

Financial Statement and Dividend Announcement for the Period Ended 31 March 2015

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

- 1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | Group (1st Quarter) 3 months ended | | Increase/ (Decrease) |
|---|---------------------------------------|---------------|-------------------------|
| | 31.03.2015 | 31.03.2014 | |
| | \$'000 | \$'000 | |
| Revenue | 35,091 | 45,977 | (23.7%) |
| Cost of sales | (21,524) | (24,510) | (12.2%) |
| Gross profit | 13,567 | 21,467 | (36.8%) |
| Direct depreciation | (5,022) | (9,119) | (44.9%) |
| Gross profit after direct depreciation | 8,545 | 12,348 | (30.8%) |
| Other income | 280 | 257 | 8.9% |
| Administrative expenses | (7,347) | (7,168) | 2.5% |
| Other operating expenses | (11,184) | (2,310) | 384.2% |
| Finance income | 693 | 713 | (2.8%) |
| Finance costs | (4,904) | (3,140) | 56.2% |
| Share of results of joint ventures (net of tax) | 4,077 | 2,577 | 58.2% |
| (Loss)/Profit before income tax | (9,840) | 3,277 | N/M |
| Income tax expense | (72) | (2,083) | N/M |
| (Loss)/Profit for the period | (9,912) | 1,194 | N/M |
| Results attributable to: | | | |
| Owners of the Company | (8,488) | 205 | N/M |
| Non-controlling interests | (1,424) | 989 | N/M |
| (Loss)/Profit for the period | (9,912) | 1,194 | N/M |

N/M – Not Meaningful

See paragraph 8 for more explanation on the income statement review

1(a)(i) Profit/(Loss) for the period is arrived at after crediting/ (charging):-

| | <u>31.03.2015</u> | <u>31.03.2014</u> | <u>Increase/ (Decrease)</u> |
|--|--------------------------|--------------------------|--|
| | \$'000 | \$'000 | |
| Amortisation of intangible assets | (127) | (120) | 5.8% |
| Depreciation of plant and equipment | (12,261) | (9,834) | 24.7% |
| Finance costs on convertible bonds | (1,735) | (1,655) | 4.8% |
| Write-back of doubtful trade receivables | - | 265 | N/M |
| Bad trade debts written off | - | (210) | N/M |
| Foreign exchange gain/(loss) | 844 | (208) | N/M |

