

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 OCTOBER 2019

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/10/2019 RM'000	Preceding year corresponding quarter 31/10/2018 RM'000	Nine months to 31/10/2019 RM'000	Nine months to 31/10/2018 RM'000
Continuing operations				
Revenue	1,777,401	1,206,079	5,337,260	3,083,368
Other operating income	2,733	6,821	97,702	13,457
Operating expenses	(1,689,332)	(960,721)	(5,087,658)	(2,616,269)
Operating profit from continuing operations	90,802	252,179	347,304	480,556
Depreciation and amortisation	(136,577)	(180,188)	(390,094)	(511,491)
Finance income	3,836	9,244	12,044	21,726
Finance costs	(150,558)	(259,494)	(517,379)	(723,339)
Gain on disposal of property, plant and equipment	6,308	-	19,557	-
Net foreign exchange gain	12,585	48,531	31,689	75,824
Share of profit from associates and joint ventures	60,367	77,542	212,061	279,550
Loss before taxation from continuing operations	(113,237)	(52,186)	(284,818)	(377,174)
Taxation	11,269	(48,786)	(43,035)	(107,540)
Loss after taxation from continuing operations	(101,968)	(100,972)	(327,853)	(484,714)
Discontinued operations				
Profit after taxation from discontinued operations	-	69,319	-	190,565
Loss after taxation	(101,968)	(31,653)	(327,853)	(294,149)
Attributable to:				
Owners of the Parent:				
- Continuing operations	(100,891)	(100,409)	(326,299)	(483,444)
- Discontinued operations	-	69,319	-	190,565
	(100,891)	(31,090)	(326,299)	(292,879)
Non-controlling interests	(1,077)	(563)	(1,554)	(1,270)
	(101,968)	(31,653)	(327,853)	(294,149)
Earnings per share from continuing operations (sen)				
- Basic	(0.63)	(1.69)	(2.05)	(8.12)
- Diluted	(0.63)	(1.69)	(2.02)	(8.12)
Earnings per share from discontinued operations (sen)				
- Basic	-	1.16	-	3.20
- Diluted	-	1.16	-	3.20

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 THIRD QUARTER ENDED 31 OCTOBER 2019

THE FIGURES HAVE NOT BEEN AUDITED

II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/10/2019 RM'000	Preceding year corresponding quarter 31/10/2018 RM'000	Nine months to 31/10/2019 RM'000	Nine months to 31/10/2018 RM'000
Loss after taxation	(101,968)	(31,653)	(327,853)	(294,149)
Other comprehensive income/(loss):				
<u>Continuing operations</u>				
<i>Items that may be reclassified to statement of profit or loss in subsequent periods:</i>				
Foreign currency translation differences	77,864	105,560	77,468	236,461
Cash flow hedge:				
- Changes in fair value of derivatives	(28,820)	(85,043)	(51,916)	(149,023)
- Foreign exchange gain on hedged items	33,010	74,579	56,545	186,577
Share of other comprehensive income/(loss) of associates and joint ventures:				
- Foreign currency translation differences	50,505	56,218	85,331	75,561
- Changes in fair value of derivatives	(4,762)	6,874	(37,711)	32,278
Total comprehensive income/(loss)	<u>25,829</u>	<u>126,535</u>	<u>(198,136)</u>	<u>87,705</u>
Attributable to:				
Owners of the Parent	25,996	127,022	(196,181)	88,959
Non-controlling interests	(167)	(487)	(1,955)	(1,254)
Total comprehensive income/(loss)	<u>25,829</u>	<u>126,535</u>	<u>(198,136)</u>	<u>87,705</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 THIRD QUARTER ENDED 31 OCTOBER 2019

THE FIGURES HAVE NOT BEEN AUDITED

III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED As at end of current financial period 31/10/2019 RM'000	AUDITED As at end of preceding financial year 31/01/2019 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	10,044,699	10,024,809
Goodwill on consolidation	8,068,473	7,983,049
Other intangible assets	10,939	14,081
Investment in associates and joint ventures	4,118,765	4,023,794
Right-of-use assets	19,323	-
Deferred tax assets	62,957	37,311
Derivative assets	122,591	174,507
Trade and other receivables	48,763	11,374
	<u>22,496,510</u>	<u>22,268,925</u>
Current assets		
Inventories	374,856	354,447
Trade and other receivables	1,899,616	1,704,349
Contract assets	1,581,941	1,065,377
Tax recoverable	129,830	84,772
Cash and cash equivalents	574,879	8,098,397
	<u>4,561,122</u>	<u>11,307,342</u>
TOTAL ASSETS	<u>27,057,632</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	(41,437)	(66,812)
Warrants reserve	109,110	109,110
Other reserves	1,964,483	1,764,292
(Accumulated losses)/retained profits	(213,581)	213,684
	<u>13,673,366</u>	<u>13,875,065</u>
Non-controlling interests	<u>(5,779)</u>	<u>(3,824)</u>
Total equity	<u>13,667,587</u>	<u>13,871,241</u>

