

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2020

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Individual Quarter		Cumulative Quarter	
	Current year quarter <b>30/04/2020</b> RM'000	Preceding year corresponding quarter <b>30/04/2019</b> RM'000	Three months to <b>30/04/2020</b> RM'000	Three months to <b>30/04/2019</b> RM'000
<b>Revenue</b>	<b>1,356,662</b>	<b>1,632,460</b>	<b>1,356,662</b>	<b>1,632,460</b>
Other operating income	4,058	93,133	4,058	93,133
Operating expenses	(1,191,379)	(1,585,667)	(1,191,379)	(1,585,667)
<b>Operating profit</b>	<b>169,341</b>	<b>139,926</b>	<b>169,341</b>	<b>139,926</b>
Depreciation and amortisation	(134,891)	(124,294)	(134,891)	(124,294)
Finance income	24,297	5,011	24,297	5,011
Finance costs	(138,753)	(214,379)	(138,753)	(214,379)
Gain on disposal of property, plant and equipment	-	11,116	-	11,116
Net foreign exchange gain	33,910	24,948	33,910	24,948
Share of profit from associates and joint ventures	82,287	79,318	82,287	79,318
<b>Profit/(loss) before taxation</b>	<b>36,191</b>	<b>(78,354)</b>	<b>36,191</b>	<b>(78,354)</b>
Taxation	(22,283)	(30,973)	(22,283)	(30,973)
<b>Profit/(loss) after taxation</b>	<b>13,908</b>	<b>(109,327)</b>	<b>13,908</b>	<b>(109,327)</b>
Attributable to:				
Owners of the Parent:	14,207	(109,096)	14,207	(109,096)
Non-controlling interests	(299)	(231)	(299)	(231)
	<b>13,908</b>	<b>(109,327)</b>	<b>13,908</b>	<b>(109,327)</b>
<b>Earnings/(loss) per share (sen)</b>				
- Basic	0.09	(0.68)	0.09	(0.68)
- Diluted	0.09	(0.68)	0.09	(0.68)

The condensed consolidated statement of profit or loss should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2020

THE FIGURES HAVE NOT BEEN AUDITED

II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter <b>30/04/2020</b> RM'000	Preceding year corresponding quarter <b>30/04/2019</b> RM'000	Three months to <b>30/04/2020</b> RM'000	Three months to <b>30/04/2019</b> RM'000
Profit/(loss) after taxation	<b>13,908</b>	<b>(109,327)</b>	<b>13,908</b>	<b>(109,327)</b>
<b>Other comprehensive income/(loss):</b>				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation differences	156,794	14,588	156,794	14,588
Net changes in cash flow hedge	44,162	(4,374)	44,162	(4,374)
Share of other comprehensive income/(loss) of associates and joint ventures:				
- Foreign currency translation differences	221,964	35,856	221,964	35,856
- Net changes in cash flow hedge	(23,078)	(9,223)	(23,078)	(9,223)
<i>Items that has been reclassified to profit or loss in current period:</i>				
Amortisation of cumulative changes in relation to previous hedge instruments	4,108	-	4,108	-
Total comprehensive income/(loss)	<u>417,858</u>	<u>(72,480)</u>	<u>417,858</u>	<u>(72,480)</u>
Attributable to:				
Owners of the Parent	418,015	(71,971)	418,015	(71,971)
Non-controlling interests	(157)	(509)	(157)	(509)
Total comprehensive income/(loss)	<u>417,858</u>	<u>(72,480)</u>	<u>417,858</u>	<u>(72,480)</u>

The condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2020

THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>UNAUDITED</b>	<b>AUDITED</b>
	As at end of current financial year <b>30/04/2020</b> RM'000	As at end of preceding financial year <b>31/01/2020</b> RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	10,100,984	9,638,931
Goodwill on consolidation	5,065,199	4,933,776
Other intangible assets	14,046	13,997
Investment in associates and joint ventures	4,274,090	3,981,342
Deferred tax assets	104,344	96,295
Derivative assets	-	18,778
Trade and other receivables	85,862	82,560
	<u>19,644,525</u>	<u>18,765,679</u>
<b>Current assets</b>		
Inventories	412,018	383,888
Trade and other receivables	1,707,696	1,457,227
Contract assets	1,163,108	1,200,397
Tax recoverable	181,152	168,778
Cash and cash equivalents	710,968	772,374
	<u>4,174,942</u>	<u>3,982,664</u>
<b>TOTAL ASSETS</b>	<b><u>23,819,467</u></b>	<b><u>22,748,343</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	10,872,078	10,872,078
Islamic redeemable convertible preference shares ("RCPS-i")	982,713	982,713
Shares held under trust	(11,587)	(11,587)
Warrants reserve	109,110	109,110
Other reserves	2,107,236	1,703,428
Accumulated losses	(4,459,014)	(4,473,221)
	<u>9,600,536</u>	<u>9,182,521</u>
<b>Non-controlling interests</b>	<b>(8,010)</b>	<b>(7,853)</b>
<b>Total equity</b>	<b><u>9,592,526</u></b>	<b><u>9,174,668</u></b>

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2020

THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONT'D.)

	<b>UNAUDITED</b>	<b>AUDITED</b>
	As at end of current financial year <b>30/04/2020</b> RM'000	As at end of preceding financial year <b>31/01/2020</b> RM'000
<b>Non-current liabilities</b>		
Borrowings	7,294,612	7,110,429
Derivative liabilities	109,090	-
Trade and other payables	5,702	10,000
Contract liabilities	67,214	72,532
Lease liabilities	9,648	9,148
Deferred tax liabilities	45,030	42,722
	<u>7,531,296</u>	<u>7,244,831</u>
<b>Current liabilities</b>		
Borrowings	3,458,498	3,145,665
Trade and other payables	2,575,177	2,503,550
Contract liabilities	222,605	199,436
Lease liabilities	12,546	13,771
Provision	287,216	348,254
Provision for tax	139,603	118,168
	<u>6,695,645</u>	<u>6,328,844</u>
<b>TOTAL LIABILITIES</b>	<u>14,226,941</u>	<u>13,573,675</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>23,819,467</b></u>	<u><b>22,748,343</b></u>
<b>Net assets per share (RM)</b>	<u><b>0.60</b></u>	<u><b>0.57</b></u>

The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2020

THE FIGURES HAVE NOT BEEN AUDITED

IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Parent						Non-controlling interests	Total equity	
	Non-distributable				Distributable				
	Share capital	RCPS-i	Shares held under trust	Warrants reserve	Other reserves	Accumulated losses			Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>Three months to 30 April 2020 (Unaudited)</b>									
At 1 February 2020	10,872,078	982,713	(11,587)	109,110	1,703,428	(4,473,221)	9,182,521	(7,853)	9,174,668
<b>Total comprehensive income</b>	-	-	-	-	403,808	14,207	418,015	(157)	417,858
At 30 April 2020	10,872,078	982,713	(11,587)	109,110	2,107,236	(4,459,014)	9,600,536	(8,010)	9,592,526

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2020

THE FIGURES HAVE NOT BEEN AUDITED

IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D.)

	Attributable to owners of the Parent						Non-controlling interests	Total equity		
	<----- Non-distributable ----->					Distributable			RM'000	RM'000
	Share capital	RCPS-i	Shares held under trust	Warrants reserve	Other reserves	Retained profits				
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>Three months to 30 April 2019 (Unaudited)</b>										
At 1 February 2019	10,872,078	982,713	(66,812)	109,110	1,764,292	213,684	13,875,065	(3,824)	13,871,241	
<b>Total comprehensive income/(loss)</b>	-	-	-	-	37,125	(109,096)	(71,971)	(509)	(72,480)	
<b>Transactions with owners:</b>										
Fair value of share options granted under ESOS	-	-	-	-	70,073	-	70,073	-	70,073	
Dividend on ordinary shares	-	-	-	-	-	(79,895)	(79,895)	-	(79,895)	
<b>Total transactions with owners</b>	-	-	-	-	70,073	(79,895)	(9,822)	-	(9,822)	
At 30 April 2019	10,872,078	982,713	(66,812)	109,110	1,871,490	24,693	13,793,272	(4,333)	13,788,939	

