



SapuraKencana
P E T R O L E U M



▶ PRECISION
IN EXECUTION

2014 ANNUAL REPORT



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PRECISION IN EXECUTION

For the financial year ended 31 January 2014, SapuraKencana Petroleum Berhad ("Group") continued to make significant strides and executed our plans with precision.

We delivered on the operational and Health, Safety and Environment fronts, which led to strong financial results.

Having integrated strategic acquisitions in a rapid and seamless manner, the Group has further enriched its capabilities with people across the organisation working closely as one.

The strategic building blocks put in place have helped strengthen our position as a full-fledged upstream player and the Group's fully integrated offering continues to spread globally, across the entire value chain.

Going forward, we remain committed to demonstrating strong performance and to executing all that we do with a degree of precision that will ensure the Group's long-term sustainable growth and robust shareholder value creation.

ABOUT

SAPURAKENCANA PETROLEUM BERHAD

SapuraKencana Petroleum Berhad (“SapuraKencana”) is a full-fledged upstream player and one of the world’s largest integrated oil and gas services and solutions providers. SapuraKencana’s full spectrum of capabilities covers the entire value chain of exploration, development, production, rejuvenation, and decommissioning and abandonment. With a multinational workforce of over 12,000 people, comprehensive world-class assets and project management capabilities, the Group’s global presence can be seen in over 20 countries including Malaysia, China, Australia, Brazil, the United States of America, as well as those in Western Africa, and the Middle East.

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SapuraKencana was incorporated on 30 June 2011 as a private company limited by shares under the Companies Act, 1965 as Integral Key Sdn Bhd. It was converted into a public company on 20 September 2011 and known as Integral Key Berhad. On 19 December 2011, the name was changed to Sapura-Kencana Petroleum Berhad, and since 5 April 2012, the Company is known as SapuraKencana Petroleum Berhad. SapuraKencana has been listed on the Main Market of Bursa Malaysia Securities Berhad since 17 May 2012.



VISION

Our Vision is to be the **best entrepreneurially led, technically competent** and **most trusted global oil and gas company** in the eyes of our customers, shareholders and most importantly, our **empowered people**.

We will be guided by our **honesty, trust** and **respect** for all. We will achieve our business objectives by being **safe, agile** and **professional** to continuously strive to meet all of our stakeholders' expectations.

The People of SapuraKencana Petroleum

CORE BUSINESSES



OFFSHORE CONSTRUCTION & SUBSEA SERVICES

The Offshore Construction and Subsea Services (“OCSS”) Division’s core business activities comprise offshore construction and installation of offshore platforms, marine pipelines and facilities; the installation of subsea umbilicals, risers and flowlines (“SURF”); as well as offshore diving and related underwater services including the design, manufacture and operation of remotely operated vehicles (“ROVs”). The OCSS Division holds a predominant position within the Installation of Pipelines and Facilities (“IPF”) sector in Malaysia for both shallow and deepwater work and has operations offshore Southeast Asia, Australia, India, China, Russia, and Brazil. These activities are strongly supported by its fleet of derrick lay barges and vessels, diving support vessels, saturation diving systems and ROVs. Recently it added the *SapuraKencana Constructor*, a dynamic positioning (“DP”) subsea support vessel and two DP heavy lift pipeline construction vessels, namely the *SapuraKencana 1200* and *SapuraKencana 3500* to its already extensive fleet.

At the start of FY2014, the Group’s geotechnical as well as operations and maintenance (“O&M”) services components were consolidated within the OCSS Division. The highly specialised geotechnical operations involve technical and physical investigations of seabed soil structures and profiles and are supported by the Division’s own four dedicated geotechnical and geophysical survey vessels. In the way of O&M services, the Division is a General Electric (“GE”) certified regional centre providing world-class services and cost-effective maintenance and refurbishment solutions for GE industrial gas turbines in South East Asia.



DRILLING

Through SapuraKencana Drilling Pte Ltd (“SKD”), SapuraKencana is today the world’s leading tender rig owner and operator with more than a 50% share of the market. Formerly a part of the Drilling, Geotechnical and Maintenance & Operations Services Division, it now stands independently with the redeployment of the other operations to the Offshore Construction & Subsea Services Division. SKD continues to experience rapid growth and is a major contributor to the Group’s revenue.

SKD’s versatile fleet today comprises 11 tender barge rigs and seven semi-tender rigs which are primarily used for production and development drilling activities. Two more tender rigs and one semi-tender rig are currently under construction. This world-class drilling outfit is able to realise conceptual rig designs from the drawing board and work with the Group’s fabrication outfit to build them in our own yards. Today, SKD’s operations span Southeast Asia, West Africa and Central America. With operational offices in every country the Group operates in, SKD is able to manage its rigs efficiently, increase visibility for future business development and improve client satisfaction by being responsive to their needs.

“With a technically capable team, a wide range of strategic assets, and a growing global footprint, SapuraKencana is today one of the world’s largest integrated solutions providers operating across the entire upstream oil and gas value chain.”



FABRICATION, HOOK-UP & COMMISSIONING

The Fabrication, Hook-Up & Commissioning Division undertakes the provision of offshore and onshore engineering, procurement, construction (fabrication), hook-up and commissioning services; the maintenance of fixed and floating oil and gas facilities; marine construction, conversion and repair activities. The Division possesses strong engineering, procurement, construction and commissioning (“EPCC”) expertise for offshore structures inclusive of central processing platforms, wellhead platforms, compression modules, jackets and structures. Its EPCC expertise also extends to Floating Production Storage and Offloading (“FPSO”) process modules, Mobile Offshore Production Units (“MOPU”), process skids and systems, subsea deepwater manifolds, onshore processing facilities, as well as greenfield and brownfield hook-up and commissioning (“HUC”) activities.

The Division’s key asset is its 273-acre fabrication yard in Lumut, Perak which is strategically located 3km off the Straits of Malacca. This yard has a fully integrated computerised yard management system which links its engineering, planning, quality management, procurement, warehouse and component production centres. The Division’s fabrication facility in Teluk Kalong coupled with its Kemaman Supply Base, serve as a full-fledged fabrication, support and supply base for the Group’s HUC operations off the East Coast of Peninsular Malaysia. To support its HUC operations in Sabah and Sarawak waters, the Division leverages on its Labuan fabrication yard for warehousing, storage and logistic support activities.



ENERGY & JOINT VENTURES

The Group’s Energy & Joint Ventures Division is involved in the exploration, development and operatorship of oil and gas fields. The Division has proven expertise in the areas of exploration, field development planning, capital project execution, drilling, production operations and facilities abandonment. In supporting these core activities, the Division is also equipped with integrated solution capabilities to provide conceptual engineering, front-end engineering as well as the detailed design of subsea and floating systems through its investments in two specialised international engineering companies, namely Peritus International Pty Ltd and Ocean Flow International LLC. The Division also has investments in strategic production assets such as a Floating Production Storage and Offloading Unit (“FPSO”).

In early 2014, the Group acquired Newfield Malaysia and renamed it SapuraKencana Energy Malaysia Inc. (“SKEM”). Today, SKEM provides the EJV Division a full exploration, development and production capability with a participating interest in eight production-sharing contracts (“PSCs”) as well as an alliance arrangement to operate an oil field in East Malaysia. SKEM is the operator for five of the eight PSCs.

HEALTH, SAFETY AND ENVIRONMENT



Everyone at SapuraKencana is committed to consistently manage risks found in all aspects of our daily operations. We aim to prevent untoward incidents and ensure the safety of our people and that the environment and communities we operate in are safeguarded at all times.

We believe that our demonstrated Health, Safety and Environment (“HSE”) performance is one that we can be proud of, and must sustain. It represents a critical component of our ability to achieve business objectives, and to earn the continued confidence afforded us in meeting the expectations of our customers, employees, shareholders and public at large.

We manage HSE risks through a system of rigorous controls, responsible governance, and strict compliance. Sharing of related information also plays a significant role in creating a consistent understanding and culture of safety across the group.

In the event a safety incident occurs, management and operational resources are immediately deployed to undertake a timely, transparent and comprehensive

investigation of the situation. This is considered of paramount importance to ensure our ability to identify and understand the root causes contributing to such incidents, and later propagate measures and solutions to prevent future occurrences across the group.

We also stay abreast of HSE developments across the industry, to maintain a broader perspective in driving continuous improvement within our organisation.

Ultimately, upholding HSE policies and ensuring a safe workplace is the responsibility of every individual at the company. As safety takes precedence over business imperatives, we empower our employees to intervene when unsafe behaviours or conditions are observed, via our Stop Work Policy.

