

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 JULY 2021

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Individual Quarter		Cumulative Quarter	
	Current year quarter <b>31/07/2021</b> RM'000	Preceding year corresponding quarter <b>31/07/2020</b> RM'000	Six months to <b>31/07/2021</b> RM'000	Six months to <b>31/07/2020</b> RM'000
<b>Revenue</b>	<b>747,115</b>	<b>1,219,237</b>	<b>2,217,709</b>	<b>2,575,899</b>
Other operating income	6,320	2,549	11,905	6,607
Operating expenses	(1,978,208)	(902,675)	(3,260,176)	(2,094,054)
<b>Operating (loss)/profit</b>	<b>(1,224,773)</b>	<b>319,111</b>	<b>(1,030,562)</b>	<b>488,452</b>
Depreciation and amortisation	(123,517)	(133,674)	(254,280)	(268,565)
Finance income	12,675	6,330	15,179	30,627
Finance costs	(118,729)	(119,711)	(274,758)	(258,464)
Gain on disposal of property, plant and equipment	776	-	5,973	-
Net foreign exchange gain	55,019	778	12,326	34,688
Share of (loss)/profit from associates and joint ventures	(71,481)	(19,457)	(7,918)	62,830
<b>(Loss)/profit before taxation</b>	<b>(1,470,030)</b>	<b>53,377</b>	<b>(1,534,040)</b>	<b>89,568</b>
Taxation	(41,938)	(29,726)	(80,130)	(52,009)
<b>(Loss)/profit after taxation</b>	<b>(1,511,968)</b>	<b>23,651</b>	<b>(1,614,170)</b>	<b>37,559</b>
Attributable to:				
Owners of the Parent	(1,516,891)	23,744	(1,613,965)	37,951
Non-controlling interests	4,923	(93)	(205)	(392)
	<b>(1,511,968)</b>	<b>23,651</b>	<b>(1,614,170)</b>	<b>37,559</b>
<b>(Loss)/earnings per share (sen)</b>				
- Basic/Diluted	(9.50)	0.15	(10.11)	0.24

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 SECOND QUARTER ENDED 31 JULY 2021

THE FIGURES HAVE NOT BEEN AUDITED

II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter <b>31/07/2021</b> RM'000	Preceding year corresponding quarter <b>31/07/2020</b> RM'000	Six months to <b>31/07/2021</b> RM'000	Six months to <b>31/07/2020</b> RM'000
(Loss)/profit after taxation	<b>(1,511,968)</b>	<b>23,651</b>	<b>(1,614,170)</b>	<b>37,559</b>
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified to profit or loss in subsequent periods:</i>				
Foreign currency translation differences	81,729	(51,727)	124,191	105,067
Net changes in cash flow hedge	-	(37,140)	(3,917)	7,022
Share of other comprehensive income/(loss) of associates and joint ventures:				
- Foreign currency translation differences	137,076	(98,679)	182,318	123,285
- Net changes in cash flow hedge	8,543	(449)	14,563	(23,527)
<i>Items that has been reclassified to profit or loss in current year:</i>				
Cumulative changes in cash flow hedge	-	4,108	18,952	8,216
Total comprehensive (loss)/profit	<u>(1,284,620)</u>	<u>(160,236)</u>	<u>(1,278,063)</u>	<u>257,622</u>
Attributable to:				
Owners of the Parent	(1,289,267)	(159,840)	(1,279,570)	258,175
Non-controlling interests	4,647	(396)	1,507	(553)
Total comprehensive (loss)/profit	<u>(1,284,620)</u>	<u>(160,236)</u>	<u>(1,278,063)</u>	<u>257,622</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 SECOND QUARTER ENDED 31 JULY 2021

THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<b>UNAUDITED</b> As at end of current financial period <b>31/07/2021</b> RM'000	<b>AUDITED</b> As at end of preceding financial year <b>31/01/2021</b> RM'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	9,381,855	9,218,612
Intangible assets	5,056,873	4,927,743
Investment in associates	2,162,018	2,103,820
Investment in joint ventures	2,098,627	2,005,591
Deferred tax assets	112,904	120,336
Derivative assets	-	55,083
Trade and other receivables	41,455	44,126
	<u>18,853,732</u>	<u>18,475,311</u>
<b>Current assets</b>		
Inventories	468,185	423,251
Trade and other receivables	1,457,364	1,434,328
Contract assets	1,519,671	1,752,716
Tax recoverable	85,631	90,537
Cash and cash equivalents	695,738	488,966
	<u>4,226,589</u>	<u>4,189,798</u>
<b>TOTAL ASSETS</b>	<b><u>23,080,321</u></b>	<b><u>22,665,109</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	10,872,078	10,872,078
Islamic redeemable convertible preference shares ("RCPS-i")	982,713	982,713
Shares held under trust	(11,587)	(11,587)
Warrants reserve	109,110	109,110
Other reserves	1,953,066	1,618,671
Accumulated losses	(6,239,380)	(4,625,415)
	<u>7,666,000</u>	<u>8,945,570</u>
<b>Non-controlling interests</b>	<u>(7,313)</u>	<u>(8,820)</u>
<b>Total equity</b>	<b><u>7,658,687</u></b>	<b><u>8,936,750</u></b>

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 JULY 2021

THE FIGURES HAVE NOT BEEN AUDITED

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

	<b>UNAUDITED</b>	<b>AUDITED</b>
	As at end of current financial period <b>31/07/2021</b> RM'000	As at end of preceding financial year <b>31/01/2021</b> RM'000
<b>Non-current liabilities</b>		
Borrowings	-	7,068,725
Derivative liabilities	58,020	-
Trade and other payables	15,188	37,790
Contract liabilities	24,016	30,243
Lease liabilities	10,737	9,631
Deferred tax liabilities	119,612	102,747
	<u>227,573</u>	<u>7,249,136</u>
<b>Current liabilities</b>		
Borrowings	10,876,422	3,263,457
Trade and other payables	3,293,480	2,669,045
Contract liabilities	450,787	239,572
Lease liabilities	10,136	11,123
Provision	407,525	152,251
Provision for tax	155,711	143,775
	<u>15,194,061</u>	<u>6,479,223</u>
<b>TOTAL LIABILITIES</b>	<u>15,421,634</u>	<u>13,728,359</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><b>23,080,321</b></u>	<u><b>22,665,109</b></u>
<b>Net assets per share (RM)</b>	<u><b>0.48</b></u>	<u><b>0.56</b></u>

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 JULY 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	
<b>Six months to 31 July 2021</b>									
<b>(Unaudited)</b>									
At 1 February 2021	10,872,078	982,713	(11,587)	109,110	1,618,671	(4,625,415)	8,945,570	(8,820)	8,936,750
<b>Total comprehensive income/(loss)</b>	-	-	-	-	334,395	(1,613,965)	(1,279,570)	1,507	(1,278,063)
At 31 July 2021	10,872,078	982,713	(11,587)	109,110	1,953,066	(6,239,380)	7,666,000	(7,313)	7,658,687
<b>Six months to 31 July 2020</b>									
<b>(Unaudited)</b>									
At 1 February 2020	10,872,078	982,713	(11,587)	109,110	1,703,428	(4,473,221)	9,182,521	(7,853)	9,174,668
<b>Total comprehensive income/(loss)</b>	-	-	-	-	220,224	37,951	258,175	(553)	257,622
At 31 July 2020	10,872,078	982,713	(11,587)	109,110	1,923,652	(4,435,270)	9,440,696	(8,406)	9,432,290

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 SECOND QUARTER ENDED 31 JULY 2021

THE FIGURES HAVE NOT BEEN AUDITED

V. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED Six months to <b>31/07/2021</b> RM'000	UNAUDITED Six months to <b>31/07/2020</b> RM'000
<b>Cash flows from operating activities</b>		
<b>(Loss)/profit before taxation</b>	<b>(1,534,040)</b>	<b>89,568</b>
Adjustments	751,784	398,282
Operating (loss)/profit before working capital changes	(782,256)	487,850
Changes in working capital	862,045	(313,862)
<b>Cash generated from operations</b>	<b>79,789</b>	<b>173,988</b>
Net taxes paid	(50,413)	(7,968)
<b>Net cash generated from operating activities</b>	<b>29,376</b>	<b>166,020</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(70,920)	(88,109)
Proceeds from disposal of property, plant and equipment	12,727	889
Repayment of advances from a joint venture	44,467	23,510
Dividend received from a joint venture	10,776	2,183
Other items	3,320	10,835
<b>Net cash generated from/(used in) investing activities</b>	<b>370</b>	<b>(50,692)</b>
<b>Cash flows from financing activities</b>		
Finance costs paid	(286,181)	(221,953)
Net drawdown of revolving credit and trade financing	452,726	50,910
Net repayment of lease liabilities	(5,611)	(9,688)
<b>Net cash generated from/(used in) financing activities</b>	<b>160,934</b>	<b>(180,731)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>190,680</b>	<b>(65,403)</b>
Effect of exchange rate translation	16,092	24,941
Cash and cash equivalents at beginning of year	488,966	772,374
<b>Cash and cash equivalents at end of period</b>	<b>695,738</b>	<b>731,912</b>

