

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 OCTOBER 2015

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/10/2015 RM'000	Preceding year corresponding quarter 31/10/2014 RM'000	Nine months to 31/10/2015 RM'000	Nine months to 31/10/2014 RM'000
1. Revenue	2,890,796	2,410,203	7,952,494	7,548,553
Operating expenses	(2,052,200)	(1,654,565)	(5,374,952)	(5,134,686)
Other operating income	10,605	13,810	17,545	24,272
Profit from operations	849,201	769,448	2,595,087	2,438,139
Finance income	3,736	4,248	12,579	10,306
Finance costs	(196,371)	(171,928)	(548,994)	(513,459)
Net fair value loss on derivatives	-	-	-	(138)
Depreciation and amortisation	(405,670)	(264,459)	(1,064,180)	(829,919)
Net foreign exchange gain	123,737	6,754	232,743	26,963
Net provision for impairment on receivables	(871)	3,119	(871)	3,119
Provision for impairment on investment	(28,254)	-	(28,254)	-
Provision for impairment on property, plant and equipment and oil and gas properties	(317,336)	-	(857,187)	-
Changes in provision	80,947	-	80,947	63,526
Gain on disposal of property, plant and equipment	-	-	-	7,263
Gain arising from acquisition of subsidiaries	-	-	-	177,842
Share of profit from associates and joint venture companies	88,903	63,799	173,627	193,040
Profit before taxation	198,022	410,981	595,497	1,576,682
Taxation	(68,075)	(62,926)	(100,058)	(272,388)
Profit after taxation	129,947	348,055	495,439	1,304,294
Attributable to:				
Owners of the Parent	129,856	348,400	494,634	1,303,618
Non-controlling interests	91	(345)	805	676
	129,947	348,055	495,439	1,304,294
2. Earnings per share (sen)				
Basic	2.17	5.81	8.28	21.76

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 2015

THE FIGURES HAVE NOT BEEN AUDITED

II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/10/2015 RM'000	Preceding year corresponding quarter 31/10/2014 RM'000	Nine months to 31/10/2015 RM'000	Nine months to 31/10/2014 RM'000
Profit after taxation	129,947	348,055	495,439	1,304,294
Other comprehensive income:				
<i>Items that may be reclassified to income statements in subsequent periods:</i>				
Foreign currency translation differences	1,131,067	217,236	1,538,411	(104,804)
Share of other comprehensive income of associated and joint venture companies:				
- Foreign currency translation differences	(73,215)	15,032	(94,828)	(8,151)
- Hedging reserve	(4,818)	(7,786)	(39,834)	3,541
Total comprehensive income	<u>1,182,981</u>	<u>572,537</u>	<u>1,899,188</u>	<u>1,194,880</u>
Attributable to:				
Owners of the parent	1,184,040	572,979	1,899,619	1,194,301
Non-controlling interests	(1,059)	(442)	(431)	579
Total comprehensive income	<u>1,182,981</u>	<u>572,537</u>	<u>1,899,188</u>	<u>1,194,880</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 THIRD QUARTER ENDED 31 OCTOBER 2015

THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED	AUDITED
	As at end of current financial period 31/10/2015 RM'000	As at end of preceding financial year 31/01/2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	15,733,689	13,770,854
Investment in associates and joint venture companies	1,535,561	1,376,723
Expenditures on oil and gas properties	5,580,513	5,555,063
Goodwill on consolidation	8,328,353	7,631,514
Other intangible assets	73,448	108,476
Deferred tax assets	284,700	352,977
Trade receivables	30,935	50,162
	<u>31,567,199</u>	<u>28,845,769</u>
Current assets		
Inventories	696,642	636,629
Trade and other receivables	5,137,955	3,620,805
Tax recoverable	205,654	203,030
Cash and bank balances	2,356,209	1,256,551
	<u>8,396,460</u>	<u>5,717,015</u>
TOTAL ASSETS	<u>39,963,659</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	2,133,814	728,829
Retained profits	3,684,798	3,270,783
	<u>13,805,022</u>	<u>11,986,022</u>
Non-controlling interests	6,519	6,950
Total equity	<u>13,811,541</u>	<u>11,992,972</u>
Non-current liabilities		
Borrowings	10,794,192	15,854,690
Other payables	29,004	683,786
Provision for assets retirement obligation	194,396	151,350
Deferred tax liabilities	1,457,322	1,425,025
	<u>12,474,914</u>	<u>18,114,851</u>
Current liabilities		
Borrowings	9,042,873	1,098,576
Trade and other payables	4,453,744	3,191,979
Provision for assets retirement obligation	65,381	72,217
Provision for taxation	115,206	92,189
	<u>13,677,204</u>	<u>4,454,961</u>
TOTAL LIABILITIES	<u>26,152,118</u>	<u>22,569,812</u>
TOTAL EQUITY AND LIABILITIES	<u>39,963,659</u>	<u>34,562,784</u>
Net assets per share (RM)	<u>2.31</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 THIRD QUARTER ENDED 31 OCTOBER 2015

