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

Financial Statement and Dividend Announcement for the Period Ended 30 June 2014

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		
	30.06.2014	30.06.2013 Restated	Increase/ (Decrease)	30.06.2014	30.06.2013 Restated	Increase/ (Decrease)
	$'000	$'000		$'000	$'000	
Revenue	59,759	41,480	44.1%	105,736	74,504	41.9%
Cost of sales	(29,377)	(23,860)	23.1%	(53,887)	(42,773)	26.0%
Gross profit before direct depreciation	**30,382**	**17,620**	**72.4%**	**51,849**	**31,731**	**63.4%**
Direct depreciation	(10,269)	(9,522)	7.8%	(19,387)	(16,313)	18.8%
Gross profit after direct depreciation	**20,113**	**8,098**	**148.4%**	**32,462**	**15,418**	**110.5%**
Other income	55,145	2,547	N/M	55,401	2,925	N/M
Administrative expenses	(8,957)	(7,914)	13.2%	(16,125)	(15,060)	7.1%
Other operating expenses	(3,401)	(44)	N/M	(5,711)	(7,111)	(19.7%)
Finance income	659	688	(4.2%)	1,371	1,958	(30.0%)
Finance costs	(5,252)	(3,570)	47.1%	(8,392)	(6,869)	22.2%
Share of results of joint ventures (net of tax)	2,894	4,082	(29.1%)	5,471	12,755	N/M
Profit before tax	**61,201**	**3,887**	**N/M**	**64,477**	**4,016**	**N/M**
Tax expense	(1,971)	(1,472)	33.9%	(4,054)	(1,081)	275.0%
Profit for the period	**59,230**	**2,415**	N/M	**60,423**	**2,935**	N/M
Results attributable to:						
Owners of the Company	**46,739**	**1,483**	N/M	**46,944**	**2,354**	N/M
Non-controlling interests	12,491	932	N/M	13,479	581	N/M
Profit for the period	**59,230**	**2,415**	N/M	**60,423**	**2,935**	N/M

N/M – Not Meaningful

See Note 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		
	30.06.2014	30.06.2013 Restated	Increase/ (Decrease)	30.06.2014	30.06.2013 Restated	Increase/ (Decrease)
	$'000	$'000		$'000	$'000	
Amortisation of intangible assets	(122)	(119)	2.5%	(242)	(235)	3.0%
Depreciation of property, plant and equipment	(11,059)	(9,802)	12.8%	(20,893)	(17,577)	18.9%
Finance costs on convertible bonds	(1,682)	(1,776)	(5.3%)	(3,336)	(3,468)	(3.8%)
Write-back of doubtful trade receivables	-	3,007	N/M	265	2,630	N/M
Write-back of doubtful non-trade receivables	-	290	N/M	-	290	N/M
Bad trade debts written off	(39)	-	N/M	(249)	-	N/M
Foreign exchange loss	(93)	(279)	N/M	(301)	(4,334)	N/M
Gain on disposal of plant and equipment	54,366	-	N/M	54,366	-	N/M
Plant and equipment written off	(35)	-	N/M	(35)	(2)	N/M

N/M – Not Meaningful

See Note 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	
	30.06.2014 $'000	31.12.2013 $'000	30.06.2014 $'000	31.12.2013 $'000
Current Assets				
Cash and cash equivalents	127,924	43,166	1,514	1,957
Amounts due from subsidiaries	-	-	8,234	10,245
Trade receivables	63,707	47,867	-	-
Inventories	960	745	-	-
Other current assets	33,224	33,077	151	2,538
	225,815	**124,855**	**9,899**	**14,740**
Non-Current Assets				
Joint ventures	134,161	128,925	132,576	132,562
Subsidiaries	-	-	241,969	243,252
Property, plant and equipment	570,358	395,225	888	1,005
Intangible assets	4,175	4,415	-	-
Other non-current assets	32,994	36,905	301	301
	741,688	**565,470**	**375,734**	**377,120**
Total assets	**967,503**	**690,325**	**385,633**	**391,860**
Current Liabilities				
Trade and other payables	69,144	46,875	2,629	2,973
Provision for current tax	13,298	10,729	408	408
Amounts due to subsidiaries	-	-	4,706	4,725
Borrowings	157,168	73,685	21,020	3,161
	239,610	**131,289**	**28,763**	**11,267**
Non-Current Liabilities				
Trade and other payables	4,006	3,783	3,121	3,161
Borrowings	282,342	169,227	46,218	62,389
Deferred tax liabilities	757	810	593	593
	287,105	**173,820**	**49,932**	**66,143**
Total liabilities	**526,715**	**305,109**	**78,695**	**77,410**
Net assets	**440,788**	**385,216**	**306,938**	**314,450**
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)	(1,144)	-	-
Treasury shares	(34,510)	(34,510)	(34,510)	(34,510)
Foreign currency translation reserve	(49,621)	(45,498)	-	-
Accumulated profits	72,391	25,447	(43,242)	(35,730)
	369,200	**328,985**	**306,938**	**314,450**
Non-controlling interests	71,588	56,231	-	-
Total equity	**440,788**	**385,216**	**306,938**	**314,450**

