

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 JULY 2013

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter <b>31/07/2013</b> RM'000	Preceding year corresponding quarter <b>31/07/2012</b> RM'000	Six months to <b>31/07/2013</b> RM'000	Six months to <b>31/07/2012</b> RM'000
<b>1. Revenue</b>	<b>2,490,381</b>	<b>2,057,512</b>	<b>4,112,903</b>	<b>2,739,339</b>
Operating expenses	(1,983,630)	(1,706,995)	(3,281,423)	(2,249,058)
Other operating income	4,475	8,849	8,634	11,869
<b>Profit from operations</b>	<b>511,226</b>	<b>359,366</b>	<b>840,114</b>	<b>502,150</b>
Interest income	3,870	5,997	7,984	7,724
Interest expenses	(107,826)	(61,797)	(184,926)	(77,459)
Net fair value loss on derivatives	(1,982)	(690)	(1,601)	(434)
Depreciation and amortisation	(189,955)	(56,287)	(284,224)	(87,677)
Net foreign exchange gain/(loss)	143,934	(17,915)	94,560	(17,381)
Net allowance for impairment on receivables	(8,789)	(1,054)	(8,789)	(1,054)
Share of results of associated and joint venture companies	99,661	48,389	146,512	34,718
<b>Profit before taxation</b>	<b>450,139</b>	<b>276,009</b>	<b>609,630</b>	<b>360,587</b>
Taxation	(38,737)	(67,078)	(69,586)	(91,202)
<b>Profit for the period</b>	<b>411,402</b>	<b>208,931</b>	<b>540,044</b>	<b>269,385</b>
Attributable to:				
Owners of the parent	410,457	176,522	504,125	218,183
Non-controlling interests	945	32,409	35,919	51,202
	<b>411,402</b>	<b>208,931</b>	<b>540,044</b>	<b>269,385</b>
<b>2. Earnings per share (sen)</b>				
Basic	<b>6.85</b>	<b>3.53</b>	<b>8.41</b>	<b>4.36</b>

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 2013

THE FIGURES HAVE NOT BEEN AUDITED

II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter <b>31/07/2013</b> RM'000	Preceding year corresponding quarter <b>31/07/2012</b> RM'000	Six months to <b>31/07/2013</b> RM'000	Six months to to <b>31/07/2012</b> RM'000
Profit for the period	<b>411,402</b>	<b>208,931</b>	<b>540,044</b>	<b>269,385</b>
Other comprehensive income:				
Foreign currency translation differences	60,596	30,690	(12,786)	84,540
Share of other comprehensive income of joint venture companies	1,126	-	1,911	-
Total comprehensive income	<u>473,124</u>	<u>239,621</u>	<u>529,169</u>	<u>353,925</u>
Attributable to:				
Owners of the parent	472,923	200,241	532,159	266,911
Non-controlling interests	201	39,380	(2,990)	87,014
Total comprehensive income	<u>473,124</u>	<u>239,621</u>	<u>529,169</u>	<u>353,925</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 2013

THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED As at end of current financial period <b>31/07/2013</b> RM'000	AUDITED As at end of preceding financial year <b>31/01/2013</b> RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	10,659,793	4,222,486
Investment in associated and joint venture companies	628,501	594,718
Expenditures on oil and gas properties	768,500	780,063
Goodwill on consolidation	6,766,101	4,985,439
Other intangible assets	107,307	49,223
Deferred tax assets	50,024	43,802
	<u>18,980,226</u>	<u>10,675,731</u>
<b>Current assets</b>		
Inventories	385,504	244,253
Trade and other receivables	3,930,020	3,250,935
Cash and bank balances	1,140,326	1,025,772
	<u>5,455,850</u>	<u>4,520,960</u>
<b>TOTAL ASSETS</b>	<u><b>24,436,076</b></u>	<u><b>15,196,691</b></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the parent</b>		
Share capital	5,992,155	5,004,366
Share premium	2,087,800	242,886
Other reserves	(29,321)	(19,190)
Retained profits	1,533,197	1,109,072
	<u>9,583,831</u>	<u>6,337,134</u>
<b>Non-controlling interests</b>	5,830	405,775
<b>Total equity</b>	<u>9,589,661</u>	<u>6,742,909</u>
<b>Non-current liabilities</b>		
Borrowings	3,615,891	3,805,776
Derivative financial liabilities	1,380	1,284
Other non current payables	5,452	-
Deferred tax liabilities	73,929	91,203
	<u>3,696,652</u>	<u>3,898,263</u>
<b>Current liabilities</b>		
Trade and other payables	3,191,237	2,325,111
Borrowings	7,817,461	2,135,196
Derivative financial liabilities	2,389	2,206
Taxation	138,676	93,006
	<u>11,149,763</u>	<u>4,555,519</u>
<b>TOTAL LIABILITIES</b>	<u>14,846,415</u>	<u>8,453,782</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>24,436,076</b></u>	<u><b>15,196,691</b></u>
<b>Net assets per share (RM)</b>	<u><b>1.60</b></u>	<u><b>1.27</b></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 2013

