KS ENERGY LIMITED
An Integrated Energy Services Hub
(Company Registration No. 198300104G)

Financial Statement and Dividend Announcement for the Period Ended 30 September 2017

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group (3rd Quarter) 3 months ended			Group (Year-to-date) 9 months ended		
	30.09.2017	30.09.2016	Increase/ (Decrease)	30.09.2017	30.09.2016	Increase/ (Decrease)
	$'000	$'000		$'000	$'000	
Revenue	14,460	10,086	43.4%	35,297	31,801	11.0%
Cost of sales	(19,022)	(13,847)	37.4%	(49,604)	(51,830)	(4.3%)
Gross loss	**(4,562)**	**(3,761)**	**21.3%**	**(14,307)**	**(20,029)**	**(28.6%)**
Other income	261	278	(6.1%)	1,773	495	258.2%
Administrative expenses	(4,424)	(4,903)	(9.8%)	(13,873)	(15,731)	(11.8%)
Other operating expenses	(4,897)	(12,221)	(59.9%)	(15,523)	(29,881)	(48.1%)
Results from operating activities	**(13,622)**	**(20,607)**	**(33.9%)**	**(41,930)**	**(65,146)**	**(35.6%)**
Finance income	1,597	1,479	8.0%	4,759	4,265	11.6%
Finance costs	(4,738)	(2,718)	74.3%	(13,886)	(12,893)	7.7%
Share of results of joint ventures (net of tax)	7,552	(9,053)	N/M	22,305	(20,101)	N/M
Loss before tax	**(9,211)**	**(30,899)**	(70.2%)	**(28,752)**	**(93,875)**	(69.4%)
Income tax credit/(expense)	798	(106)	N/M	810	(588)	N/M
Loss for the period	**(8,413)**	**(31,005)**	(72.9%)	**(27,942)**	**(94,463)**	(70.4%)
Results attributable to:						
Owners of the Company	**(7,255)**	**(26,458)**	(72.6%)	**(24,681)**	**(81,647)**	(69.8%)
Non-controlling interests	(1,158)	(4,547)	(74.5%)	(3,261)	(12,816)	(74.6%)
Loss for the period	**(8,413)**	**(31,005)**	(72.9%)	**(27,942)**	**(94,463)**	(70.4%)

N/M – Not Meaningful
See paragraph 8 for more explanation on the income statement review

1(a)(i) Profit/(Loss) for the period is arrived at after crediting/(charging):-

	Group (3rd Quarter) 3 months ended			Group (Year-to-date) 9 months ended		
	30.09.2017	30.09.2016	Increase/ (Decrease)	30.09.2017	30.09.2016	Increase/ (Decrease)
	$'000	$'000		$'000	$'000	
Amortisation of intangible assets	(44)	(56)	(21.4%)	(142)	(170)	(16.5%)
Depreciation of plant and equipment	(6,788)	(7,483)	(9.3%)	(20,988)	(24,697)	(15.0%)
Impairment loss on plant and equipment	-	(11,330)	N/M	-	(11,330)	N/M
Additional write down of assets held for sale	-	-	N/M	(1,811)	(1,441)	25.7%
Finance costs on convertible bonds	(1,494)	(1,535)	(2.7%)	(4,459)	(4,823)	(7.5%)
Interest expense on loans	(3,244)	(1,183)	174.2%	(9,427)	(8,070)	16.8%
Impairment loss on loan to a joint venture	(3,173)	-	N/M	(9,197)	-	N/M
Foreign exchange gain/(loss) (net)	(49)	(288)	(83.0%)	1,442	(519)	N/M
Loss on disposal of plant and equipment	(931)	(185)	403.2%	(3,056)	(13,258)	(76.9%)
Loss on liquidation of subsidiaries	-	-	N/M	-	(431)	N/M
Adjustments for overprovision of tax in respect of prior years	1,039	128	711.7%	1,515	39	3784.6%

