

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

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

	3 months ended 31 Dec 2018 RM'000	3 months ended 31 Dec 2017 RM'000	Cumulative period 9 months ended 31 Dec 2018 RM'000	Cumulative period 9 months ended 31 Dec 2017 RM'000
Revenue	134,181	172,397	393,341	493,848
Cost of sales	(101,029)	(136,416)	(310,700)	(408,436)
Gross profit	33,152	35,981	82,641	85,412
Other (expenses)/income	5,388	(16,830)	26,606	(23,814)
Administrative expenses	(14,347)	(16,437)	(43,951)	(51,240)
Marketing and selling expenses	(9,687)	(12,067)	(30,836)	(38,515)
Other operating expenses	(503)	(553)	(1,329)	(1,929)
Finance expenses	(4,044)	(4,791)	(13,830)	(15,065)
Finance income	944	178	1,268	536
Share of results of JV and associates	(4,612)	(607)	(5,042)	(3,514)
Profit/(loss) before tax	6,291	(15,126)	15,527	(48,129)
Taxation	(3,408)	(5,014)	(11,294)	(10,865)
Profit/(loss) for the period	2,883	(20,140)	4,233	(58,994)
Other comprehensive income				
Currency translation differences	(42,492)	(12,344)	6,155	(64,061)
Cash flow hedges	-	(16,487)	-	(846)
	(42,492)	(28,831)	6,155	(64,907)
Total comprehensive income for the period	(39,609)	(48,971)	10,388	(123,901)
Profit attributable to :				
Owners of the Company	986	(22,437)	2,908	(60,710)
Non-controlling interests	1,897	2,297	1,325	1,716
Profit/(loss) for the period	2,883	(20,140)	4,233	(58,994)
Total comprehensive income attributable to:				
Owners of the Company	(41,506)	(51,268)	9,063	(125,617)
Non-controlling interests	1,897	2,297	1,325	1,716
	(39,609)	(48,971)	10,388	(123,901)
Earnings per share				
- Basic and diluted (Sen)	0.04	(0.96)	0.12	(2.59)

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 FINANCIAL POSITION AS AT 31 DEC 2018

	Note	As at 31 Dec 2018 RM'000	As at 31 Mar 2018 RM'000 (Restated)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment		365,857	384,624
Investment properties		548	2,140
Investment in associates		7,439	7,439
Investment in joint ventures		26,619	16,756
Intangible assets		106,983	106,565
Deferred tax assets		1,649	2,183
Other receivables		40,005	44,720
		<u>549,100</u>	<u>564,427</u>
CURRENT ASSETS			
Inventories		96,039	111,730
Trade and other receivables		241,078	250,394
Current tax assets		25,149	20,174
Cash and bank balances	B8	65,960	67,675
		<u>428,226</u>	<u>449,973</u>
TOTAL ASSETS		<u>977,326</u>	<u>1,014,400</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	(535,035)	(541,190)
Retained earnings		20,931	18,023
Total equity attributable to owners of the Company		<u>491,380</u>	<u>482,317</u>
Non-controlling interests		42,318	40,993
TOTAL EQUITY		<u>533,698</u>	<u>523,310</u>
LIABILITIES			
NON-CURRENT LIABILITIES			
Loans and borrowings	B9	49,373	76,822
Provision for retirement benefits		9,235	8,932
Other payables		2,923	3,738
Deferred tax liabilities		4,963	4,068
		<u>66,494</u>	<u>93,560</u>
CURRENT LIABILITIES			
Trade and other payables		222,111	231,047
Loans and borrowings	B9	144,744	140,904
Derivative financial liabilities		-	10,516
Current tax liabilities		10,279	15,063
		<u>377,134</u>	<u>397,530</u>
TOTAL LIABILITIES		<u>443,628</u>	<u>491,090</u>
TOTAL EQUITY AND LIABILITIES		<u>977,326</u>	<u>1,014,400</u>
Net assets per share (RM)		<u>0.21</u>	<u>0.21</u>

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 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DEC 2018

	<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 2018	1,005,535	(51)	(542,246)	32,474	495,712	40,993	536,705
Restatement per MFRS 9	-	-	1,056	(14,451)	(13,395)	-	(13,395)
As at 1 April 2018, restated	1,005,535	(51)	(541,190)	18,023	482,317	40,993	523,310
Total comprehensive income for the year	-	-	6,155	2,908	9,063	1,325	10,388
As at 31 Dec 2018	1,005,535	(51)	(535,035)	20,931	491,380	42,318	533,698
Audited							
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	-	-	(25,838)	(218,705)	(244,543)	(6,863)	(251,406)
Repurchased during the year	-	-	-	-	-	-	-
As at 31 March 2018	1,005,535	(51)	(542,246)	32,474	495,712	40,993	536,705