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2020

THE FIGURES HAVE NOT BEEN AUDITED

V. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED Three months to <b>30/04/2020</b> RM'000	UNAUDITED Three months to <b>30/04/2019</b> RM'000
<b>Cash flows from operating activities</b>		
<b>Profit/(loss) before taxation</b>	<b>36,191</b>	<b>(78,354)</b>
Adjustments	137,632	248,116
Operating profit before working capital changes	173,823	169,762
Changes in working capital	(241,371)	(110,427)
<b>Cash (used in)/generated from operations</b>	<b>(67,548)</b>	<b>59,335</b>
Taxation paid	(8,154)	(20,352)
<b>Net cash (used in)/generated from operating activities</b>	<b>(75,702)</b>	<b>38,983</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(38,320)	(50,157)
Proceeds from disposal of property, plant and equipment	-	16,999
Repayment of advances from joint venture	23,510	-
Other items	4,505	4,009
<b>Net cash used in investing activities</b>	<b>(10,305)</b>	<b>(29,149)</b>
<b>Cash flows from financing activities</b>		
Finance costs paid	(129,960)	(172,390)
Net drawdown/(repayment) of revolving credit, trade financing, term loans and islamic facility	131,370	(7,080,909)
Net repayment of lease liabilities	(4,824)	(3,740)
<b>Net cash used in financing activities</b>	<b>(3,414)</b>	<b>(7,257,039)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(89,421)</b>	<b>(7,247,205)</b>
Effect of exchange rate translation	28,015	8,831
Cash and cash equivalents at beginning of year	772,374	8,098,397
<b>Cash and cash equivalents at end of period</b>	<b>710,968</b>	<b>860,023</b>

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation

The unaudited condensed consolidated interim financial statements for the period ended 30 April 2020 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"). These condensed consolidated interim financial statements also comply with International Accounting Standards ("IAS") 34: Interim Financial Reporting issued by the International Accounting Standards Board.

The unaudited condensed consolidated interim financial statements for the financial period ended 30 April 2020 should be read in conjunction with the audited financial statements for the financial year ended 31 January 2020.

The accounting policies and methods of computation adopted by Sapura Energy Berhad ("the Company") and its subsidiaries ("the Group") in these condensed consolidated interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 January 2020 except for the following:

On 1 February 2020, the Group has adopted the following revised MFRSs and Amendments to MFRS that have been issued by the Malaysian Accounting Standards Board ("MASB").

#### **Effective for annual periods beginning on or after 1 January 2020:**

Amendments to MFRS 3: Business Combinations

Amendments to MFRS 101: Presentation of Financial Statements

Amendments to MFRS 108: Accounting Policies, Changes in Accounting Estimates and Errors

Amendments to MFRS 7: Financial Instruments Disclosures

Amendments to MFRS 9: Financial Instruments

Revised Conceptual Framework for Financial Reporting

The adoption of the above standards and interpretations did not have a significant impact on the financial statements in the period of application.

### 2. Seasonality and cyclicity of operations

The Group's operations are not materially affected by any seasonal or cyclical factors except for severe weather conditions.

### 3. Unusual items due to their nature, size and incidence

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows for the current financial period, other than as disclosed in these condensed consolidated interim financial statements.

### 4. Changes in estimates

There were no changes in estimates that have a material effect in the current financial period, other than as disclosed in these condensed consolidated statement of profit or loss.



## 5. Debt and equity securities

There were no other issuance and repayment of debt securities, share buy-back, share cancellations, shares held under trust and resale of shares held under trust during the quarter ended 30 April 2020.

## 6. Subsequent events

There was no material event subsequent to 30 April 2020 which has not been reflected in these condensed consolidated interim financial statements.

## 7. Changes in the composition of the Group

There was no significant change in the composition of the Group during the current financial period.

## 8. Contingent liabilities

- (a) The Group has provided corporate guarantees given to financial institutions for credit facilities and performance bonds granted to joint ventures and associates amounting to RM866.3 million (31 January 2020: RM833.5 million).
- (b) On 31 January 2019, SapuraOMV Upstream Sdn. Bhd. ("SapuraOMV") (an associate company of the Group) entered into a USD350.0 million financing facility agreement with OMV Exploration & Production GmbH ("OMV E&P"). As security for this, Sapura Upstream Assets Sdn. Bhd. (a subsidiary of the Group) has pledged shares of SapuraOMV with a value of USD175.0 million in favour of OMV E&P.
- (c) Tax positions for the Group are subject to income tax audits and disputes in various tax jurisdictions. One of its subsidiaries, Sapura Drilling Berani Limited ("SDBL"), is currently engaged in an on-going discussion with tax authorities regarding the resolution of tax matters for financial years 2012 and 2013. SDBL has submitted various documents and evidences to prove that all taxes have been settled correctly in the disputed years.