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

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation

The unaudited condensed consolidated interim financial statements for the period ended 31 July 2021 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"). These condensed consolidated interim financial statements also comply with International Accounting Standards ("IAS") 34: Interim Financial Reporting issued by the International Accounting Standards Board.

The unaudited condensed consolidated interim financial statements for the financial period ended 31 July 2021 should be read in conjunction with the audited financial statements for the financial year ended 31 January 2021.

The accounting policies and methods of computation adopted by Sapura Energy Berhad ("the Company") and its subsidiaries ("the Group") in these condensed consolidated interim financial statements are consistent with those adopted in the most recent annual audited financial statements for the year ended 31 January 2021 except for the following:

On 1 February 2021, the Group has adopted the following revised MFRSs and Amendments to MFRS that have been issued by the Malaysian Accounting Standards Board ("MASB").

#### **Effective for annual periods beginning on or after 1 January 2021:**

Interest Rate Benchmark Reform—Phase 2

Amendments to MFRS 4: Insurance Contracts

Amendments to MFRS 7: Financial Instruments - Disclosures

Amendments to MFRS 9: Financial Instruments

Amendments to MFRS 16: Leases

Amendments to MFRS 139: Financial Instruments: Recognition and Measurement

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

### 2. Seasonality and cyclicity of operations

The Group's operations are not materially affected by any seasonal or cyclical factors except for severe weather conditions in the various regions that the Group operates.

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

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

### 4. Changes in estimates

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

### 5. Debt and equity securities

There were no other issuance and repayment of debt securities, share buy-back, share cancellations, shares held under trust and resale of shares held under trust during the quarter ended 31 July 2021.



## 6. Subsequent events

There is no material event subsequent to 31 July 2021 which has not been reflected in these condensed consolidated interim financial statements, except for the financial covenant waiver received from the lenders as disclosed in Note 12.

## 7. Changes in the composition of the Group

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

## 8. Contingent liabilities

- (a) The Group has provided corporate guarantees given to financial institutions for credit facilities and performance bonds granted to joint ventures and associates amounting to RM724.9 million (31 January 2021: RM722.2 million).
- (b) On 31 January 2019, an associate company of the Group, SapuraOMV Upstream Sdn. Bhd. ("SapuraOMV") entered into a USD350.0 million financing facility agreement with OMV Exploration & Production GmbH ("OMV E&P"). As security for this, Sapura Upstream Assets Sdn. Bhd. (a subsidiary of the Group) has pledged shares of SapuraOMV with a value of USD175.0 million in favour of OMV E&P.
- (c) On 1 October 2020 and 18 November 2020, the Inland Revenue Board of Malaysia ("IRB") has raised assessments to Sapura TMC Sdn. Bhd. ("Sapura TMC"), for the years of assessment 2014 to 2019 in respect of the tax incentive for Treasury Management Centre, deemed interest income on non-interest bearing intercompany balances and the tax treatment of interest income earned from year of assessment 2019 onwards. On 28 October 2020 and 3 December 2020, Sapura TMC has lodged the Notices of Appeal ("Forms Q") against the assessments raised for the years of assessments 2014 to 2019 outlining the relevant grounds of appeal. Based on valid justifications and merits to appeal against the assessments, Sapura TMC is currently in formal discussion with the Dispute Resolution Department to resolve the matter at the earliest.
- (d) On 17 November 2019, PETRONAS approved a 2-year extension to the Exploration Period for SB331 and SB332 Production Sharing Contracts to Sapura Energy Ventures Sdn Bhd ("SEV") subject to the fulfillment of certain minimum work commitments. As at 31 July 2021, these commitments have not been met. A bank guarantee amounting to USD30 million has been pledged against these outstanding commitments. SEV is seeking PETRONAS' approval for a further extension to the Exploration Period.
- (e) Other than as described above and Note 14 (b) and (c), there were no other changes in contingent liabilities in the current financial period.

