

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2021

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

| | Individual Quarter | | Cumulative Quarter | |
|--|--|---|--|--|
| | Current year quarter 30/04/2021 RM'000 | Preceding year corresponding quarter 30/04/2020 RM'000 | Three months to 30/04/2021 RM'000 | Three months to 30/04/2020 RM'000 |
| Revenue | 1,470,594 | 1,356,662 | 1,470,594 | 1,356,662 |
| Other operating income | 5,235 | 4,058 | 5,235 | 4,058 |
| Operating expenses | (1,281,618) | (1,191,379) | (1,281,618) | (1,191,379) |
| Operating profit | 194,211 | 169,341 | 194,211 | 169,341 |
| Depreciation and amortisation | (130,763) | (134,891) | (130,763) | (134,891) |
| Finance income | 2,504 | 24,297 | 2,504 | 24,297 |
| Finance costs | (156,029) | (138,753) | (156,029) | (138,753) |
| Gain on disposal of property, plant and equipment | 5,197 | - | 5,197 | - |
| Net foreign exchange (loss)/gain | (42,693) | 33,910 | (42,693) | 33,910 |
| Share of profit from associates and joint ventures | 63,563 | 82,287 | 63,563 | 82,287 |
| (Loss)/profit before taxation | (64,010) | 36,191 | (64,010) | 36,191 |
| Taxation | (38,192) | (22,283) | (38,192) | (22,283) |
| (Loss)/profit after taxation | (102,202) | 13,908 | (102,202) | 13,908 |
| Attributable to: | | | | |
| Owners of the Parent | (97,074) | 14,207 | (97,074) | 14,207 |
| Non-controlling interests | (5,128) | (299) | (5,128) | (299) |
| | (102,202) | 13,908 | (102,202) | 13,908 |
| (Loss)/earnings per share (sen) | | | | |
| - Basic/Diluted | (0.61) | 0.09 | (0.61) | 0.09 |

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 2021

THE FIGURES HAVE NOT BEEN AUDITED

II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Individual Quarter | | Cumulative Quarter | |
|--|--|---|--|--|
| | Current year quarter 30/04/2021 RM'000 | Preceding year corresponding quarter 30/04/2020 RM'000 | Three months to 30/04/2021 RM'000 | Three months to 30/04/2020 RM'000 |
| (Loss)/profit after taxation | (102,202) | 13,908 | (102,202) | 13,908 |
| Other comprehensive income: | | | | |
| <i>Items that may be reclassified to profit or loss in subsequent periods:</i> | | | | |
| Foreign currency translation differences | 42,462 | 156,794 | 42,462 | 156,794 |
| Net changes in cash flow hedge | (3,917) | 44,162 | (3,917) | 44,162 |
| Share of other comprehensive income/(loss) of associates and joint ventures: | | | | |
| - Foreign currency translation differences | 45,242 | 221,964 | 45,242 | 221,964 |
| - Net changes in cash flow hedge | 6,020 | (23,078) | 6,020 | (23,078) |
| <i>Items that has been reclassified to profit or loss in current year:</i> | | | | |
| Cumulative changes in cash flow hedge | 18,952 | 4,108 | 18,952 | 4,108 |
| Total comprehensive profit | <u>6,557</u> | <u>417,858</u> | <u>6,557</u> | <u>417,858</u> |
| Attributable to: | | | | |
| Owners of the Parent | 9,697 | 418,015 | 9,697 | 418,015 |
| Non-controlling interests | (3,140) | (157) | (3,140) | (157) |
| Total comprehensive profit | <u>6,557</u> | <u>417,858</u> | <u>6,557</u> | <u>417,858</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 2021

THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | UNAUDITED As at end of current financial period 30/04/2021 RM'000 | AUDITED As at end of preceding financial year 31/01/2021 RM'000 |
|---|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 9,226,720 | 9,218,612 |
| Intangible assets | 4,959,954 | 4,927,743 |
| Investment in associates | 2,178,845 | 2,103,820 |
| Investment in joint ventures | 2,019,280 | 2,005,591 |
| Deferred tax assets | 113,822 | 120,336 |
| Derivative assets | 19,164 | 55,083 |
| Trade and other receivables | 43,616 | 44,126 |
| | <u>18,561,401</u> | <u>18,475,311</u> |
| Current assets | | |
| Inventories | 443,089 | 423,251 |
| Trade and other receivables | 1,524,795 | 1,434,328 |
| Contract assets | 1,940,653 | 1,752,716 |
| Tax recoverable | 84,809 | 90,537 |
| Cash and cash equivalents | 570,845 | 488,966 |
| | <u>4,564,191</u> | <u>4,189,798</u> |
| TOTAL ASSETS | <u>23,125,592</u> | <u>22,665,109</u> |
| EQUITY AND LIABILITIES | | |
| Equity attributable to equity holders of the Company | | |
| 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 | 1,725,442 | 1,618,671 |
| Accumulated losses | (4,722,489) | (4,625,415) |
| | <u>8,955,267</u> | <u>8,945,570</u> |
| Non-controlling interests | <u>(11,960)</u> | <u>(8,820)</u> |
| Total equity | <u>8,943,307</u> | <u>8,936,750</u> |

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2021

THE FIGURES HAVE NOT BEEN AUDITED

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

| | UNAUDITED | AUDITED |
|-------------------------------------|--|--|
| | As at end of current financial period 30/04/2021 RM'000 | As at end of preceding financial year 31/01/2021 RM'000 |
| Non-current liabilities | | |
| Borrowings | 10,135,982 | 7,068,725 |
| Trade and other payables | 16,004 | 37,790 |
| Contract liabilities | 30,282 | 30,243 |
| Lease liabilities | 9,492 | 9,631 |
| Deferred tax liabilities | 108,620 | 102,747 |
| | <u>10,300,380</u> | <u>7,249,136</u> |
| Current liabilities | | |
| Borrowings | 352,892 | 3,263,457 |
| Trade and other payables | 2,927,550 | 2,669,045 |
| Contract liabilities | 338,109 | 239,572 |
| Lease liabilities | 13,722 | 11,123 |
| Provision | 109,440 | 152,251 |
| Provision for tax | 140,192 | 143,775 |
| | <u>3,881,905</u> | <u>6,479,223</u> |
| TOTAL LIABILITIES | <u>14,182,285</u> | <u>13,728,359</u> |
| TOTAL EQUITY AND LIABILITIES | <u>23,125,592</u> | <u>22,665,109</u> |
| Net assets per share (RM) | <u>0.56</u> | <u>0.56</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 2021

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 | RM'000 | |
| Three months to 30 April 2021 (Unaudited) | | | | | | | | | |
| At 1 February 2021 | 10,872,078 | 982,713 | (11,587) | 109,110 | 1,618,671 | (4,625,415) | 8,945,570 | (8,820) | 8,936,750 |
| Total comprehensive income/(loss) | - | - | - | - | 106,771 | (97,074) | 9,697 | (3,140) | 6,557 |
| At 30 April 2021 | 10,872,078 | 982,713 | (11,587) | 109,110 | 1,725,442 | (4,722,489) | 8,955,267 | (11,960) | 8,943,307 |
| Three months to 30 April 2020 (Unaudited) | | | | | | | | | |
| 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 |
| Total comprehensive income/(loss) | - | - | - | - | 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 |

