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

Financial Statement and Dividend Announcement for the Period Ended 30 September 2018

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		
	30.09.2018 $'000	30.09.2017 $'000	Increase/ (Decrease)	30.09.2018 $'000	30.09.2017 $'000	Increase/ (Decrease)
Revenue	18,006	14,460	24.5%	46,862	35,297	32.8%
Cost of sales	(20,774)	(19,022)	9.2%	(56,547)	(49,604)	14.0%
Gross loss	**(2,768)**	**(4,562)**	**(39.3%)**	**(9,685)**	**(14,307)**	**(32.3%)**
Other income	42	261	(83.9%)	63	1,773	(96.4%)
Administrative expenses	(4,296)	(4,424)	(2.9%)	(13,646)	(13,873)	(1.6%)
Other operating expenses	8,095	(4,897)	N/M	2,953	(15,523)	N/M
Results from operating activities	**1,073**	**(13,622)**	**N/M**	**(20,315)**	**(41,930)**	**(51.6%)**
Finance income	29	1,597	(98.2%)	111	4,759	(97.7%)
Finance costs	(4,874)	(4,738)	2.9%	(14,284)	(13,886)	2.9%
Share of results of joint ventures (net of tax)	(5,245)	7,552	N/M	(8,134)	22,305	N/M
Loss before tax	**(9,017)**	**(9,211)**	**(2.1%)**	**(42,622)**	**(28,752)**	**48.2%**
Income tax (expense)/credit	(303)	798	N/M	3,810	810	>100.0%
Loss for the period	**(9,320)**	**(8,413)**	**10.8%**	**(38,812)**	**(27,942)**	**38.9%**
Results attributable to:						
Owners of the Company	**(7,316)**	**(7,255)**	**0.8%**	**(30,456)**	**(24,681)**	**23.4%**
Non-controlling interests	(2,004)	(1,158)	73.1%	(8,356)	(3,261)	>100.0%
Loss for the period	**(9,320)**	**(8,413)**	**10.8%**	**(38,812)**	**(27,942)**	**38.9%**

N/M – Not Meaningful

See paragraph 8 for more explanation on the income statement review

There was no impact on the Income statement resulting from the adoption of Singapore Financial Reporting Standards (International). Please refer to paragraph 5 for more details

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		
	30.09.2018 $'000	30.09.2017 $'000	Increase/ (Decrease)	30.09.2018 $'000	30.09.2017 $'000	Increase/ (Decrease)
Amortisation of intangible assets	(35)	(44)	(20.5%)	(115)	(142)	(19.0%)
Depreciation of plant and equipment	(7,365)	(6,788)	8.5%	(22,372)	(20,988)	6.6%
Finance costs on convertible bonds	–	(1,494)	N/M	–	(4,459)	N/M
Finance costs on secured bonds	(1,383)	–	N/M	(4,364)	–	N/M
Interest expense on borrowings	(3,491)	(3,244)	7.6%	(9,920)	(9,427)	5.2%
Impairment loss on plant and equipment	–	–	N/M	(1,793)	–	N/M
Impairment loss on loan to a joint venture	–	(3,173)	N/M	–	(9,197)	N/M
Write-back of impairment loss on investment in joint venture	8,288	–	N/M	8,288	–	N/M
Additional write down of asset held for sale	–	–	N/M	–	(1,811)	N/M
Foreign exchange (loss)/gain (net)	(63)	(49)	28.6%	(603)	1,442	N/M
Loss on disposal of plant and equipment	–	(931)	N/M	(2,084)	(3,056)	(31.8%)
Gain on disposal of joint venture	1	–	N/M	1	–	N/M
Loss on disposal of asset held for sale	–	–	N/M	(363)	–	N/M
Adjustments for (under)/over provision of tax in respect of prior years	(59)	1,039	N/M	4,453	1,515	>100.0%