N/M – Not Meaningful

See paragraph 8 for more explanation on the income statement review

1(b) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 31.03.2015 | 31.12.2014 | 31.03.2015 | 31.12.2014 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Current Assets | | | | |
| Cash and cash equivalents | 64,279 | 78,210 | 1,942 | 3,778 |
| Amounts due from subsidiaries | - | - | 11,622 | 11,050 |
| Amounts due from joint ventures | 10,279 | 4,982 | 46 | 46 |
| Trade receivables | 33,596 | 64,460 | - | - |
| Contract work-in-progress | 1,206 | 672 | - | - |
| Inventories | 477 | 459 | - | - |
| Other current assets | 15,085 | 14,286 | 195 | 151 |
| | 124,922 | 163,069 | 13,805 | 15,025 |
| Non-Current Assets | | | | |
| Joint ventures | 147,931 | 144,539 | 124,609 | 124,609 |
| Amounts due from joint ventures | 30,037 | 34,866 | - | - |
| Subsidiaries | - | - | 251,032 | 246,719 |
| Plant and equipment | 587,912 | 572,453 | 723 | 779 |
| Intangible assets and goodwill | 4,229 | 4,162 | - | - |
| Other non-current assets | 304 | 320 | 301 | 301 |
| Deferred tax assets | 2,706 | 2,601 | - | - |
| | 773,119 | 758,941 | 376,665 | 372,408 |
| Total assets | 898,041 | 922,010 | 390,470 | 387,433 |
| Current Liabilities | | | | |
| Trade and other payables | 35,289 | 44,700 | 3,081 | 3,265 |
| Provision for current tax | 12,470 | 13,209 | 408 | 1,025 |
| Amounts due to subsidiaries | - | - | 18,881 | 6,792 |
| Borrowings | 148,928 | 116,139 | 58,125 | 21,579 |
| | 196,687 | 174,048 | 80,495 | 32,661 |
| Non-Current Liabilities | | | | |
| Trade and other payables | 1,419 | 1,275 | - | - |
| Amounts due to joint ventures | 3,438 | 3,304 | 3,438 | 3,302 |
| Borrowings | 243,970 | 297,615 | - | 47,724 |
| Deferred tax liabilities | 478 | 712 | 382 | 593 |
| | 249,305 | 302,906 | 3,820 | 51,619 |
| Total liabilities | 445,992 | 476,954 | 84,315 | 84,280 |
| Net assets | 452,049 | 445,056 | 306,155 | 303,153 |
| Equity Attributable to Owners of the Company: | | | | |
| Share capital | 359,973 | 359,973 | 359,973 | 359,973 |
| Equity reserve | 24,717 | 24,717 | 24,717 | 24,717 |
| Other reserve | (3,750) | (3,750) | - | - |
| Treasury shares | (34,510) | (34,510) | (34,510) | (34,510) |
| Foreign currency translation reserve | (17,720) | (31,353) | - | - |
| Share based compensation reserve | 100 | - | 100 | - |
| Accumulated profits | 47,087 | 55,575 | (44,125) | (47,027) |
| | 375,897 | 370,652 | 306,155 | 303,153 |
| Non-controlling interests | 76,152 | 74,404 | - | - |
| Total equity | 452,049 | 445,056 | 306,155 | 303,153 |

See paragraph 8 for more explanation on the balance sheet review

1(b) (i) Aggregate amount of group's borrowings and debt securities**Amount repayable in one year or less, or on demand**

| | Group 31.03.2015 | Group 31.12.2014 |
|-----------|-----------------------------|-----------------------------|
| | \$'000 | \$'000 |
| Secured | 90,662 | 94,121 |
| Unsecured | 58,266 | 22,018 |
| Total | <u>148,928</u> | <u>116,139</u> |

Amount repayable after one year

| | Group 31.03.2015 | Group 31.12.2014 |
|-----------|-----------------------------|-----------------------------|
| | \$'000 | \$'000 |
| Secured | 243,970 | 249,891 |
| Unsecured | - | 47,724 |
| Total | <u>243,970</u> | <u>297,615</u> |

Details of the collaterals:

Secured borrowings are generally bank loans secured on plant and equipment and pledge of cash deposits in the borrowing companies. Unsecured borrowings include convertible bonds issued by the Company.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding year.

