Falcon Energy Group Limited

Falcon Energy posts US$19.0m net profit for nine months ended 30 September 2010; discloses growth plans

FINANCIAL HIGHLIGHTS						
US$'m	**3Q2010**	**3Q2009**	**Change**	**9M2010**	**9M2009**	**Change**
Revenue	15.8	23.1	▼32%	52.8	50.8	▲4%
Gross Profit	4.8	8.8	▼46%	23.6	22.5	▲5%
Gross Profit Margin	30%	38%	▼8%	45%	44%	▲1%
Profit Before Tax	3.4	6.8	▼50%	19.4	19.2	▲1%
Profit After Tax Attributable to Shareholders	2.8	6.5	▼57%	19.0	18.3	▲3%
EPS (US cents) (Basic)	0.34	0.89	▼62%	2.32	2.53	▼8%
NAV per share of 22.98 US cents as at 30 September 2010						

SINGAPORE, 12 November 2010 – **MAINBOARD-LISTED** Falcon Energy Group Limited (FEG or the Group) today released results for its nine months ended 30 September 2010. Profit after tax attributable to shareholders increased to US$19.0 million, up 3% from the US$18.3 million it registered in the previous equivalent period. It has also unveiled its expansion plans in a bid to create a more balanced portfolio.

Financial highlights

Revenue, at US$52.8 million, was also up from the US$50.8 million previously. The Marine Division contributed the biggest share to Group revenue, at US$29.5 million or 56% of the total in relation to the US$30.2 million previously. The next largest contributor was Oilfield Services Division which brought in US$14.2 million, or 27% of the total, compared to US$19.7 million earlier because of lower contributions from its Mexican subsidiary, the expiry of a one-off contract from another subsidiary, as well as the reduction of sundry services rendered. Oilfield Projects Division made up the rest, i.e. 17% or US$9.1 million, growing by 842% due to four new contracts that were secured during the period comprising one that has been accounted for in June 2010 and three others in end-August 2010.

Its gross profit came in at US$23.6 million, up 5%, from US$22.5 million in the corresponding period a year ago. Its average gross profit margin remained relatively constant at 44.7% for the period compared to 44.3% a year ago.

Share of profit from associates expanded by 843% for the period, from US$537,000 to US$5.1 million, largely because of the share of profit from its 29.07%-owned associate, CH Offshore Ltd, following the completion of the acquisition on 28 April 2010, as well as the contribution from 49%-owned Otira Corporation.

Quarter-on-quarter, profit after tax attributable to shareholders was US$2.8 million compared to the previous year's quarter of US$6.5 million. Revenues for the quarter were US$15.8 million against US$23.1 million in the previous corresponding period. Marine Division contributed US$4.4 million to revenues in relation to US$10.6 million in the previous period, representing 28% of the total. Lower revenues were due to the completion of some contracts, as well as lower charter rates for the quarter. Revenues from Oilfield Services Division were US$6.8 million or 43% of the total against US$11.6 million previously. Lower revenues for 3Q10 were due to lower contributions from the Mexican subsidiary, the expiry of a one-off contract from another subsidiary, and decreased sundry services rendered during the period. The rest of the revenue was brought in by Oilfield Projects Division at US$4.6 million, improving 379%, or accounting for 29% of the total, mainly a result of three new contracts secured during the quarter. Gross profit came in at US$4.8 million compared to US$8.8 million a year before, and the average gross profit margin during the quarter was 30.1% compared to 38.1% previously.

FEG is one of the region's leading providers of integrated support services for the international Offshore Marine and Oil & Gas sectors, supporting clients along the entire oil production cycle. It has a proven track record and solid reputation in servicing global oil majors and oil contractors, focusing on the production phase of oilfield activities.

Mr. Tan Pong Tyea, FEG's Chairman and Chief Executive Officer, said: "The results are fairly creditable considering the lagged effect in a market that is still recovering from a recession. We experienced lower charter rates and utilisation levels for our multipurpose support vessels in the Marine Division. However, we expect the market to pick up gradually, going forward. The other two divisions are making steady progress, in particular the growing Oilfield Projects Division."