N/M – Not Meaningful

See paragraph 8 for more explanation on the income statement review

1(b) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30.09.2017 $'000	31.12.2016 $'000	30.09.2017 $'000	31.12.2016 $'000
Current Assets				
Cash and cash equivalents	8,755	8,754	1,589	290
Amounts due from subsidiaries	-	-	331	222
Amounts due from joint ventures	19,294	1	-	-
Trade receivables	14,808	8,289	-	-
Contract work in progress	30	20	-	-
Inventories	225	240	-	-
Other assets	12,109	16,763	76	76
Assets held for sale	679	2,604	-	-
	55,900	**36,671**	**1,996**	**588**
Non-Current Assets				
Joint ventures	34,611	42,780	34,611	42,780
Amounts due from joint ventures	29,808	35,677	-	-
Subsidiaries	-	-	104,940	122,297
Plant and equipment	396,746	448,446	168	333
Intangible assets and goodwill	164	320	-	-
Other assets	928	968	301	301
Deferred tax assets	1,150	1,225	-	-
	463,407	**529,416**	**140,020**	**165,711**
Total assets	**519,307**	**566,087**	**142,016**	**166,299**
Current Liabilities				
Bank overdrafts	4,332	3,434	-	-
Trade and other payables	30,821	25,966	5,830	3,430
Amounts due to joint venture	77	44	68	32
Amounts due to subsidiaries	-	-	19,472	20,529
Provision for current tax	8,145	9,880	-	1,182
Financial liabilities	85,851	85,544	76,670	74,862
	129,226	**124,868**	**102,040**	**100,035**
Non-Current Liabilities				
Trade and other payables	531	540	-	-
Financial liabilities	339,271	343,124	5,000	-
Deferred tax liabilities	12	12	-	-
Provision for loss from joint ventures	-	10,496	-	-
	339,814	**354,172**	**5,000**	**-**
Total liabilities	**469,040**	**479,040**	**107,040**	**100,035**
Net assets	**50,267**	**87,047**	**34,976**	**66,264**
Equity Attributable to Owners of the Company:				
Share capital	359,973	359,973	359,973	359,973
Equity reserve	17,685	17,685	17,685	17,685
Treasury shares	(26,365)	(26,365)	(26,365)	(26,365)
Foreign currency translation reserve	(16,206)	(9,045)	-	-
Other reserve	(3,750)	(3,750)	-	-
Accumulated losses	(306,203)	(281,522)	(316,317)	(285,029)
	25,134	**56,976**	**34,976**	**66,264**
Non-controlling interests	25,133	30,071	-	-
Total equity	**50,267**	**87,047**	**34,976**	**66,264**

See paragraph 8 for more explanation on the balance sheet review

1(b) (i) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand	Group 30.09.2017 $'000	Group 31.12.2016 $'000
Secured	9,181	10,682
Unsecured	76,670	74,862
Total	85,851	85,544

Amount repayable after one year	Group 30.09.2017 $'000	Group 31.12.2016 $'000
Secured	324,271	343,124
Unsecured	15,000	-
Total	339,271	343,124

Amount repayable in total	Group 30.09.2017 $'000	Group 31.12.2016 $'000
Secured	333,452	353,806
Unsecured	91,670	74,862
Total	425,122	428,668

Included in unsecured loans repayable within one year as at 30 September 2017 is an amount of $13,012,000 relating to loans from related parties (31 December 2016: $13,302,000).

Included in unsecured loans repayable within one year are the 2013 Bonds and the 2015 Bonds. The face value and carrying value of each are shown below:

	Face Value 30.09.2017 $'000	Carrying Value 30.09.2017 $'000	Face Value 31.12.2016 $'000	Carrying Value 31.12.2016 $'000
2013 Bonds	45,000	55,455	45,000	53,640
2015 Bonds	7,500	8,203	7,500	7,920
Total	52,500	63,658	52,500	61,560

Details of the collaterals:

Secured borrowings are generally bank loans secured on plant and equipment and cash deposits. Unsecured borrowings include convertible bonds issued by the Company.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding year.

	Group (9 months ended) 30.09.2017	30.09.2016
Operating activities	**$'000**	**$'000**
Loss before tax	(28,752)	(93,875)
Adjustments for:		
Amortisation of intangible assets	142	170
Depreciation of plant and equipment	20,988	24,697
Impairment loss on plant and equipment	-	11,330
Impairment loss on loan to a joint venture	9,197	-
Loss on disposal of plant and equipment	3,056	13,258
Loss on liquidation of subsidiaries	-	431
Additional write down of assets held for sale	1,811	1,441
Interest income	(4,759)	(4,265)
Interest expense	9,427	8,070
Finance cost on convertible bonds	4,459	4,823
Share of results of joint ventures	(22,305)	20,101
Operating loss before changes in working capital	(6,736)	(13,819)
Changes in working capital:		
Inventories and contract work in progress	(10)	(135)
Trade receivables	(8,257)	7,231
Other current assets	3,376	(586)
Trade and other payables	2,989	(1,345)
Cash used in operations	(8,638)	(8,654)
Tax paid	(207)	(1,916)
Cash flows used in operating activities	**(8,845)**	**(10,570)**
Investing activities		
Increase in non-trade net receivables with joint ventures and related parties	(362)	(28,174)
Interest received	34	190
Payments for purchase of plant and equipment	(649)	(1,065)
Proceeds from disposal of plant and equipment	1,401	1,089
Refund of deposit paid	-	6,720
Payments for purchase of intangible assets	-	(20)
Cash flows generated from/(used in) investing activities	**424**	**(21,260)**
Financing activities		
Loans from related parties	394	13,037
Repayment of loan from related parties	(394)	-
Repayment of bills payable to bank	-	(814)
Decrease in deposits pledged	1,879	2,246
Interest paid on borrowings	(5,889)	(7,811)
Interest paid on convertible bonds	-	(1,503)
Proceeds from bank loans	15,000	62,932
Repayment of bank loans	(1,244)	(42,817)
Repayment of transaction costs	(80)	-
Cash flows generated from financing activities	**9,666**	**25,270**
Net increase/(decrease) in cash and cash equivalents	**1,245**	**(6,560)**
Cash and cash equivalents (net of bank overdraft and deposit pledged) at beginning of the period	2,408	15,869
Effect of exchange rate changes on balances held in foreign currencies	(262)	331
Cash and cash equivalents at end of the period	**3,391**	**9,640**
Cash and cash equivalents at end of the period includes the following:		
Cash and cash equivalents (net of bank overdraft)	4,423	10,947
Deposits pledged	(1,032)	(1,307)
Cash and cash equivalents at end of the period	**3,391**	**9,640**

