

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND PERIOD ENDED 30 JUNE 2015

	3 months ended 30 June 2015 RM'000	3 months ended 30 June 2014 RM'000	Cumulative period 3 months ended 30 June 2015 RM'000	Cumulative period 3 months ended 30 June 2014 RM'000
Revenue	333,803	365,728	333,803	365,728
Cost of sales	(268,527)	(284,531)	(268,527)	(284,531)
Gross profit	65,276	81,197	65,276	81,197
Other income	2,319	370	2,319	370
Administrative expenses	(25,339)	(24,844)	(25,339)	(24,844)
Marketing and selling expenses	(17,005)	(18,968)	(17,005)	(18,968)
Other expenses	(1,772)	(1,846)	(1,772)	(1,846)
Finance expenses	(6,945)	(6,448)	(6,945)	(6,448)
Finance income	182	320	182	320
Share of results of JV and associates	861	991	861	991
Profit before tax	17,577	30,772	17,577	30,772
Taxation	(5,915)	(8,521)	(5,915)	(8,521)
Profit for the period	11,662	22,251	11,662	22,251
Other comprehensive income				
Currency translation differences	9,702	(10,182)	9,702	(10,182)
Cash flow hedges	9,925	(1,761)	9,925	(1,761)
	19,627	(11,943)	19,627	(11,943)
Total comprehensive income for the period	31,289	10,308	31,289	10,308
Profit attributable to :				
Owners of the Company	12,038	23,668	12,038	23,668
Non-controlling interests	(376)	(1,417)	(376)	(1,417)
Profit for the period	11,662	22,251	11,662	22,251
Total comprehensive income attributable to:				
Owners of the Company	31,665	11,725	31,665	11,725
Non-controlling interests	(376)	(1,417)	(376)	(1,417)
	31,289	10,308	31,289	10,308
Earnings per share				
- Basic and diluted (Sen)	0.51	1.01	0.51	1.01

The unaudited Condensed Financial Statement should be read in conjunction with the accompanying explanatory notes.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	As at 30 June 2015 RM'000	As at 31 Mar 2015 RM'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		572,541	582,225
Investment properties		2,498	2,495
Investment in joint ventures		70,550	68,967
Intangible assets		116,501	115,799
Deferred tax assets		5,001	4,744
Other receivables		5,405	1,125
		<u>772,496</u>	<u>775,355</u>
CURRENT ASSETS			
Inventories		238,988	243,078
Trade and other receivables		565,490	563,950
Current tax assets		16,801	12,687
Cash and bank balances	B8	209,054	202,181
		<u>1,030,333</u>	<u>1,021,896</u>
TOTAL ASSETS		<u>1,802,829</u>	<u>1,797,251</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		1,005,535	1,005,535
Treasury shares		(48)	(48)
Other reserves	B10	(592,865)	(612,492)
Retained earnings	B12	401,232	389,194
Total equity attributable to owners of the Company		<u>813,854</u>	<u>782,189</u>
Non-controlling interests		66,023	66,399
TOTAL EQUITY		<u>879,877</u>	<u>848,588</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	B9	171,350	168,475
Provision for retirement benefits		7,149	6,644
Other payables		5,584	5,588
Derivative financial liabilities	B11	38,042	40,366
Deferred tax liabilities		7,833	7,982
		<u>229,958</u>	<u>229,055</u>
CURRENT LIABILITIES			
Trade and other payables		432,867	418,553
Loans and borrowings	B9	226,032	262,614
Derivative financial liabilities	B11	11,363	11,784
Current tax liabilities		22,732	26,657
		<u>692,994</u>	<u>719,608</u>
TOTAL LIABILITIES		<u>922,952</u>	<u>948,663</u>
TOTAL EQUITY AND LIABILITIES		<u>1,802,829</u>	<u>1,797,251</u>
Net assets per share (RM)		<u>0.35</u>	<u>0.33</u>

The unaudited Condensed Financial Statement should be read in conjunction with the accompanying explanatory notes.