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 2021

THE FIGURES HAVE NOT BEEN AUDITED

V. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | UNAUDITED Three months to 30/04/2021 RM'000 | UNAUDITED Three months to 30/04/2020 RM'000 |
|---|--|--|
| Cash flows from operating activities | | |
| (Loss)/profit before taxation | (64,010) | 36,191 |
| Adjustments | 249,426 | 137,632 |
| Operating profit before working capital changes | 185,416 | 173,823 |
| Changes in working capital | (145,037) | (241,371) |
| Cash generated from/(used in) operations | 40,379 | (67,548) |
| Net taxes paid | (28,129) | (8,154) |
| Net cash generated from/(used in) operating activities | 12,250 | (75,702) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (27,485) | (38,320) |
| Proceeds from disposal of property, plant and equipment | 9,424 | - |
| Repayment of advances from a joint venture | 44,467 | 23,510 |
| Other items | 1,438 | 4,505 |
| Net cash generated from/(used in) investing activities | 27,844 | (10,305) |
| Cash flows from financing activities | | |
| Finance costs paid | (132,156) | (129,960) |
| Net drawdown of revolving credit and trade financing | 161,034 | 131,370 |
| Net repayment of lease liabilities | (1,644) | (4,824) |
| Net cash generated from/(used in) financing activities | 27,234 | (3,414) |
| Net increase/(decrease) in cash and cash equivalents | 67,328 | (89,421) |
| Effect of exchange rate translation | 14,551 | 28,015 |
| Cash and cash equivalents at beginning of year | 488,966 | 772,374 |
| Cash and cash equivalents at end of period | 570,845 | 710,968 |

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 2021 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 2021 should be read in conjunction with the audited financial statements for the financial year ended 31 January 2021.

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 2021 except for the following:

On 1 February 2021, 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 2021:

Interest Rate Benchmark Reform—Phase 2

Amendments to MFRS 4: Insurance Contracts

Amendments to MFRS 7: Financial Instruments - Disclosures

Amendments to MFRS 9: Financial Instruments

Amendments to MFRS 16: Leases

Amendments to MFRS 139: Financial Instruments: Recognition and Measurement

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 in the various regions that the Group operates.

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 2021.

6. Subsequent events

Other than as disclosed in Note 12 (b)(iii), there was no other material event subsequent to 30 April 2021 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 RM718.4 million (31 January 2021: RM722.2 million).
- (b) On 31 January 2019, an associate company of the Group, SapuraOMV Upstream Sdn. Bhd. ("SapuraOMV") 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) On 1 October 2020 and 18 November 2020, the Inland Revenue Board of Malaysia ("IRB") has raised assessments to Sapura TMC Sdn. Bhd. ("Sapura TMC"), for the years of assessment 2014 to 2019 in respect of the tax incentive for Treasury Management Centre, deemed interest income on non-interest bearing intercompany balances and the tax treatment of interest income earned from year of assessment 2019 onwards. On 28 October 2020 and 3 December 2020, Sapura TMC has lodged the Notices of Appeal ("Forms Q") against the assessments raised for the years of assessments 2014 to 2019 outlining the relevant grounds of appeal. The Dispute Resolution Department of IRB is currently reviewing the case and have requested for additional supporting documents and information to support the appeal. Based on valid justifications and merits to appeal against the assessments, Sapura TMC is currently in formal discussion with the Dispute Resolution Department to resolve the matter at the earliest.
- (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 2021 is as follows:

Approved and contracted for:

30/04/2021
RM'000

Group

410,721

10. Taxation

Taxation comprises of the following:

| | Individual Quarter | | Cumulative Quarter | |
|--------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | Three months to 30/04/2021 | Three months to 30/04/2020 | Three months to 30/04/2021 | Three months to 30/04/2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current taxation: | | | | |
| Malaysian taxation | 14,548 | 6,686 | 14,548 | 6,686 |
| Foreign taxation | 14,242 | 19,624 | 14,242 | 19,624 |
| Deferred taxation | 9,402 | (4,027) | 9,402 | (4,027) |
| | <u>38,192</u> | <u>22,283</u> | <u>38,192</u> | <u>22,283</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 and not completed as at the date of this announcement.