THE FIGURES HAVE NOT BEEN AUDITED

IV. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months to 31/07/2013 RM'000	Unaudited Six months to 31/07/2012 RM'000
<b>Profit before tax</b>	<b>609,630</b>	<b>360,587</b>
Adjustments	260,518	173,492
Operating profit before working capital changes	870,148	534,079
Changes in working capital	(173,669)	(366,249)
<b>Cash generated from operations</b>	<b>696,479</b>	<b>167,830</b>
Taxation paid	(114,239)	(63,000)
<b>Net cash generated from operating activities</b>	<b>582,240</b>	<b>104,830</b>
<b>Cash flows from investing activities</b>		
Arising from merger exercise	-	(875,066)
Transaction expense in relation to the merger exercise	-	(28,500)
Purchase of property, plant and equipment	(1,288,869)	(262,210)
Investment in associates and joint venture companies	-	(307,245)
Net cash outflow on acquisition of subsidiaries	(6,119,312)	(149,624)
Expenditure on oil and gas properties	(142,803)	(158,190)
Repayment of advances from joint venture companies	418,868	-
Dividend to non-controlling interest of a subsidiary	(44,475)	(24,770)
Other items	3,912	10,692
<b>Net cash used in investing activities</b>	<b>(7,172,679)</b>	<b>(1,794,913)</b>
<b>Cash flows from financing activities</b>		
Issuance of shares, net	1,592,783	-
Interest paid	(138,264)	(24,814)
Redemption of Murabahah Commercial Paper (MCPs)	-	(5,000)
Partial redemption of Istisna Bonds	(30,000)	(30,000)
Net drawdown of revolving credit	744,479	184,430
Net drawdown of term loans	4,494,933	2,321,721
Net drawdown of Ijarah facility, net	-	4,600
Net drawdown/(repayment) of hire purchase and lease financing	2,114	(3,000)
Net changes in short term borrowings	-	(6,401)
<b>Net cash generated from financing activities</b>	<b>6,666,045</b>	<b>2,441,536</b>
<b>Net increase in cash and cash equivalents</b>	<b>75,606</b>	<b>751,453</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,025,772</b>	<b>704,911</b>
<b>Effect of exchange rate translation</b>	<b>38,948</b>	<b>6,081</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,140,326</b>	<b>1,462,445</b>

