KS ENERGY LIMITED
An Integrated Energy Services Hub
(Company Registration No. 198300104G)

Financial Statement and Dividend Announcement for the Period Ended 30 June 2019

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 (2nd Quarter) 3 months ended			Group (Year-to-date) 6 months ended		
	30.06.2019 $'000	30.06.2018 $'000	Increase/ (Decrease)	30.06.2019 $'000	30.06.2018 $'000	Increase/ (Decrease)
Revenue	5,786	17,501	(66.9%)	10,479	28,856	(63.7%)
Cost of sales	(11,720)	(18,468)	(36.5%)	(23,009)	(35,773)	(35.7%)
Gross loss	**(5,934)**	**(967)**	**>100%**	**(12,530)**	**(6,917)**	**81.1%**
Other income	(38)	19	N/M	510	21	>100%
Administrative expenses	(3,551)	(4,880)	(27.2%)	(6,874)	(9,350)	(26.5%)
Other operating expenses	(50,848)	(4,383)	**>100%**	(51,090)	(5,142)	**>100%**
Results from operating activities	**(60,371)**	**(10,211)**	**>100%**	**(69,984)**	**(21,388)**	**>100%**
Finance income	3,522	19	>100%	3,556	82	>100%
Finance costs	(2,743)	(4,756)	(42.3%)	(6,256)	(9,410)	(33.5%)
Share of results of joint ventures (net of tax)	–	(1,228)	N/M	–	(2,889)	N/M
Loss before tax	**(59,592)**	**(16,176)**	**>100%**	**(72,684)**	**(33,605)**	**>100%**
Income tax (expense)/credit	(181)	4,307	N/M	(393)	4,113	N/M
Loss for the period	**(59,773)**	**(11,869)**	**>100%**	**(73,077)**	**(29,492)**	**>100%**
Results attributable to:						
Owners of the Company	**(47,190)**	**(9,220)**	**>100%**	**(57,538)**	**(23,140)**	**>100%**
Non-controlling interests	(12,583)	(2,649)	>100%	(15,539)	(6,352)	>100%
Loss for the period	**(59,773)**	**(11,869)**	**>100%**	**(73,077)**	**(29,492)**	**>100%**

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):-

	Group (2nd Quarter) 3 months ended			Group (Year-to-date) 6 months ended		
	30.06.2019 $'000	30.06.2018 $'000	Increase/ (Decrease)	30.06.2019 $'000	30.06.2018 $'000	Increase/ (Decrease)
Amortisation of intangible assets	–	(38)	N/M	(1)	(80)	(98.8%)
Depreciation of plant and equipment	(7,271)	(7,400)	(1.7%)	(14,556)	(15,007)	(3.0%)
Finance costs on secured bonds	(106)	(1,481)	(92.8%)	(943)	(2,981)	(68.4%)
Interest expense on borrowings	(2,637)	(3,275)	(19.5%)	(5,313)	(6,429)	(17.4%)
Gain on repurchasing secured bonds	3,504	–	N/M	3,504	–	N/M
Impairment loss on plant and equipment	–	(1,793)	N/M	–	(1,793)	N/M
Assets under construction written off	(54,974)	–	N/M	(54,974)	–	N/M
Foreign exchange gain/(loss) (net)	49	(449)	N/M	(106)	(540)	(80.4%)
(Loss)/Gain on disposal of plant and equipment	(38)	(2,084)	(98.2%)	510	(2,084)	N/M
Loss on disposal of asset held for sale	–	–	N/M	–	(363)	N/M
Reversal of provision related to assets under construction	4,179	–	N/M	4,179	–	N/M
Adjustments for over provision of tax in respect of prior years	30	4,512	(99.3%)	30	4,512	(99.3%)

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	
	30.06.2019 $'000	31.12.2018 $'000	30.06.2019 $'000	31.12.2018 $'000
Current assets				
Cash and cash equivalents	4,534	15,606	121	1,079
Amounts due from subsidiaries	–	–	134	171
Trade receivables	3,106	1,758	–	–
Contract assets	2,589	1,263	–	–
Inventories	6,263	226	–	–
Other assets	8,281	5,039	26	98
	24,773	**23,892**	**281**	**1,348**
Non-current assets				
Subsidiaries	–	–	–	47,251
Plant and equipment	309,171	388,487	17	21
Intangible assets and goodwill	–	1	–	–
Other assets	673	679	–	–
Deferred tax assets	551	555	–	–
	310,395	**389,722**	**17**	**47,272**
Total assets	**335,168**	**413,614**	**298**	**48,620**
Equity attributable to owners of the Company				
Share capital	390,942	359,973	390,942	359,973
Equity reserve	18,007	18,007	18,007	18,007
Treasury shares	(26,365)	(26,365)	(26,365)	(26,365)
Foreign currency translation reserve	(6,984)	(7,160)	–	–
Other reserve	(3,750)	(3,750)	–	–
Accumulated losses	(408,539)	(351,001)	(408,963)	(363,282)
	(36,689)	**(10,296)**	**(26,379)**	**(11,667)**
Non-controlling interests	(4,093)	11,449	–	–
Total equity	**(40,782)**	**1,153**	**(26,379)**	**(11,667)**
Current liabilities				
Bank overdraft	3,584	3,520	–	–
Trade and other payables	16,748	23,840	2,141	2,267
Contract liabilities	134	20	–	–
Amounts due to subsidiaries	–	–	1,501	1,589
Provision for current tax	3,181	3,197	–	–
Financial liabilities	5,842	11,649	–	–
	29,489	**42,226**	**3,642**	**3,856**
Non-current liabilities				
Trade and other payables	8,028	561	–	–
Amounts due to subsidiaries	–	–	18,023	18,180
Financial liabilities	337,418	368,621	5,012	38,221
Deferred tax liabilities	1,015	1,053	–	30
	346,461	**370,235**	**23,035**	**56,431**
Total liabilities	**375,950**	**412,461**	**26,677**	**60,287**
Total equity and liabilities	**335,168**	**413,614**	**298**	**48,620**

