Datuk Mohd Anuar Taib, Group Chief Executive Officer

Assalamualaikum and good afternoon to all.

First of all, thank you very much for joining us this evening. Today we have just released our quarter one full year for Year 2022 results. I think it's about half an hour ago.

What I would like to go through today is that I'll talk about the state of the industry, state of the business today.

Where we manage the COVID-19 issues in our operation, as well as our kind of long-term road map that will support us for sustainability and energy transition.

Afterward En. Reza will talk about our quarter one performance and followed by the individual CEOs to talk about the business updates in their segment and then I'll close the session.

So, if you look at it, whilst many have actually talk about the improvement in the oil price, the business and the operating environment still remains very challenging. You know we do have a lot of activities that we have completed, and we are still continuing with projects like 98/2 PRP 7 in Brunei, Bakong in Sarawak and we have fabrication work in our Lumut yard ongoing for you know, Mubadala's Pegaga in Sarawak, 98/2 in India and HESS Phase 3 as well as Phase 4.

So those activities continue but it is, I must say very much hampered by the uncertainties and also new rules that is being put with regards to COVID in not only in Malaysia, but also in other countries. Every countries have different rules with regards to quarantine, movement control and things like that.

We have seen for this quarter, a significant improvement in the drilling results. I think that is something that we will elaborate later, but in whatever that we do, our focus is always the same: Keep our people safe.

Because without their day-to-day, this is a challenging business from a safety perspective. I want everybody to be able to go out there, work for us and come back to their loved ones alive, healthy and we would be able to continue working for us in the next stage.

Now we need to continue with our journey for this discipline in operational excellence. And at the same time, one thing that we learned about COVID-19: Whatever that you plan be prepared to change it.

Because different jurisdiction will do it in a different manner. What is acceptable on one side of the border, will not be acceptable on the other side of the border, so this agility of managing COVID-19 impact, is absolutely crucial.

So, we talked about the business. We're cautious about the challenge.

But it's $75.00 a barrel our E&P business can show a significant gain for this quarter. What we are looking for, which we haven't seen, because of the uncertainty with regard to the recovery because of COVID.

We think there'll be an uneven economic recovery that led to maybe slower award of contracts by our client to the E&C and O&M segment of the business.

So, high oil price means E&P production is improving but it takes a bit of a while before our client, for E&C, O&M and Drilling to actually start reactivating the activities.

We are hopeful that the later part of this year, and next year will change.

We closed the quarter with about 11.8 billion ringgit in order book.

We continue you know, partly because you know, we are also being selective in submitting our bids. But at the same time, we have in our hands bits and prospects in the range of 147 billion. I think we will also have a funnel of this particular item later in my presentation.

So as far as COVID is concerned, I think this quarter, we have been impacted. We logged another 42 million ringgit worth of COVID cost, with an accumulated cost of around RM 320,000,000 today.

So these are you know standby costs of quarantine. Sometimes client will descope our contract and reduce the revenue.

But all of these we will have continuous conversation with our clients in terms of claiming many of those change in condition of the contracts as part of the cost, a settlement that we are working throughout the year.

But some of the ways that we manage our business to make sure that people are safe: We have bi-weekly sampling of our personnel in the yard in Lumut.

I think we do it every every, I think it's a Monday or Tuesday. But every other week we do that.

On the first of June, we tested everybody who's going to go and work in the yard with the RTK-Antigen test. So, 4,530 people were tested, but I think it's a really good exercise for making sure that we get this contained as much as we can.

We have protocol for offshore, we have protocol for office. We are now working very hard, with many authorities to ensure that we could secure vaccines for our employees, especially the front liners. The one who has to work offshore, the one who has to work in the yard. I think that's a key for us.

At the end of it, whilst we deal with day-to-day quarter by quarter results, we are actually governed by what we call a kind of roadmap towards energy transition for Sapura.

So, what we want to be, is to be a trusted, sustainable global energy and solutions company. So, the E&C, O&M and Drilling are solutions and E&P is energy.

As far as strategy is concerned, we put it into three horizons. Today, we got to go do a lot of self-help. We need to improve our performance, and this is what we call a performance acceleration, so you'll see a lot of acceleration programme, cost reduction, right sizing the organisation, yard digitalisation. So, those are the operational excellence that we must continue to do.

We’re working on it, but hoping by 2023, we will reach what we call portfolio evolution.

We will change the shape of our portfolio. There will be like I mentioned before in one of my interviews, is that there will be some divestment and there will be some shift in our portfolio, so that we can unlock new opportunities.

And by the end of 2026, we're hoping that we will actually branch out to both oil and gas, where this is our core business today and to also have a have a healthy exposure to the renewable side and rise through the energy transition.

So those are the three strategic horizons that we have.

The focus you know it's consistent throughout the many years. Different priority this year, the focus is four - safety first, operational excellence, create financial headroom, and we work on people and culture. If you think about it safety first is very apt this year.

Uncertainties bring a lot of challenges in safety, especially with COVID. So that's we need to make sure that everybody who works with us can go home safely.

Then we talk about the operational excellence. In the short term, that's what we'll keep us abreast, deliver what we promised to deliver, pay vendors so that we can be competitive in the next bid and continue to work through that.

In the past 6-7 months we have worked through our financial or refinancing so it would have given us a little bit of financial breathing room, but it's not enough. We have USD2.5 billion or MYR 10 billion worth of debt that we have restructured or we every refinance.

But we do need to reduce that debt burden significantly in the next couple of years. And of course, we work on people and culture. We want to change it, change our culture to be, clear accountability, have the agility to work through the difficult times and that we call it as you know, the foundation of who we are.

Practically Sapura Energy is about the 10,000 people that we have, and you can see or hear more about acronyms a lot more, “S.H.A.R.P builds Trust”.

What sharp stands for – safety, honest, agile, respectful and professional. And the thing that we would like to have with our people is that when they do, when they deliver things for our clients and our stakeholders, they feel purposeful, they think entrepreneurially, and they behave ethically.

With that I would like to hand it over to Reza for the for the finance part of it.

Reza Abdul Rahim, Group Chief Financial Officer

Thank you, Datuk Anuar. So, on our results for quarter one you can see on this page. We've seen an increase in revenue.

Revenue has gone up to about 1.47 billion ringgit for the quarter, compared to Q4 and also compared to Q1 of last year. In terms of EBITDA, we are reporting an EBITDA of 157 million.