We are proud to have received client recognition for our HSE achievements. Amongst which include:

- ExxonMobil Exploration and Production Malaysia Inc
 - 1.5 million man-hours without Lost Time Injury (“LTI”)
- Murphy Oil Corporation
 - 1.5 million man-hours without LTI
- PETRONAS Carigali Sdn Bhd
 - Outstanding Vendor Award
- Carigali Hess Sdn Bhd
 - Safety Award 2013 (Gold Category)
- PETRONAS Carigali Sdn Bhd
 - Certificate of Appreciation in achieving 1.5 million man-hours without LTI
- Malaysia LNG Sdn Bhd
 - Excellent HSE Performance for Module 4, 5, & 7 pitstop
- Malaysia LNG Sdn Bhd
 - Excellent HSE Performance for MLNG Module 6 Department of Occupational Safety and Health (Turn Around)
- Keabangan Petroleum Operating Company Sdn Bhd
 - Fabrication of Keabangan Substructure for Keabangan Northern Hub Development Project Safe Completion of Keabangan Substructure
- Bechtel Inc/Wheatstone LNG Plant
 - Inside System Battery Limit Modules. Safety Milestone 1 million man-hours without LTI
- Bekok-C
 - 2 million man-hours without LTI
- PETRONAS Carigali Sdn Bhd
 - Kinabalu NAG Processing Platform B project. 1.5 million man-hours without LTI
- ExxonMobil Exploration and Production Malaysia Inc
 - Long-Term Construction Services Contract DU3744A2. 2.3 million man-hours without LTI
- PETRONAS Carigali Sdn Bhd
 - Appreciation to Teknik Berkat for 7 years LTI-free

Among certifications our companies have attained include:

- ISO 9000
 - TL Offshore Sdn Bhd, Allied Marine & Equipment Sdn Bhd (“AME”), SapuraKencana Australia Pty Ltd (“SKA”) (formerly known as SapuraClough Offshore Pty Ltd), Total Marine Technology Pty Ltd (“TMT”), SapuraKencana Drilling Pte Ltd (“SKD”), TL GeoSciences Sdn Bhd, Sapura Energy Sdn Bhd and SapuraAcergy Sdn Bhd (“SapuraAcergy”)
- ISO 14001
 - AME, SKA, Kencana HL Sdn Bhd (“KHL”), TMT and SapuraAcergy
- OHSAS 18001
 - AME, TMT, KHL and SapuraAcergy
- NZ 4801
 - SKA

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GLOBAL PRESENCE

- | | |
|--|--|
|  OFFICES |  ALL ACTIVITIES |
|  ENGINEERING |  DRILLING |
|  INSTALLATION OF PIPELINES & FACILITIES |  EXPLORATION & PRODUCTION |
|  DIVING & ROV SERVICES |  FABRICATION |
|  GEOTECHNICAL/ GEOPHYSICAL SURVEY |  HOOK-UP & COMMISSIONING |





SapuraKencana
PETROLEUM

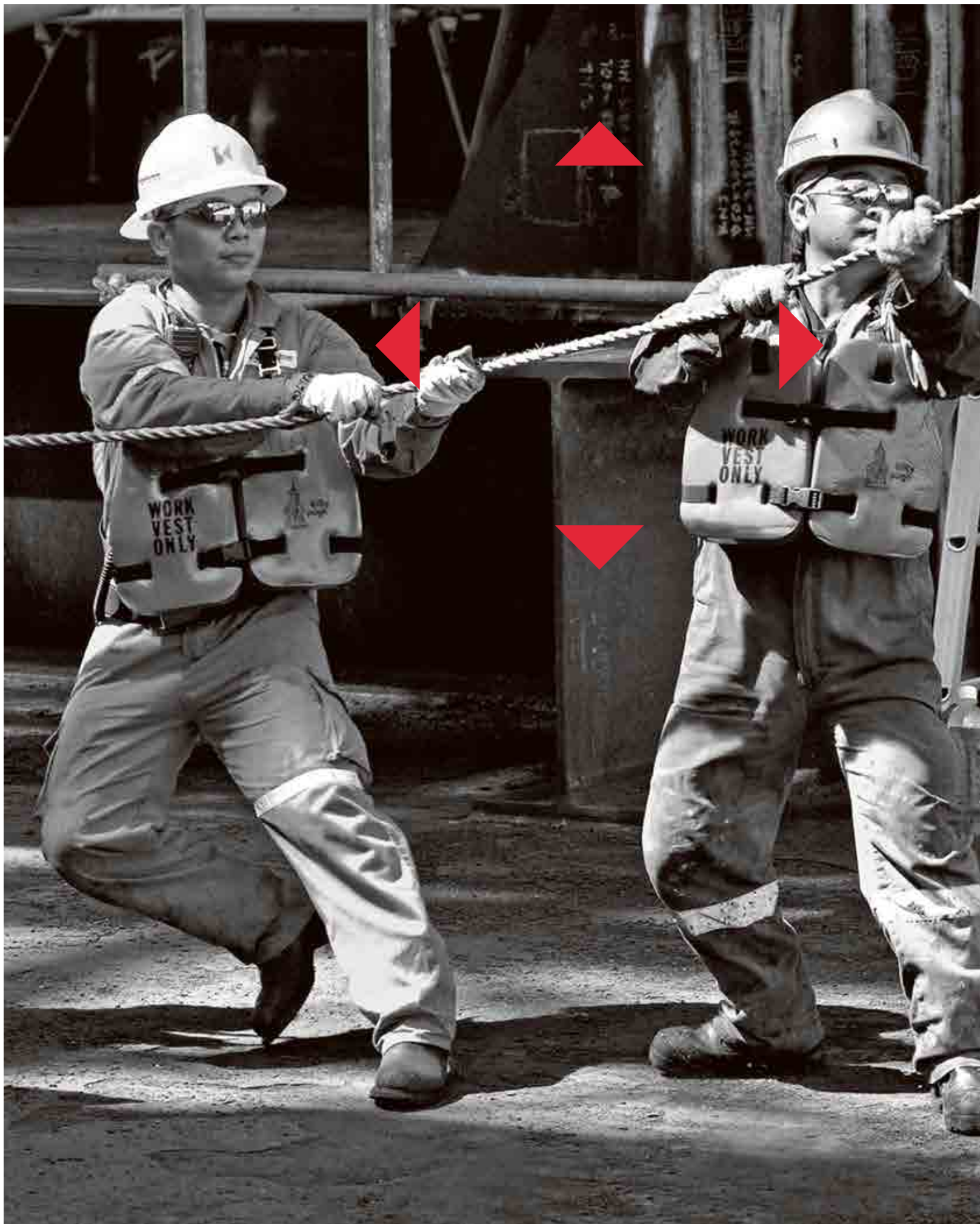


MALAYSIA

**WE ARE A FULL-FLEDGED
UPSTREAM OIL AND GAS PLAYER**

**WITH FULLY INTEGRATED OFFERINGS GLOBALLY
ACROSS THE ENTIRE VALUE CHAIN**







COLLABORATIVE EXECUTION

We leverage the combined knowledge and skills of our 12,000-strong workforce from over 20 countries, to deliver fully integrated offerings across the entire upstream oil and gas value chain.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Hamzah Bakar

Chairman

Non-Independent

Non-Executive Director

Tan Sri Dato' Seri Shahril Shamsuddin

President and

Group Chief Executive Officer

Non-Independent

Executive Director

Dato' Mokhzani Mahathir

Vice Chairman

Non-Independent

Non-Executive Director

Ramlan Abdul Malek

Non-Independent Executive Director

Dato' Shahriman Shamsuddin

Non-Independent

Non-Executive Director

Tor Olav Trøim

Non-Independent

Non-Executive Director

Yeow Kheng Chew

Non-Independent

Non-Executive Director

Tan Sri Datuk Amar (Dr) Hamid Bugo

Senior Independent

Non-Executive Director

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

Independent Non-Executive Director

Mohamed Rashdi

Mohamed Ghazalli

Independent Non-Executive Director

Gee Siew Yoong

Independent Non-Executive Director

John Fredriksen

Alternate Director to Tor Olav Trøim

AUDIT COMMITTEE

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin

Chairman

Tan Sri Datuk Amar (Dr) Hamid Bugo

Mohamed Rashdi

Mohamed Ghazalli

Gee Siew Yoong

NOMINATION COMMITTEE

Tan Sri Datuk Amar (Dr) Hamid Bugo

Chairman

Dato' Hamzah Bakar

Tunku Dato' Mahmood Fawzy

Tunku Muhiyiddin

Gee Siew Yoong

REMUNERATION COMMITTEE

Dato' Hamzah Bakar

Chairman

Tan Sri Dato' Seri Shahril

Shamsuddin

Dato' Mokhzani Mahathir

Mohamed Rashdi

Mohamed Ghazalli

RISK COMMITTEE

Mohamed Rashdi

Mohamed Ghazalli

Chairman

Dato' Shahriman Shamsuddin

Yeow Kheng Chew

Tunku Dato' Mahmood Fawzy

Tunku Muhiyiddin

COMPANY SECRETARIES

Mohamad Affendi Yusoff

(MACS 01596)

Ng Heng Hooi

(MAICSA 7048492)

AUDITORS

Ernst & Young (AF: 0039)