** Refer to paragraph 5 for more explanation*

See paragraph 8 for more explanation on the balance sheet review

Presentation of the statement of financial position has been changed to be in line with market practice

1(b) (i) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand	Group 30.06.2019 $'000	Group 31.12.2018 $'000
Secured	4,458	5,785
Unsecured	1,384	5,864
Total	5,842	11,649

Amount repayable after one year	Group 30.06.2019 $'000	Group 31.12.2018 $'000
Secured	328,668	364,350
Unsecured	8,750	4,271
Total	337,418	368,621

Amount repayable in total	Group 30.06.2019 $'000	Group 31.12.2018 $'000
Secured	333,126	370,135
Unsecured	10,134	10,135
Total	343,260	380,270

Included in unsecured borrowings repayable within one year as at 30 June 2019 was an amount of $134,000 relating to loans from related parties (31 December 2018: $135,000).

Included in secured borrowings repayable after one year as at 30 June 2019 are fixed rate secured bonds due 2020 that were issued by the Company on 8 December 2017 (the "2017 Bonds"). The carrying value of the 2017 Bonds was $5,012,000 (31 December 2018: $38,221,000).

Details of the collaterals:

Secured bank loans are secured on plant and equipment, pledged cash deposits and corporate guarantees by the Company. The 2017 Bonds are secured by a share charge in respect of a portion of the Company's shares in a subsidiary of the Group, KS Drilling Pte Ltd and a negative pledge.

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 (6 months ended) 30.06.2019 $'000	30.06.2018 $'000
Operating activities		
Loss before tax	(72,684)	(33,605)
Adjustments for:		
Amortisation of intangible assets	1	80
Depreciation of plant and equipment	14,556	15,007
Impairment loss on plant and equipment	–	1,793
(Gain)/Loss on disposal of plant and equipment	(510)	2,084
Assets under construction written off	54,974	–
Finance income	(3,556)	(82)
Finance costs	5,313	6,429
Finance costs on secured bonds	943	2,981
Share of results of joint ventures, net of tax	–	2,889
Unrealised foreign exchange (gain)/loss	(169)	385
Loss on disposal of asset held for sale	–	363
Operating loss before changes in working capital	(1,132)	(1,676)
Changes in working capital:		
- contract assets	(1,336)	(1,264)
- trade receivables	(1,366)	(1,119)
- other assets	(577)	2,661
- trade and other payables	(3,401)	(3,090)
- contract liabilities	114	(1,064)
Cash used in operating activities	**(7,698)**	**(5,552)**
Taxes paid	(149)	(194)
Net cash used in operating activities	**(7,847)**	**(5,746)**
Investing activities		
Proceeds arising from non-trade net receivables with joint ventures	–	60
Interest received	52	83
Acquisition of plant and equipment	(1,628)	(602)
Proceeds from disposal of plant and equipment	716	1,403
Proceeds from sale of asset held for sale	–	295
Proceeds from issue of new shares by an indirect subsidiary	–	335*
Cash acquired on consolidation of investment previously accounted for as joint venture	–	9,041
Net cash (used in)/ from investing activities	**(860)**	**10,615**
Financing activities		
Decrease in deposits pledged	289	1,358
Interest paid on borrowings	(1,227)	(4,696)
Repayment of bank loans	(1,278)	(2,962)
Loan from related parties	–	880
Payment of transaction costs of bank loans	(15)	(26)
Net cash used in financing activities	**(2,231)**	**(5,446)**

Net decrease in cash and cash equivalents	**(10,938)**	**(577)**
Cash and cash equivalents at beginning of the year	10,005	6,777
Effect of exchange rate fluctuations on cash held in foreign currencies	91	154
Cash and cash equivalents at end of the year	**(842)**	**6,354**
Cash and cash equivalents at end of the period includes the following:		
Cash and cash equivalents (net of bank overdraft)	950	6,675
Deposit pledged	(1,792)	(321)
Cash and cash equivalents at end of the period	**(842)**	**6,354**

