

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2019

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/04/2019 RM'000	Preceding year corresponding quarter 30/04/2018 RM'000	Three months to 30/04/2019 RM'000	Three months to 30/04/2018 RM'000
Continuing operations				
Revenue	1,632,460	845,173	1,632,460	845,173
Other operating income	93,133	3,596	93,133	3,596
Operating expenses	(1,585,667)	(749,112)	(1,585,667)	(749,112)
Operating profit from continuing operations	139,926	99,657	139,926	99,657
Depreciation and amortisation	(124,294)	(163,813)	(124,294)	(163,813)
Finance income	5,011	4,460	5,011	4,460
Finance costs	(214,379)	(222,417)	(214,379)	(222,417)
Gain on disposal of property, plant and equipment	11,116	-	11,116	-
Net foreign exchange gain	24,948	9,060	24,948	9,060
Share of profit from associates and joint ventures	79,318	108,239	79,318	108,239
Loss before taxation from continuing operations	(78,354)	(164,814)	(78,354)	(164,814)
Taxation	(30,973)	(19,812)	(30,973)	(19,812)
Loss after taxation from continuing operations	(109,327)	(184,626)	(109,327)	(184,626)
Discontinued operations				
Profit after taxation from discontinued operations	-	48,082	-	48,082
	-	48,082	-	48,082
Loss after taxation	(109,327)	(136,544)	(109,327)	(136,544)
Attributable to:				
Owners of the Parent:				
- Continuing operations	(109,096)	(183,816)	(109,096)	(183,816)
- Discontinued operations	-	48,082	-	48,082
	(109,096)	(135,734)	(109,096)	(135,734)
Non-controlling interests	(231)	(810)	(231)	(810)
	(109,327)	(136,544)	(109,327)	(136,544)
Earnings per share from continuing operations (sen)				
- Basic	(0.68)	(3.09)	(0.68)	(3.09)
- Diluted	(0.68)	(3.09)	(0.68)	(3.09)
Earnings per share from discontinued operations (sen)				
- Basic	-	0.81	-	0.81
- Diluted	-	0.81	-	0.81

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

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II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/04/2019 RM'000	Preceding year corresponding quarter 30/04/2018 RM'000	Three months to 30/04/2019 RM'000	Three months to 30/04/2018 RM'000
Loss after taxation	(109,327)	(136,544)	(109,327)	(136,544)
Other comprehensive income:				
<u>Continuing operations</u>				
<i>Items that may be reclassified to profit or loss statements in subsequent periods:</i>				
Foreign currency translation differences	14,588	18,268	14,588	18,268
Cash flow hedge:				
- Changes in fair value of derivatives	(32,799)	28,788	(32,799)	28,788
- Foreign exchange gain on hedged items	28,425	27,323	28,425	27,323
Share of other comprehensive income/(loss) of associates and joint ventures:				
- Foreign currency translation differences	35,856	(15,221)	35,856	(15,221)
- Changes in fair value of derivatives	(9,223)	25,471	(9,223)	25,471
Total comprehensive loss	<u>(72,480)</u>	<u>(51,915)</u>	<u>(72,480)</u>	<u>(51,915)</u>
Attributable to:				
Owners of the Parent	(71,971)	(51,038)	(71,971)	(51,038)
Non-controlling interests	(509)	(877)	(509)	(877)
Total comprehensive loss	<u>(72,480)</u>	<u>(51,915)</u>	<u>(72,480)</u>	<u>(51,915)</u>

