

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

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 31 JULY 2011

THE FIGURES HAVE NOT BEEN AUDITED

I. CONDENSED CONSOLIDATED INCOME STATEMENT

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/07/2011 RM'000	Preceding year corresponding quarter 31/07/2010 RM'000	Six months to 31/07/2011 RM'000	Six months to 31/07/2010 RM'000
1. Revenue	699,395	898,116	1,250,211	1,568,472
Operating expenses	(585,650)	(792,947)	(1,016,220)	(1,372,635)
Other income	7,503	2,045	14,116	7,248
Profit from operations	121,248	107,214	248,107	203,085
Finance cost	(13,062)	(7,672)	(25,624)	(16,174)
Share of results of associated companies and jointly controlled entities	108,186	99,542	222,483	186,911
	27,227	13,269	38,312	24,557
Profit before taxation	135,413	112,811	260,795	211,468
Taxation	(25,408)	(13,722)	(40,483)	(25,168)
Profit for the period	110,005	99,089	220,312	186,300
Attributable to :				
Owners of the Parent	78,232	53,246	150,577	103,936
Non controlling interests	31,773	45,843	69,735	82,364
	110,005	99,089	220,312	186,300
2. Earnings per share (sen)				
Basic/Diluted	6.13	4.17	11.79	8.14

The condensed consolidated income statement should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2011.

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II. CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Individual Quarter		Cumulative Quarter	
	Current year quarter 31/07/2011 RM'000	Preceding year corresponding quarter 31/07/2010 RM'000	Six months to 31/07/2011 RM'000	Six months to 31/07/2010 RM'000
Profit for the period	110,005	99,089	220,312	186,300
Other comprehensive income:				
Foreign currency translation differences	(6,086)	(9,367)	(27,764)	(39,071)
Share of other comprehensive income of jointly controlled entities	(6,350)	-	1,490	-
Total comprehensive income	<u>97,569</u>	<u>89,722</u>	<u>194,038</u>	<u>147,229</u>
Attributable to :				
Owners of the Parent	67,934	48,398	132,682	77,410
Non controlling interests	<u>29,635</u>	<u>41,324</u>	<u>61,356</u>	<u>69,819</u>
	<u>97,569</u>	<u>89,722</u>	<u>194,038</u>	<u>147,229</u>

The condensed consolidated statement of comprehensive income should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2011.

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III. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	UNAUDITED	AUDITED
	As at end of current quarter	As at preceding financial year end
	31/07/2011	31/01/2011
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,020,659	1,019,148
Investment in jointly controlled entities and associated companies	284,711	229,493
Intangible assets	154,632	154,688
Deferred tax assets	8,579	9,093
	<u>1,468,581</u>	<u>1,412,422</u>
Current assets		
Inventories	71,825	54,787
Trade & other receivables	1,444,272	1,403,017
Derivative financial assets	3,333	985
Cash and bank balances	644,910	768,381
	<u>2,164,340</u>	<u>2,227,170</u>
TOTAL ASSETS	<u>3,632,921</u>	<u>3,639,592</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Parent		
Share capital	255,344	255,344
Share premium	505,337	505,337
Other reserves	(55,753)	(37,858)
Retained profit	523,546	372,969
	<u>1,228,474</u>	<u>1,095,792</u>
Non controlling interests	<u>291,424</u>	<u>325,618</u>
Total equity	<u>1,519,898</u>	<u>1,421,410</u>
Non-current liabilities		
Borrowings	573,583	402,252
Derivative financial liabilities	1,177	2,322
Deferred taxation	7,963	6,758
	<u>582,723</u>	<u>411,332</u>
Current liabilities		
Trade & other payables	1,313,659	1,385,952
Borrowings	195,246	414,419
Derivative financial liabilities	626	1,235
Taxation	20,769	5,244
	<u>1,530,300</u>	<u>1,806,850</u>
TOTAL LIABILITIES	<u>2,113,023</u>	<u>2,218,182</u>
TOTAL EQUITY AND LIABILITIES	<u>3,632,921</u>	<u>3,639,592</u>
Net assets per share (RM)	<u>0.96</u>	<u>0.86</u>

The condensed consolidated statement of financial position should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2011.