## 9. Capital commitments

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

**Approved and contracted for:**

**31/07/2021**  
RM'000

Group

274,600



## 10. Taxation

Taxation comprises of the following:

	Individual Quarter		Cumulative Quarter	
	Three months to 31/07/2021 RM'000	Three months to 31/07/2020 RM'000	Six months to 31/07/2021 RM'000	Six months to 31/07/2020 RM'000
Current taxation:				
Malaysian taxation	16,868	12,893	31,416	19,579
Foreign taxation	13,421	(10,061)	27,663	9,564
Deferred taxation	11,649	26,894	21,051	22,866
	<u>41,938</u>	<u>29,726</u>	<u>80,130</u>	<u>52,009</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
<b>As at 31 July 2021</b>						
<b>Unsecured</b>						
Revolving credits	-	200,584	-	-	-	200,584
Trade financing	5,127	441,978	-	-	5,127	441,978
Term loans	2,495,384	826,339	-	-	2,495,384	826,339
Sukuk Programme	526,807	6,380,203	-	-	526,807	6,380,203
	<u>3,027,318</u>	<u>7,849,104</u>	<u>-</u>	<u>-</u>	<u>3,027,318</u>	<u>7,849,104</u>
<b>Total</b>		<u>10,876,422</u>		<u>-</u>		<u>10,876,422</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	denomination	denomination	denomination	denomination	denomination
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>As at</b>						
<b>31 January 2021</b>						
<b>Unsecured</b>						
Revolving credits	721,888	1,040,968	-	-	721,888	1,040,968
Trade financing	-	93,251	-	-	-	93,251
Term loans	86,780	-	2,666,435	-	2,753,215	-
Islamic Facility	635,063	522,580	-	-	635,063	522,580
Sukuk Programme	-	162,927	1,113,078	3,289,212	1,113,078	3,452,139
	<u>1,443,731</u>	<u>1,819,726</u>	<u>3,779,513</u>	<u>3,289,212</u>	<u>5,223,244</u>	<u>5,108,938</u>
<b>Total</b>		<u>3,263,457</u>		<u>7,068,725</u>		<u>10,332,182</u>

(b) Other information relating to borrowings:

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

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

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

(a) the Conventional Facilities Agreement 2021; and

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

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

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

## 12. Borrowings (cont'd.)

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

(ii) (cont'd.)

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

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

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

However, as at 31 July 2021, the Group breached a financial covenant pursuant to the MCF 2021.

As required under MFRS 101: Presentation of Financial Statements, in the event of a breach of loan covenant on or before the end of reporting date, an entity is required to classify a liability as current as it no longer has the unconditional right to defer its settlement for at least twelve months after that date. As a result, the borrowings under MCF 2021 have been reclassified as current liabilities as at 31 July 2021.

As at 30 September 2021, the Group has secured a waiver from the lenders for the breach. As such, the borrowings will be reclassified to non-current liabilities after that date.

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

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

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

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

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

### 13. Derivative financial instruments

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

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

	As at 31 July 2021		As at 31 January 2021	
	Notional Value RM'000	Liabilities Fair Value RM'000	Notional Value RM'000	Assets Fair Value RM'000
5 years Islamic Cross-Currency Swap	2,528,606	(58,020)	2,528,606	55,083

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

In the current period, the cumulative amount in the cash flow hedge has been reclassified to profit or loss due to discontinuance of hedge accounting, upon completion of the refinancing on 31 March 2021. The ICRCS contracts remain in effect as at 31 July 2021.

### 14. Material litigation

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

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

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

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

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

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

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

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

Proceedings continued on the 21, 22 and 23 November 2018 with submissions from SESSB's counsel. The tribunal heard ONGC's counsel present its submissions on 12 and 13 February 2019. Final written submission has been submitted to arbitrators on 15 April 2019. ONGC presented its submissions on 31 July 2019. SESSB was awarded the sum of USD3,009,789 by the arbitral tribunal, comprised of work done of USD1,983,521 (subject to 4.368% withholding tax to be deducted by ONGC) and interest of USD1,026,267 (subject to income tax of 43.68%).

