



FIRST QUARTER FINANCIAL RESULTS

KUWAIT ENERGY PLC GROUP

FOR THE THREE MONTH PERIOD ENDED 31 MARCH 2017

CONDENSED CONSOLIDATED INCOME STATEMENT

For the three month period ended 31 March 2017

	Notes	Three month period ended 31 March		Year ended 31 December
		2017	2016	2016
		Unreviewed US\$ 000's	Unreviewed US\$ 000's	Audited US\$ 000's
Continuing Operations				
Revenue		46,333	32,395	138,895
Cost of sales		(22,658)	(33,217)	(106,556)
Gross profit/(loss)		<u>23,675</u>	<u>(822)</u>	<u>32,339</u>
Impairment of oil and gas assets	7	-	-	(94,337)
General and administrative expenses		(3,866)	(3,281)	(18,970)
Operating profit/(loss)		<u>19,809</u>	<u>(4,103)</u>	<u>(80,968)</u>
Share of results of joint venture		450	480	1,451
Change in fair value of convertible loans		(3,324)	(3,565)	(24,774)
Other income		149	410	1,335
Foreign exchange gain/(loss)		244	(63)	(2,340)
Finance costs		(3,364)	(2,667)	(9,365)
Profit/(loss) before tax		<u>13,964</u>	<u>(9,508)</u>	<u>(114,661)</u>
Taxation charge	4	(2,328)	(910)	(1,456)
Profit/(loss) for the period		<u>11,636</u>	<u>(10,418)</u>	<u>(116,117)</u>
Attributable to:				
Owners of the Company		11,636	(10,418)	(116,145)
Non-controlling interests		-	-	28
		<u>11,636</u>	<u>(10,418)</u>	<u>(116,117)</u>
Earnings/(loss) per share attributable to owners of the Company				
- Basic (cents)	5	<u>3.6</u>	<u>(3.2)</u>	<u>(35.6)</u>
- Diluted (cents)	5	<u>3.6</u>	<u>(3.2)</u>	<u>(35.6)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the three month period ended 31 March 2017

	Three month period ended 31 March		Year ended 31 December
	2017 Unreviewed US\$ 000's	2016 Unreviewed US\$ 000's	2016 Audited US\$ 000's
Profit/(loss) for the period	<u>11,636</u>	<u>(10,418)</u>	<u>(116,117)</u>
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of retirement benefit obligation	<u>409</u>	<u>-</u>	<u>(30)</u>
Other comprehensive income/(loss) for the period	<u>409</u>	<u>-</u>	<u>(30)</u>
Total comprehensive income/(loss) for the period	<u>12,045</u>	<u>(10,418)</u>	<u>(116,147)</u>
Attributable to:			
Owners of the Company	<u>12,045</u>	<u>(10,418)</u>	<u>(116,175)</u>
Non-controlling interests	<u>-</u>	<u>-</u>	<u>28</u>
	<u>12,045</u>	<u>(10,418)</u>	<u>(116,147)</u>