See paragraph 8 for explanation on the statement of cash flow review

1(d) Statement of Comprehensive Income

	Group (Year-to-date) 9 months ended		
	30.09.2017 $'000	30.09.2016 $'000	Increase/ (Decrease) %
Loss attributable to:			
Owners of the Company	(24,681)	(81,647)	(69.8)
Non-controlling interests	(3,261)	(12,816)	(74.6)
Loss for the period	**(27,942)**	**(94,463)**	(70.4)
Other comprehensive expense for the period:			
Foreign currency translation differences on translation of financial statements of foreign subsidiaries	(8,838)	(6,835)	29.3
Other comprehensive expense for the period	**(8,838)**	**(6,835)**	29.3
Total comprehensive expense for the period	**(36,780)**	**(101,298)**	(63.7)
Total comprehensive expense attributable to:			
Owners of the Company	(31,842)	(86,942)	(63.4)
Non-controlling interests	(4,938)	(14,356)	(65.6)
Total comprehensive expense for the period	**(36,780)**	**(101,298)**	(63.7)

1(d)(i) A statement (for the issuer and the group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Share capital	Equity reserve	Treasury shares	Foreign currency translation reserve	Other reserve	Accumulated losses	Total attributable to owners of the Company	Non-controlling Interests	Total Equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2017	359,973	17,685	(26,365)	(9,045)	(3,750)	(281,522)	56,976	30,071	87,047
Loss for the period	-	-	-	-	-	(24,681)	(24,681)	(3,261)	(27,942)
Other comprehensive expense									
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	-	-	-	(7,161)	-	-	(7,161)	(1,677)	(8,838)
Total other comprehensive expense	-	-	-	(7,161)	-	-	(7,161)	(1,677)	(8,838)
Total comprehensive expense for the period	**-**	**-**	**-**	**(7,161)**	**-**	**(24,681)**	**(31,842)**	**(4,938)**	**(36,780)**
At 30 September 2017	**359,973**	**17,685**	**(26,365)**	**(16,206)**	**(3,750)**	**(306,203)**	**25,134**	**25,133**	**50,267**
At 1 January 2016	359,973	17,685	(26,365)	(11,238)	(3,750)	(174,095)	162,210	48,564	210,774
Loss for the period	-	-	-	-	-	(81,647)	(81,647)	(12,816)	(94,463)
Other comprehensive expense									
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	-	-	-	(5,295)	-	-	(5,295)	(1,540)	(6,835)
Total other comprehensive expense	-	-	-	(5,295)	-	-	(5,295)	(1,540)	(6,835)
Total comprehensive expense for the period	**-**	**-**	**-**	**(5,295)**	**-**	**(81,647)**	**(86,942)**	**(14,356)**	**(101,298)**
At 30 September 2016	**359,973**	**17,685**	**(26,365)**	**(16,533)**	**(3,750)**	**(255,742)**	**75,268**	**34,208**	**109,476**

Company	Share capital	Equity reserve	Treasury shares	Accumulated losses	Total Equity
	$'000	$'000	$'000	$'000	$'000
At 1 January 2017	359,973	17,685	(26,365)	(285,029)	66,264
Loss for the period	-	-	-	(31,288)	(31,288)
Total comprehensive expense for the period	**-**	**-**	**-**	**(31,288)**	**(31,288)**
At 30 September 2017	**359,973**	**17,685**	**(26,365)**	**(316,317)**	**34,976**
At 1 January 2016	359,973	17,685	(26,365)	(192,043)	159,250
Loss for the period	-	-	-	(66,773)	(66,773)
Total comprehensive expense for the period	**-**	**-**	**-**	**(66,773)**	**(66,773)**
At 30 September 2016	**359,973**	**17,685**	**(26,365)**	**(258,816)**	**92,477**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's issued and paid-up capital for the period from 1 January 2017 to 30 September 2017. The Company did not have any subsidiary holdings as at 30 September 2017 (31 December 2016: Nil).

As at 30 September 2017 and 31 December 2016, the number of ordinary shares in issue was 524,240,215 of which 8,639,000 were held by the Company as treasury shares.

Convertible Bonds

On 21 March 2013, the Company issued $45 million of 6.0% convertible bonds with an original maturity in March 2016 (the "2013 Bonds"). As at 30 September 2017, the Company had $45 million face value of 2013 Bonds outstanding which are convertible into 54,216,720 fully-paid ordinary shares of the Company at a conversion price of $0.83 per new share. On 15 March 2016, 20 June 2016, 21 September 2016, 21 December 2016, 21 March 2017, 21 June 2017 and 21 September 2017, the Company announced that it had entered into supplemental trust deeds relating to the 2013 Bonds pursuant to which the maturity date of the 2013 Bonds had been extended to 21 December 2017 and the redemption price payable on the amended maturity date, unless previously redeemed, converted or purchased and cancelled, had been increased to 124.45% of the face value.