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2019
THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED As at end of current financial period 30/04/2019 RM'000	AUDITED As at end of preceding financial year 31/01/2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	10,045,630	10,024,809
Goodwill on consolidation	8,023,333	7,983,049
Other intangible assets	11,024	14,081
Investment in associates and joint ventures	4,129,613	4,023,794
Right-of-use assets	23,344	-
Deferred tax assets	51,229	37,311
Derivative assets	141,708	174,507
Trade receivables	12,076	11,374
	<u>22,437,957</u>	<u>22,268,925</u>
Current assets		
Inventories	374,211	354,447
Trade and other receivables	2,003,271	1,704,349
Contract assets	1,042,343	1,065,377
Tax recoverable	94,316	84,772
Cash and cash equivalents	860,023	8,098,397
	<u>4,374,164</u>	<u>11,307,342</u>
TOTAL ASSETS	<u>26,812,121</u>	<u>33,576,267</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	(66,812)	(66,812)
Warrants reserve	109,110	109,110
Other reserves	1,871,490	1,764,292
Retained profits	24,693	213,684
	<u>13,793,272</u>	<u>13,875,065</u>
Non-controlling interests	<u>(4,333)</u>	<u>(3,824)</u>
Total equity	<u>13,788,939</u>	<u>13,871,241</u>

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2019
THE FIGURES HAVE NOT BEEN AUDITED

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

	UNAUDITED	AUDITED
	As at end of current financial period 30/04/2019 RM'000	As at end of preceding financial year 31/01/2019 RM'000
Non-current liabilities		
Borrowings	8,479,549	11,146,926
Other payables	97,184	104,848
Lease liabilities	16,772	-
Deferred tax liabilities	67,421	71,810
	8,660,926	11,323,584
Current liabilities		
Borrowings	1,532,113	5,838,910
Contract liabilities	87,305	92,811
Trade and other payables	2,589,870	2,288,710
Lease liabilities	7,547	-
Provisions	45,544	94,866
Provision for tax	99,877	66,145
	4,362,256	8,381,442
TOTAL LIABILITIES	13,023,182	19,705,026
TOTAL EQUITY AND LIABILITIES	26,812,121	33,576,267
Net assets per share (RM)	0.87	0.87

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2019

THE FIGURES HAVE NOT BEEN AUDITED

IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2019
 THE FIGURES HAVE NOT BEEN AUDITED
 IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D.)

	Attributable to owners of the Parent				Total	Non-controlling interests	Total equity
	<----- Non-distributable ----->			Distributable			
	Share capital	Shares held under trust	Other reserves	Retained profits/ (Accumulated losses)			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Three months to 30 April 2018 (Unaudited)							
At 1 February 2018	8,066,410	(114,942)	1,443,619	54,879	9,449,966	399	9,450,365
Total comprehensive income/(loss)	-	-	84,696	(135,734)	(51,038)	(877)	(51,915)
At 30 April 2018	<u>8,066,410</u>	<u>(114,942)</u>	<u>1,528,315</u>	<u>(80,855)</u>	<u>9,398,928</u>	<u>(478)</u>	<u>9,398,450</u>

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2019

THE FIGURES HAVE NOT BEEN AUDITED

V. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED Three months to 30/04/2019 RM'000	UNAUDITED Three months to 30/04/2018 RM'000
Cash flows from operating activities:		
Loss before taxation from continuing operations	(78,354)	(164,814)
Profit before taxation from discontinued operations	-	56,635
Loss before taxation	(78,354)	(108,179)
Adjustments	248,116	305,292
Operating profit before working capital changes	169,762	197,113
Changes in working capital	(110,427)	(154,056)
Cash generated from operations	59,335	43,057
Taxation paid	(20,352)	(26,649)
Net cash generated from operating activities	38,983	16,408
Cash flows from investing activities		
Purchase of property, plant and equipment	(50,157)	(94,854)
Proceeds for disposal of property, plant and equipment	16,999	-
Purchase of expenditure on oil and gas properties	-	(25,193)
Payment of deferred consideration	-	(58,503)
Other items	4,009	5,269
Net cash used in investing activities	(29,149)	(173,281)
Cash flows from financing activities		
Finance costs paid	(172,390)	(207,888)
Net repayment of revolving credit, term loans and Islamic Facility	(7,080,859)	(1,854)
Net repayment of lease liabilities	(3,740)	-
Net repayment of hire purchase and finance lease creditors	(50)	(1,518)
Net cash used in financing activities	(7,257,039)	(211,260)
Net decrease in cash and cash equivalents	(7,247,205)	(368,133)
Effect of exchange rate translation	8,831	10,329
Cash and cash equivalents at beginning of year	8,098,397	1,716,235
Cash and cash equivalents at end of period	860,023	1,358,431