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 2013

THE FIGURES HAVE NOT BEEN AUDITED

V. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Parent				Total	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	RM'000
<b>Six months to 31 July 2013</b>							
<b>(Unaudited)</b>							
At 1 February 2013	5,004,366	242,886	(19,190)	1,109,072	6,337,134	405,775	6,742,909
<b>Total comprehensive income</b>	-	-	28,034	504,125	532,159	(2,990)	529,169
<b>Transaction with owners:</b>							
Issuance of ordinary shares, net	587,000	1,019,179	-	-	1,606,179	-	1,606,179
Shares issued pursuant to the acquisition of subsidiaries, net	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)
<b>Total transaction with owners</b>	<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>
<b>Six months to 31 July 2012</b>							
<b>(Unaudited)</b>							
At 1 February 2012	255,344	505,337	(51,933)	612,976	1,321,724	332,120	1,653,844
<b>Total comprehensive income</b>	-	-	48,728	218,183	266,911	87,014	353,925
<b>Transaction with owners:</b>							
Issuance of bonus issue	505,337	(505,337)	-	-	-	-	-
Capital repayment	(760,681)	-	-	-	(760,681)	-	(760,681)
Shares issue pursuant to the acquisition of subsidiaries and merger exercise	5,004,366	242,885	-	-	5,247,251	-	5,247,251
Adjustments arising from merger exercise	-	-	8,955	(28,500)	(19,545)	-	(19,545)
Non-controlling interests arising from acquisition of subsidiaries	-	-	-	-	-	2,722	2,722
Dividend to non-controlling interest of a subsidiary	-	-	-	-	-	(24,770)	(24,770)
<b>Total transaction with owners</b>	<u>4,749,022</u>	<u>(262,452)</u>	<u>8,955</u>	<u>(28,500)</u>	<u>4,467,025</u>	<u>(22,048)</u>	<u>4,444,977</u>
At 31 July 2012	<u>5,004,366</u>	<u>242,885</u>	<u>5,750</u>	<u>802,659</u>	<u>6,055,660</u>	<u>397,086</u>	<u>6,452,746</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 2013 have been prepared in accordance with 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 accounting policies and methods of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 January 2013. The audited financial statements of the Group for the year ended 31 January 2013 were prepared in accordance with MFRS.

As of 1 February 2013, the Group has adopted revised MFRS and Amendments to MFRS that have been issued by the MASB as listed below:

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 101 Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)	1 July 2012
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investment in Associates and Joint Ventures	1 January 2013
MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)	1 January 2013
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	1 January 2013

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

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 10: Consolidated Financial Statements: Transition Guidance	1 January 2013
Amendments to MFRS 11: Joint Arrangements: Transition Guidance	1 January 2013
Amendments to MFRS12: Disclosure of Interest in Other Entities	1 January 2013

The adoption of the above revised MFRS and Amendments to MFRS does not have material impact on the financial statements of 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 unusual items affecting the assets, liabilities, equity, net income or cash flows for the current financial period.

**4. Changes in estimates**

There were no changes in estimates that have a material effect in the current financial period.

**5. Debts and equity securities**

The Company had on 30 April 2013, issued an additional 987,788,889 number of ordinary share capital of RM1 each as part of the consideration for the acquisition of the tender rig business of Seadrill Limited ("Seadrill"). With this new issuance, the Company's issued share capital increased to RM5,992,155,087 from RM5,004,366,198 as at 31 January 2013.

## 6. Segment information

The Group previously organised its business activities into five major reportable operating segments based on their products and services namely:

- (i) Offshore Construction & Subsea Services (“OCSS”);
- (ii) Fabrication, Hook Up & Commissioning (“FAB & HUC”);
- (iii) Energy & Joint Ventures (“EJV”);
- (iv) Drilling, Geotech & Maintenance Services (“DGMS”) and;
- (v) Corporate

With the completion of the Group’s acquisition of Seadrill’s tender rigs business on 30 April 2013, the Group re-organised its reportable operating segments into four major segments to be more reflective of the current Group business operations as follows:

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

Drilling & Energy Services segment comprises of Drilling, Energy & Joint Ventures and Geotech & Maintenance Services business divisions. Major activities of the segment are:

- Provisions of drilling rigs and services;
- Oilfield development and production, leasing of floating, production, storage and offloading; and
- Repairs and refurbishment of industrial gas turbines, supply, installation, commissioning and maintenance of point-of-sale systems for petrol stations and asset management services for offshore installations.

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

	<b><u>6 months to 31/07/2013</u></b>	
	<b>Segment Revenue RM'000</b>	<b>Segment Results RM'000</b>
OCSS	1,784,308	204,963
FAB & HUC	1,154,735	139,231
Drilling & Energy Services	1,192,616	325,379
Corporate	277,167	158,889
	4,408,826	828,462
Others:		
Finance costs of debt securities	-	(23,741)
Management fees	(93,467)	-
Consolidation adjustment	(202,456)	(195,091)
<b>Consolidated revenue / profit before tax</b>	<b>4,112,903</b>	<b>609,630</b>



**6. Segment information (cont'd.)**

Corporate revenue and results are derived from dividend income and management fees charged to entities within operating segments by the holding company at normal commercial terms. The terms have been mutually agreed upon or take the form of apportioned fees which are based on an equitable basis of allocation.