See note 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 30.06.2014 $'000	Group 31.12.2013 $'000
Secured	134,819	70,045
Unsecured	22,349	3,640
Total	157,168	73,685

Amount repayable after one year

	Group 30.06.2014 $'000	Group 31.12.2013 $'000
Secured	236,124	106,838
Unsecured	46,218	62,389
Total	282,342	169,227

Details of the collaterals:

Secured borrowings are generally bank loans secured on plant and equipment and pledge of cash deposits in the borrowing companies.

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 (Year-to-date)	
	30.06.2014	30.06.2013 Restated
Operating activities	$'000	$'000
Profit before tax	64,477	4,016
Adjustments for:		
Amortisation of intangible assets	242	235
Depreciation of property, plant and equipment	20,893	17,577
Write-back of impairment loss on non-trade receivables	-	(290)
Gain on disposal of plant and equipment	(54,366)	-
Interest income	(1,371)	(1,958)
Interest expense	5,056	3,401
Finance cost on convertible bonds	3,336	3,468
Plant and equipment written off	35	2
Share of results of joint ventures	(5,471)	(12,755)
Foreign exchange loss	301	4,334
Operating profit before changes in working capital	33,132	18,030
Changes in working capital:		
Inventories	(215)	(4,315)
Trade receivables	(17,498)	3,192
Other current assets	(6,246)	(8,752)
Trade and other payables	22,990	7,765
Cash generated from operations	32,163	15,920
Tax paid	(1,419)	(2,368)
Cash flows from operating activities	**30,744**	**13,552**
Investing activities		
(Increase in)/repayment of quasi equity loans to joint ventures	-	24,020
Decrease in non-trade recceivables with joint ventures and related parties	6,992	50,763
Dividends received	2,214	1,661
Interest received	1,360	1,958
Payments for purchase of plant and equipment	(252,794)	(59,619)
Proceeds from disposal of plant and equipment	105,974	-
Payments for purchase of intangible assets	(45)	(15)
Cash flows (used in)/from investing activities	**(136,299)**	**18,768**
Financing activities		
Decrease in non-trade payables with joint ventures and related parties	(160)	9,788
Proceeds from bills payable to bank	1,528	1,869
Repayment of bills payable to bank	(676)	(868)
Increase in deposits pledged	(1,814)	(3,936)
Interest paid	(6,776)	(5,435)
Repayment of finance lease liabilities	(7)	(7)
Proceeds from bank loans	221,375	87,371
Repayment of bank loans	(24,298)	(109,803)
Proceeds from issue of convertible bonds	-	45,000
Repayment of convertible bonds, excluding interest	-	(90,000)
Proceeds from issue of new shares (net)	-	40,896
Cash flows from/(used in) financing activities	**189,172**	**(25,125)**
Net increase in cash and cash equivalents	**83,617**	**7,195**
Cash and cash equivalents at beginning of the period	29,485	20,999
Effect of exchange rate changes on balances held in foreign currencies	(674)	1,251
Cash and cash equivalents at end of the period	**112,428**	**29,445**
Cash and cash equivalents at end of the period includes the following:		
Cash and cash equivalents	127,924	47,195
Deposits pledged	(15,496)	(17,750)
Cash and cash equivalents at end of the period	**112,428**	**29,445**

