

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE THIRD QUARTER ENDED 31 OCTOBER 2005

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/10/2005 RM'000	Preceding year corresponding quarter 31/10/2004 RM'000	Nine months to 31/10/2005 RM'000	Nine months to 31/10/2004 RM'000
1. (a) Revenue	544,149	367,994	1,399,417	783,193
(b) Operating expenses	(508,004)	(344,834)	(1,278,781)	(708,373)
(c) Other operating income	547	203	853	2,655
(d) Profit from operations	36,692	23,363	121,489	77,475
(e) Finance cost	(13,863)	(3,371)	(34,610)	(15,417)
(f) Profit before share of associated companies and jointly controlled entities' results	22,829	19,992	86,879	62,058
(g) Share of profit of associated companies and jointly controlled entities	846	1,211	1,876	2,039
(h) Profit before taxation and minority interests	23,675	21,203	88,755	64,097
(i) Taxation	(1,509)	(2,513)	(7,913)	5,117
(j) Profit after taxation and before minority interests	22,166	18,690	80,842	69,214
(k) Minority interests	(6,885)	(3,820)	(24,294)	(23,751)
(l) Net profit attributable to members of the company	15,281	14,870	56,548	45,463
2. Earnings per share (sen)				
Basic	<u>1.74</u>	<u>1.74</u>	<u>6.43</u>	<u>5.31</u>
Diluted	<u>1.37</u>	<u>1.51</u>	<u>5.22</u>	<u>4.62</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 31/10/2005 RM'000	AUDITED As at preceding financial year end 31/1/2005 RM'000
1. Property, plant and equipment	905,461	597,318
2. Investment in associated companies	22,890	21,057
3. Jointly controlled entities	1,299	1,343
4. Patent costs	42	-
5. Deferred tax assets	2,023	1,734
6. Goodwill on consolidation	130,201	115,297
	<u>1,061,916</u>	<u>736,749</u>
7. CURRENT ASSETS		
Inventories	34,523	34,420
Trade & other receivables	998,432	518,411
Amount due from ultimate holding company	884	1,074
Amount due from associated company	2,680	2,280
Amount due from jointly controlled entities	38	22
Amount due from related companies	5,893	5,824
Cash and bank balances	383,871	383,803
	<u>1,426,321</u>	<u>945,834</u>
8. CURRENT LIABILITIES		
Trade & other payables	618,279	335,900
Amount due to ultimate holding company	139	73
Amount due to related companies	3,624	3,613
Borrowings	376,241	165,188
Taxation	12,417	12,402
	<u>1,010,700</u>	<u>517,176</u>
9. Net current assets	415,621	428,658
	<u>1,477,537</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	290	(180)
Retained profit / (accumulated losses)	32,930	(13,385)
Total reserves	<u>279,496</u>	<u>232,711</u>
	456,608	409,823
11. Minority interests	180,833	152,883
12. Borrowings	832,307	600,798
13. Deferred taxation	7,789	1,903
	<u>1,477,537</u>	<u>1,165,407</u>
14. Net tangible assets per share (RM) *	<u>0.37</u>	<u>0.33</u>