**7. Subsequent event**

There was no material event subsequent to 31 July 2013 which has not been reflected in the interim financial statements.

**8. Changes in the composition of the Group**

On 30 April 2013, the Company, through its wholly-owned subsidiary, SapuraKencana Drilling Pte Ltd, completed the integration and combination of tender rig business via acquisition of the entire issued share capital of Seadrill Tender Rig Ltd, a wholly-owned subsidiary of Seadrill for a purchase consideration of RM7.7 billion (USD2.5 billion).

On 16 August 2013, the Company has adjusted its purchase consideration from RM7.7 billion to RM7.9 billion following revision of Closing Statement in accordance with the SPA.

## 8. Changes in the composition of the Group (cont'd.)

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

	<b>Fair value recognised on acquisition RM'000</b>
<b>Assets</b>	
Property, plant and equipment	5,057,484
Intangible assets	62,622
Deferred tax assets	1,136
Other investments	187
Inventories	132,151
Trade and other receivables	546,891
Cash and cash equivalents	105,427
	<u>5,905,898</u>
<b>Liabilities</b>	
Trade and other payables	(144,532)
Provision for tax	(36,311)
Deferred tax liabilities	(5,055)
Other long term payables	(5,479)
	<u>(191,377)</u>
Fair value of identifiable net assets	5,714,521
Goodwill arising on acquisition, net	1,757,226
Total cost of business combination	<u>7,471,747</u>
Acquisition of non-controlling interests	432,480
Total	<u>7,904,227</u>
Purchase consideration consist of:	
Issuance of new ordinary shares	1,239,920
Deferred consideration	439,568
Cash	6,224,739
	<u>7,904,227</u>
Analysis of cash flows on acquisition:	
Total cash paid	6,224,739
Less: Cash and cash equivalents of subsidiaries acquired	(105,427)
Net cash flow on acquisition	<u>6,119,312</u>

The fair value adjustments were provisional and the final allocation of the purchase price will be determined after the completion of a final analysis (to be completed within one year from acquisition date) to determine the fair values of acquired tangible assets and liabilities and identifiable intangible assets.

The condensed consolidated interim financial statements include the results of Seadrill's business for the three months period from the date of acquisition.

**8. Changes in the composition of the Group (cont'd.)**

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

**9. Contingent liabilities**

The Group has provided corporate guarantees to financial institutions for credit facilities granted to joint venture companies amounting to RM420.2 million (31 July 2012: RM524.9 million).

**10. Capital commitments**

Capital expenditure for property, plant and equipment approved and not provided for in the unaudited condensed consolidated interim financial statement as at 31 July 2013 are as follows:

Approved and contracted for:

	<b>RM'000</b>
Group	2,352,888
Share of capital commitment in joint venture companies	60,440
<b>Total</b>	<b><u>2,413,328</u></b>

**11. Taxation**

Taxation comprises the following:

	<b>Current quarter 31/07/2013 RM'000</b>	<b>Preceding corresponding quarter 31/07/2012 RM'000</b>	<b>Current financial year 31/07/2013 RM'000</b>	<b>Preceding corresponding financial year 31/07/2012 RM'000</b>
Current taxation:				
Malaysian taxation	25,414	65,212	50,622	88,889
Foreign taxation	8,013	1,926	9,222	2,286
Deferred taxation	5,310	(60)	9,742	27
	<b><u>38,737</u></b>	<b><u>67,078</u></b>	<b><u>69,586</u></b>	<b><u>91,202</u></b>

The effective tax rate for the current quarter and current financial period were lower than the statutory tax rate of 25% principally due to lower tax rates for offshore subsidiary companies.