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

1(d) Statement of Comprehensive Income

	Group (Year-to-date) 6 months ended		
	30.06.2014 $'000	30.06.2013 $'000	Increase/ (Decrease) %
Profit attributable to:			
Owners of the Company	46,944	2,354	N/M
Non-controlling interests	13,479	581	N/M
Profit for the period	**60,423**	**2,935**	N/M
Other comprehensive income/(expense) for the period:			
Foreign currency translation differences on translation of financial statements of foreign subsidiaries	(4,851)	17,504	N/M
Other comprehensive (expense)/income for the period	**(4,851)**	**17,504**	N/M
Total comprehensive income for the period	**55,572**	**20,439**	171.9
Total comprehensive income/(expense) attributable to:			
Owners of the Company	42,821	18,079	136.9
Non-controlling interests	12,751	2,360	440.3
Total comprehensive income for the period	**55,572**	**20,439**	171.9

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	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
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	-	-	-	-	-	46,944	46,944	13,479	60,423
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	-	-	-	-	(4,123)	-	(4,123)	(728)	(4,851)
Total other comprehensive expense	-	-	-	-	(4,123)	-	(4,123)	(728)	(4,851)
Total comprehensive income/(expense) for the period	**-**	**-**	**-**	**-**	**(4,123)**	**46,944**	**42,821**	**12,751**	**55,572**
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Acquisition of non-controlling interests	-	-	(2,606)	-	-	-	(2,606)	2,606	-
Total contributions by and distributions to owners of the Company	**-**	**-**	**(2,606)**	**-**	**-**	**-**	**(2,606)**	**2,606**	**-**
At 30 June 2014	**359,973**	**24,717**	**(3,750)**	**(34,510)**	**(49,621)**	**72,391**	**369,200**	**71,588**	**440,788**
At 1 January 2013 (restated)	319,077	22,922	(1,144)	(34,510)	(63,728)	25,424	268,041	53,897	321,938
Profit for the period	-	-	-	-	-	2,354	2,354	581	2,935
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	-	-	-	-	15,725	-	15,725	1,779	17,504
Total other comprehensive expense	-	-	-	-	15,725	-	15,725	1,779	17,504
Total comprehensive income/(expense) for the period	**-**	**-**	**-**	**-**	**15,725**	**2,354**	**18,079**	**2,360**	**20,439**
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Rights issue	40,896	-	-	-	-	-	40,896	-	40,896
Changes in equity reserve due to equity component of convertible bonds	-	1,795	-	-	-	-	1,795	-	1,795
Total contributions by and distributions to owners of the Company	**40,896**	**1,795**	**-**	**-**	**-**	**-**	**42,691**	**-**	**42,691**
At 30 June 2013 (restated)	**359,973**	**24,717**	**(1,144)**	**(34,510)**	**(48,003)**	**27,778**	**328,811**	**56,257**	**385,068**

Company	Share capital	Equity reserve	Treasury shares	Accumulated (losses)/profits	Total Equity
	$'000	$'000	$'000	$'000	$'000
At 1 January 2014	359,973	24,717	(34,510)	(35,730)	314,450
Loss for the period	-	-	-	(7,512)	(7,512)
Total comprehensive expense for the period	**-**	**-**	**-**	**(7,512)**	**(7,512)**
At 30 June 2014	**359,973**	**24,717**	**(34,510)**	**(43,242)**	**306,938**
At 1 January 2013	319,077	22,922	(34,510)	(5,941)	301,548
Loss for the period	-	-	-	(3,413)	(3,413)
Total comprehensive expense for the period	**-**	**-**	**-**	**(3,413)**	**(3,413)**
Transactions with owners of the Company, recognised directly in equity					
Contributions by and distributions to owners of the Company					
Rights issue	40,896	-	-	-	40,896
Change in equity reserve due to equity component of convertible bonds	-	1,795	-	-	1,795
Total contributions by and distributions to owners of the Company	**40,896**	**1,795**	**-**	**-**	**42,691**
At 30 June 2013	**359,973**	**24,717**	**(34,510)**	**(9,354)**	**340,826**

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 April 2014 to 30 June 2014.

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. As at 30 June 2014, the Company has $17 million 2015 Bonds outstanding which are convertible into 11,724,084 fully-paid ordinary shares of the Company at a conversion price of $1.45 per new share.