| | Group (3 months ended) | |
|---|-------------------------------|--------------------------|
| | <u>31.03.2015</u> | <u>31.03.2014</u> |
| <u>Operating activities</u> | \$'000 | \$'000 |
| (Loss)/Profit before tax | (9,840) | 3,277 |
| Adjustments for: | | |
| Amortisation of intangible assets | 127 | 120 |
| Depreciation of plant and equipment | 12,261 | 9,834 |
| Interest income | (693) | (713) |
| Interest expense | 3,169 | 1,485 |
| Finance cost on convertible bonds | 1,735 | 1,655 |
| Share of results of joint ventures | (4,077) | (2,577) |
| Operating profit before changes in working capital | 2,682 | 13,081 |
| Changes in working capital: | | |
| Inventories | (553) | (398) |
| Trade receivables | 31,973 | (4,144) |
| Other current assets | 75 | (4,077) |
| Trade and other payables | (9,140) | (1,814) |
| Cash generated from operations | 25,037 | 2,648 |
| Tax paid | (1,363) | (702) |
| Cash flows from operating activities | <u>23,674</u> | <u>1,946</u> |
| <u>Investing activities</u> | | |
| Repayment of quasi equity loans to joint ventures | - | (18) |
| Decrease in non-trade receivables with joint ventures and related parties | 951 | 1,785 |
| Dividends received | 1,605 | 2,214 |
| Interest received | 694 | 713 |
| Payments for purchase of plant and equipment | (4,106) | (18,026) |
| Payments for purchase of intangible assets | (60) | (12) |
| Cash flows (used in) investing activities | <u>(916)</u> | <u>(13,344)</u> |
| <u>Financing activities</u> | | |
| Decrease in non-trade payables with joint ventures and related parties | (46) | (65) |
| Proceeds from bills payable to bank | 174 | 533 |
| Repayment of bills payable to bank | (472) | (477) |
| Increase in deposits pledged | (2,173) | (827) |
| Interest paid | (4,944) | (3,228) |
| Repayment of finance lease liabilities | (4) | (3) |
| Proceeds from bank loans | 6,200 | 19,012 |
| Repayment of bank loans | (21,506) | (11,946) |
| Repayment of convertible bonds, excluding interest | (18,445) | - |
| Cash flows (used in)/from financing activities | <u>(41,216)</u> | <u>2,999</u> |
| Net decrease in cash and cash equivalents | <u>(18,458)</u> | <u>(8,399)</u> |
| Cash and cash equivalents at beginning of the period | 64,363 | 29,485 |
| Effect of exchange rate changes on balances held in foreign currencies | 2,354 | (232) |
| Cash and cash equivalents at end of the period | <u>48,259</u> | <u>20,854</u> |
| Cash and cash equivalents at end of the period includes the following: | | |
| Cash and cash equivalents | 64,279 | 35,362 |
| Deposits pledged | (16,020) | (14,508) |
| Cash and cash equivalents at end of the period | <u>48,259</u> | <u>20,854</u> |

See paragraph 8 for explanation on the statement of cash flow review

1(d) Statement of Comprehensive Income

| | Group (1st Quarter) 3 months ended | | Increase/ (Decrease) % |
|---|---------------------------------------|----------------|----------------------------------|
| | 31.03.2015 | 31.03.2014 | |
| | \$'000 | \$'000 | |
| (Loss)/Profit attributable to: | | | |
| Owners of the Company | (8,488) | 205 | N/M |
| Non-controlling interests | (1,424) | 989 | N/M |
| (Loss)/Profit for the period | (9,912) | 1,194 | N/M |
| Other comprehensive income/(expense) for the period: | | | |
| Foreign currency translation differences on translation of financial statements of foreign subsidiaries | 16,670 | (1,017) | N/M |
| Other comprehensive income/(expense) for the period | 16,670 | (1,017) | N/M |
| Total comprehensive income for the period | 6,758 | 177 | N/M |
| Total comprehensive income/(expense) attributable to: | | | |
| Owners of the Company | 5,145 | (849) | N/M |
| Non-controlling interests | 1,613 | 1,026 | N/M |
| Total comprehensive income for the period | 6,758 | 177 | N/M |

