

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 30 APRIL 2006

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter 30/4/2006 RM'000	Preceding year corresponding quarter 30/4/2005 RM'000 (restated)	Three months to 30/4/2006 RM'000	Three months to 30/4/2005 RM'000 (restated)
1. Revenue	380,163	364,939	380,163	364,939
Operating expenses	(354,103)	(325,062)	(354,103)	(325,062)
Other income	2,671	1,838	2,671	1,838
Profit from operations	28,731	41,715	28,731	41,715
Finance cost	(12,578)	(12,534)	(12,578)	(12,534)
Profit before share of associated companies and jointly controlled entities' results	16,153	29,181	16,153	29,181
Share of profit of associated companies and jointly controlled entities	165	519	165	519
Profit before taxation	16,318	29,700	16,318	29,700
Taxation	(1,921)	(1,215)	(1,921)	(1,215)
Profit for the period	14,397	28,485	14,397	28,485
Attributable to :				
Equity holders of the parent	5,758	20,160	5,758	20,160
Minority interests	8,639	8,325	8,639	8,325
	14,397	28,485	14,397	28,485
2. Earnings per share (sen)				
Basic	0.65	2.29	0.65	2.29
Diluted	0.62	2.02	0.62	2.02

The condensed consolidated income statement should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2006.

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II. CONDENSED CONSOLIDATED BALANCE SHEET

	UNAUDITED	AUDITED
	As at end of current quarter	As at preceding financial year end
	30/4/2006	31/1/2006
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,012,633	989,574
Investment in associated companies	22,722	22,558
Investment in jointly controlled entities	99	98
Patent costs	41	42
Deferred tax assets	6,097	7,429
Goodwill on consolidation	145,262	130,962
Cash and bank balances	2,575	2,575
	<u>1,189,429</u>	<u>1,153,238</u>
Current assets		
Inventories & WIP	47,372	34,430
Amount due from related companies	9,299	9,039
Trade & other receivables	936,405	941,165
Cash and bank balances	381,184	367,287
	<u>1,374,260</u>	<u>1,351,921</u>
TOTAL ASSETS	<u>2,563,689</u>	<u>2,505,159</u>
 EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	176,843	176,032
Redeemable cumulative convertible preference shares	1,301	1,301
Share premium	184,867	183,465
Other reserves	68,161	64,294
Retained profit	56,136	50,378
	<u>487,308</u>	<u>475,470</u>
Minority interests	<u>188,401</u>	<u>179,760</u>
Total equity	<u>675,709</u>	<u>655,230</u>
 Non-current liabilities		
Borrowings	861,760	879,806
Deferred taxation	9,838	10,067
	<u>871,598</u>	<u>889,873</u>
 Current liabilities		
Amount due to related companies	4,558	4,177
Trade & other payables	591,371	545,318
Borrowings	403,136	394,110
Taxation	17,317	16,451
	<u>1,016,382</u>	<u>960,056</u>
TOTAL LIABILITIES	<u>1,887,980</u>	<u>1,849,929</u>
TOTAL EQUITY AND LIABILITIES	<u>2,563,689</u>	<u>2,505,159</u>
 Net assets per share (RM)		
	<u>0.55</u>	<u>0.54</u>

The condensed consolidated income statement should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2006.

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III. CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Three months to 30/4/2006 RM'000	Unaudited Three months to 30/4/2005 RM'000
Profit before taxation	16,318	29,700
Adjustment for non-cash items	11,231	27,018
Operating profit before working capital changes	<u>27,549</u>	<u>56,718</u>
Net change in current assets	(8,295)	(157,189)
Net change in current liabilities	<u>56,846</u>	<u>73,704</u>
	76,100	(26,767)
Non-operating itmes	<u>(17,568)</u>	<u>(10,396)</u>
Net cash generated from / (used in) operating activities	58,532	(37,163)
Net cash used in investing activities	(46,922)	(33,723)
Net cash used in financing activities	<u>(84,172)</u>	<u>(26,679)</u>
Net changes in Cash and Cash Equivalent	(72,562)	(97,565)
Effect of exchange rate translation	(1,383)	3
Cash and Cash Equivalents at 1 February 2006	<u>304,603</u>	<u>357,177</u>
Cash and Cash Equivalents at 30 April 2006	<u>230,658</u>	<u>259,615</u>

Cash and cash equivalents comprise of the following:

	RM'000	RM'000
Cash and bank balances	383,759	338,328
Bank overdrafts	<u>(57)</u>	<u>(3,789)</u>
	383,702	334,539
Less : Fixed deposits pledged	<u>(153,044)</u>	<u>(74,924)</u>
	<u>230,658</u>	<u>259,615</u>

The condensed consolidated cash flow statement should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2006.