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		
	30.09.2018 $'000	31.12.2017 $'000 Restated*	31.12.2016 $'000	30.09.2018 $'000	31.12.2017 $'000	31.12.2016 $'000
Current assets						
Cash and cash equivalents	7,690	8,455	8,754	178	549	290
Amounts due from subsidiaries	–	–	–	139	221	222
Amounts due from joint ventures	3	8,306	1	3	1	–
Trade receivables	17,848	11,447	8,289	–	–	–
Contract work in progress	13	9	20	–	–	–
Inventories	227	222	240	–	–	–
Other assets	7,765	13,148	16,763	65	70	76
Asset held for sale	–	669	2,604	–	–	–
	33,546	**42,256**	**36,671**	**385**	**841**	**588**
Non-current assets						
Joint ventures	38,900	38,746	42,780	38,900	38,746	42,780
Amounts due from joint ventures	–	27,451	35,677	–	–	–
Subsidiaries	–	–	–	61,869	92,583	122,297
Plant and equipment	396,445	386,046	448,446	23	114	333
Intangible assets and goodwill	2	117	320	–	–	–
Other assets	407	617	968	–	–	301
Deferred tax assets	1,165	1,132	1,225	–	–	–
	436,919	**454,109**	**529,416**	**100,792**	**131,443**	**165,711**
Total assets	**470,465**	**496,365**	**566,087**	**101,177**	**132,284**	**166,299**
Current liabilities						
Bank overdraft	3,480	–	3,434	–	–	–
Trade and other payables	25,911	27,295	25,966	2,341	1,270	3,430
Amounts due to joint ventures	200	78	44	198	64	32
Amounts due to subsidiaries	–	–	–	19,879	19,213	20,529
Provision for current tax	3,643	8,031	9,880	–	–	1,182
Financial liabilities	35,250	9,336	85,544	3,640	–	74,862
	68,484	**44,740**	**124,868**	**26,058**	**20,547**	**100,035**
Non-current liabilities						
Trade and other payables	719	555	540	–	–	–
Financial liabilities	384,022	398,727	343,124	73,054	70,514	–
Deferred tax liabilities	1,080	55	12	55	55	–
Provision for loss from joint venture	–	–	10,496	–	–	–
	385,821	**399,337**	**354,172**	**73,109**	**70,569**	**–**
Total liabilities	**454,305**	**444,077**	**479,040**	**99,167**	**91,116**	**100,035**
Net assets	**16,160**	**52,288**	**87,047**	**2,010**	**41,168**	**66,264**
Equity attributable to owners of the Company						
Share capital	359,973	359,973	359,973	359,973	359,973	359,973
Equity reserve	18,007	18,007	17,685	18,007	18,007	17,685
Treasury shares	(26,365)	(26,365)	(26,365)	(26,365)	(26,365)	(26,365)
Foreign currency translation reserve	(7,137)	(8,476)	(9,045)	–	–	–
Other reserve	(3,750)	(3,750)	(3,750)	–	–	–
Accumulated losses	(339,339)	(308,896)	(281,522)	(349,605)	(310,447)	(285,029)
	1,389	**30,493**	**56,976**	**2,010**	**41,168**	**66,264**
Non-controlling interests	14,771	21,795	30,071	–	–	–
Total equity	**16,160**	**52,288**	**87,047**	**2,010**	**41,168**	**66,264**

** Refer to paragraph 5 for more explanation*

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 30.09.2018 $'000	Group 31.12.2017 $'000
Secured	27,308	9,236
Unsecured	7,942	100
Total	35,250	9,336

Amount repayable after one year	Group 30.09.2018 $'000	Group 31.12.2017 $'000
Secured	374,449	383,727
Unsecured	9,573	15,000
Total	384,022	398,727

Amount repayable in total	Group 30.09.2018 $'000	Group 31.12.2017 $'000
Secured	401,757	392,963
Unsecured	17,515	15,100
Total	419,272	408,063

Included in unsecured borrowings repayable within one year as at 30 September 2018 was an amount of $2,516,000 relating to loans from related parties (31 December 2017: $100,000).

Included in secured borrowings repayable after one year as at 30 September 2018 are fixed rate secured bonds due 2020 that were issued by the Company on 8 December 2017 (the "2017 Bonds"). The carrying value of the 2017 Bonds was $69,314,000 (31 December 2017: $65,514,000).

Details of the collaterals:

Secured bank loans are secured on plant and equipment, pledged cash deposits and corporate guarantees by the Company. The 2017 Bonds are secured by a share charge in respect of the Company's shares in KS Drilling Pte Ltd and a negative pledge.

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)	
	30.09.2018 $'000	30.09.2017 $'000
Operating activities		
Loss before tax	(42,622)	(28,752)
Adjustments for:		
Amortisation of intangible assets	115	142
Depreciation of plant and equipment	22,372	20,988
Impairment loss on plant and equipment	1,793	–
Impairment loss on loan to a joint venture	–	9,197
Write-back of impairment loss on investment in joint venture	(8,288)	–
Loss on disposal of plant and equipment	2,084	3,056
Gain on disposal of joint venture	(1)	–
Write-down of asset held for sale	–	1,811
Finance income	(111)	(4,759)
Finance costs	9,920	9,427
Finance costs on convertible bonds	–	4,459
Finance costs on secured bonds	4,364	–
Share of results of joint ventures, net of tax	8,134	(22,305)
Changes in deferred revenue, net	(2,333)	–
Changes in deferred costs, net	2,559	–
Unrealised foreign exchange loss	432	–
Loss on disposal of asset held for sale	363	–
Operating loss before changes in working capital	(1,219)	(6,736)
Changes in working capital:		
- contract work in progress	(4)	(10)
- trade receivables	(6,095)	(8,257)
- other assets	3,996	3,376
- trade and other payables	(3,867)	2,989
Cash used in operating activities	**(7,189)**	**(8,638)**
Taxes paid	(302)	(207)
Net cash used in operating activities	**(7,491)**	**(8,845)**
Investing activities		
Proceeds arising from/(to) non-trade net receivables with joint ventures	–	(362)
Interest received	110	34
Acquisition of plant and equipment	(676)	(649)
Proceeds from disposal of plant and equipment	2,771	1,401
Proceeds from sale of asset held for sale	295	–
Proceeds from disposal of joint venture	1	–
Proceeds from issue of new shares by an indirect subsidiary	335*	–
Cash acquired on consolidation of investment previously accounted for as joint venture	9,041	–
Net cash from investing activities	**11,877**	**424**