12. Borrowings

(a) Included in the Group's borrowings are as follows:

| | 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 |
| As at 30 April 2021 | | | | | | |
| Unsecured | | | | | | |
| Revolving credits | - | 198,292 | - | - | - | 198,292 |
| Trade financing | - | 154,600 | - | - | - | 154,600 |
| Term loans | - | - | 2,419,102 | 826,308 | 2,419,102 | 826,308 |
| Sukuk Programme | - | - | 510,370 | 6,380,202 | 510,370 | 6,380,202 |
| | - | <u>352,892</u> | <u>2,929,472</u> | <u>7,206,510</u> | <u>2,929,472</u> | <u>7,559,402</u> |
| Total | | <u>352,892</u> | | <u>10,135,982</u> | | <u>10,488,874</u> |

12. Borrowings (cont'd.)

(a) Included in the Group's borrowings are as follows (cont'd.):

| | Short term borrowings | | Long term borrowings | | Total borrowings | |
|----------------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|------------------------|
| | USD | RM | USD | RM | USD | RM |
| | denomination RM'000 | denomination RM'000 | denomination RM'000 | denomination RM'000 | denomination RM'000 | denomination RM'000 |
| As at 31 January 2021 | | | | | | |
| Unsecured | | | | | | |
| Revolving credits | 721,888 | 1,040,968 | - | - | 721,888 | 1,040,968 |
| Trade financing | - | 93,251 | - | - | - | 93,251 |
| Term loans | 86,780 | - | 2,666,435 | - | 2,753,215 | - |
| Islamic Facility | 635,063 | 522,580 | - | - | 635,063 | 522,580 |
| Sukuk Programme | - | 162,927 | 1,113,078 | 3,289,212 | 1,113,078 | 3,452,139 |
| | <u>1,443,731</u> | <u>1,819,726</u> | <u>3,779,513</u> | <u>3,289,212</u> | <u>5,223,244</u> | <u>5,108,938</u> |
| Total | | <u>3,263,457</u> | | <u>7,068,725</u> | | <u>10,332,182</u> |

(b) Other information relating to borrowings:

- (i) On 26 February 2021, the Company through its wholly-owned subsidiary, Sapura TMC, had signed an agreement for its additional working capital facilities of up to RM700 million with Maybank Islamic Berhad ("Maybank Islamic Facility").

With the acceptance of the Maybank Islamic Facility, the total facilities available for working capital purposes is now approximately RM1.2 billion being the combined value with the existing Multi-Option line under Trade Financing of up to USD135 million secured from CIMB Bank Berhad in November 2019, through its wholly-owned subsidiary, Sapura Fabrication Sdn. Bhd..

- (ii) On 29 March 2021, Sapura TMC had executed multi-currency financing facilities agreements (collectively, the "MCF 2021") consisting of:

(a) the Conventional Facilities Agreement 2021; and

(b) the Sukuk Murabahah Issuance 2021 under the Multi-Currency Sukuk Programme (as described in the Company's announcement dated 8 September 2015)

with a consortium of Malaysian banks for the Sukuk Murabahah Issuance 2021 and Malaysian, regional and international banks for the Conventional Facilities Agreement 2021.

The relevant participating banks have made available and Sapura TMC has drawn down the USD term loan facility of approximately USD602.1 million and the RM term loan facility of RM906.0 million under the Conventional Facilities Agreement 2021. In addition, Sapura TMC has also made further issuance of Sukuk Murabahah amounting to RM6,380.2 million and USD124.5 million in nominal value under the Multi-Currency Sukuk Programme.

12. Borrowings (cont'd.)

(b) Other information relating to borrowings (cont'd.):

(ii) (cont'd.)

The proceeds from the MCF 2021 have been utilised towards full settlement of all amounts payable and outstanding by Sapura TMC under a 2014 conventional facility, a 2015 Islamic facility, a 2017 conventional facility and the existing outstanding Sukuk Murabahah under the Multi-Currency Sukuk Programme.

The MCF 2021 has a tenure of 7 years and is guaranteed by the Company and material subsidiaries within the Group. The security package and restrictions for the MCF 2021, comprise, among others, a negative pledge over all assets of the Group (save for certain permitted security), debenture over Sapura TMC and assignments and charges over certain bank accounts.

The Group's short term borrowings of RM3.1 billion as at 31 March 2021 been reclassified as long term borrowings thereafter.