**12. (a) Status of corporate proposals announced but not completed**

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

**(b) Status of utilization of proceeds**

**(i) Istisna' Bonds ("IB") Proceeds**

On 25 August 2006, Bayu Padu Sdn Bhd, a wholly-owned subsidiary of the Company, issued RM250 million nominal value of IB being the second tranche of the total of RM500 million. The proposed and actual utilization are as follows:

<b>Purpose</b>	<b>Proposed Utilization RM'000</b>	<b>Actual Utilization RM'000</b>
To finance and/or refinance the cost of investment and/or acquisition of any oil and gas related businesses and/or any oil and gas related assets	90,000	79,342
For group working capital and/or capital expenditure purposes, which will be Syariah Compliant	30,000	30,000
To reimburse the SapuraCrest group for the acquisition of Sarku Clementine	45,000	45,000
To buy back Istisna' bonds and Murabahah Medium Term Notes (Islamic Private Debt Securities)	80,000	80,000
<b>Total</b>	<b>245,000</b>	<b>234,342</b>

**(ii) Private placement**

On 29 April 2013, the Company raised cash via Private Placement of RM1.6 billion for acquisition of the tender rig business of Seadrill. As at 30 April 2013, the cash has been utilized in line with the intended utilization.

### 13. Borrowings

- i. The Group's borrowings as at 31 July 2013 are as follows:

	<b>31/07/2013</b>	<b>31/01/2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Short term borrowings</b>		
Secured	7,558,368	1,543,720
Unsecured	259,093	591,476
	<u>7,817,461</u>	<u>2,135,196</u>
<b>Long term borrowings</b>		
Secured	<u>3,615,891</u>	<u>3,805,776</u>
	<u>11,433,352</u>	<u>5,940,972</u>

- ii. Included in the borrowings are foreign borrowings as follows:

	<b>31/07/13</b>
	<b>RM'000</b>
United States Dollar	7,809,026
Australian Dollar	<u>5,515</u>

As at 31 July 2013, the Group's current liabilities exceeds its current assets. This has been primarily driven by the increase of its short term borrowings. The borrowings of RM11.4 billion include the merger loans upon acquisition of Kencana Petroleum Berhad and bridging facility for the acquisition of tender rigs business.

The Group will undertake a refinancing exercise to achieve an optimal capital structure in the second half of FY14.

#### 14. Derivative financial instruments

Details of the Group's derivative financial instruments outstanding as at 31 July 2013 are as follows:

	<b>Contract/Notional Amount At 31 July 2013 RM mil</b>	<b>Liability Fair Value RM'000</b>
Cross Currency Interest Rate Swap (CCIRS)	245	
- Less than 1 year	-	584
- 1 year to 3 years	-	1,380
Interest Rate Swap	140	
- Less than 1 year	-	1,805
	<u>385</u>	<u>3,769</u>

There is no change in respect of the following since the last financial year ended 31 January 2013:

- i. the credit risk, market risk and liquidity risk associated with the derivatives;
- ii. the cash requirements of the derivatives; and
- iii. the policy in place for mitigating or controlling the risks associated with these financial derivatives.

The loss arising from fair value changes of financial liabilities is as follows:

<b>Type of financial liability</b>	<b>Current quarter RM'000</b>	<b>Period to date RM'000</b>	<b>Basis of fair value measurement</b>	<b>Reasons for loss</b>
CCIRS	(1,982)	(1,601)	The fair value is computed using a valuation technique which utilizes data from recognized financial information sources including rates from relevant yield curves.	The USD/MYR foreign exchange rate has moved since the last measurement date.

## 15. 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:

	<b>Company and subsidiaries RM'000</b>	<b>Joint ventures RM'000</b>	<b>Consolidation adjustments RM'000</b>	<b>Retained profits RM'000</b>
As at 31 July 2013				
Realised profits/(losses)	1,743,713	276,969	(366,321)	1,654,361
Unrealised profits/(losses)	(121,522)	(3,591)	3,949	(121,164)
	<u>1,622,191</u>	<u>273,378</u>	<u>(362,372)</u>	<u>1,533,197</u>

## 16. 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”) 1,063,759,201.45 and USD123,819,632.10 (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 are being filed by the parties and witness statements are likely to be filed in the month of August 2013.