SCOMI ENERGY SERVICES BHD (397979-A)
(Incorporated in Malaysia)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2015

	<u>Attributable to owners of the Company</u>						
	Share capital RM '000	Treasury shares RM'000	Other reserves RM '000	Retained earnings RM '000	Total RM '000	Non- controlling interests RM '000	Total equity RM '000
As at 1 April 2015	1,005,535	(48)	(612,492)	389,194	782,189	66,399	848,588
Total comprehensive income for the year	-	-	19,627	12,038	31,665	(376)	31,289
As at 30 June 2015	1,005,535	(48)	(592,865)	401,232	813,854	66,023	879,877
Audited							
As at 1 April 2014	1,005,535	(48)	(644,177)	312,052	673,362	68,483	741,845
Total comprehensive income for the year	-	-	31,685	77,142	108,827	(1,860)	106,967
Dividends paid by subsidiary to non-controlling interests	-	-	-	-	-	(224)	(224)
As at 31 March 2015	1,005,535	(48)	(612,492)	389,194	782,189	66,399	848,588

The unaudited Condensed Financial Statement should be read in conjunction with the accompanying explanatory notes.

SCOMI ENERGY SERVICES BHD (397979-A)
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UNAUDITED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 30 JUNE 2015

	Note	3 months ended 30 June 2015 RM'000	3 months ended 30 June 2014 RM'000
Cash Flows From Operating Activities			
Profit before tax		17,577	30,772
Adjustments for non-cash items:		19,731	21,527
Changes in working capital:			
Inventories		4,090	(6,986)
Receivables		(6,674)	(18,939)
Payables		25,597	(37,303)
Cash generated from operations		<u>60,321</u>	<u>(10,929)</u>
Tax paid		(5,108)	(7,732)
Interest received		182	320
Net cash generated from operating activities		<u>55,395</u>	<u>(18,341)</u>
Cash Flows From Investing Activities			
Proceeds from disposal of property, plant and equipment		61	-
Purchase of property, plant and equipment		(8,815)	(19,426)
Repayment of advance from jointly controlled entity		-	14,528
Additional investment in joint controlled entity		-	(4,571)
Net cash used in investing activities		<u>(8,754)</u>	<u>(9,469)</u>
Cash Flows From Financing Activities			
Repayment of borrowings		(29,507)	(2,927)
Proceeds from borrowings		-	23,536
Interest paid on borrowings		(6,384)	(6,448)
(Increase)/decrease in short term deposit pledged as securities		(10,725)	(15,810)
Net cash used in financing activities		<u>(46,616)</u>	<u>(1,649)</u>
Net increase in cash and cash equivalents		25	(29,459)
Cash and cash equivalents at beginning of the year		151,693	125,435
Currency translation differences		(3,891)	3,297
Cash and cash equivalents at end of the period	B8	<u>147,827</u>	<u>99,273</u>

The unaudited Condensed Financial Statement should be read in conjunction with the accompanying explanatory notes.

A. EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS – FRS 134

A1 Basis of Preparation of interim financial reports

The interim financial statements are prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Bursa Malaysia Securities Berhad's ("Bursa Malaysia") Listing Requirements and should be read in conjunction with the Company's annual audited financial statements for the year ended 31 March 2015 and the accompanying notes attached to the unaudited condensed consolidated financial statements.

Within the context of these condensed consolidated financial statements, the Group comprises the Company and its subsidiaries, and the Group's interest in associates and joint ventures as at and for the quarter ended 30 June 2015.

Except as described below, the same accounting policies and methods of computation are followed in the condensed consolidated financial statements as compared with the consolidated financial statements for year ended 31 March 2015.

As of 1 April 2015, the Group and the Company have adopted the following MFRSs and amendments which are effective for annual periods beginning on or after 1 January 2014.

