

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE QUARTER AND PERIOD ENDED 31 MARCH 2018

	3 months ended 31 Mar 2018 RM'000	3 months ended 31 Mar 2017 RM'000	Cumulative period 12 months ended 31 Mar 2018 RM'000	Cumulative period 12 months ended 31 Mar 2017 RM'000
Revenue	119,915	144,435	613,763	664,012
Cost of sales	(128,253)	(136,145)	(536,689)	(604,430)
Gross profit	(8,338)	8,290	77,074	59,582
Other (expenses)/income	(59,756)	(27,498)	(83,570)	(2,238)
Administrative expenses	(19,711)	(22,960)	(70,951)	(82,285)
Marketing and selling expenses	(13,536)	(15,103)	(52,051)	(53,584)
Other operating expenses	(533)	(1,039)	(2,462)	(5,081)
Finance expenses	(13,236)	(3,971)	(28,301)	(20,606)
Finance income	181	599	717	1,783
Share of results of JV and associates	(35,867)	(17,183)	(39,381)	(24,208)
Loss before tax	(150,796)	(78,865)	(198,925)	(126,637)
Taxation	(7,485)	(2,901)	(18,350)	(9,128)
Loss for the period	(158,281)	(81,766)	(217,275)	(135,765)
Other comprehensive income				
Currency translation differences	38,474	(9,717)	(25,587)	49,951
Cash flow hedges	(15,483)	1,126	(16,329)	9,168
Retirement benefits	-	(1,022)	-	(1,022)
	22,991	(9,613)	(41,916)	58,097
Total comprehensive income for the period	(135,290)	(91,379)	(259,191)	(77,668)
Profit attributable to :				
Owners of the Company	(147,225)	(76,463)	(207,935)	(126,406)
Non-controlling interests	(11,056)	(5,303)	(9,340)	(9,359)
Loss for the period	(158,281)	(81,766)	(217,275)	(135,765)
Total comprehensive income attributable to:				
Owners of the Company	(124,234)	(86,076)	(249,851)	(68,309)
Non-controlling interests	(11,056)	(5,303)	(9,340)	(9,359)
	(135,290)	(91,379)	(259,191)	(77,668)
Earnings per share				
- Basic and diluted (Sen)	(6.29)	(3.27)	(8.88)	(5.40)

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 2018

	Note	As at 31 Mar 2018 RM'000	As at 31 Mar 2017 RM'000 (Audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		370,612	525,991
Investment properties		2,140	2,499
Investment in associates		7,439	7,439
Investment in joint ventures		14,714	53,794
Intangible assets		106,564	107,903
Deferred tax assets		2,186	9,125
Other receivables		31,176	226
		<u>534,831</u>	<u>706,977</u>
CURRENT ASSETS			
Inventories		108,764	164,922
Trade and other receivables		272,697	350,044
Current tax assets		22,928	27,284
Cash and bank balances	B8	60,708	124,792
		<u>465,097</u>	<u>667,042</u>
TOTAL ASSETS		<u>999,928</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	(558,324)	(516,408)
Retained earnings	B12	43,244	251,179
Total equity attributable to owners of the Company		<u>490,404</u>	<u>740,255</u>
Non-controlling interests		38,516	47,856
TOTAL EQUITY		<u>528,920</u>	<u>788,111</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	B9	76,360	49,407
Provision for retirement benefits		8,645	10,800
Other payables		3,236	5,693
Derivative financial liabilities	B11	-	21,118
Deferred tax liabilities		5,309	9,112
		<u>93,550</u>	<u>96,130</u>
CURRENT LIABILITIES			
Trade and other payables		227,653	253,470
Loans and borrowings	B9	131,352	195,650
Derivative financial liabilities	B11	10,516	23,145
Current tax liabilities		7,937	17,513
		<u>377,458</u>	<u>489,778</u>
TOTAL LIABILITIES		<u>471,008</u>	<u>585,908</u>
TOTAL EQUITY AND LIABILITIES		<u>999,928</u>	<u>1,374,019</u>
Net assets per share (RM)		<u>0.21</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 MARCH 2018

	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	-	-	(41,916)	(207,935)	(249,851)	(9,340)	(259,191)
As at 31 March 2018	1,005,535	(51)	(558,324)	43,244	490,404	38,516	528,920
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 MARCH 2018

