

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2021

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/01/2021 RM'000	Preceding year corresponding quarter 31/01/2020 RM'000	Twelve months to 31/01/2021 RM'000	Twelve months to 31/01/2020 RM'000
Revenue	1,443,544	1,111,894	5,347,822	6,449,155
Other operating income	16,202	13,886	148,057	111,588
Operating expenses	(1,372,500)	(1,774,054)	(4,677,542)	(6,861,712)
Operating profit/(loss)	87,246	(648,274)	818,337	(300,969)
Depreciation and amortisation	(137,952)	(134,538)	(543,195)	(524,631)
Finance income	2,509	6,985	35,660	19,028
Finance costs	(109,523)	(147,178)	(492,364)	(664,557)
Gain on disposal of property, plant and equipment	-	413	-	19,970
Net foreign exchange (loss)/gain	(37,650)	(2,934)	(8,990)	28,755
Share of profit/(loss) from associates and joint ventures	15,094	(57,111)	158,827	154,950
Loss before taxation and impairments	(180,276)	(982,637)	(31,725)	(1,267,454)
Provision for impairment on goodwill on consolidation	-	(3,043,430)	-	(3,043,430)
Provision for impairment on property, plant and equipment	-	(240,910)	-	(240,910)
Loss before taxation and after impairments	(180,276)	(4,266,977)	(31,725)	(4,551,794)
Taxation	(35,037)	30,246	(128,527)	(12,789)
Loss after taxation	(215,313)	(4,236,731)	(160,252)	(4,564,583)
Attributable to:				
Owners of the Parent:	(216,026)	(4,234,508)	(160,870)	(4,560,806)
Non-controlling interests	713	(2,223)	618	(3,777)
	(215,313)	(4,236,731)	(160,252)	(4,564,583)
Loss per share (sen)				
- Basic	(1.35)	(26.51)	(1.01)	(28.60)
- Diluted	(1.35)	(26.51)	(1.01)	(28.60)

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 FOURTH QUARTER ENDED 31 JANUARY 2021

THE FIGURES HAVE NOT BEEN AUDITED

II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/01/2021 RM'000	Preceding year corresponding quarter 31/01/2020 RM'000	Twelve months to 31/01/2021 RM'000	Twelve months to 31/01/2020 RM'000
Loss after taxation	(215,313)	(4,236,731)	(160,252)	(4,564,583)
Other comprehensive (loss)/income:				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation differences	(135,125)	(134,574)	(86,668)	(57,106)
Net changes in cash flow hedge	(640)	(23,048)	17,443	(18,419)
Share of other comprehensive (loss)/income of associates and joint ventures:				
- Foreign currency translation differences	(37,764)	(99,624)	(7,465)	(14,293)
- Net changes in cash flow hedge	2,552	(3,660)	(15,823)	(41,371)
<i>Items that has been reclassified to profit or loss in current year:</i>				
Amortisation of cumulative changes in relation to previous hedge instruments	4,108	-	16,432	-
Total comprehensive loss	<u>(382,182)</u>	<u>(4,497,637)</u>	<u>(236,333)</u>	<u>(4,695,772)</u>
Attributable to:				
Owners of the Parent	(383,344)	(4,495,563)	(235,366)	(4,691,743)
Non-controlling interests	1,162	(2,074)	(967)	(4,029)
Total comprehensive loss	<u>(382,182)</u>	<u>(4,497,637)</u>	<u>(236,333)</u>	<u>(4,695,772)</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 FOURTH QUARTER ENDED 31 JANUARY 2021

THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED As at end of current financial year 31/01/2021 RM'000	AUDITED As at end of preceding financial year 31/01/2020 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	9,218,612	9,638,931
Intangible assets	4,927,743	4,947,773
Investment in associates	2,103,820	2,147,935
Investment in joint ventures	2,005,591	1,833,407
Deferred tax assets	122,367	96,295
Derivative assets	55,083	18,778
Trade and other receivables	44,126	82,560
	<u>18,477,342</u>	<u>18,765,679</u>
Current assets		
Inventories	423,251	383,888
Trade and other receivables	1,459,794	1,457,227
Contract assets	1,752,716	1,200,397
Tax recoverable	88,354	168,778
Cash and cash equivalents	488,966	772,374
	<u>4,213,081</u>	<u>3,982,664</u>
TOTAL ASSETS	<u>22,690,423</u>	<u>22,748,343</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	1,620,256	1,703,428
Accumulated losses	(4,625,415)	(4,473,221)
	<u>8,947,155</u>	<u>9,182,521</u>
Non-controlling interests	<u>(8,820)</u>	<u>(7,853)</u>
Total equity	<u>8,938,335</u>	<u>9,174,668</u>

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2021

THE FIGURES HAVE NOT BEEN AUDITED

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

	UNAUDITED	AUDITED
	As at end of current financial year 31/01/2021 RM'000	As at end of preceding financial year 31/01/2020 RM'000
Non-current liabilities		
Borrowings	7,068,725	7,110,429
Trade and other payables	6,072	10,000
Contract liabilities	37,790	72,532
Lease liabilities	10,290	9,148
Deferred tax liabilities	102,595	42,722
	<u>7,225,472</u>	<u>7,244,831</u>
Current liabilities		
Borrowings	3,263,457	3,145,665
Trade and other payables	2,717,097	2,503,550
Contract liabilities	239,572	199,436
Lease liabilities	10,464	13,771
Provision	152,251	348,254
Provision for tax	143,775	118,168
	<u>6,526,616</u>	<u>6,328,844</u>
TOTAL LIABILITIES	<u>13,752,088</u>	<u>13,573,675</u>
TOTAL EQUITY AND LIABILITIES	<u>22,690,423</u>	<u>22,748,343</u>
Net assets per share (RM)	<u>0.56</u>	<u>0.57</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 FOURTH QUARTER ENDED 31 JANUARY 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	
Twelve months to 31 January 2021 (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 loss	-	-	-	-	(74,496)	(160,870)	(235,366)	(967)	(236,333)
Transactions with owners:									
Cancellation of certain Executive Share Option scheme ("ESOS")	-	-	-	-	(8,676)	8,676	-	-	-
Total transactions with owners	-	-	-	-	(8,676)	8,676	-	-	-
At 31 January 2021	10,872,078	982,713	(11,587)	109,110	1,620,256	(4,625,415)	8,947,155	(8,820)	8,938,335

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 JANUARY 2021

THE FIGURES HAVE NOT BEEN AUDITED

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

	Attributable to owners of the Parent						Non-controlling interests	Total equity	
	<----- Non-distributable ----->					Distributable			Total
	Share capital	RCPS-i	Shares held under trust	Warrants reserve	Other reserves	Retained profits/ (Accumulated losses)			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Twelve months to 31 January 2020 (Audited)									
At 1 February 2019	10,872,078	982,713	(66,812)	109,110	1,764,292	213,684	13,875,065	(3,824)	13,871,241
Total comprehensive loss	-	-	-	-	(130,937)	(4,560,806)	(4,691,743)	(4,029)	(4,695,772)
Transactions with owners:									
Fair value of share options granted under ESOS	-	-	-	-	70,073	-	70,073	-	70,073
Dividend on ordinary shares	-	-	-	-	-	(79,896)	(79,896)	-	(79,896)
Shares transferred under LTIP	-	-	25,375	-	-	(21,070)	4,305	-	4,305
Disposal of shares held under trust	-	-	29,850	-	-	(25,133)	4,717	-	4,717
Total transactions with owners	-	-	55,225	-	70,073	(126,099)	(801)	-	(801)
At 31 January 2020	10,872,078	982,713	(11,587)	109,110	1,703,428	(4,473,221)	9,182,521	(7,853)	9,174,668

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 FOURTH QUARTER ENDED 31 JANUARY 2021