That is an improvement from Q4 of last year. However, a slight decline from Q1, a year ago. In terms of EBITDA margin, our group EBITDA margin is at eleven percent and in terms of profitability, we are reporting a loss. So, the loss that we are reporting for this quarter is 97 million ringgit loss after tax and after minority interest.

We have also shown here and normalised figure, because within our performance for the quarter, there are at least one-off impact arising from when we did the refinancing, so that comes to about 48 million.

That is coming from some of the unamortised borrowing costs that we had in the balance sheet. We've had to amortise those because of the refinancing as well as there is a re-designation of the hedging instrument rising from the refinancing. So, the impact of that is one-off, about 48 million in total.

Now, when you look at the performance against Q1, the lower EBITDA was mainly, if you see the effect of the currency had impacted our EBITDA for this quarter against Q4. The improvement in EBITDA is mainly coming from the higher contribution from the segments and especially Drilling. After this you will see the EBITDA from Drilling has increased for the quarter.

This is despite, you know, of the standby weather conditions as well as the costs arising from COVID-19 that we are still experiencing.

I think the improvement in EBITDA is really coming from operation - both E&C, O&M and especially Drilling.

Will give a bit more colour and detail on the segmental performance so you can see their E&C, O&M and Drilling. E&C has seen an improvement in EBITDA compared to Q4 of last year. So, E&C is showing 98 million ringgit of EBITDA and EBITDA margin is 9%.

This is the first quarter where we're splitting E&C into E&C and O&M. So now we are showing the O&M as a separate segment.

Later on, you'll have a bit more description of what's in O&M, but in terms of contribution from it to EBITDA it's about 7 million and the EBIDTA margin is about 6 percent.

On the drilling side, here you can see the Drilling EBITDA is 130 million ringgits for the quarter with the EBITDA margin of 52 percent. We've seen an increase in the EBIDTA margin for Drilling, mainly due to the higher number of working rigs, especially with the recommencement of Jaya and T-9 operations and of course, improved operating margins for Drilling.

On the E&P side you can see the share of profits from SapuraOMV has increased. The share of profits for E&P under SapuraOMV is 52 million.

E&P is profitable. This is on the back of higher oil prices as well as higher production.

Now in terms of the contribution from associates and JV's, we've provided here at the table, so that you can see the breakdown of the contribution from the associates and JV's. E&P is SapuraOMV, E&C is primarily Brazil. O&M is mainly our joint venture with Baker Hughes, SapuraBH interms of the turbine maintenance business.

A bit of cash flow and balance sheet highlights. Our cash at the end of the quarter is 571, so that's an increase from beginning of the year or at the end of last year from 489 million.

Our net-debt-to-equity remains at about 1.1, so it's 1.1 times as end of April. As of January it was 1.10.

In terms of the balance sheet, we have now reclassed about 3.1 billion of our earlier short-term debt into long term.

So, we are now in a net current asset position and in terms of working capital we still have about 850 million ringgit of unutilised working capital lines as at end of quarter one.

Next, I'll hand over to Zakir to give a bit more color on the E&C business.

Ahmad Zakiruddin, Chief Executive Officer – Engineering & Construction

Thank you, Reza. Good evening everyone.

So, from an E&C standpoint as we continue to execute work in the different regions where we operate, we have 37 ongoing projects.

We had 5 projects that were completed in the first quarter of this financial year. We continue to do installation work offshore Taiwan for the Yunlin project.

Pegaga, from a fabrication standpoint coming very close to the loadout and sail away date. We ended the quarter about 96% complete on fabrication, and in the same quarter we also did some key work offshore, mainly the work of the East Coast of India for 98/2, where we finished the installation of the CPP and flare jacket, offshore of Kakinada.

In the yard, active projects for Pegaga as I mentioned before the 98/2 CPP and LQ is also ongoing. HESS Phase 3 is also ongoing. Hess phase 4 will be what's coming next in the yard - we are scheduled to be cutting steel there in September.

We've got just over 3,000 people working day at the moment. We're working under the SOP that's driven by the current MCO. So, we had about 60% capacity but at the moment all work still remain on track for the 3 projects that's currently ongoing there. Vessel utilisation stands at 52%.

Key activity for the quarter apart from 98/2 and Yunlin - is also PRP 7 offshore Brunei and Bakau work for structural installation in pipeline Pan Malaysia work that we did offshore Sarawak.

Brazil in the quarter, we have 5 vessels working in Brazil, including Topazio, who's doing some work for Petro Rio. After she came off contract from Petrobras in December. Utilisation ranges from 70% to 100%. The vessels that are still on contract with Petrobras are still averaging 98%. The lower utilisation is coming from the other 2 vessels that are not currently on the Petrobras contract.

Diamante completed the Christmas tree installation for E&I in Mozambique, so that work is done, and we are currently in tendering stage or pursuing a three and a half year charter contract with Petrobras.

Nasri Mehat, Chief Executive Officer – Operations and Maintenance

Thank you, Zakir. Good evening everyone.

Probably I should start with a bit of introduction of what is O&M is all about. It's a unique portfolio of services to the oil and gas industry.

Why we say it is unique, because it cuts across the development and also the production stage of the oil and gas life cycle.

We do commissioning work on a Greenfield, which is a new facility. We do hook-up and commissioning, and we commission where we hand over to the clients. They will start their production and operation.

Where we will also get involved in the topside maintenance, major maintenance, structural maintenance, and the maintenance work that's required to operate and maintain the facilities.

So, we provide both in the hook-up and commissioning and offsite maintenance. We have 13 projects ongoing in the quarter.

We also have a set of an accommodation workbook and work barge fleet that are supporting our hook-up and commissioning and topside maintenance project.

At the moment, as at the end of the quarter, we have achieved 55% utilisation rate for that project.

Traditionally in the space of hook-up, commissioning and topside maintenance, we are low in terms of activities in Q1.

Because most of our peak activities will come in Q2 and Q3 offshore activities in the industry. It is well-known that all operators will try to avoid executing work during the monsoon season, which is from October and November to March. So, it is quite normal to have low volume in the first quarter of the year. We expect to pick up in quarter 2 and quarter 3.

Moving forward, we also have geoscience business. Essentially doing subsurface producing borehole result, taking soil samples to support the design of the foundation and also the structural foundation for various facilities. We also do Geoservice - picking up data for the positioning and the special study for the offshore facilities.