Effective for annual periods commencing on or after 1 January 2014

Amendments to MFRS 10	<i>Consolidated Financial Statements: Investment Entities</i>
Amendments to MFRS 12	<i>Disclosure of Interests in Other Entities: Investment Entities</i>
Amendments to MFRS 127	<i>Separate Financial Statements (2011): Investment Entities</i>
Amendments to MFRS 132	<i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i>
Amendments to MFRS 136	<i>Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to MFRS 139	<i>Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting</i>
IC Interpretation 21	<i>Levies</i>

The adoption of the above MFRSs and amendments does not have any material impact on the financial statements

The following MFRS, amendments and interpretations to existing standards that are applicable to the Group but not yet effective and have not been early adopted.

A1 Basis of Preparation of interim financial reports ("continued")

Effective for annual periods commencing on or after 1 July 2014

Amendments to MFRS 1	<i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)</i>
Amendments to MFRS 2	<i>Share-based Payment (Annual Improvements 2010-2012 Cycle)</i>
Amendments to MFRS 3	<i>Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>
Amendments to MFRS 8	<i>Operating Segments (Annual Improvements 2010-2012 Cycle)</i>
Amendments to MFRS 13	<i>Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>
Amendments to MFRS 116	<i>Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)</i>
Amendments to MFRS 119	<i>Employee Benefits – Defined Benefit Plans: Employee Contributions</i>
Amendments to MFRS 124	<i>Related Party Disclosures (Annual Improvements 2010-2012 Cycle)</i>
Amendments to MFRS 138	<i>Intangible Assets (Annual Improvements 2010-2012 Cycle)</i>
Amendments to MFRS 140	<i>Investment Property (Annual Improvements 2011-2013 Cycle)</i>

Effective for annual periods commencing on or after 1 January 2016

Amendments to MFRS 5	<i>Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)</i>
Amendments to MFRS 7	<i>Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)</i>
Amendments to MFRS 10	<i>Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to MFRS 10	<i>Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception</i>
Amendments to MFRS 11	<i>Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations</i>
MFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements – Disclosure Initiative</i>
Amendments to MFRS 116	<i>Property, Plant and Equipment and MFRS 138, Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation</i>

A1 Basis of Preparation of interim financial reports ("continued")

Amendments to MFRS 116	<i>Property, Plant and Equipment and MFRS 141, Agriculture – Agriculture: Bearer Plants</i>
Amendments to MFRS 119	<i>Employee Benefits (Annual Improvements 2012-2014 Cycle)</i>
Amendments to MFRS 127	<i>Separate Financial Statements – Equity Method in Separate Financial Statements</i>
Amendments to MFRS 134	<i>Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)</i>

Effective for annual periods commencing on or after 1 January 2017

MFRS 15 *Revenue from Contracts with Customers*

Effective for annual periods commencing on or after 1 January 2018

MFRS 9 *Financial Instruments (2014)*

The initial application of the abovementioned accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 15.

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

A2 Audit Report for Preceding Annual Financial Statements

The audit report for the Group's annual financial statements for the year ended 31 March 2015 was not subject to any qualification.

A3 Seasonal or Cyclical Factors

The Group's operations are generally not affected by any seasonal or cyclical factors.

A4 Unusual Items

There are no unusual items that affected the assets, liabilities, equity, net income or cash flows in the current quarter under review.

A5 Significant Estimates and Changes in Estimates

The Group makes assumptions concerning the future and other sources of estimation uncertainty at the balance sheet date including impairment of intangible assets, depreciation on property, plant and equipment, and deferred tax assets that could arise from unused tax losses and unabsorbed capital allowances.

There were no material changes in estimates reported in the current quarter under review.

A6 Debt and Equity Securities

The company had performed a share buy-back transaction on 26 May 2015 which consists of 2,000 shares at RM0.40 each.

A7 Dividends Paid / Payable

There were no dividends paid during the quarter and financial period ended 30 June 2015.