THE FIGURES HAVE NOT BEEN AUDITED

V. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED Twelve months to 31/01/2021 RM'000	AUDITED Twelve months to 31/01/2020 RM'000
Cash flows from operating activities		
Loss before taxation	(31,725)	(4,551,794)
Adjustments	833,280	4,235,880
Operating profit/(loss) before working capital changes	801,555	(315,914)
Changes in working capital	(651,608)	483,745
Cash generated from operations	149,947	167,831
Net taxes refund/(paid)	19,596	(71,664)
Net cash generated from operating activities	169,543	96,167
Cash flows from investing activities		
Purchase of property, plant and equipment	(170,283)	(345,525)
Proceeds from disposal of property, plant and equipment	-	32,851
Dividend received from a joint venture	6,364	25,408
Net additional income from previous disposal of 50% equity stake in a subsidiary	50,055	-
Repayment of advances from a joint venture	23,532	99,390
Net settlement of claim from previous acquisition of subsidiaries	-	87,656
Other items	13,845	13,353
Net cash used in investing activities	(76,487)	(86,867)
Cash flows from financing activities		
Finance costs paid	(422,414)	(564,672)
Net drawdown/(repayment) of revolving credit, trade financing, term loans and islamic facility	71,479	(6,806,252)
Net repayment of lease liabilities	(13,604)	(12,528)
Dividend paid on ordinary shares	-	(79,896)
(Payment for)/proceed from settlement of derivative assets	(2,550)	136,764
Net cash used in financing activities	(367,089)	(7,326,584)
Net decrease in cash and cash equivalents	(274,033)	(7,317,284)
Effect of exchange rate translation	(9,375)	(8,739)
Cash and cash equivalents at beginning of year	772,374	8,098,397
Cash and cash equivalents at end of year	488,966	772,374

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 year ended 31 January 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 year ended 31 January 2021 should be read in conjunction with the audited financial statements for the financial year ended 31 January 2020.

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

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

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

Amendments to MFRS 3: Business Combinations

Amendments to MFRS 101: Presentation of Financial Statements

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

Amendments to MFRS 7: Financial Instruments Disclosures

Amendments to MFRS 9: Financial Instruments

Revised Conceptual Framework for Financial Reporting

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

2. Seasonality and cyclicity of operations

The Group's operations are not materially affected by any seasonal or cyclical factors except for severe weather conditions 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 year, 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 year, 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 31 January 2021.

6. Subsequent events

Other than as disclosed in Note 12 (b), there was no other material event subsequent to 31 January 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 year.

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 RM722.2 million (31 January 2020: RM833.5 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 28 October 2020, Sapura TMC Sdn. Bhd. ("Sapura TMC") has lodged the Notices of Appeal ("Forms Q") against the assessments raised for the year assessments 2014 to 2018 outlining the relevant grounds of appeal. The Dispute Resolution Department of IRB is currently reviewing the case and have requested for additional supporting documents to support the appeal. Under the prescribed timeline, the Dispute Resolution Department plan to conclude the appeal within a year from the date of the Form Q failing which the case will be referred to the Special Commissioners of Income Tax. 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 year.

9. Capital commitments

Capital expenditure for property, plant and equipment approved and not provided for in these condensed consolidated interim financial statements as at 31 January 2021 is as follows:

Approved and contracted for:	31/01/2021 RM'000
Group	<u>376,610</u>

10. Taxation

Taxation comprises of the following:

