

SAPURACREST PETROLEUM BERHAD
(Company No : 45631-D)
Incorporated in Malaysia

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 JULY 2005

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/7/2005 RM'000	Preceding year corresponding quarter 31/7/2004 RM'000	Six months to 31/7/2005 RM'000	Six months to 31/7/2004 RM'000
1. (a) Revenue	490,328	275,387	855,268	415,199
(b) Operating expenses	(447,338)	(237,907)	(770,777)	(363,539)
(c) Other operating income	92	66	306	2,452
(d) Profit from operations	43,082	37,546	84,797	54,112
(e) Finance cost	(8,213)	(7,166)	(20,747)	(12,046)
(f) Profit before share of associated companies and jointly controlled entities' results	34,869	30,380	64,050	42,066
(g) Share of profit of associated companies and jointly controlled entities	316	507	1,030	828
(h) Profit before taxation and minority interests	35,185	30,887	65,080	42,894
(i) Taxation	(4,994)	(4,206)	(6,404)	7,630
(j) Profit after taxation and before minority interests	30,191	26,681	58,676	50,524
(k) Minority interests	(9,084)	(6,524)	(17,409)	(19,931)
(l) Net profit attributable to members of the company	21,107	20,157	41,267	30,593
2. Earnings per share (sen)				
Basic	<u>2.40</u>	<u>2.39</u>	<u>4.69</u>	<u>3.63</u>
Diluted	<u>1.80</u>	<u>2.04</u>	<u>3.83</u>	<u>3.10</u>

The condensed consolidated income statement should be read in conjunction with the Annual Financial Statements for the year ended 31 January 2005.

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II. CONDENSED CONSOLIDATED BALANCE SHEET

	UNAUDITED As at end of current quarter 31/7/2005 RM'000	AUDITED As at preceding financial year end 31/1/2005 RM'000
1. Property, plant and equipment	817,698	597,318
2. Investment in associated companies	22,075	21,057
3. Jointly controlled entities	1,301	1,343
4. Patent costs	43	-
5. Deferred tax assets	1,677	1,734
6. Goodwill on consolidation	130,201	115,297
	<u>972,995</u>	<u>736,749</u>
7. CURRENT ASSETS		
Inventories	36,363	34,420
Trade & other receivables	818,125	518,411
Amount due from ultimate holding company	-	1,074
Amount due from associated company	2,280	2,280
Amount due from jointly controlled entities	38	22
Amount due from related companies	5,895	5,824
Cash and bank balances	232,473	383,803
	1,095,174	945,834
8. CURRENT LIABILITIES		
Trade & other payables	516,933	335,900
Amount due to ultimate holding company	136	73
Amount due to related companies	3,684	3,613
Borrowings	309,689	165,188
Taxation	16,572	12,402
	847,014	517,176
9. Net current assets	248,160	428,658
	<u>1,221,155</u>	<u>1,165,407</u>
10. Shareholders' funds		
Share capital	175,811	175,811
Redeemable cumulative convertible preference shares	1,301	1,301
Reserves		
Share premium	183,090	183,090
Revaluation reserve	7,678	7,678
Capital reserve	3,519	3,519
Merger reserve	51,989	51,989
Exchange reserve	40	(180)
Retained profit / (accumulated losses)	27,882	(13,385)
Total reserves	274,198	232,711
	451,310	409,823
11. Minority interests	172,000	152,883
12. Borrowings	590,005	600,798
13. Deferred taxation	7,840	1,903
	<u>1,221,155</u>	<u>1,165,407</u>
14. Net tangible assets per share (RM) *	<u>0.36</u>	<u>0.33</u>

* After deducting intangible assets of RM134,885,000 (2004: RM119,938,000) which includes goodwill on consolidation, goodwill in associated companies and patent costs.