CONDENSED CONSOLIDATED BALANCE SHEET

As at 31 March 2017

		31 March 2017 Unreviewed US\$ 000's	31 December 2016 Audited US\$ 000's
	Notes		
ASSETS			
Non-current assets			
Intangible exploration and evaluation assets	6	27,726	27,692
Property, plant and equipment	7	529,266	509,369
Investment in joint venture		4,874	4,424
Other non-current assets		5,020	4,991
		<u>566,886</u>	<u>546,476</u>
Current assets			
Inventories		24,309	23,709
Trade and other receivables	8	108,069	94,983
Cash and cash equivalents	9	27,200	58,311
Assets classified as held for sale	10	130,888	126,144
		<u>290,466</u>	<u>303,147</u>
Total assets		<u>857,352</u>	<u>849,623</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		561,027	560,852
Share premium		206,044	205,929
Other reserves		(105,358)	(105,567)
Retained deficit		(414,946)	(426,582)
Equity attributable to owners of the Company		<u>246,767</u>	<u>234,632</u>
Non-controlling interest		<u>4,421</u>	<u>4,437</u>
Total equity		<u>251,188</u>	<u>239,069</u>
Non-current liabilities			
Borrowings		245,248	244,860
Convertible loans		118,390	117,198
Obligations under finance leases		2,685	2,937
Provisions and other non-current liabilities		15,182	15,549
Deferred tax liabilities		738	463
		<u>382,243</u>	<u>381,007</u>
Current liabilities			
Trade and other payables	11	140,938	144,368
Current tax payable		4,527	2,473
Crude oil prepayment		40,000	40,000
Convertible loans		19,511	19,075
Obligations under finance leases		1,169	1,169
Liabilities directly associated with assets classified as held for sale	10	17,776	22,462
		<u>223,921</u>	<u>229,547</u>
Total liabilities		<u>606,164</u>	<u>610,554</u>
Total equity and liabilities		<u>857,352</u>	<u>849,623</u>



Manssour Aboukhamseen
Executive Chairman

15 June 2017

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three month period ended 31 March 2017

	Share capital	Share premium	Other reserves	Retained deficit	Total	Non- controlling interest	Total equity
	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's	US\$ 000's
Balance at 1 January 2016	559,835	205,491	(105,613)	(310,437)	349,276	5,645	354,921
(Loss)/profit for the year	-	-	-	(116,145)	(116,145)	28	(116,117)
Other comprehensive loss for the year	-	-	(30)	-	(30)	-	(30)
Total comprehensive (loss)/income for the year	-	-	(30)	(116,145)	(116,175)	28	(116,147)
Issue of shares for acquisition of non-controlling interest	797	347	92	-	1,236	(1,236)	-
Issue of shares under employee incentive scheme	220	91	(311)	-	-	-	-
Share based payment charges	-	-	295	-	295	-	295
Balance at 31 December 2016	560,852	205,929	(105,567)	(426,582)	234,632	4,437	239,069
Profit for the period	-	-	-	11,636	11,636	-	11,636
Other comprehensive income for the period	-	-	409	-	409	-	409
Total comprehensive income for the period	-	-	409	11,636	12,045	-	12,045
Issue of shares for acquisition of non-controlling interest	9	6	1	-	16	(16)	-
Issue of shares under employee incentive scheme	166	109	(275)	-	-	-	-
Share based payment charges	-	-	74	-	74	-	74
Balance at 31 March 2017	561,027	206,044	(105,358)	(414,946)	246,767	4,421	251,188

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the three month period ended 31 March 2017

	Three month period ended		Year ended
	31 March		31 December
	2017	2016	2016
	Unreviewed	Unreviewed	Audited
Note	US\$ 000's	US\$ 000's	US\$ 000's
OPERATING ACTIVITIES			
Profit/(loss) for the period	11,636	(10,418)	(116,117)
Adjustments for:			
Share in results of joint venture	(450)	(480)	(1,451)
Depreciation, depletion and amortisation	14,282	18,492	62,394
Impairment of oil and gas assets	-	-	94,337
Tax charge	2,328	910	1,456
Foreign exchange (gain)/loss	(244)	63	2,340
Change in fair value of convertible loans	3,324	3,565	24,774
Finance costs	3,364	2,667	9,365
Interest income	(91)	(182)	(548)
Provision for retirement benefit obligation	182	145	627
Operating cash flow before movement in working capital	34,331	14,762	77,177
Increase in trade and other receivables	(13,086)	(2,032)	(47,171)
Increase/(decrease) in trade and other payables	2,154	(3,267)	2,722
Crude oil prepayment	-	-	40,000
Decrease/(increase) in inventories	90	306	(749)
Tax paid	-	-	(532)
Net cash generated by operating activities	23,489	9,769	71,447
INVESTING ACTIVITIES			
Purchase of intangible exploration and evaluation assets	(34)	(457)	(2,503)
Purchase of oil & gas assets	(43,365)	(29,644)	(83,297)
Purchase of other fixed assets	(34)	(136)	(82)
Increase in capital inventory stores	(688)	(1,845)	(42)
Proceeds from farm-out of working interests	3,500	-	3,500
Additions to decommissioning fund	(29)	-	(150)
Investment in Joint Venture	-	-	(945)
Dividend received from joint venture	-	-	3,500
Interest received	91	168	655
Net cash used in investing activities	(40,559)	(31,914)	(79,364)
FINANCING ACTIVITIES			
Repayment of obligations under finance leases	(298)	(489)	(1,766)
Finance costs paid	(13,975)	(13,975)	(34,636)
Net cash used in financing activities	(14,273)	(14,464)	(36,402)
Effect of foreign currency translation	232	(61)	(2,282)
Net decrease in cash and cash equivalents	(31,111)	(36,670)	(46,601)
Cash and cash equivalents at beginning of the period	58,311	105,297	105,297
Cash balance classified as held for sale	-	-	(385)
Cash and cash equivalents at end of the period	27,200	68,627	58,311