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 OCTOBER 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 31/10/2019 RM'000	As at end of preceding financial year 31/01/2019 RM'000
Non-current liabilities		
Borrowings	8,547,937	11,146,926
Other payables	82,706	104,848
Lease liabilities	12,028	-
Deferred tax liabilities	52,565	71,810
	<u>8,695,236</u>	<u>11,323,584</u>
Current liabilities		
Borrowings	1,631,195	5,838,910
Trade and other payables	2,721,597	2,288,710
Contract liabilities	123,195	92,811
Lease liabilities	7,678	-
Provision	114,184	94,866
Provision for tax	96,960	66,145
	<u>4,694,809</u>	<u>8,381,442</u>
TOTAL LIABILITIES	<u>13,390,045</u>	<u>19,705,026</u>
TOTAL EQUITY AND LIABILITIES	<u>27,057,632</u>	<u>33,576,267</u>
 Net assets per share (RM)	 <u>0.86</u>	 <u>0.87</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 THIRD QUARTER ENDED 31 OCTOBER 2019

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	Retained profits/ (Accumulated losses)			Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Nine months to 31 October 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)	-	-	-	-	130,118	(326,299)	(196,181)	(1,955)	(198,136)
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)
Shares transferred under LTIP	-	-	25,375	-	-	(21,071)	4,304	-	4,304
Total transactions with owners	-	-	25,375	-	70,073	(100,966)	(5,518)	-	(5,518)
At 31 October 2019	10,872,078	982,713	(41,437)	109,110	1,964,483	(213,581)	13,673,366	(5,779)	13,667,587

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 OCTOBER 2019

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			
	Share capital	Shares held under trust	Other reserves	Retained profits/ (Accumulated losses)	Total		
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Nine months to 31 October 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)	-	-	381,838	(292,879)	88,959	(1,254)	87,705
At 31 October 2018	<u>8,066,410</u>	<u>(114,942)</u>	<u>1,825,457</u>	<u>(238,000)</u>	<u>9,538,925</u>	<u>(855)</u>	<u>9,538,070</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 THIRD QUARTER ENDED 31 OCTOBER 2019

THE FIGURES HAVE NOT BEEN AUDITED

V. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	UNAUDITED Nine months to 31/10/2019 RM'000	UNAUDITED Nine months to 31/10/2018 RM'000
Cash flows from operating activities:		
Loss before taxation from continuing operations	(284,818)	(377,174)
Profit before taxation from discontinued operations	-	229,582
Loss before taxation	(284,818)	(147,592)
Adjustments	657,768	1,009,373
Operating profit before working capital changes	372,950	861,781
Changes in working capital	(287,032)	(481,125)
Cash generated from operations	85,918	380,656
Taxation paid	(54,989)	(78,615)
Net cash generated from operating activities	30,929	302,041
Cash flows from investing activities		
Purchase of property, plant and equipment	(188,970)	(201,652)
Proceeds from disposal of property, plant and equipment	32,308	-
Dividend received from a joint venture	25,408	1,561
Repayment of advances from joint venture	78,696	-
Purchase of expenditure on oil and gas properties	-	(226,310)
Payment of deferred consideration	-	(300,854)
Other items	10,630	21,545
Net cash used in investing activities	(41,928)	(705,710)
Cash flows from financing activities		
Finance costs paid	(445,188)	(639,194)
Net repayment of revolving credit, term loans and Islamic Facility	(6,990,859)	-
Net repayment of lease liabilities	(5,684)	-
Dividend paid on ordinary shares	(79,895)	-
Net repayment of hire purchase and finance lease creditors	(1,119)	(4,974)
Net cash used in financing activities	(7,522,745)	(644,168)
Net decrease in cash and cash equivalents	(7,533,744)	(1,047,837)
Effect of exchange rate translation	10,226	21,146
Cash and cash equivalents at beginning of period	8,098,397	1,716,235
Cash and cash equivalents at end of period	574,879	689,544

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 October 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 31 October 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 recognised 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 or loss, expenses which were previously recognised as lease expenses 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

During the period, 15,934,600 units, at a weighted average cost of RM1.59 per share, were transferred to eligible employees under the Long Term Incentive Plan scheme. The value of these shares is based on the share price at the date of transfer.

