Press Information

Ramco Energy plc

30 September 2004

Ramco Energy plc

("Ramco or the Company")

Interim results for the six months ended 30 June 2004

Ramco, the Aberdeen based oil and gas exploration and production company, announces its interim results for the six months ended 30 June 2004.

SUMMARY

- Technical report, on the Seven Heads field, completed and detailed findings to be announced during the next few weeks
- Existing waiver from Bankers has been extended to allow the review of the technical report to be completed
- Turnover for the first half was £23.9 million (2003: £6 million)
- After tax loss for the period of £1.0 million (2003: loss of £1.4 million)
- Oil and gas division reported half year profit, before interest, of £1.2 million
- Interest in oil potential underlying Seven Heads gas field farmed out
- Improved results from Oil services division with a profit of £0.9 million

Chairman's Statement

The technical report on the production problems encountered with our Seven Heads gas field was completed recently and is currently with our partners, the Irish regulatory authorities and our bankers for their review. We anticipate announcing the findings of the report, the implications of the revised reservoir model and the agreed way forward for the field during the course of the next few weeks. Our bankers have extended the existing waivers to allow that process to be completed.

Financial Results

In the first half of 2004 the Group recorded an after tax loss of £1.0 million compared with a loss of £1.4 million in the first half of 2003.

Group turnover for the first half of 2004 was £23.9 million, substantially higher than £6 million in the first half of last year, reflecting a full six months of revenue under the Gas Sales Agreement (GSA) for the Seven Heads gas field. However, as reported previously, the production problems encountered at Seven Heads have resulted in additional costs. These relate to transportation associated with importing shortfall gas to Ireland to meet our GSA obligations, and the technical studies undertaken to investigate the production problems.

The Oil and Gas division reported a half year profit, before interest, of £1.2 million, compared with a loss over the same period of last year of £1.5 million. This result also reflects the effect of the gas price hedges put in place as a requirement of our project finance package and a lower than expected depletion charge against the gas production as we significantly wrote down the carrying value of our interest in the gas field in 2003.

The Oil Services division produced improved results despite a reduced turnover. This reflects an upturn in the higher margin core tubular cleaning business combined with a reduction in its lower margin storage and logistics activities. Overall the division recorded a profit, before interest, for the first half of £0.9 million compared to £0.8 million over the same period of last year.

Administrative expenses for the first half were £0.7 million, compared with £0.8 million in the first half of 2003. Net interest payable over the first six months of the year was £2.2 million compared with net interest receivable over the corresponding period of last year of £0.4 million. The change, from interest receivable to interest payable, reflects the draw down of the Seven Heads project loan which began in quarter 2 of 2003.

At 30 June 2004 Group cash balances were £5.3m, of which £1.8m is ring fenced within the Seven Heads project finance arrangements. The project loans, drawn down and utilised, at 30 June 2004 total £68.6 million, of which £56.6 million is non-recourse, secured only against the Group's interest in the Seven Heads gas field. The balance of £12 million is also secured against the Oil Services business.

The Board is not recommending payment of an interim dividend.

Oil and Gas

The technical review of the Seven Heads gas field and the revised reservoir model have identified a number of possible ways of improving production and a range of production profiling options to maximise gas revenues. These options are being carefully considered by Ramco, its partners and bankers and as soon as agreement has been reached we will be issuing a more detailed update.

The poorer than expected performance of the Seven Heads gas field has inevitably had a knock-on effect. We are generating less cash than we had expected and as a consequence have reduced our expenditure on other projects. We have postponed certain activities and are seeking to farm out parts of our exploration portfolio earlier than we had originally planned. In April we announced that we had farmed out our interest in the oil potential underlying the Seven Heads gas field and we are currently considering a number of other offers. Announcements on specific deals will follow once individual agreements have been concluded.

Oil Services

The Oil Services division has reported improved results driven by an improvement in its core tubulars cleaning business and a move away from some of the lower margin logistics and pipe storage activities. The recommencement of cleaning activities in Japan has been a key factor in the improved results. The pipeline coating joint venture has also produced improved first half results. The improving markets are expected to continue through the second half of the year.

Outlook

The first half of 2004 has been a challenging period for the company. However the Board and the management team remain committed and are working with our bankers and partners to advance the options available to Ramco. Further announcements will be made as progress is made with the initiatives already described.