At the moment, we have one marine vessel supporting Geoscience business, Sapura Wira, and we have managed to achieve 52% utilisation in Q1.

Also, in the O&M umbrella, we have what we call technology services, essentially in essence is comprised of three main sub businesses.

One is the plant and equipment maintenance services, we do crane maintenance, we do other equipment maintenance especially on the onshore part of the industry.

When I was mentioning the hook-up commissioning and topside maintenance just now, that was the offshore segment of the maintenance. Technology services currently focuses on onshore plant maintenance as well as some crane maintenance at the offshore as well.

We also do a bit of specialised services relating to the provision of point of sales and also the outdoor payment terminal for petrol stations. Currently servicing Petronas Dagangan, and we are currently servicing 500 plus petrol station throughout Malaysia.

Last but not least, we have a turbo-machinery business. We are in a joint venture with Baker Huges. We have been in joint venture with Baker Hughes for many years.

Yes, we have a long-term contract under this JV, until the next 10 years. We see a very positive potential in this business. We have managed to actually secure or benefit from the technology transfer from our joint venture partner and currently we have 11 active projects, including one major project with MLNG with a 10-year long-term contract.

So that basically wraps up the O&M coverage.

Thank you.

Over to you Raphael.

Raphael Siri, Chief Executive Officer – Drilling Business

Hi and good afternoon everybody. So, on the Drilling side, we had a very sound quarter with increased activity. In fact, as we expected and hinted last quarter.

7 rigs were working, and they are actively working. So, this is good for other results of this year. The operation performance as well was very robust as it is shown in our technical utilisation. And so, as such, it delivered a strong EBITDA like you saw earlier from the group.

We also made some good progress on client's discussions to secure future works. So, we remain cautiously optimistic.

So overall I would say a very sound quarter.

Delivered by the Drilling team.

Thank you.

Zamri, over to you.

Zamri Jusoh, Chief Executive Officer – SapuraOMV Upstream

Thank you, Raphael. Good afternoon or good evening everyone.

On E&P side also we've seen a very strong performance for the quarter.

We lifted about 3.5 million barrel or equivalent in the last quarter. So, you can see the average production now is hitting close to about 37,000 barrels a day equivalent.

What has helped our performance, in addition to strong production reliability is also of course the average realised price for the quarter, which is about USD64.00 a barrel.

So now our outlook, we are looking at an average of about maybe USD63 to USD65 for the year 2021.

I think we all know the brent price today is slightly above USD74 it has hit USD75 at some point.

I think the outlook is promising. I think so long as the the OPEC+ alliance maintain the output restring and also you know, with the world started to open up a post COVID-19. I think then we will see you know a steady recovery.

On the operational side, we continue to register a very strong HSSE performance. We have more than 1,450 days of LTI, lost time incident free days dated back since June 2017.

On the asset site, so we brought on stream three fields last year. Gorek, Larak and Bakong (GoLaBa) and we are registering a very steady production from all of our assets in the last quarter.

Our major project undertaking, Jerun now has progressed to the execute phase after we took the final investment decision in March. So, now the project is progressing very well.

On the next big project that we have: B14. We also have some positive development whereby now there's a clear steer from PETRONAS for us to work closely with PTTEP's Lang-Lebah, so this is another project within the sour gas corridor in Sarawak that is taking shape right now, so we will look at you know, how we can synergise the two projects for us to optimise costs and also look at, you know, how best to bring these two fields within the timeline that PETRONAS stipulated. It will be part of this, SISGES phase 2. SISGES stands for Sarawak Integrated Sour Gas Evacuation System.

So, this is one of the major onshore undertakings essentially having a new onshore gas processing plant to feed into MLNG, so we are going to be part of that as well.

And as we have announced in late April that we are divesting our PM (Peninsular Malaysia) assets so that is also progressing well. We are in the middle of the transition process now and we hope that we will close this perhaps in the next month or early August this year.

Beyond Malaysia, in Mexico we will mature the first exploration well campaign. We are planning to drill two wells next year, so that is in FY23.

In Australia, we are also happy to inform you that we have won three new permits from the 2019 bid round and we have also farmed-in into a CP50. There was owned by Neptune before, so we are expanding our footprint in this very interesting basin in the Vulkan sub-basin area.

In New Zealand, we are maturing the Toutouwai discovery, and we are essentially having plans now to drill the appraisal most likely in the year 2023. Quite promising opportunities.

That's about it for E&P. So, I'm going to hand it over back to Datuk Anuar.

Datuk Mohd Anuar Taib, Group Chief Executive Officer

Thank you, Zamri. As we stand today our order book is about 11.8 billion and you can see where the splits are. We split it in accordance to whether it's our subsidiaries or jointly control entities of which that 11.8 billion, six about half is on each side. A portion of it, or what we call E&C joint control entities - that's practically Brazil, and we also have the O&M jointly controlled entities. That's Baker Hughes joint venture that we have. But what it means is that the remaining orderbook that we think will be recognised this year, about 4.6 billion on the subsidiaries in 1.2 in the jointly control entity.

And for the good thing is that for this year we have recognised 95% of expected revenue for the year, so we are very optimistic that we will exceed the Financial Year 21 revenue that you saw last year.

So, we also watch what we call a business sustainability funnel. So, if you look at on the right, that's what I just mentioned to you. There's an order book by 11.8 billion.

In addition to that, we have about 29 billion ringgit worth of opportunities. That's bids that we have submitted to the various clients around the world.

Then left to it, that's about 25 billion ringgit worth or what I call a bid in progress. We are working it, churning it through the through the bidding team, but yet to be submitted to the client, partly because the submission date is not there yet. So, within the two, 29 and 25 - that's roughly about 54 billion and the split by the region were as above. It was a typo. It's not 51, should have been a 54, about 4% in Malaysia, 16% in Asia Pacific, Middle East and India carries about 37% and the remaining is about America, South Africa.

And left to it, is what we call prospects. So, these are where we have been qualified, so that's about 93 billion ringgit worth of opportunity.

So, what we see is that, we are trying to keep this funnel going. And so, it will ensure that we would always be sustainable as we go along. Things will have to mature at the right time. Where I start to get a bit more concerned is that we can see some of the bids in progress or prospect may not move to the right fast enough because of the uncertainty that is being provided by the environment and the business environment that we have.