	Note	12 months ended 31 Mar 2018 RM'000	12 months ended 31 Mar 2017 RM'000
Cash Flows From Operating Activities			
Loss before tax		(198,925)	(126,637)
Adjustments for non-cash items:		147,295	146,667
Changes in working capital:			
Inventories		56,158	32,704
Receivables		39,739	110,102
Payables		(23,772)	(86,109)
Cash generated from operations		<u>20,495</u>	<u>76,727</u>
Tax paid		(8,932)	(21,244)
Retirement benefits paid		-	(530)
Interest received		717	1,783
Net cash generated from operating activities		<u>12,280</u>	<u>56,736</u>
Cash Flows From Investing Activities			
Proceeds from disposal of property, plant and equipment		9,640	2,136
Purchase of property, plant and equipment		(16,021)	(25,368)
Repurchase of treasury shares		-	(1)
Additional investment in joint controlled entity		-	(3,560)
Additions to intangible assets		-	(6,641)
Net cash used in investing activities		<u>(6,381)</u>	<u>(33,434)</u>
Cash Flows From Financing Activities			
Repayment of borrowings		(29,968)	(158,024)
Proceeds from borrowings		-	97,507
Interest paid on borrowings		(25,687)	(16,936)
Decrease in short term deposit pledged as securities		(4,168)	23,382
Net cash used in financing activities		<u>(59,823)</u>	<u>(54,071)</u>
Net decrease in cash and cash equivalents		(53,924)	(30,769)
Cash and cash equivalents at beginning of the year		101,680	109,381
Currency translation differences		(13,542)	23,068
Cash and cash equivalents at end of the year	B8	<u>34,214</u>	<u>101,680</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 March 2018.

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 March 2018.

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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 2018

	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
REVENUE				
External sales	484,990	127,532	1,241	613,763
RESULTS				
Profit from operations	(27,094)	(19,591)	(988)	(47,673)
Realised gain/(loss) on foreign exchange	10,483	1,038	-	11,521
Unrealised loss on foreign exchange	(43,860)	(8,977)	-	(52,837)
Finance costs	(22,967)	(5,334)	-	(28,301)
Other expenses	(10,362)	(31,892)	-	(42,254)
Share of results in joint ventures	-	(35,352)	(4,029)	(39,381)
Profit before tax	(93,800)	(100,108)	(5,017)	(198,925)
Taxation	(14,700)	(3,650)	-	(18,350)
Profit for the period	(108,500)	(103,758)	(5,017)	(217,275)
Other information				
Depreciation and amortisation	36,098	44,113	-	80,211
Interest income	684	33	-	717
Addition to non-current assets other than financial instruments and deferred tax assets	(60,212)	(140,984)	5,039	(196,157)

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A8 Segmental Reporting ("continued")

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	487,747	174,959	1,306	664,012
RESULTS				
Profit from operations	(49,289)	(28,816)	(1,481)	(79,586)
Realised loss on foreign exchange	2,935	(1,370)	-	1,565
Unrealised gain/(loss) on foreign exchange	29,354	8,308	-	37,662
Finance costs	(18,265)	(2,341)	-	(20,606)
Other operating income	(37,930)	(3,534)	-	(41,464)
Share of results in associates				-
Share of results in joint ventures	-	(19,466)	(4,742)	(24,208)
Profit before tax	(73,195)	(47,219)	(6,223)	(126,637)
Taxation	(8,064)	(1,064)	-	(9,128)
Profit for the period	(81,259)	(48,283)	(6,223)	(135,765)
Other information				
Depreciation and amortisation	46,523	48,934	-	95,457
Interest income	1,423	360		1,783
Addition to non-current assets other than financial instruments and deferred tax assets	(230)	(39,085)	6,121	(33,194)