1. INCORPORATION AND ACTIVITIES

Kuwait Energy plc (“the Company”) is a company incorporated on 12 September 2011 in Jersey in accordance with the Commercial Companies Law in the Bailiwick of Jersey.

The Company and its subsidiaries (together referred to as “the Group”) have been established with the objective of exploration, production and commercialisation of crude oil and natural gas. The Company’s registered address is Queensway House, Hilgrove Street, St Helier, Jersey, JE1 1ES.

These condensed set of financial statements do not include all of the information required for a full annual financial report and are to be read in conjunction with the Group’s financial statements for the year ended 31 December 2016, which were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial information for the year ended 31 December 2016 in this report does not constitute statutory accounts. This information has been derived from the statutory accounts for the year ended 31 December 2016, a copy of which available on the Company’s website and in process of filing with the Jersey Registrar of Companies. The auditor’s report on these accounts was unqualified and did not draw attention to any matters by way of emphasis.

2. ACCOUNTING POLICIES**Basis of preparation**

The annual financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The condensed set of financial statements included in this three months 2017 financial report has been prepared in accordance with International Accounting Standard 34 ‘Interim Financial Reporting’, as adopted by the European Union (EU).

The accounting policies used in the preparation of this condensed set of financial statements are consistent with those used in the preparation of the annual consolidated financial statement for the year ended 31 December 2016. No new and revised standards became effective in the EU during the period.

Going concern

The directors are satisfied that the Group will have adequate resources to continue in operational existence for the foreseeable future, being at least the next 12 months from the date of approval of this condensed set of financial statements. Accordingly, the Directors continue to adopt the going concern basis of accounting in preparing this condensed set of financial statements.

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

For the three month period ended 31 March 2017

3. SEGMENTAL INFORMATION

Information reported to the Group's Executive Management, the chief operating decision maker, for the purposes of resource allocation and assignment of segment performance is specifically focused on the geographical area, namely Egypt, Iraq, Yemen and rest of the world (included in others). The Group has one class of business, being the exploration, development, production and sale of crude oil and natural gas.

Other operations include unallocated expenditure and liabilities of a corporate nature comprising the Company's external debt and other non-attributable corporate liabilities. The unallocated capital expenditure for each period comprises the acquisition of non-attributable corporate assets.

There has been no change in the basis of segmentation or in the basis of measurement of segment profit or loss in the period.