In December 2019, tax court has finalised the verdict for financial year 2012 with a large proportion of the claims in favour of SDBL. SDBL has submitted an appeal to the Supreme Court in March 2020 for the remaining balances. For financial year 2013, the tax hearings are still on-going.

SDBL, with advise of an appointed tax advisor, is of the opinion that there are strong defences over the disputed claims for both financial years 2012 and 2013.

- (d) Other than as described above and Note 14 (b) and (c), there were no other changes in contingent liabilities in the current financial period.

## 9. Capital commitments

Capital expenditure for property, plant and equipment approved and not provided for in these condensed consolidated interim financial statements as at 30 April 2020 is as follows:

<b>Approved and contracted for:</b>	<b>30/04/2020</b>
	RM'000
Group	<u>436,977</u>

## 10. Taxation

Taxation comprises of the following:

	Individual Quarter		Cumulative Quarter	
	Three months to 30/04/2020	Three months to 30/04/2019	Three months to 30/04/2020	Three months to 30/04/2019
	RM'000	RM'000	RM'000	RM'000
Current taxation:				
Malaysian taxation	6,686	12,792	6,686	12,792
Foreign taxation	19,624	36,299	19,624	36,299
Deferred taxation	(4,027)	(18,118)	(4,027)	(18,118)
	<u>22,283</u>	<u>30,973</u>	<u>22,283</u>	<u>30,973</u>

Domestic income tax is calculated at the Malaysian statutory corporate tax rate of 24% of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

## 11. Status of corporate proposals announced

There were no corporate proposals announced but not completed as at the date of this announcement.

## 12. Borrowings

	Short term borrowings		Long term borrowings		Total borrowings	
	USD denomination RM'000	RM denomination RM'000	USD denomination RM'000	RM denomination RM'000	USD denomination RM'000	RM denomination RM'000
<b>As at 30 April 2020</b>						
<b>Unsecured</b>						
Revolving credits	771,841	951,670	-	-	771,841	951,670
Trade financing	-	252,360	-	-	-	252,360
Term loans	92,687	-	2,834,781	-	2,927,468	-
Islamic Facility	694,738	519,851	-	-	694,738	519,851
Sukuk Programme	-	175,351	1,195,167	3,264,664	1,195,167	3,440,015
	<u>1,559,266</u>	<u>1,899,232</u>	<u>4,029,948</u>	<u>3,264,664</u>	<u>5,589,214</u>	<u>5,163,896</u>
<b>Total</b>		<u>3,458,498</u>		<u>7,294,612</u>		<u>10,753,110</u>

## 12. Borrowings (cont'd.)

	Short term borrowings		Long term borrowings		Total borrowings	
	USD	RM	USD	RM	USD	RM
	denomination	denomination	denomination	denomination	denomination	denomination
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at</b>						
<b>31 January 2020</b>						
<b>Unsecured</b>						
Revolving credits	728,867	951,800	-	-	728,867	951,800
Trade financing	-	120,465	-	-	-	120,465
Term loans	-	-	2,735,711	-	2,735,711	-
Islamic Facility	650,426	518,919	-	-	650,426	518,919
Sukuk Programme	-	175,188	1,120,747	3,253,971	1,120,747	3,429,159
	<u>1,379,293</u>	<u>1,766,372</u>	<u>3,856,458</u>	<u>3,253,971</u>	<u>5,235,751</u>	<u>5,020,343</u>
<b>Total</b>		<u>3,145,665</u>		<u>7,110,429</u>		<u>10,256,094</u>

The Group is in the midst of a refinancing exercise which is expected to be completed by the fourth quarter of this financial year.

## 13. Derivative financial instruments

The Group has entered into Islamic Cross-Currency Swap ("ICRCS") contracts with various banks to hedge part of the Group's borrowings.

Details of the derivative outstanding at the reporting date are as follows:

	As at 30 April 2020		As at 31 January 2020	
	Notional Value	Liabilities Fair Value	Notional Value	Assets Fair Value
	RM'000	RM'000	RM'000	RM'000
5 years Islamic Cross-Currency Swap	<u>2,704,606</u>	<u>(109,090)</u>	<u>2,704,606</u>	<u>18,778</u>

The Group treats the derivatives as cash flow hedges. The Group uses cash flow hedges to mitigate the risk of variability of future cash flows attributable to foreign currency fluctuation over the hedging period on its borrowings.