Financial position

The Group's financial and liquidity position continued to stay strong. Net working capital was positive at US$21.7 million. As at 30 September 2010, the Group had positive cash and bank balances of US$10.9 million and registered net cash flows from operations of US$12.12 million. Net assets were US$193.2 million, 8% higher than at 31 December 2009. Net asset value per share attributable to the equity shareholders of the Company was 22.98 US cents as at 30 September 2010.

Market capitalisation was S$394.9 million, derived from today's closing price of S$0.485. The total number of shares issued was 814,134,970 as at 30 September 2010.

Outlook

Mr Tan is confident that the Oil & Gas sector will continue to offer long term growth potential for the Group. He said: “Market fundamentals will likely remain strong in the medium to long term with increasing demand as the global and regional economies pick up.”

Details of expansion plans

The Group has also been looking to diversify its revenue streams across its business portfolio. A recent initiative was the establishment of the new Resource Division to tap into the energy resource sector. In relation to this, the Group has acquired a Hong Kong registered company, Radford Holdings Limited, in order to carry out activities in coal trading, coal mining and other related business.

Mr Tan said: “In our three core business divisions, we have access to a strong network of business partners including our customers, suppliers and other parties. We regularly explore and consider possibilities for diversification into new business areas, complemented by leveraging on our network.”

“In respect of the new business activities that we are embarking on, namely those of coal trading and mining and oil trading, we would be able to leverage on our business partners to off-take these commodities from us,” he added.

By entering into the coal energy business, the Group will get into the energy resource segment besides its traditional oil services business. This will serve to create a more complete energy group.

For its Marine Division, the expansion of the fleet is underway and the Group expects to complete its fleet expansion plans by 2012, when activities in this sector is projected to start picking up strongly, particularly in Asia, Southeast Asia and the Middle East region. With an estimated capital investment of up to US$200 million to be financed by internal funds and bank borrowings, the Group expects this division to continue growing and contributing strongly to revenues and earnings.

Its Oilfield Services segment is traditionally its second largest revenue contributor; the move into oil trading and other related activities will help to enhance its revenue sources. With the expansion of its activities, it is anticipated to grow and contribute substantially to Group revenues and earnings in the future.

Its Oilfield Projects is also expected to become a key revenue contributor. The Group is currently in negotiation with its customers for several projects ranging in values from US$20 million to US$200 million spread out in various parts of the world, including the Middle East.

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About Falcon Energy Group Limited (www.falconenergy.com.sg)

Falcon Energy Group Limited is a SGX Mainboard-listed leading player in the regional Offshore Marine and Oil & Gas sectors. The Group provides a full spectrum of support services for the Offshore Marine and Oil & Gas cycle, from initial exploration and drilling to production and post-production stage, with a specialist focus on the production phase of oilfield activities.

The Group has three business divisions with operations spanning Southeast Asia, India and Australia. Its Marine Division provides offshore support vessels for services such as offshore hook up and commissioning, offshore conductor piling and pipe trenching, among others. Its Oilfield Services Division provides services such as agencies, warehousing, logistics, procurement and other general support activities. Through its Oilfield Projects Division, the Group is involved in projects and investments related to the Marine and Oil & Gas industry.

The Group has built up a solid track record over the past 30 years. Its commitment to top quality operations, professional practices and safety standards has resulted in a clientele base that includes some of the largest oil majors in the world including Shell, ExxonMobil, Chevron, BP and TOTAL as well as oil contractors comprising McDermott, Halliburton, PetroChina, and COSL.

Falcon currently has a fleet of 15 Offshore Support Vessels (OSVs) including 9 multi-purpose support vessels.

The Group was listed on SGX SESDAQ on 2 December 2004 through a reverse takeover of Sembawang Music Holdings Limited and changed its name to Falcon Energy Group Limited on 13 November 2006. It was upgraded to SGX Mainboard on 8 September 2009.

Issued on behalf of **Falcon Energy Group Limited** by: Waterbrooks Consultants Pte Ltd

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