THE FIGURES HAVE NOT BEEN AUDITED

IV. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED Nine months to 31/10/2015 RM'000	UNAUDITED Nine months to 31/10/2014 RM'000
Profit before taxation	595,497	1,576,682
Adjustments	2,116,316	956,514
Operating profit before working capital changes	2,711,813	2,533,196
Changes in working capital	(284,628)	(1,135,192)
Cash generated from operations	2,427,185	1,398,004
Taxation paid	(195,018)	(357,090)
Net cash generated from operating activities	2,232,167	1,040,914
Cash flows from investing activities		
Purchase of property, plant and equipment	(577,833)	(882,398)
Additional investment in joint venture companies	(9,335)	-
Net cash outflow on acquisition of subsidiaries	-	(2,374,938)
Expenditure on oil and gas properties	(112,645)	(379,698)
Net advances to joint venture companies	(74,692)	(42,774)
Dividends from a joint venture company	125,022	40,888
Proceed from disposal of property, plant and equipment	-	15,648
Other items	6,536	(8,022)
Net cash used in investing activities	(642,947)	(3,631,294)
Cash flows from financing activities		
Interest paid	(397,973)	(352,913)
Dividend paid on ordinary shares	(200,055)	(140,816)
Net (repayment)/drawdown of revolving credit and term loans	(43,808)	3,708,049
Net drawdown of hire purchase and lease financing	4,162	3,801
Purchase of treasury shares - held on trust at cost	-	(80,000)
Net cash (used in)/generated from financing activities	(637,674)	3,138,121
Net increase in cash and cash equivalents	951,546	547,741
Cash and cash equivalents at beginning of year	1,256,551	1,386,661
Effect of exchange rate translation	148,112	(23,101)
Cash and cash equivalents at end of period	2,356,209	1,911,301

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 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	
Nine months to 31 October 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	-	-	-	1,404,985	494,634	1,899,619	(431)	1,899,188
Transaction with owners:								
Dividend on ordinary shares	-	-	-	-	(80,619)	(80,619)	-	(80,619)
Total transaction with owners	-	-	-	-	(80,619)	(80,619)	-	(80,619)
At 31 October 2015	<u>5,992,155</u>	<u>2,074,255</u>	<u>(80,000)</u>	<u>2,133,814</u>	<u>3,684,798</u>	<u>13,811,541</u>	<u>6,519</u>	<u>13,811,541</u>

* Held on trust at cost

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

	Attributable to owners of the parent					Total	Non- controlling interests	Total equity
	Share capital RM'000	Share premium RM'000	Treasury shares * RM'000	Other reserves RM'000	Retained profits RM'000			
Nine months to 31 October 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	-	-	-	(109,317)	1,303,618	1,194,301	579	1,194,880
Transaction with owners:								
Effect arising from step acquisition of a subsidiary	-	-	-	-	(17,666)	(17,666)	-	(17,666)
Purchase of treasury shares*	-	-	(80,000)	-	-	(80,000)	-	(80,000)
Dividends on ordinary shares	-	-	-	-	(140,816)	(140,816)	-	(140,816)
Total transaction with owners	-	-	(80,000)	-	(158,482)	(238,482)	-	(238,482)
At 31 October 2014	<u>5,992,155</u>	<u>2,074,255</u>	<u>(80,000)</u>	<u>(96,912)</u>	<u>3,261,122</u>	<u>11,150,620</u>	<u>6,880</u>	<u>11,157,500</u>

* Held on trust at cost

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 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 October 2015 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 interim financial statements.