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated interim financial statements for the period ended 30 April 2019 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"). These condensed consolidated interim financial statements also comply with International Accounting Standards ("IAS") 34: Interim Financial Reporting issued by the International Accounting Standards Board.

The unaudited condensed consolidated interim financial statements for the financial period ended 30 April 2019 should be read in conjunction with the audited financial statements for the financial year ended 31 January 2019.

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 2019 except for the following:

On 1 February 2019, 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 2019:

Amendments to MFRS 9: Prepayment Features with Negative Compensation

MFRS 16: Leases

Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures

Annual Improvements to MFRS Standards 2015-2017 Cycle

IC Interpretation 23: Uncertainty over Income Tax Treatments

Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement

The adoption of the above standards and interpretations did not have a significant impact on the financial statements in the period of application except as discussed below:

MFRS 16: Leases

MFRS 16 replaced MFRS 117: Leases, IC Interpretation 4: Determining whether an Arrangement contains a Lease, IC Interpretation 115: Operating Lease-Incentives and IC Interpretation 127: Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee recognised a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Leases are required to recognise interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors continued to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

1. Basis of preparation (cont'd.)

MFRS 16: Leases (cont'd.)

The standard affected primarily the accounting for the Group's non-cancellable operating leases. The Group recognised right-of-use assets and corresponding liabilities by applying the modified retrospective approach and not restate comparative amounts for the year prior to initial adoption. Right-of-use assets is measured at an amount equal to the lease liability amount on the date of transition.

In summary, upon the adoption of MFRS 16, the Group recognized the following balances as at 1 February 2019.

As at 1 February 2019	Assets/ (Liabilities) RM'000
Rights-of-use assets	27,556
Lease liabilities	<u>(27,556)</u>

In the statement of profit and loss, expenses which were previously recognised as lease expenses in the cost of sales are now replaced by interest expense on lease liabilities (included within the finance costs line) and depreciation of right-of-use assets. In the statement of cash flow, lease payments for the principal portion are now classified under financing activities compared to operating activities in the past.

2. Seasonality and cyclical of operations

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

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

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

4. Changes in estimates

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

5. Debt and equity securities

On 12 April 2019, a further offer of 586,388,264 options under the ESOS approved on 29 November 2018, have been made to the eligible executive director and senior management at an exercise price of RM0.39.

Following the further grant of options on 12 April 2019, the weighted average exercise price of the options granted to date is RM0.30.

There were no other issuance and repayment of debt securities, share buy-back, share cancellations, shares held under trust and resale of shares held under trust during the quarter ended 30 April 2019.

6. Subsequent events

There was no material event subsequent to 30 April 2019 which has not been reflected in these condensed consolidated interim financial statements.

7. Changes in the composition of the Group

In the previous financial year, the Group entered into an Agreement with Austria's OMV Aktiengesellschaft ("OMV AG") to form a strategic partnership through SapuraOMV Sdn. Bhd. ("SapuraOMV"), a joint venture company owned by the Group and OMV AG incorporated to hold the entire equity interest of Sapura Upstream Sdn. Bhd. and its subsidiaries ("Sapura Upstream Group"). On 31 January 2019, the strategic partnership with OMV AG has been completed following the fulfilment of all agreed conditions required for the closing of the transaction. Consequently, the Group recognised SapuraOMV as a 50% owned associate company by applying the equity accounting method. The Group recognised cost of investment in SapuraOMV as an asset based on 50% of the fair value of SapuraOMV.