1(d)(i) A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

| Group | Share capital | Equity reserve | Other reserve | Treasury shares | Share based compensation reserve | Foreign currency translation reserve | Accumulated profits | Total attributable to owners of the Company | Non-controlling Interests | Total Equity |
|---|----------------------|-----------------------|----------------------|------------------------|---|---|----------------------------|--|----------------------------------|---------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 January 2015 | 359,973 | 24,717 | (3,750) | (34,510) | - | (31,353) | 55,575 | 370,652 | 74,404 | 445,056 |
| Loss for the period | - | - | - | - | - | - | (8,488) | (8,488) | (1,424) | (9,912) |
| Other comprehensive income | | | | | | | | | | |
| Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations | - | - | - | - | - | 13,633 | - | 13,633 | 3,037 | 16,670 |
| Total other comprehensive income | - | - | - | - | - | 13,633 | - | 13,633 | 3,037 | 16,670 |
| Total comprehensive income/(expense) for the period | - | - | - | - | - | 13,633 | (8,488) | 5,145 | 1,613 | 6,758 |
| Share based payment transactions | - | - | - | - | 100 | - | - | 100 | - | 100 |
| Contributions by non-controlling interests | - | - | - | - | - | - | - | - | 135 | 135 |
| Total contributions by and distributions to owners of the Company | - | - | - | - | 100 | - | - | 100 | 135 | 235 |
| At 31 March 2015 | 359,973 | 24,717 | (3,750) | (34,510) | 100 | (17,720) | 47,087 | 375,897 | 76,152 | 452,049 |
| At 1 January 2014 | 359,973 | 24,717 | (1,144) | (34,510) | - | (45,498) | 25,447 | 328,985 | 56,231 | 385,216 |
| Profit for the period | - | - | - | - | - | - | 205 | 205 | 989 | 1,194 |
| Other comprehensive income/(expense) | | | | | | | | | | |
| Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations | - | - | - | - | - | (1,054) | - | (1,054) | 37 | (1,017) |
| Total other comprehensive income/(expense) | - | - | - | - | - | (1,054) | - | (1,054) | 37 | (1,017) |
| Total comprehensive income/(expense) for the period | - | - | - | - | - | (1,054) | 205 | (849) | 1,026 | 177 |
| Acquisition of non-controlling interest | - | - | (2,636) | - | - | - | - | (2,636) | 2,636 | - |
| Total contributions by and distributions to owners of the Company | - | - | (2,636) | - | - | - | - | (2,636) | 2,636 | - |
| At 31 March 2014 | 359,973 | 24,717 | (3,780) | (34,510) | - | (46,552) | 25,652 | 325,500 | 59,893 | 385,393 |

| <u>Company</u> | Share based | | | | | Total Equity |
|--|----------------|----------------|-----------------|----------------------|------------------------------|----------------|
| | Share capital | Equity reserve | Treasury shares | compensation reserve | Accumulated (losses)/profits | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 1 January 2015 | 359,973 | 24,717 | (34,510) | - | (47,027) | 303,153 |
| Profit for the period | - | - | - | - | 2,902 | 2,902 |
| Total comprehensive income for the period | - | - | - | - | 2,902 | 2,902 |
| Share based payment transactions | - | - | - | 100 | - | 100 |
| Total contributions by and distributions to owners of the Company | - | - | - | 100 | - | 100 |
| At 31 March 2015 | 359,973 | 24,717 | (34,510) | 100 | (44,125) | 306,155 |
| At 1 January 2014 | 359,973 | 24,717 | (34,510) | - | (35,730) | 314,450 |
| Loss for the period | - | - | - | - | (3,555) | (3,555) |
| Total comprehensive expense for the period | - | - | - | - | (3,555) | (3,555) |
| At 31 March 2014 | 359,973 | 24,717 | (34,510) | - | (39,285) | 310,895 |

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There is no change in the Company's issued and paid-up capital for the period from 1 January 2015 to 31 March 2015.

Convertible Bonds

On 26 March 2010, the Company issued \$50 million of 3.0% convertible bonds with a maturity in March 2015 (the "2015 Bonds"). On 14 May 2010, the Company issued \$57 million additional 2015 Bonds. The 2015 Bonds were initially convertible into 66,875,000 fully-paid ordinary shares of the Company at an initial conversion price of \$1.60 per new share.

On 26 March 2013, the Company redeemed \$90 million in principal amount of the 2015 Bonds. Subsequent to 31 December 2014, the Company fully redeemed \$17 million face value of 2015 Bonds maturing on 26 March 2015.

On 21 March 2013, the Company issued \$45 million of 6.0% convertible bonds with a maturity in March 2016 (the "2016 Bonds"). As at 31 March 2015, the Company has \$45 million 2016 Bonds are outstanding which are convertible into 54,216,720 fully-paid ordinary shares of the Company at a conversion price of \$0.83 per new share.