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 31 October 2015, except as disclosed in Note 12 (c).

6. Subsequent events

SapuraKencana Energy Inc. ("SKE"), a wholly-owned subsidiary of SapuraKencana Petroleum Berhad has secured a Field Development Plan approval from PETRONAS for the SK310 B15 gas field development project. The development will comprise a Central Processing Platform ("CPP") with a 35km gas evacuation pipeline to be tied into the existing infrastructure.

B15 field is expected to produce 100 MMscfd (million standard cubic feet per day) of hydrocarbon gas for PETRONAS' LNG complex in Bintulu, Sarawak, with the first gas delivery is targeted to be in the fourth quarter of 2017.

The B15 field which was discovered in December 2010 is located within the SK310 Production Sharing Contract area, offshore East Malaysia.

SKE via SapuraKencana Energy Sarawak Inc. is the Operator of the SK310 with a 30% participating interest and partners with PETRONAS Carigali Sdn. Bhd. at 40% and Diamond Energy Sarawak Sdn. Bhd., a subsidiary of Mitsubishi Corporation of 30%.

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 RM868.5 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 31 October 2015 are as follows:

Approved and contracted:

	31/10/2015
	RM'000
Property, plant and equipment and expenditures on oil and gas properties	
Group	1,844,098
Share of capital commitment in joint venture companies	940,573
Equity commitment in joint venture companies	<u>96,602</u>
Total	<u><u>2,881,273</u></u>

10. Taxation

Taxation comprises the following:

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/10/2015 RM'000	Preceding year corresponding quarter 31/10/2014 RM'000	Nine months to 31/10/2015 RM'000	Nine months to 31/10/2014 RM'000
Current taxation:				
Malaysian taxation	(22,030)	(533)	121,399	210,967
Foreign taxation	39,760	23,038	95,349	67,017
Deferred taxation	50,345	40,421	(116,690)	(5,596)
	<u>68,075</u>	<u>62,926</u>	<u>100,058</u>	<u>272,388</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2014: 25%) 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.

The adjusted effective tax rate after excluding provision for impairment on investment and provision for impairment on property, plant and equipment and oil and gas properties was 12.5% for the current quarter, which was comparable to the corresponding quarter of the preceding year of 15.3%.

The adjusted effective tax rate for the current period of 6.8% was lower than 17.3% in the corresponding period of the preceding year due to release of deferred tax liability arising from provision for impairment on oil and gas properties.

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 October 2015 and 31 January 2015 are as follows:

	31/10/2015	31/01/2015
	RM'000	RM'000
Short term borrowings		
Secured	10,230	14,177
Unsecured	<u>9,032,643</u>	<u>1,084,399</u>
	<u>9,042,873</u>	<u>1,098,576</u>
Long term borrowings		
Secured	16,164	29,589
Unsecured	<u>10,778,028</u>	<u>15,825,101</u>
	<u>10,794,192</u>	<u>15,854,690</u>
	<u>19,837,065</u>	<u>16,953,266</u>

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

	31/10/2015	31/01/2015
	RM'000	RM'000
United States Dollar	<u>16,622,271</u>	<u>13,852,394</u>

- (c) SapuraKencana TMC Sdn Bhd ("SKTMC") (a wholly-owned subsidiary of SapuraKencana Petroleum Berhad) had on 14 December 2015 signed a Murabahah Term financing facility ("Islamic Facility") of up to USD2.1 billion (or its equivalent in MYR) with a consortium of Malaysian, regional and international banks.

The Islamic Facility is a 6-year multi-currency facility based on the Shariah principle of Murabahah and the proceeds raised shall be utilized to refinance SKTMC's existing short term Islamic Facility.