7.1 Discontinued operations in the previous financial period

Following the completion of strategic partnership with OMV AG, the financial results of the Sapura Upstream Group in the previous financial period has been reclassified as discontinued operations.

The comparative condensed consolidated income statement has been re-presented to show the discontinued operations separately from the continuing operations, in accordance with the requirement of MFRS 5: Non-current assets held for sale and discontinued operations.

In presenting the discontinued operations, the Group continues to apply MFRS 10 which requires the elimination of the intra-group transactions.

Unaudited statements of comprehensive income disclosures

The results of Sapura Upstream Group and its related eliminations for individual quarter and cumulative quarter are as follows:

	Individual Quarter	
	Three months to 30/04/2019 RM'000	Three months to 30/04/2018 RM'000
Discontinued operations		
Revenue	-	209,772
Operating expenses	-	(92,632)
Profit from operations	-	117,140
Depreciation and amortisation	-	(57,834)
Finance income	-	1,177
Finance costs *	-	(5,518)
Net foreign exchange gain	-	1,670
Profit before taxation from discontinued operations	-	56,635
Taxation	-	(8,553)
Profit from discontinued operations, net of tax	-	48,082

* Exclude intercompany interest expense

7. Changes in the composition of the Group (cont'd.)

7.1 Discontinued operations in the previous financial period (cont'd.)

Unaudited statements of comprehensive income disclosures (cont'd.)

The results of Sapura Upstream Group and its related eliminations for individual quarter and cumulative quarter are as follows (cont'd.):

	Individual Quarter	
	Three months to 30/04/2019 RM'000	Three months to 30/04/2018 RM'000
Reconciliation against segment information (Note 16.1)		
Profit before taxation from discontinued operations - as above	-	56,635
Less: Intercompany elimination ^	-	(45,624)
Profit before taxation from discontinued operations - segment information (Note 16.1)	-	11,011

^ Include non-operational foreign exchange

There was no other 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 RM708.8 million (31 January 2019: RM713.9 million).
- (b) On 31 January 2019, SapuraOMV (an associate company of the Group) entered into a facility agreement with OMV Exploration & Production GmbH ("OMV E&P") for the OMV financing amounting to USD350.0 million (RM1,431.2 million). 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 (RM715.6 million) in favour of OMV E&P.
- (c) Tax positions for the Group are subject to income tax audits and disputes in various tax jurisdictions. One of its subsidiaries, Sapura Drilling Berani Limited ("SDBL"), is currently engaged in an on-going discussion with tax authorities regarding the resolution of tax matters for previous years' tax assessments. SDBL has submitted various documents and evidences to prove that all taxes have been settled correctly in the disputed years. SDBL, with the advice of an appointed tax advisor, is of the opinion that there are strong defences over the disputed claims.
- (d) Other than as described in above and Note 14 (b), there were no other changes in contingent liabilities in the current financial period.

9. Capital commitments

Capital expenditure for property, plant and equipment approved and not provided for in these condensed consolidated interim financial statements as at 30 April 2019 is as follows:

Approved and contracted for:	30/04/2019 RM'000
Group	<u>432,087</u>

10. Taxation

Taxation comprises the following:

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/04/2019 RM'000	Preceding year corresponding quarter 30/04/2018 RM'000	Three months to 30/04/2019 RM'000	Three months to 30/04/2018 RM'000
Continuing operations				
Current taxation:				
Malaysian taxation	12,792	8,765	12,792	8,765
Foreign taxation	36,299	16,505	36,299	16,505
Deferred taxation	<u>(18,118)</u>	<u>(5,458)</u>	<u>(18,118)</u>	<u>(5,458)</u>
	30,973	19,812	30,973	19,812
Discontinued operations				
Malaysian taxation	-	12,356	-	12,356
Deferred taxation	<u>-</u>	<u>(3,803)</u>	<u>-</u>	<u>(3,803)</u>
	-	8,553	-	8,553
	<u>30,973</u>	<u>28,365</u>	<u>30,973</u>	<u>28,365</u>

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

Income from petroleum operation in Malaysia is calculated at the Malaysian petroleum income tax rate of 38%.