* Based on 879,055,375 of ordinary shares of RM0.20 each (2004 : 879,055,375 of RM0.20 each)

The condensed consolidated balance sheet should be read in conjunction with the Annual Financial Statements for the year ended 31 January 2005

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III. CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months to 31/7/2005 RM'000	Unaudited Six months to 31/7/2004 RM'000
Profit before taxation	65,080	42,894
Adjustments:		
Depreciation and amortisation	36,011	33,265
Interest expenses	20,747	12,046
Interest income	(2,841)	(827)
Share of profit of associated companies and jointly controlled entities	(1,030)	(828)
Other operating items	(1,136)	278
Operating profit before working capital changes	<u>116,831</u>	<u>86,828</u>
Changes in working capital		
Net change in current assets	(269,722)	(384,374)
Net change in current liabilities	<u>150,943</u>	<u>325,086</u>
Cash (used in) / generated from operations	(1,948)	27,540
Interest paid	(14,339)	(12,046)
Taxation paid	<u>(4,998)</u>	<u>(5,749)</u>
Net cash (used in) / generated from operating activities	(21,285)	9,745
Investing Activities		
Net cash used in acquisition of a subsidiary company (Note 2)	(27,304)	-
Purchase of property, plant and equipment	(231,492)	(48,253)
Advance to an associated company	-	(3,040)
Dividend from an associated company	324	-
Proceeds from disposal of property, plant and equipment	6	423
Interest income	<u>2,841</u>	<u>827</u>
Net cash used in investing activities	(255,625)	(50,043)
Financing Activities		
Proceeds from issuance of rights issue	-	150,000
Shares issue expenses	-	(968)
Proceeds from exercise of warrants	-	50
Net (increase)/decrease in fixed deposits pledged	(38,605)	3,126
Repayment of term loans	(16,615)	(25,970)
Repayment of bridging loan	-	(150,320)
Repayment of hire purchase and lease creditors	(1,027)	(924)
Net changes in short term borrowings	<u>143,415</u>	<u>2,058</u>
Net cash generated from / (used in) financing activities	87,168	(22,948)
Net changes in Cash and Cash Equivalent	(189,742)	(63,246)
Cash and Cash Equivalents at beginning of year	357,177	116,883
Effect of exchange rate translation	(568)	(60)
	166,867	53,577
Cash and Cash Equivalents of former associated companies	-	46,307
Cash and Cash Equivalents at end of period	166,867	99,884

Note 1:

Cash and cash equivalents comprise of the following balances:

	RM'000	RM'000
Cash and bank balances	232,473	112,150
Bank overdrafts	(4,639)	(6,753)
	<u>227,834</u>	<u>105,397</u>
Less : Fixed deposits pledged	(60,967)	(5,513)
	<u>166,867</u>	<u>99,884</u>

Note 2:

The fair value of the assets acquired and liabilities assumed from the acquisition of a subsidiary company were as follows:

	RM'000
Non - current assets	30,835
Current assets	6,223
Current liabilities	(8,556)
Non - current liabilities	(10,800)
	<u>17,702</u>
Minority Interest	(3,540)
Group's share of net assets	14,162
Goodwill on acquisition	14,903
Cost of acquisition	29,065
Cash and cash equivalents of a subsidiary company acquired	(1,761)
Net cash outflow of the Group	27,304

The condensed consolidated cash flow statement should be read in conjunction with the Annual Financial Statements for the year ended 31 January 2005.

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IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share Capital	Capital Reserves	Retained profit /(accumulated losses)	Total
	RM'000	RM'000	RM'000	RM'000
Six months to 31 July 2005 (unaudited)				
Balance at beginning of year	177,112	246,096	(13,385)	409,823
Movements during the period				
Profit for the period	-	-	41,267	41,267
Currency translation differences	-	220	-	220
Balance at end of period	<u>177,112</u>	<u>246,316</u>	<u>27,882</u>	<u>451,310</u>
Six months to 31 July 2004 (unaudited)				
Balance at beginning of year	77,079	197,699	(82,411)	192,367
Movements during the period				
Elimination of realised gain recognised in prior year **	-	-	(5,860)	(5,860)
Issuance of rights issue	100,000	50,000	-	150,000
Shares issue expenses	-	(968)	-	(968)
Exercise of warrants	14	36	-	50
Profit for the period	-	-	30,593	30,593
Currency translation differences	-	130	-	130
Balance at end of year	<u>177,093</u>	<u>246,897</u>	<u>(57,678)</u>	<u>366,312</u>

** The disposal of a drilling rig, Teknik Berkat, from a wholly owned subsidiary company to Varia Perdana Sdn Bhd, previously treated as an associated company, had given rise to gain on disposal in the prior year. The gain on disposal is eliminated in the current year and dealt with through reserve.