Chartered Accountants

Level 23A Menara Milenium

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Pusat Bandar Damansara

50490 Kuala Lumpur, Malaysia

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Fax : +603-2095 9076/78

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd

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CORPORATE OFFICE

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 Petroleum, Solaris Dutamas
 1, Jalan Dutamas 1
 50480 Kuala Lumpur, Malaysia
 Tel : +603-6209 8000
 Fax : +603-6209 5744
 Email : cosec@sapurakencana.com

STOCK EXCHANGE LISTING

Main Market of
 Bursa Malaysia Securities Berhad
 (Listed on 17 May 2012)
 Stock Name : SKPETRO
 Stock Code : 5218

PRINCIPAL BANKERS

ABN AMRO Bank N.V., Singapore Branch
 AmBank (M) Berhad
 CIMB Bank Berhad
 Export-Import Bank of Malaysia Berhad
 Goldman Sachs Lending Partners LLC
 ING Bank, N.V., Singapore Branch
 Malayan Banking Berhad
 National Bank of Abu Dhabi
 RHB Bank Berhad
 Standard Chartered Bank Malaysia
 Berhad
 Sumitomo Mitsui Banking Corporation
 Malaysia Berhad
 The Bank of Tokyo-Mitsubishi UFJ, Ltd
 United Overseas Bank (Malaysia) Bhd



PROFILES OF BOARD OF DIRECTORS

Dato' Hamzah Bakar, aged 70, was appointed to the Board of Directors ("Board") of SapuraKencana Petroleum Berhad ("SapuraKencana") on 9 December 2011 as the Chairman and an Independent Non-Executive Director. On 6 February 2013, Dato' Hamzah was redesignated as the Non-Independent Non-Executive Chairman. He serves as the Chairman of the Remuneration Committee and is a member of the Nomination Committee of SapuraKencana.

Dato' Hamzah holds a Bachelor of Science (Honours) in Economics from Queen's University Belfast, United Kingdom and a Master of Arts in Public Policy and Administration with Development Economics from the University of Wisconsin, United States of America ("USA").

Dato' Hamzah was appointed to the Board of SapuraCrest Petroleum Berhad ("SapuraCrest Petroleum") on 4 July 2003 as a nominee of Sapura Technology Sdn Bhd. He was then appointed as Non-Independent Non-Executive Chairman of SapuraCrest Petroleum on 25 July 2003. He was also the Chairman of the Nomination and Remuneration Committees of SapuraCrest Petroleum.

Dato' Hamzah has served 20 years in various senior management and Board positions in Petroliaam Nasional Berhad ("PETRONAS") including Senior Vice President for Refining and Marketing as well as Senior Vice President for Corporate Planning and Development. He also served as the first Chief Executive Officer of KLCC Holdings Berhad, responsible for planning and construction of Kuala Lumpur City Centre, including the landmark PETRONAS Twin Towers. Prior to joining PETRONAS, he served in the Economic Planning Unit, Prime Minister's Department for 12 years. Currently, Dato' Hamzah sits on the Board of CIMB Investment Bank Berhad. He is also a member of the Board of Trustees of the Malaysian Institute of Economic Research.



DATO' HAMZAH BAKAR

Chairman

Non-Independent Non-Executive Director

Malaysian

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TAN SRI DATO' SERI SHAHRIL SHAMSUDDIN

*President and Group Chief Executive Officer
Non-Independent Executive Director
Malaysian*

Tan Sri Dato' Seri Shahril Shamsuddin was appointed as the President and Group Chief Executive Officer of SapuraKencana and a Non-Independent Executive Director on 9 December 2011. He is also a member of the Remuneration Committee of SapuraKencana.

The 53-year-old entrepreneur established himself in the oil and gas industry in the 1990s when he saw a need for a Malaysian integrated oil and gas services provider to support the country's development of natural resources.

Starting from the provision of modest maintenance services, he steadily built the Group into a full-fledged upstream oil and gas player. In 2012, SapuraKencana emerged as one of the world's top three integrated oil and gas services providers by market capitalisation with extensive capabilities in Fabrication, Offshore Construction and Subsea Services and Hook-up and Commissioning.

In 2013, Tan Sri Shahril steered the Group to become a key player in the global drilling segment by acquiring the entire tender and semi-tender rig operations from Seadrill Limited for US\$2.9 billion. With this move, SapuraKencana became the global leader in this segment with ownership of over 50% of the tender and semi-tender rigs worldwide.

SapuraKencana then went on to become the first Malaysian independent oil and gas producer after acquiring the Malaysian assets of Newfield International Holdings Inc. for US\$895.9 million. The Group is one of the only few globally that provides services to the upstream oil and gas industry while operating assets as a producer.

The company has grown into a truly international organisation featuring a multinational workforce of over 12,000 people with more than half of its order book being based overseas. The Group's client base and operations span the globe with its presence in Brazil, West Africa, the Caribbean, Australia, Malaysia and other Southeast Asian countries.

Among the major contracts won by the Group recently was a US\$2.7 billion contract to provide three pipelay support vessels ("PLSVs") for operations in deepwater offshore Brazil, which is the second such contract after the initial 2011 US\$1.4 billion contract signed for three PLSVs in 2011.

Tan Sri Shahril is also the President and Group Chief Executive Officer of his family's business, the Sapura Group, which engages in a wide range of businesses including education, aviation services, property development and management, industrial and automotive component manufacturing and secured communications technologies. His appointments include Deputy Chairman of Sapura Industrial Berhad and Non-Executive Director of Sapura Resources Berhad.

He is a member of the Board of Trustees, Treasurer and Executive Committee member of the Perdana Leadership Foundation ("*Yayasan Kepimpinan Perdana*") and is a member of Universiti Teknologi Malaysia's International Advisory Panel.

In recognition of his entrepreneurial prowess and contributions to nation and society, he has been awarded several major honours and titles.

In November 2007, he was awarded the Legion d' Honneur by the Republic of France.

In 2009, he won the Malaysia Ernst & Young Entrepreneur of the Year award and in 2013 he was conferred an honorary doctorate in Technology Management by Universiti Teknologi Malaysia. Most recently, he was presented the Man of the Year Award 2014 by The Oil and Gas Year publication.

Tan Sri Shahril graduated with a Master of Science in Management of Technology from the MIT Sloan School of Management. His first degree was a Bachelor of Science in Industrial Technology from the California Polytechnic State University.

DATO' MOKHZANI MAHATHIR

Vice Chairman

Non-Independent Non-Executive Director

Malaysian

Dato' Mokhzani Mahathir, aged 53, was appointed to the Board of SapuraKencana on 9 December 2011 as the Executive Vice Chairman and a Non-Independent Executive Director. On 1 February 2014, Dato' Mokhzani was redesignated as a Non-Independent Non-Executive Vice Chairman. He is also a member of the Remuneration Committee of SapuraKencana.

Dato' Mokhzani was appointed to the Board of Kencana Petroleum Berhad ("Kencana Petroleum") on 25 November 2004 and was the Non-Independent Executive Director and Chief Executive Officer prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group. He also served as the Chairman of the Options Committee and a member of the Remuneration Committee of Kencana Petroleum.

He began his career in 1987 as a wellsite operations engineer with Sarawak Shell Berhad, working offshore Sarawak on tender assisted drilling rigs. He resigned in 1989 to pursue business opportunities in Kuala Lumpur. By investing in Tongkah Holdings Berhad (listed on the then Kuala Lumpur Stock Exchange), he ventured into the component manufacturing, oil and gas, finance and healthcare sectors. He held positions as the Group Chief Executive Officer of Pantai Holdings Berhad (healthcare) and the Group Executive Chairman of Tongkah Holdings Berhad (oil and gas, finance). A divestment exercise in 2001 saw him relinquishing all positions and equity in these companies. He then established Kencana Capital Sdn Bhd ("Kencana Capital") as an investment holding company later in the same year.

Presently, his portfolio of investments through Kencana Capital includes businesses in information technology, oil and gas services, automotive trading and distribution as well as property development. He is currently the Chairman of Sepang International Circuit Sdn Bhd which hosts the FIA Formula

One World Championship, the FIM Moto GP and is an accomplished GT car race driver. He also serves as the Chairman and Non-Independent Non-Executive Director of Opcom Holdings Berhad and a Non-Executive Director of Maxis Berhad ("Maxis"), currently Malaysia's largest mobile telecommunications company. He also sits on Maxis' Audit Committee and chairs their Remuneration Committee.

Dato' Mokhzani is a qualified Petroleum Engineer having pursued his tertiary education at the University of Tulsa, Oklahoma, USA where he graduated with a Bachelor of Science in Petroleum Engineering.



RAMLAN ABDUL MALEK

*Non-Independent Executive Director
Malaysian*

Encik Ramlan Abdul Malek, aged 59, was appointed to the Board of SapuraKencana on 1 March 2014 as a Non-Independent Executive Director.