(iii) On 22 June 2021, the Company through its wholly-owned subsidiary , Sapura TMC had;

(a) made a lodgement to the Securities Commission Malaysia ("SC") for the purpose of effecting the upsizing and revision of terms of the existing Multi-Currency Sukuk Programme of up to RM7.0 billion in Nominal Value to up to RM10.0 billion in Nominal Value established by Sapura TMC ("Proposal") under the SC's new Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework; and

(b) duly executed the transaction documents for the Multi-Currency Sukuk Programme to reflect the Proposal.

Upon lodgement with SC on 22 June 2021, the Multi-Currency Sukuk Programme has been upsized to up to RM10.0 billion in nominal value (or the equivalent of USD, converted at a notional exchange rate of USD1.00=MYR4.15, and will continue to be guaranteed by the Company and the identified material subsidiaries within the Group. The existing security package for the Multi-Currency Sukuk Programme which comprise a debenture over Sapura TMC and assignments and charges over certain bank accounts, shall remain unchanged.

The Proposal is part of the Group's long-term capital management programme whereby the upsizing of the limit of the Multi-Currency Sukuk Programme to up to RM10.0 billion in nominal value would provide additional headroom for lenders to participate in the Multi-Currency Sukuk Programme as an alternative funding platform for the Group moving forward.

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 2021 | | As at 31 January 2021 | |
|-------------------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|
| | Notional Value RM'000 | Assets Fair Value RM'000 | Notional Value RM'000 | Assets Fair Value RM'000 |
| 5 years Islamic Cross-Currency Swap | 2,528,606 | 19,164 | 2,528,606 | 55,083 |

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.

In the current quarter, the cumulative amount in the cash flow hedge has been reclassified to profit or loss due to discontinuance of hedge accounting, upon completion of the refinancing as described in Note 12 (b)(ii). The ICRCS contracts remain in effect as at 30 April 2021.

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).

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 USD3,009,789 by the arbitral tribunal, comprised of work done of USD1,983,521 (subject to 4.368% withholding tax to be deducted by ONGC) and interest of USD1,026,267 (subject to income tax of 43.68%).

14. Material litigation (cont'd.)

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

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.

The application of ONGC for correction of the errors in the award was allowed by the tribunal on 29 August 2020. The total amount payable by ONGC as per the Final Award is USD413,037 ("Final Award"). The tribunal initially awarded SESSB a sum of USD3,009,789 ("First Award"). The difference between the First Award and the Final award is in the sum of USD2,596,752. Parties will have 90 days from the date of the Final Award to file an appeal to the courts.

SESSB's solicitor has accordingly advised that the Tribunal's decision will not affect SESSB's position in respect of its challenge to the Final Award and as such, SESSB has instructed the counsel in charge for this matter to file an appeal against the Final Award dated 29 August 2020. The Appeal was duly filed on 8 December 2020. The matter is now pending admission stage where it is to be listed for hearing upon filing of the Petition.

As of 12 May 2021, the SESSB's Appeal against the Final Award has yet to be listed for hearing.

For the sums awarded to SESSB under the Final Award which are not being appealed against, a Letter of Demand was issued to ONGC on 7 May 2021 to demand for the sum of INR19,693,815 and USD146,904.

(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").

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 and RM16,785,227 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.

14. Material litigation (cont'd.)

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

On 26 April 2018, SFSB responded to PML's claim and made a counter claim for a total amount of RM13,521,495.

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 hearing proceeded on 26, 27 and 28 April 2021 as scheduled with 2 of PML's witnesses giving their evidences. The hearing will continue on the following dates:

- (i) 26, 27, 28 & 30 April 2021;
- (ii) 3, 4, 5, 6, 7 & 10 May 2021;
- (iii) 20 September 2021 to 24 September 2021;
- (iv) 27 September 2021 to 1 October 2021; and
- (v) 4 October 2021 to 6 October 2021.