On 21 March 2013, the Company issued $45 million of 6.0% convertible bonds with a maturity in March 2016 (the "2016 Bonds"). The 2016 Bonds are initially convertible into 54,216,720 fully-paid ordinary shares of the Company at an initial conversion price of $0.83 per new share.

As at 30 June 2014, the convertible bonds outstanding are convertible into 65,940,804 fully-paid ordinary shares of the Company (30 June 2013: 65,940,804 ordinary shares).

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 2014 and 31 December 2013, the total number of issued shares excluding treasury shares of the Company was 512,932,215 ordinary shares, comprising 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 2014:	11,308,000 shares
Purchase of treasury shares:	Nil
As at 30 June 2014:	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 2013.

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 2014. 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 (2nd Quarter) 3 months ended		Group (Year-to-date) 6 months ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
Earnings per ordinary share:	Cents	Cents	Cents	Cents
(a) Based on weighted average number of ordinary shares in issue	9.11	0.29	9.15	0.51
(b) On a fully diluted basis	9.11	0.29	9.15	0.51

The basic and diluted earnings per share for the three months ended 30 June 2014 was calculated by dividing the profit attributable to shareholders of $46,739,000 (30.06.2013: $1,483,000) by the weighted average number of shares of 512,932,215 (30.06.2013: 509,550,244) in issue during the financial period.

The basic and diluted earnings per share for the six months ended 30 June 2014 was calculated by dividing the profit attributable to shareholders of $46,944,000 (30.06.2013: $2,354,000) by the weighted average number of shares of 512,932,215 (30.06.2013: 460,222,054) in issue during the financial period.

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	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	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	72.0	64.1	59.8	61.3

Net asset value per ordinary share is calculated by dividing the equity attributable to the owners of the Company (excluding non-controlling interests) of $369,200,000 (31.12.2013: $328,985,000) by the number of ordinary shares issued as at 30 June 2014 of 512,932,215 (31.12.2013: 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

Financial period ended 30 June 2014

	Group (2nd Quarter) 3 months ended			Group (Year-to-date) 6 months ended		
	30.06.2014	30.06.2013 Restated	Change	30.06.2014	30.06.2013 Restated	Change
Revenue by segment	**$'000**	**$'000**		**$'000**	**$'000**	
Drilling	56,141	35,669	57.4%	96,654	66,640	45.0%
Engineering	963	5,013	(80.8%)	3,769	5,192	(27.4%)
Corporate	2,970	2,455	21.0%	5,941	4,784	24.2%
Less: Inter-segment revenue	(315)	(1,657)	(81.0%)	(628)	(2,112)	(70.3%)
	59,759	**41,480**	**44.1%**	**105,736**	**74,504**	**41.9%**

Overview

Consolidated revenue was $59.8 million in the three months ended 30 June 2014 ("2Q14"), an increase of $18.3 million, or 44.1%, above that of $41.5 million reported for the three months ended 30 June 2013 ("2Q13"), driven mainly by the Drilling business.

Consolidated revenue was $105.7 million in the six months ended 30 June 2014 ("6M14"), an increase of $31.2 million, or 41.9%, above that of $74.5 million reported for the six months ended 30 June 2013 ("6M13"), driven mainly by the Drilling business.

Consolidated profit after tax was $59.2 million for 2Q14 compared to $2.4 million reported for 2Q13, an increase of $56.8 million. The increase in consolidated profit after tax for 2Q14 was mainly due to a $54.4 million gain booked on the disposal of plant and equipment.

Consolidated profit after tax was $60.4 million for 6M14 compared to $2.9 million reported for 6M13, an increase of $57.5 million. The increase in consolidated profit after tax for 6M14 was also mainly due to the gain booked on the disposal of plant and equipment in 2Q14.

Revenue

Revenue from the Drilling business grew 57.4% and 45.0% respectively in 2Q14 and 6M14 over the comparative periods in 2013. The revenue increase was mainly generated by the commencement of charter contracts in Indonesia and Vietnam. Revenue contribution from the Drilling business makes up about 93.9% of the Group's consolidated revenue for 2Q14 and 91.4% for 6M14.