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IV. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Equity Holders of the Parent				Total	Minority interest	Total Equity
	Share Capital	Share Premium	Other Reserves	Retained profit / (accumulated losses)			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Three months to 30 April 2006							
(unaudited)							
At 1 February 2006	177,333	183,465	64,294	50,378	475,470	179,760	655,230
Net profit for the period	-	-	-	5,758	5,758	8,639	14,397
Issue of ordinary share pursuant of ESOS	811	1,378	-	-	2,189	-	2,189
Share-based payment under ESOS	-	24	228	-	252	-	252
Foreign currency translation	-	-	3,639	-	3,639	2	3,641
At 30 April 2006	178,144	184,867	68,161	56,136	487,308	188,401	675,709
Three months to 30 April 2005							
(unaudited)							
At 1 February 2005	177,112	183,090	63,006	(13,385)	409,823	152,883	562,706
Net profit for the period	-	-	-	20,160	20,160	8,325	28,485
Acquisition of a subsidiary	-	-	-	-	-	3,538	3,538
Foreign currency translation	-	-	(10)	-	(10)	-	(10)
At 30 April 2005	177,112	183,090	62,996	6,775	429,973	164,746	594,719

The condensed consolidated statement of changes in equity should be read in conjunction with the Annual Financial Statements for the year ended 31 January 2006.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the condensed Financial Statements should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2006.

1. Accounting policies and methods of computation

- i) 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 are in accordance with FRS134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective for financial period beginning or after 1 January 2006:

FRS 2	Share-based Payments
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investment in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 3, 5, 102, 108, 110, 116, 121, 127, 128, 131, 132, 133, 136, 138 and 140 does not have significant financial impact on the Group.

The principal effects of changes in accounting policies resulting from the adoption of the other new/revised FRSs are discussed below:

a) FRS 2: Share-based Payments

The Company operates an equity-settled, share based compensation plan for the employees of the Group, the Employee Share Options Scheme (“ESOS”). Prior to 31 January 2006, no compensation expense was recognised in profit or loss for share options granted. With the adoption of FRS 2, the compensation expense relating to share options is recognized in profit or loss over the vesting periods of the grants with a corresponding increase in equity.

Under the transitional provisions of FRS 2, this FRS must be applied to share options that were granted after 31 December 2004 and had not yet vested on 1 February 2006.

The financial impact to the Group arising from this change in accounting policy is an additional charge of RM252,197 to the profit of the Group arising from the share options granted to employees of the Group under the ESOS.

b) FRS 101: Presentation of Financial Statements

The adoption of the revised FRS 101 has affected the presentation of minority interests, share of net after-tax results of associates and other disclosures. In the consolidated balance sheet, minority interests are now presented within total equity. In the consolidated income statement, minority interests are presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognized income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with comparatives restated to conform with the current period's presentation.

(ii) The following comparative amounts have been restated due to the adoption of FRS 101:

a) Balance Sheet at 31 January 2006

	Previously stated	Reclassification	Restated
	RM'000	RM'000	RM'000
Non current assets			
Cash and bank balances	-	2,575	2,575
Current assets			
Cash and bank balances	369,862	(2,575)	367,287

b) Condensed Consolidated Income Statement for 3 months ended 30 April 2005

	Previously stated	Reclassification	Restated
	RM'000	RM'000	RM'000
Other income	214	1,624	1,838
Operating expenses	(323,438)	(1,624)	(325,062)
Share of results of associates	714	(195)	519
Taxation	1,410	(195)	1,215

2. Audit report of preceding annual financial statements

The audit report of the Group's financial statements for the financial year ended 31 January 2006 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 for the current quarter except as disclosed in Notes 1 and 5.