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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 2018				
ASSETS				
Assets employed in the segment	622,712	329,703	246	952,661
Investment in associates	-	7,439	-	7,439
Investment in joint venture	1,429	(2,589)	15,874	14,714
	<u>624,141</u>	<u>334,553</u>	<u>16,120</u>	<u>974,814</u>
<u>Unallocated corporate assets:</u>				
Current tax assets				22,928
Deferred tax assets				2,186
Total assets				<u>999,928</u>
LIABILITIES				
Liabilities in segment	<u>412,090</u>	<u>30,904</u>	<u>4,252</u>	447,246
<u>Unallocated corporate liabilities:</u>				
Tax payable				7,937
Deferred tax liabilities				5,309
Derivatives financial instruments				10,516
Total liabilities				<u>471,008</u>
Net assets				<u>528,920</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 2017				
ASSETS				
Assets employed in the segment	825,293	450,298	786	1,276,377
Investment in associates	-	7,439	-	7,439
Investment in joint venture	1,304	41,526	10,964	53,794
	<u>826,597</u>	<u>499,263</u>	<u>11,750</u>	<u>1,337,610</u>
<u>Unallocated corporate assets:</u>				
Current tax assets				27,284
Deferred tax assets				9,125
Total assets				<u>1,374,019</u>
LIABILITIES				
Liabilities in segment	<u>459,561</u>	<u>51,655</u>	<u>3,804</u>	515,020
<u>Unallocated corporate liabilities:</u>				
Tax payable				17,513
Deferred tax liabilities				9,112
Derivatives financial instruments				44,263
Total liabilities				<u>585,908</u>
Net assets				<u>788,111</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

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	-	-	-
Plant & Machinery	-	61	61
Vessels	-	33,055	33,055
Others	-	1,731	1,731
	<u>-</u>	<u>34,847</u>	<u>34,847</u>

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A13 Capital Commitments ("continued")

The future minimum lease payments under non-cancellable operating leases as at 31 March 2018 are as follows:

	31 March 2018 RM'000
Less than one year	4,095
Between one and five years	5,562
	<u>9,657</u>

A14 Related party transactions

	3 months ended 31 Mar 2018 RM'000	12 months ended 31 Mar 2018 RM'000
Holding company		
Rental expenses	309	1,337
Utilities	1	20
	<u>310</u>	<u>1,357</u>
Related companies		
SAP maintenance fees expenses	119	1,033
Airline ticketing services - Lintas	200	761
Rental income for office - Suria	(46)	(188)
	<u>273</u>	<u>1,606</u>
Associate		
Recharge of expenses paid on behalf	94	196
	<u>94</u>	<u>196</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		Loss before tax	
	3 Months to		3 Months to	
	31 Mar	31 Mar	31 Mar	31 Mar
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Operating Segments:				
Drilling Services	90,432	96,755	(70,898)	(58,289)
Marine Services	29,275	47,039	(75,605)	(16,780)
Development and Production Asset and Services	208	641	(4,293)	(3,796)
	<u>119,915</u>	<u>144,435</u>	<u>(150,796)</u>	<u>(78,865)</u>

B1 Review of Operating Segments (“continued”)

Group

Group revenue for the current quarter is lower by RM24.5 million or 17.0% compared to the corresponding quarter of the preceding year (“4QFY2017”) primarily due to lower revenue from Marine Services.

Loss Before Tax for the current quarter was higher at RM150.8 million mainly due to loss on forex of RM19.1 million (4QFY2017: Forex Gain of RM14.7 million), loss on disposal of equipment RM1.1million, loss on disposal of vessels of RM4.5 million, impairment of vessels of RM 20.2million and share of loss of JV of RM 32.2 million (due to disposal/ impairment of vessels). Excluding the impact of these, current quarter results would have been Loss before tax of RM73.7 million, an improvement over the corresponding quarter.

Drilling Services (“DS”)

The segment’s revenue for the current quarter decreased by RM6.3 million or 6.5% as compared to 4QFY2017, mainly due to lower activity in countries such as Turkmenistan, Thailand and Indonesia.

The segment showed Loss Before Tax of RM70.9 million for the current quarter which included forex losses of RM16.4 million (4QFY2017: Forex gain of RM9.8 million) and loss on disposal of assets of RM1.1 million. Excluding the impact of forex and loss on disposal of assets, current quarter results would have been Loss Before Tax of RM53.4 million, which was lower than the corresponding quarter.

Marine Services (“MS”)

The segment revenue for the current quarter was lower by RM17.8 million or 37.8% compared to 4QFY2017 mainly due to lower Coal Affreightment contract revenue in Malaysia.

