

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND PERIOD ENDED 31 MARCH 2017

| | 3 months ended 31 Mar 2017 RM'000 | 3 months ended 31 Mar 2016 RM'000 | Cumulative period 12 months ended 31 Mar 2017 RM'000 | Cumulative period 12 months ended 31 Mar 2016 RM'000 |
|--|--|--|---|---|
| Revenue | 180,480 | 256,057 | 700,057 | 1,208,784 |
| Cost of sales | (176,376) | (192,244) | (644,661) | (955,605) |
| Gross profit | 4,104 | 63,813 | 55,396 | 253,179 |
| Other (expenses)/income | (21,034) | (36,746) | 4,226 | (27,381) |
| Administrative expenses | (20,820) | (29,456) | (80,145) | (100,397) |
| Marketing and selling expenses | (12,389) | (17,877) | (50,870) | (69,722) |
| Other operating expenses | (765) | (2,077) | (4,807) | (7,524) |
| Finance expenses | (4,184) | (5,418) | (20,819) | (27,279) |
| Finance income | 408 | 183 | 1,592 | 1,253 |
| Share of results of JV and associates | (17,562) | (8,326) | (24,587) | (10,133) |
| (Loss)/Profit before tax | (72,242) | (35,904) | (120,014) | 11,996 |
| Taxation | (4,462) | (6,476) | (10,689) | (23,914) |
| Loss for the period | (76,704) | (42,380) | (130,703) | (11,918) |
| Other comprehensive income | | | | |
| Currency translation differences | 32,281 | (54,263) | 91,949 | 18,938 |
| Cash flow hedges | 214 | 2,535 | 8,256 | 18,765 |
| | 32,495 | (51,728) | 100,205 | 37,703 |
| Total comprehensive income for the period | (44,209) | (94,108) | (30,498) | 25,785 |
| Profit attributable to : | | | | |
| Owners of the Company | (76,442) | (37,261) | (126,385) | (2,734) |
| Non-controlling interests | (262) | (5,119) | (4,318) | (9,184) |
| Loss for the period | (76,704) | (42,380) | (130,703) | (11,918) |
| Total comprehensive income attributable to: | | | | |
| Owners of the Company | (43,947) | (88,989) | (26,180) | 34,969 |
| Non-controlling interests | (262) | (5,119) | (4,318) | (9,184) |
| | (44,209) | (94,108) | (30,498) | 25,785 |
| Earnings per share | | | | |
| - Basic and diluted (Sen) | (3.26) | (1.59) | (5.40) | (0.12) |

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

| | Note | As at 31 Mar 2017 RM'000 | As at 31 Mar 2016 RM'000 (Audited) |
|---|------|--------------------------------|---|
| ASSETS | | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 528,824 | 536,985 |
| Investment properties | | 2,499 | 2,440 |
| Investment in associates | | 7,439 | 7,439 |
| Investment in joint ventures | | 50,100 | 66,081 |
| Intangible assets | | 107,903 | 117,879 |
| Deferred tax assets | | 6,529 | 7,885 |
| Other receivables | | 224 | 335 |
| | | <u>703,518</u> | <u>739,044</u> |
| CURRENT ASSETS | | | |
| Inventories | | 168,555 | 205,952 |
| Trade and other receivables | | 318,450 | 441,710 |
| Current tax assets | | 26,557 | 17,378 |
| Cash and bank balances | B8 | 122,517 | 155,858 |
| | | <u>636,079</u> | <u>820,898</u> |
| TOTAL ASSETS | | <u>1,339,597</u> | <u>1,559,942</u> |
| EQUITY AND LIABILITIES | | | |
| CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | |
| Share capital | | 1,005,535 | 1,005,535 |
| Treasury shares | | (50) | (50) |
| Other reserves | B10 | (475,322) | (575,527) |
| Retained earnings | B12 | 252,222 | 378,607 |
| Total equity attributable to owners of the Company | | <u>782,385</u> | <u>808,565</u> |
| Non-controlling interests | | 52,897 | 57,215 |
| TOTAL EQUITY | | <u>835,282</u> | <u>865,780</u> |
| LIABILITIES | | | |
| NON-CURRENT LIABILITIES | | | |
| Loans and borrowings | B9 | 50,262 | 103,005 |
| Provision for retirement benefits | | 8,204 | 7,359 |
| Other payables | | 5,584 | 5,584 |
| Derivative financial liabilities | B11 | 18,985 | 28,845 |
| Deferred tax liabilities | | 7,111 | 8,602 |
| | | <u>90,146</u> | <u>153,395</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 185,023 | 305,541 |
| Loans and borrowings | B9 | 188,378 | 197,367 |
| Derivative financial liabilities | B11 | 23,681 | 15,247 |
| Current tax liabilities | | 17,087 | 22,612 |
| | | <u>414,169</u> | <u>540,767</u> |
| TOTAL LIABILITIES | | <u>504,315</u> | <u>694,162</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>1,339,597</u> | <u>1,559,942</u> |
| Net assets per share (RM) | | <u>0.33</u> | <u>0.35</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 31 MARCH 2017

