62,951)</u>	<u>2,619,362</u>	<u>10,622,821</u>	<u>7,117</u>	<u>10,629,938</u>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated interim financial statements for the period ended 30 April 2015 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"). These condensed consolidated interim financial statements also comply with IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board.

The unaudited condensed consolidated interim financial statements for the financial period ended 31 January 2016 ("FPE 2016") should be read in conjunction with the audited financial statements for the financial year ended 31 January 2015 ("FY2015").

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 2015 except for the following:

As at 1 February 2015, 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").

MFRS and amendments to MFRS during the current financial period:

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

Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions

Annual Improvements to MFRS 2010-2012 Cycle

Annual Improvements to MFRS 2011-2013 Cycle

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

2. Seasonality and cyclicity of operations

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

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

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

4. Changes in estimates

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

5. Issuance or repayment of debts and equity securities

There were no issuance and repayment of debt securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares during the quarter ended 30 April 2015, except as disclosed in note 12 (c).

6. Subsequent events

There was no material event subsequent to 30 April 2015 which has not been reflected in these condensed consolidated interim financial statements.

7. Changes in the composition of the Group

There was no 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 venture companies amounting to RM1,027.2 million (31 January 2015: RM713.3 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 30 April 2015 are as follows:

Approved and contracted for:

	30/04/2015
	RM'000
Property, plant and equipment and expenditures on oil and gas properties	
Group	1,577,692
Share of capital commitment in joint venture companies	826,731
Equity commitment in joint venture companies	94,969
Total	<u>2,499,392</u>

10. Taxation

Taxation comprises the following:

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/04/2015 RM'000	Preceding year corresponding quarter 30/04/2014 RM'000	Three months to 30/04/2015 RM'000	Three months to 30/04/2014 RM'000
Current taxation:				
Malaysian taxation	70,026	127,950	70,026	127,950
Foreign taxation	10,746	16,524	10,746	16,524
Deferred taxation	<u>(5,654)</u>	<u>(15,572)</u>	<u>(5,654)</u>	<u>(15,572)</u>
	<u>75,118</u>	<u>128,902</u>	<u>75,118</u>	<u>128,902</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 30 April 2015 and 31 January 2014 are as follows:

	30/04/2015	31/01/2015
	RM'000	RM'000
Short term borrowings		
Secured	7,201	14,177
Unsecured	8,143,510	1,084,399
	<u>8,150,711</u>	<u>1,098,576</u>
Long term borrowings		
Secured	11,748	29,589
Unsecured	8,867,733	15,825,101
	<u>8,879,481</u>	<u>15,854,690</u>
	<u>17,030,192</u>	<u>16,953,266</u>

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

	30/04/2015	31/01/2015
	RM'000	RM'000
United States Dollar	<u>13,898,388</u>	<u>13,852,394</u>

(c) On 15 June 2015, SapuraKencana announced to Bursa Malaysia that the Group, through its wholly-owned subsidiary, SapuraKencana TMC Sdn Bhd ("SKTMC"), has lodged and launched a Multi-Currency Islamic Medium Term Notes Programme ("Sukuk Programme") of RM7.0 billion in nominal value (or its equivalent in US Dollar). An acknowledgement of the lodging and launching of the Sukuk programme has been received from the Securities Commission of Malaysia.

The proceeds raised from the issuance of the Sukuk shall be utilised to refinance a facility under SKTMC based on the Shariah principle of Murabahah facility of RM6.79 billion which matures on 7 February 2016.

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:

	30/04/2015
	RM'000
Total retained profits of the Group	
- Realised	4,148,570
- Unrealised:	
- in respect of deferred tax	(1,068,274)
- in respect of other items of income and expense	<u>(21,714)</u>
	3,058,582
Joint ventures and associated companies	
- Realised	443,275
- Unrealised:	
- in respect of other items of income and expense	<u>(11,269)</u>
	432,006
Total Group retained profits	3,490,588
Less: Consolidation adjustments	<u>40,889</u>
Total Group retained profits as per consolidated accounts	<u><u>3,531,477</u></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 cross examination of ONGC's witness commenced on 22nd, 23rd December 2014 and 5th, 6th and 7th January 2015. The proceedings were subsequently adjourned to 2nd and 3rd February 2015 for continued cross examination. However, the proceeding had been postponed and the next date for the continued cross examination of ONGC witness will be notified accordingly.

The final submissions are expected to take place on the following dates:

- i) 19th and 20th August 2015 by SESSB solicitor; and
- ii) 2nd and 3rd November 2015 by ONGC solicitor

14. Material litigation (cont'd.)

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

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

- (i) Offshore Construction and Subsea Services;
- (ii) Fabrication, Hook Up & Commissioning;
- (iii) Drilling and Energy Services and;
- (iv) Corporate

Effective from Financial Year 2016, the Group reorganised its business divisions through formation of Engineering and Construction divisions, incorporated elements from the former Offshore Construction and Subsea Services and Fabrication, Hook-up and Commissioning.

The Group also assesses the performance of upstream business separately from the drilling services.

As a result, the Group's current business segment is organised as follows:

- (i) Engineering and Construction ("E&C");
- (ii) Drilling;
- (iii) Energy; and
- (iv) Corporate

Following change in composition of operating segments, corresponding reclassifications have been made to the prior year's results for fair comparison of operational performance.