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 DEC 2018

	Note	9 months ended 31 Dec 2018 RM'000	9 months ended 31 Dec 2017 RM'000
Cash Flows From Operating Activities			
Profit/(loss) before tax		15,527	(48,129)
Adjustments for non-cash items:		40,270	52,791
Changes in working capital:			
Inventories		15,691	37,843
Receivables		15,780	(54,583)
Payables		(47,571)	(26,890)
Cash generated from/(used in) operations		39,697	(38,968)
Tax paid		(3,541)	(6,606)
Interest received		1,268	536
Net cash generated from (used in) operating activities		37,424	(45,038)
Cash Flows From Investing Activities			
Proceeds from disposal of property, plant and equipment		4,551	8,767
Purchase of property, plant and equipment		(4,149)	(8,868)
Additional investment in joint controlled entity		(4,170)	-
Net cash used in investing activities		(3,768)	(101)
Cash Flows From Financing Activities			
Repayment of borrowings		(17,450)	(3,526)
Proceeds from borrowings		-	(3,723)
Interest paid on borrowings		(13,097)	(13,058)
Decrease in short term deposit pledged as securities		(1,798)	1,189
Net cash (used in)/generated from financing activities		(32,345)	(19,118)
Net increase/(decrease) in cash and cash equivalents		1,311	(64,257)
Cash and cash equivalents at beginning of the year		36,778	101,680
Currency translation differences		4,505	(8,405)
Cash and cash equivalents at end of the year	B8	42,594	29,018

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 2018 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 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 2018.

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 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*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 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 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 April 2019 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019.

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

The Group and the Company does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 April 2021 as it is not applicable to the Group and the Company.

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 of the Company except as mentioned below:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The application of MFRS 15 does not have a material effect on the Group’s financial statements.

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.

In respect of impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with a forward looking “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

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

As allowed by the transitional provisions of MFRS 9, the Group elected not to restate the comparatives. Effects arising from the initial application of MFRS 9 are as below:

Group	As reported at 31 March 2018 RM’000	Estimated adjustments due to adoption of MFRS 9 RM’000	Estimated adjusted opening balance at 1 April 2018 RM’000
Trade and other receivables	263,789	(13,395)	250,394
Translation reserve	125,804	(1,056)	124,748
Retained earnings	(32,474)	14,451	(18,023)

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*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

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

A2 Audit Report for Preceding Annual Financial Statements

The audit report for the Group's annual financial statements for the year ended 31 March 2018 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 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 nine months ended 31 December 2018

	Drilling Services RM'000	Marine Services RM'000	Development and Production Asset and Services RM'000	Total RM'000
REVENUE				
External sales	302,595	90,734	12	393,341
RESULTS				
Profit/(loss) from operations	1,345	6,312	(428)	7,229
Realised (loss)/gain on foreign exchange	(1,802)	199	-	(1,603)
Unrealised gain on foreign exchange	24,365	3,514	-	27,879
Finance costs	(10,279)	(3,551)	-	(13,830)
Other (expenses)/incomes	(1,984)	2,878	-	894
Share of results in joint ventures	-	(430)	(4,612)	(5,042)
Profit/(loss) before tax	11,645	8,922	(5,040)	15,527
Taxation	(10,224)	(1,070)	-	(11,294)
Profit/(loss) for the period	1,421	7,852	(5,040)	4,233
Other information				
Depreciation and amortisation	21,107	26,816	-	47,923
Interest income	1,260	8	-	1,268
Addition to non-current assets other than financial instruments and deferred tax assets	(5,880)	10,076	(13,577)	(9,381)

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A8 Segmental Reporting ("continued")

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/(loss) from operations	1,892	(6,904)	(724)	(5,736)
Realised gain 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 incomes/(expenses)	3,193	(4,788)	-	(1,595)
Share of results in joint ventures	-	(3,514)	-	(3,514)
Loss before tax	(22,901)	(24,504)	(724)	(48,129)
Taxation	(8,957)	(1,908)	-	(10,865)
Loss 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")

	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 DEC 2018				
ASSETS				
Assets employed in the segment	572,278	344,156	36	916,470
Investment in associates	-	7,439	-	7,439
Investment in joint venture	14,838	(301)	12,082	26,619
	<u>587,116</u>	<u>351,294</u>	<u>12,118</u>	<u>950,528</u>
<u>Unallocated corporate assets:</u>				
Current tax assets				25,149
Deferred tax assets				1,649
Total assets				<u><u>977,326</u></u>
LIABILITIES				
Liabilities in segment	<u>421,665</u>	<u>2,253</u>	<u>4,468</u>	428,386
<u>Unallocated corporate liabilities:</u>				
Tax payable				10,279
Deferred tax liabilities				4,963
Total liabilities				<u><u>443,628</u></u>
Net assets				<u><u>533,698</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 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><u>1,173,153</u></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><u>508,943</u></u>
Net assets				<u><u>664,210</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