Financing activities		
Decrease in deposits pledged	1,309	1,879
Interest paid on borrowings	(5,845)	(5,889)
Proceeds from bank loans	–	15,000
Repayment of bank loans	(4,999)	(1,244)
Loan from related parties	2,380	394
Repayment of loan from related parties	–	(394)
Payment of transaction costs of bank loans	(37)	(80)
Net cash (used in)/from financing activities	**(7,192)**	**9,666**
Net (decrease)/increase in cash and cash equivalents	**(2,806)**	**1,245**
Cash and cash equivalents at beginning of the year	6,777	2,408
Effect of exchange rate fluctuations on cash held in foreign currencies	(130)	(262)
Cash and cash equivalents at end of the period	**3,841**	**3,391**
Cash and cash equivalents at end of the period includes the following:		
Cash and cash equivalents (net of bank overdraft)	4,210	4,423
Deposit pledged	(369)	(1,032)
Cash and cash equivalents at end of the period	**3,841**	**3,391**

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

**Refer to Announcement dated 4 June 2018*

1(d) Statement of Comprehensive Income

	Group (Year-to-date) 9 months ended		
	30.09.2018 $'000	**30.09.2017 $'000**	**Increase/ (Decrease) %**
Loss attributable to:			
Owner of the Company	(30,456)	(24,681)	23.4%
Non-controlling interests	(8,356)	(3,261)	>100.0%
Loss for the period	**(38,812)**	**(27,942)**	38.9%
Other comprehensive income/(expense) for the period:			
Defined benefit plan remeasurements	6	–	N/M
Foreign currency translation differences on translation of financial statements of foreign subsidiaries	1,655	(8,838)	N/M
Other comprehensive income/(expense) for the period	**1,661**	**(8,838)**	N/M
Total comprehensive expense for the period	**(37,151)**	**(36,780)**	1.0%
Total comprehensive expense attributable to:			
Owners of the Company	(29,104)	(31,842)	(8.6%)
Non-controlling interests	(8,047)	(4,938)	63.0%
Total comprehensive expense for the period	**(37,151)**	**(36,780)**	1.0%

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 $'000	Equity reserve $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Other reserve $'000	Accumulated losses $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2018	359,973	18,007	(26,365)	(8,476)	(3,750)	(308,896)	30,493	21,795	52,288
Total comprehensive expense for the period									
Loss for the period	–	–	–	–	–	(30,456)	(30,456)	(8,356)	(38,812)
Other comprehensive income									
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	–	–	–	1,339	–	8	1,347	308	1,655
Defined benefit plan remeasurements	–	–	–	–	–	5	5	1	6
Total other comprehensive income	–	–	–	1,339	–	13	1,352	309	1,661
Total comprehensive income/(expense) for the period	**–**	**–**	**–**	**1,339**	**–**	**(30,443)**	**(29,104)**	**(8,047)**	**(37,151)**
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Acquisition of non-controlling interests without a change in control	–	–	–	–	–	–	–	688	688
Issuance of new shares by an indirect subsidiary	–	–	–	–	–	–	–	335	335
Total contributions by and distributions to owners of the Company	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,023**	**1,023**
At 30 September 2018	**359,973**	**18,007**	**(26,365)**	**(7,137)**	**(3,750)**	**(339,339)**	**1,389**	**14,771**	**16,160**

Group	Share capital $'000	Equity reserve $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Other reserve $'000	Accumulated losses $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2017, as previously stated	359,973	17,685	(26,365)	(9,045)	(3,750)	(281,522)	56,976	30,071	87,047
Impact of change in accounting policy	–	–	–	9,045	–	(9,079)	(34)	–	(34)
At 1 January 2017, as restated	359,973	17,685	(26,365)	–	(3,750)	(290,601)	56,942	30,071	87,013
Total comprehensive expense for the period									
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, as restated	**359,973**	**17,685**	**(26,365)**	**(7,161)**	**(3,750)**	**(315,282)**	**25,100**	**25,133**	**50,233**

Company	Share capital $'000	Equity reserve $'000	Treasury shares $'000	Accumulated losses $'000	Total equity $'000
At 1 January 2018	359,973	18,007	(26,365)	(310,447)	41,168
Loss for the period	–	–	–	(39,158)	(39,158)
Total comprehensive expense for the period	**–**	**–**	**–**	**(39,158)**	**(39,158)**
At 30 September 2018	**359,973**	**18,007**	**(26,365)**	**(349,605)**	**2,010**
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**

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 2018 to 30 September 2018. The Company did not have any subsidiary holdings as at 30 September 2018 (31 December 2017: Nil).