| | <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 2016 | 1,005,535 | (50) | (575,527) | 378,607 | 808,565 | 57,215 | 865,780 |
| Total comprehensive income for the year | - | - | 100,205 | (126,385) | (26,180) | (4,318) | (30,498) |
| As at 31 March 2017 | 1,005,535 | (50) | (475,322) | 252,222 | 782,385 | 52,897 | 835,282 |
| Audited | | | | | | | |
| As at 1 April 2015, restated | 1,005,535 | (48) | (613,230) | 381,341 | 773,598 | 66,399 | 839,997 |
| Total comprehensive income for the year | - | - | 37,703 | (2,734) | 34,969 | (9,184) | 25,785 |
| Repurchased during the year | - | (2) | - | - | (2) | - | (2) |
| As at 31 March 2016 | 1,005,535 | (50) | (575,527) | 378,607 | 808,565 | 57,215 | 865,780 |

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 31 MARCH 2017

| | Note | 12 months ended 31 Mar 2017 RM'000 | 12 months ended 31 Mar 2016 RM'000 (Audited) |
|---|------|---|--|
| Cash Flows From Operating Activities | | | |
| (Loss)/Profit before tax | | (120,014) | 11,996 |
| Adjustments for non-cash items: | | 113,993 | 159,174 |
| Changes in working capital: | | | |
| Inventories | | 37,397 | 26,145 |
| Receivables | | 144,977 | 142,895 |
| Payables | | (107,007) | (175,185) |
| Cash generated from operations | | <u>69,346</u> | <u>165,025</u> |
| Tax paid | | (13,444) | (34,286) |
| Retirement benefits paid | | - | (753) |
| Interest received | | 1,592 | 1,253 |
| Net cash generated from operating activities | | <u>57,494</u> | <u>131,239</u> |
| Cash Flows From Investing Activities | | | |
| Proceeds from disposal of property, plant and equipment | | 1,229 | 5,271 |
| Purchase of property, plant and equipment | | (21,735) | (32,053) |
| Repayment of advance from jointly controlled entity | | - | 336 |
| Repurchase of treasury shares | | - | (2) |
| Additional investment in joint controlled entity | | - | (5,566) |
| Additions to intangible assets | | (4,901) | (5,826) |
| Net cash used in investing activities | | <u>(25,407)</u> | <u>(37,840)</u> |
| Cash Flows From Financing Activities | | | |
| Repayment of borrowings | | (142,342) | (154,629) |
| Proceeds from borrowings | | 79,644 | 22,200 |
| Interest paid on borrowings | | (18,165) | (14,550) |
| Decrease in short term deposit pledged as securities | | 23,154 | 3,998 |
| Net cash used in financing activities | | <u>(57,709)</u> | <u>(142,981)</u> |
| Net decrease in cash and cash equivalents | | (25,622) | (49,582) |
| Cash and cash equivalents at beginning of the year | | 109,381 | 151,693 |
| Currency translation differences | | 15,418 | 7,270 |
| Cash and cash equivalents at end of the year | B8 | <u>99,177</u> | <u>109,381</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 2016 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 31 December 2016.

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 2016.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *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*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*

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

- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments* (2014)
- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, 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

The Group and the Company plans to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 April 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016.
- from the annual period beginning on 1 April 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 April 2018 for those accounting standards, that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 April 2019 for those accounting standards, that are effective for annual periods beginning on or after 1 January 2019.

A1 Basis of Preparation of interim financial reports (“continued”)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and 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*.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of 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.

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

Amendments to MFRS 10, *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*

The amendments to MFRS 10, MFRS 12 and MFRS 128 require an investment entity parent to fair value a subsidiary providing investment-related services that is itself an investment entity, an intermediate parent owned by an investment entity group can be exempt from preparing consolidated financial statements and a non-investment entity investor can retain the fair value accounting applied by its investment entity associate or joint venture.