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IV. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited Six months to 31/07/2011 RM'000	Unaudited Six months to 31/07/2010 RM'000
Profit before taxation	260,795	211,468
Adjustment for non-cash items	31,560	43,035
Operating profit before working capital changes	<u>292,355</u>	<u>254,503</u>
Net change in current assets	(76,438)	(379,326)
Net change in current liabilities	<u>(86,661)</u>	<u>310,464</u>
	129,256	185,641
Non-operating items	<u>(38,991)</u>	<u>(41,996)</u>
Net cash generated from operating activities	90,265	143,645
Net cash used in investing activities	(149,444)	(180,177)
Net cash used in financing activities	<u>(52,449)</u>	<u>(118,319)</u>
Net changes in Cash and Cash Equivalents	(111,628)	(154,851)
Effect of exchange rate translation	(11,843)	(15,923)
Cash and Cash Equivalents at beginning of year	<u>768,381</u>	<u>875,251</u>
Cash and Cash Equivalents at end of period	<u><u>644,910</u></u>	<u><u>704,477</u></u>

The condensed consolidated statement of cash flows should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2011.

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V. CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Owners of the Parent				Total	Non	Total Equity
	Share Capital	Share Premium	Other Reserves	Retained profit		Controlling	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Six months to 31 July 2011							
(Unaudited)							
At 1 February 2011	255,344	505,337	(37,858)	372,969	1,095,792	325,618	1,421,410
Total comprehensive income	-	-	(17,895)	150,577	132,682	61,356	194,038
Dividend to non controlling interest of a subsidiary	-	-	-	-	-	(95,550)	(95,550)
At 31 July 2011	255,344	505,337	(55,753)	523,546	1,228,474	291,424	1,519,898
Six months to 31 July 2010							
(Unaudited)							
At 1 February 2010	255,344	505,337	45,560	214,022	1,020,263	397,103	1,417,366
Total comprehensive income	-	-	(26,526)	103,936	77,410	69,819	147,229
Final dividend	-	-	-	(51,069)	(51,069)	-	(51,069)
Dividend to non controlling interest of a subsidiary	-	-	-	-	-	(83,300)	(83,300)
At 31 July 2010	255,344	505,337	19,034	266,889	1,046,604	383,622	1,430,226

The condensed consolidated statement of changes in equity should be read in conjunction with the Audited Financial Statements for the year ended 31 January 2011.

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

The unaudited condensed consolidated financial statements have been prepared in accordance with FRS134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the audited financial statements for the financial year ended 31 January 2011.

2. Seasonality and cyclicity 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.

4. Changes in estimates

There were no changes in estimates that have had a material effect in the current financial period.

5. Debts and equity securities

There was no issuance, repurchase and repayment of debt and equity securities during the current financial period.

6. Segment information

	6 months to 31/07/11	
	Segment Revenue	Segment Results
	RM'000	RM'000
Installation of Pipelines and Facilities	694,077	157,577
Drilling	347,781	142,601
Marine Services	180,785	2,643
Operations and Maintenance	27,568	4,133
		<u>306,954</u>
Others		
Finance costs of debt securities		(11,735)
Investment holding and others		(34,424)
Consolidated revenue / profit before tax	<u>1,250,211</u>	<u>260,795</u>

7. Subsequent event

- (a) On 11 July 2011, the Board of Directors of the Company received a letter from Integral Key Sdn Bhd ("IKSB") which sets out IKSB's offer to acquire the entire business of the Company including all its assets and liabilities as at the completion date ("SapuraCrest Business") for a total consideration of RM5,872,923,260, equivalent to RM4.60 per ordinary share of RM0.20 each in the issued and paid up share capital of the Company, multiplied by 1,276,722,448 shares issued as at 8 July 2011 ("Merger Consideration").

The Merger Consideration shall be satisfied by the issuance of 2,498,928,847 new ordinary shares of RM1.00 each in IKSB ("IKSB Shares") at an issue price of RM2.00 per new IKSB Share and a cash payment of RM875,065,566 ("Cash Payment"). Pursuant to the terms of the offer, upon the disposal of the Company Business, the Company shall, subject to obtaining all requisite approvals, distribute the new IKSB Shares and the Cash Payment to the shareholders of the Company, via a special dividend and/or capital repayment exercise (collectively refer to as the "Proposed Distribution").