But I could assure you is that we have both short-term delivery quarter-by-quarter, day-by-day kind of approach focused as well as looking at the long-term sustainable, sustainability of the company.

So, this is also, on regular basis we need to go and look at ourselves, and put a mirror against our peers in the industry.

So, these are the likes of Saipem, Subsea 7, Technip, MMHE, and in Drilling we usually measure ourselves against our brethren Velesto to and some others in the region.

So, if you look at it, because we need to blind it, so we can't tell which one is which. But if you were to look at our revenue, it's about 350 million USD and if we are compared to those with the highest revenue, we are a lot lower than them.

But when you look at EBIDTA, our EBITDA is within the range of the peers at 39 million. So, some are lower than us. Some are better than us. We are about that. But the margin we're in the same ballpark.

So that is a good sign for us, and in terms of when I look at the rest of our peers, many of us are still suffering the challenge of the industry. I think as an industry we still struggle collectively. But then again, you know, does it mean that it gives us any excuse to just be, you know, be thankful to where we are. We are not happy with where we are. We know that we need improve and this is a journey that we intend to carry going forward, as I've shared with you the overall strategy and the road map that I shared with you earlier.

So, in essence, the industry outlook remains very challenging.

Although the global oil demand has rebounded and we see it will continue to be better than what we anticipated last year.

But we have not seen a significant acceleration of Capex spending by either the oil majors or the national oil companies.

While our E&P arm is already seeing the upside, the E&C and O&M and also Drilling, we think it'll take a while before that uptake will return.

But we expect a positive outlook and higher activities in the second half of 2021 and also beyond. We're hopeful of that.

And what's key for us? We just need to focus on what I call a focus execution on E&C to create breathing space for growth with more prospects and leads in the pipeline.

I think we remain positive, but we also remain quite cautious about what we expect going forward.

So, what we have done in terms of trying to make sure that we can grow. We need to create our financial breathing room which we have done. We need to now look for financial headroom, then afterward, we have secured the 95% of this year's revenue. We would like to by the end of the year, secure what we call about 70 to 80% of next year revenue.

Bids and prospect remain robust, about 147 billion, with the ongoing bids valued at about 51 or 54 billion, and what you will see now with just us rolling our sleeves, hunkering down in operational excellence to improve profitability, while we manage through the uncertainties of the industry and COVID as well.

With that, thank you very much. Let's go to Q&A.

Nik Aisyah, Investor Relations

Thank you, Datuk, to for the presentation and thank you to all the management team. We just would like to take 30 seconds while waiting for Q&A to remind and get the analysts if you could fill in the survey after this session.

Datuk Anuar Taib, Group Chief Executive Officer

I think what what you will see change as well, is that all the presentation material will also be put in our Investor Relations website from now on.

Nik Aisyah, Investor Relations

Yes, thank you. That yes, we will also share the deck in the website at after this.

OK so I will go to the first question from Raymond. Raymond, I think you put your hand out first go-ahead Raymond.

Raymond

Yes, hi, good evening everyone and good evening Datuk Anuar. Datuk Anuar, I'm interested to hear more details about your horizon 2023 and horizon 2026 transformation plan. You mentioned in 2023 that you might make some disposals. In 2026, you want to have some kind of sustainable ESG-related business could you give us more detail on what your plans are at this moment?

Datuk Anuar Taib, Group Chief Executive Officer

So, in essence, for us what we want to be is that, just like what we did with E&C and O&M and Drilling, then after we moved into an E&P business, we want to replicate the same from E&C and O&M into what we call renewables power generating business. So, today we think we could be competitive in the offshore wind business.

So, we're still in discussion with parties on what are the opportunities for us to get into that. What we call as energy transition?

But today, at about 2.5 billion US, 10 billion worth of debt that we carry, we will not be able to go and get that we don't have enough capital to do so.

So, the intention is for us to look at the portfolio that we have today, and we will have to go and do some portfolio actions as some disposals, some joint ventures to make sure that we create the financial headroom for us to go there. At this moment we have ideas, and we have plans, but we are not in the position to share it with the with the market yet. Once we have it, we'll actually declare it as we go along.

Raymond

OK, so it seems like you are interested to actually own the offshore wind farms rather than just be a contractor to install it right? It sounds like that. OK and and in terms of asset disposals, it would probably be quite difficult to do that at this moment.

So, you are hoping maybe for the O&G environment to really improve, oil prices to really improve, and the interest in your assets will probably go up and then you sort of strike while the iron is hot and take the opportunity to disclose some of your assets.

At that point, what kind of assets are you most interested or what is the number one on the list of the assets that you'll be interested to dispose?

Datuk Anuar Taib, Group Chief Executive Officer

Raymond, at this moment we are looking at every single opportunity. Every single asset that we have in businesses that we have, not just assets. Also businesses. We always have to ask ourselves: Are we utilising it well in our organisation? If it's not, how could we utilise it more to make our own game? Secondly, for businesses and assets, are we investing in it enough for it to grow?

And if we can't, we say it's not something that we will invest a lot for future growth of this potential for this particular asset. Business, maybe we need to go and find others who want to grow and invest in it. I think it's also, one is for Sapura Energy, we need to go and be very focused about what we do.

Anything that doesn't fit with what we really want to do, we shouldn't keep it, but at the same time I also want to be fair to those who are working in those assets.

So, they need their career growth, they need their business growth, they need people who want to invest in them, so I think we look at it from that lens.

Raymond

OK, thank you very much Datuk Anuar. Reza, could I just pop a couple of financial questions for you to help me with. If I look at the Bursa announcement on the segmental information, which is on note 16. There is a very large, corporate expenses and elimination.

This line, which is -190, 2 million it's much larger than previous quarters and also much larger than previous year and this big negative seems to have offset a lot of the positives that you are showing at the operational line. The large negative is offsetting the E&P, the better E&P performance the better Drilling performance, and so on. So, I'm interested to understand why is there such a large negative corporate expenses and eliminations line?

Reza Abdul Rahim, Group Chief Financial Officer

We have about some non-operational forex impact there. One is what I explained earlier. It was actually the impact of some of the one-off expenses that we had to put through the P&L as arising from the refinancing. So, you know, specifically this relates to, you know, we have some unamortised borrowing cost from the earlier refinancing.