A8 Segmental Reporting

Segment information for the financial period as presented in respect of the Group's business segment is as follows:

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A8 Segmental Reporting ("continued")

Revenue and results for three months ended 30 June 2015

	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
REVENUE				
External sales	283,828	49,975	-	333,803
RESULTS				
Profit from operations	24,749	(3,361)	(46)	21,342
Realised gain on foreign exchange	2,143	235	-	2,378
Unrealised gain/(loss) on foreign exchange	1,054	(1,155)	-	(101)
Finance costs	(6,792)	(153)	-	(6,945)
Other operating income	37	5	-	42
Share of results in joint ventures	-	2,058	(1,197)	861
Profit before tax	21,191	(2,371)	(1,243)	17,577
Taxation	(5,562)	(353)	-	(5,915)
Profit for the period	15,629	(2,724)	(1,243)	11,662
Other information				
Depreciation and amortisation	12,617	10,242	-	22,859
Interest income	160	22	-	182
Addition to non-current assets other than financial instruments and deferred tax assets	(6,813)	613	(1,197)	(7,397)

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A8 Segmental Reporting (“continued”)

Revenue and results for three months ended 30 June 2014

	Drilling Services RM'000	Marine Services RM'000	Total RM'000
REVENUE			
External sales	288,473	77,255	365,728
RESULTS			
Profit from operations	33,197	2,342	35,539
Realised (loss)/gain on foreign exchange	(222)	406	184
Unrealised loss on foreign exchange	(215)	(469)	(684)
Finance costs	(6,280)	(168)	(6,448)
Other operating income	374	816	1,190
Share of results in associates	-	(68)	(68)
Share of results in joint ventures	-	1,059	1,059
Profit before tax	26,854	3,918	30,772
Taxation	(7,847)	(674)	(8,521)
Profit for the period	19,007	3,244	22,251
Other information			
Depreciation and amortisation	11,811	10,002	21,813
Interest income	293	27	320
Addition to non-current assets other than financial instruments and deferred tax assets	(608)	(27,949)	(28,557)

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A8 Segmental Reporting (“continued”)

	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
ASSETS AND LIABILITIES AS AT 30 JUNE 2015				
ASSETS				
Assets employed in the segment	1,077,954	632,457	66	1,710,477
Investment in associates	-	-	-	-
Investment in joint venture	455	60,503	9,592	70,550
	<u>1,078,409</u>	<u>692,960</u>	<u>9,658</u>	<u>1,781,027</u>
<u>Unallocated corporate assets:</u>				
Tax recoverable				16,801
Deferred tax assets				5,001
Total assets				<u>1,802,829</u>
LIABILITIES				
Liabilities in segment	<u>647,286</u>	<u>185,984</u>	<u>9,712</u>	842,982
<u>Unallocated corporate liabilities:</u>				
Tax payable				22,732
Deferred tax liabilities				7,833
Derivatives financial instruments				49,405
Total liabilities				<u>922,952</u>
Net assets				<u>879,877</u>

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A8 Segmental Reporting ("continued")

	Drilling Services RM'000	Marine Services RM'000	Total RM'000
ASSETS AND LIABILITIES AS AT 30 JUNE 2014			
ASSETS			
Assets employed in the segment	1,095,982	484,070	1,580,052
Investment in associates	-	310	310
Investment in joint venture	151	47,107	47,258
	<u>1,096,133</u>	<u>531,487</u>	<u>1,627,620</u>
<u>Unallocated corporate assets:</u>			
Tax recoverable			18,289
Deferred tax assets			8,398
Total assets			<u><u>1,654,307</u></u>
LIABILITIES			
Liabilities in segment	<u>508,751</u>	<u>341,975</u>	850,726
<u>Unallocated corporate liabilities:</u>			
Tax payable			20,337
Deferred tax liabilities			3,580
Derivatives financial instruments			27,511
Total liabilities			<u><u>902,154</u></u>
Net assets			<u><u>752,153</u></u>

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A9 Valuation of Property, Plant and Equipment

There was no change to the valuation of property, plant and equipment brought forward from the previous annual financial statements.

A10 Material Subsequent Events

There are no material events subsequent to the end of the quarter under review that have not been reflected in these condensed financial statements.

A11 Changes in Composition of the Group

There were no changes in the composition of the Group during the period under review.