As at 30 September 2018 and 31 December 2017, 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

As at 30 September 2018 and 31 December 2017, there were no convertible bonds outstanding.

Warrants

On 8 December 2017, the Company issued 65.5 million non-listed bonus warrants pursuant to the issue of $65.5 million aggregate principal value of secured fixed rate bonds due 2020. Each warrant carries the right to subscribe for one fully-paid ordinary share of the Company at an initial exercise price of $0.045 per new share. The warrants, unless previously exercised, will expire on 8 December 2020.

As at 30 September 2018, the Company has 65,500,000 warrants outstanding (31 December 2017: 65,500,000).

KS Energy Performance Share Plan (the "Plan")

As at 30 September 2018, 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 2018 and 31 December 2017, 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, 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 2018 (30 September 2017: 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 2018 (30 September 2017: 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 2017.

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.

The Group adopted all the applicable Singapore Financial Reporting Standards (International) ("SFRS(I)") and related Interpretations ("INT SFRS(I)") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2018. The impact of the adoption of the SFRS(I) and INT SFRS(I) that is effective from 1 January 2018 by the Group are as follows:

(i) SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International)

The Group adopted SFRS(I) effective 1 January 2018, the Group will therefore apply SFRS(I) 1 with 1 January 2017 as the date of transition for the Group and the Company. The Group has elected the optional exemption in SFRS(I) 1 to reset its cumulative Foreign Currency Translation Reserve ("FCTR") for all foreign operations to $Nil at the date of transition, and reclassify the cumulative FCTR of $9,045,058 as at 1 January 2017 determined in accordance with FRS at that date to accumulated losses. After the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

Applying the optional exemption provision per SFRS(I) 1, the Group has reclassified $9,045,058 from its foreign currency translation reserve to accumulated losses on 1 January 2017.

(ii) SFRS(I) 9 Financial Instruments

With effect from 1 January 2018, The Group adopted the simplified approach and record lifetime expected credit loss ("ECL") on all trade receivables and any contract assets arising from the application of SFRS(I) 15. The Group applied the exemption in SFRS(I) 1 allowing it not to restate comparative information in the 2018 SFRS(I) financial statements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9 are recognised in accumulated losses and reserves as at 1 January 2018. Accordingly, the Group has increased the impairment for trade receivables by $33,985 and increased accumulated losses by the same amount as at 1 January 2018.

(iii) SFRS(I) 15 Revenue from Contracts with Customers

SFRS(I) 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

The Group has adopted SFRS(I) 15 with effect from 1 January 2018, with no significant impact on the Group's financial statements upon its adoption. Accordingly, comparative financial information presented in this announcement has not been restated for SFRS(I) 15.

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	
	30.09.2018	**30.09.2017**	**30.09.2018**	**30.09.2017**
Loss per share attributable to owners of the Group:				
(a) Based on weighted average number of ordinary shares in issue (cents per share)	(1.42)	(1.41)	(5.91)	(4.79)
- 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)	(1.42)	(1.41)	(5.91)	(4.79)
- 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 2018 was calculated by dividing the loss attributable to shareholders of $7,316,000 (30.09.2017: $7,255,000) 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 2018 was calculated by dividing the loss attributable to shareholders of $30,456,000 (30.09.2017: $24,681,000) 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 warrants issued along with the 2017 Bonds as at 30 September 2018, nor the convertible bonds as at 30 September 2017, as they are anti-dilutive pursuant to para 41 of SFRS(I) 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	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
	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	0.3	5.9	0.4	8.0

The Group's and the Company's net asset values per ordinary share have been computed based on the 515,601,215 ordinary shares issued as at 30 September 2018 (31.12.2017: 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 2018

	Group (3rd Quarter) 3 months ended			Group (Year-to-date) 9 months ended		
	30.09.2018 $'000	30.09.2017 $'000	Change	30.09.2018 $'000	30.09.2017 $'000	Change
Revenue by segment						
Drilling	17,720	14,275	24.1%	46,032	34,987	31.6%
Engineering	286	185	54.6%	830	310	>100.0%
	18,006	14,460	24.5%	46,862	35,297	32.8%

Overview

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

Results for the three months ended 30 September 2018 ("Q3 2018")

The consolidated revenue was $18.0 million for Q3 2018, an increase of $3.5 million, or 24.5%, above that of $14.5 million reported for the three months ended 30 September 2017 ("Q3 2017") due to higher revenue from the Drilling segment.