	Individual Quarter		Cumulative Quarter	
	Three months to 31/01/2021 RM'000	Three months to 31/01/2020 RM'000	Twelve months to 31/01/2021 RM'000	Twelve months to 31/01/2020 RM'000
Current taxation:				
Malaysian taxation	31,850	4,524	45,621	27,893
Foreign taxation	21,641	4,908	48,785	70,177
Deferred taxation	(18,454)	(39,678)	34,121	(85,281)
	<u>35,037</u>	<u>(30,246)</u>	<u>128,527</u>	<u>12,789</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 31 January 2021						
Unsecured						
Revolving credits	721,887	1,040,969	-	-	721,887	1,040,969
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>1,443,730</u>	<u>1,819,727</u>	<u>3,779,513</u>	<u>3,289,212</u>	<u>5,223,243</u>	<u>5,108,939</u>
Total		<u>3,263,457</u>		<u>7,068,725</u>		<u>10,332,182</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 2020						
Unsecured						
Revolving credits	728,867	951,800	-	-	728,867	951,800
Trade financing	-	120,465	-	-	-	120,465
Term loans	-	-	2,735,711	-	2,735,711	-
Islamic Facility	650,426	518,919	-	-	650,426	518,919
Sukuk Programme	-	175,188	1,120,747	3,253,971	1,120,747	3,429,159
	<u>1,379,293</u>	<u>1,766,372</u>	<u>3,856,458</u>	<u>3,253,971</u>	<u>5,235,751</u>	<u>5,020,343</u>
Total		<u>3,145,665</u>		<u>7,110,429</u>		<u>10,256,094</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 MYR term loan facility of MYR906.0 million under the Conventional Facilities Agreement 2021. In addition, Sapura TMC has also made further issuance of Sukuk Murabahah amounting to MYR6,380.2 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 refinancing was completed on 31 March 2021. Subsequently, the Group's short term borrowings of RM3.1 billion will be reclassified as long term borrowings.

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 31 January 2021		As at 31 January 2020	
	Notional	Assets	Notional	Assets
	Value	Fair Value	Value	Fair Value
	RM'000	RM'000	RM'000	RM'000
5 years Islamic Cross-Currency Swap	2,528,606	55,083	2,704,606	18,778

In December 2020, one of the existing hedge instruments has expired. As a result, the Group has recognised payment for derivative settlement of RM2.6 million.

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

14. Material litigation

(a) Sarku Engineering Services Sdn. Bhd.

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

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

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

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

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

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

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

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

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

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

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

ONGC has since filed an application to the tribunal disputing the computation of the award and seeking a correction of the amounts awarded in respect of the interest portion of the award.

14. Material litigation (cont'd.)

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

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 USD3,009,788.54 ("First Award"). The difference between the First Award and the Final award is in the sum of USD2,596,751.54. 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.

(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 USD9,558,003.00 and RM16,785,227.00 vide its Re-amended Point of Claims in relation to disputes arising from the Contract. PML has alleged breach of riser height requirements and preservation obligations by SFSB. The claim by PML was made separately in two currencies as the claim is based on the rates and currencies prescribed in the Contract.

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

The arbitrators have been appointed and parties had attended the first arbitration meeting on 21 July 2018. PML has filed their Points of Claim on 21 September 2018 and SFSB has filed its Defence and Counterclaim on 3 December 2018. Subsequently, PML submitted their Points of Reply and Defence to Counterclaim on 4 February 2019. PML has requested to amend their Point of Claim and the same was filed on 8 March 2019. SFSB's rejoinder is due on 18 March 2019 and the same was filed on the said date. The deadline for parties to exchange bundle of documents was on 5 April 2019 and any request for discovery/disclosure has been filed on 9 May 2019. The documents ordered to be produced by SFSB was produced on 12 September 2019. On the other hand, the documents ordered to be produced by PML were partially tendered on 23 September 2019. Witness Statements have been filed on 15 November 2019 and the rebuttal witness statements are to be filed by 15 December 2019.

The continued hearing was initially fixed 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.

14. Material litigation (cont'd.)

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

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 Tribunal subsequently directed as follows:

(a) The upcoming hearing will proceed on:

- (i) 26, 27 & 28 April 2021;
- (ii) 20 September 2021 to 24 September 2021;
- (iii) 27 September 2021 to 1 October 2021; and
- (iv) 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.

(c) Sapura Energy do Brasil Ltda.

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

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

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

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

SE Brasil filed their Statement of Claims for the sum of USD85,661,589.44 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.