* After deducting intangible assets of RM134,884,000 (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 Nine months to 31/10/2005 RM'000	Unaudited Nine months to 31/10/2004 RM'000
Profit before taxation	88,755	64,097
Adjustments:		
Depreciation and amortisation	55,408	50,633
Interest expenses	34,610	15,447
Interest income	(4,901)	(1,150)
Share of profit of associated companies and jointly controlled entities	(1,876)	(2,039)
Other operating items	1,807	(392)
Operating profit before working capital changes	<u>173,803</u>	<u>126,596</u>
Changes in working capital		
Net change in current assets	(457,718)	(549,118)
Net change in current liabilities	<u>254,958</u>	<u>428,415</u>
Cash (used in) / generated from operations	(28,957)	5,893
Interest paid	(23,780)	(15,447)
Taxation paid	<u>(6,276)</u>	<u>(8,061)</u>
Net cash used in operating activities	(59,013)	(17,615)
Investing Activities		
Net cash used in acquisition of a subsidiary company (Note 2)	(27,304)	-
Purchase of property, plant and equipment	(337,535)	(51,452)
Additional shares subscribed in an associated company	-	(760)
Advance to an associated company	(400)	(2,280)
Dividend from an associated company	324	-
Distribution proceeds from jointly controlled entities under liquidation	1,200	-
Proceeds from disposal of property, plant and equipment	560	7,558
Interest income	4,485	1,150
Net cash used in investing activities	(358,670)	(45,784)
Financing Activities		
Proceeds from issuance of rights issue	-	150,000
Proceeds from issuance of bonds	245,084	-
Bond issue expenses	(3,971)	-
Shares issue expenses	-	(1,283)
Proceeds from exercise of warrants	-	50
Dividend paid	(10,233)	-
Net (increase)/decrease in fixed deposits pledged	(58,892)	1,014
Repayment of term loans	(25,832)	(34,278)
Repayment of bridging loan	-	(131,320)
Net changes in hire purchase and lease financing	3,941	(1,938)
Net changes in short term borrowings	<u>209,485</u>	<u>46,982</u>
Net cash generated from financing activities	359,582	29,227
Net changes in Cash and Cash Equivalent	(58,101)	(34,172)
Cash and Cash Equivalents at beginning of year	357,177	116,883
Effect of exchange rate translation	(475)	117
	298,601	82,828
Cash and Cash Equivalents of former associated companies	-	46,307
Cash and Cash Equivalents at end of period	298,601	129,135

Note 1:

Cash and cash equivalents comprise of the following balances:

	RM'000	RM'000
Cash and bank balances	383,871	142,521
Bank overdrafts	(4,017)	(5,761)
	<u>379,854</u>	<u>136,760</u>
Less : Fixed deposits pledged	<u>(81,253)</u>	<u>(7,625)</u>
	<u>298,601</u>	<u>129,135</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	<u>(10,800)</u>
	17,702
Minority Interest	<u>(3,540)</u>
Group's share of net assets	14,162
Goodwill on acquisition	14,903
Cost of acquisition	<u>29,065</u>
Cash and cash equivalents of a subsidiary company acquired	<u>(1,761)</u>
Net cash outflow of the Group	<u>27,304</u>

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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
Nine months to 31 October 2005 (unaudited)				
Balance at beginning of year	177,112	246,096	(13,385)	409,823
Movements during the period				
Profit for the period	-	-	56,548	56,548
Currency translation differences	-	470	-	470
Interim dividend	-	-	(10,233)	(10,233)
Balance at end of period	<u>177,112</u>	<u>246,566</u>	<u>32,930</u>	<u>456,608</u>
Nine months to 31 October 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	-	(1,283)	-	(1,283)
Exercise of warrants	14	36	-	50
Profit for the period	-	-	45,463	45,463
Currency translation differences	-	(338)	-	(338)
Balance at end of period	<u>177,093</u>	<u>246,114</u>	<u>(42,808)</u>	<u>380,399</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 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 cyclicity 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

On 26 August 2005, Bayu Padu Sdn Bhd ("Bayu Padu"), a wholly owned subsidiary of SapuraCrest, issued RM250 million nominal value of Istisna' Bonds to fund the construction of a heavy lift derrick pipelay combination vessel and acquisition costs of certain oil and gas related business.

Save as disclosed above, there were no other issuances, cancellations, repurchases, resale and repayment of debt and equity securities during the current quarter and financial period ended 31 October 2005.

7. Dividend paid

An interim dividend of 0.3 sen per ordinary share, tax exempt, and 1.2 sen per ordinary share less 28% tax, totalling RM10.23 million in respect of the financial year ending 31 January 2006 was declared on 23 June 2005 and paid on 15 August 2005.

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8. Segmental information

	9 months to 31/10/05	
	Segment Revenue	Segment Result
	RM'000	RM'000
Installation of Pipelines and Facilities	934,337	37,976
Drilling	227,267	50,964
Marine Services	195,136	6,518
Operations and Maintenance	42,677	<u>4,516</u>
		99,974
Investment holding and corporate operations*	-	<u>(11,219)</u>
	<u>1,399,417</u>	<u>88,755</u>

* Including net result of the Teknik Hidayat project post cessation of activities

9. 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.