The Islamic Facility reflects SKPB Group's continued commitment to retain its status as a Shariah-compliant security under the List of Shariah-Compliant Securities issued by the Shariah Advisory Council of the Securities Commission Malaysia.

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:

	31/10/2015
	RM'000
Total retained profits of the Group	
- Realised	4,343,901
- Unrealised:	
- in respect of deferred tax	(1,181,946)
- in respect of other items of income and expense	<u>183,782</u>
	3,345,737
Joint ventures and associated companies	
- Realised	413,520
- Unrealised:	
- in respect of other items of income and expense	<u>76,225</u>
	489,745
Total Group retained profits	3,835,482
Less: Consolidation adjustments	<u>(150,684)</u>
Total Group retained profits as per consolidated accounts	<u><u>3,684,798</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 final submissions which were expected to take place on 2nd to 3rd February 2015 by ONGC's solicitor, were cancelled by the tribunal.

The final submissions which was fixed on 2nd and 3rd November 2015 has been further continued and fixed to another date as SESSB's solicitor required more time to complete the final submission.

The continued final submission is expected to take place on the following dates:

- (i) 9th & 10th May 2016 by SESSB solicitor;
- (ii) 3rd and 4th June 2016 by ONGC solicitor; and
- (iii) 4th and 5th July 2016 for rebuttal submission by SESSB solicitor and a reserve day.

14. Material litigation (cont'd.)

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.

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>9 months to 31/10/2015</u>	
	Revenue	Operating profit/(loss)
	RM'000	RM'000
E&C	4,573,043	871,928
Drilling	2,247,881	472,835
Energy	1,272,731	(549,580)
	<u>8,093,655</u>	<u>795,183</u>
Corporate expenses and eliminations	(141,161)	(199,686)
Group revenue / profit before taxation	<u>7,952,494</u>	<u>595,497</u>

16. Review of performance

16.1 Current quarter vs. corresponding quarter of the preceding year

	Revenue 3 months to		Operating profit 3 months to	
	31/10/2015 RM'000	31/10/2014 RM'000	31/10/2015 RM'000	31/10/2014 RM'000
Business Segments:				
E&C	1,833,093	1,302,949	354,032	242,808
Drilling	693,877	664,662	51,800	146,539
Energy	407,151	452,362	(132,948)	118,504
	<u>2,934,121</u>	<u>2,419,973</u>	<u>272,884</u>	<u>507,851</u>
Corporate expenses and eliminations	<u>(43,325)</u>	<u>(9,770)</u>	<u>(74,862)</u>	<u>(96,870)</u>
Group revenue/ profit before taxation	<u>2,890,796</u>	<u>2,410,203</u>	<u>198,022</u>	<u>410,981</u>

Group

The Group revenue of RM2,890.8 million was RM480.6 million or 19.9% higher than corresponding quarter of the preceding year ("Q3 FY2015") primarily attributable to higher revenue recorded by E&C division. The increase in revenue was driven mainly by newly executed international projects in the current quarter and the current financial period, combined with higher scope of works for domestic projects.

The Group profit before taxation of RM198.0 million was RM213.0 million or 51.8% lower than RM411.0 million in Q3 FY2015. The lower profit before taxation was primarily due to provision for impairment on property, plant and equipment and oil and gas properties of RM317.3 million, combined with lower profit before taxation from Energy division as a result of lower average realised price per barrel achieved, in line with downward trend for crude oil prices. Higher contribution from E&C division, mainly generated from newly executed international projects during the financial period, has partially cushioned the impact of lower contribution by Energy division.

Excluding provision for impairment on property, plant and equipment and oil and gas properties of RM317.3 million, provision for impairment on investment of RM28.3 million and changes in provisions of RM80.9 million in the current quarter, the Group recorded profit before taxation of RM462.7 million, which was RM51.7 million or 12.6% higher than RM411.0 million recognised in Q3 FY2015.

16. Review of performance (cont'd.)

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

Business Segments:

Engineering and Construction

The segment recorded revenue of RM1,833.1 million, which was RM530.1 million or 40.7% higher than RM1,302.9 million in Q3 FY2015. The increase in revenue was primarily driven by newly executed international projects in the current quarter and the current financial period, combined with higher scope of works for domestic projects.