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

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

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

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

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

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

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

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

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

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

Via a letter dated 12 May 2021, ONGC on a without prejudice basis, has responded to the Letter of Demand requesting from SESSB the Withholding Tax Order and GST registration details before ONGC can release the payments under the Final Award. A Withholding Tax Order with a rate of 4% has been obtained by SESSB's tax consultants from the Indian Tax Authorities.

With regards to the appeal in the Mumbai High Court filed on 8 December 2020 against the Final Award, the matter has yet to be listed for hearing.

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

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

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

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

On 26 March 2018, SFSB received a commencement request from PML to formally initiate a claim by way of arbitration proceedings at the Asian International Arbitration Centre for damages amounting to a sum of USD9,558,003 and RM16,785,227 vide its Re-amended Point of Claims in relation to disputes arising from the Contract. PML has alleged breach of riser height requirements and preservation obligations by SFSB. The claim by PML was made separately in two currencies as the claim is based on the rates and currencies prescribed in the Contract.

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

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

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

- (i) 26, 27, 28 & 31 April 2021;
- (ii) 3, 4, 5, 6, 7 & 10 May 2021;
- (iii) 20 September 2021 to 24 September 2021;
- (iv) 27 September 2021 to 1 October 2021; and
- (v) 4 October 2021 to 6 October 2021.

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

The hearing proceeded on 20 September 2021 to 24 September 2021 as schedule and is now continuing from 27 September 2021 to 1 October 2021 with the cross examination of the PML's witness. Further hearing dates were fixed as set out below:

- (i) 4 October 2021 to 6 October 2021;
- (ii) 7 & 8 October 2021;
- (iii) 24 January 2022 to 28 January 2022;
- (iv) 7 February 2022 to 11 February 2022; and
- (v) 17 May 2022 to 20 May 2022.

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

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

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

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

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

- (a) SE Brasil filed their Statement of Claims for the sum of USD84,606,035 on 29th March 2021.
- (b) Celse filed Respondent's Statement of Claims for the sum of USD89,799,186.10 on 29th March 2021.
- (c) SE Brasil filed Claimant's and Additional Party's Statement of Defense against Respondent's Statement of Claim on 28th May 2021.
- (d) Celse filed Respondent's Statement of Defense against Claimant's Statement of Claim on 28th May 2021.
- (e) SE Brasil filed Claimant's Reply on 28th June 2021.
- (f) Celse filed Respondent's Reply on 28th June 2021.
- (g) SE Brasil filed Claimant's and Additional Party's Rejoinder on 28th July 2021.
- (h) Celse filed Respondent's Rejoinder on 28th July 2021.

Submissions on the issues to be determined by the Arbitral Tribunal, witness statements and request for additional evidence will be due on 27th September 2021. After that, a hearing for the presentation of the case shall take place.

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

## 15. Review of Group Performance

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

	Individual Quarter Three months to		Changes %
	31/07/2021 RM'000	31/07/2020 RM'000	
Revenue	747,115	1,219,237	(38.7)
Operating (loss)/profit	(1,224,773)	319,111	(>100.0)
(Loss)/profit before taxation	(1,470,030)	53,377	(>100.0)
(Loss)/profit after taxation	(1,511,968)	23,651	(>100.0)
(Loss)/profit attributable to owners of the Parent	(1,516,891)	23,744	(>100.0)

The Group's revenue of RM747.1 million was 38.7% lower than RM1,219.2 million in the corresponding quarter of the preceding year ("Q2 FY2021"), mainly attributable to the lower revenue recognised from Engineering and Construction ("E&C") and Operations and Maintenance ("O&M") business segments due to lower percentage of completion in the current quarter resulting from recognition of foreseeable losses and higher project costs.

The Group recorded a loss before taxation of RM1,470.0 million in the current quarter, compared to a profit before taxation of RM53.4 million in Q2 FY2021. The decrease is mainly contributed by provision for foreseeable losses and higher project costs incurred for certain projects during the current quarter.