10. Subsequent events

Islamic PDS

On 7 July 2005, the Company had announced the proposed issuance of up to RM600 million nominal value of Islamic Private Debt Securities ("Islamic PDS") via Bayu Padu.

The Islamic PDS comprises:

- (i) RM500 million nominal value Istisna' Bonds, of which RM250 million nominal value has been issued (Note 6); and
- (ii) RM100 million nominal value Murabahah Commercial Papers and/or Medium Term Notes Programme ("MCPs / MMTNs Programme")

On 28 November 2005, Bayu Padu has issued the RM100 million nominal value MMTNs referred to in (ii) above.

Save as disclosed above, there were no other material events subsequent to 31 October 2005 to the date of this announcement.

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11. 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.
- (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.
- (e) On 29 August 2005, the Company acquired the entire issued share capital of Nautical Essence Sdn Bhd for a cash consideration of RM2.00. The authorized share capital of Nautical Essence 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.
- (f) On 16 September 2005, the Company acquired the entire issued share capital of Varia Karisma Sdn Bhd for a cash consideration of RM2.00. The authorized share capital of Varia Karisma 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.

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

12. Contingent liabilities

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

13. Capital commitments

Capital commitment approved and contracted for is RM481million.

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14. Taxation

Taxation comprises the following:

	Current quarter ended 31/10/05 RM'000	Corresponding quarter ended 31/10/04 RM'000	Current 9 months to 31/10/05 RM'000	Corresponding 9 months to 31/10/04 RM'000
<u>Malaysian Taxation</u>				
- current taxation	1,623	2,024	8,085	11,332
- deferred taxation	-	-	-	(16,969)
- share of taxation of associated companies / jointly controlled entities	33	430	126	437
<u>Foreign Taxation</u>				
- current taxation	(147)	59	(298)	83
	<u>1,509</u>	<u>2,513</u>	<u>7,913</u>	<u>(5,117)</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 companies and utilisation of unabsorbed tax losses and capital allowances.

15. 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 October 2005.

16. Quoted securities

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

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

(i) Proposed joint venture with Stolt Offshore

On 30 August 2005, the Company had announced that it 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").

The necessary applications have been submitted to the Securities Commission, the Foreign Investment Committee and Bank Negara Malaysia and are pending approval.

(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 approved by the Securities Commission, on 5 December 2005, and this exercise is expected to be completed by the end of the financial year ending 31 January 2006.

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(b) Status of utilisation of proceeds raised from issue of Convertible Bonds (“CB”)

The CB proceeds were utilised for the following:

	RM'000
CB issue expenses	(9,712)
Vessel construction	(180,522)
Investment in a subsidiary company	(32,849)
Repayment of borrowings	(19,000)
Working capital	(61,917)
Gross proceeds (USD80 million)	304,000

18. Borrowings

The Group's borrowings as at 31 October 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	94,269	-	94,269	24,715	-	24,715
- Other borrowings	13,247	-	13,247	9,145	313,215	322,360
Foreign Bank	161,053	-	161,053	29,166	-	29,166
RCCPS	-	19,590	19,590	-	-	-
CB	-	302,732	302,732	-	-	-
Istisna Bonds (Note 6)	241,416	-	241,416			
	509,985	322,322	832,307	63,026	313,215	376,241

19. Off-balance sheet financial instruments

Cross Currency Interest Rate Swap (“CCIRS”)

SapuraCrest, via its wholly owned subsidiary, Bayu Padu Sdn Bhd issued RM500 million of Istisna' Bonds as disclosed in Note 10(i). RM250 million was issued on 26 August 2005, with staggered maturities up to 26 August 2011. Additional RM250 million of debt is scheduled to be issued in August 2006, with staggered maturities up to August 2015.

The proceeds of the issuance is expected to be utilized to fund the expansion of the group's business in the oil and gas sector, and also for the ongoing construction of the heavy lift vessel (HLV), denominated in USD.