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 October 2019.

6. Subsequent events

There was no material event subsequent to 31 October 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 Upstream 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 the cost of investment in SapuraOMV as an asset based on 50% of the fair value of SapuraOMV.

7.1 Discontinued operations of 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 statement of profit or loss 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 profit or loss disclosures

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

	Individual Quarter		Cumulative Quarter	
	Three months to 31/10/2019	Three months to 31/10/2018	Nine months to 31/10/2019	Nine months to 31/10/2018
	RM'000	RM'000	RM'000	RM'000
Discontinued operations				
Revenue	-	296,150	-	733,509
Other operating income	-	84	-	84
Operating expenses	-	(143,499)	-	(342,471)
Profit from operations	-	152,735	-	391,122
Depreciation and amortisation	-	(62,176)	-	(173,945)
Finance income	-	97	-	1,345
Finance costs *	-	(5,843)	-	(17,026)
Net foreign exchange gain	-	7,628	-	28,086
Profit before taxation from discontinued operations	-	92,441	-	229,582
Taxation	-	(23,122)	-	(39,017)
Profit from discontinued operations, net of tax	-	69,319	-	190,565

* Exclude intercompany interest expense

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

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

Unaudited statements of profit or loss 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		Cumulative Quarter	
	Three months to 31/10/2019 RM'000	Three months to 31/10/2018 RM'000	Nine months to 31/10/2019 RM'000	Nine months to 31/10/2018 RM'000
Reconciliation against segment information (Note 16.1 and Note 16.2)				
Profit before taxation from discontinued operations - as above	-	92,441	-	229,582
Less: Intercompany elimination ^	-	(54,499)	-	(151,713)
Profit before taxation from discontinued operations - segment information	-	37,942	-	77,869

^ Include non-operational foreign exchange gain

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

8. Contingent liabilities

- The Group has provided corporate guarantees given to financial institutions for credit facilities and performance bonds granted to joint ventures and associates amounting to RM775.4 million (31 January 2019: RM713.9 million).
- 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.
- 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.
- Other than as described 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 31 October 2019 is as follows:

Approved and contracted for:	31/10/2019 RM'000
Group	<u>427,744</u>

10. Taxation

Taxation comprises of the following:

	Individual Quarter		Cumulative Quarter	
	Three months to 31/10/2019 RM'000	Three months to 31/10/2018 RM'000	Nine months to 31/10/2019 RM'000	Nine months to 31/10/2018 RM'000
Continuing operations				
Current taxation:				
Malaysian taxation	(2,846)	19,383	23,369	36,683
Foreign taxation	18,373	43,191	65,269	84,331
Deferred taxation	(26,796)	(13,788)	(45,603)	(13,474)
	<u>(11,269)</u>	<u>48,786</u>	<u>43,035</u>	<u>107,540</u>
Discontinued operations				
Malaysian taxation	-	41,382	-	31,054
Deferred taxation	-	(18,260)	-	7,963
	<u>-</u>	<u>23,122</u>	<u>-</u>	<u>39,017</u>
	<u>(11,269)</u>	<u>71,908</u>	<u>43,035</u>	<u>146,557</u>

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

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.

(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 proceeds have been fully utilised.

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 proceeds from this corporate exercise have been fully utilised as follows:

	Proposed utilisation RM'000	Re-allocation RM'000	Actual utilisation RM'000	Exchange differences ^ RM'000	Balance RM'000
Strategic partnership with OMV AG					
Part repayment of the bank borrowings of the Group	2,937,903	-	(2,936,520)	(1,383)	-
Working capital of the Group	652,867	10,303	(663,170)	-	-
Defray estimated expenses relating to the corporate exercise	40,804	(10,303)	(30,482)	(19)	-
	<u>3,631,574</u>	<u>-</u>	<u>(3,630,172)</u>	<u>(1,402)</u>	<u>-</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 drawdown for working capital.