As at 31 March 2015, the convertible bonds outstanding are convertible into 54,216,720 fully-paid ordinary shares of the Company (31 December 2014: 65,940,804 ordinary shares).

KS Energy Performance Share Plan (the "Plan")

As at 31 March 2015, the number of outstanding shares granted under the Plan, which was approved by the shareholders of the Company on 2 July 2009, was 2,669,000 (31 December 2014: nil).

On 6 March 2015, pursuant to Rule 704(29) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company granted 2,669,000 share awards to senior management, pursuant to the Plan. The closing price of the Company's shares on the award date was \$0.375.

Depending on the achievement of certain conditions, the final number of fully paid ordinary shares that will vest could range between 0% and 100% of the initial grant of share awards.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 March 2015, the share capital less treasury shares of the Company was 512,932,215 ordinary shares (524,240,215 issued ordinary shares less 11,308,000 treasury shares).

As at 31 December 2014, the share capital less treasury shares of the Company was 512,932,215 ordinary shares (524,240,215 issued ordinary shares less 11,308,000 treasury shares).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

The movement of treasury shares is as follows:

| | |
|------------------------------|-------------------|
| As at 1 January 2015: | 11,308,000 shares |
| Purchase of treasury shares: | Nil |
| As at 31 March 2015: | 11,308,000 shares |

2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed under item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those applied for the audited financial statements for the financial year ended 31 December 2014.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

In the current financial period, the Group adopted all the applicable new and revised Singapore Financial Reporting Standards ("FRSs") and related Interpretations ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2015. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's accounting policies and has no material effect on the financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

| | Group (1st Quarter) 3 months ended | |
|--|---|--------------------------|
| | <u>31.03.2015</u> | <u>31.03.2014</u> |
| Earnings per ordinary share: | Cents | Cents |
| (a) Based on weighted average number of ordinary shares in issue | (1.65) | 0.04 |
| (b) On a fully diluted basis | (1.65) | 0.04 |

The basic and diluted earnings per share for the three months ended 31 March 2015 was calculated by dividing the loss attributable to shareholders of \$8,488,000 (31.03.2014: profit attributable to shareholders of \$205,000) by the weighted average number of shares of 512,932,215 (31.03.2014: 512,932,215) in issue during the financial period.

The diluted earnings per share computation has taken into consideration the following:

- (i) The grant of 2,669,000 ordinary shares under the Plan will not be dilutive for the purpose of EPS computation. This treatment is in accordance to FRS 33, para 41, that it will not have dilutive effect when the inclusion in the calculation would decrease loss per share from continuing operations.
- (ii) The diluted earnings per share computations have not taken into consideration the effects of outstanding convertible bonds as they are anti-dilutive pursuant to para 41 of FRS 33.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the: -

- (a) current financial period reported on; and**
- (b) immediately preceding financial year**

| | Group | | Company | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | <u>31.03.2015</u> | <u>31.12.2014</u> | <u>31.03.2015</u> | <u>31.12.2014</u> |
| | Cents | Cents | Cents | Cents |
| Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on | <u>73.3</u> | <u>72.3</u> | <u>59.7</u> | <u>59.1</u> |

Net asset value per ordinary share is calculated by dividing the equity attributable to the owners of the Company (excluding non-controlling interests) of \$375,897,000 (31.12.2014: \$370,652,000) by the number of ordinary shares issued as at 31 March 2015 of 512,932,215 (31.12.2014: 512,932,215).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -
- a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 - b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