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

11. (a) Status of corporate proposals announced

There was no corporate proposal announced but not completed as at the date of this announcement.

11. (cont'd.)

(b) Status of utilisation of proceeds

In the previous financial year, the Company successfully raised a total of approximately RM4.0 billion from the right issues of shares with warrants and rights issue of RCPS-i, which was completed on 29 January 2019. The Company also concluded the strategic partnership agreement with OMV AG on 31 January 2019 with total cash proceeds of USD890 million equivalent to approximately RM3.6 billion. The utilisation of the proceeds from these corporate exercises to the date of this report were as follows:

	Proposed utilisation RM'000	Re-allocation RM'000	Actual utilisation RM'000	Exchange differences ^ RM'000	Balance RM'000
Issuance of rights Issue and RCPS-i					
Part repayment of the bank borrowings of our Group	3,897,491	-	(3,837,193)	(60,298)	-
Defray estimated expenses relating to the corporate exercise	81,300	-	(81,300)	-	-
	<u>3,978,791</u>	<u>-</u>	<u>(3,918,493)</u>	<u>(60,298)</u>	<u>-</u>
Strategic partnership with OMV AG					
Part repayment of the bank borrowings of our Group	2,937,903	-	(2,936,520)	(1,383)	-
Working capital of our Group	652,867	9,648	(662,515)	-	-
Defray estimated expenses relating to the corporate exercise	40,804	(9,648)	(29,977)	(19)	1,160
	<u>3,631,574</u>	<u>-</u>	<u>(3,629,012)</u>	<u>(1,402)</u>	<u>1,160</u>

^ Exchange differences arise from the different applicable exchange rate used for the proposed utilisation and the actual utilisation dates.

As part of the Group's management of its working capital, the Group had utilised USD80.8 million or RM329.7 million of the proceeds to repay its revolving credit facilities, which can be drawn down for working capital in the future.

The estimated expenses relating to the corporate exercise is expected to be paid by the end of July 2019.

12. Borrowings

	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						
30 April 2019						
Secured						
Hire purchase	-	1,162	-	26	-	1,188
Unsecured						
Revolving credits	732,898	798,053	-	-	732,898	798,053
Term loans	-	-	2,756,989	-	2,756,989	-
Islamic Facility	-	-	653,807	515,361	653,807	515,361
Sukuk Programme	-	-	1,132,945	3,420,421	1,132,945	3,420,421
	<u>732,898</u>	<u>799,215</u>	<u>4,543,741</u>	<u>3,935,808</u>	<u>5,276,639</u>	<u>4,735,023</u>
Total		<u>1,532,113</u>		<u>8,479,549</u>		<u>10,011,662</u>
As at						
31 January 2019						
Secured						
Hire purchase	-	1,059	-	178	-	1,237
Unsecured						
Revolving credits	805,533	952,100	-	-	805,533	952,100
Term loans	4,080,218	-	3,120,869	-	7,201,087	-
Islamic Facility	-	-	1,612,977	1,874,705	1,612,977	1,874,705
Sukuk Programme	-	-	1,119,980	3,418,217	1,119,980	3,418,217
	<u>4,885,751</u>	<u>953,159</u>	<u>5,853,826</u>	<u>5,293,100</u>	<u>10,739,577</u>	<u>6,246,259</u>
Total		<u>5,838,910</u>		<u>11,146,926</u>		<u>16,985,836</u>

13. Derivative financial instruments

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

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

	As at 30 April 2019		As at 31 January 2019	
	Notional Value RM'000	Assets Fair Value RM'000	Notional Value RM'000	Assets Fair Value RM'000
5 years Islamic Cross-Currency Swap	<u>2,704,606</u>	<u>141,708</u>	<u>2,704,606</u>	<u>174,507</u>

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

There is no gain/(loss) recognised in the profit or loss arising from fair value changes of derivatives.