	<u>3 months to 30/04/2015</u>	
	Revenue	Operating profit
	RM'000	RM'000
E&C	1,101,105	187,390
Drilling	770,182	198,585
Energy	415,633	59,356
	<u>2,286,920</u>	<u>445,331</u>
Corporate expenses and eliminations	(28,750)	(108,991)
Group revenue / profit before taxation	<u>2,258,170</u>	<u>336,340</u>

16. Review of performance

16.1 Current quarter vs. corresponding quarter of the preceding year

	Revenue		Operating profit	
	3 months to		3 months to	
	30/04/2015	30/04/2014	30/04/2015	30/04/2014
	RM'000	RM'000	RM'000	RM'000
Business Segments:				
E&C	1,101,105	1,150,006	187,390	227,480
Drilling	770,182	644,984	198,585	156,552
Energy	415,633	736,335	59,356	375,836
	2,286,920	2,531,325	445,331	759,868
Corporate expenses and eliminations	(28,750)	(87,757)	(108,991)	(120,854)
Group revenue/ profit before taxation	2,258,170	2,443,568	336,340	639,014

Group

The Group revenue of RM2,258.2 million was RM185.4 million or 7.6% lower than RM2,443.6 million in the corresponding quarter of the preceding year ("Q1 FY2015").

The slight decrease in the current quarter revenue was mainly driven by lower revenue from the Energy division.

The Group recorded operating profit of RM336.3 million, which was RM124.9 million or 27.1% lower compared to RM 461.2 million in Q1FY2015, excluding the gain arising from acquisition of subsidiaries.

Similarly, the decrease in the current quarter operating profit is mainly attributable to the Energy Division whilst the operating profit derived from the services divisions namely E&C and Drilling remain similar to Q1 FY2015.

Business Segments:

Engineering and Construction

The segment registered marginally lower revenue by RM48.9 million or 4.3% mainly due to lower scope of works for the existing contracts in line with clients' planned activities, offset with higher contributions from newly executed international projects during the quarter.

Operating profit of RM187.4 million was RM40.1 million or 17.6% lower than RM227.5 million in Q1 FY2015 .

16. Review of performance

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

Business Segments (cont'd.):

Drilling

The segment revenue for current quarter was higher by RM125.2 million or 19.4% compared to Q1 FY2015 mainly due to commencement of contract for new deliveries. As a result, the operating profit was 26.8% higher than Q1 FY2015.

Energy

The segment revenue for the current quarter decreased by RM320.7 million or 43.6% compared to Q1 FY2015, primarily due to a combination of lower barrels of oil lifted as a result of the natural decline of oil reserves in the Production Sharing Contract ("PSC") blocks and lower average price per barrels

Consequently, the operating profit was RM138.6 million or 70.0% lower than RM198.0 million in Q1 FY2015, excluding the gain arising from acquisition of the subsidiaries .

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

Group revenue of RM2,258.2 million was RM136.3 million or 5.7% lower than RM2,394.5 million in the immediate preceding quarter ("Q4 FY2015").

Group profit before taxation of RM336.3 million was RM134.7 million or 66.8% higher compared to Q4 FY2015 of RM201.6 million (excluding one-off DD&A adjustments, provision for impairment of oil and gas properties, and net gain arising from acquisition of subsidiaries of RM162.3 mil). The increase was mainly due to lower corporate expenses and corporate eliminations in the current quarter partially offset by lower profit before taxation from the Energy division.

18. (a) Commentary on prospects

The global oil and gas industry continues to face pressure driven by the uncertainty in crude oil prices. In response, a majority of producers have resorted to reducing capital expenditure.

Despite the above, the Group's continued efforts to secure and replenish the orderbook have resulted in new contract wins in India, Vietnam and Indonesia as well as a new market entry into Mexico. These contract wins should contribute to the current year and ensuing years' results. However, due to clients' cost cutting initiatives, the Group will continue to face pressure on margins.

The Board anticipates the challenging environment to persist over the medium term. The Group continues to refine its strategy to ensure competitiveness and resilience in weathering the industry cycles.

18. (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.

19. Dividend

In respect of the financial year ending 31 January 2016, Board of Directors has declared tax exempt single tier interim dividend of 1.35 sen per share (30 April 2014: Tax exempt single tier interim dividend of 1.35 sen per share and tax exempt single tier special dividend of 1.00 sen per share).

The dividend will be paid on 28 August 2015 to shareholders registered at the close of business on 31 July 2015. A depositor shall qualify for entitlement only in respect of:

- (i) securities transferred into the Depositor's Securities Account before 4:00 pm on 31 July 2015 in respect of Ordinary Transfer;
- (ii) shares bought on the BMSB on a cum entitlement basis according to the rules of BMSB.

20. Earnings per share

	Individual Quarter		Cumulative Quarter	
	3 months to 30/04/2015	3 months to 30/04/2014	3 months to 30/04/2015	3 months to 30/04/2014
Basic				
Profit attributable to owners of the Parent (RM'000)	260,694	509,420	260,694	509,420
Weighted average number of ordinary shares in issue ('000)	5,971,797	5,992,155	5,971,797	5,992,155
Basic earnings per share (sen)	4.37	8.50	4.37	8.50

By Order of the Board

Kuala Lumpur
15 June 2015

Mohamad Affendi bin Yusoff
MACS 01596

Company Secretary