Subsequently on 5 August 2011, the Board resolved to accept the offer by IKSB to acquire the SapuraCrest Business for a total consideration of RM5,872,923,260, subject to the terms and conditions of the letter of offer dated 11 July 2011 from IKSB ("Proposed Disposal").

The Board also resolved that after completion of the Proposed Disposal and subject to all requisite approvals being obtained, the Company will proceed with the Proposed Distribution.

- (b) On 8 August 2011, the Company together with Sapura Petroleum (Australia) Pty Ltd, a wholly owned subsidiary of the Company have entered into a conditional master sale and purchase agreement ("SPA") with Clough Limited ("Clough") to acquire from Clough and certain of its subsidiaries, all of Clough's marine construction business for a total purchase consideration of AUD127 million (equivalent to approximately RM400 million) to be fully satisfied in cash. ("Proposed Acquisition").

Saved as disclosed above, there was no material event subsequent to 31 July 2011 to the date of this announcement.

8. Changes in the composition of the Group

On 5 August 2011, the Company had incorporated a new wholly owned subsidiary in Australia, Sapura Petroleum (Australia) Pty Ltd ("Sapura Petroleum (Australia)") with an issued and paid up share capital of Australian Dollar (AUD) 1.00 comprising 1 ordinary share. The intended principal activity of Sapura Petroleum (Australia) is investment holding.

Save as disclosed above, there was no change in the composition of the Group during the current financial period.

9. Contingent liabilities

As at the date of this announcement, there was no material change to the contingent liabilities disclosed in the Note 35 of the annual financial report for the year ended 31 January 2011.

10. Capital commitments

Capital expenditure for property, plant and equipment approved and not provided for in the unaudited condensed consolidated financial statement as at 31 July 2011 are as follows:

Approved and contracted for:	RM'000
Group	42,282
Share of capital commitment in jointly controlled entities	<u>3,940</u>
Total	<u>46,222</u>

11. Taxation

Taxation comprises the following:

	Current quarter ended 31/07/11 RM'000	Preceding year Corresponding quarter ended 31/07/10 RM'000	Current 6 months to 31/07/11 RM'000	Preceding year Corresponding 6 months to 31/07/10 RM'000
Malaysian Taxation				
- Current taxation	25,110	11,754	40,063	22,390
- Under/(over) provision in respect of prior year	123	177	-	177
- Deferred taxation	-	272	245	543
- Under/(over) provision in respect of prior year	-	(277)	-	(277)
Foreign Taxation				
- Current taxation	175	1,796	175	2,335
	<u>25,408</u>	<u>13,722</u>	<u>40,483</u>	<u>25,168</u>

The effective tax rate for the current quarter and current financial period were lower than the statutory tax rate of 25% principally due to lower tax rates for offshore subsidiary companies.

12. Disposal of unquoted investments and/or properties

There was no disposal of unquoted investments and/or properties during the current financial period.

13. Quoted securities

There was no acquisition and disposal of quoted securities.

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

There were no corporate proposals announced but not completed as at the date of this announcement except for the proposals as disclosed in Note 7.

(b) Status of utilisation of proceeds

Istisna' Bonds Proceeds

<u>Purpose</u>	<u>Proposed Utilisation RM'000</u>	<u>Actual Utilisation RM'000</u>	<u>Intended Timeframe for Utilisation</u>
i) To finance and/or refinance the cost of investment and/or acquisition of any oil and gas related businesses and/or any oil and gas related assets	90,000	79,342	By Jan 2012
ii) For group working capital and/or capital expenditure purposes, which will be Syariah Compliant	30,000	30,000	
iii) To reimburse the SapuraCrest group for the acquisition of Sarku Clementine	45,000	45,000	
iv) To buy back Istisna' bonds and MMTNs (Islamic PDS)	80,000	80,000	
Total	245,000	234,342	

15. Borrowings

The Group's borrowings as at 31 July 2011 are as follows:

	<u>Long term borrowings</u>			<u>Short term borrowings</u>			<u>Total</u>
	Secured RM'000	Unsecured RM'000	Total RM'000	Secured RM'000	Unsecured RM'000	Total RM'000	RM'000
Domestic Banks	230,410	-	230,410	31,952	27,554	59,506	289,916
Foreign Banks	95,206	-	95,206	41,802		41,802	137,008
Debt securities							
- Istisna' Bonds	247,967	-	247,967	-	-	-	247,967
- Murabahah CPs	-	-	-	93,938	-	93,938	93,938
	<u>573,583</u>	<u>-</u>	<u>573,583</u>	<u>167,692</u>	<u>27,554</u>	<u>195,246</u>	<u>768,829</u>

The above includes borrowings in US Dollars equivalent to RM166.5 million and Australian Dollars equivalent to RM20.3 million.