Encik Ramlan holds a Bachelor of Science (Honours) in Chemical Engineering from the University of Bath, United Kingdom. He completed senior management training at INSEAD in France and Cornell University, USA.

Prior to joining the Board of SapuraKencana, he was the Vice President, Petroleum Management, Exploration & Production (“E&P”) Business of PETRONAS before his retirement at the end of February 2014. As the Head of Petroleum Management Unit (“PMU”), his responsibilities covered the promotion, implementation and regulation of the upstream activities in Malaysia.

Prior to assuming his position as the Vice President of PMU in June 2010, he was also the Vice President of the E&P Business and had held several technical and general management positions in PETRONAS, PETRONAS Carigali Sdn Bhd and PETRONAS Research and Scientific Services. Encik Ramlan was a Director of PETRONAS Gas Berhad and a member of the PETRONAS Management Committee. He was also a Director of Malaysia Petroleum Resources Corporation and the Malaysia-Thailand Joint Authority.

Encik Ramlan has 34 years of working experience in the upstream E&P areas. His early career was in petroleum engineering and production operations followed by upstream business development, strategic planning, petroleum arrangements negotiation, projects and procurement coordination, as well as general supervision of domestic upstream activities. He led efforts in securing deepwater exploration and development, enhance-oil-recovery projects, major petroleum infrastructure projects,

small fields development and unitisation of petroleum fields straddling boundaries and increasing local services companies participation.

Encik Ramlan is currently the Chairman of the Society of Petroleum Engineers Asia-Pacific Sdn Bhd and the President of Malaysian Oil & Gas Services Council (“MOGSC”).



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DATO' SHAHRIMAN SHAMSUDDIN

*Non-Independent Non-Executive Director
Malaysian*

Dato' Shahrman Shamsuddin, aged 45, was appointed to the Board of SapuraKencana as a Non-Independent Non-Executive Director on 9 December 2011. Dato' Shahrman is also a member of the Risk Committee of SapuraKencana.

Dato' Shahrman was a Non-Independent Non-Executive Director of SapuraCrest Petroleum prior to the merger of businesses between of SapuraCrest Petroleum Group and Kencana Petroleum Group.

Dato' Shahrman began his career with Sapura Group in 1991 and has held a number of key senior positions within the Group. He manages a diversified portfolio which includes investment holdings, aviation, property investment and education. Dato' Shahrman is currently the Managing Director of Sapura Resources Berhad. He is also an Executive Director of Sapura Industrial Berhad and a Director of Sapura Technology Sdn Bhd as well as Sapura Holdings Sdn Bhd.

Dato' Shahrman holds a Master of Science in Engineering Business Management from Warwick University, United Kingdom and a Bachelor of Science in Industrial Technology from Purdue University, USA.



TOR OLAV TRØIM

*Non-Independent Non-Executive Director
Norwegian*

Mr Tor Olav Trøim, aged 51, was appointed to the Board of SapuraKencana on 16 May 2013 as an Alternate Director to Mr John Fredriksen, the then Non-Independent Non-Executive Director of SapuraKencana. On 30 January 2014, Mr Trøim was redesignated as a Non-Independent Non-Executive Director of SapuraKencana.

Mr Trøim holds a Master of Science in Naval Architecture from the University of Trondheim, Norway.

Mr Trøim has served as the Vice Chairman and a Director of Seadrill since its inception in May 2005. He was also the Chief Executive Officer (“CEO”) of Seadrill Management from inception till 2006. Prior to this, in 1987, he was appointed as the Equity Portfolio Manager with Storebrand ASA for three years. Subsequently in 1992, Mr Trøim was appointed as the CEO of a Norwegian oil company, DNO AS, a post he held until 1995.

Mr Trøim is currently the Chairman of Seadrill Partners LLC and Golar Partners LLC (both listed on the New York Stock Exchange). He has been a Director of Archer Limited (listed on the Oslo Stock Exchange) since its incorporation in 2007. Mr Trøim sits on the boards of Golar LNG Limited and Frontline 2012 Ltd. He is also a Director of two companies listed on the Oslo Stock Exchange, namely the dry bulk shipping company, Golden Ocean Group Limited and the world’s largest salmon farmer, Marine Harvest ASA.



YEOW KHENG CHEW

*Non-Independent Non-Executive Director
Malaysian*

Mr Yeow Kheng Chew, aged 61, was appointed to the Board of SapuraKencana on 9 December 2011 as a Non-Independent Executive Director. On 1 February 2014, he was redesignated as a Non-Independent Non-Executive Director. He is a member of the Risk Committee of SapuraKencana.

Mr Yeow graduated with a Bachelor of Economics from the Australian National University in 1977.

He was appointed to the Board of Kencana Petroleum on 15 September 2005 and was a Non-Independent Executive Director of Kencana Petroleum prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group. He was also a member of the Options Committee of Kencana Petroleum.

Mr Yeow began his career as an Accountant in Melbourne, Australia. Upon returning to Malaysia, he worked as an Accountant/Financial Controller of Kuan Wah Group of Companies for six years. In 1984, he was appointed as an Executive Director of Sinpen Investment Pte Ltd, an investment holding company in Singapore. He was appointed as an Executive Director of Tongkah Holdings Berhad in 1987 and also served as an Executive Director to the Board of Pantai Holdings Berhad in 1997, both posts he held until 2001. He is currently a Director of Kencana Capital Sdn Bhd and several private limited companies.



TAN SRI DATUK AMAR (DR) HAMID BUGO

*Senior Independent Non-Executive Director
Malaysian*

Tan Sri Datuk Amar (Dr) Hamid Bugo, aged 68, was appointed to the Board of SapuraKencana on 27 February 2012 as an Independent Non-Executive Director and was subsequently appointed as the Senior Independent Non-Executive Director on 6 February 2013. He is also the Chairman of the Nomination Committee and a member of the Audit Committee of SapuraKencana.

Tan Sri Datuk Amar (Dr) Hamid graduated from Canterbury University, New Zealand, with a Bachelor and a Master of Arts in Economics. He also holds a Postgraduate Diploma in Teaching and a Postgraduate Certificate in Business Studies from Harvard Institute of Development Studies, USA. He was honoured with a Ph.D (Commerce) by Lincoln University, New Zealand. Tan Sri Datuk Amar (Dr) Hamid is a recipient of an Excellent Award from the American Association of Conservation Biology.

Prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group, Tan Sri Datuk Amar (Dr) Hamid was appointed to the Board of SapuraCrest Petroleum on 25 July 2003 as an Independent Non-Executive Director. He was also a member of the Audit, Remuneration and Nomination Committees of SapuraCrest Petroleum.

Tan Sri Datuk Amar (Dr) Hamid's working experience includes serving as the Administration Manager, Malaysia LNG Sdn Bhd; the first General Manager of Land Custody and Development Authority, Sarawak; Permanent Secretary, Ministry of Resource Planning, Sarawak; and State Secretary of Sarawak. He has sat on the boards of various companies and statutory bodies including Malaysian Airlines System Berhad, Malaysia LNG, Employees Provident Fund Board, University Malaysia Sarawak and Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia) and was also the Founding Chairman of the Sarawak Biodiversity Centre.

Currently Tan Sri Datuk Amar (Dr) Hamid sits on the boards of Sapura Resources Berhad, Sarawak Consolidated Industries Berhad, Zecon Berhad, Sime Darby Berhad Group and X-Fab Silicon Foundries S.E.

He is also active in charitable activities as the Chairman of *Yayasan Kemajuan Insan Sarawak* and Chairman of the State Library Sarawak. He is a council member of the Institute of Integrity Malaysia, a member of the Malaysian Anti-Corruption Commission Advisory Committee and a member of the National Water Services Commission.



TUNKU DATO' MAHMOOD FAWZY TUNKU MUHIYIDDIN

*Independent Non-Executive Director
Malaysian*

Tunku Dato' Mahmood Fawzy Tunku Muhiyiddin, aged 55, was appointed to the Board of SapuraKencana on 9 September 2011 as an Independent Non-Executive Director. Tunku Dato' Mahmood has been the Chairman of the Audit Committee since 27 September 2012 and is a member of Nomination Committee and Risk Committee of SapuraKencana.

Tunku Dato' Mahmood holds a Bachelor of Arts (Honours) in Business Studies from Polytechnic of Central London, United Kingdom (now known as Westminster University) and a Masters of Business Administration from Warwick University, United Kingdom. He is a member of the Institute of Public Accountants, Australia, the Malaysian Institute of Management and the Malaysian Institute of Corporate Governance.

Prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group, Tunku Dato' Mahmood was appointed to the Board of Kencana Petroleum on 29 September 2010 and was the Senior Independent Non-Executive Director of Kencana Petroleum. He was also a member of the Audit and Risk Management Committee, as well as the Chairman of the Group Risk Management Steering Committee.

