

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

	3 months ended 31 Dec 2017 RM'000	3 months ended 31 Dec 2016 RM'000	Cumulative period 9 months ended 31 Dec 2017 RM'000	Cumulative period 9 months ended 31 Dec 2016 RM'000
Revenue	172,397	169,508	493,848	519,577
Cost of sales	(136,416)	(157,917)	(408,436)	(468,285)
Gross profit	35,981	11,591	85,412	51,292
Other (expenses)/income	(16,830)	23,170	(23,814)	25,260
Administrative expenses	(16,437)	(18,319)	(51,240)	(59,325)
Marketing and selling expenses	(12,067)	(13,368)	(38,515)	(38,481)
Other operating expenses	(553)	(1,042)	(1,929)	(4,042)
Finance expenses	(4,791)	(6,217)	(15,065)	(16,635)
Finance income	178	628	536	1,184
Share of results of JV and associates	(607)	(1,996)	(3,514)	(7,025)
Loss before tax	(15,126)	(5,553)	(48,129)	(47,772)
Taxation	(5,014)	(1,385)	(10,865)	(6,227)
Loss for the period	(20,140)	(6,938)	(58,994)	(53,999)
Other comprehensive income				
Currency translation differences	(12,344)	35,145	(64,061)	59,668
Cash flow hedges	(16,487)	4,469	(846)	8,042
	(28,831)	39,614	(64,907)	67,710
Total comprehensive income for the period	(48,971)	32,676	(123,901)	13,711
Profit attributable to :				
Owners of the Company	(22,437)	(7,881)	(60,710)	(49,943)
Non-controlling interests	2,297	943	1,716	(4,056)
Loss for the period	(20,140)	(6,938)	(58,994)	(53,999)
Total comprehensive income attributable to:				
Owners of the Company	(51,268)	31,733	(125,617)	17,767
Non-controlling interests	2,297	943	1,716	(4,056)
	(48,971)	32,676	(123,901)	13,711
Earnings per share				
- Basic and diluted (Sen)	(0.96)	(0.34)	(2.59)	(2.13)

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

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	As at 31 Dec 2017 RM'000	As at 31 Mar 2017 RM'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		292,500	525,991
Investment properties		2,256	2,499
Investment in associates		7,439	7,439
Investment in joint ventures		55,255	53,794
Intangible assets		100,538	107,903
Deferred tax assets		9,804	9,125
Other receivables		471	226
		<u>468,263</u>	<u>706,977</u>
CURRENT ASSETS			
Inventories		127,079	164,922
Trade and other receivables		362,226	350,044
Current tax assets		21,747	27,284
Cash and bank balances	B8	50,367	124,792
		<u>561,419</u>	<u>667,042</u>
Assets classified as held for sale		143,471	-
		<u>704,890</u>	<u>667,042</u>
TOTAL ASSETS		<u>1,173,153</u>	<u>1,374,019</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital		1,005,535	1,005,535
Treasury shares		(51)	(51)
Other reserves	B10	(581,315)	(516,408)
Retained earnings	B12	190,469	251,179
Total equity attributable to owners of the Company		<u>614,638</u>	<u>740,255</u>
Non-controlling interests		49,572	47,856
TOTAL EQUITY		<u>664,210</u>	<u>788,111</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	B9	87,990	49,407
Provision for retirement benefits		7,926	10,800
Other payables		5,584	5,693
Derivative financial liabilities	B11	14,643	21,118
Deferred tax liabilities		8,508	9,112
		<u>124,651</u>	<u>96,130</u>
CURRENT LIABILITIES			
Trade and other payables		221,585	253,470
Loans and borrowings	B9	146,639	195,650
Derivative financial liabilities	B11	6,168	23,145
Current tax liabilities		9,900	17,513
		<u>384,292</u>	<u>489,778</u>
TOTAL LIABILITIES		<u>508,943</u>	<u>585,908</u>
TOTAL EQUITY AND LIABILITIES		<u>1,173,153</u>	<u>1,374,019</u>
Net assets per share (RM)		<u>0.26</u>	<u>0.32</u>

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

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2017

	Attributable to owners of the Company						
	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 2017	1,005,535	(51)	(516,408)	251,179	740,255	47,856	788,111
Total comprehensive income for the year	-	-	(64,907)	(60,710)	(125,617)	1,716	(123,901)
As at 31 December 2017	1,005,535	(51)	(581,315)	190,469	614,638	49,572	664,210
Audited							
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	-	-	59,119	(127,428)	(68,309)	(9,359)	(77,668)
Repurchased during the year	-	(1)	-	-	(1)	-	(1)
As at 31 March 2017	1,005,535	(51)	(516,408)	251,179	740,255	47,856	788,111