## 14. Material litigation

### (a) Sarku Engineering Services Sdn. Bhd.

On 20 February 2006, Sarku Engineering Services Sdn. Bhd. ("SESSB"), a wholly owned subsidiary of the Company entered into a contract with Oil and Natural Gas Corporation Limited ("ONGC") for the performance of works by SESSB to revamp 26 well platforms located in Mumbai High South field offshore site ("Contract").

On 21 September 2012, SESSB commenced arbitration proceedings by filing a statement of claim against ONGC in relation to disputes pursuant to the Contract for a sum of Indian Rupee ("INR") 1,063,759,201 and USD123,819,632 (including interest, costs, losses and damages).

#### 14. Material litigation (cont'd.)

##### (a) Sarku Engineering Services Sdn. Bhd. (cont'd.)

On 17 December 2012, ONGC has filed their reply to the Statement of Claim. No counter claims have been filed by ONGC. Documents and witness statements have been filed.

Examination in chief took place in January 2014 whereby revised list of documents were exchanged and recorded.

The cross examination of ONGC's witness were on 22 to 24 December 2014 and 5 to 6 January 2015.

In January 2018 and February 2018 sittings, SESSB have concluded its arguments on each of the claims filed before the tribunal. On 5 February 2018, submissions were made by SESSB's external counsel and thereafter arguments were closed.

ONGC counsel commenced their arguments in defence on 6 February 2018 and continued on the 2 to 4 May 2018. They concluded their arguments in the said sittings and handed over written note of their arguments.

Proceedings continued on the 21, 22 and 23 November 2018 with submissions from SESSB's counsel. The tribunal heard ONGC's counsel present its submissions on 12 and 13 February 2019. Final written submission has been submitted to arbitrators on 15 April 2019. ONGC presented its submissions on 30 April 2019. SESSB was awarded the sum of USD3,009,788.54 by the arbitral tribunal, comprised of work done of USD1,983,521.29 (subject to 4.368% withholding tax to be deducted by ONGC) and interest of USD1,026,267.25 (subject to income tax of 43.68%).

SESSB has instructed its solicitors to file an appeal against the award dated 30 November 2019.

SESSB has been advised by its solicitors, that SESSB has reasonably strong grounds to appeal against the arbitral tribunal's decision. The following are reasons provided by its solicitors as grounds of appeal against the arbitral tribunal's award.

- (i) The arbitral tribunal had failed to consider the record and detailed written and oral submissions on behalf of SESSB in arriving at its findings while rejecting most of SESSB's claims and that they had made an error in rejecting the claims; and
- (ii) There were instances of procedural irregularities in the arbitration in favour of ONGC which may lead to a successful challenge of the award in the courts.

ONGC has since filed an application to the tribunal disputing the computation of the award and seeking a correction of the amounts awarded in respect of the interest portion of the award. Decision on ONGC's application is currently pending.

##### (b) Sapura Fabrication Sdn. Bhd.

On 18 March 2011, Sapura Fabrication Sdn. Bhd. ("SFSB"), a wholly-owned subsidiary of the Company entered into a contract with Petrofac (Malaysia) Limited ("PML") to provide works for the engineering, procurement and construction of well head platforms for the Cendor Phase 2 Development Project and the Cendor field is located in Block PM 304 in the Malaysian sector of the South China Sea ("Contract").

#### 14. Material litigation (cont'd.)

##### (b) Sapura Fabrication Sdn. Bhd. (cont'd.)

On 26 March 2018, SFSB received a commencement request from PML to formally initiate a claim by way of arbitration proceedings at the Asian International Arbitration Centre for damages amounting to a sum of USD9,558,003.00 and RM16,785,227.00 vide its Re-amended Point of Claims in relation to disputes arising from the Contract. PML has alleged breach of riser height requirements and preservation obligations by SFSB. The claim by PML was made separately in two currencies as the claim is based on the rates and currencies prescribed in the Contract.

On 26 April 2018, SFSB responded to PML's claim and made a counter claim for a total amount of RM13,521,495.41.