5. Changes in estimates

With the adoption of FRS 116: Property, Plant and Equipment, the Group revised the residual values of certain property, plant and equipment mainly the vessels, and the estimated useful lives of certain furniture and equipments. The revisions were accounted for as change in accounting estimates. As a result, the depreciation charges for the current quarter have been reduced by RM3.9 million.

Save as disclosed above, there were no other changes in estimates that have had material effect in the current quarter results.

6. Debts and equity securities

During the current quarter ended 30 April 2006, the issued and paid up capital of the Company increased from 880,159,875 ordinary shares of RM0.20 each to 884,213,475 ordinary shares of RM0.20 each by the issuance of 4,053,600 new ordinary shares of RM0.20 each, pursuant to the exercise of share options under the Company ESOS.

Save as disclosed above, there were no other issuances, cancellations, repurchases, resale and repayment of debt and equity securities.

7. Dividends paid

There were no dividends paid or declared during the current quarter.

8. Segmental information

	3months to 30/4/06	
	Revenue	profit / (loss)
	RM'000	RM'000
Installation of Pipelines and Facilities	205,932	(11,089)
Drilling	86,171	17,881
Marine Services	73,370	10,867
Operations and Maintenance	14,690	2,392
Investment holding and corporate operations		(3,733)
Consolidated revenue / results	380,163	16,318

9. Carrying amount of revalued assets

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

10. Subsequent events

Events subsequent to 30 April 2006 to the date of this announcement are as follows:

a) Joint venture with Acergy MS Ltd (formerly known as Stolt Offshore M.S. Ltd)

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 Acergy M.S. Ltd. to equally participate in the construction and ownership of, and to undertake the management and operations of Sapura 3000.

On 8 March 2006, shareholders of the Company approved the proposed joint venture at an Extraordinary General Meeting.

On 9 May 2006, the Company announced that all conditions of the Cooperation Agreement have been fulfilled. NESB and Acergy MS Ltd have executed a Shareholders' Agreement. Accordingly, the rights and obligations relating to Sapura 3000 have been novated into the joint venture company, Nautical Vessels Pte Ltd.

b) Proposed joint venture with Larsen & Toubro Limited ("L&T")

On 8 June 2006, the Company announced that it had entered into an indicative term sheet with L&T to participate in the engineering, construction, management and operation of a new build derrick lay barge for the provision of offshore installation services. The Company would hold 40% of the equity in the joint venture company while the remaining 60% would be held by L&T.

The proposed joint venture is expected to be effective within six months.

Save as disclosed above, there were no other material events subsequent to 30 April 2006 to the date of this announcement.

11. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter 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 RM607 million.

14. Taxation

Taxation comprises the following:

	Current quarter ended 30/4/06 RM'000	Preceding year Corresponding quarter ended 30/4/05 RM'000
<u>Malaysian Taxation</u>		
- current taxation	1,914	1,162
<u>Foreign Taxation</u>		
- current taxation	7	53
	<u>1,921</u>	<u>1,215</u>

The effective tax rate for the current quarter was lower than the Malaysian 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.

16. Quoted securities

There were no acquisitions and disposals of quoted securities for the current quarter and there were no investments in quoted securities as at 30 April 2006.

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

Save as disclosed in Note 10 (b), there were no other corporate proposals announced but not completed as at the date of this announcement.

(b) Status of utilisation of proceeds

Islamic PDS

Bayu Padu Sdn Bhd ("Bayu Padu"), a wholly owned subsidiary of the Company, issued RM250 million nominal value of Istisna' Bonds on 26 August 2005 and RM100 million nominal value of Murabahah Medium Term Notes ("MMTN") on 28 November 2005. The status of the utilisation of the proceeds is as follows:

(i) *Istisna' Bonds Proceeds*

From the net proceeds of RM245.1 million, about RM102 million has been utilised to reimburse the Company for the acquisition of a vessel, Sarku Clementine, refinance the cost of acquiring certain oil and gas related business and working capital purposes. About RM80 million has been utilised for cash collateral.

The above utilisations are based on the approval obtained from the Istisna' Bond holders and the Securities Commission on 17 and 28 March 2006 respectively.