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. Currently, the arbitrators are reviewing the submissions and preparing the final award.

SESSB has been advised by its solicitors, that SESSB has a reasonable basis for its claims against ONGC.

(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 USD14,743,541 and RM831,188 in relation to disputes arising from the Contract. PML has alleged breach of riser height requirements and preservation obligations by SFSB. The claim by PML was made separately in two currencies as the claim is based on the rates and currencies prescribed in the Contract.

14. Material litigation (cont'd.)

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

On 26 April 2018, SFSB responded to PML's claim and made a counter claim for a total amount of RM11,023,719.56.

The arbitrators have been appointed and parties have 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 8 May 2019. The discovery of documents are still pending. Witness Statements are scheduled to be filed by 29 July 2019. The tentative hearing date has been fixed on 23 September 2019.

SFSB has been advised by its solicitors that PML's claim can be legally defended and SFSB has a reasonable basis for its claims against PML.

15. Review of Group Performance

15.1 Current quarter vs. corresponding quarter of the preceding year

	Individual Quarter		Changes %
	30/04/2019 RM'000	3 months to 30/04/2018 RM'000	
Revenue from continuing operations	1,632,460	845,173	93.2
Operating profit from continuing operations	139,926	99,657	40.4
Loss before taxation from continuing operations	(78,354)	(164,814)	52.5
(Loss)/profit after taxation:			
- Continuing operations	(109,327)	(184,626)	40.8
- Discontinued operations	-	48,082	(100.0)
(Loss)/profit attributable to owners of the Parent:			
- Continuing operations	(109,096)	(183,816)	40.6
- Discontinued operations	-	48,082	(100.0)

The Group revenue from continuing operations of RM1,632.5 million was 93.2% higher than RM845.2 million in the corresponding quarter of the preceding year ("Q1 FY2019"), mainly attributable to the higher revenue from Engineering and Construction and Drilling business segment.

In the current quarter, the Group recorded a loss before taxation from continuing operations of RM78.4 million which was lower by 52.5% compared to RM164.8 million in Q1 FY2019. Included under other income in the current quarter loss before taxation from continuing operations is a net settlement of claim from previous acquisition of subsidiaries amounting to RM87.7 million.

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

15.2 Current quarter vs. immediate preceding quarter

	Individual Quarter		Changes %
	30/04/2019 RM'000	3 months to 31/01/2019 RM'000	
Revenue from continuing operations	1,632,460	1,485,071	9.9
Operating profit/(loss) from continuing operations	139,926	(189,678)	>100.0
Loss before taxation from continuing operations	(78,354)	(677,465)	88.4
(Loss)/profit after taxation:			
- Continuing operations	(109,327)	(2,232,937)	95.1
- Discontinued operations	-	2,730,451	(100.0)
(Loss)/profit attributable to owners of the Parent:			
- Continuing operations	(109,096)	(2,230,025)	95.1
- Discontinued operations	-	2,730,451	(100.0)

The Group revenue from continuing operations of RM1,632.5 million was 9.9% higher than the immediate preceding quarter ("Q4 FY2019") of RM1,485.1 million, primarily due to the higher revenue from Engineering and Construction business segment.

In the current quarter, the Group recorded a loss before taxation from continuing operations of RM78.4 million which was lower by 88.4% compared to RM677.5 million in Q4 FY2019. Included under other income in the current quarter loss before taxation from continuing operations is a net settlement of claim from previous acquisition of subsidiaries amounting to RM87.7 million.

In Q4 FY2019, the Group has made a provision for impairment on property, plant and equipment of RM1,411.9 million and a provision for impairment on goodwill on consolidation of RM108.4 million. Included in Q4 FY2019 profit after taxation from discontinued operations was the gain on disposal of 50% equity stake in a subsidiary of RM2,663.7 million.