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 DECEMBER 2017

	Note	9 months ended 31 Dec 2017 RM'000	9 months ended 31 Dec 2016 RM'000
Cash Flows From Operating Activities			
(Loss)/Profit before tax		(48,129)	(47,772)
Adjustments for non-cash items:		52,791	33,015
Changes in working capital:			
Inventories		37,843	10,839
Receivables		(54,583)	74,533
Payables		(26,890)	(55,046)
Cash generated from operations		<u>(38,968)</u>	<u>15,569</u>
Tax paid		(6,606)	(13,188)
Interest received		536	1,184
Net cash generated from operating activities		<u>(45,038)</u>	<u>3,565</u>
Cash Flows From Investing Activities			
Proceeds from disposal of property, plant and equipment		8,483	651
Purchase of property, plant and equipment		(8,584)	(16,256)
Additions to intangible assets		-	(4,901)
Net cash used in investing activities		<u>(101)</u>	<u>(20,506)</u>
Cash Flows From Financing Activities			
Repayment of borrowings		(3,526)	(128,220)
Proceeds from borrowings		(3,723)	87,064
Interest paid on borrowings		(13,058)	(14,677)
Decrease in short term deposit pledged as securities		1,189	24,522
Net cash used in financing activities		<u>(19,118)</u>	<u>(31,311)</u>
Net decrease in cash and cash equivalents		(64,257)	(48,252)
Cash and cash equivalents at beginning of the year		101,680	109,381
Currency translation differences		(8,405)	17,118
Cash and cash equivalents at end of the year	B8	<u><u>29,018</u></u>	<u><u>78,247</u></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 2017 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 2017.

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 2017.

The following are amendments to the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") and have been adopted by the Group and the Company:

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

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*

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

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

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017;
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018; and
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

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 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.

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

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 128, *Investments in Associates and Joint Ventures*
(*Annual Improvements to MFRS Standards 2014-2016 Cycle*)**

The amendments clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates and joint ventures at fair value.

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 2017 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 December 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 nine months ended 31 December 2017

	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
REVENUE				
External sales	394,557	98,258	1,033	493,848
RESULTS				
Profit from operations	1,892	(6,904)	(724)	(5,736)
Realised gain/(loss) on foreign exchange	11,159	801	-	11,960
Unrealised loss on foreign exchange	(28,182)	(5,997)	-	(34,179)
Finance costs	(10,963)	(4,102)	-	(15,065)
Other expenses	3,193	(4,788)	-	(1,595)
Share of results in joint ventures	-	(3,514)	-	(3,514)
Profit before tax	(22,901)	(24,504)	(724)	(48,129)
Taxation	(8,957)	(1,908)	-	(10,865)
Profit for the period	(31,858)	(26,412)	(724)	(58,994)
Other information				
Depreciation and amortisation	21,338	29,565	-	50,903
Interest income	506	30	-	536
Addition to non-current assets other than financial instruments and deferred tax assets	(192,386)	(56,320)	9,068	(239,638)

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A8 Segmental Reporting ("continued")

Revenue and results for nine months ended 31 December 2016

	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
REVENUE				
External sales	390,991	127,921	665	519,577
RESULTS				
Profit from operations	(22,975)	(24,984)	(1,413)	(49,372)
Realised loss on foreign exchange	207	(1,574)	-	(1,367)
Unrealised gain/(loss) on foreign exchange	22,380	3,483	-	25,863
Finance costs	(15,305)	(1,330)	-	(16,635)
Other operating income	786	(22)	-	764
Share of results in joint ventures	-	(6,011)	(1,014)	(7,025)
Profit before tax	(14,907)	(30,438)	(2,427)	(47,772)
Taxation	(4,785)	(1,442)	-	(6,227)
Profit for the period	(19,692)	(31,880)	(2,427)	(53,999)
Other information				
Depreciation and amortisation	34,600	38,894	-	73,494
Interest income	1,062	122	-	1,184
Addition to non-current assets other than financial instruments and deferred tax assets	(9,707)	31,225	2,173	23,691