Revenue from the Engineering business decreased 80.8% and 27.4% respectively in 2Q14 and 6M14 over the comparative periods in 2013. Revenue contribution from the Engineering business makes up about 1.6% of the Group's consolidated revenue for 2Q14 and 3.6% for 6M14.

Revenue generated by the Group but not attributable to either the Drilling or the Engineering segment increased 21.0% and 24.2% respectively in 2Q14 and 6M14 over the comparative periods in 2013. Revenue contribution from this segment makes up about 5.0% of the Group's consolidated revenue for 2Q14 and 5.6% for 6M14.

Gross Profit

The Group's gross profit after direct depreciation was $20.1 million for 2Q14, an increase of $12.0 million above that of $8.1 million reported for 2Q13. The higher gross profit after direct depreciation is mainly attributable to the higher revenue booked in the Drilling segment. The Group's gross profit after direct depreciation margin improved from 19.5% in 2Q13 to 33.7 % in 2Q14.

The Group's gross profit after direct depreciation was $32.5 million for 6M14, an increase of $17.1 million above that of $15.4 million reported for 6M13. The higher gross profit after direct depreciation is mainly attributable to the higher revenue booked in the Drilling segment. The Group's gross profit after direct depreciation margin improved from 20.7% in 6M13 to 30.7% in 6M14.

Other Income

Other Income increased from $2.5 million for 2Q13 to $55.1 million for 2Q14, and from $2.9 million for 6M13 to $55.4 million for 6M14, mainly due to the gain on disposal of plant and equipment amounting to $54.4 million in 2Q14 and the write-back of a provision for doubtful trade receivables amounting to $2.4 million in 2Q13.

Operating Expenses and Direct Depreciation

Administrative expenses increased $1.1 million, from $7.9 million in 2Q13 to $9.0 million in 2Q14, mainly due to higher manpower cost in the growing Drilling business. Similarly, Administrative expenses increased $1.0 million, from $15.1 million in 6M13 to $16.1 million in 6M14, for the same reason.

Other Operating Expenses increased by $3.4 million from $0.0 million in 2Q13 to $3.4 million in 2Q14, mainly due to higher rig related costs in the current period and non-recurring gains in 2Q13 from the release of provisions. Other Operating Expenses decreased $1.4 million from $7.1 million in 6M2013 to $5.7 million in 6M2014 mainly due to a lower foreign exchange loss in the current period.

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 $11.1 million in 2Q14 compared to $9.8 million in 2Q13, an increase of $1.3 million. Depreciation charges allocated to both Other Operating Expenses and Direct Depreciation totalled $20.9 million in 6M14 compared to $17.6 million in 6M13, an increase of $3.3 million. The higher depreciation charges for the current periods are attributable to the capital expenditure on property, plant and equipment incurred since the previous periods.

Finance Income and Costs

Finance Income was $0.7 million in both 2Q14 and 2Q13. Finance Income of $1.4 million in 6M14 was $0.6 million below the $2.0 million of 6M13 mainly due to lower interest income on a loan provided to a joint venture in December 2012 following a partial repayment.

Finance Costs increased $1.7 million from $3.6 million in 2Q13 to $5.3 million in 2Q14. For the six months year-to-date period, Finance Costs increased $1.5 million from $6.9 million in 6M13 to $8.4 million in 6M14. Both increases arise mainly from the additional secured borrowings taken in 2Q14.

Share of results of Joint Ventures

The Group's share of results from joint ventures decreased $1.2 million from a $4.1 million profit for 2Q13 to a $2.9 million profit for 2Q14 due mainly to a lower contribution from the Distribution business. The Group's share of results from KS Distribution Pte Ltd and its subsidiaries (the "KS Distribution Group") decreased by $1.2 million from $2.1 million for 2Q13 to $0.9 million for 2Q14.

On the year-to-date basis, the Group's share of results from joint ventures decreased $7.3 million from a $12.8 million profit for 6M13 to a $5.5 million profit for 6M14 due mainly to a lower contribution from the Distribution business and also the one-time gain arising from the sale of a jointly-owned asset in 1Q13. The

Group's share of results from the KS Distribution Group decreased by $1.8 million from $3.0 million for 6M13 to $1.2 million for 6M14.