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						
31 October 2019						
Secured						
Hire purchase	-	114	-	4	-	118
Unsecured						
Revolving credits	743,028	888,053	-	-	743,028	888,053
Term loans	-	-	2,795,413	-	2,795,413	-
Islamic Facility	-	-	663,492	517,713	663,492	517,713
Sukuk Programme	-	-	1,146,010	3,425,305	1,146,010	3,425,305
	<u>743,028</u>	<u>888,167</u>	<u>4,604,915</u>	<u>3,943,022</u>	<u>5,347,943</u>	<u>4,831,189</u>
Total		<u>1,631,195</u>		<u>8,547,937</u>		<u>10,179,132</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 31 October 2019		As at 31 January 2019	
	Notional	Assets	Notional	Assets
	Value	Fair Value	Value	Fair Value
	RM'000	RM'000	RM'000	RM'000
5 years Islamic Cross-Currency Swap	<u>2,704,606</u>	<u>122,591</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 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 tentative hearing date has been fixed to commence on 17 February 2020.

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
	31/10/2019	31/10/2018	
	RM'000	RM'000	%
Revenue from continuing operations	1,777,401	1,206,079	47.4
Operating profit from continuing operations	90,802	252,179	(64.0)
Loss before taxation from continuing operations	(113,237)	(52,186)	(>100.0)
(Loss)/profit after taxation:			
- Continuing operations	(101,968)	(100,972)	(1.0)
- Discontinued operations	-	69,319	(100.0)
(Loss)/profit attributable to owners of the Parent:			
- Continuing operations	(100,891)	(100,409)	(0.5)
- Discontinued operations	-	69,319	(100.0)

The Group revenue from continuing operations of RM1,777.4 million was 47.4% higher than RM1,206.1 million in the corresponding quarter of the preceding year ("Q3 FY2019"), mainly attributable to the higher revenue from Engineering and Construction ("E&C") business segment.

In the current quarter, the Group recorded a loss before taxation from continuing operations of RM113.2 million which was higher by RM61.1 million compared to RM52.2 million in Q3 FY2019.

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

15.2 Current period vs. corresponding period of the preceding year

	Cumulative Quarter		Changes %
	31/10/2019	31/10/2018	
	RM'000	RM'000	
Revenue from continuing operations	5,337,260	3,083,368	73.1
Operating profit from continuing operations	347,304	480,556	(27.7)
Loss before taxation from continuing operations	(284,818)	(377,174)	24.5
(Loss)/profit after taxation:			
- Continuing operations	(327,853)	(484,714)	32.4
- Discontinued operations	-	190,565	(100.0)
(Loss)/profit attributable to owners of the Parent:			
- Continuing operations	(326,299)	(483,444)	32.5
- Discontinued operations	-	190,565	(100.0)

The Group revenue from continuing operations of RM5,337.3 million was 73.1% higher than the corresponding period of the preceding year ("corresponding period") of RM3,083.4 million, primarily due to the higher revenue from E&C business segment.

In the current period, the Group recorded a loss before taxation from continuing operations of RM284.8 million which was lower by 24.5% compared to RM377.2 million in the corresponding period, in line with the higher revenue.

15.3 Current quarter vs. immediate preceding quarter

	Individual Quarter		Changes %
	31/10/2019	31/07/2019	
	RM'000	RM'000	
Continuing operations			
Revenue	1,777,401	1,927,400	(7.8)
Operating profit	90,802	116,577	(22.1)
Loss before taxation	(113,237)	(93,226)	(21.5)
Loss after taxation	(101,968)	(116,557)	12.5
Loss attributable to owners of the Parent	(100,891)	(116,312)	13.3

The Group revenue of RM1,777.4 million was 7.8% lower than the immediate preceding quarter ("Q2 FY2020") of RM1,927.4 million, primarily due to the lower revenue from E&C and Drilling business segment.

In the current quarter, the Group recorded a loss before taxation from continuing operations of RM113.2 million which was higher by RM20.0 million compared to RM93.2 million in Q2 FY2020.