Hedging Instrument

In September 2005, the Company had entered into a RM500 million CCIRS of staggered maturities to hedge both the foreign exchange and interest rate risks. This has effectively transformed the RM liabilities into equivalent liabilities in USD. By doing so, the Company will be able to hedge the repayment of the liabilities, which is expected to be generated in USD. The final maturity of the swap is on 26 July 2015.

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Hedging Instrument Accounting Policy

The hedging instruments are not recognized in the financial statements on inception. The underlying foreign currency liabilities or assets are translated at their respective hedged exchange rate and all exchange gains and losses are recognized as income or expense in the income statement in the same period as the exchange differences on the underlying hedged items. Exchange gain or losses arising on contracts entered into hedges of anticipated future transactions are deferred until the date of such transactions, at which time they are included in the measurement of such transactions.

Net differentials in interest receipts and payments arising from interest rate hedging instrument are recognized as interest or expense over the period of the contract.

Credit and Market Risk

The hedging instruments were entered into with a reputable financial institution to limit the credit risk exposure of the Group.

20. Material litigation

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

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

Revenue increased by 10.9% from RM490.3 million to RM544.1 million principally due to an increase in the activities of the installation of pipelines and facilities ("IPF") and marine services division. The drilling division, however, registered lower revenue due to the drydocking of two drilling rigs for a part of the third quarter.

Despite the overall increase in revenue, profit before taxation decreased by 32.7% from RM35.2million to RM23.7 million compared to the second quarter mainly due to lower profit margin posted by the IPF and marine services divisions. Additionally, lower profit was also contributed by the drilling division as a result of the drydocking activities

22. Review of performance for the current quarter and current year to date

The Group's revenue for the three months ended 31 October 2005, totalling RM544.1 million, was higher by 47.9% compared to RM368.0 million in the third quarter of the preceding year, principally due to higher activities in the IPF and offshore drilling divisions. The marine services and operation & maintenance division, however, registered lower revenue due to less contract work in the current quarter. Profit before taxation was RM23.7 million, an increase of 11.7%, contributed mainly by the IPF and offshore drilling divisions.

For the nine months ended 31 October 2005, the Group registered revenue of approximately RM1.4 billion, an increase of 78.7% compared to RM783.2 million in the corresponding period 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 activities. The Group's profit before taxation of RM88.8 million in the nine months was 38.5% higher compared to RM64.1 million in the corresponding period of the preceding year. In this respect, each business segment except for marine services (which contributed lower profit due to the abovementioned reasons) recorded higher profit compared to the corresponding period of the preceding year.

Finance costs have increased significantly compared to the preceding financial year due to higher borrowings utilised for the group's business operations and expansion, including the acquisition of oil and gas related assets.

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23. Prospects for Year 2005/2006

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

24. Dividend

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

25. Earnings Per Share

(i) Basic

	3 months to 31/10/05	3 months to 31/10/04	9 months to 31/10/05	9 months to 31/10/04
Net profit for the period (RM'000)	15,281	14,870	56,548	45,463
Weighted average number of ordinary shares in issue ('000)	879,055	855,386	879,055	855,386
Basic earnings per share (sen)	<u>1.74</u>	<u>1.74</u>	<u>6.43</u>	<u>5.31</u>

(ii) Diluted

	3 months to 31/10/05	3 months to 31/10/04	9 months to 31/10/05	9 months to 31/10/04
Net profit for the period (RM'000)	15,281	14,870	56,548	45,463
Adjusted net profit	16,311	-	62,200	-
Weighted average number of ordinary shares in issue ('000)	879,055	855,386	879,055	855,386
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	(173,980)	(150,390)	(173,980)	(150,390)
Conversion of CB	209,453	-	209,453	-
Adjusted weighted average number of ordinary shares in issue and issuable:	<u>1,192,700</u>	<u>983,168</u>	<u>1,192,700</u>	<u>983,168</u>
Diluted earnings per share (sen)	<u>1.37</u>	<u>1.51</u>	<u>5.22</u>	<u>4.62</u>

By Order of the Board

Selangor
13 December 2005

Poh Phei Ling
Company Secretary