The condensed consolidated statement of changes in equity should be read in conjunction with the Annual Financial Statements for the year ended 31 January 2005.

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V. NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies and methods of computation

The unaudited condensed consolidated financial statements have been prepared by applying accounting policies and methods of computation consistent with those used in the preparation of the most recent audited financial statements of the Group and in accordance with FRS134, Interim Financial Reporting.

2. Audit report of preceding annual financial statements

The audit report of the Group on the preceding year financial statements was not qualified.

3. Seasonality and cyclical nature of operations

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

4. Unusual items

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group.

5. Changes in estimates

There were no changes to the estimates of amounts reported in prior financial years.

6. Debts and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities during the current quarter and financial period ended 31 July 2005.

7. Segmental information

	<u>6 months to 31/7/05</u>	
	Revenue	Segment profit / (loss)
	RM'000	RM'000
Installation of Pipelines and Facilities	544,201	29,063
Drilling	158,032	36,511
Marine Services	117,740	4,926
Operations and Maintenance	35,295	4,308
Others		
- Unallocated corporate and investment holding expenses	-	(9,728)
Consolidated revenue / results	855,268	65,080

8. Carrying amount of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendment from previous annual financial statements.

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9. Subsequent events

Material events subsequent to the 31 July 2005 to the date of this announcement are as follows:

(a) Proposed Islamic PDS and initial issue of RM250 million nominal value of the bonds

On 7 July 2005, the Company had announced the Proposed issuance of up to RM600 million nominal value of Islamic Private Debt Securities ("Proposed Islamic PDS") via Bayu Padu Sdn Bhd ("Bayu Padu"), a special purpose company wholly owned by SapuraCrest.

The Proposed Islamic PDS comprises:

- (i) RM500 million nominal value Istisna' Bonds ("Istisna' Bonds"); and
- (ii) RM100 million nominal value Murabahah Commercial Papers and/or Medium Term Notes Programme.

Subsequently, on 26 August 2005, upon completion of execution of all legal documents relating to the Proposed Islamic PDS and the satisfaction of all the conditions precedent with respect to the Istisna' Bonds, Bayu Padu has issued RM250 million nominal value of the Istisna' Bonds to fund the construction of a heavy lift derrick pipelay combination vessel and acquisition costs of certain oil and gas related businesses.

(b) Proposed joint venture with Stolt Offshore MS Ltd

On 30 August 2005, the Company had, via Nautical Essence Sdn Bhd ("NESB"), a wholly owned subsidiary, entered into a Cooperation Agreement with Stolt Offshore MS Ltd ("Stolt Offshore") to participate in the construction, management and operation of a self-propelled, dynamic positioning heavy lift derrick and pipelay combination vessel ("HLV") for offshore oil and gas construction activities ("Proposed JV").

NESB has an authorized share capital of RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which two ordinary shares have been issued and fully paid up and had been acquired by the Company on 29 August 2005.

There were no other material events subsequent to 31 July 2005 to the date of this announcement.

10. Changes in the composition of the Group

- (a) On 30 March 2005, the Company acquired the entire issued share capital of a new company incorporated in Bermuda, known as SapuraCrest Deepwater Pte Ltd for a cash consideration of USD2.00. The authorized share capital of SapuraCrest Deepwater Pte Ltd is USD12,000 comprising 12,000 shares of USD1.00 each while its issued share capital comprises 12,000 shares of which two shares of USD2.00 each have been paid up.
- (b) On 14 April 2005, the Company completed its acquisition of 80% equity interest in Total Marine Technology Pty Ltd, a company based in Australia, whose principal activities are the design, manufacture and operation of underwater remote operated vehicles (ROVs).
- (c) On 7 July 2005, Sarku Resources Sdn Bhd, a wholly owned subsidiary of the Group, acquired the entire issued share capital of Prominent Energy Sdn Bhd, for a cash consideration of RM2.00. The authorized share capital of Prominent Energy Sdn Bhd is RM100,000 comprising 100,000 ordinary shares of RM1.00 each of which two ordinary shares of RM1.00 each have been issued and fully paid up.