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

A2 Audit Report for Preceding Annual Financial Statements

The audit report for the Group's annual financial statements for the year ended 31 March 2016 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 other than as disclosed in these unaudited condensed consolidated interim financial statements.

A5 Material Changes In Estimates

There were no material changes in estimates other than as disclosed in these unaudited condensed consolidated interim financial statements that have a material effect on the results for the current quarter under review.

A6 Debt and Equity Securities

There has been no further repurchase of shares during the quarter.

A7 Dividends Paid /Payable

There were no dividends paid during the quarter and financial period ended 31 March 2017.

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A8 Segmental Reporting

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

Revenue and results for twelve months ended 31 March 2017

| | Drilling Services RM'000 | Marine Services RM'000 | Development and Production Asset and Services RM'000 | Total RM'000 |
|---|---|---------------------------------------|---|-------------------------|
| REVENUE | | | | |
| External sales | 523,792 | 174,959 | 1,306 | 700,057 |
| RESULTS | | | | |
| Profit from operations | (49,481) | (27,856) | (1,497) | (78,834) |
| Realised gain/(loss) on foreign exchange | 922 | (1,367) | - | (445) |
| Unrealised gain on foreign exchange | 29,161 | 7,629 | - | 36,790 |
| Finance costs | (18,459) | (2,360) | - | (20,819) |
| Other expenses | (29,455) | (2,664) | - | (32,119) |
| Share of results in joint ventures | - | (19,845) | (4,742) | (24,587) |
| Profit before tax | (67,312) | (46,463) | (6,239) | (120,014) |
| Taxation | (8,848) | (1,841) | - | (10,689) |
| Profit for the period | (76,160) | (48,304) | (6,239) | (130,703) |
| Other information | | | | |
| Depreciation and amortisation | 46,233 | 49,191 | - | 95,424 |
| Interest income | 1,229 | 363 | - | 1,592 |
| Addition to non-current assets other than financial instruments and deferred tax assets | (40,014) | 5,707 | 249 | (34,058) |

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A8 Segmental Reporting ("continued")

Revenue and results for twelve months ended 31 March 2016

| | Drilling Services RM'000 | Marine Services RM'000 | Development and Production Asset and Services RM'000 | Total RM'000 |
|---|---|---------------------------------------|---|-------------------------|
| REVENUE | | | | |
| External sales | 1,012,719 | 194,927 | 1,138 | 1,208,784 |
| RESULTS | | | | |
| Profit from operations | 86,478 | (9,592) | (96) | 76,790 |
| Realised loss on foreign exchange | 16,039 | (79) | - | 15,960 |
| Unrealised gain/(loss) on foreign exchange | (17,792) | (1,812) | - | (19,604) |
| Finance costs | (26,762) | (517) | - | (27,279) |
| Other operating income | 6,843 | (30,581) | - | (23,738) |
| Share of results in associates | - | 495 | - | 495 |
| Share of results in joint ventures | (130) | (7,447) | (3,051) | (10,628) |
| Profit before tax | 64,676 | (49,533) | (3,147) | 11,996 |
| Taxation | (21,183) | (2,731) | - | (23,914) |
| Profit for the period | 43,493 | (52,264) | (3,147) | (11,918) |
| Other information | | | | |
| Depreciation and amortisation | 53,429 | 47,468 | - | 100,897 |
| Interest income | 854 | 399 | - | 1,253 |
| Addition to non-current assets other than financial instruments and deferred tax assets | (66,570) | 26,096 | 4,907 | (35,567) |

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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 31 MARCH 2017 | | | | |
| ASSETS | | | | |
| Assets employed in the segment | 777,411 | 470,776 | 785 | 1,248,972 |
| Investment in joint venture | 1,434 | 38,962 | 9,704 | 50,100 |
| | <u>778,845</u> | <u>517,177</u> | <u>10,489</u> | <u>1,306,511</u> |
| <u>Unallocated corporate assets:</u> | | | | |
| Current tax assets | | | | 26,557 |
| Deferred tax assets | | | | 6,529 |
| Total assets | | | | <u><u>1,339,597</u></u> |
| LIABILITIES | | | | |
| Liabilities in segment | <u>405,549</u> | <u>28,082</u> | <u>3,820</u> | 437,451 |
| <u>Unallocated corporate liabilities:</u> | | | | |
| Tax payable | | | | 17,087 |
| Deferred tax liabilities | | | | 7,111 |
| Derivatives financial instruments | | | | 42,666 |
| Total liabilities | | | | <u><u>504,315</u></u> |
| Net assets | | | | <u><u>835,282</u></u> |