So, when we did the refinancing, any remaining costs that are still on our balance sheet, we'll have to write it off into the P&L. Right, so, we have to amortise it into the P&L.

So those two items, account for probably most of the amounts that you see in that line. Just to give an audio magnitude, the impact on the unamortised borrowing costs and the designation of the hedging instrument in total is about 48 million and the non-operational forex lost in there is about 45 million.

Raymond

OK, I understand. Alright, and last question from me is on the Seabras *(Petrobras)* Sapura. So, in the first quarter, the shell profits was only 8 million and it was much lower than the previous years: 80 something million.

Was there some sort of management fee that was charged to Seabras *(Petrobras)* Sapura, and if not, what is the reason for the sharp drop in performance?

Reza Abdul Rahim, Group Chief Financial Officer

Yeah, I'll just give my initial comment and then I'll invite Zakir to also comment. But I think from a financial standpoint, when we looked at it is really a function of the vessels that are working, and as you know, that two of the vessels are now off contract: Diamante and Topázio. So that would have an impact when you compare against the position one year ago.

OK, so maybe Zakir want to add?

Raymond

Was there a management fee as well?

Reza Abdul Rahim, Group Chief Financial Officer

No.

Raymond

OK, sorry to interrupt you, Zakir.

Ahmad Zakiruddin, Chief Executive Officer – Engineering & Construction

No, no, I was, just going to echo what Reza was saying, it's basically driven by the coming off contract of Topázio and Diamante already being off contract, basically.

Raymond

OK, sure that's all from me, thank you. Over to you, Nik.

Nik Aisyah, Investor Relations

Thank you, Raymond. We'll go to Alex. Now, Alex.

Alex

OK, thanks. Yeah, I have a few questions. I just want to come back to Raymond's question on the corporate expenses.

Yeah, it is very high. In fact, year-on-year was up three times and even, quarter on quarter compared to the fourth quarter was two times. Even if I would take in the refinance costs of 48 million, and your other forex losses of about 45 million, it is still quite very high.

There's still significant increase in terms of your corporate expenses.

Was there any other type of lumpy items that we should be aware of which is not going to be recurring in nature?

Reza Abdul Rahim, Group Chief Financial Officer

I don't think so, those are normally per quarter. We expect the normal corporate cost to be around about 30 million.

Alex

But even if it will strip off that 48 million unamortised calls and the, you know, the other thing on the forex, 45 million. You still have almost like 50 to 100 million more. Where is that coming from?

Yeah, if we just look at the at page 18.

Reza Abdul Rahim, Group Chief Financial Officer

OK, we will get back to you on this one.

Alex

OK sure.

You've also indicated there's a COVID related cost of 42 million. This 42 million, was it charged off directly with all the different segments like the E&C and Drilling separately, or was it lumped all together in, under corporate expenses?

Reza Abdul Rahim, Group Chief Financial Officer

No, it's distributed amongst the, within the segments.

Datuk Anuar Taib, Group Chief Executive Officer

So, in essence, it's a project by project spent.

You know things like, say in the yard, we will charge it to the project which are in the yard, so we collected it first.

Sapura 3000, you know, those who will be the one in the vessel. So, the idea is that, all of these we see it as change of condition from the contract that we signed.

And because of that, all these costs are now being discussed with the clients, on the chargeability of it, and in some of it, we have actually submitted variation orders for many of our clients.

Alex

So, can I say, for the 42 million that you've indicated earlier for the COVID-19 cost does not appear in the corporate expenses, right?

So, it is all separately, already charged and already are showing profit in your E&C, your Drilling right? And your E&P, am I right?

Ahmad Zakiruddin, Chief Executive Officer – Engineering & Construction

Right.

Alex

I see.

Reza Abdul Rahim, Group Chief Financial Officer

OK, I think I have, maybe a bit more clarification from me on that cost, because actually when you look at the presentation one year ago, there was also a gain on the Forex within that corporate line.

Therefore, it was lower because of, there was some additional forex gain last year. And the gain was in quarter one of FY21. Yeah, the gain was about 26 million.

Alex

You are referring to first quarter, financial year 21. Am I right?

Reza Abdul Rahim, Group Chief Financial Officer

Yeah. So, within that. There's actually a positive forex gain right there.

Alex

OK, I'm just also looking at your tax, you have a positive tax charge even though you're making losses.

You know what is, how should we see that? Why are you still having a tax when you're making losses and what sort of tax rates are we looking at for this year?

Reza Abdul Rahim, Group Chief Financial Officer

OK, I think here the reason why we still have a positive tax, although we are showing a loss before tax is really because this is a group position, right? So not all of the companies in the Group you know, are loss-making at that level and there are profit-making entities which will be taxed.

Yeah, so this is the effect of a consolidation of the Group and we also have some operations which are taxed at the revenue level.

Yeah, so that's the reason why we see there's a tax charge there, even when we are showing a loss before tax.

Alex

Yeah, but going forward what sort of, actually should we be looking at?

I mean, is this going to be something like, you should be expecting the kind of absolute amount of tax rate, tax you're looking for?

Reza Abdul Rahim, Group Chief Financial Officer

I mean it really depends on the operational performance.

Normally, I think in terms of our effective tax rate on a normal basis, it should be in the high teens. If on a normal basis, yeah.

Alex

Yeah, the reason why I'm asking, that is because it's a bit difficult to look at it, as it's showing losses on the Group level.

And the other question I'm asking is you know, given the fact that you have a lot of one-off items you know the refinancing costs, re-designation costs, it would strip that out.

And do you think for the full year, this year, you should be able to more than breakeven on a Group level?

Datuk Anuar Taib, Group Chief Executive Officer

You know that we can't go and give you a leading statement.

Alex

OK, but internally I'm just wondering.

Datuk Anuar Taib, Group Chief Executive Officer

But you're not internal. [laughs]

Alex

OK. I suppose I can ask you regarding your PM assets divestment to Jadestone, would you be recording any kind of gain on this disposal?

Reza Abdul Rahim, Group Chief Financial Officer

OK, on that one. No, we don't expect to.

Any impact on that has already been accounted for in the past. Yeah, so we don't expect there to be any material impact.

Alex

OK, I think my final question, I'm leaving the floor to the rest, is regarding your next large loan repayment.

When would that be? After your refinancing?

Reza Abdul Rahim, Group Chief Financial Officer

Well, part of the refinancing we have a two-and-a-half years of principle holiday. So that's the time period that we have where we don't have to pay any principle.