15. Review of Group Performance

15.1 Current quarter vs. corresponding quarter of the preceding year

	Individual Quarter Three months to		Changes %
	31/01/2021 RM'000	31/01/2020 RM'000	
Revenue	1,443,544	1,111,894	29.8
Operating profit/(loss)	87,246	(648,274)	>100.0
Loss before taxation and impairment	(180,276)	(982,637)	81.7
Loss before taxation and after impairment	(180,276)	(4,266,977)	95.8
Loss after taxation	(215,313)	(4,236,731)	94.9
Loss attributable to owners of the Parent	(216,026)	(4,234,508)	94.9

The Group revenue of RM1,443.5 million was 29.8% higher than RM1,111.9 million in the corresponding quarter of the preceding year ("Q4 FY2020"), mainly attributable to the higher revenue from Engineering and Construction ("E&C") in line with the progress of projects being executed in the current quarter.

The Group recorded a lower loss before taxation and impairment of RM802.3 million in the current quarter, compared to a loss before taxation and impairment of RM982.6 million in Q4 FY2020. This improvement is mainly contributed by improvement in project margins from the E&C business segment, higher share of profit from associates and joint ventures, lower net finance cost reduced by the net foreign exchange loss and restructuring expenses.

Included in Q4 FY2020 loss before taxation and after impairment, was provision for impairment on goodwill on consolidation of RM3,043.4 million and provision for impairment on property, plant and equipment of RM240.9 million.

15. Review of Group Performance (cont'd.)

15.2 Current year vs. corresponding preceding year

	Cumulative Quarter Twelve months to		Changes %
	31/01/2021 RM'000	31/01/2020 RM'000	
Revenue	5,347,822	6,449,155	(17.1)
Operating profit/(loss)	818,337	(300,969)	>100.0
Loss before taxation and impairment	(31,725)	(1,267,454)	97.5
Loss before taxation and after impairment	(31,725)	(4,551,794)	99.3
Loss after taxation	(160,252)	(4,564,583)	96.5
Loss attributable to owners of the Parent	(160,870)	(4,560,806)	96.5

The Group revenue of RM5,347.8 million was 17.1% lower than the corresponding year of RM6,449.2 million, primarily due to the lower revenue from E&C and Drilling business segments in line with the progress of projects being executed and lower effective day rates resulted from restricted movement and lockdown measures in multiple jurisdictions brought about by the COVID-19 global pandemic.

The Group recorded a loss before taxation and impairment of RM31.7 million which was lower by RM1,235.7 million compared to RM1,267.5 million in the corresponding year, primarily due to improvement in project margins from E&C business segment, lower net finance cost and reduced by the net foreign exchange loss and restructuring expenses.

Included in corresponding year loss before taxation and after impairment, was provision for impairment on goodwill on consolidation of RM3,043.4 million and provision for impairment on property, plant and equipment of RM240.9 million.

15.3 Current quarter vs. immediate preceding quarter

	Individual Quarter Three months to		Changes %
	31/01/2021 RM'000	31/10/2020 RM'000	
Revenue	1,443,544	1,328,379	8.7
Operating profit	87,246	242,639	(64.0)
(Loss)/profit before taxation	(180,276)	58,983	(>100.0)
(Loss)/profit after taxation	(215,313)	17,502	(>100.0)
(Loss)/profit attributable to owners of the Parent	(216,026)	17,205	(>100.0)

The Group revenue of RM1,443.5 million was 8.7% higher than the immediate preceding quarter ("Q3 FY2021") of RM1,328.4 million, primarily due to the higher revenue from E&C business and Drilling business segments.

In the current quarter, the Group recorded a loss before taxation of RM180.3 million which was RM239.3 million lower than RM59.0 million profit before taxation in Q3 FY2021, mainly due to lower project margin from E&C business segment.