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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 31 MARCH 2016 | | | | |
| ASSETS | | | | |
| Assets employed in the segment | 994,473 | 466,000 | 686 | 1,461,159 |
| Investment in associates | - | 7,439 | - | 7,439 |
| Investment in joint venture | 650 | 55,845 | 9,586 | 66,081 |
| | <u>995,123</u> | <u>529,284</u> | <u>10,272</u> | <u>1,534,679</u> |
| <u>Unallocated corporate assets:</u> | | | | |
| Current tax assets | | | | 17,378 |
| Deferred tax assets | | | | 7,885 |
| Total assets | | | | <u>1,559,942</u> |
| LIABILITIES | | | | |
| Liabilities in segment | <u>579,286</u> | <u>38,072</u> | <u>1,498</u> | 618,856 |
| <u>Unallocated corporate liabilities:</u> | | | | |
| Tax payable | | | | 22,612 |
| Deferred tax liabilities | | | | 8,602 |
| Derivatives financial instruments | | | | 44,092 |
| Total liabilities | | | | <u>694,162</u> |
| Net assets | | | | <u>865,780</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>2,200</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 | - | 1,814 | 1,814 |
| Plant & Machinery | - | 10,277 | 10,277 |
| Vessels | - | 18,741 | 18,741 |
| Others | - | 4,409 | 4,409 |
| | <u>-</u> | <u>35,241</u> | <u>35,241</u> |

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A13 Capital Commitments ("continued")

The future minimum lease payments under non-cancellable operating leases as at 31 March 2017 are as follows:

| | 31 Mar 2017 RM'000 |
|----------------------------|-----------------------------------|
| Less than one year | 5,747 |
| Between one and five years | <u>10,728</u> |
| | <u>16,475</u> |

A14 Related party transactions

| | 3 months ended 31 Mar 2017 RM'000 | 12 months ended 31 Mar 2017 RM'000 |
|--|--|---|
| Holding company | | |
| Rental expenses | <u>340</u> | <u>1,570</u> |
| Transactions with companies in which certain substantial shareholders have interest | | |
| Lease of office equipment | 17 | 65 |
| Provision of human resources services | 42 | 153 |
| Administration fees charged | 69 | 276 |
| Air ticket cost charged | 163 | 622 |
| Office rental paid/payable | <u>46</u> | <u>179</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

| | 3 Months to | |
|--|-----------------------------------|-----------------------------------|
| | 31 Mar 2017 RM'000 | 31 Mar 2016 RM'000 |
| Revenue | | |
| Drilling Services | 132,800 | 205,723 |
| Marine Services | 47,039 | 49,890 |
| Development and Production Asset and Services | 641 | 444 |
| | <u>180,480</u> | <u>256,057</u> |
| Core Profits/(loss) before tax^{N1} | | |
| Drilling Services | (16,003) ^{N2} | 11,442 ^{N2} |
| Marine Services | (2,919) ^{N3} | (3,109) ^{N3} |
| Development and Production Asset and Services | (84) ^{N4} | 275 ^{N4} |
| | <u>(19,006)</u> | <u>8,608</u> |
| Reported Profits/(loss) before tax | | |
| Drilling Services | (52,406) | (158) |
| Marine Services | (16,024) | (35,809) |
| Development and Production Asset and Services | (3,812) | 63 |
| | <u>(72,242)</u> | <u>(35,904)</u> |

B1 Review of Operating Segments (“continued”)

- N1** : Core Profit/ (Loss) refers to Profit/(Loss) before tax excluding Non-recurring Charges
- N2** : Core Loss Before Tax for Drilling Services is excluding Non-Recurring Charges of RM36.4 million for 4QFY2017 (4QFY2016 : RM11.6 million) which includes Development Cost written-off, Forex Gains, Inventory, Receivables and Property, plant and equipment adjustments.
- N3** : Core Loss Before Tax for Marine Services is excluding Non-Recurring Charges of RM13.1 million for 4QFY2017 (4QFY2016 : RM 32.7 million) which includes accelerated amortisation for Dry-Docking Cost, Goodwill and Vessel impairment.
- N4** : Core Loss Before Tax for Development and Production Asset and Services is excluding Non-Recurring Charges of RM3.7 million for 4QFY2017 (4QFY2016:RM0.2 million) which includes share of results of JV.