At the beginning of 2018, our Drilling business acquired an additional interest in PT KS Drilling Indonesia ("KSDI") via a new option agreement which resulted in KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture. KSDI and its subsidiaries are referred to as the "JVC Group".

The consolidated loss after tax was $9.3 million for Q3 2018, an increase of $0.9 million compared to the consolidated loss after tax of $8.4 million for Q3 2017. The higher loss was mainly due to:

i. a $12.8 million decrease in share of results from joint ventures, from a $7.6 million gain in Q3 2017 to a $5.2 million loss in Q3 2018;

ii. a $1.6 million decrease in Finance Income from $1.6 million in Q3 2017 to $0 in Q3 2018;

iii. a $1.1 million increase in tax expense from a $0.8 million credit in Q3 2017 to a $0.3 million expense in Q3 2018; and

iv. a $0.1 million increase in Finance Costs from $4.7 million in Q3 2017 to $4.8 million in Q3 2018

offset by

i. improved result from operating activities which improved by $14.7 million from a $13.6 million loss in Q3 2017 to a $1.1 million profit in Q3 2018.

Results for the nine months ended 30 September 2018 ("9M 2018")

The consolidated revenue was $46.9 million for 9M 2018, an increase of $11.6 million, or 32.8%, above that of $35.3 million reported for the nine months ended 30 September 2017 ("9M 2017") due to the higher revenue from the Drilling segment.

The consolidated loss after tax was $38.8 million for 9M 2018, an increase of $10.9 million compared to the consolidated loss after tax of $27.9 million for 9M 2017. The higher loss was mainly due to:

i. a $30.4 million decrease in share of results from joint ventures, from a $22.3 million gain in 9M 2017 to a $8.1 million loss in 9M 2018;

ii. a $4.7 million decrease in Finance Income from $4.8 million in 9M 2017 to $0.1 million in 9M 2018; and

iii. a $0.4 million increase in Finance Costs from $13.9 million in 9M 2017 to $14.3 million in 9M 2018

offset by

i. improved result from operating activities which improved by $21.6 million from a $41.9 million loss in 9M 2017 to a $20.3 million loss in 9M 2018; and

ii. a $3.0 million increase in tax credit from $0.8 million in 9M 2017 to $3.8 million in 9M 2018.

Revenue

The consolidated revenue was $18.0 million for Q3 2018, an increase of $3.5 million, or 24.5%, above that of $14.5 million for Q3 2017. The consolidated revenue was $46.9 million in 9M 2018, an increase of $11.6 million, or 32.8%, above that of $35.3 million reported for 9M 2017.

Revenue from the Drilling business increased $3.4 million, or 24.1%, from $14.3 million for Q3 2017 to $17.7 million for Q3 2018 and increased $11.1 million, or 31.6%, from $35.0 million for 9M 2017 to $46.1 million for 9M 2018. The higher revenue resulted from higher fleet utilisation following the award of charter contracts. Revenue contribution from the Drilling business made up about 98.4% of the Group's consolidated revenue for Q3 2018 and 98.2% for 9M 2018.

Revenue from the Engineering business increased $0.1 million from $0.2 million for Q3 2017 to $0.3 million for Q3 2018 and increased $0.5 million from $0.3 million for 9M 2017 to $0.8 million for 9M 2018. The higher revenue resulted from projects delivered in Q2 2018 and Q3 2018. Revenue contribution from the Engineering business made up about 1.6% of the Group's consolidated revenue for Q3 2018 and 1.8% for 9M 2018.

Gross Loss

The gross loss of $2.8 million for Q3 2018 was 39.3% smaller than the gross loss of $4.6 million reported for Q3 2017. The smaller gross loss in Q3 2018 was the net result of a $1.8 million increase in cost of sales and 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 charges which increased from $6.6 million in Q3 2017 to $7.3 million in Q3 2018. The higher depreciation charge in Q3 2018 was mainly due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture.

The gross loss margin improved from 31.5% in Q3 2017 to 15.4% in Q3 2018.

The gross loss of $9.7 million for 9M 2018 was 32.3% smaller than the gross loss of $14.3 million reported for 9M 2017. The smaller gross loss in 9M 2018 was the net result of a $6.9 million increase in cost of sales and a $11.6 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 charges which increased from $20.5 million in 9M 2017 to $22.0 million in 9M 2018. The higher depreciation charge in 9M 2018 was mainly due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture.

The gross loss margin decreased from 40.5% in 9M 2017 to 20.7% in 9M 2018.