Tunku Dato' Mahmood has held a variety of positions throughout his career. He started as a foreign exchange analyst with NCR UK Limited and later joined Svenska Handelsbanken, London as a Risk Analyst. He then joined Shell Malaysia Trading Sdn Bhd in 1990 and was cross-posted to Shell New Zealand Ltd in 1991. In 1997, he joined an investment holding company, Wira Security Holding Sdn Bhd, as Executive Director and later moved to Tajo Bhd as Chief Executive Officer ("CEO"). Tunku Dato' Mahmood then joined PricewaterhouseCoopers as its Executive Director, Corporate Finance in 2000.

In 2002, he was appointed as the Managing Director and CEO of Engen Limited ("Engen"), an integrated oil company in South Africa, a subsidiary of PETRONAS. He was also appointed as a Non-Executive Director of the South African Petroleum Industry Association ("SAPIA"). Tunku Dato' Mahmood left Engen in June 2005 and thereafter became the CEO of a shipping company until December 2006. He joined Khazanah Nasional Berhad in May 2007 and retired as Executive Director, Investments, in May 2010.

Tunku Dato' Mahmood also sits on the boards of Telekom Malaysia Berhad ("TM"), VADS Berhad (a wholly-owned subsidiary of TM), Malaysia Airports Holdings Berhad, Hong Leong Islamic Bank Bhd, Hong Leong Assurance Berhad, Hong Leong MISG Takaful Berhad and Hong Leong Asset Management Berhad.



MOHAMED RASHDI MOHAMED GHAZALLI

*Independent Non-Executive Director
Malaysian*

Encik Mohamed Rashdi Mohamed Ghazalli, aged 57, was appointed to the Board of SapuraKencana on 9 September 2011 as an Independent Non-Executive Director. He is a member of the Audit and Remuneration Committees and Chairman of the Risk Committee of SapuraKencana.

Encik Mohamed Rashdi graduated from University of Manchester Institute of Science and Technology, United Kingdom in 1979 and has extensive experience in industry and consulting. He initially worked in the telecommunications and manufacturing industries with Jabatan Telekom Malaysia and Sapura Holdings Group before embarking on a career in consulting with Coopers & Lybrand.

During his career, Encik Mohamed Rashdi worked overseas with Telecoms Australia as well as Coopers & Lybrand in the United Kingdom. He was a Partner of PwC Consulting East Asia as well as IBM Consulting. He was also the IT & Consulting Advisor with PricewaterhouseCoopers Malaysia focusing on capacity building, business development and quality assurance. Since leaving the firm, he has served as an independent consultant for a number of organisations.

As a management and technology consultant, Encik Mohamed Rashdi has personally led assignments in strategy and economics, business process improvement, information systems planning and large-scale project management. He has provided consultancy expertise across a number of industries such as government, telecommunications, oil and gas, transportation and utilities. He was also involved in the manufacturing and financial services sectors.

Prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group, Encik Mohamed Rashdi was an Independent Non-Executive

Director of SapuraCrest Petroleum, a post he held since 14 November 2003. He was a board member of MIMOS Berhad from 2006 to 2013 and in the last two years has been appointed as a Director of Malaysia Venture Capital Management Berhad, Credit Guarantee Corporation Berhad and Barclays Capital Management Malaysia Sdn Bhd, a subsidiary of Barclays Plc.



GEE SIEW YOONG

*Independent Non-Executive Director
Malaysian*

Ms Gee Siew Yoong, aged 64, was appointed to the Board of SapuraKencana on 5 July 2013 as an Independent Non-Executive Director. She is a member of the Audit Committee and Nomination Committee of SapuraKencana.

Ms Gee is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants. She started her career with Pricewaterhouse in 1969 and left in 1981, her last position being the Senior Audit Manager and Continuing Education Manager. She then joined Selangor Pewter Group as the Group Financial Controller during which period she was seconded to the USA from 1983 to 1984 as the Chief Executive Officer of Senaca Crystal Inc., a company in the Selangor Pewter Group which was undergoing reorganisation under Chapter XI of the U.S. Bankruptcy Code. Subsequently, from 1985 until 1987, Ms Gee became the Personal Assistant to the Executive Chairman of the Lipkland Group.

In 1987, Ms Gee was appointed by Bank Negara Malaysia as the Executive Director and Chief Executive of Supreme Finance (M) Berhad, a financial institution undergoing rescue and reorganisation under the supervision of the Central Bank. She held the position until the successful completion of the reorganisation in 1991. Ms Gee later served Land & General Berhad from 1993 to 1997 as the Group Divisional Chief, Management Development Services before joining Multi-Purpose Capital Holdings Berhad from 1997 to 1999 as Executive Assistant to the Chief Executive. During this period, Ms Gee was also a Director of Multi-Purpose Bank Berhad, Multi-Purpose Insurans Berhad and Executive Director of Multi-Purpose Trustee Berhad.

Since 2001, Ms Gee has served on several boards of public listed companies. Prior to the merger of businesses between SapuraCrest Petroleum Group and Kencana Petroleum Group, Ms Gee was an Independent Non-Executive Director of SapuraCrest Petroleum from 4 December 2001 to 15 May 2012. She was also the Chairman of the Audit Committee of SapuraCrest Petroleum.

Currently, Ms Gee also sits on the boards of Sapura Resources Berhad and Telekom Malaysia Berhad as an Independent Non-Executive Director. She is also a member of the Audit Committee of both the companies.



JOHN FREDRIKSEN

Alternate Director to Tor Olav Trøim
Cypriot

Mr John Fredriksen, aged 70, was appointed to the Board of SapuraKencana on 14 May 2013 as a Non-Independent Non-Executive Director. On 30 January 2014, Mr Fredriksen was redesignated as the Alternate Director to Mr Tor Olav Trøim, a Non-Independent Non-Executive Director of SapuraKencana.

Mr Fredriksen was appointed as the Chairman of the Board, President and a Director of Seadrill, a company listed on the New York Stock Exchange and Oslo Stock

Exchange since its inception in May 2005. He also serves as the Chairman, President, Chief Executive Officer and a Director of Frontline Ltd, a Bermudan company listed on the New York Stock Exchange, Oslo Stock Exchange and London Stock Exchange. Mr Fredriksen is also a Director of Golar LNG Limited, a Bermudan company listed on the NASDAQ Global Market and a Director of Golden Ocean Group Limited, a Bermudan company publicly listed on the Oslo Stock Exchange and Singapore Stock Exchange.

ADDITIONAL INFORMATION IN RELATION TO THE BOARD OF DIRECTORS

1. Family Relationship with Directors and/or Major Shareholders

Save for the following, none of the Directors of SapuraKencana ("Company") has any family relationship with the other Directors and/or major shareholders of the Company:

- (a) Tan Sri Dato' Seri Shahril Shamsuddin and Dato' Shahrman Shamsuddin are brothers. Both are deemed to have an indirect interest of 16.71% in SapuraKencana as at 30 April 2014 pursuant to Section 6A of the Companies Act, 1965 ("Act") by virtue

of their direct and indirect interests in Sapura Technology Sdn Bhd and Sapura Holdings Sdn Bhd group of companies; and

- (b) Dato' Mokhzani Mahathir is deemed to have an indirect interest of 10.1% in SapuraKencana as at 30 April 2014 pursuant to Section 6A of the Act by virtue of his shareholding in Khasera Baru Sdn Bhd.

2. Conflict of Interest

None of the Directors of SapuraKencana has any conflict of interest with the Company.

3. Convictions for Offences

None of the Directors of SapuraKencana has any conviction for offences within the past 10 years (other than traffic offences).

4. Attendance at Board Meetings

The attendance of the Directors at its meetings held during the financial year ended 31 January 2014 are set out on pages 94 and 95 of this Annual Report.

In memory of the late Mr Chong Hin Loon, a member of the Board of Directors and Executive Vice President of SapuraKencana who passed away on 14 October 2013.

The late Mr Chong was a truly dedicated, visionary entrepreneur with a penchant and passion for whatever he set his hands to. He began his career in Singapore and upon acquiring a wealth of knowledge and experience from the oil and gas sector as well as fabrication and construction projects, he returned to Malaysia to venture on his own. In 1982, he established Kencana HL Sdn Bhd (formerly known as HL Engineering (M) Sdn Bhd) as a subcontractor engaged in oil and gas fabrication and installation, pipeline construction, plant management and related fields. He then went on to serve as an Executive Director of Kencana Petroleum Berhad until its merger with SapuraCrest Petroleum Berhad in May 2012.

Responsible for spearheading SapuraKencana's Fabrication, Hook-up and Commissioning Division, the late Mr Chong was always personally involved in projects and yard management. His hands-on approach and energy in spearheading the Division impressed many and endeared him to his staff. His forte in grooming people and adding value to others by freely sharing his knowledge and ideas certainly influenced many. Staff members recall the late Mr Chong as a being a man of strong character but with great humility. He never let his many achievements in the business world get to his head. Firm but compassionate, he was a man full of gravitas, a risk-taker and someone willing to take responsibility for his decisions. His generosity too knew no boundaries and he gave back to society in many ways. He remained active in the business he loved until the end of his rich career spanning over 40 years. Although he has left us, his memory, achievements and legacy live on in the many lives he touched.