16. Segment information

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

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

	<u>Three months to 31/01/2021</u>	
	Revenue RM'000	Operating loss RM'000
E&C	1,277,153	(9,993)
Drilling	166,973	(61,130)
E&P	-	(12,460)
	<u>1,444,126</u>	<u>(83,583)</u>
Corporate expenses and eliminations	(582)	(96,693)
Group revenue / loss before taxation, after impairments	<u>1,443,544</u>	<u>(180,276)</u>

16.1 Current quarter vs. corresponding quarter of the preceding year

	Revenue			Operating loss		
	Three months to		Changes %	Three months to		Changes %
	31/01/2021	31/01/2020		31/01/2021	31/01/2020	
	RM'000	RM'000		RM'000	RM'000	
Business Segments:						
E&C	1,277,153	859,661	48.6	(9,993)	(2,016,640)	99.5
Drilling	166,973	253,193	(34.1)	(61,130)	(2,020,893)	97.0
E&P	-	-	-	(12,460)	(78,810)	84.2
	<u>1,444,126</u>	<u>1,112,854</u>		<u>(83,583)</u>	<u>(4,116,343)</u>	
Corporate expenses and eliminations	(582)	(960)	39.4	(96,693)	(150,634)	35.8
Group revenue/loss before taxation, after impairments	<u>1,443,544</u>	<u>1,111,894</u>	29.8	<u>(180,276)</u>	<u>(4,266,977)</u>	95.8

Business Segments:

Engineering and Construction

The segment recorded revenue of RM1,277.2 million, which was 48.6% higher than the revenue of RM859.7 million in Q4 FY2020, primarily due to higher activities in line with the progress of projects being executed.

The segment recorded a loss before taxation, after impairments of RM10.0 million which was lower by RM2,006.6 million compared to RM2,016.6 million in Q4 FY2020.

In Q4 FY2020, the segment recognised provision for impairment on goodwill on consolidation of RM1,055.0 million and provision for impairment on property, plant and equipment of RM206.4 million.

16. Segment information (cont'd.)

16.1 Current quarter vs. corresponding quarter of the preceding year

Business Segments (cont'd.):

Engineering and Construction (cont'd.)

Excluding the impairments, the segment recorded loss before taxation of RM10.0 million, which was lower by RM745.2 million compared to loss before taxation of RM755.2 million, primarily due to improvement in project margins in the current quarter.

Drilling

The segment revenue for the current quarter of RM167.0 million was lower by 34.1% compared to the revenue of RM253.2 million in Q4 FY2020 mainly due to the lower number operating days for working rigs in the current quarter.

The segment recorded a loss before taxation, after impairments of RM61.1 million, which was lower by 97.0% compared to a loss before taxation of RM2,020.9 million in Q4 FY2020.

Included in Q4 FY2020 loss before taxation, after impairments was provision for impairment on goodwill on consolidation of RM1,988.4 million and provision for impairment on property, plant and equipment of RM34.5 million.

Excluding the impairments, the segment recorded loss before taxation of RM61.1 million, which was lower by RM63.1 million compared to the profit before taxation of RM2.0 million in Q4 FY2020, primarily due to lower number of operating days for working rigs in the current quarter.

Exploration and Production

The segment recorded a loss before taxation of RM12.5 million, which was lower by RM66.3 million compared to loss before taxation of RM78.8 million in Q4 FY2020 mainly due to lower taxation.

16. Segment information (cont'd.)

16.2 Current year vs. corresponding preceding year

	Revenue			Operating profit/(loss)		
	Twelve months to		Changes %	Twelve months to		Changes %
	31/01/2021	31/01/2020		31/01/2021	31/01/2020	
	RM'000	RM'000		RM'000	RM'000	
Business Segments:						
E&C	4,621,084	5,511,165	(16.2)	487,899	(1,925,326)	>100.0
Drilling	728,443	941,431	(22.6)	(181,345)	(2,155,642)	91.6
E&P	-	-	-	(39,408)	(77,826)	49.4
	<u>5,349,527</u>	<u>6,452,596</u>		<u>267,146</u>	<u>(4,158,794)</u>	
Corporate expenses and eliminations	<u>(1,705)</u>	<u>(3,441)</u>	50.5	<u>(298,871)</u>	<u>(393,000)</u>	24.0
Group revenue/loss before taxation, after impairments	<u>5,347,822</u>	<u>6,449,155</u>	(17.1)	<u>(31,725)</u>	<u>(4,551,794)</u>	99.3

Business Segments:

Engineering and Construction

The segment recorded revenue of RM4,621.1 million, which was 16.2% lower compared to the corresponding year due to lower activities resulted from restricted movement and lockdown measures in multiple jurisdictions brought about by the COVID-19 global pandemic in line with the progress of projects being executed.