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

**Refer to Announcement dated 4 June 2018*

1(d) Statement of Comprehensive Income

	Group (Year-to-date) 6 months ended		
	30.06.2019 $'000	**30.06.2018 $'000**	**Increase/ (Decrease) %**
Loss attributable to:			
Owner of the Company	(57,538)	(23,140)	>100.0%
Non-controlling interests	(15,539)	(6,352)	>100.0%
Loss for the period	**(73,077)**	**(29,492)**	>100.0%
Other comprehensive income for the period:			
Defined benefit plan remeasurements	–	6	N/M
Foreign currency translation differences on translation of financial statements of foreign subsidiaries	173	1,513	(88.6%)
Other comprehensive income for the period	**173**	**1,519**	(88.6%)
Total comprehensive expense for the period	**(72,904)**	**(27,973)**	>100.0%
Total comprehensive expense attributable to:			
Owners of the Company	(57,362)	(21,904)	>100.0%
Non-controlling interests	(15,542)	(6,069)	>100.0%
Total comprehensive expense for the period	**(72,904)**	**(27,973)**	>100.0%

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 $'000	Equity reserve $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Other reserve $'000	Accumulated losses $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2019	359,973	18,007	(26,365)	(7,160)	(3,750)	(351,001)	(10,296)	11,449	1,153
Total comprehensive expense for the period									
Loss for the period	–	–	–	–	–	(57,538)	(57,538)	(15,539)	(73,077)
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	–	–	–	176	–	–	176	(3)	173
Total other comprehensive income/(expense)	–	–	–	176	–	–	176	(3)	173
Total comprehensive income/(expense) for the period	**–**	**–**	**–**	**176**	**–**	**(57,538)**	**(57,362)**	**(15,542)**	**(72,904)**
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Issue of ordinary shares	30,969	–	–	–	–	–	30,969	–	30,969
Total contributions by and distributions to owners of the Company	30,969	**–**	**–**	**–**	**–**	**–**	30,969	**–**	30,969
At 30 June 2019	**390,942**	**18,007**	**(26,365)**	**(6,984)**	**(3,750)**	**(408,539)**	**(36,689)**	**(4,093)**	**(40,782)**

Group	Share capital $'000	Equity reserve $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Other reserve $'000	Accumulated losses $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2018	359,973	18,007	(26,365)	(8,476)	(3,750)	(308,896)	30,493	21,795	52,288
Total comprehensive expense for the period									
Loss for the period	–	–	–	–	–	(23,140)	(23,140)	(6,352)	(29,492)
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	–	–	–	1,223	–	8	1,231	282	1,513
Defined benefit plan remeasurements	–	–	–	–	–	5	5	1	6
Total other comprehensive income	–	–	–	1,223	–	13	1,236	283	1,519
Total comprehensive income/(expense) for the period	**–**	**–**	**–**	**1,223**	**–**	**(23,127)**	**(21,904)**	**(6,069)**	**(27,973)**
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Acquisition of non-controlling interests without a change in control	–	–	–	–	–	–	–	688	688
Issuance of new shares by an indirect subsidiary	–	–	–	–	–	–	–	335	335
Total contributions by and distributions to owners of the Company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,023**	**1,023**
At 30 June 2018	**359,973**	**18,007**	**(26,365)**	**(7,253)**	**(3,750)**	**(332,023)**	**8,589**	**16,749**	**25,338**

Company	Share capital $'000	Equity reserve $'000	Treasury shares $'000	Accumulated losses $'000	Total equity $'000
At 1 January 2019	359,973	18,007	(26,365)	(363,282)	(11,667)
Loss for the period	–	–	–	(45,681)	(45,681)
Total comprehensive expense for the period	**–**	**–**	**–**	(45,681)	(45,681)
Transactions with owners of the Company, recognised directly in equity					
Contributions by and distributions to owners of the Company					
Issue of ordinary shares	30,969	–	–	–	30,969
Total contributions by and distributions to owners of the Company	**30,969**	**–**	**–**	**–**	**30,969**
At 30 June 2019	**390,942**	**18,007**	**(26,365)**	**(408,963)**	**(26,379)**
At 1 January 2018	359,973	18,007	(26,365)	(310,447)	41,168
Loss for the period	–	–	–	(31,859)	(31,859)
Total comprehensive expense for the period	**–**	**–**	**–**	**(31,859)**	**(31,859)**
At 30 June 2018	**359,973**	**18,007**	**(26,365)**	**(342,306)**	**9,309**

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.

The Company issued and allotted an aggregate of 794,871,795 new ordinary shares in April 2019. The Company did not have any subsidiary holdings as at 30 June 2019 (31 December 2018: Nil) where "subsidiary holdings" has the meaning given to it in the Listing Manual of the Singapore Securities Trading Limited.

As at 30 June 2019, the number of ordinary shares in issue was 1,319,112,010 of which 8,639,000 were held by the Company as treasury shares.

As at 31 December 2018, the number of ordinary shares in issue was 524,240,215 of which 8,639,000 were held by the Company as treasury shares.

Convertible Bonds

As at 30 June 2019 and 31 December 2018, there were no convertible bonds outstanding.

Warrants

As at 30 June 2019 and 31 December 2018, there were no warrants outstanding.

KS Energy Performance Share Plan (the "Plan")

As at 30 June 2019, there were no outstanding shares issued under the Plan which was approved by the shareholders of the Company on 2 July 2009.

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 30 June 2019, the share capital less treasury shares of the Company was 1,310,473,010 ordinary shares (1,319,112,010 issued ordinary shares less 8,639,000 treasury shares).