INCOME STATEMENT REVIEW

1st Quarter ended 31 March 2015

| | Group (1st Quarter) 3 months ended | | |
|---------------------------|--|--------------------------|-----------------------|
| | <u>31.03.2015</u> | <u>31.03.2014</u> | <u>Change</u> |
| Revenue by segment | \$'000 | \$'000 | |
| Drilling | 34,465 | 40,513 | (14.9%) |
| Engineering | 97 | 2,806 | (96.5%) |
| Corporate | 797 | 2,971 | (73.2%) |
| Inter-segment | (268) | (313) | (14.4%) |
| | <u>35,091</u> | <u>45,977</u> | <u>(23.7%)</u> |

Overview

Consolidated revenue was \$35.1 million in the three months ended 31 March 2015 ("Q1 2015"), a decrease of \$10.9 million, or 23.7%, below that of \$46.0 million reported for the three months ended 31 March 2014 ("Q1 2014") mainly due to lower revenue from the Drilling business.

Consolidated loss after tax was \$9.9 million for Q1 2015 compared to profit after tax of \$1.2 million reported for Q1 2014, a decrease of \$11.1 million. The loss after tax for Q1 2015 was mainly due to the lower revenue from the Drilling business following the completion of charter contracts in Q1 2015.

Revenue

Revenue from the Drilling business dropped \$6.0 million, or 14.9%, from \$40.5 million for Q1 2014 to \$34.5 million for Q1 2015. The revenue decrease was mainly due to reduced deployed of rigs in Q1 2015. Revenue contribution from the Drilling business made up about 98.2% of the Group's consolidated revenue for Q1 2015.

Revenue from the Engineering business decreased \$2.7 million, or 96.5%, from \$2.8 million for Q1 2014 to \$0.1 million for Q1 2015. Revenue contribution from the Engineering business made up about 0.3% of the Group's consolidated revenue for Q1 2015.

Revenue generated by the Group but not attributable to either the Drilling segment or the Engineering segment decreased \$2.2 million, or 73.2% from \$3.0 million for Q1 2014 to \$0.8 million for Q1 2015 due to the completion of a contract. Revenue contribution from this segment made up about 2.3% of the Group's consolidated revenue for Q1 2015.

Gross Profit

The Group's gross profit after direct depreciation was \$8.5 million for Q1 2015, a decrease of \$3.8 million below that of \$12.3 million reported for Q1 2014. The lower gross profit after direct depreciation was mainly attributable to the lower revenue booked in the Drilling segment. The Group's gross profit after direct depreciation margin decreased from 26.9% in Q1 2014 to 24.4% in Q1 2015.

Other Income

Other Income was \$0.3 million in both Q1 2015 and Q1 2014. Other income mainly comprised management fees and other income not directly related to the revenue generated from our day-to-day operations.

Operating Expenses and Direct Depreciation

Administrative Expenses increased slightly by \$0.1 million from \$7.2 million in Q1 2014 to \$7.3 million in Q1 2015.

Other Operating Expenses increased by \$8.9 million from \$2.3 million in Q1 2014 to \$11.2 million in Q1 2015, mainly due to the reclassification of depreciation, insurance and other costs of idle rigs from Cost of Sales and Direct Depreciation.

When capital equipment is off-hire, depreciation charges are allocated to Other Operating Expenses whereas when on-hire, depreciation charges are allocated to Direct Depreciation. Depreciation charges allocated to both Other Operating Expenses and Direct Depreciation totalled \$12.3 million in Q1 2015 compared to \$9.8 million in Q1 2014, an increase of \$2.5 million. The higher depreciation charges for the current periods are attributable to the capital expenditure on plant and equipment incurred since the previous period.

Finance Income and Costs

Finance Income was \$0.7 million in both Q1 2015 and Q1 2014.

Finance Costs increased \$1.8 million from \$3.1 million in Q1 2014 to \$4.9 million in Q1 2015. The increase in Finance Costs in Q1 2015 was mainly due to new secured term loan facilities obtained by the Drilling business since Q1 2014.