Other Income

Other income decreased from $0.3 million for Q3 2017 to $0 for Q3 2018 and from $1.8 million for 9M 2017 to $0.1 million for 9M 2018. 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 $0.1 million from $4.4 million in Q3 2017 to $4.3 million in Q3 2018 mainly due to reduced legal and professional costs. Administrative expenses decreased $0.3 million from $13.9 million in 9M 2017 to $13.6 million in 9M 2018 for the same reason.

Other operating expenses decreased $13.0 million from $4.9 million expense in Q3 2017 to $8.1 million income in Q3 2018 mainly due to:

i. A $8.3 million increase in write-back of impairment loss on investment in the joint venture KS Distribution Pte Ltd which increased from $0 in Q3 2017 to $8.3 million in Q3 2018;
ii. A $3.2 million decrease in impairment losses on a loan to a joint venture which decreased from $3.2 million in Q3 2017 to $0 in Q3 2018 due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture; and
iii. A $0.9 million decrease in losses on disposal of plant and equipment which decreased from $0.9 million in Q3 2017 to $0 in Q3 2018.

Other operating expenses decreased $18.5 million from $15.5 million expense in 9M 2017 to $3.0 million income in 9M 2018 mainly due to:

i. A $9.2 million decrease in impairment losses on a loan to a joint venture which decreased from $9.2 million in 9M 2017 to $0 in 9M 2018 due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture;
ii. A $8.3 million increase in write-back of impairment loss on investment in the joint venture KS Distribution Pte Ltd which increased from $0 in 9M 2017 to $8.3 million in 9M 2018;
iii. A $1.8 million decrease in additional write down of asset held for sale which decreased from $1.8 million in 9M 2017 to $0 in 9M 2018. The asset was disposed in Q1 2018; and
iv. A $1.0 million decrease in losses on disposal of plant and equipment which decreased from $3.1 million in 9M 2017 to $2.1 million in 9M 2018

offset by

i. A $1.8 million increase in impairment losses on plant and equipment which increased from $0 in 9M 2017 to $1.8 million in 9M 2018.
ii. A $0.3 million loss on disposal of an asset held for sale in 9M 2018.

Finance Income and Costs

Finance income decreased from $1.6 million in Q3 2017 to $0 in Q3 2018 and decreased from $4.8 million in 9M 2017 to $0.1 million in 9M 2018. The finance income was mainly derived from interest income on loans provided to a joint venture and has decreased due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture.

Finance costs increased $0.1 million from $4.7 million in Q3 2017 to $4.8 million in Q3 2018 and increased $0.4 million from $13.9 million in 9M 2017 to $14.3 million in 9M 2018 due to higher overall interest rates.

Share of results of Joint Ventures

The Group's share of results from joint ventures decreased $12.8 million from a profit of $7.6 million for Q3 2017 to a loss of $5.2 million for Q3 2018. The loss in Q3 2018 is due to losses recorded by the Distribution business. The Group's share of results from KS Distribution Pte Ltd and its subsidiaries (the "KS Distribution Group") declined $2.8 million from a loss of $2.4 million for Q3 2017 to a loss of $5.2 million for Q3 2018. In Q3 2017, the Group recorded a $9.9 million gain following the release of provisions for losses from a rig-owning joint venture.

The Group's share of results from joint ventures decreased $30.4 million from a profit of $22.3 million for 9M 2017 to a loss of $8.1 million for 9M 2018. The loss in 9M 2018 is due to losses recorded by the Distribution business. The Group's share of results from the KS Distribution Group remained the same as a loss of $8.1 million for both 9M 2017 and 9M 2018. In 9M 2017, the Group recorded a $20.5 million one-time gain from a joint venture following a court ruling (see the announcement by the Company dated 13 July 2017) and a $9.9 million gain mentioned above.

Tax (expense)/credit

The tax expense increased from a tax credit of $0.8 million in Q3 2017 to a tax expense of $0.3 million in Q3 2018 and increased from a credit of $0.8 million in 9M 2017 to a credit of $3.8 million in 9M 2018 following an adjustment for under/over provision of tax in respect of prior years.

Result Attributable to Shareholders

The result attributable to Owners of the Company remained unchanged at $7.3 million for Q3 2018 and Q3 2017.

The result attributable to Owners of the Company was a loss of $30.5 million for 9M 2018 which was $5.8 million larger than the loss of $24.7 million reported for 9M 2017.

STATEMENT OF FINANCIAL POSITION REVIEW

Assets

The Group's total non-current assets decreased $17.2 million from $454.1 million as at 31 December 2017 to $436.9 million as at 30 September 2018.