The arbitrators have been appointed and parties had attended the first arbitration meeting on 21 July 2018. PML has filed their Points of Claim on 21 September 2018 and SFSB has filed its Defence and Counterclaim on 3 December 2018. Subsequently, PML submitted their Points of Reply and Defence to Counterclaim on 4 February 2019. PML has requested to amend their Point of Claim and the same was filed on 8 March 2019. SFSB's rejoinder is due on 18 March 2019 and the same was filed on the said date. The deadline for parties to exchange bundle of documents was on 5 April 2019 and any request for discovery/disclosure has been filed on 9 May 2019. The documents ordered to be produced by SFSB was produced on 12 September 2019. On the other hand, the documents ordered to be produced by PML were partially tendered on 23 September 2019. Witness Statements have been filed on 15 November 2019 and the rebuttal witness statements are to be filed by 15 December 2019. The matter was fixed for hearing on 27 and 28 February 2020 and the continued hearing was scheduled on 1 June 2020. The tribunal has vacated 1 June 2020 hearing date due to circumstances relating to the COVID-19 pandemic and fixed a further 10 new hearing days in 2021 as listed down below:

- (i) 26, 27, 28 & 30 April 2021; and
- (ii) 3, 4, 5, 6, 7 & 10 May 2021.

SFSB has been advised by its solicitors that SFSB has good grounds to challenge and defend against PML's claim.

##### (c) Sapura Energy do Brasil Ltda.

On 5 January 2020, Sapura Energy Berhad's subsidiary, Sapura Energy do Brasil Ltda. ("SE Brasil"), commenced arbitration proceedings against Centrais Elétricas de Sergipe S.A. ("CELSE") of Brazil. The arbitration is to resolve disputes arising out of an Engineering, Procurement, Construction and Installation Contract ("Contract") dated 20 November 2017.

SE Brasil had completed the works under the Contract in November 2019.

Due to unresolved disputes such as non-payment of milestone payments and non-payment of variation orders, SE Brasil commenced the arbitration proceedings against CELSE, which is conducted at the International Court of Arbitration in Sao Paulo, Brazil, under the International Chamber of Commerce (ICC) Arbitration Rules. The arbitration tribunal comprises of 3 arbitrators. Chairman for the arbitration proceeding has been appointed.

SE Brasil is prepared to defend CELSE's counterclaims. Initial review has been completed and witness interviews will commence in the second half of June 2020. SE Brasil is also currently finalising its Statement of Claim.

## 15. Review of Group Performance

### 15.1 Current quarter vs. corresponding quarter of the preceding year

	Individual Quarter Three months to		Changes %
	30/04/2020 RM'000	30/04/2019 RM'000	
Revenue	1,356,662	1,632,460	(16.9)
Operating profit	169,341	139,926	21.0
Profit/(loss) before taxation	36,191	(78,354)	>100.0
Profit/(loss) after taxation	13,908	(109,327)	>100.0
Profit/(loss) attributable to owners of the Parent	14,207	(109,096)	>100.0

The Group revenue of RM1,356.7 million was 16.9% lower than RM1,632.5 million in the corresponding quarter of the preceding year ("Q1 FY2020"), mainly attributable to the lower revenue from Engineering and Construction ("E&C") business segment due to lower activities in line with the progress of projects being executed.

In the current quarter, the Group recorded a profit before taxation of RM36.2 million which was higher compared to a loss before taxation of RM78.4 million in Q1 FY2020 primarily due to lower net finance costs.

### 15.2 Current quarter vs. immediate preceding quarter

	Individual Quarter Three months to		Changes %
	30/04/2020 RM'000	31/01/2020 RM'000	
Revenue	1,356,662	1,111,894	22.0
Operating profit/(loss)	169,341	(648,274)	>100.0
Profit/(loss) before taxation	36,191	(4,266,977)	>100.0
Profit/(loss) after taxation	13,908	(4,236,731)	>100.0
Profit/(loss) attributable to owners of the Parent	14,207	(4,234,508)	>100.0

The Group revenue of RM1,356.7 million was 22.0% higher than the immediate preceding quarter ("Q4 FY2020") of RM1,111.9 million, primarily due to the higher revenue from E&C business segment.

In the current quarter, the Group recorded a profit before taxation of RM36.2 million which was higher compared to a loss before taxation of RM4,267.0 million in Q4 FY2020.