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- (d) On 8 July 2005, the Company acquired the entire issued share capital of Bayu Padu Sdn Bhd for a cash consideration of RM2.00. The authorized share capital of Bayu Padu is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 each have been issued and fully paid up. Bayu Padu Sdn Bhd was acquired for the purpose of the Proposed Islamic PDS as disclosed in Note 9(a).

There were no other changes in the composition of the Group for the current quarter and financial period ended 31 July 2005 including business combinations, acquisitions or disposals of subsidiaries and long term investments, restructuring or discontinued operations.

11. Contingent liabilities

There were no contingent liabilities as at the date of this announcement.

12. Capital commitments

Capital commitment approved and contracted for is RM497.4 million.

13. Taxation

Taxation comprises the following:

	Current quarter ended 31/7/05 RM'000	Corresponding quarter ended 31/7/04 RM'000	Current 6 months to 31/7/05 RM'000	Corresponding 6 months to 31/7/04 RM'000
<u>Malaysian Taxation</u>				
- current taxation	5,300	4,281	6,462	9,308
- deferred taxation	-	(103)	-	(16,969)
- share of taxation of associated companies / jointly controlled entities	(102)	4	93	7
<u>Foreign Taxation</u>				
- current taxation	(204)	24	(151)	24
	<u>4,994</u>	<u>4,206</u>	<u>6,404</u>	<u>(7,630)</u>

The effective tax rate for the current quarter and current period to date varies from the statutory tax rate principally due to lower statutory tax rate of offshore subsidiary company and utilisation of unabsorbed tax losses and capital allowances.

14. Disposal of unquoted investments and/or properties

There was no disposal of unquoted investments and/or properties during the current quarter and financial period ended 31 July 2005.

15. Quoted securities

There were no acquisitions and disposals of quoted securities for the current quarter and financial period ended 31 July 2005 and there were no investments in quoted securities as at 31 July 2005.

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16. (a) Status of corporate proposals announced but not completed

(i) Proposed joint venture with Stolt Offshore

Pursuant to the announcement on 30 August 2005, the proposed joint venture with Stolt Offshore MS Ltd, as referred to in Note 9(b), is subject to approval by shareholders of SapuraCrest and relevant authorities including the Securities Commission (as the case may be), Bank Negara Malaysia, Labuan Offshore Financial Services Authority and the Foreign Investment Committee. The Company is currently in the process of preparing the necessary document submissions.

The proposed joint venture is expected to be formally effective by 31 December 2005.

(ii) Proposed transfer of listing to the Main Board of Bursa Malaysia

On 2 September 2005, the Company had announced on the proposed transfer of the listing of and quotation for the entire issued and paid-up ordinary share capital and outstanding five (5)-year warrants 2004/2009 of SapuraCrest from the Second Board to the Main Board of Bursa Malaysia Securities Berhad ("Proposed Transfer Listing")

The application for the Proposed Transfer Listing has been submitted to the Securities Commission and this proposal is expected to be completed by the end of the financial year ending 31 January 2006.

(b) Status of utilisation of proceeds raised from issue of CB

As at the date of this announcement, the status of utilisation of the CB proceeds is as follows:

	RM'000
Gross proceeds (USD80 million)	304,000
CB issue expenses	(9,712)
Vessel construction	(179,507)
Investment in a subsidiary company	(32,849)
Repayment of borrowings	(19,000)
Working capital	(56,949)
	5,983

17. Borrowings

The Group's borrowings as at 31 July 2005 are as follows:

	<u>Long term borrowings</u>			<u>Short term borrowings</u>		
	Secured RM'000	Unsecured RM'000	Total RM'000	Secured RM'000	Unsecured RM'000	Total RM'000
Domestic Banks						
- Debt securities	94,187	-	94,187	24,715	-	24,715
- Other borrowings	11,315	-	11,315	7,023	248,726	255,749
Foreign Bank	167,387	-	167,387	29,225	-	29,225
RCCPS	-	19,439	19,439	-	-	-
CB	-	297,677	297,677	-	-	-
	272,889	317,116	590,005	60,963	248,726	309,689

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18. Off-balance sheet financial instruments

The Group has entered into forward foreign exchange contracts to hedge its exposure to currency fluctuations affecting USD denominated trade receivables.