Alex

OK, thanks very much. That's all for me. For now, thank you.

Nik Aisyah, Investor Relations

Thank you, Alex. Ben, you're next.

Ben

Hi, can you hear me?

Nik Aisyah, Investor Relations

Yes, we can hear you.

Ben

Yes, thank you.

My question is around your borrowings. I saw that you have announced that Sukuk programme up to 30 years. I just want to understand how that fits in with your overall refinancing given you've just done one round of refinancing already and you know, the programme is up to 10 billion, which kind of covers your debt.

Are you going to be migrating your debt over to that Sukuk and yeah, just wondering what the balance sheet will look like you know, going forward?

Reza Abdul Rahim, Group Chief Financial Officer

OK, I think just to give some background, in the earlier programme on the Sukuk, the limit was 7 billion.

And then, when we did the refinancing, some banks actually expressed desire to want to subscribe more of this Sukuk. But we couldn't accommodate that at the time because we, it was already maxed at 7 billion approximately.

So, that's why we took the opportunity post-refinancing to upsize the Sukuk to provide more headroom in the programme. So, if there were some lenders in the current group of banks that would like to convert their position from the conventional loan to Sukuk, then we could do that.

So, it was more to provide that flexibility for, if there was any of the lenders wanting to consider moving or shifting their position from the conventional loan to Sukuk programme. So, that was the intent - hence why we did that upsizing, post the refinancing.

Ben

So, the other thing I noticed is the tenure is now 30 years. Am I understanding that correctly?

Reza Abdul Rahim, Group Chief Financial Officer

So, the tenure - the 30 years is the tenue of the programme. So, tenure of the Sukuk itself would depend on the issuance. So, as you know the current refinancing that we've just completed - we've lengthened the maturity of the loans to seven years. So, any - and let's say if it's within the current refinancing amounts, then it will mirror that tenure. So, the 30 years is actually the tenure of the programme itself not, not necessarily the issuance of the Sukuk.

Ben

I see, OK that that's much clearer.

I'm following up on that, I noticed that a lot of your one-off cost, is you know, comes in tandem with the refinancing whether it's the unamortised amounts. I suspect the forex could be linked as well.

So, when this further conversion of the term loans to Sukuk happens, will you be in a way, paying for it with this higher finance costs or realising these higher costs?

Reza Abdul Rahim, Group Chief Financial Officer

No, I don't expect any conversion - I don’t expect there to be - I mean, we don't expect there to be any additional costs arising from, if it's just a pure conversion.

Ben

OK. So, what would your normalise sort of finance costs be going forward?

Reza Abdul Rahim, Group Chief Financial Officer

Because the rates are floating so it depends on where the underlying interest rates are, but generally in terms of overall financing cost or rate is around / about 5%. That's the all in - sort of average - approximately about 5%.

Ben

OK, thanks. I want to ask one more question on your E&P sell things *(divesment).* Earlier you mentioned that you're going to scrutinise all your assets you know, and you may want to consider disposing anything that's not aligned. You also made it quite clear that you have some aspirations for wind.

Would E&P make it to the chopping block or is this something that you're definitely going to hold onto especially since it's not an associate?

Datuk Anuar Taib, Group Chief Executive Officer

Now it's too early for me to share with you.

Ben

OK. What about the resources – now being committed to E&P. I know you have some drilling programme and all still underway and ramping up. Maybe you give some updates there when your drilling programme - any upcoming drilling that we can expect for the exploration site?

Datuk Anuar Taib, Group Chief Executive Officer

Zamri, would you add?

Zamri Jusoh, Chief Executive Officer – SapuraOMV Upstream

Alright. If you look at our exploration funnel we are allocating - this is just gross from SapuraOMV - we are locating in the region of about USD15 million a year. But right now, we are looking at the numbers, you know trying to shift some of the commitments to the right.

Because our primary focus right now is really to you know, to make sure that we have – generate enough cash flow for us to fund the Jerun project. That is one of the things SapuraOMV is looking very closely is that we will try to generate sufficient fund internally, without going back to the shareholders. So, we will try to make ourselves self-sufficient - essentially for us to finance our development projects going forward.

Ben

OK thanks that's all for me, thank you.

Nik Aisyah, Investor Relations

Thank you, Ben. Kwok Wei, let's go to you.

Kwok Wei

Thanks.

Hi, Datuk Anuar. I'm very interested in what are your specific areas of focus in achieving Sapura's Horizon 2026 *[unclear]* in penetrating the renewable space.

I know you mentioned offshore wind earlier, but specifically I'd like to hear more about your thoughts in terms of the particular services or product suites that are available in Sapura's repertoire.

For example, you know for fabrication - maybe can give some color in on whether you're intending to say to compete with the likes of Keppel O&M or *[unclear]* in bidding for EPCIC of wind turbine installation vessels or converter stations, and maybe for drilling would there be any room or scope to repurpose the rigs for installation of these offshore renewable assets. Thanks.

Datuk Anuar Taib, Group Chief Executive Officer

So, I think, let me talk about the E&C side.

This is how we start our journey into the offshore wind space. Today we are working with - we're working together with the project developer, WPD to complete our foundation installation in Yunlin, Taiwan. So that provides - that's using our Sapura 3500 vessel.

We have invested in the rigging, upending arms and the hammer to put that installation. I think today Zakir, if I remember correctly, we're pile #9 or so?

Ahmad Zakiruddin, Chief Executive Officer – Engineering & Construction

Sorry, I was on mute. #11.

Datuk Anuar Taib, Group Chief Executive Officer

OK, so we have pile #11 of the 81 that we're working, so I think we have learned a lot from our client and our client also learned a lot from us, so that's what [we] continue to do.

Since then - since that first one that provide us with the credibility, we are now competing in this part of the world and also in another region, for, you know, construction of their stations. And you know, those stations look exactly like any platforms that we have, that we build out in Lumut.

But it has more cables and not as much piping and processing facilities. So, those are the kind of the skill set that we know we can go across.

We also have, you know, they also will require cable laying for the power cables throughout the field and that's what we do as well in our current business.

We will compete with all the industry players as an E&C in that space.

But what we are going to go and build as well, it's an equivalent to what WPD is doing, and many of the other offshore wind developers doing. They become clients.