During the case management fixed on 6 April 2021, the tribunal has vacated May 2021 dates as two of the PML's witnesses are unable to attend the upcoming April 2021 and May 2021 tranche of hearing dates due to their work arrangement.

The hearing proceeded on 26, 27 and 28 April 2021 as scheduled with 2 of PML's witnesses giving their evidences. The hearing will continue on the following dates:

- (a) The upcoming hearing will proceed on:
 - (i) 20 September 2021 to 24 September 2021;
 - (ii) 27 September 2021 to 1 October 2021; and
 - (iii) 4 October 2021 to 6 October 2021.

(b) Further hearing dates were fixed and they are set out as follows:

- (i) 7 & 8 October 2021;
- (ii) 7 February 2022 to 11 February 2022;
- (iii) 24 January 2022 to 28 January 2022; and
- (iv) 17 May 2022 to 20 May 2022.

14. Material litigation (cont'd.)

(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 filed their Statement of Claims for the sum of USD84,606,035 on 29 March 2021, to be followed by CELSE's Statement of Defense on 28 May 2021, Replies on 28 June 2021, Rejoinders on 28 July 2021 and submissions on the issues to be determined by the Arbitral Tribunal on 27 August 2021, together with Parties' request for additional evidence. After that, a hearing for the presentation of the case shall take place.

CELSE's counter claim against SE Brasil amounted to USD89,799,186 for delay penalties, damages and/or expenses due to failure to perform the contract, breach of warranty provision and claim for warranty extension items which CELSE had or will have to perform correction given SE Brasil's inaction.

15. Review of Group Performance

15.1 Current quarter vs. corresponding quarter of the preceding year

| | Individual Quarter Three months to | | Changes % |
|--|---------------------------------------|----------------------|--------------|
| | 30/04/2021 RM'000 | 30/04/2020 RM'000 | |
| Revenue | 1,470,594 | 1,356,662 | 8.4 |
| Operating profit | 194,211 | 169,341 | 14.7 |
| (Loss)/profit before taxation | (64,010) | 36,191 | (>100.0) |
| (Loss)/profit after taxation | (102,202) | 13,908 | (>100.0) |
| (Loss)/profit attributable to owners of the Parent | (97,074) | 14,207 | (>100.0) |

The Group revenue of RM1,470.6 million was 8.4% higher than RM1,356.7 million in the corresponding quarter of the preceding year ("Q1 FY2021"), mainly attributable to the higher revenue from E&C and Drilling business segments in line with the progress of projects being executed and higher average day rates accordingly in the current quarter.

The Group recorded a loss before taxation of RM64.0 million in the current quarter, compared to a profit before taxation of RM36.2 million in Q1 FY2021. The decrease is mainly contributed by unfavourable effect of US Dollar exchange rate against Ringgit Malaysia and lower share of profit from associates and joint ventures.

15.2 Current quarter vs. immediate preceding quarter

| | Individual Quarter Three months to | | Changes % |
|---|---------------------------------------|----------------------|--------------|
| | 30/04/2021 RM'000 | 31/01/2021 RM'000 | |
| Revenue | 1,470,594 | 1,443,544 | 1.9 |
| Operating profit | 194,211 | 87,246 | >100.0 |
| Loss before taxation | (64,010) | (180,276) | 64.5 |
| Loss after taxation | (102,202) | (215,313) | 52.5 |
| Loss attributable to owners of the Parent | (97,074) | (216,026) | 55.1 |

The Group revenue of RM1,470.6 million was 1.9% higher than the immediate preceding quarter ("Q4 FY2021") of RM1,443.5 million, primarily due to the higher revenue from Drilling business segment.

In the current quarter, the Group recorded a loss before taxation of RM64.0 million which was RM116.3 million lower than RM180.3 million loss before taxation in Q4 FY2021, mainly due to higher project margin from E&C business segment and improved margins from operating rigs from Drilling business segment.