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><u>2,000</u></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
Plant & Machinery	125	7,739	7,864
Vessels (drydocking)	11,087	763	11,850
Others	-	1,181	1,181
	<u>11,212</u>	<u>9,683</u>	<u>20,895</u>

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A13 Capital Commitments ("continued")

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

	31 Dec 2018 RM'000
Less than one year	2,694
Between one and five years	5,283
	<u>7,977</u>

A14 Related party transactions

	3 months ended 31 Dec 2018 RM'000	9 months ended 31 Dec 2018 RM'000
Holding company		
Rental expenses/ (Income)	(26)	442
Utilities	-	2
Interest (Income)	(678)	(678)
Cost sharing & recharge of expenses paid on behalf	506	4,961
Related companies		
SAP maintenance fees expenses	-	191
Airline ticketing services - Lintas	-	36
Rental income for office - Suria	(77)	(137)
Associate		
Recharge of expenses paid on behalf	36	96

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 ("D&P"). Drilling Services provides integrated drilling fluids, drilling waste management solutions and production chemicals while Marine Services consist of coal transportation and offshore support vessel services. Development and Production Asset and Services provides subsurface, field development and production management services, provision of products and project management services of offshore facilities encompassing pre-development through ready for start-up, operations and maintenance services.

Current quarter vs corresponding quarter of the preceding year

	Revenue		Profit/(loss) before tax	
	3 Months to		3 Months to	
	31 Dec	31 Dec	31 Dec	31 Dec
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Operating Segments:				
Drilling Services	100,751	138,637	3,179	(5,274)
Marine Services	33,430	33,380	7,804	(9,760)
Development and Production Asset and Services	-	380	(4,692)	(92)
	<u>134,181</u>	<u>172,397</u>	<u>6,291</u>	<u>(15,126)</u>

B1 Review of Operating Segments (“continued”)

Group

Group revenue for the current quarter is lower by RM38.2 million or 22.2% compared to the corresponding quarter of the preceding year (“3QFY2018”) contributed primarily by lower revenue from the Drilling Services segment.

Profit before tax (“PBT”) for the current quarter was RM6.3 million as compared to a loss before tax of (“LBT”) RM15.1 million in 3QFY2018, contributed by improved gross profit and lower operating expenses and also aided by a forex gain in the current quarter as against a forex loss in 3QFY2018.

Drilling Services (“DS”)

The segment’s revenue for the current quarter decreased by RM37.9 million or 27.3% as compared to 3QFY2018, mainly due to lower activity in countries such as Russia and Malaysia, partially offset by higher revenue in Pakistan and West Africa.

PBT was RM3.2 million in the current quarter as compared to a LBT of RM5.3 million in 3QFY2018. Improved PBT was primarily due to lower operating expenses in current quarter coupled with forex gain whereas 3QFY2018 had forex losses.

Marine Services (“MS”)

The segment revenue for the current quarter was higher by 0.1% compared to 3QFY2018.

The segment posted a PBT of RM7.8 million as compared to a LBT of RM9.8 million in 3QFY2018 resulting from higher gross profit, lower operating expenses and forex gain during current quarter, whereas 3QFY2018 had forex losses.

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3Q YTD FY 2019 vs 3Q YTD FY 2018

	Revenue		Profit/ (Loss) before tax	
	9 Months to		9 Months to	
	31 Dec	31 Dec	31 Dec	31 Dec
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Operating Segments:				
Drilling Services	302,595	394,557	11,645	(22,903)
Marine Services	90,734	98,258	8,922	(24,502)
Development and Production Asset and Services	12	1,033	(5,040)	(724)
	<u>393,341</u>	<u>493,848</u>	<u>15,527</u>	<u>(48,129)</u>

Group

Group revenue for YTD3QFY2019 is lower by RM100.5 million or 20.4% as compared to the corresponding period of the preceding year ("YTD3QFY2018") resulting from lower revenue in both Drilling Services and Marine Services segment.

PBT for YTD3QFY2019 was RM15.5 million as compared to a LBT of RM48.1 million in YTD3QFY2018. Lower operating expenses coupled with forex gains contributed to the profit in the current period while the corresponding period YTD3QFY2018 was impacted by a forex loss.