Drilling Services

The segment’s revenue for the current quarter decreased by RM72.9 million or 35.4% as compared to 4QFY2016, mainly due to lower activity in most countries with the exception of Russia showing revenue growth.

Reported Loss Before Tax of RM52.4 million for the current quarter was mainly due to the Non-Recurring Charges (as mentioned in the above footnote N2). Excluding the Non-Recurring Charges, the Core Loss Before Tax for the current quarter of RM16.0 million is weaker than the corresponding quarter due to the lower top line and lower margins impacted by fixed direct cost such depreciation, manpower and facilities cost. However, this was partially offset by 30% lower Operating Expenditure (“OPEX”) compared to 4QFY2016.

Marine Services

The segment revenue for the current quarter was lower by RM2.9 million or 5.7% compared to 4QFY2016 mainly due to lower Coal Affreightment contract revenue in Malaysia. However, this was offset by higher utilisation and tonnage carried for Coal Unit in Indonesia while Offshore Vessels were mostly idle during the year.

The Reported Loss Before Tax of RM16.0 million was mainly due to the Non-Recurring Charges (as mentioned in the above footnote N3). Excluding the Non-Recurring Charges, the Core Loss Before Tax for the segment is a marginal improvement from the corresponding period (notwithstanding the lower revenue) due to lower OPEX in the current quarter as well better margin contribution from Coal Unit.

Development & Production Asset and Services

The Reported Loss Before Tax is mainly due to share of losses in a joint venture – Ophir Productions Sdn. Bhd. (“OPSB”).

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B1 Review of Operating Segments ("continued")

FY2017 vs. FY2016

| | 12 Months to | |
|--|-----------------------------------|-----------------------------------|
| | 31 Mar 2017 RM'000 | 31 Mar 2016 RM'000 |
| Revenue | | |
| Drilling Services | 523,792 | 1,012,719 |
| Marine Services | 174,959 | 194,927 |
| Development and Production Asset and Services | <u>1,306</u> | <u>1,138</u> |
| | <u><u>700,057</u></u> | <u><u>1,208,784</u></u> |
| Core Profits/(loss) before tax^{N1} | | |
| Drilling Services | (50,038) ^{N2} | 73,076 ^{N2} |
| Marine Services | (19,760) ^{N3} | (16,833) ^{N3} |
| Development and Production Asset and Services | <u>(1,497) ^{N4}</u> | <u>(96) ^{N4}</u> |
| | <u><u>(71,295)</u></u> | <u><u>56,147</u></u> |
| Reported Profits/(loss) before tax | | |
| Drilling Services | (67,312) | 64,676 |
| Marine Services | (46,463) | (49,533) |
| Development and Production Asset and Services | <u>(6,239)</u> | <u>(3,147)</u> |
| | <u><u>(120,014)</u></u> | <u><u>11,996</u></u> |

N1 : Core Profit/ (Loss) refers to Profit/(Loss) before tax excluding Non-recurring Charges.

N2 : Core Loss Before Tax for Drilling Services is excluding Non-Recurring Charges of RM17.3 million for FY2017 (FY2016 : RM8.4 million) which includes Development Cost written-off, Forex Gains, Inventory, Receivables and Property, plant and equipment adjustments.

N3 : Core Loss Before Tax for Marine Services is excluding Non-Recurring Charges of RM26.7 million for FY2017 (FY2016 : RM32.7 million) which includes accelerated amortisation for Dry-Docking Cost, Goodwill and Vessel impairment.

N4 : Core Loss Before Tax for Development and Production Asset and Services is excluding Non-Recurring Charges of RM4.7 million for FY2017 (FY2016 : RM3.1 million) which includes share of results of JV.

B1 Review of Operating Segments (“continued”)

Drilling Services

The segment’s revenue for the YTD FY2017 decreased by RM488.9 million or 48% as compared to YTD FY2016, mainly due to generally lower activity in most countries with the exception of Russia showing growth in revenue for the year.