As at 31 December 2018, the share capital less treasury shares of the Company was 515,601,215 ordinary shares (524,240,215 issued ordinary shares less 8,639,000 treasury shares).

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

There were no sales, transfers, cancellation and/or use of treasury shares as at 30 June 2019 (30 June 2018: Nil).

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There were no sales, transfers, cancellation and/or use of subsidiary holdings as at 30 June 2019 (30 June 2018: Nil) where "subsidiary holdings" has the meaning given to it in the Listing Manual of the Singapore Securities Trading Limited.

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 2018.

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.

SFRS(I) 16 Leases

The Group is required to adopt *SFRS(I) 16 Leases* from 1 January 2019.

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting remains similar to the current standard. i.e. lessors continue to classify leases as finance or operating leases.

For leases which the Group is a lessee, the Group is required to recognise new assets and liabilities for its portfolio of operating leases. The nature of expenses related to those leases has changed because the Group will recognise a depreciation charge for ROU assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the leases, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The application of this SFRS(I) 16 does not have a significant impact to the Group's 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.

	3 months ended		6 months ended	
	30.06.2019	**30.06.2018**	**30.06.2019**	**30.06.2018**
Loss per share attributable to owners of the Group:				
(a) Based on weighted average number of ordinary shares in issue (cents per share)	(4.32)	(1.79)	(7.14)	(4.49)
- Weighted average number of shares	1,092,101,638	515,601,215	805,443,969	515,601,215
(b) On a fully diluted basis (cents per share)	(4.32)	(1.79)	(7.14)	(4.49)
- Weighted average number of shares	1,092,101,638	515,601,215	805,443,969	515,601,215

The basic and diluted earnings per share for the three months ended 30 June 2019 was calculated by dividing the loss attributable to shareholders of $47,190,000 (30.06.2018: $9,220,000) by the weighted average number of shares in issue during the financial period.

The basic and diluted earnings per share for the six months ended 30 June 2019 was calculated by dividing the loss attributable to shareholders of $57,538,000 (30.06.2018: $23,140,000) by the weighted average number of shares in issue during the financial period.

The earnings per share computations have taken into consideration the following:

The diluted earnings per share computations have not taken into consideration the effects of the 2017 Bonds as at 30 June 2019, nor the 2017 Bonds as at 30 June 2018, as they are anti-dilutive pursuant to para 41 of SFRS(I) 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	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	Cents	Cents	Cents	Cents
Net asset value (excluding non-controlling interests) per ordinary share based on existing issued share capital as at the end of the period reported on	(2.8)	(2.0)	(2.0)	(2.3)

The Group's and the Company's net asset values per ordinary share have been computed based on the 1,310,473,010 ordinary shares issued as at 30 June 2019 (31.12.2018: 515,601,215).

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

Financial period ended 30 June 2019

	Group (2nd Quarter) 3 months ended			Group (Year-to-date) 6 months ended		
	30.06.2019 $'000	30.06.2018 $'000	Change	30.06.2019 $'000	30.06.2018 $'000	Change
Revenue by segment						
Drilling	5,750	16,978	(66.1%)	10,443	28,312	(63.1%)
Engineering	36	523	(93.1%)	36	544	(93.4%)
	5,786	17,501	(66.9%)	10,479	28,856	(63.7%)

Overview

The financial results reflect the continuing weak operating conditions across the oil and gas services sector.

Results for the three months ended 30 June 2019 ("Q2 2019")

The consolidated revenue was $5.8 million for Q2 2019, a decrease of $11.7 million, or 66.9%, below that of $17.5 million reported for the three months ended 30 June 2018 ("Q2 2018") due to the lower revenue from the Drilling segment following the completion of contracts for our onshore drilling rigs in Indonesia.

The consolidated loss after tax was $59.8 million for Q2 2019, an increase of $47.9 million compared to the consolidated loss after tax of $11.9 million reported for Q2 2018. The higher loss was mainly due to:

i. a $50.2 million higher loss from operating activities which increased from a $10.2 million loss in Q2 2018 to a $60.4 million loss in Q2 2019 mainly due to the assets under construction written off; and

ii. a $4.5 million change in tax from a $4.3 million tax credit in Q2 2018 to a $0.2 million tax expense in Q2 2019 due to the adjustments in Q2 2018 for over provision of tax in respect of prior years.

Partially offset by

iii. a $3.5 million increase in Finance Income from $0.0 million in Q2 2018 to $3.5 million in Q2 2019 due to a gain on repurchasing secured bonds;

iv. a $2.1 million decrease in Finance Costs from $4.8 million in Q2 2018 to $2.7 million in Q2 2019; and

v. a $1.2 million smaller loss from share of results of joint venture, from a $1.2 million loss in Q2 2018 to $0.0 million in Q2 2019 due to the disposal of the joint venture.

Results for the six months ended 30 June 2019 ("6M 2019")

The consolidated revenue was $10.5 million for 6M 2019, a decrease of $18.4 million, or 63.7%, below that of $28.9 million reported for the six months ended 30 June 2018 ("6M 2018") due to the lower revenue from the Drilling segment following the completion of contracts for our onshore drilling rigs in Indonesia.