So, we want to become a client as well, so that's the aspiration. But the route to get there is step-by-step move from E&C.

We'll look at opportunity at O&M, we're looking at - is there a way for us to put our O&M business in maintaining some of those facilities. And give us a bit of a lead time to become a project developer ourselves.

And all in all, it requires us to look at - how do we raise capital whilst we are carrying this much debt, so that's the whole story.

Kwok Wei

OK, thanks Datuk Anuar.

So, the addressable market - you know it's obviously it's quite sizable you know, but it's also very competitive. And you mentioned the likes of - putting ourselves out there now against the likes of our Saipem and so forth.

So, I guess you know two questions to this would be – you know, given the competitive landscape, how do you see the margin environment right now when competing for this offshore renewables contracts vis-à-vis your traditional oil and gas related projects.

And number 2, how does Sapura offer, you know, a different shifting factor to clients and versus the likes of - your main competitors.

Datuk Anuar Taib, Group Chief Executive Officer

I think the - so in essence, the renewables market, the way it is - it is mostly dominated by players from either from China - within China, or from Europe.

So, I think with us just like what we had with pipelay before, we have the assets - we build the assets, and we are going to compete competitively there.

You know what - we also see what we like as well - what we see in this business, while maintaining a very strong focus on oil and gas. That's what - that's how we grew up - is that we see a lot of E&P players and multinational majors moving into this space.

If you look at the current offshore wind developer, their balance sheet maybe not as strong as the likes of TOTAL and Shell and BP that gets into it now.

So, I reckon, in a few years' time we will see more investment coming from those majors in this space, you know for them because they also have their own strategy to become net zero.

And you know, this is something, that shift of investment from our traditional client into renewables is something that we welcome. It gives us a lot of opportunity to play as well.

We'll be competitive. We have an engineering. So now we have, you know, we started with one engineering strategic tie up with one company in Europe to look at, you know, one of the bids that we are doing in the region. But there will be - as we go along, and we know that we can't do everything ourselves - we will be working with different parties so that we can be competitive.

Kwok Wei

Thanks, and one last question from me - you know - would be, what are your plans, if any? I mean, we talk about divestments, but are there also plans to sort of recycle this capital being unlocked. You know, into the investing into the likes of intellectual property to further enhance your capabilities here, for renewables.

Datuk Anuar Taib, Group Chief Executive Officer

I think it's still very early. What we need to go back to the fundamentals first. We will be looking, of course, because we have an engineering - our engineering arm will always look for either methods or even designs that could give us that competitive advantage.

They are screening through many opportunities or potentials.

When the time comes, we'll announce.

Kwok Wei

OK, thanks Datuk Anuar, that's all from me. Thank you.

Nik Aisyah, Investor Relations

Thank you, Kwok Wei. Just a time check, we are now at 7:13. There's no more hands actually - is there any other questions anyone would like to ask? Ah, TJ. Go ahead.

TJ Liaw

Yeah - hi, thank you. Hello everyone.

I have a few questions here.

So, first is on your energy transition. We talked about wind. Can I check with you, whether would you be keen also on solar? Because those two combined probably we can see it make up the bulk of the energy supply moving forward in 10 year's time?

Datuk Anuar Taib, Group Chief Executive Officer

Thanks TJ.

We look at it, you know, what do we do usually, what's our core capability and who competes in that space, and whether we can be competitive.

Today most of the solar development has been onshore, and also near shore. We, by far, are an offshore player. We know how to deal with choppy waters. But I'm not sure I'm comfortable dealing with the various jurisdictions for onshore development.

So, I think that's why we kind of take solar out of play for now. Because we know that the - what we call the entry barrier is a lot lower than the likes of offshore wind.

TJ Liaw

OK, thank you.

Second question is that going forward - I mean - for you to achieve your 2026 energy transition, is there a - probably can you give me some colors in terms of Capex allocation for your energy transition?

Datuk Anuar Taib, Group Chief Executive Officer

We will come back on those. We have an aspiration. As usual, you know, we need to settle the - we need to work on the 2023 first to create headroom for 2026.

But I guess in terms of an aspiration, we would like to see more - so if you look at it, we have the - the company is actually being split into solutions and energy. E&P is energy, and the rest are all solutions.

So, what we're trying to do is to add another arm in the energy side, where we'll do renewables.

How do we split in between the various parts? We will provide clarity as we go along.

But what's more important is for us to be successful in doing a Portfolio Evolution by 2023; to create the financial headroom for us to go there.

TJ Liaw

So, would it be fair for me to say that your transition for your RE only come probably 2023 onwards and not in the immediate term?

Datuk Anuar Taib, Group Chief Executive Officer

So, in essence, it depends on how we get in there. And when do we get in there.

If you follow - so you can go in there with X amount of money and invest into an existing producing area or development area. For that, I got to go and create a financial headroom.

But at the same time, it doesn't stop us from doing what we tend to do in an E&P business. Where you actually work with those who have a very early stage, almost like an equivalent to an exploration.

You work with parties that have access to concession area and then we work on doing our geotechnical survey, so we do need to have that geotechnical survey - look at soil survey, wind speed, and soil condition and stuff.

And that will take a year or so, while we need to also negotiate the power purchase agreement. So, there are many ways to get in there.

I think in our case, we will take - because of the need for financial headroom. We will take a bit more deliberate step towards it.

TJ Liaw

OK, thank you.

The next question is on E&C. And noticed that the margins have been fluctuating – and basically you did double digit last financial year, and this quarter is *[unclear]* about four percent.

So probably you can share with us your thoughts on the margins per se. Are we looking at declining trend from now on, or how does it work? Because it used to make one two percent in the past.

Datuk Anuar Taib, Group Chief Executive Officer

Zakir would you want comment about margins in E&C?

You got to unmute.

Ahmad Zakiruddin, Chief Executive Officer – Engineering & Construction

TJ, can you repeat again? My line was breaking, sorry.

TJ Liaw

Oh. Sorry I was just asking about the E&C margins – it has been very volatile. I think it did more than 10% last year plus financial - this year it basically dropped down to about 4%, and historically it has been doing about one 1%, 2% in the past.

So basically - probably can you guide us in terms of how are we looking at it from now on? Are you still facing margin compressions going forward, or how does it work?

Ahmad Zakiruddin, Chief Executive Officer – Engineering & Construction

Yeah, I think competitive landscape is still there TJ, from margin pressure standpoint.