### 15.2 Current period vs. corresponding period of the preceding year

	Cumulative Quarter Six months to		Changes %
	31/07/2021 RM'000	31/07/2020 RM'000	
Revenue	2,217,709	2,575,899	(13.9)
Operating (loss)/profit	(1,030,562)	488,452	(>100.0)
(Loss)/profit before taxation	(1,534,040)	89,568	(>100.0)
(Loss)/profit after taxation	(1,614,170)	37,559	(>100.0)
(Loss)/profit attributable to owners of the Parent	(1,613,965)	37,951	(>100.0)

The Group's revenue of RM2,217.7 million was 13.9% lower than the corresponding period of the preceding year ("corresponding period") of RM2,575.9 million, primarily due to the lower revenue from E&C and O&M business segments.

In the current period, the Group recorded a loss before taxation of RM1,534.0 million which was lower by RM1,623.6 million compared to a profit before taxation of RM89.6 million in the corresponding period primarily due to provision for foreseeable losses, higher project costs recognised for certain projects and higher net finance cost.



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

### 15.3 Current quarter vs. immediate preceding quarter

	Individual Quarter		Changes %
	31/07/2021 RM'000	30/04/2021 RM'000	
Revenue	747,115	1,470,594	(49.2)
Operating (loss)/profit	(1,224,773)	194,211	(>100.0)
Loss before taxation	(1,470,030)	(64,010)	(>100.0)
Loss after taxation	(1,511,968)	(102,202)	(>100.0)
Loss attributable to owners of the Parent	<u>(1,516,891)</u>	<u>(97,074)</u>	<u>(&gt;100.0)</u>

The Group's revenue of RM747.1 million was 49.2% lower than the immediate preceding quarter ("Q1 FY2022") of RM1,470.6 million, primarily due to the lower percentage of completion recognised in the current quarter resulting from recognition of foreseeable losses and higher project costs.

In the current quarter, the Group recorded a loss before taxation of RM1,470.0 million which was RM1,406.0 million higher than RM64.0 million loss before taxation in Q1 FY2022, mainly due to provision for foreseeable losses and higher project costs recognised for certain projects during the current quarter.

## 16. Segment information

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

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

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

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

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

	<u>Three months to 31/07/2021</u>	
	Revenue RM'000	Loss before tax RM'000
E&C	514,879	(1,120,261)
O&M	37,453	(187,092)
Drilling	223,576	(8,984)
E&P	-	(85,887)
	<u>775,908</u>	<u>(1,402,224)</u>
Corporate expenses and eliminations	(28,793)	(67,806)
<b>Group revenue / loss before taxation</b>	<b><u>747,115</u></b>	<b><u>(1,470,030)</u></b>

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

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

	Revenue			(Loss)/profit before tax		
	Three months to			Three months to		
	31/07/2021	31/07/2020	Changes	31/07/2021	31/07/2020	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
<b>Business Segments:</b>						
E&C	514,879	886,187	(41.9)	(1,120,261)	204,944	(>100.0)
O&M	37,453	176,423	(78.8)	(187,092)	13,159	(>100.0)
Drilling	223,576	187,403	19.3	(8,984)	(32,442)	72.3
E&P	-	-	-	(85,887)	(53,625)	(60.2)
	<u>775,908</u>	<u>1,250,013</u>		<u>(1,402,224)</u>	<u>132,036</u>	
Corporate expenses and eliminations	<u>(28,793)</u>	<u>(30,776)</u>	6.4	<u>(67,806)</u>	<u>(78,659)</u>	13.8
<b>Group revenue/ (loss)/profit before taxation</b>	<b><u>747,115</u></b>	<b><u>1,219,237</u></b>	<b>(38.7)</b>	<b><u>(1,470,030)</u></b>	<b><u>53,377</u></b>	<b>(&gt;100.0)</b>

#### Business Segments:

##### Engineering and Construction

The segment recorded revenue of RM514.9 million, which was 41.9% lower than the revenue of RM886.2 million in Q2 FY2021, primarily due to the lower percentage of completion recognised in the current quarter resulting from recognition of foreseeable losses and higher project costs.

The segment recorded a loss before taxation of RM1,120.3 million which was lower by RM1,325.2 million compared to profit before tax of RM204.9 million in Q2 FY2021 mainly due to provision for foreseeable losses and higher project costs recognised for certain projects in the current quarter.

##### Operations and Maintenance

The segment recorded revenue of RM37.5 million, which was 78.8% lower than the revenue of RM176.4 million in Q1 FY2021, primarily due to recognition of foreseeable losses from certain projects and completion of projects in the current quarter.