Drilling Services ("DS")

The segment's revenue for the current period decreased by RM92.0 million or 23.3% as compared to YTD3QFY2018. This was mainly due to lower activity in countries such as Turkmenistan, Thailand and Malaysia during the period.

PBT was RM11.6 million in the current period as compared to a LBT of RM22.9 million in YTD3QFY2018. This was primarily due to higher gross profit and lower operating expenses coupled with forex gain whereas YTD3QFY2018 had forex losses.

Marine Services ("MS")

The segment revenue for the current period was lower by RM7.5 million or 7.7% compared to YTD3QFY2018 primarily due to lower revenue on the coal affreightment contract in Malaysia and partially offset by higher revenues in Indonesia due to increased coal shipment.

The segment posted a PBT of RM8.9 million during the current period as compared to a LBT of RM24.5 million in YTD3QFY2018 contributed by higher gross profit, lower operating expenses, forex gain and lower share of losses from joint venture.

B2 Review of Operating Segments as Compared to Preceding Quarter

PBT was RM6.3 million which was same as the preceding quarter. While Marine Services recorded higher profit due to increased gross profit and lower cost, this was offset by lower profit in Drilling Services. Share of losses of joint venture in D&P in the current quarter, also impacted the profitability for the quarter.

B3 Current Financial Year Prospects

Drilling Service Outlook

Given the volatility of oil prices over the last six months, there is cautiousness in the market. Activity is likely to remain at current level for the rest of the financial year.

Marine Services

With the increased demand seen over the last three quarters, we anticipate the coal market to continue to be active over the rest of the year. However, we do not anticipate much movement in the Offshore market and the Offshore vessels are still idle.

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 Dec 2018 RM'000	Current quarter 3 months ended 31 Dec 2017 RM'000	Cumulative period 9 months ended 31 Dec 2018 RM'000	Cumulative period 9 months ended 31 Dec 2017 RM'000
The profit before is arrived at after (charging)/crediting:				
Interest income	944	178	1,268	536
Depreciation and amortisation	(15,255)	(14,977)	(47,923)	(50,903)
Gain/(loss) on foreign exchange - net	13,627	(11,052)	26,276	(22,219)
Gain/(loss) on disposal of property, plant and equipment	6	(5,707)	3,500	(5,447)
Interest expense	(3,794)	(4,133)	(13,097)	(13,058)
Share of results of joint ventures	(4,612)	(607)	(5,042)	(3,514)

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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 2018 RM'000	Current quarter 3 months ended 31 Dec 2017 RM'000	Cumulative period 9 months ended 31 Dec 2018 RM'000	Cumulative period 9 months ended 31 Dec 2017 RM'000
Malaysian income tax				
- current year	-	1,147	-	1,481
Foreign income tax				
- current year	<u>3,408</u>	<u>3,867</u>	<u>11,294</u>	<u>9,384</u>
Total income tax	<u>3,408</u>	<u>5,014</u>	<u>11,294</u>	<u>10,865</u>
Effective tax rate	<u>54.2%</u>	<u>-33.1%</u>	<u>72.7%</u>	<u>-22.6%</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; and
- c. The above mentioned income tax is related to the revenues and profits recorded by the operating subsidiaries and there are no group reliefs 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 2018 RM'000
Cash and bank balances	42,069
Short term deposits with licensed banks	<u>23,891</u>
	65,960
Less : restricted cash	(22,665)
Less : bank overdraft	<u>(701)</u>
Cash and cash equivalents	<u>42,594</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>144,744</u>	<u>49,373</u>	<u>194,117</u>

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

	RM'000
Ringgit Malaysia	108,812
US Dollar*	<u>85,305</u>
Total	<u>194,117</u>

* These relate to working capital loans.

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B10 Other reserves

	As at 31 Dec 2018	As at 31 Mar 2018 (Restated)
	RM'000	RM'000
Capital reserve	26,881	26,881
Translation reserves	(118,593)	(124,748)
Merger reserve	(443,323)	(443,323)
	<u>(535,035)</u>	<u>(541,190)</u>

B11 Earnings Per Share

	3 months ended 31 Dec 2018 RM'000	3 months ended 31 Dec 2017 RM'000	9 months ended 31 Dec 2018 RM'000	9 months ended 31 Dec 2017 RM'000
<u>Basic and diluted earnings per share</u>				
Profit/(loss) for the period	<u>986</u>	<u>(22,437)</u>	<u>2,908</u>	<u>(60,710)</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>0.04</u>	<u>(0.96)</u>	<u>0.12</u>	<u>(2.59)</u>

B12 Material Litigation

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

B13 Proposed Dividend

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

B14 Authorised For Issue

The interim financial statements were authorised for issue on 25 February 2019 by the Board of Directors.