On 19 November 2015, the Company issued $7.5 million of 6.0% convertible bonds with a maturity in September 2016 (the "2015 Bonds"). As at 30 September 2017, the Company had $7.5 million face value of 2015 Bonds outstanding which are convertible into 26,785,710 fully-paid ordinary shares of the Company at a conversion price of $0.28 per new share.

As at 30 September 2017 and 31 December 2016, the convertible bonds outstanding are convertible into 81,002,430 fully-paid ordinary shares of the Company.

KS Energy Performance Share Plan (the "Plan")

As at 30 September 2017, there were no outstanding shares issued under the Plan which was approved by the shareholders of the Company on 2 July 2009.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 30 September 2017 and 31 December 2016, the share capital less treasury shares of the Company was 515,601,215 ordinary shares (524,240,215 issued ordinary shares less 8,639,000 treasury shares).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, cancellation and/or use of treasury shares as at 30 September 2017 (30 September 2016: Nil).

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There were no sales, transfers, cancellation and/or use of subsidiary holdings as at 30 September 2017 (30 September 2016: Nil).

2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice.

The figures have not been audited or reviewed by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed under item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those applied for the audited financial statements for the financial year ended 31 December 2016.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

In the current financial period, the Group adopted all the applicable new and revised Singapore Financial Reporting Standards ("FRSs") and related Interpretations ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2017. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's accounting policies and has no material effect on the financial statements.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

		3 months ended		9 months ended	
		30.09.2017	30.09.2016	30.09.2017	30.09.2016
Loss per share attributable to owners of the Group:					
(a)	Based on weighted average number of ordinary shares in issue (cents per share)	(1.41)	(5.13)	(4.79)	(15.84)
	- Weighted average number of shares	515,601,215	515,601,215	515,601,215	515,601,215
(b)	On a fully diluted basis (cents per share)	(1.41)	(5.13)	(4.79)	(15.84)
	- Weighted average number of shares	515,601,215	515,601,215	515,601,215	515,601,215

The basic and diluted earnings per share for the three months ended 30 September 2017 was calculated by dividing the loss attributable to shareholders of $7,255,000 (30.09.2016: loss attributable to shareholders of $26,458,000) by the weighted average number of shares in issue during the financial period.

The basic and diluted earnings per share for the nine months ended 30 September 2017 was calculated by dividing the loss attributable to shareholders of $24,681,000 (30.09.2016: $81,647,000) by the weighted average number of shares in issue during the financial period.

The earnings per share computations have taken into consideration the following:

The diluted earnings per share computations have not taken into consideration the effects of outstanding convertible bonds as they are anti-dilutive pursuant to para 41 of FRS 33.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the: -
(a) current financial period reported on; and
(b) immediately preceding financial year

	Group		Company	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
	Cents	Cents	Cents	Cents
Net asset value (excluding non-controlling interests) per ordinary share based on existing issued share capital as at the end of the period reported on	4.9	11.1	6.8	12.9

The net asset values per ordinary share of the Group and Company have been computed based on the 515,601,215 ordinary shares issued as at 30 September 2017 (31.12.2016: 515,601,215).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -

a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

INCOME STATEMENT REVIEW

Financial period ended 30 September 2017

	Group (3rd Quarter) 3 months ended			Group (Year-to-date) 9 months ended		
	30.09.2017	30.09.2016	Change	30.09.2017	30.09.2016	Change
Revenue by segment	**$'000**	**$'000**		**$'000**	**$'000**	
Drilling	14,275	7,403	92.8%	34,987	25,161	39.1%
Engineering	185	2,683	(93.1%)	310	6,640	(95.3%)
	14,460	**10,086**	**43.4%**	**35,297**	**31,801**	**11.0%**

Overview

The financial results reflect the continuing weak operating conditions across the oil and gas services sector.

Results for the three months ended 30 September 2017 ("Q3 2017")

The consolidated revenue was $14.5 million for Q3 2017, an increase of $4.4 million, or 43.4%, above that of $10.1 million for the three months ended 30 September 2016 ("Q3 2016") mainly due to higher revenue from the Drilling segment which more than offset the lower revenue from the Engineering segment.

The consolidated loss after tax was $8.4 million for Q3 2017 compared to the consolidated loss after tax of $31.0 million for Q3 2016, an improvement of $22.6 million. The improvement was mainly due to:

i. smaller losses from operating activities which reduced by $7.0 million and was due to:
   a. lower impairment losses on plant and equipment which fell from $11.3 million in Q3 2016 to $0 million in Q3 2017; and offset by
   b. higher impairment losses on a loan to a joint venture which increased from $0 million in Q3 2016 to $3.2 million in Q3 2017

ii. share of results of joint ventures improved by $16.7 million from a loss of $9.1 million in Q3 2016 to a gain of $7.6 million in Q3 2017. This improvement was caused by:
   a. a $9.9 million gain recorded following the release of provisions for losses from a joint venture;
   b. a $3.1 million reduction in losses from the KS Distribution Group; and
   c. a $3.7 million reduction in losses from PT Java Star Rig

iii. offset by higher finance costs which increased $1.9 million due to higher borrowing costs.