The consolidated loss after tax was $73.1 million for 6M 2019, an increase of $43.6 million compared to the consolidated loss after tax of $29.5 million reported for 6M 2018. The higher loss was mainly due to:

i. a $48.6 million higher loss from operating activities which increased from a $21.4 million loss in 6M 2018 to a $70.0 million loss in 6M 2019 mainly due to the assets under construction written off; and

ii. a $4.5 million change in tax from a $4.1 million tax credit in 6M 2018 to a $0.4 million tax expense in 6M 2019 due to the adjustments in 6M 2018 for over provision of tax in respect of prior years.

Partially offset by

iii. a $3.5 million increase in Finance Income from $0.1 million in 6M 2018 to $3.6 million in 6M 2019 due to a gain on repurchasing secured bonds.

iv. a $3.1 million decrease in Finance Costs from $9.4 million in 6M 2018 to $6.3 million in 6M 2019; and

v. a $2.9 million smaller loss from share of results of joint venture, from a $2.9 million loss in 6M 2018 to $0.0 million in 6M 2019 due to the disposal of the joint venture.

Revenue

The consolidated revenue was $5.8 million for Q2 2019, a decrease of $11.7 million, or 66.9%, below that of $17.5 million for Q2 2018. The consolidated revenue was $10.5 million in 6M 2019, a decrease of $18.4 million, or 63.7%, below that of $28.9 million reported for 6M 2018.

Revenue from the Drilling business decreased $11.2 million, or 66.1%, from $17.0 million for Q2 2018 to $5.8 million for Q2 2019 and decreased $17.8 million, or 63.1%, from $28.3 million for 6M 2018 to $10.5 million for 6M 2019. The lower revenue resulted from completion of contracts for our onshore drilling rigs in Indonesia. Revenue contribution from the Drilling business made up about 99.4% of the Group's consolidated revenue for Q2 2019 and 99.7% for 6M 2019.

Revenue from the Engineering business decreased $0.5 million from $0.5 million for Q2 2018 to less than $0.1 million for Q2 2019 and decreased $0.5 million from $0.5 million for 6M 2018 to less than $0.1 million for 6M 2019. The lower revenue resulted from completion of projects. Revenue contribution from the Engineering business made up about 0.6% of the Group's consolidated revenue for Q2 2019 and 0.3% for 6M 2019.

Gross Loss

The gross loss of $5.9 million for Q2 2019 was significantly higher than the gross loss of $1.0 million reported for Q2 2018. The higher gross loss in Q2 2019 was the net result of a $6.8 million decrease in cost of sales and a $11.7 million decrease in revenue. Included in cost of sales are the cost of goods sold, the cost of services provided, and certain fixed costs associated with our fleet of rigs such as depreciation charges which decreased from $7.3 million in Q2 2018 to $7.2 million in Q2 2019. The lower depreciation charge in Q2 2019 was mainly due to the disposal of plant and equipment in FY2018 and some fully depreciated equipment. Cost of sales in Q2 2019 included $0.7 million of mobilisation costs incurred to relocate an onshore drilling rig to Indonesia. All our onshore drilling rigs are now located in Indonesia.

The gross loss margin increased from 5.5% in Q2 2018 to 102.6% in Q2 2019.

The gross loss of $12.5 million for 6M 2019 was 81.1% higher than the gross loss of $6.9 million reported for 6M 2018. The higher gross loss in 6M 2019 was the net result of a $12.8 million decrease in cost of sales and a $18.4 million decrease in revenue. Included in cost of sales are the cost of goods sold, the cost of services provided, and certain fixed costs associated with our fleet of rigs such as depreciation charges which decreased from $14.7 million in 6M 2018 to $14.4 million in 6M 2019. The lower depreciation charge in 6M 2019 was mainly due to the disposal of plant and equipment in FY2018 and some fully depreciated equipment.

The gross loss margin increased from 24.0% in 6M 2018 to 119.6% in 6M 2019.

Other Income

The breakdown of "other income" is shown below:

	Group (2nd Quarter) 3 months ended			Group (Year-to-date) 6 months ended		
	30.06.2019 $'000	30.06.2018 $'000	Change $'000	30.06.2019 $'000	30.06.2018 $'000	Change $'000
Detailed breakdown:						
(Loss)/Gain on disposal of plant and equipment	(38)	–	(38)	510	–	510
Others	–	19	(19)	–	21	(21)
Other Income	(38)	19	(57)	510	21	489

Other income decreased from $0.02 million for Q2 2018 to $0.04 million expense for Q2 2019 and increased from $0.02 million for 6M 2018 to $0.5 million for 6M 2019. Other income mainly comprised the gain on disposal of plant and equipment and other income not directly related to the revenue generated from our day-to-day operations.

Operating Expenses

Administrative expenses decreased $1.3 million from $4.9 million in Q2 2018 to $3.6 million in Q2 2019 mainly due to reduced staff costs and legal and professional fees. Administrative expenses decreased $2.5 million from $9.4 million in 6M 2018 to $6.9 million in 6M 2019 mainly due to reduced staff costs and legal and professional fees.