The following is an analysis of the Group's revenue and results by reportable segments:

	Egypt US\$ 000's	Iraq US\$ 000's	Yemen US\$ 000's	Others US\$ 000's	Total US\$ 000's
31 March 2017					
Segment revenues	27,235	19,098	-	-	46,333
Segment operating profit/(loss)	13,548	10,396	(961)	(3,174)	19,809
Share of results of joint venture					450
Change in fair value of convertible loans					(3,324)
Other income					149
Foreign exchange gain					244
Finance costs					(3,364)
Profit before tax					13,964
Taxation charge					(2,328)
Profit for the period					11,636
Segment assets	223,599	528,577	79,574	25,602	857,352
E&E assets	5,987	-	21,739	-	27,726
PP&E	110,422	372,292	45,627	925	529,266
Segment liabilities	34,407	106,159	19,457	446,141	606,164
Other information:					
Additions to E&E	-	-	34	-	34
Additions to PP&E	480	33,485	214	-	34,179
Depreciation, Depletion and Amortisation	8,081	6,116	-	85	14,282

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

For the three month period ended 31 March 2017

3. SEGMENTAL INFORMATION (CONTINUED)

	Egypt	Iraq	Yemen	Others	Total
	US\$ 000's				
31 March 2016					
Segment revenues	24,080	8,315	-	-	32,395
Segment operating (loss)/profit	(3,103)	1,935	(1,531)	(1,404)	(4,103)
Share of results of joint venture					480
Change in fair value of convertible loans					(3,565)
Other income					410
Foreign exchange loss					(63)
Finance costs					(2,667)
Loss before tax					(9,508)
Taxation charge					(910)
Loss for the period					(10,418)
Segment assets	267,113	422,371	85,885	57,952	833,321
E&E assets	12,248	-	20,871	-	33,119
PP&E	191,638	398,737	45,765	1,535	637,675
Segment liabilities	45,083	43,116	21,841	378,778	488,818
Other information:					
Additions to E&E	456	-	-	-	456
Additions to PP&E	2,776	31,820	-	-	34,596
Depreciation, Depletion and Amortisation	13,942	4,550	-	-	18,492
31 December 2016					
Segment revenues	105,533	33,362	-	-	138,895
Segment operating (loss)/profit	(22,076)	(42,342)	(4,306)	(12,244)	(80,968)
Share of results of joint venture					1,451
Change in fair value of convertible loans					(24,774)
Other income					1,335
Foreign exchange loss					(2,340)
Finance costs					(9,365)
Loss before tax					(114,661)
Taxation charge					(1,456)
Loss for the period					(116,117)
Segment assets	238,473	473,265	79,385	58,500	849,623
E&E assets	5,988	-	21,704	-	27,692
PP&E	118,023	344,924	45,412	1,010	509,369
Segment liabilities	37,357	103,987	21,309	447,901	610,554
Other information:					
Impairment of oil and gas assets	39,787	54,550	-	-	94,337
Additions to E&E	1,670	-	833	-	2,503
Additions to PP&E	16,772	144,558	(352)	121	161,099
Depreciation, Depletion and Amortisation	47,179	14,569	-	646	62,394

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

For the three month period ended 31 March 2017

4. TAXATION

	Three month period ended		Year ended
	31 March		31 December
	2017	2016	2016
	Unreviewed	Unreviewed	Audited
	US\$ 000's	US\$ 000's	US\$ 000's
Tax on profit on ordinary activities			
Current tax:			
Foreign tax	2,052	910	1,156
Total current tax	2,052	910	1,156
Deferred tax:			
Foreign tax	276	-	300
Total current tax	276	-	300
Total taxation charge	2,328	910	1,456

5. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit for the period after taxation attributable to owners of the Company of US\$ 11.6 million (31 March 2016: loss of US\$ 10.4 million, 31 December 2016: loss of US\$ 116.1 million) and a weighted average number of shares, net of treasury shares, of 326.6 million (31 March 2016: 326.5 million, 31 December 2016: 326.6 million).

There was no difference between basic and diluted earnings/(loss) per share for all the periods presented. The only potential dilutive instruments were the outstanding Employee Incentive Scheme (EIS) share awards, which have no material dilution impact on earnings/(loss) per share, together with shares to be issued on conversion of convertible loan which are not included in the calculation for either period as the number of shares that could be exercised is dependent on future events.