(ii) *MMTN Proceeds*

The net proceeds of RM96.7 million has been fully utilised for working capital purposes.

Joint venture with Acergy MS Ltd (formerly known as Stolt Offshore M.S. Ltd)

The 50% divestment of the Company's interest via NESB, in Nautical Vessels Pte Ltd and Nautical Offshore Sdn Bhd, to Acergy MS Limited, has raised proceeds amounting to USD64.3 million, of which about USD7.6 million has been utilised for working capital purposes.

18. Borrowings

The Group's borrowings as at 30 April 2006 are as follows:

	Long term borrowings			Short term borrowings		
	Secured RM'000	Unsecured RM'000	Total RM'000	Secured RM'000	Unsecured RM'000	Total RM'000
Domestic Banks	12,384	-	12,384	19,326	310,797	330,123
Foreign Bank	143,887	-	143,887	28,393	-	28,393
Debt securities						
- BalDs	69,431	-	69,431	24,715	-	24,715
- CB	-	297,016	297,016	-	-	-
- Islamic PDS	339,042	-	339,042	-	-	-
- RCCPS	-	-	-	-	19,905	19,905
	564,744	297,016	861,760	72,434	330,702	403,136

19. Off-balance sheet financial instruments

Cross Currency Interest Rate Swap ("CCIRS")

As at 30 April 2006, the Company has an outstanding 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, for which the source of repayment is expected to be in USD. The final maturity of the swap is on 26 July 2015.

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 for the current quarter of RM380.2 million was lower by 5.2% compared to RM400.8 million in the immediate preceding quarter mainly due to a decrease in the activities of the installation of pipelines and facilities ("IPF") division.

The Group registered a lower profit before taxation of RM16.3 million as compared to RM26.3 million in the preceding quarter, representing a decrease of 37.9%. The decrease was mainly attributable to higher costs incurred for the IPF division.

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

Current quarter compared to the corresponding quarter of the preceding year (3 months)

Revenue for the quarter under review of RM380.2 million showed an increase of RM15.3 million (4.2%) compared to RM364.9 million in the corresponding quarter of the preceding year, due to higher activities in all the divisions especially the marine services except for IPF, which registered a decrease of about 10.1%.

The Group registered a lower profit before taxation of RM16.3 million (45.4%) as compared to RM29.9 million in the corresponding quarter of the preceding year mainly due to higher costs incurred for the IPF division.

23. Prospects for the financial year ending 31 January 2007

Barring any unforeseen circumstances, the Directors expect the Group to achieve satisfactory results for the financial year ending 31 January 2007.

24. Dividend

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

25 Earnings per share

i) Basic

	<u>3 months to 30/4/06</u>	<u>3 months to 30/4/05</u>
Net profit for the period (RM'000)	5,758	20,160
Weighted average number of ordinary shares in issue ('000)	884,213	879,055
Basic earnings per share (sen)	<u>0.65</u>	<u>2.29</u>

ii) Diluted

	<u>3 months to 30/4/06</u>	<u>3 months to 30/4/05</u>
Net profit for the period (RM'000)	5,758	20,160
Adjusted net profit	5,782	24,306
Weighted average number of ordinary shares in issue ('000)	884,213	879,055
Effect of dilution:		
Exercise of ESOS	2,023	-
Conversion of warrants	249,929	249,943
Number of shares for warrants that would have been issued at fair value	(227,499)	(164,317)
	22,430	85,626
Conversion of RCCPS	28,229	28,229
Conversion of CB	-	209,453
Adjusted weighted average number of ordinary shares in issue and issuable:	<u>936,895</u>	<u>1,202,363</u>
Diluted earnings per share (sen)	<u>0.62</u>	<u>2.02</u>

26 Goodwill on consolidation

In the current quarter, the goodwill on consolidation has been adjusted from RM131.0 million to RM145.3 million arising from the recognition of the deferred contingent consideration of RM14.3 million, which form part of the consideration pursuant to the acquisition of Sapura Energy Sdn Bhd from Sapura Holdings Sdn Bhd. The said acquisition was completed on 23 December 2003.

By Order of the Board

Selangor
22 June 2006

Finton Tuan Kit Ming
Poh Phei Ling
Company Secretaries