STATEMENT OF FINANCIAL POSITION REVIEW

The Group's total non-current assets increased 31.2% from $565.5 million as at 31 December 2013 to $741.7 million as at 30 June 2014. The increase was principally attributable to the acquisition of plant and equipment during the period. Non-current assets are mainly comprised of plant and equipment in our Drilling business. The carrying value of Rigs increased from $390.2 million as at 31 December 2013 to $565.8 million as at 30 June 2014. Investments in joint ventures increased from $128.9 million as at 31 December 2013 to $134.2 million as at 30 June 2014. Investments in joint ventures are mainly attributed to the 55.35% equity interest in KS Distribution Pte Ltd.

Total current assets increased 80.8% from $124.9 million as at 31 December 2013 to $225.8 million as at 30 June 2014, mainly due to higher trade receivables, cash and cash equivalents. Trade receivables have increased $15.8 million since 31 December 2013, while cash and cash equivalents have increased $84.7 million since 31 December.

Total liabilities increased $221.6 million from $305.1 million as at 31 December 2013 to $526.7 million as at 30 June 2014. This was principally attributable to a $196.6 million increase in borrowings from $242.9 million as at 31 December 2013 to $439.5 million as at 30 June 2014 arising due mainly to capital expenditure.

The Group's net gearing (defined as net borrowings to equity) increased to 0.71 as at 30 June 2014 compared to 0.52 as at 31 December 2013.

Equity attributable to owners of the Company increased $40.2 million from $329.0 million as at 31 December 2013 to $369.2 million as at 30 June 2014. This increase was mainly due to improved accumulated profits, partially offset by the movement in other reserve arising due to the acquisition of a non-controlling interest in a subsidiary and the adverse movements in foreign currency translation reserve.

STATEMENT OF CASH FLOWS REVIEW

Cash Flow from Operating Activities

Operating activities generated a net cash inflow of $30.7 million for the six months ended 30 June 2014. The net cash flow from Operating Activities comprised a cash inflow of $33.1 million arising due to operating profits before changes in working capital; a cash outflow of $1.0 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 $136.3 million for the six months ended 30 June 2014. This is attributable mainly to purchases of plant and equipment which generated a cash outflow of $252.8 million, partially offset by proceeds from disposal of plant and equipment which generated a cash inflow of $106.0 million.

Cash Flow from Financing Activities

There was a net cash inflow from financing activities of $189.2 million for 6M14 due mainly to new banking facilities obtained during the period. The aggregate repayment of bank loans by the Group during 6M14 totalled $24.3 million and the aggregate proceeds from new bank loans entered into by the Group during 6M14 totalled $221.4 million. Interest paid in 6M14 amounted to $6.8 million.

As at 30 June 2014, cash and cash equivalents amounted to $127.9 million (30 June 2013: $47.2 million), of which unpledged cash and cash equivalents amounted to $112.4 million (30 June 2013: $29.4 million).

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 2Q14 was in line with the views expressed in a statement in Paragraph 10 of the Company's previous results announcement dated 14 May 2014.

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 encouraging outlook for the offshore drilling sector remains positive for our Drilling business and it has recently deployed another asset in South East Asia. The Group will continue to pursue selective new investment opportunities to meet the growing demand from the oil and gas industry.

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

The Group is confident of new opportunities in the oil and gas market.

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

Not applicable.

13. Interested persons transactions

The Group has the following interested person transactions ("IPT") for the six months ending 30 June 2014:

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")		
• Provision of goods and services to and from the DSAW Group	-	SGD 9,699,541
• Provision of other Equipment and services by the DSAW Group	-	-
PT KS Drilling Indonesia and its subsidiaries ("JVC Group")		
• 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	-	USD 3,934,660
• Aggregate guarantee fee in respect of bank loan facilities extended to PT KS Drilling Indonesia and its subsidiaries	-	USD 678,532
• Interest bearing loans to PT KS Drilling Indonesia and its subsidiaries - Principal, accrued interest and unpaid guarantee fees as at end of period *	N/A	USD 27,093,566
• 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 **	N/A	USD 25,795,631

* 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$26.2 million as at 30 June 2014.

** 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$25.7 million as at 30 June 2014.

BY ORDER OF THE BOARD

Caroline Yeo
Company Secretary
14 August 2014

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

CONFIRMATION BY THE BOARD

We, Kris Wiluan and 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 half FY2014 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 August 2014