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.

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

Group revenue of RM2.5 billion was RM867.9 million or 53.5% higher than RM1.6 billion in the preceding quarter. The increase was largely attributable to inclusion of financial results from Seadrill Tender Rig business subsequent to completion of acquisition of tender rigs business in April 2013. Higher progress of Pan Malaysia project further contributed to the increase in Group revenue.

On the back of higher revenue, Group profit before tax of RM450.1 million was RM290.6 million or 182.2% higher compared to RM159.5 million in the immediate preceding quarter.

**18. Review of performance**

**18.1 Current quarter vs. corresponding quarter of the preceding year**

RM'000	Revenue		Profit before taxation	
	3 months to 31/7/2013	3 months to 31/7/2012	3 months to 31/7/2013	3 months to 31/7/2012
Consolidated Total	2,490,381	2,057,512	450,139	276,009
Business Segments:				
OCSS	1,038,716	1,199,878	142,680	203,553
FAB & HUC	606,345	584,890	48,612	104,108
Drilling & Energy Services	864,075	272,744	254,841	94,740
Corporate	129,669	40,466	97,434	(139,130)
Less: Management fees	(34,419)	(40,466)	-	-
Less: Consolidation adjustment	(114,005)	-	(93,428)	12,738
	2,490,381	2,057,512	450,139	276,009

**Note:**

*Effective from third quarter financial results announcements i.e. 30 October 2012 The Group has revised the presentation of its segment results to reflect adjustment made on intercompany management fees charged by the Corporate. Similar adjustment has been made to the segment results as at 31 July 2012 to enable comparison of operational performance and due to this adjustment, the amounts shown here do not correspond to the interim condensed consolidated financial statements as at 31 July 2012.*

**Consolidated total**

Group revenue for the current quarter increased by RM432.9 million or 21.0% compared to corresponding quarter of the preceding year, primarily contributed by the inclusion of financial results from Seadrill Tender Rig business subsequent to completion of tender rigs business combination. Profit before taxation for current quarter increased by RM174.1 million or 63.1% compared to corresponding quarter of the preceding year, in line with the revenue increase as outlined above.



## 18. Review of performance (cont'd.)

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

#### Business Segments:

##### OCSS

The segment revenue for current quarter decreased by RM161.2 million or 13.4% compared to corresponding quarter in the preceding year, mainly due to lower revenue contribution from SapuraClough with the completion of Domgas project in Quarter 2 FY2014.

Profit before taxation recorded a decrease of RM60.9 million or 29.9% compared to corresponding quarter of the preceding year, in tandem with the decrease in the revenue.

##### FAB & HUC

The segment revenue for current quarter increased by RM21.5 million or 3.7% compared to corresponding quarter in the preceding year. The increase in the segment's revenue was primarily due to increased activities of certain hook-up commissioning work combined with higher progress of fabrication projects being developed in the current quarter.

Profit before taxation recorded a decrease of RM55.5 million or 53.3% compared to corresponding quarter in the preceding year. The decrease was attributable to lower recognition of profit as some of the projects are at early stage of their progress.

##### Drilling & Energy Services

The segment revenue and profit before taxation for current quarter increased by RM591.3 million or 216.8% and RM160.1 million or 169.0% respectively compared to corresponding quarter, mainly due to the inclusion of Seadrill's businesses' financial results subsequent to completion of the acquisition of tender rigs business in April 2013.

##### Corporate

Corporate revenue which consists of dividend income and management fees charged to entities within the operating segments increased by RM89.2 million or 220.4% compared to RM40.4 million in corresponding quarter of the preceding year.

Corporate profit before taxation for current quarter increased by RM236.6 million or 170.0% as compared to corresponding quarter of the preceding year, in line with the revenue increase as outlined above.