16. Derivative financial instrument

Details of the Group's derivative financial instruments outstanding as at 31 July 2011 are as follows:

	Contract /Notional Amount at 31 July 2011 RM'mil	Asset/ (Liability) Fair Value RM'mil
Cross Currency Interest Rate Swap (CCIRS)	245.0	
- Less than 1 year		(0.6)
- 1 year to 3 years		(0.9)
- More than 3 years		(0.3)
	<u>245.0</u>	<u>(1.8)</u>
Forward foreign currency contracts		
- Less than 1 year	59.1	3.3
	<u>59.1</u>	<u>3.3</u>

The Group entered into forward foreign currency contracts to manage the exposure to foreign exchange risk when it enters into transactions that are not denominated in their functional currencies.

There is no change in respect of the following since the last financial year ended 31 January 2011:

- i. the credit risk, market risk and liquidity risk associated with the derivatives;
- ii. the cash requirements of the derivatives; and
- iii. the policy in place for mitigating or controlling the risks associated with these financial derivatives.

The gain arising from fair value changes of financial liabilities is as follows:

Type of financial liability	Current quarter RM'mil	Year to date RM'mil	Basis of fair value measurement	Reasons for gain
CCIRS	0.02	1.7	The fair value is computed using a valuation technique which utilises data from recognised financial information sources including rates from relevant yield curves.	The USD/MYR foreign exchange rate has moved in favour of the Group since the last measurement date.

17. Realised and Unrealised Profits

The breakdown of retained profits of the Group as at the reporting date, into realised and unrealised profits is as follows:

	Company and Subsidiaries	Jointly Controlled Entities	Consolidation Adjustments	Group Retained Profits
	RM'000	RM'000	RM'000	RM'000
As at 31 July 2011				
Realised profits	230,316	37,447	255,783	523,546
Unrealised profits/(losses)	13,129	(3,011)	(2,213)	7,905
	<u>243,445</u>	<u>34,436</u>	<u>253,570</u>	<u>531,451</u>

18. Material litigation

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

19. Review of performance compared to the immediate preceding quarter

The Group registered an increase of 27% in revenue from RM551 million in the preceding quarter to RM699 million in the current quarter mainly due to higher activities in the IPF and operation and maintenance divisions.

Profit before tax increased from RM125 million in the preceding quarter to RM135 million in the current quarter due to higher contribution largely from IPF division.

20. Review of performance for the current quarter to date

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

Group revenue for the current quarter decreased by 22% to RM699 million compared to last year's corresponding quarter of RM898 million consistent with clients' planned activities for the quarter.

Profit before tax increased by 20% from RM113 million to RM135 million principally due to higher contribution from jointly controlled entities both international and domestic.

Current financial period compared to six months of the preceding year

Revenue decreased by 20% from RM1.57 billion in the preceding year to RM1.25 billion for the current financial period consistent with clients' planned activities for the period.

The overall Group's profit before taxation increased by 23% from RM211 million to RM261 million mainly due to higher contribution from jointly controlled entities both international and domestic.

21. (a) Prospects for the financial year ending 31 January 2012

Barring any unforeseen circumstances, the Directors expect the Group to achieve improved results for the financial year ending 31 January 2012.

(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.

22. Dividend

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

23. Earnings per share

Basic/diluted	Individual Quarter		Cumulative Quarter	
	3 months to 31/07/11	31/07/10	6 months to 31/07/11	31/07/10
Profit attributable to owners of the Parent (RM'000)	78,232	53,246	150,577	103,936
Number of ordinary shares in issue ('000)	1,276,722	1,276,722	1,276,722	1,276,722
Basic/diluted earnings per share (sen)	<u>6.13</u>	<u>4.17</u>	<u>11.79</u>	<u>8.14</u>

Selangor
21 September 2011

By Order of the Board

Aliza Ashari
Poh Phei Ling

Company Secretaries