The segment recorded a profit before taxation, after impairments of RM487.9 million which was higher by RM2,413.2 million compared to loss before taxation, after impairments of RM1,925.3 million in the corresponding year.

Included in the corresponding year segment loss before taxation, after impairments was provision for impairment on goodwill on consolidation of RM1,055.0 million and provision for impairment on property, plant and equipment of RM206.4 million.

Excluding the impairments, the segment recorded profit before taxation of RM487.9 million which was higher by RM1,151.8 million compared to loss before taxation of RM663.9 million in corresponding year, primarily due to improvement in project margins and reduced by the lower share of profit from associates and joint ventures.

Drilling

The segment revenue for the current year of RM728.4 million was lower by 22.6% compared to the revenue of RM941.4 million in the corresponding year mainly due to lower effective day rates for operating rigs in the current year, resulted from restricted movement and lockdown measures in multiple jurisdictions brought about by the COVID-19 global pandemic.

The segment recorded a loss before taxation, after impairments of RM181.3 million, which was lower by RM1,974.3 million compared to loss before taxation, after impairments of RM2,155.6 million in the corresponding year.

16. Segment information (cont'd.)

16.2 Current year vs. corresponding preceding year (cont'd.)

Business Segments (cont'd.):

Drilling (cont'd.)

Included in the corresponding year loss before taxation, after impairments was provision for impairment on goodwill on consolidation of RM1,988.4 million and provision for impairment on property, plant and equipment of RM34.5 million.

Excluding the impairments, the segment recorded loss before taxation of RM181.3 million, which was higher by RM48.6 million compared the loss before taxation of RM132.7 million in corresponding year, inline with lower revenue.

Exploration and Production

The segment recorded a loss before taxation of RM39.4 million which was RM38.4 million lower compared to RM77.8 million in corresponding period mainly due to higher oil and gas production and lower deferred taxes in the current year.

17. Additional disclosure information

17.1 Foreign exchange exposure and hedging policy

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

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

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

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

17. Additional disclosure information (cont'd.)

17.2 Trade and other receivables and contract assets

	As at 31/01/2021	As at 31/01/2020
	RM'000	RM'000
Non-current		
Trade receivables	24,844	39,154
Other receivables	19,282	43,406
Total non-current trade and other receivables	<u>44,126</u>	<u>82,560</u>
Current		
Trade receivables	683,648	878,328
Less: Provision for impairment	(39,880)	(39,880)
	<u>643,768</u>	<u>838,448</u>
Other receivables	816,026	618,779
Total current trade and other receivables	<u>1,459,794</u>	<u>1,457,227</u>
Contract assets	<u>1,752,716</u>	<u>1,200,397</u>
Total trade and other receivables and contract assets	<u>3,256,636</u>	<u>2,740,184</u>

During the financial year, there was a provision for impairment on other receivables been made.

Trade receivables are non-interest bearing. The Group's normal trade credit term ranges from 30 to 90 days (as at 31 January 2020: 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

At the close of FY2021, there appeared to be signs that the world economy is recovering from the ravages of the COVID-19 pandemic. Oil prices that averaged USD43/bbl in FY2021 have rebounded to currently hover around USD60/bbl. Vaccination against COVID-19, though in early stages, has picked up momentum in the developed world and is expected to boost energy demand and economic activities that badly hit the oil and gas industry last year.