The segment recorded RM111.2 million or 45.8% higher profit before taxation from RM242.8 million in Q3 FY2015 to RM354.0 million in the current quarter. This was mainly attributable to contribution from newly executed international projects during the current financial period.

Excluding provision for impairment on investment and provision for impairment on property, plant and equipment of RM28.3 million and RM58.8 million respectively, the segment profit before taxation was RM198.3 million or 81.7% higher than Q3 FY2015.

Drilling

The segment recorded marginal increase of revenue by RM29.2 million or 4.4% attributable to commencement of contract for a new rig in end of October 2014 and the favourable effect of US Dollar exchange rate movement against Ringgit Malaysia.

The segment profit before taxation of RM51.8 million was RM94.7 million or 64.7% lower than RM146.5 million in Q3 FY2015. The lower profit before taxation was partially due to provision for impairment on property, plant and equipment amounting to RM118.7 million.

Excluding provision for impairment on property, plant and equipment of RM118.7 million and changes in provision of RM80.9 million, the segment profit before taxation was RM57.0 million or 38.9% lower than Q3 FY2015.

Energy

The segment revenue for the current quarter decreased by RM45.2 million or 10.0% compared to RM452.4 million in Q3 FY2015. This was mainly driven by lower average realised price per barrel achieved in line with downward trend for crude oil prices. Consequently, loss before taxation was RM251.5 million or 221.2% lower than Q3 FY2015, including provision for impairment on oil and gas properties of RM139.8 million in the current quarter.

Excluding provision for impairment on oil and gas properties of RM139.8 million, the segment recorded marginal profit before taxation of RM6.9 million.

16. Review of performance

16.2 Current period vs. corresponding period of the preceding year

	Revenue		Operating profit/(loss)	
	9 months to		9 months to	
	31/10/2015	31/10/2014	31/10/2015	31/10/2014
	RM'000	RM'000	RM'000	RM'000
Business Segments:				
E&C	4,573,043	4,031,094	871,928	753,063
Drilling	2,247,881	1,939,520	472,835	464,274
Energy	1,272,731	1,740,637	(549,580)	636,836
	<u>8,093,655</u>	<u>7,711,251</u>	<u>795,183</u>	<u>1,854,173</u>
Corporate expenses and eliminations	<u>(141,161)</u>	<u>(162,698)</u>	<u>(199,686)</u>	<u>(277,491)</u>
Group revenue/ profit before taxation	<u>7,952,494</u>	<u>7,548,553</u>	<u>595,497</u>	<u>1,576,682</u>

Group

The Group revenue of RM7,952.5 million was RM403.9 million or 5.4% higher than RM7,548.6 million in the corresponding period of the preceding year ("corresponding period").

The increase in the current period revenue was mainly driven by increased revenue from E&C division due to higher contribution from newly executed international projects during the period and Drilling division following commencement of new contracts.

The Group profit before taxation of RM595.5 million was RM981.2 million or 62.2% lower than RM1,576.7 million in corresponding period. This was primarily attributable to provision for impairment on property, plant and equipment and oil and gas properties totalling RM857.2 million and provision for impairment on investment of RM28.3 million in the current period.

Excluding provision for impairment on property, plant and equipment and oil and gas properties of RM857.2 million, provision for impairment on investment of RM28.3 million and changes in provisions of RM80.9 million in the current period and gain arising from acquisition of subsidiaries of RM177.8 million and changes in provision of RM63.5 million in the corresponding period, the Group recorded profit before taxation of RM1,400.0 million, was RM64.7 million or 4.8% higher than RM1,335.3 million recognised in corresponding period. This was mainly contributed by increased profit before taxation from E&C division.

Business Segments:

Engineering and Construction

The segment registered higher revenue by RM541.9 million or 13.4% mainly due to higher contribution from newly executed international projects during the period.

As a result, the profit before taxation was higher by RM118.9 million or 15.8% than RM753.1 million in tandem with the increase in the revenue.