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

	Three months to 31/10/2019	
	Revenue	Operating profit/(loss)
	RM'000	RM'000
<u>Continuing operations</u>		
E&C	1,592,166	16,089
Drilling	185,860	(48,151)
E&P	-	14,277
	<u>1,778,026</u>	<u>(17,785)</u>
Corporate expenses and eliminations	(625)	(95,452)
Group revenue / loss before taxation	<u>1,777,401</u>	<u>(113,237)</u>

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

	Individual Quarter		Cumulative Quarter	
	Three months to 31/10/2019	Three months to 31/10/2018	Nine months to 31/10/2019	Nine months to 31/10/2018
	RM'000	RM'000	RM'000	RM'000
Loss before taxation from continuing operations	(113,237)	(52,186)	(284,818)	(377,174)
Add: Intercompany elimination	-	54,499	-	151,713
Loss before taxation (as per Note 16.1 and 16.2)	<u>(113,237)</u>	<u>2,313</u>	<u>(284,818)</u>	<u>(225,461)</u>

16. Segment information (cont'd.)

16.1 Current quarter vs. corresponding quarter of the preceding year

	Revenue			Operating profit/(loss)		
	Three months to		Changes %	Three months to		Changes %
	31/10/2019	31/10/2018		31/10/2019	31/10/2018	
	RM'000	RM'000		RM'000	RM'000	
Continuing operations						
Business Segments:						
E&C	1,592,166	959,831	65.9	16,089	39,582	(59.4)
Drilling	185,860	246,520	(24.6)	(48,151)	(11,664)	(>100.0)
E&P	-	-	-	14,277	(849)	>100.0
	<u>1,778,026</u>	<u>1,206,351</u>		<u>(17,785)</u>	<u>27,069</u>	
Corporate expenses and eliminations	(625)	(272)	(>100.0)	(95,452)	(24,756)	(>100.0)
Group revenue/(loss)/profit before taxation	<u>1,777,401</u>	<u>1,206,079</u>	47.4	<u>(113,237)</u>	<u>2,313</u>	(>100.0)
Discontinued operations						
E&P	-	296,150	(100.0)	-	37,942	(100.0)
	<u>1,777,401</u>	<u>1,502,229</u>	18.3	<u>(113,237)</u>	<u>40,255</u>	(>100.0)

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

Continuing operations

Business Segments:

Engineering and Construction

The segment recorded revenue of RM1,592.2 million, which was 65.9% higher than the revenue of RM959.8 million in Q3 FY2019 in line with the higher activities during the current quarter.

The segment recorded a profit before taxation for the current quarter of RM16.1 million which was lower by RM23.5 million compared to RM39.6 million in Q3 FY2019 due to lower project margins and lower share of profit from associates and joint ventures.

Drilling

The segment revenue for the current quarter of RM185.9 million was 24.6% lower than the revenue of RM246.5 million in Q3 FY2019 mainly due to lower operating days pending commencement of the new contracts.

The segment recorded a loss before taxation of RM48.2 million, which was higher by RM36.5 million compared to the loss before taxation of RM11.7 million in Q3 FY2019, in line with lower revenue.

16. Segment information (cont'd.)

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

Exploration and Production

The segment recorded a profit before taxation of RM14.3 million which was RM15.3 million higher compared to loss before taxation of RM1.0 million in Q3 FY2019 due to a one-off adjustment relating to the amount for depletion, depreciation and amortisation arising from the strategic partnership with OMV AG.

Discontinued operations

Exploration and Production

In Q3 FY2019, the segment recorded revenue of RM296.2 million and a profit before taxation of RM37.9 million but none in the current quarter subsequent to the disposal of 50% equity stake in Sapura Upstream Group in Q4 FY2019.

16.2 Current period vs. corresponding period of the preceding year

	Revenue			Operating profit/(loss)		
	31/10/2019	31/10/2018	Changes	31/10/2019	31/10/2018	Changes
	RM'000	RM'000	%	RM'000	RM'000	%
Continuing operations						
Business Segments:						
E&C	4,651,504	2,404,969	93.4	91,314	55,549	64.4
Drilling	688,238	683,440	0.7	(134,750)	(138,641)	2.8
E&P	-	-	-	984	(3,998)	>100.0
	<u>5,339,742</u>	<u>3,088,409</u>		<u>(42,452)</u>	<u>(87,090)</u>	
Corporate expenses and eliminations	<u>(2,482)</u>	<u>(5,041)</u>	50.8	<u>(242,366)</u>	<u>(138,371)</u>	(75.2)
Group revenue/loss before taxation	<u>5,337,260</u>	<u>3,083,368</u>	73.1	<u>(284,818)</u>	<u>(225,461)</u>	(26.3)
Discontinued operations						
E&P	-	733,509	(100.0)	-	77,869	(100.0)
	<u>5,337,260</u>	<u>3,816,877</u>	39.8	<u>(284,818)</u>	<u>(147,592)</u>	(93.0)

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

Continuing operations

Business Segments:

Engineering and Construction

The segment revenue for the current period of RM4,651.5 million was 93.4% higher compared to the corresponding period, in line with higher activities during the current period.