16. Segment information

The Group organises 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

	<u>3 months to 30/04/2019</u>	
	Revenue RM'000	Operating profit/(loss) RM'000
<u>Continuing operations</u>		
E&C	1,402,813	48,045
Drilling	230,424	(50,873)
E&P	-	(7,499)
	<u>1,633,237</u>	<u>(10,327)</u>
Corporate expenses and eliminations	(777)	(68,027)
Group revenue / loss before taxation	<u>1,632,460</u>	<u>(78,354)</u>

16. Segment information (cont'd.)

Reconciliation between condensed consolidated statement of profit or loss and segment operating loss for continuing operations

	Individual Quarter	
	Three months to 30/04/2019 RM'000	Three months to 30/04/2018 RM'000
Loss before taxation from continuing operations	(78,354)	(164,814)
Add: Intercompany elimination	-	45,624
Loss before taxation (as per Note 16.1)	<u>(78,354)</u>	<u>(119,190)</u>

16.1 Current quarter vs. corresponding quarter of the preceding year

	Revenue 3 months to			Operating profit/(loss) 3 months to		
	30/04/2019 RM'000	30/04/2018 RM'000	Changes %	30/04/2019 RM'000	30/04/2018 RM'000	Changes %
Continuing operations						
Business Segments:						
E&C	1,402,813	665,621	>100.0	48,045	36,458	31.8
Drilling	230,424	183,387	25.6	(50,873)	(68,684)	25.9
E&P	-	-	0.0	(7,499)	(2,059)	(>100.0)
	<u>1,633,237</u>	<u>849,008</u>		<u>(10,327)</u>	<u>(34,285)</u>	
Corporate expenses and eliminations	(777)	(3,835)	79.7	(68,027)	(84,905)	19.9
Group revenue/loss before taxation	<u>1,632,460</u>	<u>845,173</u>	93.2	<u>(78,354)</u>	<u>(119,190)</u>	34.3
Discontinued operations						
E&P	-	209,772	(100.0)	-	11,011	(100.0)
	<u>1,632,460</u>	<u>1,054,945</u>	54.7	<u>(78,354)</u>	<u>(108,179)</u>	27.6

Note: Sapura Exploration & Production (Sabah) Inc. and the share of profit from SapuraOMV have been recorded under the E&P continuing business segment.

Continuing operations

Business Segments:

Engineering and Construction

The segment recorded revenue of RM1,402.8 million, which was RM737.2 million higher than the revenue of RM665.6 million in Q1 FY2019, in line with the higher activities during the current quarter.

The segment recorded a profit before taxation for the current quarter of RM48.0 million which was higher by 31.8% compared to profit before taxation of RM36.5 million in Q1 FY2019.

16. Segment information (cont'd.)

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

Continuing operations (cont'd.)

Business Segments (cont'd.):

Drilling

The segment revenue for the current quarter of RM230.4 million was 25.6% higher than the revenue of RM183.4 million in Q1 FY2019 due to higher number of working rigs compared to Q1 FY2019.

The segment recorded a loss before taxation of RM51.0 million, which was lower by 25.9% compared to the loss before taxation of RM68.7 million in Q1 FY2019.

Exploration and Production

The segment recorded a loss before taxation of RM7.5 million which was RM5.4 million higher compared to loss before taxation of RM2.1 million in Q1 FY2019.

Discontinued operations

Exploration and Production

In Q1 FY2019, the segment recorded revenue of RM209.8 million and a profit before taxation of RM11.0 million but none in the current quarter as 50% equity stake in Sapura Upstream Group was disposed in Q4 FY2019.