Results for the nine months ended 30 September 2017 ("9M 2017")

The consolidated revenue was $35.3 million in 9M 2017, an increase of $3.5 million, or 11.0%, above that of $31.8 million reported for the nine months ended 30 September 2016 ("9M 2016") mainly due to the higher revenue from the Drilling segment which more than offset the lower revenue from the Engineering segment.

The consolidated loss after tax was $27.9 million for 9M 2017 compared to the consolidated loss after tax of $94.5 million reported for 9M 2016, an improvement of $66.6 million. The improvement was mainly due to:

i. smaller losses from operating activities which reduced by $23.2 million and was due to:
   a. lower impairment losses on plant and equipment which fell from $11.3 million in 9M 2016 to $0 million in 9M 2017; and
   b. lower losses on the disposal of plant and equipment which reduced by $10.2 million from a loss of $13.3 million in 9M 2016 to a loss of $3.1 million in 9M 2017; offset by
   c. higher impairment losses on a loan to a joint venture which increased from $0 million in 9M 2016 to $9.2 million in 9M 2017

ii. share of results of joint ventures improved by $42.4 million from a loss of $20.1 million in 9M 2016 to a gain of $22.3 million in 9M 2017. This improvement was caused by:
   a. a $20.5 million gain recorded in Q2 2017 following a court ruling (see the announcement by the Company dated 13 July 2017);
   b. a $9.9 million gain recorded following the release of provisions for losses from a joint venture; and
   c. a $12.0 million reduction in losses from PT Java Star Rig

Revenue

The consolidated revenue was $14.5 million for Q3 2017, an increase of $4.4 million, or 43.4%, above that of $10.1 million for Q3 2016. The consolidated revenue was $35.3 million in 9M 2017, an increase of $3.5 million, or 11.0%, above that of $31.8 million reported for 9M 2016.

Revenue from the Drilling business increased $6.9 million, or 92.8%, from $7.4 million for Q3 2016 to $14.3 million for Q3 2017 and increased $9.8 million, or 39.1%, from $25.2 million for 9M 2016 to $35.0 million for 9M 2017. The higher revenue resulted from higher fleet utilisation following the award of a number of charter contracts so far in 2017. Revenue contribution from the Drilling business made up about 98.7% of the Group's consolidated revenue for Q3 2017 and 99.1% for 9M 2017.

Revenue from the Engineering business decreased $2.5 million, or 93.1%, from $2.7 million for Q3 2016 to $0.2 million for Q3 2017 and decreased $6.3 million, or 95.3% from $6.6 million for 9M 2016 to $0.3 million for 9M 2017. The lower revenue resulted from the completion of projects during 2016 and a lack of new project awards during 2017. Revenue contribution from the Engineering business made up about 1.3% of the Group's consolidated revenue for Q3 2017 and 0.9% for 9M 2017.

Gross Loss

The gross loss of $4.6 million for Q3 2017 was $0.8 million, or 21.3%, larger than the gross loss of $3.8 million reported for Q3 2016. The larger gross loss in Q3 2017 was the net result of a $5.2 million increase in cost of sales from a $4.4 million increase in revenue due to charter contract start-up costs. Included in cost of sales are the cost of goods sold, the cost of services provided and certain fixed costs associated with our fleet of rigs such as depreciation charges which decreased by $0.6 million from $7.2 million in Q3 2016 to $6.6 million in Q3 2017. The lower depreciation charge in Q3 2017 was mainly due to the disposal of plant and equipment in 2016.

The gross loss margin decreased from 37.3% in Q3 2016 to 31.5% in Q3 2017.

The gross loss of $14.3 million for 9M 2017 was $5.7 million, or 28.6%, smaller than the gross loss of $20.0 million reported for 9M 2016. The smaller gross loss in 9M 2017 was the net result of a $2.2 million decrease in cost of sales from a $3.5 million increase in revenue. Included in cost of sales are the cost of goods sold, the cost of services provided and certain fixed costs associated with our fleet of rigs such as depreciation which decreased by $3.4 million from $23.9 million in 9M 2016 to $20.5 million in 9M 2017. The lower depreciation charge in 9M 2017 was mainly due to the disposal of plant and equipment in FY2016.

The gross loss margin decreased from 63.0% in 9M 2016 to 40.5% in 9M 2017.

Other Income

Other income remained unchanged at $0.3 million for Q3 2017 and Q3 2016. Other income increased $1.3 million from $0.5 million for 9M 2016 to $1.8 million for 9M 2017. Other income mainly comprised foreign exchange gains and other income not directly related to the revenue generated from our day-to-day operations.

Operating Expenses

Administrative expenses decreased $0.5 million from $4.9 million in Q3 2016 to $4.4 million in Q3 2017 mainly due to reduced staff costs. Similarly, administrative expenses decreased $1.8 million from $15.7 million in 9M 2016 to $13.9 million in 9M 2017 for the same reason.