In Q4 FY2020, the Group made a provision for impairment of goodwill on consolidation of RM3,043.4 million and a provision for impairment of property, plant and equipment of RM240.9 million. The impairments were necessary due to the prolonged recovery expected in the industry. An additional provision of RM438.8 million was recognised in anticipation of delays and prolonged durations to current projects arising from restricted movement and lockdown measures in multiple jurisdictions brought about by the COVID-19 global pandemic, as well as taking into consideration the market conditions then.

## 16. Segment information

The Group organises its business activities into four major segments as follows:

- (i) E&C;
- (ii) Drilling;
- (iii) Exploration and Production ("E&P"); and
- (iv) Corporate

	<b>Three months to 30/04/2020</b>	
	<b>Revenue</b> RM'000	<b>Operating profit/(loss)</b> RM'000
E&C	1,116,442	123,902
Drilling	240,872	(14,931)
E&P	-	(6,081)
	<u>1,357,314</u>	<u>102,890</u>
Corporate expenses and eliminations	(652)	(66,699)
<b>Group revenue / profit before taxation</b>	<b><u>1,356,662</u></b>	<b><u>36,191</u></b>

### 16.1 Current quarter vs. corresponding quarter of the preceding year

	<b>Revenue</b>			<b>Operating profit/(loss)</b>		
	<b>Three months to</b>		<b>Changes</b>	<b>Three months to</b>		<b>Changes</b>
	<b>30/04/2020</b>	<b>30/04/2019</b>		<b>30/04/2020</b>	<b>30/04/2019</b>	
	RM'000	RM'000	%	RM'000	RM'000	%
<b>Business Segments:</b>						
E&C	1,116,442	1,402,813	(20.4)	123,902	48,045	>100.0
Drilling	240,872	230,424	4.5	(14,931)	(50,873)	70.7
E&P	-	-	-	(6,081)	(7,499)	18.9
	<u>1,357,314</u>	<u>1,633,237</u>		<u>102,890</u>	<u>(10,327)</u>	
Corporate expenses and eliminations	(652)	(777)	16.1	(66,699)	(68,027)	2.0
<b>Group revenue/ Profit/(loss) before taxation</b>	<b><u>1,356,662</u></b>	<b><u>1,632,460</u></b>	<b>(16.9)</b>	<b><u>36,191</u></b>	<b><u>(78,354)</u></b>	<b>&gt;100.0</b>

#### Business Segments:

##### Engineering and Construction

The segment recorded revenue of RM1,116.4 million, which was 20.4% lower than the revenue of RM1,402.8 million in Q1 FY2020 due to lower activities in the current quarter.

The segment recorded a profit before taxation of RM123.9 million which was higher by RM75.9 million compared to a profit before taxation of RM48.0 million in Q1 FY2020 due to improvement in project margins.

## 16. Segment information (cont'd.)

### 16.1 Current quarter vs. corresponding quarter of the preceding year (cont'd.)

#### Drilling

The segment revenue for the current quarter of RM240.9 million was higher by 4.5% compared to the revenue of RM230.4 million in Q1 FY2020 mainly due to favourable effect of US Dollar exchange rate movement against Ringgit Malaysia.

The segment recorded a loss before taxation of RM14.9 million, which was lower by RM35.9 million compared to a loss before taxation of RM50.9 million in Q1 FY2020 mainly due to improved margins from operating rigs and lower interest expense.

#### Exploration and Production

The segment recorded a loss before taxation of RM6.1 million which was RM1.4 million lower compared to a loss before taxation of RM7.5 million in Q1 FY2020 due to higher production in the current quarter. The production uplift was offset by lower average realised oil and gas price achieved in the current quarter as well as higher depletion, depreciation and amortisation of expenditure on oil and gas properties.

## 17. Additional disclosure information

### 17.1 Foreign exchange exposure and hedging policy

Foreign currency (a currency which is other than the functional currency of the Group entities) risk is the risk that the fair value or future cash flows of the Group's financial instrument will fluctuate because of the changes in foreign exchange rates.

The Group has transactional currency exposures arising mainly from revenue or costs and advances that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily RM and US Dollar ("USD"). The foreign currencies in which these transactions are denominated are mainly USD and RM.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the assets or investment is located or by borrowing in the currencies that match the future revenue stream to be generated from its investments. Where possible, the strategy is to match the payments for foreign currency payables against receivables denominated in the same foreign currency.