Non-current assets mainly comprise plant and equipment in our Drilling business. The carrying value of the drilling rig fleet increased by $9.1 million from $322.5 million as at 31 December 2017 to $331.6 million as at 30 September 2018 mainly due to a $30.6 million increase from KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture, the purchase of plant and equipment of $0.4 million and foreign exchange impacts of $6.8 million, offset by depreciation charges of $22.0 million, impairment charges of $1.8 million and the disposal of plant and equipment of $4.9 million. There was a corresponding decrease in non-current amounts due from joint ventures of $27.5 million from $27.5 million as at 31 December 2017 to $0 as at 30 September 2018. The carrying value of assets under construction increased by $1.7 million from $62.6 million as at 31 December 2017 to $64.3 million as at 30 September 2018 mainly due to the foreign exchange impacts.

The carrying value of joint ventures increased $0.2 million from $38.7 million as at 31 December 2017 to $38.9 million as at 30 September 2018 mainly due to the Group's share of results from the joint ventures and write-back of impairment on investment in joint venture to match a third-party indicative valuation. Joint ventures comprise the 55.35% equity interest in the KS Distribution Group, with a carrying amount of $38.9 million as at 30 September 2018.

Total current assets decreased $8.8 million from $42.3 million as at 31 December 2017 to $33.5 million as at 30 September 2018. The decrease in current assets was mainly due to lower amounts due from joint ventures, other assets and offset by higher trade receivables. Current amounts due from joint ventures decreased $8.3 million also due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture. Other current assets decreased $5.3 million from $13.1 million as at 31 December 2017 to $7.8 million as at 30 September 2018 (see table below). Trade receivables increased $6.4 million from $11.4 million as at 31 December 2017 to $17.8 million as at 30 September 2018 due to higher revenues and foreign exchange impacts.

The carrying value of the asset held for sale as at 30 September 2018 was $0 (31 December 2017: $0.7 million) as the disposal was completed in Q1 2018.

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

	30.09.2018 $'000	**31.12.2017 $'000**	**Movement $'000**
Detailed breakdown:			
Sundry deposits	**116**	128	(12)
Withholding tax recoverable	**1,534**	1,480	54
Value-added tax receivable	**4,197**	4,865	(668)
Deferred operating expenses	**209**	2,768	(2,559)
Other debtors	**667**	1,832	(1,165)
Advanced payment to supplier	**509**	1,594	(1,085)
Prepayments	**533**	481	52
Other Current Assets	**7,765**	**13,148**	**(5,383)**

The decrease in other current assets was mainly due to lower amounts under "deferred operating expenses", "other debtors", "advanced payment to supplier", "value-added tax receivable", "sundry deposits" offset by the higher amounts of "withholding tax recoverable" and "prepayments" as at 30 September 2018 compared to 31 December 2017. These balances mainly originate from our Drilling business and are routine in nature.

Liabilities

Total liabilities increased $10.2 million, or 2.3%, from $444.1 million as at 31 December 2017 to $454.3 million as at 30 September 2018. This was principally attributable to a $11.3 million increase in borrowings and a $3.5 million increase in bank overdraft, offset by a $4.4 million decrease in provision for taxes. Borrowings increased from $408.0 million as at 31 December 2017 to $419.3 million as at 30 September 2018 due to foreign exchange impacts, as most of the secured bank loans are denominated in a foreign currency, together with a $3.8 million increase due to the accretion of the redemption premium payable on the secured bonds at maturity, a $2.6 million increase due to the accretion of premiums payable on the secured loans at maturity and a $2.4 million increase due to new unsecured loans from a related party.

Secured borrowings increased $8.8 million from $393.0 million as at 31 December 2017 to $401.8 million as at 30 September 2018. The increase in secured borrowings was due to changes in foreign exchange rates, as the secured bank loans are denominated in foreign currencies, a $3.8 million increase due to the accretion of the redemption premium payable on the secured bonds at maturity and a $2.6 million increase due to the accretion of premiums payable on the secured loans at maturity, offset by repayment amounts. The amount of secured borrowings due within the next twelve months increased $18.1 million from $9.2 million as at 31 December 2017 to $27.3 million as at 30 September 2018 due to higher scheduled contractual repayment amounts beginning in early 2019 leading to a reclassification from non-current to current borrowings.

Unsecured borrowings increased $2.4 million from $15.1 million as at 31 December 2017 to $17.5 million as at 30 September 2018. The increase in unsecured borrowings was due to $2.4 million of new loans from a related party. The amount of unsecured borrowings due within the next twelve months increased $7.8 million from $0.1 million as at 31 December 2017 to $7.9 million as at 30 September 2018 due to scheduled contractual repayment amounts beginning in early 2019 leading to a reclassification from non-current to current borrowings.

Overall, current borrowings increased $26.0 million from $9.3 million as at 31 December 2017 to $35.3 million as at 30 September 2018 mainly because of accounting for the non-linear nature of secured loan repayment profiles. The Group is working with its bankers to reduce the amount repayable in one year or less on its secured borrowings.