Other operating expenses decreased $7.3 million from $12.2 million in Q3 2016 to $4.9 million in Q3 2017 mainly due to:

i. lower impairment losses on plant and equipment which fell from $11.3 million in Q3 2016 to $0 million in Q3 2017. The impairment losses recorded in Q3 2016 were due to the deteriorating market environment in the Middle East, where the plant and equipment are located; and offset by
ii. higher impairment losses on a loan to a joint venture which increased from $0 million in Q3 2016 to $3.2 million in Q3 2017 as the amount receivable exceeded the net asset value of the joint venture company; and
iii. higher losses on disposal of plant and equipment which increased $0.7 million from $0.2 million in Q3 2016 to $0.9 million in Q3 2017

Other operating expenses decreased $14.4 million from $29.9 million in 9M 2016 to $15.5 million in 9M 2017 mainly due to:

i. lower impairment losses on plant and equipment which fell from $11.3 million in 9M 2016 to $0 million in 9M 2017 (see explanation above); and
ii. lower losses on the disposal of plant and equipment which reduced $10.2 million from a loss of $13.3 million in 9M 2016 to a loss of $3.1 million in 9M 2017; offset by
iii. higher impairment losses on a loan to a joint venture which increased from $0 million in 9M 2016 to $9.2 million in 9M 2017 as the amount receivable exceeded the net asset value of the joint venture company

Finance Income and Costs

Finance income increased slightly from $1.5 million in Q3 2016 to $1.6 million in Q3 2017 and increased from $4.3 million in 9M 2016 to $4.8 million in 9M 2017. The finance income is mainly derived from interest income on loans provided to a joint venture.

Finance costs increased $2.0 million from $2.7 million in Q3 2016 to $4.7 million in Q3 2017 and increased $1.0 million from $12.9 million in 9M 2016 to $13.9 million in 9M 2017 due to higher overall interest rates.

Share of results of Joint Ventures

The Group's share of results of joint ventures was a profit of $7.6 million for Q3 2017 which was $16.7 million higher than the loss of $9.1 million reported for Q3 2016. The improvement was mainly due to a $9.9 million gain recorded following the release of provisions for losses from the joint venture. The Group's share of results from KS Distribution Pte Ltd and its subsidiaries (the "KS Distribution Group") improved $3.1 million from a loss of $5.5 million for Q3 2016 to a loss of $2.4 million for Q3 2017.

The Group's share of results from joint ventures increased $42.4 million from a loss of $20.1 million for 9M 2016 to a profit of $22.3 million for 9M 2017. The improvement was mainly due to a $20.5 million gain recorded in Q2 2017 following a court ruling (see the announcement by the Company dated 13 July 2017) and a $9.9 million gain mentioned above. The Group's share of results from the KS Distribution Group was a loss of $8.2 million for both 9M 2016 and 9M 2017.

Tax expense

The tax expense decreased from a tax expense of $0.1 million in Q3 2016 to a tax credit of $0.8 million in Q3 2017 and also decreased from an expense of $0.6 million in 9M 2016 to a credit of $0.8 million in 9M 2017 due to adjustments for the overprovision of tax in prior years.

Result Attributable to Shareholders

The result attributable to the owners of the Group was a loss of $7.3 million for Q3 2017 which was $19.2 million smaller than the loss of $26.5 million reported for Q3 2016.

The result attributable to the owners of the Group was a loss of $24.7 million for 9M 2017 which was $56.9 million smaller than the loss of $81.6 million reported for 9M 2016.

STATEMENT OF FINANCIAL POSITION REVIEW

The Group's total non-current assets decreased $66.0 million from $529.4 million as at 31 December 2016 to $463.4 million as at 30 September 2017.

Non-current assets mainly comprise plant and equipment in our Drilling business. The carrying value of the drilling rig fleet decreased by $44.1 million from $376.4 million as at 31 December 2016 to $332.3 million as at 30 September 2017 due to depreciation charges and foreign exchange impacts. The carrying value of assets under construction decreased by $7.0 million from $70.4 million as at 31 December 2016 to $63.4 million as at 30 September 2017 due to the disposals of surplus equipment and foreign exchange impacts.

The carrying value of joint ventures decreased $8.2 million from $42.8 million as at 31 December 2016 to $34.6 million as at 30 September 2017 mainly due to the Group's share of results from the joint ventures. Joint ventures comprise the 55.35% equity interest in the KS Distribution Group, with a carrying amount of $34.6 million as at 30 September 2017.

Non-current amounts due from joint ventures decreased by $5.9 million from $35.7 million as at 31 December 2016 to $29.8 million as at 30 September 2017. The movement in the non-current amounts due from joint ventures is summarised below:

	$'millions
Amount due from joint venture as at 31 December 2016	35.7
Add net interest charged on loan	3.2
Add impairment reversal	11.3
Less amount reclassified to current amounts due	(17.9)
Less foreign exchange impacts	(2.5)
Amount due from joint venture as at 30 September 2017	29.8

Total current assets increased $19.2 million from $36.7 million as at 31 December 2016 to $55.9 million as at 30 September 2017. The increase in current assets was mainly due to higher amounts due from joint

ventures and trade receivables, offset by lower other assets. Amounts due from joint ventures increased $19.3 million due to the reclassification from non-current assets and finance income due on the balance. Trade receivables increased $6.5 million from $8.3 million as at 31 December 2016 to $14.8 million as at 30 September 2017 due to the higher revenue following the commencement of new charter contracts. Other current assets decreased $4.7 million from $16.8 million as at 31 December 2016 to $12.1 million as at 30 September 2017 (see table below).