As at the date of this announcement, subsisting forward foreign exchange contracts entered into by the Group is, in aggregate, as follows:

Contracted amount	:	USD13.0 million
Ringgit equivalent	:	RM48.638 million
Maturity	:	Within two months

The forward foreign exchange contracts were entered into with a reputable commercial bank to limit the Group's exposure to any possible depreciation of the US Dollar that could affect the RM equivalent value of the Group's USD cash balances and receivables within the specified period.

Gains or losses arising from the forward foreign exchange contracts are recognized as income or expense upon realization.

19. Material litigation

There was no material litigation as at the date of this announcement.

20. Comparison between the current quarter and the immediate preceding quarter

Revenue increased by 34.4% from RM364.9 million to RM490.3 million principally due to an increase in the activities of the installation of pipelines and facilities ("IPF"), marine services and operations and maintenance divisions, while drilling activities remained fairly consistent.

Profit before taxation increased by 17.7% from RM29.9million to RM35.2 million contributed mainly by the offshore drilling, marine services and operation and maintenance activities. The installation of pipelines and facilities division returned a lower profit margin primarily due to higher heavy lift vessel charter costs.

21. Review of performance for the second quarter and first half of the current year

The Group's revenue for the three months ended 31 July 2005, totalling RM490.3 million, was higher by 78.1% compared to RM275.4 million in the second quarter of the preceding year, principally due to higher activities in the IPF and offshore drilling divisions. The marine services division, however, registered lower revenue due to less contract work in the current quarter. Improved profit performances in all the business segments, except for the marine services division's lower profit contribution, resulted in higher profit before taxation for the Group, from RM30.9 million to RM35.2 million, an increase of 13.9%

For the first half of the current financial year, the Group registered revenue of RM855.3 million, an increase of 106.0% compared to RM415.2 million in the first half of the preceding year. The significantly higher revenue was attributable to the higher activities of the IPF and offshore drilling divisions although there was a decline in contract work for the marine services division, particularly in respect of marine engineering and survey activities. The Group's profit before taxation of RM65.1 million in the first six months was 51.7% higher compared to RM42.9 million in the corresponding period of the previous year. In this respect, each key division except for marine services (which contributed lower profit due to the abovementioned reasons) recorded higher profit compared to the first half of the preceding year.

22. Prospects for Year 2005/2006

Barring any unforeseen circumstances, the Directors expect the Group to achieve favourable results for the financial year ending 31 January 2006.

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23. Dividend

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

24. Earnings Per Share

	Individual Quarter		Cumulative Quarter	
	3 months to 31/7/05	3 months to 31/7/04	6 months to 31/7/05	6 months to 31/7/04
(i) Basic				
Net profit for the period (RM'000)	21,107	20,157	41,267	30,593
Weighted average number of ordinary shares in issue ('000)	879,055	843,598	879,055	843,598
Basic earnings per share (sen)	2.40	2.39	4.69	3.63
(ii) Diluted				
Net profit for the period (RM'000)	21,107	20,157	41,267	30,593
Adjusted net profit	21,583	-	45,889	-
Weighted average number of ordinary shares in issue ('000)	879,055	843,598	879,055	843,598
Effect of dilution:				
Conversion of RCCPS	28,229	28,229	28,229	28,229
Conversion of warrants	249,943	249,943	249,943	249,943
Number of shares for warrants that would have been issued at fair value	(169,009)	(135,465)	(169,009)	(135,465)
Conversion of CB	209,453	-	209,453	-
Adjusted weighted average number of ordinary shares in issue and issuable:	1,197,671	986,305	1,197,671	986,305
Diluted earnings per share (sen)	1.80	2.04	3.83	3.10

Selangor
19 September 2005

By Order of the Board

Poh Phei Ling
Company Secretary