Other operating expenses increased $46.4 million from $4.4 million in Q2 2018 to $50.8 million in Q2 2019 mainly due to:

i. A $55.0 million increase in assets under construction written off which increased from $0.0 million in Q2 2018 to $55.0 million in Q2 2019 following the termination of the new build contracts (please refer to the announcements dated 17 and 26 June 2019 for more details).

offset by

ii. A $4.2 million increase in reversal of provision related to assets under construction, which increased from $0.0 million in Q2 2018 to $4.2 million in Q2 2019;

iii. A $2.1 million decrease in loss on disposal of plant and equipment which decreased from $2.1 million in Q2 2018 to $0.0 million in Q2 2019;

iv. A $1.8 million decrease in impairment losses on plant and equipment which decreased from $1.8 million in Q2 2018 to $0.0 million in Q2 2019; and

v. A $0.5 million decrease in foreign exchange losses which decreased from $0.4 million in Q2 2018 to a $0.1 million gain in Q2 2019.

Other operating expenses increased $46.0 million from $5.1 million in 6M 2018 to $51.1 million in 6M 2019 mainly due to:

i. A $55.0 million increase in assets under construction written off which increased from $0.0 million in 6M 2018 to $55.0 million in 6M 2019 following the termination of the new build contracts (please refer to the announcements dated 17 and 26 June 2019 for more details).

offset by

ii. A $4.2 million increase in reversal of provision related to assets under construction, which increased from $0.0 million in 6M 2018 to $4.2 million in 6M 2019;

iii. A $2.1 million decrease in loss on disposal of plant and equipment which decreased from $2.1 million in 6M 2018 to $0.0 million in 6M 2019.

iv. A $1.8 million decrease in impairment losses on plant and equipment which decreased from $1.8 million in 6M 2018 to $0.0 million in 6M 2019.

v. A $0.4 million decrease in foreign exchange losses which decreased from $0.5 million in 6M 2018 to $0.1 million in 6M 2019; and

vi. A $0.3 million decrease in loss on disposal of asset held for sale which decreased from $0.3 million in 6M 2018 to $0.0 million in 6M 2019.

Finance Income and Costs

Finance income increased from $0.0 million in Q2 2018 to $3.5 million in Q2 2019 and increased from $0.1 million in 6M 2018 to $3.6 million in 6M 2019. The increase in both Q2 2019 and 6M 2019 was mainly due to a $3.5 million gain on repurchasing secured bonds. The remaining finance income was mainly derived from interest income on fixed deposits.

Finance costs decreased $2.1 million from $4.8 million in Q2 2018 to $2.7 million in Q2 2019 and decreased $3.1 million from $9.4 million in 6M 2018 to $6.3 million in 6M 2019 due to a reduction in borrowing costs following the repurchasing of the secured bonds.

Share of results of Joint Ventures

The Group's share of results from joint ventures decreased $1.2 million from a loss of $1.2 million for Q2 2018 to $0.0 million for Q2 2019. The loss in Q2 2018 was due to losses recorded by KS Distribution Pte Ltd and its subsidiaries. The Group completed the disposal of 100% of the existing issued share capital of KS Resources Pte Ltd which held the 55.35% of KS Distribution Pte Ltd in FY2018.

The Group's share of results from joint ventures decreased $2.9 million from a loss of $2.9 million for 6M 2018 to $0.0 million for 6M 2019. The loss in 6M 2018 was due to losses recorded by KS Distribution Pte Ltd and its subsidiaries. The Group completed the disposal of 100% of the existing issued share capital of KS Resources Pte Ltd which held the 55.35% of KS Distribution Pte Ltd in FY2018.

Tax (expense)/credit

The tax expense increased from a tax credit of $4.3 million in Q2 2018 to a tax expense of $0.2 million in Q2 2019 and increased from a credit of $4.1 million in 6M 2018 to an expense of $0.4 million in 6M 2019 following an adjustment in 2018 for over provision of tax in respect of prior years.

Result Attributable to Shareholders

The result attributable to Owners of the Company was a loss of $47.2 million for Q2 2019 which was $38.0 million larger than the loss of $9.2 million reported for Q2 2018.

The result attributable to Owners of the Company was a loss of $57.5 million for 6M 2019 which was $34.4 million larger than the loss of $23.1 million reported for 6M 2018.

STATEMENT OF FINANCIAL POSITION REVIEW

Assets

The Group's total non-current assets decreased $79.3 million from $389.7 million as at 31 December 2018 to $310.4 million as at 30 June 2019.

Non-current assets mainly comprise plant and equipment in our Drilling business. The carrying value of the drilling rig fleet decreased by $15.0 million from $323.9 million as at 31 December 2018 to $308.9 million as at 30 June 2019 mainly due to depreciation charges of $14.4 million, foreign exchange impacts of $2.7 million and offset against the acquisition of plant and equipment of $2.1 million. The carrying value of assets under construction decreased by $64.2 million from $64.2 million as at 31 December 2018 to $0.0 million as at 30 June 2019 mainly due to the write-off of $55.0 million, the reclassification of $6.1 million to inventories and $2.7 million to other current assets, following the termination of the new build contracts (please refer to the announcements dated 17 and 26 June 2019 for more details).