The segment recorded a loss before taxation of RM187.1 million which was lower by RM200.3 million compared to a profit before taxation of RM13.2 million in Q2 FY2021 mainly due to recognition of foreseeable losses and additional cost recognised for certain projects in the current quarter.

##### Drilling

The segment's revenue for the current quarter of RM223.6 million was higher by 19.3% compared to the revenue of RM187.4 million in Q2 FY2021 mainly due to an increase in rig activities and higher effective day rates achieved in the current quarter.

The segment recorded a loss before taxation of RM9.0 million, which was lower by RM23.4 million compared to a loss before taxation of RM32.4 million in Q2 FY2021 mainly due to the higher revenue and improved margins from operating rigs during the quarter.

##### Exploration and Production

The segment recorded a loss before taxation of RM85.9 million, which was higher by RM32.3 million compared to a loss before taxation of RM53.6 million in Q2 FY2021 mainly contributed by write off of an exploration well and impairment arising from the disposal of Peninsular Malaysia blocks during the current quarter.

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

### 16.2 Current period vs. corresponding period of the preceding year

	Revenue			(Loss)/profit before tax		
	Six months to			Six months to		
	31/07/2021	31/07/2020	Changes	31/07/2021	31/07/2020	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
<b>Business Segments:</b>						
E&C	1,648,549	1,852,646	(11.0)	(1,069,175)	330,339	(>100.0)
O&M	152,282	336,051	(54.7)	(183,936)	11,665	(>100.0)
Drilling	475,360	428,275	11.0	13,111	(47,374)	>100.0
E&P	-	-	-	(33,911)	(59,706)	43.2
	<u>2,276,191</u>	<u>2,616,972</u>		<u>(1,273,911)</u>	<u>234,924</u>	
Corporate expenses and eliminations	(58,482)	(41,073)	(42.4)	(260,129)	(145,356)	(79.0)
<b>Group revenue/ (loss)/profit before taxation</b>	<b><u>2,217,709</u></b>	<b><u>2,575,899</u></b>	<b>(13.9)</b>	<b><u>(1,534,040)</u></b>	<b><u>89,568</u></b>	<b>(&gt;100.0)</b>

#### Business Segments:

##### Engineering and Construction

The segment recorded revenue of RM1,648.5 million, which was 11.0% lower than the revenue of RM1,852.6 million in corresponding period, primarily due to the lower percentage of completion recognised in the current period resulting from recognition of foreseeable losses and higher project costs.

The segment recorded a loss before taxation of RM1,069.2 million which was lower by RM1,399.5 million compared to profit before taxation of RM330.3 million in corresponding period mainly due to provision for foreseeable losses and higher project costs recognised for certain projects in the current period.

##### Operations and Maintenance

The segment recorded revenue of RM152.3 million, which was 54.7% lower than the revenue of RM336.1 million in corresponding period, primarily due to recognition of foreseeable losses from certain projects and completion of projects in the current period.

The segment recorded a loss before taxation of RM183.9 million which was lower by RM195.6 million compared to a profit before taxation of RM11.7 million in corresponding period mainly due to recognition of foreseeable losses and additional cost recognised for certain projects in the current period.

##### Drilling

The segment's revenue for the current period of RM475.4 million was higher by 11.0% compared to the revenue of RM428.3 million in corresponding period mainly due to increase in rig activities and higher effective day rates achieved in the current period.

The segment recorded a profit before taxation of RM13.1 million, which was higher by RM60.5 million compared to a loss before taxation of RM47.4 million in corresponding period mainly due to improved margins from operating rigs during the period and lower interest expense.

##### Exploration and Production

The segment recorded a loss before taxation of RM33.9 million, which was lower by RM25.8 million compared to a loss before taxation of RM59.7 million in corresponding period mainly contributed by higher gas production following SK408 GoLaBa fully on stream in 2021 and the effect of the higher average realised oil price achieved and offset by a write off of an exploration well and an impairment arising from the disposal of Peninsular Malaysia blocks during the current period.