6. INTANGIBLE EXPLORATION AND EVALUATION ('E&E') ASSETS

	E&E assets
	US\$ 000's
Cost	
As at 1 January 2016	32,663
Additions	2,503
Transfer to Property, plant and equipment	(1,485)
Transfer to assets held for sale	(5,989)
As at 31 December 2016	27,692
Additions	34
As at 31 March 2017	27,726

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

For the three month period ended 31 March 2017

7. PROPERTY PLANT AND EQUIPMENT

	Oil and gas assets	Other fixed assets	Total
Cost	US\$ 000's	US\$ 000's	US\$ 000's
As at 1 January 2016	1,067,280	23,661	1,090,941
Additions	160,957	142	161,099
Disposal	-	(622)	(622)
Transfer from Intangible exploration and evaluation assets	1,485	-	1,485
Transfer to assets held for sale	(194,962)	(103)	(195,065)
As at 31 December 2016	1,034,760	23,078	1,057,838
Additions	34,145	34	34,179
Disposal	-	(47)	(47)
As at 31 March 2017	1,068,905	23,065	1,091,970
Accumulated Depreciation, depletion, amortisation and impairment			
As at 1 January 2016	459,657	9,713	469,370
Charge for the year	60,257	2,137	62,394
Impairment	94,337	-	94,337
Disposal	-	(562)	(562)
Transfer to assets held for sale	(77,070)	-	(77,070)
As at 31 December 2016	537,181	11,288	548,469
Charge for the period	13,830	452	14,282
Disposal	-	(47)	(47)
As at 31 March 2017	551,011	11,693	562,704
Carrying amount			
As at 31 March 2017 (Unreviewed)	517,894	11,372	529,266
As at 31 December 2016 (audited)	497,579	11,790	509,369

The additions to oil and gas assets mainly relate to Siba and Block 9 in Iraq, and include US\$ 4.2 million (31 December 2016: US\$ 17.0 million) of finance costs on qualifying assets capitalised during the period and US\$ 0.4 million (31 December 2016: US\$ 2.4 million) of fair value loss on convertible loans capitalised.

Additions of US\$4.8 million were made in the period relating to the assets held for sales (see note 10).

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

For the three month period ended 31 March 2017

8. TRADE AND OTHER RECEIVABLES

	31 March 2017 Unreviewed	31 December 2016 Audited
	US\$ 000's	US\$ 000's
Trade receivables	90,508	77,836
Advance due from joint venture partners	8,633	6,429
Other receivables	3,427	5,244
Prepayments, deposits and advances	3,042	3,025
Amount due from a related party	2,459	2,449
	<u>108,069</u>	<u>94,983</u>

Trade receivables includes US\$ 38.8 million (31 December 2016: US\$ 19.7 million) arising in Iraq, to be settled by having crude oil physically delivered. The Group will sell this crude oil as part of crude oil prepayment agreement. Subsequent to the period end, the Group has collected US\$16.7 million from Iraq through the crude oil sale mechanism.

The Group's trade receivables includes carrying value of US\$ 16.0 million (31 December 2016: US\$ 24.0 million) arising in Egypt which are past due at the reporting date for which the Group has not made any provision as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group has recovered substantially all the past due balance outstanding at 31 December 2016.

Ageing of past due but not impaired

	31 March 2017 Unreviewed	31 December 2016 Audited
	US\$ 000's	US\$ 000's
61 – 90 days	9,657	14,729
91 – 120 days	1,767	2,371
121 – 180 days	4,529	6,903
> 180 days	-	-
Total	<u>15,953</u>	<u>24,003</u>

9. CASH AND CASH EQUIVALENTS

	31 March 2017 Unreviewed	31 December 2016 Audited
	US\$ 000's	US\$ 000's
Cash and cash equivalents	27,200	58,311
	<u>27,200</u>	<u>58,311</u>

Cash and cash equivalents includes US\$ 4.0 million (31 December 2016: US\$ 4.0 million) which is restricted against issue of letters of guarantee.