Share of results of Joint Ventures

The Group's share of results from joint ventures increased \$1.5 million from \$2.6 million in Q1 2014 to \$4.1 million for Q1 2015 mainly due to a higher contribution from the Distribution business. The Group's share of results from KS Distribution Pte Ltd and its subsidiaries (the "KS Distribution Group") increased by \$2.4 million from \$0.4 million for Q1 2014 to \$2.8 million for Q1 2015, mainly due to a gain recognised on the disposal of a leasehold property in Q1 2015.

Tax expense

The tax expense decreased from a charge of \$2.1 million in Q1 2014 to \$0.1 million in Q1 2015.

Result Attributable to Shareholders

The result attributable to the owners of the Group slipped from a profit of \$0.2 million in Q1 2014 to a loss of \$8.5 million in Q1 2015.

STATEMENT OF FINANCIAL POSITION REVIEW

The Group's total non-current assets increased 1.9% from \$758.9 million as at 31 December 2014 to \$773.1 million as at 31 March 2015. The increase was principally attributable to the strengthening of the US dollar against the Singapore dollar over the quarter which increased the Singapore dollar value of our US dollar denominated plant and equipment. Non-current assets comprise mainly plant and equipment in our Drilling

business. The carrying value of Rigs increased from \$568.2 million as at 31 December 2014 to \$583.8 million as at 31 March 2015.

Joint ventures increased from \$144.5 million as at 31 December 2014 to \$147.9 million as at 31 March 2015 due mainly to the Group's share of KS Distribution's result for the period. Joint ventures comprised the Group's 55.35% equity interest in KS Distribution Pte Ltd, with a carrying amount of \$123.3 million as at 31 March 2015, and other joint ventures.

Total current assets decreased 23.4% from \$163.1 million as at 31 December 2014 to \$124.9 million as at 31 March 2015. The decrease in current assets was mainly due to lower trade receivables which decreased \$30.9 million from \$64.5 million as at 31 December 2014 to \$33.6 million as at 31 March 2015; and lower cash and cash equivalents which decreased \$13.9 million from \$78.2 million as at 31 December 2014 to \$64.3 million as at 31 March 2015.

Total liabilities decreased \$31.0 million from \$477.0 million as at 31 December 2014 to \$446.0 million as at 31 March 2015. This was principally attributable to a \$20.9 million decrease in borrowings from \$413.8 million as at 31 December 2014 to \$392.9 million as at 31 March 2015.

The Group and Company have a negative net current asset position (current liabilities greater than current assets) of \$71.8 million and \$66.7 million respectively, as at 31 March 2015. The negative net current asset position is mainly attributable to current liabilities including \$48.5 million relating to convertible bonds maturing in March 2016. Steps will be taken to improve the net current asset position of the Group and Company.

The Group's net gearing (defined as net borrowings to equity) decreased to 0.73 as at 31 March 2015 from 0.75 as at 31 December 2014.

Equity attributable to owners of the Company increased \$5.2 million from \$370.7 million as at 31 December 2014 to \$375.9 million as at 31 March 2015. This increase was mainly due to favourable movements in the foreign currency translation reserve during the period.

STATEMENT OF CASH FLOWS REVIEW

As at 31 March 2015, cash and cash equivalents amounted to \$64.3 million (31 March 2014: \$35.4 million), of which unpledged cash and cash equivalents amounted to \$48.3 million (31 March 2014: \$20.9 million).

Cash Flow from Operating Activities

Operating activities generated a net cash inflow of \$23.7 million for the three months ended 31 March 2015. The net cash flow from Operating Activities comprised a cash inflow of \$2.7 million arising due to operating profits before changes in working capital; a cash inflow of \$22.4 million arising due to changes in working capital; and a cash outflow of \$1.4 million arising due to income taxes paid.

Cash Flow from Investing Activities

Net cash outflow from investing activities amounted to \$0.9 million for the three months ended 31 March 2015. This is attributable mainly to purchases of plant and equipment which generated a cash outflow of \$4.1 million, partially offset by dividends received from a joint venture which generated a cash inflow of \$1.6 million, a decrease in non-trade receivables with joint ventures and related parties which generated a cash inflow of \$1.0 million and interest received which generated a cash inflow of \$0.7 million.