## 17. Additional disclosure information

### 17.1 Foreign exchange exposure and hedging policy

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

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

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

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

### 17.2 Trade and other receivables and contract assets

	As at 31/07/2021 RM'000	As at 31/01/2021 RM'000
<b>Non-current</b>		
Trade receivables	22,173	24,844
Other receivables	19,282	19,282
Total non-current trade and other receivables	41,455	44,126
<b>Current</b>		
Trade receivables	664,362	716,207
Less: Provision for expected credit loss	(39,175)	(39,175)
	625,187	677,032
Other receivables	870,867	795,986
Less: Provision for expected credit loss	(38,690)	(38,690)
	832,177	757,296
Total current trade and other receivables	1,457,364	1,434,328
Contract assets	1,614,952	1,752,716
Less: Provision for expected credit loss	(95,281)	-
	1,519,671	1,752,716
Total trade and other receivables and contract assets	3,018,490	3,231,170

Trade receivables are non-interest bearing. The Group's normal trade credit term ranges from 30 to 90 days (as at 31 January 2021: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis. Overdue balances are reviewed regularly by the management. Trade receivables are recognised at original invoice amounts which represent their fair values on initial recognition.



## 18. (a) Commentary on prospects

Despite the strengthening of oil price, the operating conditions that confront the industry and the Group remain challenging, partly due to continued cautiousness in capex spending by the oil and gas clients and uncertainties caused by the COVID-19 pandemic. The impact of the pandemic to operations coupled with project execution delays primarily for Engineering & Construction (E&C) projects in Taiwan and India have exacerbated, resulting in the Group's disappointing performance in the current quarter.

Liquidity concerns remain with the Group's E&C vendors and clients, further hampering the turnaround efforts. The Group has engaged with lenders on short and long-term initiatives to improve its cash flow and debt situation faster. This is important to enable the Group to engage confidently with especially our E&C clients and vendors on win-win solutions to create value in a post-pandemic future and to capitalise on emerging opportunities.

In E&C operations management, with greater clarity of priorities and focus, the Group is realising value with on-going projects, as well as ensuring efforts on new projects get implemented with greater efficiencies, including Chevron Decommissioning, ARAMCO CRPO 59, Mubadala Pegaga MRU and Hess 4A.

In Exploration & Production, the divestment of Sapura OMV Upstream (PM) Inc oil venture had been completed, and the development phase of the SK408 Jerun for gas delivery to MLNG is on schedule.

In the Drilling segment, the inaugural PETRONAS Carigali Kasawari Integrated Rig & Drilling contract has commenced, paving a way for a new drilling and well development concept in Malaysia. To-date, seven drilling rigs are operational in Malaysia, Thailand, Brunei and West Africa. The segment remains well positioned for any uptick in drilling-related activities.

The Group's orderbook, held by Group's subsidiaries, stands at RM7.5 billion, including new wins of RM942 million from Santos Australia for Dorado Wellhead EPCI and Spartan T&I Projects. In addition, Sapura Navegação Marítima S.A., our Brazil joint venture, has signed contracts for Sapura Diamante and Sapura Topazio with Petrobras. With these contracts, our order book held by our jointly controlled entities stands at RM7.2 billion.

We continue to be invited to bid for projects in various geographies based on the Group's core capabilities. The Group has a more focused bidding strategy resulting in a more targeted bid book that currently stands at RM35 billion.

The Group is intensifying our efforts to increase the pace of our restructuring Reset journey. A Board Restructuring Taskforce has been set up to provide oversight and support to the Management Team to review the Group's capital structure and financial framework, as well as the operating model and future business direction.

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

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

## 19. Dividend

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

20. (Loss)/earning per share

	Individual Quarter		Cumulative Quarter	
	Three months to		Six months to	
Basic/Diluted	31/07/2021	31/07/2020	31/07/2021	31/07/2020
(Loss)/profit attributable to owners of the Parent (RM'000)	(1,516,891)	23,744	(1,613,965)	37,951
Weighted average number of ordinary shares in issue excluding shares held under trust ('000):				
- Basic/Diluted *	15,971,804	15,971,804	15,971,804	15,971,804
(Loss)/earning per shares (sen)				
- Basic/Diluted *	(9.50)	0.15	(10.11)	0.24

\* Rights issue of RCPS-i and warrants of 2,396,862,035 units and 998,692,020 units respectively, as well as 691,938,153 and 586,388,264 options under the ESOS granted have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

**By Order of the Board**

Azni Ariffin (LS 0008791)  
Company Secretary

Seri Kembangan, Selangor Darul Ehsan  
30 September 2021