The Loss Before Tax of RM75.6 million in the current quarter includes forex losses of RM2.7 million (4QFY2017: Forex gain of RM4.9 million), loss on disposal of vessels of RM4.5 million, impairment of vessels RM20.2 million and share of loss of JV of RM 32.2 million (due to disposal/impairment of vessels). Excluding the impact of these, current quarter results would have been Loss Before Tax of RM16.0 million, which was due to the fall through of lower revenue.

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B1 Review of Operating Segments (“continued”)

4Q YTD FY2018 vs. 4Q YTD FY2017

	Revenue		Loss before tax	
	12 Months to		12 Months to	
	31 Mar	31 Mar	31 Mar	31 Mar
	2018	2017	2018	2017
	RM’000	RM’000	RM’000	RM’000
Operating Segments:				
Drilling Services	484,990	487,747	(93,802)	(73,195)
Marine Services	127,532	174,959	(100,106)	(47,219)
Development and Production Asset and Services	1,241	1,306	(5,017)	(6,223)
	<u>613,763</u>	<u>664,012</u>	<u>(198,925)</u>	<u>(126,637)</u>

Group

Group revenue for YTD 4QFY2018 is lower by RM50.2 million in current quarter compared to the corresponding period of the preceding year mainly due to lower revenue from the Marine segment.

The Loss Before Tax of RM198.9 million includes loss on forex of RM41.3 million (YTD 4QFY17 was a forex gain of RM39.2 million), loss on disposal of assets RM2 million, loss on disposal of vessels RM4.5 million, impairment of vessels RM20.2 million and share of losses of JV RM34.4million (due to disposal/impairment of vessels). Excluding these, the Loss before tax would have been RM96.5 million contributed by all the segments.

Drilling Services (“DS”)

The segment’s revenue for YTD 4QFY2018 was RM485.0 million which is marginally lower by 0.6% over the corresponding period. This was mainly due to lower revenue from Turkmenistan, Thailand, Indonesia and Pakistan, offset by higher revenue from Russia, Malaysia, West Africa and France.

The Loss Before Tax for the current period of RM93.8 million includes forex losses amounting to RM33.4 million and loss on disposal of assets of RM2 million. Excluding these, the Loss before tax would have been RM58.4 million, which is an improvement over the previous year.

B1 Review of Operating Segments (“continued”)

Marine Services (“MS”)

The segment revenue for the current period was lower by 27.1% compared to YTD 4QFY2017 mainly due to lower Coal Affreightment contract revenue in Malaysia.

The Loss Before Tax of RM100.1 million in the current period includes forex losses of RM7.9 million, loss on disposal of vessels of RM4.5 million, impairment of vessels RM 20.2 million and share of losses of JV RM34.4 million (due to disposal/impairment of vessels). Excluding these, the Loss before tax would have been RM33.1 million. Lower revenue and cost of idle offshore vessels contributed to the loss.

B2 Review of Operating Segments as Compared to Preceding Quarter

Loss Before Tax was RM150.8 million as compared to Loss Before Tax of RM15.1 in the preceding quarter.

Loss Before Tax for the current quarter include loss on forex of RM19.1 million, loss on disposal of equipment RM1.1million, loss on disposal of vessels of RM4.5 million, impairment of vessels RM20.2 million and share of loss of JV of RM 32.2 million (due to disposal/impairment of vessels). Excluding these, current quarter results would have been Loss before tax of RM73.7 million. This arose as a result of lower revenue primarily in Drilling Services particularly Turkmenistan and Malaysia.

B3 Current Financial Year Prospects

Drilling Service Outlook

With increase in oil prices, the expectation is that the activity will increase, though not immediately. Activity is on an upward trend in certain markets we are operating. Several new bids are in the pipeline and winning some of these would provide the growth for this segment.

Marine Services

With higher coal prices, we expect the activity at Coal unit in Indonesia to be encouraging. Offshore Vessels are still largely idle due to the depressed offshore market.