Total current assets increased $0.9 million from $23.9 million as at 31 December 2018 to $24.8 million as at 30 June 2019. The increase in current assets was mainly due to higher inventories, other assets, trade receivables, and contract assets, offset by lower cash and cash equivalents. Inventories increased $6.1 million from $0.2 million as at 31 December 2018 to $6.3 million as at 30 June 2019 due to reclassification of $6.1 million from assets under construction. Trade receivables increased $1.3 million from $1.8 million as at 31 December 2018 to $3.1 million as at 30 June 2019 due to changes in regular collection patterns over the term of contracts. Contract assets increased $1.3 million from $1.3 million as at 31 December 2018 to $2.6 million as at 30 June 2019 due to higher accrued revenue. Other current assets increased $3.3 million from $5.0 million as at 31 December 2018 to $8.3 million as at 30 June 2019 (see table below).

The breakdown of "other current assets" is shown below:

	30.06.2019 $'000	31.12.2018 $'000	Movement $'000
Detailed breakdown:			
Sundry deposits	**192**	112	80
Withholding tax recoverable	**628**	615	13
Value-added tax receivable	**3,468**	3,269	199
Other debtors	**3,107**	506	2,601
Advanced payment to supplier	**511**	63	448
Prepayments	**375**	474	(99)
Other Current Assets	**8,281**	**5,039**	**3,242**

These balances mainly originate from our Drilling business and are routine in nature. The major increase in other debtors was in relation to the termination of the new build contracts.

Liabilities

Total liabilities decreased $36.5 million, or 8.8%, from $412.5 million as at 31 December 2018 to $376.0 million as at 30 June 2019. This was principally attributable to a $37.0 million decrease in total borrowings (current and non-current), offset by a $0.3 million increase in trade and other payables (current and non-current), a $0.1 million increase in bank overdraft and a $0.1 million increase in contract liabilities.

Total borrowings decreased by $37.0 million from $380.3 million as at 31 December 2018 to $343.3 million as at 30 June 2019 due to a $37.0 million decrease in secured borrowings. The decrease in total borrowings was due to the repurchase of secured bonds, loan repayments of $1.3 million and a $2.8 million foreign exchange impact as most of the secured bank loans are denominated in a foreign currency; offset by an increase of $1.1 million due to deferred finance costs.

The amount of current borrowings due within the next twelve months decreased $5.8 million from $11.6 million as at 31 December 2018 to $5.8 million as at 30 June 2019 mainly due to amendments to the repayment schedule of the unsecured loan agreements leading to a reclassification from current to non-current borrowings.

The amount of non-current borrowings due after more than one year decreased $31.2 million from $368.6 million as at 31 December 2018 to $337.4 million as at 30 June 2019 mainly due to the secured bond repurchase described above and offset by the amendments to the repayment schedule mentioned above and the foreign exchange impacts.

Within current liabilities, trade and other payables decreased $7.1 million from $23.8 million as at 31 December 2018 to $16.7 million as at 30 June 2019 mainly due to a $5.4 million reduction in accrued operating expenses and a $4.2 million reduction in accrued interest, offset by a $1.4 million increase in refundable deposits and a $1.0 million increase in trade creditors. The reduction in accrued operating expenses was mainly due to the reversal of provision related to assets under construction. The reduction in accrued interest was mainly due to amendments in the loan agreements leading to a reclassification from current to non-current liabilities.

As at 30 June 2019, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $4.7 million and $3.4 million respectively. As at 31 December 2018, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $18.3 million and $2.5 million respectively.

In addition, as at 30 June 2019, the Group had negative shareholder's equity of $36.7 million and the Company was in a net liability position (total liabilities exceeded total assets) of $26.4 million.

The financial statements for the 6-months ended 30 June 2019 are prepared on a going concern basis, the validity of which is premised on the continuing availability of credit facilities to the Group for at least another twelve months from the reporting date, and the sufficiency of cash flows to be generated from the Group's operating activities.

Although the Group expects the overall operating environment to remain challenging in the next twelve months, it anticipates generating positive cash flows from existing rig charter contracts and prospective rig charter contracts. During FY2019, the Group has so far secured future work for its rigs in South East Asia with a combined value of US$38.4 million (please refer to the announcements dated 22 February, 4 April, 28 June and 16 July 2019 for more details). This amount is consistent with the expectation of at least US$30 million mentioned in our full-year 2018 results announcement released on 27 February 2019.

The operating cash flow forecast is derived from the chartering cash flow forecast, the forecast for other operating costs and the forecast for changes in working capital which are continuously reviewed by management. In addition, the Group shall seek to divest any surplus assets when opportunities arise and currently expects to generate at least US$1.2 million over the course of FY2019. The Group shall continue to work closely with its bankers to allow the Group to meet its debt obligations as and when they fall due.

Following the termination of the rig construction contracts, the Group ceases to have capital commitments of $256.4 million and $229.3 million for assets under construction, as previously reported.

STATEMENT OF CASH FLOWS REVIEW

As at 30 June 2019, cash and cash equivalents less the bank overdraft amounted to $1.0 million (30 June 2018: $6.7 million), of which unpledged cash and cash equivalents amounted to negative $0.8 million (30 June 2018: $6.4 million).

Cash Flow from Operating Activities

Operating activities incurred a net cash outflow of $7.8 million for the six months ended 30 June 2019. The net cash outflow from operating activities comprised a cash outflow of $1.1 million arising due to operating losses before changes in working capital; a cash outflow of $6.6 million arising due to changes in working capital; and a cash outflow of $0.1 million arising due to income taxes paid.