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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 DECEMBER 2017				
ASSETS				
Assets employed in the segment	690,465	388,212	231	1,078,908
Investment in associates	-	7,439	-	7,439
Investment in joint venture	1,431	33,922	19,902	55,255
	<u>691,896</u>	<u>429,573</u>	<u>20,133</u>	<u>1,141,602</u>
<u>Unallocated corporate assets:</u>				
Current tax assets				21,747
Deferred tax assets				9,804
Total assets				<u>1,173,153</u>
LIABILITIES				
Liabilities in segment	<u>434,947</u>	<u>30,803</u>	<u>3,974</u>	469,724
<u>Unallocated corporate liabilities:</u>				
Tax payable				9,900
Deferred tax liabilities				8,508
Derivatives financial instruments				20,811
Total liabilities				<u>508,943</u>
Net assets				<u>664,210</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 DECEMBER 2016				
ASSETS				
Assets employed in the segment	854,392	496,898	32	1,351,322
Investment in joint venture	1,435	53,624	11,629	66,688
	<u>855,827</u>	<u>557,961</u>	<u>11,661</u>	<u>1,425,449</u>
<u>Unallocated corporate assets:</u>				
Current tax assets				24,061
Deferred tax assets				4,667
Total assets				<u><u>1,454,177</u></u>
LIABILITIES				
Liabilities in segment	<u>410,753</u>	<u>90,335</u>	<u>2,982</u>	504,070
<u>Unallocated corporate liabilities:</u>				
Tax payable				17,223
Deferred tax liabilities				6,209
Derivatives financial instruments				47,184
Total liabilities				<u><u>574,686</u></u>
Net assets				<u><u>879,491</u></u>

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

On 21 August 2017, the Board of Directors ("Board") of Scomi Energy Services Bhd ("Scomi Energy") received a proposal ("Proposal Letter") from Scomi Group Bhd ("Scomi") on the proposed merger of Scomi Energy with Scomi by way of a members' scheme of arrangement pursuant to the Section 366 of the Companies Act, 2016, between Scomi and all the shareholders of Scomi Energy, other than Scomi ("Proposed Merger").

On 10 October 2017, the Board had decided to present the Proposed Merger to its shareholders for approval at the meeting of the shareholders of the Company ("CCM"), which is to be convened pursuant to an order of the High Court pursuant to Section 366 of the Companies Act, 2016.

On 14 November 2017, the High Court had granted Scomi Energy an order pursuant to Section 366 of the Act ("Order") to convene the CCM within 120 days from the date of the Order, for the purpose of considering and if thought fit, approving the Proposed Merger, with or without modification.

At the CCM that was held on 4 January 2018, the shareholders had not approved the Proposed Merger.

Save and except for the above, there are no other material events subsequent to the balance sheet date.

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>2,100</u>

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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	-	-	-
Plant & Machinery	-	3,758	3,758
Vessels	-	36,512	36,512
Others	-	1,826	1,826
	<u>-</u>	<u>42,096</u>	<u>42,096</u>

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

	31 Dec 2017 RM'000
Less than one year	4,586
Between one and five years	<u>7,269</u>
	<u>11,855</u>

A14 Related party transactions

	3 months ended 31 Dec 2017 RM'000	9 months ended 31 Dec 2017 RM'000
Holding company		
Rental expenses	369	1,028
Utilities	7	19
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Related companies		
SAP maintenance fees expenses	262	914
Airline ticketing services - Lintas	268	561
Rental income for office - Suria	(47)	(142)
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Associate		
Recharge of expenses paid on behalf	34	102
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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		Loss before tax	
	3 Months to		3 Months to	
	31 Dec	31 Dec	31 Dec	31 Dec
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Operating Segments:				
Drilling Services	138,637	126,195	(5,274)	615
Marine Services	33,380	43,194	(9,760)	(5,382)
Development and Production Asset and Services	380	119	(92)	(786)
	<u>172,397</u>	<u>169,508</u>	<u>(15,126)</u>	<u>(5,553)</u>

B1 Review of Operating Segments (“continued”)

Group

Group revenue for the current quarter is higher by RM2.9 million or 1.7% compared to the corresponding quarter of the preceding year (“3QFY2017”) due to increase in activities in Drilling Services especially in Russia and Malaysia.

Loss Before Tax for the current quarter was higher at RM15.1 million mainly due to loss on forex of RM11.1 million (3QFY2017: Forex Gain of RM23.4 million) and loss on disposal of assets of RM5.7 million which mainly arose due to disposal of vessels. Excluding the impact of forex and loss on disposal of assets, current quarter results would have been Profit Before Tax of RM1.7 million, an improvement over the corresponding quarter.