16. Segment information (cont'd.)

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

Continuing operations (cont'd.)

Business Segments (cont'd.):

Engineering and Construction (cont'd.)

The segment reported a profit before taxation for the current period of RM91.3 million which was higher by 64.4% compared to RM55.5 million in the corresponding period, in line with the higher revenue.

Drilling

The segment revenue for the current period of RM688.2 million was marginally higher by 0.7% compared to the corresponding period.

The segment recorded a loss before taxation for the current period of RM134.8 million which was lower by RM3.9 million compared to RM138.6 million in the corresponding period, in line with the higher revenue.

Exploration and Production

The segment recorded a profit before taxation of RM1.0 million which was RM5.0 million higher compared to the loss before taxation of RM4.0 million in the corresponding period.

Discontinued operations

Exploration and Production

In the corresponding period, the segment recorded revenue of RM733.5 million and a profit before taxation of RM77.9 million but none in the current period subsequent to the disposal of 50% equity stake in Sapura Upstream Group in Q4 FY2019.

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.

17. Additional disclosure information (cont'd.)

17.1 Foreign exchange exposure and hedging policy (cont'd.)

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 31/10/2019	As at 31/01/2019
	RM'000	RM'000
Non-current		
Trade receivables	5,523	11,374
Other receivables	43,240	-
Total non-current trade and other receivables	<u>48,763</u>	<u>11,374</u>
Current		
Trade receivables	1,026,927	965,940
Less: Provision for impairment	<u>(38,172)</u>	<u>(38,172)</u>
	988,755	927,768
Other receivables	<u>910,861</u>	<u>776,581</u>
Total current trade and other receivables	<u>1,899,616</u>	<u>1,704,349</u>
Contract assets	<u>1,581,941</u>	<u>1,065,377</u>
Total trade and other receivables and contract assets	<u>3,530,320</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 outlook for the oil and gas industry remains challenging. However, the Group continues to pursue global opportunities as part of its market expansion strategy, leveraging on the Group’s capabilities, track record and strong asset base.

The Group’s orderbook stood at RM15.1 billion with cumulative new contract wins to-date in FY2020 of RM3.7 billion. Recent notable awards include the EPCC+I for Phase 3 Facilities of North Malay Basin for Hess Exploration and Production Malaysia, the extension of semi tender-assist drilling rig Sapura Esperanza, for Shell in Malaysia and the extension of Sapura Topazio for ultra deepwater pipelay and construction offshore Brazil for Petrobras.

The Group’s bid funnel remains robust with significant growth opportunities in the Middle East, Africa and the Americas in the near to medium term. Nevertheless, the competition is expected to remain intense. The Group is optimistic in its ability to remain competitive to further grow its orderbook in existing and new markets.

The Group is strengthening its resource capacity to address the higher volume and operating in new markets as well as for new customers. The Board is confident that the Group has put in place the necessary initiatives to enhance operational performance.

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. Earnings per share

	Individual Quarter		Cumulative Quarter	
	Three months to		Nine months to	
Basic/Diluted	31/10/2019	31/10/2018	31/10/2019	31/10/2018
(Loss)/profit attributable to owners of the Parent (RM'000)				
- Continuing operations	(100,891)	(100,409)	(326,299)	(483,444)
- Discontinued operations	-	69,319	-	190,565
	(100,891)	(31,090)	(326,299)	(292,879)

20. Earnings per share (cont'd.)

Basic/Diluted (cont'd.)	Individual Quarter		Cumulative Quarter	
	Three months to 31/10/2019	Three months to 31/10/2018	Nine months to 31/10/2019	Nine months to 31/10/2018
Weighted average number of ordinary shares in issue excluding shares held under trust ('000):				
- Basic	15,942,435	5,952,277	15,938,894	5,952,277
Effects of dilution:				
- Options under ESOS	182,794	-	182,794	-
- Diluted	16,125,229	5,952,277	16,121,688	5,952,277
Earning per shares from continuing operations (sen)				
- Basic	(0.63)	(1.69)	(2.05)	(8.12)
- Diluted	(0.63)	(1.69)	(2.02)	(8.12)
Earning per shares from discontinued operations (sen)				
- Basic	-	1.16	-	3.20
- Diluted	-	1.16	-	3.20

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)
Wong Lay See (MAICSA 7018684)
Company Secretaries

Seri Kembangan, Selangor Darul Ehsan
5 December 2019