Within current liabilities, trade and other payables decreased $1.4 million from $27.3 million as at 31 December 2017 to $25.9 million as at 30 September 2018 mainly due to a $1.0 million reduction in the amount of value-added tax payable. Provisions for tax decreased $4.4 million from $8.0 million as at 31 December 2017 to $3.6 million as at 30 September 2018 due to the adjustment for the over provision of tax in respect of prior years. The bank overdraft increased $3.5 million from $0 as at 31 December 2017 to $3.5 million as at 30 September 2018.

As at 30 September 2018, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $34.9 million and $25.7 million, respectively. As at 31 December 2017, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $2.5 million and $19.7 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 2018 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) Group's restructuring 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. Restructuring plans

The Group plans to restructure and divest certain assets and liabilities of the Group as detailed in the announcement by the Company dated 19 October 2018.

iii. Financing plans

The Group plans to refinance certain current liability borrowings and seeks additional working capital facilities to cover any cash shortfalls. These plans, together with the operating activities and asset divestment plans are expected to allow the Group to meet the $35.3 million of current borrowings as and when they fall due.

The Group has a capital commitment of $258.7 million for an asset under construction due on 31 December 2018 and a capital commitment of $231.3 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.

STATEMENT OF CASH FLOWS REVIEW

As at 30 September 2018, cash and cash equivalents less the bank overdraft amounted to $4.2 million (30 September 2017: $4.4 million), of which unpledged cash and cash equivalents amounted to $3.8 million (30 September 2017: $3.4 million).

Cash Flow from Operating Activities

Operating activities incurred a net cash outflow of $7.5 million for the nine months ended 30 September 2018. The net cash outflow from operating activities comprised a cash outflow of $1.2 million arising due to operating losses before changes in working capital; a cash outflow of $6.0 million arising due to changes in working capital; and a cash outflow of $0.3 million arising due to taxes paid.

Cash Flow from Investing Activities

The net cash flow from investing activities amounted to an inflow of $11.9 million for the nine months ended 30 September 2018. This was mainly due to KSDI being consolidated as a subsidiary instead of being equity-accounted as a joint venture which generated a cash inflow of $9.0 million; proceeds from disposal of plant and equipment of $2.8 million; proceeds from sale of asset held for sale of $0.3 million; proceeds from issue of new shares by an indirect subsidiary of $0.3 million (see the announcement by the Company dated 4 June 2018); interest received of $0.1 million; offset with the acquisition of plant and equipment which incurred cash outflow of $0.6 million.

Cash Flow from Financing Activities

The net cash flow from financing activities amounted to an outflow of $7.2 million for the nine months ended 30 September 2018. Interest paid during 9M 2018 generated a cash outflow of $5.9 million and the repayment of bank loans during 9M 2018 amounted to $5.0 million. New loans from a related party generated a net cash inflow of $2.4 million and a reduction of cash deposits pledged generated a cash inflow of $1.3 million during 9M 2018.

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 2018 was in line with the views expressed in a statement in Paragraph 10 of the Company's previous results announcement dated 14 August 2018.

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 current trend in oil prices indicates the probability of a better business environment for the offshore services sector. If this trend sustains, it would be reasonable to expect opportunities to eventuate for companies such as KS Energy at least through the medium to long term. The Group seeks to manage its balance sheet to improve its financial position and has announced on 19 October 2018 a proposed reorganization and disposal of the entire issued share capital of KS Resources Pte. Ltd.

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 or 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 2018:

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)
PT KS Drilling Indonesia and its subsidiaries ("JVC Group")		
• Expected additional interest income on Financing [2]		SGD 3,562,231
• Extension of outstanding principal and interest due on the Additional Loan [1]	SGD 2,544,497	
• Expected additional interest income on the Additional Loan [1]	SGD 56,526	
Additional information pursuant to the JVC IPT Mandate:		*USD 71,777*
• *Injection of funds by KS Drilling to JVC Group*		
• *Total outstanding amount due from JVC Group on Additional Loan including accrued interest thereon as at the end of the period [1]*	*USD 2,422,614*	
• *Total outstanding amount due from JVC Group for rig management fees and other services as at the end of the period*	*USD 312,768*	*USD 48,357,440*
• *Total outstanding amount due from JVC Group including loan principal, accrued interest and guarantee fees as at the end of period [2]*		

(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 2018 was US$0.5 million. The Company released an update announcement dated 21 June 2018.

(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 2018 was US$37.8 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$37.8 million balance is US$0.07 million that was advanced during the current financial year to 30 September 2018.

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
9 November 2018

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

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

We, Mr Kris 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 2018 to be false or misleading in any material aspect.

On behalf of the Board of Directors

KRIS WILUAN
Executive Chairman and Chief Executive Officer

SOH GIM TEIK
Director

Singapore, 9 November 2018