Drilling Services (“DS”)

The segment’s revenue for the current quarter increased by RM12.4 million or 9.9% as compared to 3QFY2017, mainly due to higher activity in countries such as Russia and Malaysia. Gross Margins have also improved to 23.6% (3QFY2017: 10.6%) due to the various cost-cut initiatives as well as higher top line.

The segment showed Loss Before Tax of RM5.3 million for the current quarter primarily due to the forex losses amounting to RM8.0 million and loss on disposal of assets of RM1.2 million. Excluding the impact of forex and loss on disposal of assets, current quarter results would have been Profit Before Tax of RM3.9 million, an improvement over the corresponding quarter.

Marine Services (“MS”)

The segment revenue for the current quarter was lower by RM9.8 million or 22.7% compared to 3QFY2017 mainly due to lower Coal Affreightment contract revenue in Malaysia which was partially offset by higher revenue from the Coal unit in Indonesia due to increase in activity level. The margin impact of this lower revenue from the Coal Affreightment contract is minimal due to the generally low margins contributed by the Coal Affreightment contract.

The Loss Before Tax of RM9.8 million in the current quarter was primarily due to forex losses of RM3.1 million and loss on disposal of vessels of RM4.5 million. Excluding the impact of forex and loss on disposal of assets, current quarter results would have been Loss Before Tax of RM2.2 million, an improvement over the corresponding quarter.

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B1 Review of Operating Segments (“continued”)

3Q YTD FY2018 vs. 3Q YTD FY2017

	Revenue		Loss before tax	
	9 Months to		9 Months to	
	31 Dec	31 Dec	31 Dec	31 Dec
	2017	2016	2017	2016
	RM’000	RM’000	RM’000	RM’000
Operating Segments:				
Drilling Services	394,557	390,992	(22,903)	(14,906)
Marine Services	98,258	127,920	(24,502)	(30,439)
Development and Production Asset and Services	1,033	665	(724)	(2,427)
	<u>493,848</u>	<u>519,577</u>	<u>(48,129)</u>	<u>(47,772)</u>

Group

Group revenue for YTD 3QFY2018 is lower by RM25.7 million in current quarter compared to the corresponding period of the preceding year mainly due to lower revenue from the Coal Affreightment contract.

The Loss Before Tax of RM48.1 million was mainly due to the forex losses of RM22.2 million in the current period.

Drilling Services (“DS”)

The segment’s revenue for YTD 3QFY2018 was RM394.6 million which is marginally higher than the corresponding period mainly due to pick-up in activity in Malaysia and Russia. However, margins have improved due to better cost control measures as well as favourable product-mix.

The Loss Before Tax for the current period of RM22.9 million is mainly a result of forex losses of RM17.0 million in the current period. Operating Expenditure was lower by 7.7% compared to corresponding period as a result of cost-cutting initiatives undertaken during the year.

B1 Review of Operating Segments (“continued”)

Marine Services (“MS”)

The segment revenue for the current period was lower by 23.2% compared to YTD 3QFY2017 mainly due to lower Coal Affreightment contract revenue in Malaysia which was partially offset by higher revenue from the Coal unit in Indonesia due to increase in activity level. The margin impact of this lower revenue from the Coal Affreightment contract is minimal due to the generally low margins contributed by the Coal Affreightment contract.

The Loss Before Tax of RM24.5 million in the current period was mainly due to forex losses of RM5.2 million and loss on disposal of vessels of RM4.6 million. Excluding this, the current period results would have been an improvement over the corresponding period.

B2 Review of Operating Segments as Compared to Preceding Quarter

Loss Before Tax was RM15.1 million in the current quarter compared to a Loss Before Tax of RM16.3 million in the preceding quarter.

Excluding the forex losses of RM11.1 million and the loss on disposal of assets of RM5.7 million for the current quarter (2QFY2018: Forex losses of RM3.8 million and Loss on Disposal of assets of RM0.04 million), the current quarter results would have been Profit Before Tax of RM1.7 million (2QFY2018 : Loss of RM12.5 million). This is an improvement from previous quarter due to higher revenue and better margins at both Drilling Services and Marine Services as a result of higher activity levels.

B3 Current Financial Year Prospects

Drilling Service Outlook

Drilling activities have been picking up in some of the markets we are operating in especially Malaysia which has boosted both our top line and margins. However, we do not expect activities to significantly increase before the end of the financial year as we are still awaiting the results of some of the tenders we have participated in the last couple of months. Winning these tenders should provide a good top line support as well as growth for the segment.