Cash Flow from Investing Activities

The net cash flow from investing activities amounted to an outflow of $0.9 million for the six months ended 30 June 2019. This was mainly due to the acquisition of plant and equipment which incurred cash outflow of $1.6 million; offset with the proceeds from disposal of plant and equipment which generated a cash inflow of $0.7 million.

Cash Flow from Financing Activities

The net cash flow from financing activities amounted to an outflow of $2.2 million for the six months ended 30 June 2019. Interest paid during 6M 2019 generated a cash outflow of $1.2 million and the repayment of bank loans during 6M 2019 amounted to $1.3 million. A reduction of deposits pledged generated a cash inflow of $0.3 million during 6M 2019.

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, in our full-year 2018 results announcement released on 27 February 2019, the Group disclosed that it expects to secure additional work for its rigs in South East Asia over the course of the year ahead with contract values of at least US$30 million. During FY2019, the Group has so far secured future work for its rigs in South East Asia with a combined value of US$38.4 million (please refer to the announcements dated 22 February, 4 April, 28 June and 16 July 2019 for more details).

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 overall trend in oil prices indicates the probability of a better business environment for the offshore services sector. If this trend sustains, it would be reasonable to expect opportunities to eventuate for companies such as KS Energy at least through the medium term. The Group shall continue to manage its balance sheet to improve its financial position.

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/recommended, a statement to that effect

No dividend has been declared/recommended for the current financial reporting period due to the lack of distributable funds.

13. Interested persons transactions

The Group has the following interested person transactions ("IPT") for the first six months of the financial year ended 30 June 2019:

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)
• Bond purchase from Pacific One Energy Limited through issuance and allotment of new ordinary shares approved by shareholders at the EGM held on 18 April 2019	SGD 21,500,000	
• Bond purchase from Ms. Hedy Wiluan through issuance and allotment of new ordinary shares approved by shareholders at the EGM held on 18 April 2019	SGD 9,500,000	
PT KS Drilling Indonesia and its subsidiaries ("JVC Group")		
• Expected additional interest income on Financing [(2)]		SGD 3,907,079
• Injection of shareholders' loans pursuant to the Financing provided by KS Drilling to JVC Group [(2)]		SGD 791,485
• The net amount of provision of management, technical and support services		SGD 482,257
Additional information pursuant to the JVC IPT Mandate:		
• *Injection of funds by KS Drilling to JVC Group*		*USD 782,947*
• *Total outstanding amount due from JVC Group on Additional Loan including accrued interest thereon as at the end of period [(1)]*	*USD 2,162,996*	
• *Total outstanding amount due from JVC Group for rig management fees and other services as at the end of period*	*USD 312,768*	
• *Total outstanding amount due from JVC Group including loan principal, accrued interest and guarantee fees as at the end of period [(2)]*		*USD 51,714,975*

(1) On 22 January 2016, PT Java Star Rig ("PT JSR", a subsidiary of PT KS Drilling Indonesia) was notified that its appeal had been rejected, and the Ministry of Finance of the Republic of Indonesia – Directorate General Customs and Excise commenced the process to call upon the Customs Bond. The Insurer paid the amount due under the Customs Bond, and subsequently called on the Guarantee. The funds were disbursed pursuant to the Guarantee on 4 February 2016. As a result, a debt arose between KS Drilling as creditor and PT JSR as debtor (the "Additional Loan"). The Additional Loan has been charged to PT JSR at an interest rate of 7.0% per annum (please refer to the announcement dated 1 March 2016 for more details) and the principal amount outstanding as at 30 June 2019 was US$0.3 million. The Company released an update announcement dated 21 June 2018.

(2) With reference to the IPT Mandate approved by shareholders at the EGM held on 7 December 2012 and the Circular dated 22 November 2012, which was reapproved by shareholders at the AGM held on 26 April 2019, the Group provided funding for the purchase of Rigs and Equipment which has been provided by way of shareholder guarantees and shareholder loans (the "Financing") to JVC Group. The shareholder loans provided under such Financing by KS Drilling Pte Ltd ("KS Drilling"), an 80.09% subsidiary of the Company, to PT JSR, accrue interest at a rate of 7% per year and the principal amount outstanding as at 30 June 2019 was US$38.6 million which has been used to finance the acquisition of the jack-up rig named "KS Java Star" and additional equipment required by the rig. Included in the US$38.6 million balance is US$0.8 million that has been advanced during the current financial year to 30 June 2019.

14. Negative confirmation pursuant to Rule 705 (5)

Provided below.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)

Pursuant to Rule 720(1) of the Listing Manual, the Company has procured undertakings from all its directors, the chief executive officer and chief financial officer.

BY ORDER OF THE BOARD

Lai Kuan Loong, Victor
Company Secretary
14 August 2019

KS ENERGY LIMITED
An Integrated Energy Services Hub
(Company Registration No. 198300104G)

NEGATIVE CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5)

We, Mr Kris Wiluan and Soh Gim Teik, 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 financial results for the period ended 30 June 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors

KRIS WILUAN
Executive Chairman and Chief Executive Officer

SOH GIM TEIK
Director

Singapore, 14 August 2019