18. Review of performance for the current quarter to date (cont'd.)

**18.2 Current financial period compared to corresponding period of the preceding year**

RM'000	Revenue		Profit Before Taxation	
	6 months to 31/07/2013	6 months to 31/07/2012	6 months to 31/07/2013	6 months to 31/07/2012
Consolidated Total	4,112,903	2,739,339	609,630	360,587
Business Segments:				
OCSS	1,784,308	1,604,453	204,963	256,376
FAB & HUC	1,154,735	647,180	139,231	103,895
Drilling & Energy Services	1,192,616	487,706	325,379	126,324
Corporate	277,167	40,466	135,148	(108,917)
Less: Management fees	(93,467)	(40,466)	-	-
Less: Consolidaiton adjustment	(202,456)	-	(195,091)	(17,091)
	4,112,903	2,739,339	609,630	360,587

**Note:**

Effective from third quarter financial results announcements i.e. 30 October 2012, the Group has revised the presentation of its segment results to reflect adjustment made on intercompany management fees charged by the Corporate. Similar adjustment has been made to the segment results as at 31 July 2012 to enable comparison of operational performance and due to this adjustment, the amounts shown here do not correspond to the interim condensed consolidated financial statements as at 31 July 2012.

**Consolidated total**

Group revenue for the current financial period increased by RM1.4 billion or 50.1% compared to corresponding quarter of the preceding year, primarily contributed by the inclusion of Seadrill's businesses financial results subsequent to completion of tender rigs business combination. Higher progress of fabrication projects being developed, and commencement of certain hook-up commissioning offshore works in FAB & HUC division further contributed to the increase.

Profit before taxation for current financial period increased by RM249.0 million or 69.1% as compared to corresponding quarter of the preceding year, in line with the revenue increase as outlined above.

**18. Review of performance for the current quarter to date (cont'd.)**

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

**Business Segments:**

**OCSS**

The segment revenue for current financial period increased by RM179.9 billion or 11.2% compared to corresponding quarter of the preceding year, mainly due to higher scope of works for Pan Malaysia contracts and new several contracts executed during the current period by SapuraClough.

Profit before taxation recorded a decrease of RM51.4 million or 20.1% as compared to corresponding quarter of the preceding year, mainly due to favorable contribution from variation order approved by client during the last financial period.

**FAB & HUC**

The segment revenue for current financial period has increased by RM507.6 million or 78.4% as compared to corresponding quarter of the preceding year, mainly attributable to commencement of certain hook-up commissioning offshore works in the current quarter combined with higher progress of fabrication projects being developed.

Profit before taxation increased by RM35.3 million or 34.0% compared to RM103.9 million in corresponding year of the preceding quarter

**Drilling & Energy Services**

The segment revenue and profit before taxation for current financial period has increased by RM704.9 million or 144.5% and RM199.1 million or 157.6% respectively as compared to corresponding quarter of the preceding year, mainly due to the inclusion of Seadrill's businesses results subsequent to completion of tender rigs business combination.

**Corporate**

The segment revenue for current financial period increased by RM236.7 million or 584.9% compared to corresponding quarter of the preceding year, mainly due to higher dividend income and management fees charged to entities within the operating segments.

Corporate profit before taxation for current financial period increased by RM244.1 million or 224.1% compared to corresponding quarter of the preceding year, in line with the revenue increase as outlined above.

**19. (a) Commentary on prospects**

Upstream capital spending in the oil and gas sector is expected to remain bullish at regional and global levels. As a geographically diversified Group, SapuraKencana Berhad remains well placed to benefit from the expected outlay and will continue to strategically grow its businesses.

Barring any unforeseen circumstances, the Group remains confident that it will continue to deliver healthy financial performance for the remaining half of the current financial year.

**(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 interim dividend for the current quarter under review.

**21. Earnings per share**

	Individual Quarter		Cumulative Quarter	
	6 months to		6 months to	
Basic	31/7/2013	31/7/2012	31/7/2013	31/7/2012
Profit attributable to owners of the Parent (RM'000)	410,457	176,526	504,125	218,183
Number of ordinary shares in issue ('000)	5,992,155	5,004,366	5,992,155	5,004,366
Basic earnings per share (sen)	<u>6.85</u>	<u>3.53</u>	<u>8.41</u>	<u>4.36</u>

**By Order of the Board**

Kuala Lumpur  
30 September 2013

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Company Secretaries