16. Segment information

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

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

Effective from Financial Year 2022, the Group organised its businesses as follows:

- (i) Engineering and Construction ("E&C")
- (ii) Operations and Maintenance ("O&M")
- (iii) Drilling;
- (iv) Exploration and Production ("E&P"); and
- (v) Corporate

Following change in composition of operating segments, corresponding reclassifications have been made to the prior year's results for fair comparison of operational performance.

| | Three months to 30/04/2021 | |
|---|-----------------------------------|----------------------|
| | Revenue | Profit/(loss) |
| | RM'000 | RM'000 |
| E&C | 1,133,670 | 51,085 |
| O&M | 114,829 | 3,156 |
| Drilling | 251,784 | 22,095 |
| E&P | - | 51,976 |
| | 1,500,283 | 128,312 |
| Corporate expenses and eliminations | (29,689) | (192,322) |
| Group revenue / loss before taxation | 1,470,594 | (64,010) |

16. Segment information (cont'd.)

16.1 Current quarter vs. corresponding quarter of the preceding year

| | Revenue | | | Profit/(loss) before tax | | |
|---|-------------------------|-------------------------|------------|--------------------------|----------------------|--------------------|
| | Three months to | | | Three months to | | |
| | 30/04/2021 | 30/04/2020 | Changes | 30/04/2021 | 30/04/2020 | Changes |
| | RM'000 | RM'000 | % | RM'000 | RM'000 | % |
| Business Segments: | | | | | | |
| E&C | 1,133,670 | 966,459 | 17.3 | 51,085 | 125,395 | (59.3) |
| O&M | 114,829 | 159,628 | (28.1) | 3,156 | (1,493) | >100.0 |
| Drilling | 251,784 | 240,872 | 4.5 | 22,095 | (14,931) | >100.0 |
| E&P | - | - | - | 51,976 | (6,081) | >100.0 |
| | <u>1,500,283</u> | <u>1,366,959</u> | | <u>128,312</u> | <u>102,890</u> | |
| Corporate expenses and eliminations | <u>(29,689)</u> | <u>(10,297)</u> | (>100.0) | <u>(192,322)</u> | <u>(66,699)</u> | (>100.0) |
| Group revenue/ (loss)/profit before taxation | <u>1,470,594</u> | <u>1,356,662</u> | 8.4 | <u>(64,010)</u> | <u>36,191</u> | (>100.0) |

Business Segments:

Engineering and Construction

The segment recorded revenue of RM1,133.7 million, which was 17.3% higher than the revenue of RM966.5 million in Q1 FY2021, primarily due to higher activities in line with the progress of projects being executed.

The segment recorded a profit before taxation of RM51.1 million which was lower by RM74.3 million compared to RM125.4 million in Q1 FY2021 mainly due to lower share of profit from associates and joint ventures.

Operations and Maintenance

The segment recorded revenue of RM114.8 million, which was 28.1% lower than the revenue of RM159.6 million in Q1 FY2021, primarily due to lower activities during the current quarter.

The segment recorded a profit before taxation of RM3.2 million which was higher by RM4.6 million compared to a loss before taxation of RM1.5 million in Q1 FY2021 mainly due to lower operating cost during the current quarter.

Drilling

The segment revenue for the current quarter of RM251.8 million was higher by 4.5% compared to the revenue of RM240.9 million in Q1 FY2021 mainly due to increase in rig activities from mobilisation and demobilisation activities in the current quarter.

The segment recorded a profit before taxation of RM22.1 million, which was higher by RM37.0 million compared to a loss before taxation of RM14.9 million in Q1 FY2021 mainly due to the higher revenue, improved margins from operating rigs during the quarter and lower interest expense.

Exploration and Production

The segment recorded a profit before taxation of RM52.0 million, which was higher by RM58.1 million compared to a loss before taxation of RM6.1 million in Q1 FY2021 mainly contributed by higher gas production following SK408 GoLaBa fully on stream in 2021 and the effect of the higher average realised oil price achieved in the current quarter.

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.