Excluding provision for impairment on investment and property, plant and equipment of RM28.3 million and RM58.8 million respectively, the segment profit before taxation was RM205.9 million or 27.3% higher than corresponding period.

16. Review of performance (cont'd.)

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

Drilling

The segment revenue for current period was higher by RM308.4 million or 15.9% compared to corresponding period due to commencement of contract for new rigs which were not fully in operation in the corresponding period and the favourable effect of US Dollar exchange rate movement against Ringgit Malaysia. As a result, the profit before taxation was RM8.6 million or 1.8% higher than corresponding period, including provision for impairment on property, plant and equipment amounting to RM118.7 million.

Excluding provision for impairment on property, plant and equipment of RM118.7 million and changes in provision of RM80.9 million in the current period and changes in the provision of RM63.5 million in the corresponding period, the profit before taxation was RM109.9 million or 27.4% higher than corresponding period.

Energy

The segment revenue of RM1,272.7 million for the current period was RM467.9 million lower compared to RM1,740.6 million in the corresponding period. The lower revenue by 26.9% reflects the lower average realised price per barrel and lower barrels of oil lifted.

The segment reported a loss before taxation of RM549.6 million during the period primarily attributable to provision for impairment on property, plant and equipment and oil and gas properties in the current period totalling RM679.7 million.

Excluding provision for impairment on property, plant and equipment and oil and gas properties of RM679.7 million in the current period and profit arising from acquisition of subsidiaries of RM177.8 million in the corresponding period, the segment recorded profit before taxation of RM130.1 million, which was RM328.9 million or 71.7% lower than RM459.0 million in corresponding period, in line with lower revenue.

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

Group revenue of RM2,890.8 million was RM87.3 million or 3.1% higher than RM2,803.5 million in the immediate preceding quarter ("Q2 FY2016"), primarily attributable to higher contributions from E&C division following higher activities and scope of works for domestic projects.

Group profit before taxation of RM198.0 million was 223.9% or RM136.9 million or higher compared to Q2 FY2016 of RM61.1 million due to lower provision for impairment on property, plant and equipment and oil and gas properties in the current quarter of RM317.3 million as compared to RM539.9 million in Q2 FY2016.

Excluding provision for impairment on property, plant and equipment and oil and gas properties, provision for impairment on investment and changes in provisions in the current period totalling RM264.6 million and provision for impairment on property, plant and equipment and oil and gas properties of RM539.9 million in Q2 FY2016, the Group recorded profit before taxation of RM462.7 million, which was RM138.3 million or 23.0% lower than RM601.0 million in Q2 FY2016, mainly attributable to lower contribution from Energy and Drilling divisions, offset by higher contribution from E&C division.

18. (a) Commentary on prospects

The oil and gas industry continues to face challenges over the medium term due to the weak oil price and the resultant reduced capital spending by producers. The Group's strategic focus remains on strengthening positions in key markets, optimizing costs and enhancing operational efficiency.

The Group continues to take proactive measures to prepare for long-term resilience. For our Services divisions, we continue to pursue orderbook growth through our expanded presence in key markets. For our Energy segment, we have initiated the development of discovered gas reserves which will provide long-term visibility on production. Overall, the cost optimization and enhanced efficiency across our operations will contribute to the sustainability of the Group's competitiveness.

The Board anticipates the challenging environment to persist over the medium term but is confident that the Group has the fundamentals necessary to navigate through this period.

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

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

19. Dividend

The single tier interim dividend for financial year ending 31 January 2016 of 1.35 sen per share, which was declared on 15 June 2015 amounting to RM80.6 million was paid on 28 August 2015.

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

20. Earnings per share

	Individual Quarter		Cumulative Quarter	
	3 months to 31/10/2015	31/10/2014	9 months to 31/10/2015	31/10/2014
Basic				
Profit attributable to owners of the Parent (RM'000)	129,856	348,400	494,634	1,303,618
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)	2.17	5.81	8.28	21.76

By Order of the Board

Kuala Lumpur
22 December 2015

Mohamad Affendi bin Yusoff
MACS 01596

Company Secretary