The Group has entered into ICRCs contracts with various banks to hedge part of the Group's borrowings. Further details on derivative financial instruments are disclosed in Note 13.



**17. Additional disclosure information**

**17.2 Trade and other receivables and contract assets**

	<b>As at 30/04/2020</b>	<b>As at 31/01/2020</b>
	RM'000	RM'000
<b>Non-current</b>		
Trade receivables	<u>39,003</u>	<u>39,154</u>
Other receivables	<u>46,859</u>	<u>43,406</u>
Total non-current trade and other receivables	<u>85,862</u>	<u>82,560</u>
<b>Current</b>		
Trade receivables	1,037,325	878,328
Less: Provision for impairment	<u>(39,880)</u>	<u>(39,880)</u>
	<u>997,445</u>	<u>838,448</u>
Other receivables	<u>710,251</u>	<u>618,779</u>
Total current trade and other receivables	<u>1,707,696</u>	<u>1,457,227</u>
Contract assets	<u>1,163,108</u>	<u>1,200,397</u>
Total trade and other receivables and contract assets	<u>2,956,666</u>	<u>2,740,184</u>

Trade receivables are non-interest bearing. The Group's normal trade credit term ranges from 30 to 90 days (as at 31 January 2019: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis. Overdue balances are reviewed regularly by the management. Trade receivables are recognised at original invoice amounts which represent their fair values on initial recognition.

**18. (a) Commentary on prospects**

The oil and gas industry is expected to continue to operate in a challenging environment due to market uncertainties arising from the impact of COVID-19 and low oil prices. The continued uncertainty in the medium term outlook has prompted clients to be more conservative in future investments and spending. Many oil and gas companies have announced reductions in capex spending resulting in deferrals or cancellations of announced projects.

Having weathered the previous downturn, the Group has an agile strategy in place, designed to withstand the cyclical nature of the industry. The Group is committed to navigating through the current downturn by effective implementation of key initiatives to optimise cost and improve operational efficiencies.

The Group's orderbook stood at RM14.0 billion with cumulative new contract wins to-date in FY2021 of RM0.8 billion. Recent notable awards include the EPCI for the SBM Pipeline Rejuvenation Phase II Project in Bukom Refinery in Singapore by Shell Eastern Petroleum (Pte) Ltd, PRP7 Pipeline Replacement Project by Brunei Shell Petroleum Co. Sdn Bhd and EPCI for Additional Andalas Pipeline Project Phase 4 Development in The Malaysia-Thailand Joint Development Area by Carigali-PTTEPI Operating Company Sdn Bhd.

The Group will continue to strengthen its financial position with the current refinancing exercise which is expected to be completed by Q4 FY2021.

The Board anticipates the challenging environment to remain in the short to medium term. The Board is optimistic that the Group is capable of withstanding current uncertainties and is well-positioned to capture opportunities as the market recovers.

**18. (b) Revenue or profit estimate, forecast, projection or internal targets**

The Company has not provided any revenue or profit estimate, forecast, projection or internal targets in any previous announcement or public document.

**19. Dividend**

The Board of Directors does not recommend any payment of dividend for the current quarter under review.

**20. Earnings/(loss) per share**

Basic/Diluted	Individual Quarter		Cumulative Quarter	
	Three months to 30/04/2020	Three months to 30/04/2019	Three months to 30/04/2020	Three months to 30/04/2019
Profit/(loss) attributable to owners of the Parent (RM'000)	14,207	(109,096)	14,207	(109,096)
Weighted average number of ordinary shares in issue excluding shares held under trust ('000):				
- Basic	15,971,804	15,937,124	15,971,804	15,937,124
Effects of dilution:				
- Options under ESOS	113,552	208,680	113,552	208,680
- Diluted	16,085,356	16,145,804	16,085,356	16,145,804
Earning per shares (sen)				
- Basic	0.09	(0.68)	0.09	(0.68)
- Diluted	0.09	(0.68)	0.09	(0.68)

Rights issue of RCPS-i and warrants of 2,396,862,035 units and 998,692,020 units respectively, and 586,388,264 options under the ESOS granted on 12 April 2019 have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

**By Order of the Board**

Azni Ariffin (LS 0008791)  
Company Secretary

Seri Kembangan, Selangor Darul Ehsan  
29 June 2020