The carrying value of assets held for sale as at 30 September 2017 was $0.7 million (31 December 2016: $2.6 million) and relates to a drilling rig which is currently being marketed for sale.

The breakdown of "other current assets" is shown below:

	30.09.2017 $'000	31.12.2016 $'000	Movement $'000
Detailed breakdown:			
Sundry deposits	**149**	210	(61)
Withholding tax recoverable	**1,488**	3,892	(2,404)
Value-added tax receivable	**4,358**	8,359	(4,001)
Deferred operating expenses	**3,570**	2,396	1,174
Other debtors	**1,007**	1,289	(282)
Advanced payments to suppliers	**988**	-	988
Prepayments	**549**	617	(68)
Other Current Assets	**12,109**	**16,763**	**(4,654)**

The decrease in other current assets was mainly due to lower amounts under "value-added tax receivable", "withholding tax recoverable", "other debtors", "prepayments" and "sundry deposits" offset by the higher amounts of "deferred operating expenses" and "advanced payments to suppliers as at 30 September 2017 compared to 31 December 2016. These balances mainly originate from our Drilling business and are routine in nature.

Total liabilities decreased $10.0 million, or 2.1%, from $479.0 million as at 31 December 2016 to $469.0 million as at 30 September 2017. This was principally attributable to a $10.5 million decrease in the provision for losses from joint ventures. The provision was recognised for tax commitments of the joint venture that the group was obligated to pay. Total borrowings also decreased $3.4 million from $428.6 million as at 31 December 2016 to $425.2 million as at 30 September 2017 due to foreign exchange impacts.

Within current liabilities, trade and other payables increased $4.8 million from $26.5 million as at 31 December 2016 to $31.3 million as at 30 September 2017 due to the increase in operating costs following the commencement of new charter contracts during the year. Also within current liabilities, bank overdrafts increased $0.9 million from $3.4 million as at 31 December 2016 to $4.3 million as at 30 September 2017 and tax provisions decreased $1.8 million from $9.9 million as at 31 December 2016 to $8.1 million as at 30 September 2017 mainly due to adjustments for the overprovision of tax in prior years.

As at 30 September 2017, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $73.3 million and $100.0 million respectively. As at 31 December 2016, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $88.2 million and $99.4 million respectively.

Improving the net current liability position of the Group and Company is a key concern for the Company. The financial statements for the period ended 30 September 2017 are prepared on a going concern basis, the validity of which is premised on the continuing availability of credit facilities to the Group for at least another twelve months from the reporting date, and the sufficiency of cash flows to be generated from (i) the Group's operating activities, (ii) asset divestment plans and (iii) other financing plans.

i. Operating activities

Although the Group expects the overall operating environment to remain challenging in the next twelve months, it anticipates generating positive cash flows from existing rig charter contracts and prospective rig charter contracts. The operating cash flow forecast is derived from the chartering cash flow forecast, the forecast for other operating costs and the forecast for changes in working capital which are continuously reviewed by management.

ii. Assets divestment plans

The Group plans to divest non-core assets where possible.

iii. Financing plans

The shareholders of the Company approved the repurchase of the 2013 Bonds, the 2015 Bonds and the conversion of existing shareholder loans in exchange for new secured fixed rate bonds due in 2020 at an EGM held on 27 October 2017. The proposed transactions are now pending completion.

The Group has a capital commitment of $256.9 million for an asset under construction due on 31 December 2018 and a capital commitment of $229.7 million for an asset under construction due on 31 December 2019. The Group plans to seek the necessary financing closer to the date of delivery and is expected to have sufficient resources to meet the capital commitments of the Group.

Secured current borrowings decreased $1.5 million from $10.7 million as at 31 December 2016 to $9.2 million as at 30 September 2017 and secured non-current borrowings decreased $18.8 million from $343.1 million as at 31 December 2016 to $324.3 million as at 30 September 2017. The decrease in secured borrowings was mainly due to changes in foreign exchange rates as the secured borrowings are denominated in foreign currencies.

Unsecured current borrowings increased $1.8 million from $74.9 million as at 31 December 2016 to $76.7 million as at 30 September 2017 which includes $63.7 million in respect of the 2013 Bonds and the 2015 Bonds plus $13.0 million in respect of the loans from related parties.

Unsecured non-current borrowings increased from $0.0 million as at 31 December 2016 to $15.0 million as at 30 September 2017 due to the drawdown of additional credit facilities during 9M 2017.

STATEMENT OF CASH FLOWS REVIEW

As at 30 September 2017, cash and cash equivalents less the bank overdraft amounted to $4.4 million (30 September 2016: $10.9 million), of which unpledged cash and cash equivalents amounted to $3.4 million (30 September 2016: $9.6 million).

Cash Flow from Operating Activities

Operating activities incurred a net cash outflow of $8.8 million for the nine months ended 30 September 2017. The net cash outflow from operating activities comprised a cash outflow of $6.7 million arising due to operating losses before changes in working capital; a cash outflow of $1.9 million arising due to changes in working capital, driven mainly by an increase in trade receivables; and a cash outflow of $0.2 million arising due to income taxes paid.