A12 Contingent Liabilities

Detail of contingent liabilities of the Group is as follows:-

	RM'000
Contingent liabilities arising from tax matters	<u>1,900</u>

A13 Capital Commitments

Authorised capital commitments not provided for in the financial statements of the Group are as follows:

	Approved and contracted for RM'000	Approved but not contracted for RM'000	Total RM'000
Property	-	4,255	4,255
Plant & Machinery	1,105	55,119	56,224
Vessels	94,727	32,230	126,957
Others	-	6,911	6,911
	<u>95,832</u>	<u>98,515</u>	<u>194,347</u>

A13 Capital Commitments ("continued")

The future minimum lease payments under non-cancellable operating leases as at 30 June 2015 are as follows:

	30 June 2015 RM'000
Less than one year	8,724
Between one and five years	8,429
	<u>17,153</u>

A14 Related party transactions

	3 months ended 30 June 2015 RM'000
Holding company	
Rental expenses	<u>510</u>
Transactions with companies in which certain substantial shareholders have interest	
Lease of office equipment	38
Provision of human resources services	51
Administration fees charged	13
Air ticket cost charged	238
Office rental paid/payable	<u>44</u>
Transactions with joint ventures	
Chartering services paid/payable	<u>2,589</u>

The Directors are of the view that the above transactions have been entered into in the normal course of business under terms and conditions no less favorable to the Group and the Company than those arranged with independent third parties.

B EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

B1 Review of Operating Segments

The Group has three reportable segments which are Drilling Services, Marine Services and Development and Production Asset and Services. Drilling Services provides integrated drilling fluids, drilling waste management solutions and production chemicals while Marine Services consist of coal transportation and offshore support vessel services. Development and Production Asset and Services provides subsurface, field development and production management services, provision of products and project management services of offshore facilities encompassing pre-development through ready for start-up, operations and maintenance services.

Current quarter vs. corresponding quarter of the preceding year

	Revenue		Profit/(loss) before tax	
	3 Months to		3 Months to	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Operating Segments:				
Drilling Services	283,828	288,473	21,191	26,854
Marine Services	49,975	77,255	(2,370)	3,918
Development and Production Asset and Services	-	-	(1,243)	-
	<u>333,803</u>	<u>365,728</u>	<u>17,578</u>	<u>30,772</u>

Group

Group revenue for the current quarter decreased by RM31.9 million or 8.7% compared to the corresponding quarter of the preceding year ("1QFY2015") due to a decline in contribution from Marine Services.

Profit before tax for the current quarter decreased by RM13.2 million or 42.9% compared to 1QFY2015. The lower profit is primarily due to lower margin derived from Drilling and Marine divisions and the share of losses in a joint venture – Ophir Production Sdn Bhd ("OPSB"). Cost optimization has been a focus area and operating expenses were lower in US\$ terms by 14.5% compared to 1QFY2015 though this is not evident in RM terms due to the depreciation of RM against the USD.

B1 Review of Operating Segments (“continued”)

Drilling Services

The segment’s revenue for the current quarter decreased by RM4.6 million or 1.6% as compared to 1QFY2015, mainly due to drop in rig count and lower activity level in Nigeria, Myanmar and Indonesia.

Profit before tax recorded a decrease of RM5.7 million or 21.1% compared to 1QFY2015, mainly due to the impact of the slowdown in activity and less favourable product mix.

Marine Services

The segment revenue for the current quarter was lower by RM27.3 million or 35.3% compared to 1QFY2015 mainly due to lower shipments on coal contracts and lower utilisation of offshore vessels.

The segment posted a loss before tax of RM0.2million due to lower revenue in the offshore segment with certain fixed costs in place.

Development & Production Asset and Services

The loss of RM1.2 million relates to the share of losses in a joint venture - OPSB.

B2 Review of Operating Segments as Compared to Preceding Quarter

	Revenue		Profit/(loss) before tax	
	3 Months to		3 Months to	
	30 June	31 March	30 June	31 March
	2015	2015	2015	2015
	RM’000	RM’000	RM’000	RM’000
Operating Segments:				
Drilling Services	283,828	325,812	21,191	33,345
Marine Services	49,975	59,559	(2,370)	727
Development and Production Asset and Services	-	-	(1,243)	(1,863)
	<u>333,803</u>	<u>385,371</u>	<u>17,578</u>	<u>32,209</u>

Group revenue for the current quarter decreased by RM51.6 million or 13.4% compared to immediate preceding quarter (“4QFY2015”), mainly due to the general industry slowdown and lower activity in both segments.