THE LATE CHONG HIN LOON

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EXECUTIVE COMMITTEE

CHOW MEI MEI

*Senior Vice President
Corporate Strategy and
Planning*

**TAN SRI DATO' SERI
SHAHRI SHAMSUDDIN**

*President and
Group Chief Executive Officer*

TENGGU MUHAMMAD TAUFIK

Group Chief Financial Officer

RAPHAEL SIRI

*Senior Vice President
Drilling*



**DATUK KRIS AZMAN
ABDULLAH**

*Senior Vice President
Energy and Joint Ventures*

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**RAMLAN
ABDUL MALEK**

Executive Director

REZA ABDUL RAHIM

*Senior Vice President
Offshore Construction and
Subsea Services*

**AHMAD ZAKIRUDDIN
MOHAMED**

*Senior Vice President
Fabrication, Hook-Up &
Commissioning*



Dear Shareholders,

Your Company, SapuraKencana Petroleum Berhad (“SapuraKencana” or “Group”) performed admirably in Financial Year 2014. We delivered commendable financial and operational performances, expanded our business segments and asset base, made solid inroads into new markets and grew the order book and value of the Company. SapuraKencana has been transformed into one of the world’s largest integrated upstream service providers. With a strong capability to deliver across the upstream oil and gas (“O&G”) value chain and across the globe, your Company is well poised to grow even further. It is my pleasure and privilege to present the second Annual Report of SapuraKencana for the period under review from 1 February 2013 to 31 January 2014 (“FY2014”).

COMMITTED TO PRECISION IN EXECUTION

This year’s Annual Report theme, “Precision in Execution”, aptly reflects the Group’s commitment to implementing all our undertakings in a meticulous manner and to ensuring credible and noteworthy outcomes, hence meeting our customers’ expectations. In FY2014, this notion of precision in execution was evident in several key initiatives that we embarked on to strengthen our market position, expand our footprint and prepare the Group for the next level of growth.

In April 2013, we integrated Seadrill Limited’s tender rig businesses into a new entity, SapuraKencana Drilling Pte Ltd.

In June 2013, we secured a second major contract that called for the construction of three pipe-laying support vessels for Brazil’s Petróleo Brasileiro S.A. or Petrobras.

In February 2014, we acquired the Malaysian operations of Newfield Exploration, a leading regional independent exploration and production group and immediately became an upstream operator. Today, the new operation renamed SapuraKencana Energy Malaysia Inc is providing us full exploration, development and production capabilities as well as participating interests in several production-sharing contracts and an alliance arrangement.

MESSAGE TO SHAREHOLDERS



ACHIEVED
1st
BILLION RINGGIT
PROFIT

“‘Precision in Execution’ reflects the Group’s commitment to implementing all our undertakings in a meticulous manner and to ensure credible and noteworthy outcomes.”

Shareholders’ Fund:

RM **10.2**
billion

Total Assets:

RM **26.6**
billion

Market Capitalisation:

RM **26.3**
billion

In March this year, we concluded a USD5.5 billion (RM16.5 billion) refinancing deal with 13 local, regional and international banks to optimise our capital structure. Following the refinancing, our average cost of borrowing has shrunk. Our shareholders can rest assured in the fact that the Group’s projected EBITDA for the next three years is already secured by contracts that are able to cover some 85% of the financing requirements.

As we rolled out these and other initiatives, “precision in execution” was the order of the day. Our people rose to the task to ensure a strong focus and a disciplined approach as they delivered the Group’s obligations.

DELIVERING A COMMENDABLE PERFORMANCE

The year in review saw SapuraKencana achieving its first billion ringgit profit. We registered a profit after tax (“PAT”) of

RM1.12 billion and revenue of RM8.38 billion for FY2014 – a 21.2% increase in revenue and 69.3% increase in PAT. Amidst a highly competitive operating environment, our business segments reported commendable performances in FY2014.

The Group’s financial fundamentals remained strong in FY2014 as demonstrated by the quality of our balance sheet. As at 31 January 2014, shareholders’ fund stood at RM10.2 billion and total assets amounted to RM26.6 billion. While our gearing stood at 1.2 times at the end of FY2014 against 0.78 times at the end of FY2013, we expect it to drop below 1.0 time after three years, which is close to the pre-merger gearing level. As at 31 January 2014, SapuraKencana’s market capitalisation stood at RM26.3 billion, placing the Group among the global top three integrated O&G service providers in terms of market capitalisation.

CREATING GOOD SHAREHOLDER VALUE

Since SapuraKencana's listing on the Main Market of Bursa Malaysia Securities Berhad on 17 May 2012, the overall trend for our counter has been positive, with strong buying interest. For the year in review, the stock rose to a high of RM4.96 on 30 December 2013 and closed the financial year end at RM4.39 on 31 January 2014. Since the merger, the share price of SapuraKencana has been on an uptrend and has increased by about 120%.

SapuraKencana is committed to creating value for all shareholders in a holistic manner. As a company that is still experiencing rapid growth, we continue to reinvest our profits back into the business to ensure our sustainable growth. Thus, for the financial year ended 31 January 2014, the Board of Directors has decided not to recommend any dividend payment.

UPHOLDING RESPONSIBLE CORPORATE PRACTICES

The Board of Directors is steadfastly committed to executing the highest standards of corporate governance and risk management practices throughout the length and breadth of our operations. By implementing stringent and transparent governance controls as well as proactive risk management measures, we are ensuring the continued growth of our businesses, safeguarding our reputation and creating good shareholder value. Further details of these measures are spelt out in the relevant sections of this Annual Report.



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Being a conscientious corporate citizen and a key O&G player, SapuraKencana believes that our responsibilities must extend beyond commercial objectives to ensure responsible and sustainable practices in all aspects of our businesses. To this end, we have adopted a Corporate Responsibility (“CR”) model that embodies a strategic and sustainable approach that focuses CR programmes onto key social development issues that align with the Group’s businesses. Our many CR initiatives can be found in the Corporate Responsibility section of this Annual Report.

RECOGNISED FOR OUR EFFORTS

Although SapuraKencana itself is a relatively new public listed entity, we continue to grow from strength to strength and from success to success built on the strong foundations of the

various segments of our businesses that have been well established over the years.

Your Company had the distinction of being the only Malaysian corporation to be listed a Forbes Asia Fabulous 50 companies for 2013. Only the best from Asia-Pacific’s biggest public companies are named in the list after an analysis of their revenue, profit, return on capital, share price movement and outlook.

SapuraKencana was also voted “Asia’s Overall Best Managed Company in Natural Resources” for 2014 by international financial publication, *FinanceAsia*, in its annual poll involving over 3,000 investors and market analysts from 10 countries in Asia. SapuraKencana was also named among the top 10 firms in Malaysia for Best Corporate Governance in its maiden appearance in the annual list.



Top 3

Integrated Oil and Gas
Service Provider in the world
in terms of market capitalisation

The only Malaysian
corporation named one of
**Forbes Asia
Fabulous**

50 companies
for 2013



In February 2014, our President and Group Chief Executive Officer, Tan Sri Dato' Seri Shahril Shamsuddin was named "The Oil & Gas Year Malaysia 2014 Man of the Year" at the launch of specialist international energy publication, The Oil & Gas Year's 2014 Malaysia report.

All these achievements and more underscore the good progress we are making in diverse areas.

LOOKING AHEAD

As we embrace a new financial year, the demand for O&G is expected to remain strong. The investments in exploration and development worldwide too augur well for upstream O&G service providers. Key regions

such as Southeast Asia, Central and South America, West Africa, East Africa, Asia and the North Sea hold much potential for upstream players. Closer to home, Malaysia's Economic Transformation Programme will see Petroliaam Nasional Berhad ("PETRONAS") continuing its development of our natural resources.

As we already have a presence in several of these locations, SapuraKencana is now poised to make the most of the opportunities in these markets as well as in new strategic areas, thereby enhancing shareholder value creation.

In our effort to deliver value to our shareholders, we make this commitment: We will continue to



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Voted



**Asia's Overall
Best Managed
Company**

in Natural Resources
by FinanceAsia

**Top
10**

firms with
Best Corporate
Governance
in Malaysia
by FinanceAsia

PGCEO Tan Sri Dato' Seri
Shahril Shamsuddin

**The Oil & Gas Year
Malaysia 2014**

**Man of
the Year**



develop and retain our talent so that they can be the best. We remain committed to driving synergies and integration across the Group; consolidating our position in terms of our capabilities, clients and geography. We will ensure effective and efficient capital management.