Development and Production Asset and Services

Despite numerous attempts to restore production, Ophir was not able to restore production of the wells and has suspended the wells with Petronas consent. Post-drill results indicate a lower than expected oil recoverable resulting in the development not expected to be economic. Based on the above, Ophir has submitted a letter seeking Petronas' agreement to terminate the contract. Subject to Petronas' consent, as owner of the field, Ophir will handover the operations, novate all existing contracts and secure the imbursement of capital and operating expenditure for the development.

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 2018 RM'000	Current quarter 3 months ended 31 Mar 2017 RM'000	Cumulative period 12 months ended 31 Mar 2018 RM'000	Cumulative period 12 months ended 31 Mar 2017 RM'000
The profit before is arrived at after (charging)/crediting:				
Interest income	181	599	717	1,783
Reversal of impairment loss:				
- receivables	-	1,321	-	1,321
Reversal of inventories written-off	-	(206)	-	(206)
Allowance for inventories	(6,886)	(8,154)	(6,886)	(8,154)
Impairment loss:				
- property, plant and equipment	(17,940)	(303)	(17,940)	(303)
- receivables	(4,056)	(15,764)	(4,056)	(15,764)
- intangible assets	-	(18,219)	-	(18,219)
Inventories written down	-	(378)	-	(378)
Depreciation and amortisation	(29,308)	(21,963)	(80,211)	(95,457)
(Loss)/gain on foreign exchange - net	(19,098)	14,731	(41,317)	39,227
Gain/(loss) on disposal of property, plant and equipment	(1,038)	(1,383)	(6,485)	(1,489)
Interest expense	(3,949)	(5,929)	(17,007)	(20,606)
Share of results of joint ventures	(35,867)	(17,183)	(39,381)	(24,208)

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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 2018 RM'000	Current quarter 3 months ended 31 Mar 2017 RM'000	Cumulative period 12 months ended 31 Mar 2018 RM'000	Cumulative period 12 months ended 31 Mar 2017 RM'000
Malaysian income tax				
- current year	592	(2,079)	2,073	(1,287)
Foreign income tax				
- current year	<u>6,893</u>	<u>4,980</u>	<u>16,277</u>	<u>10,415</u>
Total income tax	<u>7,485</u>	<u>2,901</u>	<u>18,350</u>	<u>9,128</u>
Effective tax rate	<u>-5.0%</u>	<u>-3.7%</u>	<u>-9.2%</u>	<u>-7.2%</u>

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

- a. Losses in certain tax jurisdictions not qualifying for tax relief.
- 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 31 Mar 2018 RM'000
Cash and bank balances	34,998
Short term deposits with licensed banks	25,710
	<u>60,708</u>
Less : restricted cash	(24,802)
Less : bank overdraft	(1,692)
Cash and cash equivalents	<u>34,214</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>131,352</u>	<u>76,360</u>	<u>207,712</u>

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

	RM'000
Ringgit Malaysia	117,592
US Dollar*	90,120
Total	<u>207,712</u>

* *These relate to working capital loans.*

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B10 Other reserves

	As at 31 Mar 2018 RM'000	As at 31 Mar 2017 RM'000
Capital reserve	26,881	26,881
Translation reserves	(141,882)	(116,295)
Hedging reserve	-	16,329
Merger reserve	(443,323)	(443,323)
	<u>(558,324)</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	-	10,516	10,516
	<u>-</u>	<u>10,516</u>	<u>10,516</u>

The notional principal amounts of the outstanding CCIRSs at 31 March 2018 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 Earnings Per Share

	3 months ended 31 Mar 2018 RM'000	3 months ended 31 Mar 2017 RM'000	12 months ended 31 Mar 2018 RM'000	12 months ended 31 Mar 2017 RM'000
<u>Basic and diluted earnings per share</u>				
Loss for the period	<u>(147,225)</u>	<u>(76,463)</u>	<u>(207,935)</u>	<u>(126,406)</u>
Issued and paid-up capital	2,341,775	2,341,775	2,341,775	2,341,775
Less : Treasury shares	<u>(154)</u>	<u>(154)</u>	<u>(154)</u>	<u>(154)</u>
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>(6.29)</u>	<u>(3.27)</u>	<u>(8.88)</u>	<u>(5.40)</u>

B13 Material Litigation

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

B14 Proposed Dividend

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

B15 Authorised For Issue

The interim financial statements were authorised for issue on 31 May 2018 by the Board of Directors.