The Reported Loss Before Tax of RM67.3 million is mainly due to the Non-Recurring Charges (as explained in footnote N2 above). Excluding the Non-Recurring Charges, the Core Loss Before Tax for YTD FY2017 of RM50.0 million was mainly due to significantly lower revenue as a result of slower drilling activities and fixed direct cost affecting margins. OPEX was lower by 23% (in US\$ terms) as a result of continuous cost-cutting initiatives and this cushioned the drop in the bottom line.

Marine Services

The segment revenue for the YTD FY2017 was lower by RM20.0 million or 10.2% compared to YTD FY2016 mainly due to lower revenue from Coal Unit in Indonesia as well as Offshore Vessels (mostly idle during the year). The activity at Coal Unit in Indonesia only picked up in the second half of the financial year in tandem with favourable coal price.

The Reported Loss Before Tax of RM49.5 million was largely due to the Non-Recurring Charges (as explained in footnote N3 above). Excluding the Non-Recurring Charges, the Core Loss Before Tax was RM19.8 million due to lower overall revenue from Coal Unit in Indonesia in the first half of the financial year and partially cushioned by the pick-up in the top line in the second half.

Development & Production Asset and Services

The Reported Loss Before Tax is mainly due to share of losses in a joint venture – Ophir Productions Sdn. Bhd. (“OPSB”).

B2 Review of Operating Segments as Compared to Preceding Quarter

Loss Before Tax was RM72.2 million compared to a Loss Before Tax of RM5.6 million in the preceding quarter mainly due to Non-Recurring Charges for the quarter of RM53.2 million. Additionally, significant forex gain in the last quarter also favourably impacted the preceding quarter.

Operationally, both Drilling Services and Marine Services have shown marginally better results for the current quarter compared to preceding quarter as a result of stable activity and better margins.

B3 Current Financial Year Prospects

Drilling Service Outlook

The stabilization of oil price provides some assurance for customers to invest. However, the benefit of the current price range could only be seen in the months to come with possible increased drilling activities. We continue to focus on our core products and also actively explore opportunities in the area of production especially chemical sales which has lower barrier of entry. Providing innovative solutions to our customers at competitive prices continues to be our selling point and we hope this would support our revenue growth plan in the coming year.

Marine Services

The high coal prices has resulted in encouraging utilisation rates for the Coal vessels. We expect current activity levels to continue and provide avenues for further revenue growth for Marine Services. For Offshore Vessels, we continue to bid with competitive pricing though it has been a challenge to charter out the vessels on long term contracts.

Development and Production Asset and Services

For Ophir Production, the development continues to make good progress with the completion and installation of the wellhead platform. The platform is ready for rig and drilling in mid-May. The current projected Capex for Ophir is currently below our FDP Capex of USD90 million. First Oil is expected in the fourth quarter of calendar year 2017.

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

| | Current quarter 3 months ended 31 Mar 2017 RM'000 | Current quarter 3 months ended 31 Mar 2016 RM'000 | Cumulative period 12 months ended 31 Mar 2017 RM'000 | Cumulative period 12 months ended 31 Mar 2016 RM'000 |
|---|--|--|---|---|
| The profit before is arrived at after (charging)/crediting: | | | | |
| Interest income | 408 | 183 | 1,592 | 1,253 |
| Reversal of impairment loss: | | | | |
| - receivables | 513 | 130 | 1,421 | 2,034 |
| - property, plant and equipment | - | 1,182 | - | 1,182 |
| - associate | - | 6,944 | - | 6,944 |
| Reversal of inventories written-off | - | 3,969 | - | 3,969 |
| Allowance for inventories | (12,968) | (2,260) | (12,968) | (2,260) |
| Impairment loss: | | | | |
| - receivables | (7,221) | 2,892 | (7,221) | (676) |
| - intangible assets | (15,738) | - | (15,738) | - |
| Impairment of goodwill | - | (7,014) | - | (7,014) |
| Inventories written down | (10,941) | 5,144 | (15,479) | (4,835) |
| Depreciation and amortisation | (21,930) | (26,307) | (95,424) | (100,897) |
| Gain/(loss) on foreign exchange - net | 11,849 | (14,578) | 36,345 | (3,644) |
| (Loss)/gain on disposal of property, plant and equipment | (127) | (167) | (233) | 144 |
| Property, plant and equipment written-off | (510) | (525) | (510) | (525) |
| Interest expense | (3,488) | (587) | (18,165) | (20,567) |
| Share of results of joint ventures | (17,562) | (8,326) | (24,587) | (10,133) |