17.2 Trade and other receivables and contract assets

| | As at 30/04/2021 | As at 31/01/2021 |
|---|---------------------|---------------------|
| | RM'000 | RM'000 |
| Non-current | | |
| Trade receivables | 24,334 | 24,844 |
| Other receivables | 19,282 | 19,282 |
| Total non-current trade and other receivables | 43,616 | 44,126 |
| Current | | |
| Trade receivables | 814,976 | 716,207 |
| Less: Provision for expected credit loss | (39,175) | (39,175) |
| | 775,801 | 677,032 |
| Other receivables | 787,684 | 795,986 |
| Less: Provision for expected credit loss | (38,690) | (38,690) |
| | 748,994 | 757,296 |
| Total current trade and other receivables | 1,524,795 | 1,434,328 |
| Contract assets | 1,940,653 | 1,752,716 |
| Total trade and other receivables and contract assets | 3,509,064 | 3,231,170 |

Trade receivables are non-interest bearing. The Group's normal trade credit term ranges from 30 to 90 days (as at 31 January 2021: 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

Global oil demand is forecasted to rebound in this year and expected to further increase in 2022. The recovery will be uneven not only amongst regions but across sectors. While the end of the pandemic is in sight in advanced economies, slow vaccine distribution could still jeopardise the recovery in developing countries. Crude prices rose over the past months, with the Brent price having reached \$75/bbl.

The Group will continue to focus on managing the impacts arising from the COVID-19 pandemic. Our business continuity practices remain in force as we prioritise the health of our employees and contractors while delivering on our projects. At the end of the quarter, the accumulated pandemic financial impact suffered by the Group amounted to RM328 million which the Group is currently engaging with our clients to acknowledge and resolve these costs. The Group continues to focus on enhancing its operational performance through the implementation of revenue and cost optimisation measures as well as initiatives to improve operational efficiency and productivity. Of the identified RM1.3 billion optimisation initiatives, the Group has to date successfully implemented approximately RM800 million worth of initiatives of which RM440 million have been realised.

The Group's orderbook stands at RM11.8 billion, of which RM6.0 billion are within subsidiaries. Although the industry have yet to see significant acceleration in capex spending by oil majors and national oil companies currently, we expect the positive outlook will take hold in the second half of the year and beyond, which will translate into increased activities levels for our sector. The Group's bids and prospects opportunity currently stands at approximately RM147 billion, of which ~RM7 billion represents opportunities in offshore wind.

The E&P segment, through SapuraOMV Upstream (Malaysia) Inc, has entered into a sales and purchase agreement with Jadestone Energy plc for the divestment of oil assets in Peninsular Malaysia. The transaction is expected to complete in the second half of the year 2021. This divestment is aligned with our strategy to improving our assets portfolio and strengthening our financial position. For the development projects, SK408 Jerun development is progressing as planned.

The Group has recently announced the upsizing of its Multi-Currency Sukuk Programme from RM7 billion to up to RM10 billion in nominal value. This would provide additional headroom for lenders to participate in the Multi-Currency Sukuk Programme as an alternative funding platform for the Group moving forward.

The Board is cautiously optimistic that the Group is well positioned to deliver resilient performance in FY2022.

(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. (Loss)/earning per share

| | Individual Quarter | | Cumulative Quarter | |
|--|-------------------------------|------------|-------------------------------|------------|
| | Three months to 30/04/2021 | 30/04/2020 | Three months to 30/04/2021 | 30/04/2020 |
| Basic/Diluted | | | | |
| (Loss)/profit attributable to owners of the Parent (RM'000) | (97,074) | 14,207 | (97,074) | 14,207 |
| Weighted average number of ordinary shares in issue excluding shares held under trust ('000): | | | | |
| - Basic/Diluted * | 15,971,804 | 15,971,804 | 15,971,804 | 15,971,804 |
| (Loss)/earning per shares (sen) | | | | |
| - Basic/Diluted * | (0.61) | 0.09 | (0.61) | 0.09 |

* Rights issue of RCPS-i and warrants of 2,396,862,035 units and 998,692,020 units respectively, as well as 691,938,153 and 586,388,264 options under the ESOS granted 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 2021