Managing the well-being of the workforce through the COVID-19 affected areas remain a focus to minimise the pandemic related costs, which in FY2021, amounted to RM286 million. In response, the Group has undertaken radical but necessary changes to operations, including revenue and cost optimisation as well as operational efficiency and productivity improvements. These initiatives included capex optimisation, supply chain optimization, extensive reviews of commercial opportunities within existing contracts and rightsizing the organization by approximately 20%. Of the identified RM1.3 billion optimisation initiatives, the Group has to date successfully implemented approximately RM760 million with RM430 million of savings realised, signifying the Group's commitment in weathering the storm. The Group's effort to streamline its cost structures continues apace. The impairment test done indicated both the E&C and Drilling portfolios remain robust.

The Group's orderbook stood resiliently at RM13.7 billion with cumulative announced contract wins of RM5.0 billion to-date. The Group remains competitive amongst peers in pursuing new opportunities globally, as evident from:

1. Its first win from Saudi Aramco for Contract Release and Purchase Order 59, issued under the long-term agreement programme. The scope of work of the contract includes the engineering, procurement, fabrication, transportation & installation and pre-commissioning of jackets for three new wellhead platforms;
2. The installation of wellhead platforms and pipelines and the removal of wellhead platforms from Chevron Thailand Exploration and Production Ltd.;
3. Long-term service agreement from Malaysia LNG Sdn. Bhd. for the comprehensive maintenance of turbomachinery equipment;
4. Provision of engineering, procurement, construction and commissioning for Phase 4A from Hess Exploration and Production Malaysia B.V.; and
5. Additional scope under the existing contract between Mubadala Petroleum and Sapura Fabrication Sdn. Bhd. for the Pegaga Mercury Removal Unit.

Moving forward, the Group anticipates that revenue in FY2022 to exceed FY2021 as approximately 80% of the revenue has been secured. The addressable market for the Group has increased significantly in the next 5 years and currently the Group's bids and prospects opportunity stands at RM123 billion, of which 6% represents opportunities in offshore wind. More success in the renewable energy sector bodes well for the Group's transition beyond oil and gas.

The Group's E&P segment under SapuraOMV joint venture remains focused in its shift towards more gas. Already, it is one of the top 3 gas suppliers and lowest unit cost producer to the MLNG plants in Bintulu. Final investment decision (FID) taken for the Jerun field will further strengthen its position as a major gas supplier in future years.

The Group has also completed its refinancing exercise with a consortium of Malaysian, regional and international banks that saw the extension of the approximately RM10.3 billion borrowing for a period of 7 years. In addition to the refinancing, as part of its capital management plan, the Group has secured RM700 million working capital facility, making its available working capital facility a combined value of RM1.2 billion. The completion of the refinancing and availability of additional working capital facilities provide optimism that the Group will remain competitive to pursue rekindling of projects in the energy industry and that the Group's assets are well positioned for the geographies of focus.

In all, the Board remains confident that the turnaround trends seen in the third and fourth quarter of FY2021 will lead to better Group performance in FY2022.

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

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

19. Dividend

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

20. Loss per share

Basic/Diluted	Individual Quarter		Cumulative Quarter	
	Three months to 31/01/2021	31/01/2020	Twelve months to 31/01/2021	31/01/2020
Loss attributable to owners of the Parent (RM'000)	(216,026)	(4,234,508)	(160,870)	(4,560,806)
Weighted average number of ordinary shares in issue excluding shares held under trust ('000):				
- Basic	15,971,804	15,971,804	15,971,804	15,947,122
Effects of dilution:				
- Options under ESOS	(38,943)	172,059	(38,943)	172,059
- Diluted	15,932,861	16,143,863	15,932,861	16,119,181
Loss per shares (sen)				
- Basic	(1.35)	(26.51)	(1.01)	(28.60)
- Diluted	(1.35)	(26.51)	(1.01)	(28.60)

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

By Order of the Board

Azni Ariffin (LS 0008791)
Company Secretary

Seri Kembangan, Selangor Darul Ehsan
27 April 2021