IN APPRECIATION

In the last one year alone, our asset base has grown tremendously. Not just in the way of strategic assets but in the way of our workforce. From a 9,000-strong workforce last year, we now have over 12,000 people on board who are working for the good of the Group. On behalf of the Board of Directors, I wish to convey my utmost gratitude to our dedicated

leadership team and employees for their professionalism, tireless efforts and sacrifices.

To our clients, a big thank you for your trust and confidence in us. Without your efforts, your ambition and your vision, we could not have arrived to where we are today. Rest assured that we will endeavour to serve you to the best of our ability to meet, or even exceed, your expectations. We convey our sincere thanks to the various government ministries and agencies as well as our other stakeholders for their steadfast support and cooperation. We are indebted to PETRONAS, for the guidance, encouragement and support they have accorded us. We are also grateful to our valued associates and business partners,

with whom we enjoy mutually beneficial relationships. Thank you for your trust, understanding and respect.

We also wish to thank you, our shareholders, for your kind support and confidence in all that we are trying to achieve. With your continued support, we will aim even higher and endeavour to accomplish greater success.

We have a strong Board of Directors, comprising members with vast expertise and experience as well as the breadth and depth of vision. I thank my colleagues for their good counsel and corporate oversight that have helped steer the Group forward. The Board has taken the initiative to incorporate gender diversity by appointing a highly experienced Ms Gee Siew Yoong as an Independent Non-Executive Director effective 5 July 2013. We warmly welcome Ms Gee to the Board and certainly look forward to her insights and contributions.

I would like to take this opportunity to thank Tan Sri Nik Mohamed Nik Yaacob who resigned from the Board as an Independent Non-Executive Director effective 10 December 2013. We are grateful for his invaluable contributions to the Group and wish him the very best in his future endeavours. Two of our executive directors, Dato' Mokhzani Mahathir and Mr Yeow Kheng Chew, have both been re-designated as Non-Independent Non-Executive Directors effective 1 February 2014. They have played important roles in the Group

and I am sure will continue to actively support the Group in their new capacities. We thank them for their most valued contributions.

At this time, we wish to remember the late Mr Chong Hin Loon, a member of the Board of Directors and Executive Vice President, Fabrication, Hook-Up & Commissioning division, who passed away on 14 October 2013. We are all saddened by his untimely demise and our prayers go out to his grieving family.

SapuraKencana has indeed made strong strides forward in many areas and yet it still holds much promise. I call upon all stakeholders to work together with us to ensure the sustainable growth of our businesses as we move on to new heights of success for our mutual benefits.

Thank you.

Dato' Hamzah Bakar

Chairman
22 May 2014



PRESIDENT & GROUP CEO'S REVIEW

Dear Shareholders,

I am pleased to report that our Company, SapuraKencana Petroleum Berhad (“SapuraKencana” or “Group”) has performed exceptionally well on all fronts for the financial year ended 31 January 2014 (“FY2014”).

We continued our transformational journey through the course of the year by strengthening our vast capabilities and range of service offerings, generating greater acceptance within the industry as well as better visibility into our earnings profile. As evidenced by a growing global footprint, SapuraKencana today has positioned itself as one of the world's largest integrated oil and gas services companies with the ability to deliver solutions with strong execution capabilities across the entire upstream value chain. This has been largely attributable to the strong team of technically capable people supported by a fleet of strategic and sophisticated assets.

We are now able to offer full Engineering, Procurement, Construction, Installation and Commissioning (“EPCIC”) capabilities that involve design, fabrication, transportation, installation and hook-up and commissioning services. Our Offshore Construction and Subsea Services (“OCSS”) division has also demonstrated capabilities in decommissioning and abandonment services. On the drilling front, we feature development and production drilling capabilities, and we can now also attest to being active in the area of field development involving exploration, development, production and rejuvenation. This makes us one of only a few companies globally that provides full-fledged services to the upstream industry while also being a producer of oil and gas.



One of the World's Largest Integrated Oil & Gas Services Company

Full Capabilities

-  **E**ngineering
-  **P**rocurement
-  **C**onstruction
-  **I**nstallation
-  **C**ommissioning



Group Profit After Tax:

RM **1.12**
billion

All this has been made possible through a steadfast pursuit of **precision in execution**, and an ongoing process of capability and capacity building within our operations. The OCSS division continued to strengthen its asset base with the inclusion of a state-of-the-art dynamic positioning subsea support vessel. Fabrication, Hook-Up and Commissioning (“FHUC”) added automation capabilities to improve efficiency and productivity. In addition, the successful completion of two corporate exercises enabled us to significantly grow our Drilling, and Exploration and Production (“E&P”) operations.

Our divisions operate independently and each one of them have a dominant position in their respective areas.

Notwithstanding, our ability to provide integrated solutions with strong project management capabilities has given SapuraKencana a distinct competitive advantage. A good example of this is the collaboration between OCSS and FHUC to meet the growing EPCIC requirements of clients.

In executing our work, we have always emphasised safety and the protection of the environment. All the accomplishments achieved in this past year have been on the back of outstanding Health, Safety and Environment (“HSE”) performance. While I, and every member of the organisation are responsible to ensure a safe work environment, our senior management takes direct accountability to drive a culture where necessary behaviours and practices are consistently upheld.

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Group Revenue:

RM **8.38**
billion



As technical expertise and precise execution are key to our success, we have devoted considerable resources and time towards enhancing and strengthening the technical and leadership capabilities among our more than 12,000 employees. In addition to our ongoing internal development initiatives, the injection of resources that came through the acquisitions involving our Drilling and E&P businesses have also provided a step jump in knowledge and experience within the organisation.

I am pleased to present you with an overview of the Group's financial and operational performance, as well as key strategies initiated in FY2014 and some insights into our prospects going forward.

FINANCIAL PERFORMANCE

In FY2014, SapuraKencana delivered outstanding financial performance despite a highly competitive operating environment. The Group turned in a profit after tax ("PAT") of RM1.12 billion on the back of revenue of RM8.38 billion. This represented a 69.3% increase in PAT and 21.2% increase in revenue, from the PAT of RM0.66 billion and revenue of RM6.91 billion realised in the preceding year.

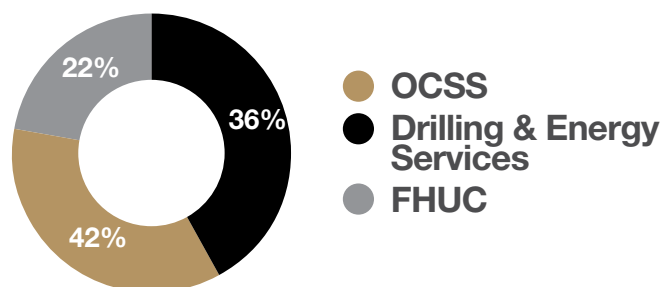
OCSS retained its position as the Group's biggest revenue contributor generating 42% of the total Group revenue. To this end, OCSS registered RM3.49 billion of revenues and PAT of RM0.34 billion.



With the inclusion of nine months of the recently acquired Seadrill Limited ("Seadrill") tender rig business' financial results and recognition of remuneration fees from the Berantai development risk sharing contract ("RSC"), the Drilling & Energy Services segment contributed 36% of the total Group revenue with a PAT of RM0.93 billion on the back of RM3.02 billion in revenue. This represented a 259% and 148% Year-on-Year increase in PAT and revenue respectively, and bears strong testimony to the earnings-accretive nature of the tender rig business as well as the project execution success in the Berantai RSC.

With multiple projects approaching completion during the year, the FHUC division contributed the remaining

Group Revenue Contribution:



12,000

Strong Workforce





Refinancing:



RM 16.5 billion
multi-currency facility

22% of the total Group revenue registering PAT of RM0.21 billion on the back of RM1.88 billion of revenue.

Efforts initiated during FY2014 to restructure the Group's debt have resulted in a USD5.5 billion (RM16.5 billion) multi-currency facility that stands to greatly benefit operational efficiency as our borrowings now better match the operating profiles of our assets. We view this exercise as an endorsement by the financial community of the sustainability the Group's business holds as a full-fledged upstream company and demonstrates confidence in our business direction and growth prospects moving forward.

STRATEGIC INITIATIVES

In last year's Annual Report, we outlined our strategy to grow the organisation by developing our capabilities and proving ourselves as

a trusted integrated services provider. I am pleased to report that not only did we follow through on those strategies in FY2014, we have continued to expand upon them as well.

Focus on HSE for delivery excellence and safety of our people

In meeting our corporate goals, we are guided by key principles that prioritise the safety of our people and the well-being of the communities and environment in which we operate. We strive to maintain high standards of HSE performance through stringent compliance with internal standards, regulatory measures and industry best practices. We are committed and strive to ensure that every employee and contractor takes responsibility for safety, and are pleased to see that our efforts have earned us the recognition and confidence of our customers, employees, and communities in which we operate.



“We are guided by key principles that prioritise the safety of our people and the well-being of the communities and environment in which we operate.”