Cash Flow from Investing Activities

The net cash flow from investing activities amounted to an inflow of $0.4 million for the nine months ended 30 September 2017. This was attributable mainly to the proceeds from the disposal of plant and equipment which generated a cash inflow of $1.4 million; an increase in non-trade receivables from joint ventures and related parties which incurred a cash outflow of $0.4 million; and the purchase of plant and equipment which incurred a cash outflow of $0.6 million.

Cash Flow from Financing Activities

The net cash flow from financing activities amounted to an inflow of $9.7 million for the nine months ended 30 September 2017. The aggregate repayment of bank loans during 9M 2017 amounted to $1.2 million and the aggregate proceeds from new bank loans entered into during 9M 2017 totalled $15.0 million. Interest paid during 9M 2017 generated a cash outflow of $5.9 million. Fewer deposits pledged generated a cash inflow of $1.9 million during 9M 2017.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast was made. However, the Group's performance for Q3 2017 was in line with the views expressed in a statement in Paragraph 10 of the Company's previous results announcement dated 14 August 2017.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The outlook for the offshore services sector continues to be affected by the uncertainty of oil prices which has reduced the demand for the rigs and related services. However, the Group believes the long term economic fundamentals remain supportive for oil and gas services. The Group seeks to manage our balance sheet to improve its financial position.

On 27 October 2017 the Company held an Extraordinary General Meeting to seek approval from shareholders to redeem the 2013 Bonds, the 2015 Bonds and shareholder loans and issue new bonds and warrants. All resolutions relating to the matters were duly passed and the transaction is currently pending completion (see announcement dated 27 October 2017).

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

No.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared/recommended for the current financial reporting period.

13. Interested persons transactions

The Group has the following interested person transactions ("IPT") for the first nine months of the financial year ended 30 September 2017:

Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than $100,000)
• Interest on loan from Pacific One Energy Limited	SGD 266,866	
PT KS Drilling Indonesia and its subsidiaries ("JVC Group")		
• Expected additional interest income on Additional Loan [(1)]	SGD 1,168,594	
• Expected additional interest income on Financing [(2)]		SGD 3,562,016
• Injection of shareholders' loans pursuant to the Financing provided by KS Drilling to JVC Group [(2)]		SGD 323,987
Additional information pursuant to the JVC IPT Mandate:		
• *Injection of funds by KS Drilling to JVC Group*		*USD 292,191*
• *Total outstanding amount due from JVC Group on Additional Loan including accrued interest thereon as at the end of the period [(1)]*	*USD 15,885,298*	
• *Total outstanding amount due from JVC Group for rig management fees and other services as at the end of the period*	*USD 514,348*	
• *Total outstanding amount due from JVC Group including loan principal, accrued interest and guarantee fees as at the end of period [(2)]*		*USD 44,926,419*

(1) On 22 January 2016, PT Java Star Rig ("**PT JSR**", a subsidiary of PT KS Drilling Indonesia) was notified that its appeal had been rejected, and the Ministry of Finance of the Republic of Indonesia – Directorate

General Customs and Excise commenced the process to call upon the Customs Bond. The Insurer paid the amount due under the Customs Bond, and subsequently called on the Guarantee. The funds were disbursed pursuant to the Guarantee on 4 February 2016. As a result, a debt arose between KS Drilling as creditor and PT JSR as debtor (the "**Additional Loan**"). The Additional Loan has been charged to PT JSR at an interest rate of 7.0% per annum (please refer to the announcement dated 1 March 2016 for more details) and the principal amount outstanding as at 30 September 2017 was US$14.2 million.

(2) With reference to the IPT Mandate approved by shareholders at the EGM held on 7 December 2012 and the Circular dated 22 November 2012, which was reapproved by shareholders at the AGM held on 27 April 2017, the Group provided funding for the purchase of Rigs and Equipment which has been provided by way of shareholder guarantees and shareholder loans (the "**Financing**") to JVC Group. The shareholder loans provided under such Financing by KS Drilling Pte Ltd ("**KS Drilling**"), an 80.09% subsidiary of the Company, to PT JSR, accrue interest at a rate of 7% per year and the principal amount outstanding as at 30 September 2017 was US$37.7 million which has been used to finance the acquisition of the jack-up rig named "KS Java Star" and additional equipment required by the rig. Included in the US$37.7 million balance is US$0.3 million that has been advanced during the current financial year to 30 September 2017.

14. Negative confirmation pursuant to Rule 705 (5)

Provided below.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)

Pursuant to Rule 720(1) of the Listing Manual, the Company has procured undertakings from all its directors, the chief executive officer and chief financial officer.

BY ORDER OF THE BOARD

Lai Kuan Loong, Victor
Company Secretary
14 November 2017

KS ENERGY LIMITED
An Integrated Energy Services Hub
(Company Registration No. 198300104G)

NEGATIVE CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5)

We, Kris Taenar Wiluan and Soh Gim Teik, being Directors of KS Energy Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial results for the period ended 30 September 2017 to be false or misleading in any material aspect.

On behalf of the Board of Directors

KRIS TAENAR WILUAN
Executive Chairman and Chief Executive Officer

SOH GIM TEIK
Director

Singapore, 14 November 2017