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

For the three month period ended 31 March 2017

10. ASSETS HELD FOR SALES*Siba farm-out*

In October 2016 the Group has signed a farm-out agreement with an effective date of 1 January 2016 to assign a 20% paying and 15% revenue interest in the Iraq Siba area gas development and production service contract. Following completion of certain conditions precedent, including the written approval of the assignment by the Iraqi government, the Group will have 40% paying and 30% revenue interest in Siba. Under the terms of the farm-out agreement, the farmee will settle the consideration by paying the Group's share of costs of a major related contract with any balance being payable from allocation of cost recovery receivable when production commences from this field. In May 2017 the Group has completed this farm-out transaction (see note 14).

Abu Sennan farm-out

In December 2016 the Group signed a farm-out agreement to assign a 25% interest in Abu Sennan in Egypt with an effective date of 31 December 2016. Under the terms of farm-out agreement the Group has received an advance of US\$ 7.0 million. Following the completion of pre-emption and government approvals, the Group will have 25% revenue interest and 53% cost interest in Abu Sennan. Farm-out is expected to complete in 2017 and the receipt of the required government approvals, which are usual and customary for sale of such assets, is considered highly probable.

The assets and liabilities held for sale are carried at fair value less costs to sell of the sales consideration for each farm-out. The fair value of the deferred consideration was calculated by discounting expected receipts based on management's best estimate of timing.

The major classes of assets and liabilities comprising the assets classified as held for sale:

	31 March 2017 Unreviewed US\$ 000's	31 December 2016 Audited US\$ 000's
Intangible exploration and evaluation assets	5,989	5,989
Property, plant and equipment	122,833	117,995
Inventories	1,648	1,493
Trade and other receivables	316	282
Cash and cash equivalents	102	385
Total assets classified as held for sale	<u>130,888</u>	<u>126,144</u>
Trade and other payables	17,776	22,462
Total liabilities directly associated with assets classified as held for sale	<u>17,776</u>	<u>22,462</u>
Net assets of disposal groups	<u>113,112</u>	<u>103,682</u>

11. TRADE AND OTHER PAYABLES

	31 March 2017 Unreviewed US\$ 000's	31 December 2016 Audited US\$ 000's
Trade Payables and accruals	118,234	118,514
Advance against farm-out of working interest	7,000	3,500
Joint venture partners payables	5,835	7,568
Accrued interest payable	5,478	10,313
Salaries and bonus payables	4,391	4,473
	<u>140,938</u>	<u>144,368</u>

NOTES TO THE CONDENSED SET OF FINANCIAL STATEMENTS

For the three month period ended 31 March 2017

12. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

	31 March 2017 Unreviewed US\$ 000's	31 December 2016 Audited US\$ 000's
a) Contingent liabilities - letters of guarantee	4,000	4,000
b) Capital commitments	38,687	43,106
c) Agreement to purchase shares	6,200	6,176

Capital commitments includes committed seismic expenditures, exploration and development well drilling as specified in the exploration and development licences.

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

As at 31 March 2017 and 31 December 2016 the convertible loans were carried at fair value and were classified as level 3. There were no other financial instruments classified as level 1, level 2 or level 3.

The following table shows a reconciliation of movements in the fair value of convertible loans categorised within Level 3 between the beginning and the end of the reporting period.

	31 March 2017 Unreviewed US\$ 000's	31 December 2016 Audited US\$ 000's
At 1 January	136,273	119,400
Change in fair value	3,728	27,211
Payment	(2,100)	(10,338)
At end of the period	137,901	136,273

14. SUBSEQUENT EVENTS

- a) In May 2017, the Group has completed the farm-out transaction to assign a 20% paying and 15% revenue interest in the Iraq Siba area gas development and production service contract, which were classified as assets held for sale as on 31 March 2017 (see note 10).
- b) In May 2017, Board of the Company has approved cancellation of 32.5 million own shares which were held as treasury shares as on 31 March 2017. Following this cancellation, the Company has 326.7 million shares in issue.