Profit before tax for the current quarter decreased by RM14.6 million or 45.4% compared to 4QFY2015, primarily due to lower margin derived from Drilling and Marine divisions offset by lower operating expenses. With continuing focus on costs, Operating expenses were lower by 28.6% as compared to the previous quarter.

B2 Review of Operating Segments as Compared to Preceding Quarter ("continued")

Drilling Services

The segment's revenue for current quarter decreased by RM42.0 million or 12.9% as compared to 4QFY2015 mainly due to lower activity in major markets such as Indonesia, Turkmenistan and Thailand.

Profit before tax for the current quarter decreased by RM12.2 million or 36.4% as compared to 4QFY2015 due to reduced activity level and less favourable product mix.

Marine Services

The segment revenue for the current quarter was lower by RM9.6 million or 16.1% due to lower revenue from both coal and offshore vessels.

The segment incurred a loss before tax for the current quarter due to lower utilisation rate of vessels in both coal and offshore.

Development and Production Asset and Services

The loss of RM1.2 million relates to the share of losses in a joint venture - OPSB.

B3 Current Financial Year Prospects

Group

The slowdown in the oil industry and the continuing weak coal market is likely to result in reduced activity for the Group. Cost management and optimization remains a focus area and we expect operating expenses and material cost to drop further. The strengthening USD is also likely to positively impact the results. The group has an outstanding amount of over US\$400 million in bids submitted.

Drilling Services

Q2FY16 continues to remain challenging. Oil price has trended below US\$50/barrel, activity has slowed down with spending being deferred and several new projects being pushed back. Management is cautiously monitoring the situation and looking at adjacent sectors such as EOR (Enhanced Oil Recovery), well rejuvenation and chemical sales including graphene-enhanced drilling fluids and lubricants to widen our addressable market.

Marine Services

Marine division outlook remains challenging, nevertheless there have been some wins over the quarter as a result of increased bidding activities. Moving forward, there are no signs that coal prices are to rebound in the near term amid persistent concerns about a global supply glut coupled with expected declining coal demand from China. Demand for vessels continue to be low but we managed to secure contracts that will keep a major part of our coal fleet utilized over the next 3 years. Management continues to focus their efforts in managing costs as well as expanding marketing efforts across a wider geographical area. On the offshore side, persistent low oil price have curbed demand for offshore vessels. Competition in this area continues to be tough but management remains focused on prioritising utilisation of our vessels.

Development and Production Asset and Services

SESB secured the Ophir RSC where it has a 30% interest through its subsidiary, Scomi D&P Sdn Bhd. The project is expected to contribute to the Group in FY2017. We continue to build our capabilities in this segment, with a view to support the above RSC while exploring other opportunities.

B4 Profit Forecast

This section is not applicable as no profit forecast was published.

B5 Corporate Proposals

There are no corporate proposals that have been announced but not completed.

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B6 Profit before taxation

	3 months ended 30 June 2015 RM'000	3 months ended 30 June 2014 RM'000
The profit before taxation is arrived at after (charging)/crediting:		
Interest income	182	320
Depreciation and amortisation	(22,859)	(21,813)
Gain/(loss) on foreign exchange - net	2,277	(500)
Gain/(loss) on disposal of property, plant and equipment	245	(220)
Interest expense	(6,384)	(6,448)
Share of results of associate	-	(68)
Share of results of joint ventures	861	1,059
	<u>861</u>	<u>1,059</u>

B7 Taxation

Details of the taxation as at end of the period are as follows:-

	3 months ended 30 June 2015 RM'000	3 months ended 30 June 2014 RM'000
Malaysian income tax		
- current year	311	674
Foreign income tax		
- current year	5,604	7,847
Total income tax	<u>5,915</u>	<u>8,521</u>
Effective tax rate	<u>33.7%</u>	<u>27.7%</u>

The effective tax rate for the current quarter is higher than the Malaysian tax rate of 25% mainly because of:-

- a. Marine segment taxation that is based on revenue instead of profit in Indonesia
- b. The tax effects of the different tax rates in various jurisdictions and certain expenses not deductible for tax purposes;
- c. The above mentioned income tax is related to the revenues and profits recorded by the operating subsidiaries and there are no group relief for losses.

