Falcon Energy Group Limited

Falcon Energy earns US$16.1m for six months ended 30 June 2010, up 36%, continuing growth uptrend

"The combination of a healthy financial position, sustained organic growth and the pipeline of active tender opportunities in the region positions us favourably to pursue growth by increasing our fleet size to take advantage of the business opportunities that the Group is currently pursuing," says Chairman and Chief Executive Officer Tan Pong Tyea

FINANCIAL HIGHLIGHTS						
US$'m	**2Q2010**	**2Q2009**	**Change**	**1H2010**	**1H2009**	**Change**
Revenue	18.9	17.9	▲5%	37.0	27.7	▲34%
Gross Profit	8.9	8.0	▲11%	18.8	13.7	▲38%
Gross Profit Margin	47%	45%	▲2%	51%	49%	▲2%
Profit Before Tax	8.0	7.8	▲2%	16.0	12.3	▲30%
Profit after Tax PATMI)	8.1	7.4	▲8%	16.1	11.8	▲36%
EPS (US cents)	0.99	1.05	▼6%	1.98	1.65	▲20%
NAV per share of 22.63 US cents as at 30 June 2010						

SINGAPORE, 15 August 2010 – **MAINBOARD-LISTED** Falcon Energy Group Limited (FEG) today announced a net profit after tax and minority interest of US$16.1 million for its six months ended 30 June 2010, an increase of 36% over the US$11.8 million it recorded for the previous corresponding period.

Revenue, at US$37.0 million, was an improvement of 34% compared to the previous US$27.7 million that it achieved, reflecting higher revenue from its Marine Division, which was also the largest contributor, at US$25.1 million or 68%, up 28% over the previous period. The growth was due mainly to contributions from the operations of additional vessels compared to the preceding corresponding period. Oilfield Services Division registered US$7.4 million, or 20% of total revenue, compared to US$8.1

million previously as a result of lower contributions from its Mexican subsidiary. The third contributor, Oilfield Projects Division, made up the remaining 12% of the revenue or US$4.5 million, up 100%; this division began operations only in the third quarter of 2009.

Together with the increase in revenue, gross profit grew 38% or US$5.1 million from US$13.7 million in the previous corresponding period to US18.8 million. Gross profit margin for the Marine Division was relatively stable at 62%, up slightly from the 60% while the margin for Oilfield Services Division increased to 26% from 23%. Gross profit margin for the Project Division was approximately 33% leading to a slightly higher average gross profit margin for the Group of 51% for the six months ended 30 June 2010 compared to 49% previously.

The Group's share of net profit from associates went up by a significant 424% for first half 2010 to US$2.0 million from US$381,000 primarily due to the share of profit from its 29.07%-owned associate, CH Offshore Ltd, pursuant to the completion of the acquisition on 28 April 2010 as well as the contribution from 49%-owned Otira Corporation.

On a quarterly basis, net profit after tax and minority interest was US$8.1 million, up 8% from the previous year's quarter. Its revenue for the quarter, at US$18.9 million was up 5% over the previous corresponding period. Revenues from its Marine Division improved 9% to US$12.0 million, representing 64% of the total. Oilfield Services Division contributed US$4.4 million or 23% of Group revenue compared to US$6.9 million in the previous quarter. The lower revenue for 2Q10 was due to lower contributions from the Mexican subsidiary and the expiry of a one-off contract from another subsidiary. The balance of the revenue came from Oilfield Projects Division with US$2.5 million, up 100%, or 13% of the total. Overall average gross profit margin improved slightly from 45% to 47% during the quarter.

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 strong track record and solid reputation in servicing global oil majors and oil contractors, focusing on the production phase of oilfield activities.

Commenting on the results for the period, Mr. Tan Pong Tyea, FEG's Chairman and Chief Executive Officer, said: "On the whole, we are satisfied with our business results across our entire portfolio for first half 2010 during which we continued to build on the growth momentum of the past quarter and further reinforced our market position as a regional provider of offshore support services for our oil and gas clients. Overall, the business is making good progress especially the sustained expansion in our Marine Division and the growing Oilfield Projects Division."

"Driving the results in first half 2010 were key factors such as good utilisation of our vessels, positive contributions from Oilfield Projects Division and sustained growth in our major markets. Looking ahead, we are focusing on enhancing our productivity and driving further growth, which are expected to generate bigger sustainable value to our business portfolio," added Mr Tan.

Healthy financial position

The Group continues to enjoy a healthy financial position. Its net working capital was positive at US$25.1 million. Its liquidity position remained healthy with cash and bank balances of US$17.6 million as at 30 June 2010. It finished the first half with positive net cash flows from operations, registering US$12.17 million for the period under review.

Net assets was US$189.9 million, 6% more than at 31 December 2009. Net asset value per share attributable to the equity shareholders of the Company was 22.63 US cents as at 30 June 2010.

Market capitalisation was S$451.84 million -- based on 13 August 2010 closing price of 55.5 Singapore cents. Shares issued totaled 814,134,970 as at 30 June 2010.

Outlook and strategy

Mr Tan said: "Overall, the Group believes industry fundamentals for the oil and gas market will continue to remain robust in the short- to medium-term. The combination of a healthy financial position, sustained organic growth and the pipeline of active tender opportunities in the region positions us favourably to pursue growth by increasing our fleet size to take advantage of the business opportunities that the Group is currently pursuing."

Going forward, the Group plans to implement the following business objectives:

- **Double existing fleet size**: The Group plans to double its existing fleet size in the next few years. In the immediate future, we expect to strengthen our fleet with several new vessels to capture the growing demand for such vessels and to meet industry requirements;

- **Penetrate new geographic markets:** FEG aims to extend its existing presence in South East Asia and Australia to other growth markets such as China, India, Africa and the Middle East; and

- **Provide new valued-added services**: The Group intends to provide more comprehensive valued-added services to its customers in its Oilfield Projects Division as well as grow its Peripheral Oil Production segment. By so doing, it hopes to broaden its revenue streams and improve its bottomline.

-- End --

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

---

Media and Analyst Contacts:

Waterbrooks Consultants Pte Ltd

Mr Wayne Koo
Tel: (+65) 6100-2228
Mobile: (+65) 9338-8166
Email: wayne.koo@waterbrooks.com.sg

Ms Cecilia Ng
Tel: (+65) 6100-2228
Mobile: (+65) 9726-0429
Email: cecilia.ng@waterbrooks.com.sg