But I think if you - the other thing that's been compounding the challenge over the last couple of quarters has been their COVID-related cost.

So, though, we're showing a bit of an improvement from last quarter, but we still got to deal at the moment with the COVID constraints in operating our business.

So hopefully, eventually, when we get past this COVID phase, we are aiming to improve on the margins, a bit from where we are today.

TJ Liaw

Yeah, on the COVID expenses per se, is it recoverable or is treated fully as expense from now on?

Ahmad Zakiruddin, Chief Executive Officer – Engineering & Construction

So those discussions and negotiations with the customers are all still ongoing. So, I would say; partly recoverable. But to be honest, to recover everything I think it's a tall order.

But we feel there will be some recovery as the clients look at their respective contracts and their respective jurisdictions.

TJ Liaw

OK thank you. A few more questions, the next one is on Drilling.

I think, uh, you have number of rigs working from six to seven, quarter on quarter, and you mentioned in your announcement, that, day rates went up. So probably can you share with us which assets had hikes in day rates, and will probably this quarter - was there any one of – and would there be - would that number probably be sustainable for the next few quarters because you're looking at about 7 *[unclear]* quarters?

Raphael Siri, Chief Executive Officer – Drilling Business

OK, so, let me be very simple. The fact that we had very good results - is been on the number of days, the rigs worked.

We almost had all the rigs working for the whole quarter, right? So, this is why you see higher revenue, higher EBITDA margins. We have no ramp up, and no ramp down right, so this is a very good scenario.

And we will have some up and down again. You know coming in the next quarters for the 7 and 7. But nothing material to drag us very down.

And so, there is no one-off - it is really the team delivering good results with the contracts they have in hand.

TJ Liaw

What about the day rates hike? Which one had day rates hike for all of your seven rigs?

Raphael Siri, Chief Executive Officer – Drilling Business

Again, please?

TJ Liaw

Of the of your seven rigs that were working in Q1, which rig was received basically higher day rates – increased in day rates?

Raphael Siri, Chief Executive Officer – Drilling Business

Generally, it's because - the ones working in Africa.

TJ Liaw

Last question, mostly for Reza on the Intangibles.

Probably was the status on that now? What is the plan? Because it makes about 50% of the equities and, what would make you right off or write down those intangibles.

Reza Abdul Rahim, Group Chief Financial Officer

Sorry I didn't hear that. Was it- you're referring to the intangible assets? The goodwill?

TJ Liaw

Yes, yes.

Reza Abdul Rahim, Group Chief Financial Officer

Yeah, I mean we, we just went through a, you know, an assessment with our auditors recently when we finalised our quarter one results - sorry when we finalised our - my apologies - full year results from last year, so, as part of the audit.

So we will continue to do that annual assessment. So, we'll do that every year.

Unless we see something change in the market right so, if there was no triggering event or a change in the market conditions then we will just continue to look at that once a year, as part of our process to finalise the accounts for the year.

TJ Liaw
OK, thank you, that's all for me.

Nik Aisyah, Investor Relations

Thank you, TJ.

Raymond has very one last question, I think we probably could take this as a last one, Raymond.

Raymond

Yes, OK.

Just wanted to ask Zakir about the Sapura 3500 that is doing the wind farm piling work offshore Taiwan. Is there any other asset that you have which will enable you to tap into to E&C opportunities for renewables - in the same way that the 3500 is right now doing for you?

Ahmad Zakiruddin, Chief Executive Officer – Engineering & Construction

Sorry guys I keep doing this. Sorry, sorry. *[laughs]*

Basically, our three vessels that are around those same crane capacity; the LTS 3000, Sapura 3000, and Sapura 3500 will be capable of doing monopile type work.

But you will need - you will need the extra piece of kit, you know that, that enables us to upend the monopile from horizontal to vertical, and then a gripper to hold on to the monopile as we are piling the monopiles right.

So that piece of kit will be required for those three vessels to operate for monopile installation.

Usually we have a bid, we will price in that - that, Capex into the bid.

That's if it's we're doing monopiles. If we're doing jackets, then the 3 vessels can install the jackets without any additional equipment.

Raymond

OK, so the 3500 does it have the gripper, and the ability to install the monopile? It does, right?

Ahmad Zakiruddin, Chief Executive Officer – Engineering & Construction

Yes, that's what we're doing in Taiwan now, Raymond.

Raymond
So, you spend money.

Ahmad Zakiruddin, Chief Executive Officer – Engineering & Construction

So, we have an upending tool, and we have a pile gripper as part of our spread there in Taiwan.

Raymond

OK, and that was a new Capex you put in right because you bid for the job?

Ahmad Zakiruddin, Chief Executive Officer – Engineering & Construction

Yup.

Raymond

OK, I see OK, so basically a while, you're waiting for your - bigger picture or more comprehensive RE *[renewables]* transition, you can actually use these three vessels to bid for some work on wind farm right? So at least, there's some prospect there for these 3 vessels.

Ahmad Zakiruddin, Chief Executive Officer – Engineering & Construction

Correct - which is what we're doing now - apart from the fabrication bids that we also putting in related to renewables, and that's basically building sub-stations as mentioned by Datuk Anuar earlier.

Raymond

OK, OK.

Ahmad Zakiruddin, Chief Executive Officer – Engineering & Construction

So, we're bidding in that space as well.

Raymond

OK, all right sure OK, thank you.

Nik Aisyah, Investor Relations

Alright thank you Raymond, Zakir, and everyone.

I think there's no more questions on the floor.

OK, so we are - yeah, we are pretty much on time to conclude - Datuk ,maybe you know one final -

Datuk Anuar Taib, Group Chief Executive Officer

No, I think I just want to go and say thank you to those who are present today, and I look forward to engagement again, you know, in the next quarter.

On the meanwhile, please make sure you guys are safe. If you get vaccinated, you know, please make sure that the SOP is still being followed.

And please give us your feedback on the session. I know that last quarter we did not get any from you.

I would like you to help us improve ourselves, and it doesn't take long.

Thank you very much.

Nik Aisyah, Investor Relations

Alright thank you Datuk, thank you to all management team, our colleagues and peers in the call, and thank you to all the analysts.

As usual, please reach out to me and my team if you have any other questions and yeah, last but not least, let's hear from your feedback on this session.

Thank you and keep safe everybody.

Good night.