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B8 Cash and bank balances

Cash and bank balances at the end of the reporting period comprise of:-

	As at 30 June 2015 RM'000
Cash and bank balances	122,446
Short term deposits with licensed banks	86,608
	<u>209,054</u>
Less : restricted cash	(58,739)
Less : bank overdraft	(2,488)
Cash and cash equivalents	<u>147,827</u>

The restricted cash comprise of deposits pledged to financial institutions for loan facilities, bank guarantees and repayment towards loan facility granted to subsidiaries.

B9 Loans and borrowings

The Group borrowings and debts securities as at the end of the reporting period are as follows:

	Current RM'000	Non- Current RM'000	Total RM'000
Borrowings – secured	<u>226,032</u>	<u>171,350</u>	<u>397,382</u>

The Group borrowings and debt securities are denominated in the following currencies:

	RM'000
Ringgit Malaysia	243,754
US Dollar*	150,383
Others	3,245
Total	<u>397,382</u>

* These relate to working capital loans.

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B10 Other reserves

	As at 30 June 2015 RM'000	As at 31 March 2015 RM'000
Capital reserve	26,881	26,881
Translation reserves	(174,744)	(184,446)
Hedging reserve	(1,679)	(11,604)
Merger reserve	(443,323)	(443,323)
	<u>(592,865)</u>	<u>(612,492)</u>

B11 Derivative Financial Liabilities

	Current RM'000	Non- Current RM'000	Total RM'000
Derivatives used for hedging			
Cross currency interest rate swaps ("CCIRS") at fair value	<u>11,363</u>	<u>38,042</u>	<u>49,405</u>

The notional principal amounts of the outstanding CCIRSs at 30 June 2015 were RM215 million.

The Group had entered into CCIRS during 2012 and 2013, that were designated as cash flow hedges to hedge the Group's exposure to foreign exchange risk on its Guaranteed Serial Bond. These contracts entitle the Group to receive principal and fixed interest amounts in RM and oblige the Group to pay principal and fixed interest amounts in USD and the CCIRS reflect the timing of these cash flows. These CCIRS contracts have maturities of up to 4 years from 31 March 2015.

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B12 Retained Earnings

	As at 30 June 2015 RM'000	As at 31 March 2015 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	1,290,415	1,347,613
- Unrealised	<u>(312,559)</u>	<u>(381,927)</u>
	977,856	965,686
Total share of retained earnings from associated companies:		
- Realised	(16,733)	(16,857)
- Unrealised	-	-
Total share of retained earnings from jointly controlled entities:		
- Realised	24,209	24,465
- Unrealised	-	-
	<u>985,332</u>	<u>973,294</u>
Less : Consolidation adjustments	<u>(584,100)</u>	<u>(584,100)</u>
Total retained earnings	<u><u>401,232</u></u>	<u><u>389,194</u></u>

B13 Earnings Per Share

	3 months ended 30 June 2015 RM'000	3 months ended 30 June 2014 RM'000
<u>Basic and diluted earnings per share</u>		
Profit for the period	<u>12,038</u>	<u>23,668</u>
Issued and paid-up capital	2,341,775	2,341,775
Less : Treasury shares	<u>(145)</u>	<u>(145)</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,341,630</u>	<u>2,341,630</u>
Basic earnings per share (sen)	<u>0.51</u>	<u>1.01</u>

B14 Material Litigation

There was no pending material litigation at the date of this quarterly report.

B15 Proposed Dividend

No dividend has been proposed in respect of the quarter under review.

B16 Authorised For Issue

The interim financial statements were authorised for issue on 25 August 2015 by the Board of Directors.