Cash Flow from Financing Activities

The net cash outflow from financing activities was \$41.2 million. The aggregate repayment of bank loans during Q1 2015 totalled \$21.5 million while the aggregate proceeds from new bank loans entered into during Q1 2015 totalled \$6.2 million. The repayment of a convertible bond and interest paid during Q1 2015 generated cash outflows of \$18.4 million and \$4.9 million respectively.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast was made. However, the Group's performance for Q1 2015 was in line with the views expressed in a statement in Paragraph 10 of the Company's previous results announcement dated 27 February 2015.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The outlook for the offshore services sector is being affected by the lower oil price which has reduced the demand for the rigs. However, the Group believes the long term economic fundamentals remain supportive for oil and gas services.

The Group expects its Distribution business to continue to be important to the Group's overall performance.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect

Not applicable.

13. Interested persons transactions

The Group has the following interested person transactions (“IPT”) for the three months ending 31 March 2015:

| Name of Interested Person | Aggregate value of all IPTs during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders’ mandate pursuant to Rule 920) | Aggregate value of all IPTs conducted under shareholders’ mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than \$100,000) |
|--|---|---|
| PT Dwi Sumber Arca Waja, its subsidiaries and its associates (“DSAW Group”) <ul style="list-style-type: none"> Provision of goods and services to and from the DSAW Group Provision of other Equipment and services by the DSAW Group | <p>-</p> <p>-</p> | <p>SGD 114,055</p> <p>-</p> |
| PT KS Drilling Indonesia and its subsidiaries (“JVC Group”) <ul style="list-style-type: none"> the buying, selling and chartering of Rigs and Equipment the provision of Management Services net repayment of interest , guarantee fees and shareholders’ loan provided by KS Drilling to PT KS Drilling Indonesia and its subsidiaries Interest bearing loans to PT KS Drilling Indonesia and its subsidiaries - Principal , accrued interest and unpaid guarantee fees as at end of period * Corporate guarantees extended in favour of banks in respect of loan facilities extended to PT KS Drilling Indonesia and its subsidiaries - Principal and accrued interest in respect of the bank loan facilities as at end of period ** | <p>-</p> <p>SGD 111,026</p> <p>-</p> <p>N/A</p> <p>N/A</p> | <p>-</p> <p>-</p> <p>USD 1,374,997</p> <p>USD 27,048,019</p> <p>USD 16,742,092</p> |

* With reference to the IPT Mandate approved by shareholders at the EGM held on 7 December 2012 and the Circular dated 22 November 2012, the Group provided financing to PT KS Drilling Indonesia and its subsidiaries by way of shareholder loans that accrues interest at the rate of 7% per year. The principal amount outstanding in respect of such shareholder loans from KS Drilling Pte Ltd, an 80% subsidiary of the Company, to PT Java Star Rig, to finance the acquisition of the jack-up rig named “KS Java Star” was US\$26.4 million as at 31 March 2015.

** KS Drilling Pte Ltd, an 80% subsidiary of the Company, has extended a corporate guarantee in favour of a bank lending to PT Java Star Rig for 100% of the bank loan facility. The principal amount outstanding in respect of the bank loan facility to finance the jack-up rig named “KS Java Star” was US\$16.7 million as at 31 March 2015.

BY ORDER OF THE BOARD

**Caroline Yeo
Company Secretary
14 May 2015**

CONFIRMATION BY THE BOARD

We, Mr Kris Taenar Wiluan and Mr Lim Ho Seng, being Directors of KS Energy Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the first quarter FY2015 financial results to be false or misleading in any material aspect.

On behalf of the Board of Directors

KRIS TAENAR WILUAN
Executive Chairman and Chief Executive Officer

LIM HO SENG
Director

Singapore, 14 May 2015