17. Additional disclosure information

17.1 Foreign exchange exposure/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.

17. Additional disclosure information (cont'd.)

17.1 Foreign exchange exposure/Hedging policy (cont'd.)

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

17.2 Trade and other receivables and contract assets

	As at 30/04/2019	As at 31/01/2019
	RM'000	RM'000
Non-current		
Trade receivables, representing total non-current trade receivables	<u>12,076</u>	<u>11,374</u>
Current		
Trade receivables	1,225,762	965,940
Less: Provision for impairment	<u>(38,172)</u>	<u>(38,172)</u>
	<u>1,187,590</u>	<u>927,768</u>
Other receivables	<u>815,681</u>	<u>776,581</u>
Total current trade and other receivables	<u>2,003,271</u>	<u>1,704,349</u>
Contract assets	<u>1,042,343</u>	<u>1,065,377</u>
Total trade and other receivables and contract assets	<u>3,057,690</u>	<u>2,781,100</u>

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

18. (a) Commentary on prospects

The oil and gas industry is expected to continue to operate in a challenging environment arising from market uncertainties and geopolitical risks. However, tendering activities remained robust in many of our key markets with the Group aggressively pursuing new opportunities in the Middle East, Africa, Asia Pacific, Europe, the Caspian and the Americas.

The Group has been able to grow its orderbook of RM17.3 billion as demonstrated by its cumulative new contract wins to-date in FY2020 of approximately RM2.3 billion. Notable awards in our Engineering and Construction segment include EPCI for pipeline by ENI in Indonesia, the installation of six subsea pipelines at Gulf of Suez for the Gulf of Suez Petroleum Company and the transportation and installation of offshore wind turbine substructures at the Yunlin Offshore Wind Farm in Taiwan. Our maiden award for the installation of offshore wind farm marks a strategic value proposition for the Group in diversifying its capabilities and the use of its strategic assets for a growing renewable energy market.

18. (a) Commentary on prospects (cont'd.)

In our Drilling segment, the Group has been able to demonstrate numerous contract awards for its drilling fleet which would translate to growth in asset utilisation in the upcoming quarters. The business has secured new contracts/contract extensions for its drilling rigs Sapura T-9, Sapura T-10, Sapura T-18, Sapura Berani and Sapura Esperanza.

The Group will remain focused on growing the orderbook and maintaining strong operational performance. The Board is confident that the Group is well positioned for further growth.

(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 single tier special dividend for financial year ended 31 January 2019 of 0.5 sen per share, which was declared on 25 March 2019 amounting to RM80.0 million was paid on 24 June 2019.

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

20. Earnings per share

Basic/Diluted	Individual Quarter		Cumulative Quarter	
	3 months to 30/04/2019	3 months to 30/04/2018	3 months to 30/04/2019	3 months to 30/04/2018
(Loss)/profit attributable to owners of the Parent (RM'000)				
- Continuing operations	(109,096)	(183,816)	(109,096)	(183,816)
- Discontinued operations	-	48,082	-	48,082
	<u>(109,096)</u>	<u>(135,734)</u>	<u>(109,096)</u>	<u>(135,734)</u>
Weighted average number of ordinary shares in issue excluding shares held under trust ('000):				
- Basic	15,937,124	5,952,277	15,937,124	5,952,277
Effects of dilution:				
- Options under ESOS	208,680	-	208,680	-
- Diluted	<u>16,145,804</u>	<u>5,952,277</u>	<u>16,145,804</u>	<u>5,952,277</u>
Earning per shares from continuing operations (sen)				
- Basic	(0.68)	(3.09)	(0.68)	(3.09)
- Diluted	<u>(0.68)</u>	<u>(3.09)</u>	<u>(0.68)</u>	<u>(3.09)</u>
Earning per shares from discontinued operations (sen)				
- Basic	-	0.81	-	0.81
- Diluted	<u>-</u>	<u>0.81</u>	<u>-</u>	<u>0.81</u>

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

Lew Sue Li (MIA 42700)
Wong Lay See (MAICSA 7018684)
Company Secretaries

Seri Kembangan, Selangor Darul Ehsan
27 June 2019