Marine Services

We expect the activity at Coal unit in Indonesia to continue to be encouraging due to the high coal prices as it provides a stable revenue stream. However, the Offshore Vessels are still largely idle due to the depressed offshore market.

Development and Production Asset and Services

Following First Oil, Ophir development capital expenditure is expected to come in below budget. The first production lifting was completed on 24 January 2018.

B4 Profit Forecast

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

B5 Corporate Proposals

Save as disclosed in Note A10, there were no other corporate proposals announced but not completed as at the date of issue of this report.

B6 Profit before taxation

	Current quarter 3 months ended 31 Dec 2017 RM'000	Current quarter 3 months ended 31 Dec 2016 RM'000	Cumulative period 9 months ended 31 Dec 2017 RM'000	Cumulative period 9 months ended 31 Dec 2016 RM'000
The profit before is arrived at after (charging)/crediting:				
Interest income	178	628	536	1,184
Depreciation and amortisation	(14,977)	(24,987)	(50,903)	(73,494)
(Loss)/gain on foreign exchange - net	(11,052)	23,401	(22,219)	24,496
Gain/(loss) on disposal of property, plant and equipment	(5,707)	(117)	(5,447)	(106)
Interest expense	(4,133)	(5,525)	(13,058)	(14,677)
Share of results of joint ventures	(607)	(1,995)	(3,514)	(7,025)

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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 Dec 2017 RM'000	Current quarter 3 months ended 31 Dec 2016 RM'000	Cumulative period 9 months ended 31 Dec 2017 RM'000	Cumulative period 9 months ended 31 Dec 2016 RM'000
Malaysian income tax				
- current year	1,147	1,340	1,481	792
Foreign income tax				
- current year	<u>3,867</u>	<u>45</u>	<u>9,384</u>	<u>5,435</u>
Total income tax	<u>5,014</u>	<u>1,385</u>	<u>10,865</u>	<u>6,227</u>
Effective tax rate	<u>-33.1%</u>	<u>-24.9%</u>	<u>-22.6%</u>	<u>-13.0%</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 Dec 2017 RM'000
Cash and bank balances	26,963
Short term deposits with licensed banks	23,404
	<u>50,367</u>
Less : restricted cash	(19,445)
Less : bank overdraft	(1,904)
Cash and cash equivalents	<u>29,018</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>146,639</u>	<u>87,990</u>	<u>234,629</u>

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

	RM'000
Ringgit Malaysia	129,941
US Dollar*	104,688
Total	<u>234,629</u>

* *These relate to working capital loans.*

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B10 Other reserves

	As at 31 Dec 2017 RM'000	As at 31 Mar 2017 RM'000
Capital reserve	26,881	26,881
Translation reserves	(180,356)	(116,295)
Hedging reserve	15,483	16,329
Merger reserve	(443,323)	(443,323)
	<u>(581,315)</u>	<u>(516,408)</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>6,168</u>	<u>14,643</u>	<u>20,811</u>

The notional principal amounts of the outstanding CCIRSs at 31 September 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 Dec 2017 RM'000	As at 31 Mar 2017 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	1,102,814	1,143,446
- Unrealised	<u>(333,625)</u>	<u>(288,378)</u>
	769,189	855,068
Total share of retained earnings from associated companies:		
- Realised	(16,733)	(9,418)
- Unrealised	-	-
Total share of retained earnings from jointly controlled entities:		
- Realised	22,113	(10,371)
- Unrealised	<u>-</u>	<u>-</u>
	774,569	835,279
Less : Consolidation adjustments	<u>(584,100)</u>	<u>(584,100)</u>
Total retained earnings	<u><u>190,469</u></u>	<u><u>251,179</u></u>

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B13 Earnings Per Share

	3 months ended 31 Dec 2017 RM'000	3 months ended 31 Dec 2016 RM'000	9 months ended 31 Dec 2017 RM'000	9 months ended 31 Dec 2016 RM'000
<u>Basic and diluted earnings per share</u>				
Loss for the period	(22,437)	(7,881)	(60,710)	(49,943)
Issued and paid-up capital	2,341,775	2,341,775	2,341,775	2,341,775
Less : Treasury shares	(154)	(154)	(154)	(154)
Weighted average number of ordinary shares in issue ('000)	<u>2,341,621</u>	<u>2,341,621</u>	<u>2,341,621</u>	<u>2,341,621</u>
Basic earnings per share (sen)	<u>(0.96)</u>	<u>(0.34)</u>	<u>(2.59)</u>	<u>(2.13)</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 28 February 2018 by the Board of Directors.