Asset Growth: from 3 to 21 Tender Assist Drilling Barges

Strengthening the Drilling Segment

April 2013 saw the integration of Seadrill tender rig business, assets and employees into our operations and the formation of a new entity known as SapuraKencana Drilling Pte Ltd, headquartered in Singapore. This exercise enabled the Group to expand its footprint in Malaysia and Thailand to include Angola, Congo, Brunei, Equatorial Guinea, Indonesia, and Trinidad and Tobago.

As part of SapuraKencana, SKD has continued to win new businesses. It secured a new contract and three contract extensions worth a total of USD454.0 million (RM1.5 billion) from new and existing clients in West Africa (Congo and Angola) as well as Brunei

and Thailand in the first quarter of the financial year ending 31 January 2015.

Immediate Foothold in Upstream Operatorship

February 2014 saw the completion of the acquisition of the Malaysian operations, assets and people of Newfield Exploration (“Newfield Malaysia”), a leading regional independent E&P company. The exercise gave us an immediate foothold as an upstream operator and our efforts to meticulously execute every phase of the USD895.9 million (RM2.98 billion) acquisition, from evaluation to negotiation and purchase, and is testimony of the strong financial and business acumen found within the Group.

RM **2.98** billion
Newfield Acquisition

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Newfield Malaysia has been renamed SapuraKencana Energy Malaysia Inc ("SKEM") and is today providing full exploration, development and production capabilities as well as participating interests in eight production-sharing contracts ("PSCs") in both East and West Malaysia, with proven and probable reserves, plus an alliance arrangement to operate an oil field in East Malaysia.

Growing Our Asset Base

Our programme to invest in key enabling assets and technologies across our core businesses continues to reap dividends. This has not only increased our capacity to execute work and fast track projects, it continues to mitigate any dependency on third parties in ensuring timely project delivery. In FY2014, we implemented steps to further our yard automation, we constructed two new heavy lift derrick-lay vessels, and September 2013 saw us launching the *Sapura Diamanté*, the first of what will be a fleet of six Pipelay Support Vessels ("PLSV") that will be used to develop deepwater pre-salt fields offshore Brazil.

Following the integration of the Seadrill business into our drilling segment, we have also seen a step jump of assets from 3 to 18 tender assist drilling barges, with 3 more currently under construction. Likewise, SKEM has brought into the Group's fold oil and gas assets in Peninsular Malaysia and East Malaysia, from which we will propel ourselves further.



Expanding Our Global Footprint

In line with our objectives of becoming a truly global player, we continue to expand our international footprint and bid for more projects globally. As at the end of FY2014, over 70% of the Group's order book resides outside of Malaysia, with major markets being Brazil, South East Asia, Australia and Africa.


In June 2013, our subsidiary, Sapura Navegação Marítima S.A. Brazil ("SNM") won a USD2.7 billion offshore-support-vessel contract from Brazil's state-run oil company, Petróleo Brasileiro Petrobras S.A. ("Petrobras"). This represents SNM's second win after securing a contract for USD1.4 billion in 2011 to build and operate three PLSVs. The combined contract value of USD4.1 billion marks a strengthened presence in this exciting part of the world.

over 70%



Group Order Book Outside Malaysia

Launched



Sapura Diamanté
1st of a fleet of 6
Pipelay Support Vessels



Furthermore, in May 2014, we announced our success in securing five new contracts worth USD312.0 million (RM1.0 billion) in markets including the Ivory Coast, Russia, India, Brunei and Malaysia. This came soon after our announcement in April 2014 highlighting SKD's success in securing contracts amounting to USD454.0 (RM1.5 billion) including new markets such as Congo.

These contract wins underscore global customer confidence in our capabilities, experience and resources and going forward, our focus will be to further develop such key regions.

Strengthening Capabilities

We believe our people are multipliers of the value of our assets. Their technical and leadership capabilities, passion for excellence and commitment to our vision help us meet our customers' expectations. The Group continues to nurture and develop capabilities by empowering teams towards higher standards of excellence and overcoming operating challenges. To this end, we allocated 5% of our annual salary cost for the provision of formal training and development.

In FY2014 we initiated efforts to enable talent mobility throughout our operations with the ultimate objective of improving capabilities and enhancing operational exposure. We intend to take these efforts further so as to create a truly diverse and capable workforce.

Industry Outlook, Business Prospects and the Road Ahead

Amidst the uncertainties surrounding the global economy and more specifically the global energy industry, the outlook for O&G demand is expected to remain strong. Most of the demand will come from developing countries driven by their population growth and increasing wealth.

The growth in energy demand will result in increased O&G investments worldwide, which are expected to happen amidst more challenging circumstances. However, we envisage increasing demand and investment in new capabilities and technologies to overcome challenges in exploration, extraction and commercialisation.

Over the next decade, global O&G upstream spending is expected to reach more than half-a-trillion dollars (over RM1.5 trillion). The Asian market,

“Our technical and leadership capabilities, passion for excellence and commitment to our vision help us meet our customers' expectations.”



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in particular, Southeast Asia, will receive one-fifth of this global spending which accounts for a 50% increase in capital expenditure over the next 5 years, with Malaysia having a forecast expenditure close to USD60.0 billion (RM198.0 billion). With approximately half of our Group's revenues currently derived from Southeast Asia, this forecasted expenditure presents a positive prospect for our business.

Being the custodian of the country's hydrocarbon resources, Petroliam Nasional Berhad ("PETRONAS") has over the last few years initiated RSCs to encourage the development of marginal oilfields. Of the 105 marginal fields identified under the Malaysia's Economic Transformation Programme, 25 have been earmarked for development under the RSC arrangement. The RSC, an alternative to the PSC, aims to strike a balance between risk sharing and fair returns

for the development of marginal fields that have already been discovered. As a party to the consortium awarded the first RSC for the development of the Berantai Field, SapuraKencana with its experience and proven track record in safe, rapid and successful development and production, is well placed to bid for the other RSCs.

Key regions like the emerging markets of Latin America, in particular Brazil's offshore pre-salt fields, West Africa's shallow and deepwater fields, Asia and East Africa's deepwater fields, and activities such as enhanced oil recovery from mature fields in Asia and the North Sea will be the focal point of O&G investments. SapuraKencana has already established its presence in most of these locations and is well-positioned to deploy its strategic assets and technical capabilities to pursue the many opportunities expected in these markets.

As we build our capabilities further and position ourselves for new long-term partnerships, we will continue to make inroads in the many markets we currently serve.

ACKNOWLEDGEMENTS

Our success to date is the result of the support, hard work and dedication of many parties. On behalf of SapuraKencana, I wish to convey my heartfelt appreciation to our clients who have continued to demonstrate their trust in our capabilities and worked with us to cement long-term partnerships.

We are also deeply grateful to all our shareholders for your continued confidence in the Group which has made it possible for us to execute our plans and grow the business towards sustainable success. I hope you are equally excited as I am by the progress we have made and the prospects that lie ahead. Rest assured we will continue to work hard to create outstanding value for all stakeholders in the long-term.

To all loyal employees of SapuraKencana, your belief and commitment to our shared vision to be the best entrepreneurially led, technically competent and most trusted global oil and gas company in the eyes of our customers, shareholders and most importantly, yourselves, is what makes all these possible, and I thank and congratulate you on an outstanding FY2014.



SapuraKencana is also privileged to have a network of committed partners and associates, including suppliers and contractors who make it possible for us to carry out our operations in a timely and cost effective manner. We also worked with many financial institutions who, in FY2014, were key in realising our refinancing exercise, and we look forward to on-going collaboration with all these parties for our mutually beneficial success.

As we operate the world over, it is also important to record our gratitude to the many Governments and related agencies who have permitted us to establish a presence in their countries. We sincerely hope that ours is a mutually beneficial existence, and that in some small way we are able to contribute to the development of these nations.

I wish to recognise and thank our Board of Directors, comprising individuals who bring a wealth of wisdom and experience. We thank them for their collective insights, counsel and corporate oversight, which has helped us grow from strength to strength.

I would also like to place on record my sincere appreciation and gratitude to Dato' Mokhzani Mahathir and Mr Yeow Kheng Chew, who were redesignated as Non-Independent Non-Executive Directors on 1 February 2014. They played an indispensable role in the formation of SapuraKencana, and helped foster post-merger integration over the past

two years. We look forward to their continued contributions on the Board towards the growth and betterment of the Group.

Lastly however and with a heavy heart, I wish to note the untimely demise of Mr Chong Hin Loon, one of our founders and a Board member who passed away on 14 October 2013. He is missed and shall be remembered by his legacy and example as a truly dedicated and visionary businessman who served in the best interests of the company to the end. May he rest in peace.

Taking stock of what we have accomplished and how well we are positioned to forge ahead, the future promises to be bright. With the support of our stakeholders we are confident that SapuraKencana shall fortify its position as a full-fledged upstream player in the global oil and gas arena.

Thank you.

Tan Sri Dato' Seri Shahril Shamsuddin
President and
Group Chief Executive Officer
22 May 2014



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