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B7 Taxation

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

| | Current quarter 3 months ended 31 Mar 2017 RM'000 | Current quarter 3 months ended 31 Mar 2016 RM'000 | Cumulative period 12 months ended 31 Mar 2017 RM'000 | Cumulative period 12 months ended 31 Mar 2016 RM'000 |
|----------------------|--|--|---|---|
| Malaysian income tax | | | | |
| - current year | 221 | 751 | 1,013 | 5,687 |
| Foreign income tax | | | | |
| - current year | 4,241 | 5,725 | 9,676 | 18,227 |
| Total income tax | <u>4,462</u> | <u>6,476</u> | <u>10,689</u> | <u>23,914</u> |
| Effective tax rate | <u>-6.2%</u> | <u>-18.0%</u> | <u>-8.9%</u> | <u>199.3%</u> |

The variance in the effective tax rate for the current quarter compared to the Malaysian tax rate of 24% mainly because of:-

- Losses in certain tax jurisdictions not qualifying for tax relief.
- The tax effects of the different tax rates in various jurisdictions and certain expenses not deductible for tax purposes;
- 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 31 Mar 2017 RM'000 |
|---|---|
| Cash and bank balances | 92,157 |
| Short term deposits with licensed banks | <u>30,360</u> |
| | 122,517 |
| Less : restricted cash | (20,862) |
| Less : bank overdraft | <u>(2,478)</u> |
| Cash and cash equivalents | <u>99,177</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>188,378</u> | <u>50,262</u> | <u>238,640</u> |

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

| | RM'000 |
|------------------|----------------|
| Ringgit Malaysia | 117,613 |
| US Dollar* | <u>121,027</u> |
| Total | <u>238,640</u> |

* *These relate to working capital loans.*

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B10 Other reserves

| | As at 31 Mar 2017 RM'000 | As at 31 Mar 2016 RM'000 |
|----------------------|---|---|
| Capital reserve | 26,881 | 26,881 |
| Translation reserves | (74,297) | (166,246) |
| Hedging reserve | 15,417 | 7,161 |
| Merger reserve | <u>(443,323)</u> | <u>(443,323)</u> |
| | <u>(475,322)</u> | <u>(575,527)</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>23,681</u> | <u>18,985</u> | <u>42,666</u> |

The notional principal amounts of the outstanding CCIRSs at 31 March 2017 were RM105 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 approximately to 2 years from 31 March 2017.

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B12 Retained Earnings

| | As at 31 Mar 2017 RM'000 | As at 31 Mar 2016 RM'000 |
|--|---|---|
| Total retained earnings/(accumulated losses) of the Company and its subsidiaries: | | |
| - Realised | 1,129,691 | 1,318,941 |
| - Unrealised | <u>(275,397)</u> | <u>(360,653)</u> |
| | 854,294 | 958,288 |
| Total share of retained earnings from associated companies: | | |
| - Realised | (16,733) | (9,418) |
| - Unrealised | - | - |
| Total share of retained earnings from jointly controlled entities: | | |
| - Realised | (1,239) | 13,837 |
| - Unrealised | <u>-</u> | <u>-</u> |
| | 836,322 | 962,707 |
| Less : Consolidation adjustments | <u>(584,100)</u> | <u>(584,100)</u> |
| Total retained earnings | <u><u>252,222</u></u> | <u><u>378,607</u></u> |

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B13 Earnings Per Share

| | 3 months ended 31 Mar 2017 RM'000 | 3 months ended 31 Mar 2016 RM'000 | 12 months ended 31 Mar 2017 RM'000 | 12 months ended 31 Mar 2016 RM'000 |
|--|--|--|---|---|
| <u>Basic and diluted earnings per share</u> | | | | |
| Loss for the period | (76,442) | (37,261) | (126,385) | (2,734) |
| Issued and paid-up capital | 2,341,775 | 2,341,775 | 2,341,775 | 2,341,775 |
| Less : Treasury shares | (149) | (149) | (149) | (149) |
| Weighted average number of ordinary shares in issue ('000) | <u>2,341,626</u> | <u>2,341,626</u> | <u>2,341,626</u> | <u>2,341,626</u> |
| Basic earnings per share (sen) | <u>(3.26)</u> | <u>(1.59)</u> | <u>(5.40)</u> | <u>(0.12)</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.

B17 Authorised For Issue

The interim financial statements were authorised for issue on 31 May 2017 by the Board of Directors.