Peter Everett
Chairman

ENQUIRIES:

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Ramco Energy plc

Consolidated Profit and Loss Account

	Note	6 months to 30/06/04 unaudited £'000	6 months to 30/06/03 unaudited £'000	Year to 31/12/03 audited £'000
Turnover - Group and share of joint venture and associates		25,806	8,076	23,873
Less share of joint venture and associates		(1,940)	(2,030)	(3,041)
Group turnover	2	23,866	6,046	20,832
Cost of sales before exceptional items		(22,168)	(7,059)	(24,249)
Exceptional items		-	-	(99,174)
Cost of sales after exceptional items		(22,168)	(7,059)	(123,423)
Gross profit / (loss)		1,698	(1,013)	(102,591)
Administrative expenses		(682)	(828)	(1,778)
Loss on exchange		(58)	(64)	(686)
Group operating profit /(loss)		958	(1,905)	(105,055)
Investment income		-	-	3
Share of operating profit in joint venture and associates		390	248	219
Profit / (loss) before interest and taxation		1,348	(1,657)	(104,833)
Net interest (payable) / receivable		(2,238)	405	738
Loss on ordinary activities before taxation		(890)	(1,252)	(104,095)
Tax on loss on ordinary activities		(83)	(138)	27,404
Retained loss for the financial period	9	(973)	(1,390)	(76,691)
Loss per ordinary share - basic and fully diluted				
On loss for the financial period	3	(3.2)p	(5.3)p	(278.2)p

The results relate to continuing operations.
There is no material difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

Consolidated Statement of Total Recognised Gains and Losses

	6 months to 30/06/04 unaudited £'000	6 months to 30/06/03 unaudited £'000	Year to 31/12/03 audited £'000
Loss for the financial period	(973)	(1,390)	(76,691)
Unrealised translation differences on foreign currency net investments	(25)	(40)	(35)
Total recognised losses relating to the period	(998)	(1,430)	(76,726)

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Ramco Energy plc
Consolidated Group Balance Sheet

	Note	As at 30/06/04 unaudited £'000	As at 30/06/03 unaudited £'000	As at 31/12/03 audited £'000
Fixed assets				
Intangible assets	4	5,193	3,507	4,536
Development assets	5	-	120,889	-
Producing assets	6	46,721	-	61,070
Other fixed assets		11,385	11,995	11,712
Investments				
Share of joint venture's gross assets		2,242	3,018	2,266
Share of joint venture's gross liabilities		(798)	(1,784)	(1,164)
Share of joint venture's net assets		1,444	1,234	1,102
In associated undertakings		58	9	26
Other fixed asset investments		102	111	102
Total investments		1,604	1,354	1,230
		64,903	137,745	78,548
Current Assets				
Stocks		2,337	385	2,265
Debtors : amounts falling due after one year	7	-	5,667	-
Debtors : amounts falling due within one year		6,361	21,540	7,393
Cash at bank and in hand		5,337	13,320	3,287
		14,035	40,912	12,945
Creditors : amounts falling due within one year		(25,764)	(69,054)	(28,070)
Net current liabilities		(11,729)	(28,142)	(15,125)
Total assets less current liabilities		53,174	109,603	63,423
Creditors : due after more than one year	8	(40,710)	(32,055)	(50,055)
Provisions for liabilities and charges		(5,569)	(3,147)	(5,466)
Net assets		6,895	74,401	7,902
Capital and reserves				
Called up share capital		3,014	2,752	3,014
Share premium account		68,576	60,073	68,576
Revaluation reserve		801	778	810
Other reserves		(62)	(42)	(37)
Profit and loss account	9	(65,434)	10,840	(64,461)
Equity shareholders' funds	10	6,895	74,401	7,902

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Ramco Energy plc

Ramco Energy plc
Consolidated Cash Flow Statement

	Note	6 months to 30/06/04 unaudited £'000	6 months to 30/06/03 unaudited £'000	Year to 31/12/03 audited £'000
Net cash inflow / (outflow) from continuing operating activities	11(a)	5,720	(2,665)	4,177
Returns on investments and servicing of finance				
Interest received		187	432	901
Dividends received		-	-	3
Interest paid		(1,818)	-	(615)
Net cash (outflow) / inflow from returns on investments and servicing of finance		(1,631)	432	289
Taxation				
Overseas tax paid		(163)	(152)	(211)
Taxation paid		(163)	(152)	(211)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(39)	(79)	(277)
Sale of tangible fixed assets		32	-	18
Oil & gas expenditure - intangible assets		(657)	(612)	(2,600)
Oil & gas expenditure - development assets		-	(50,463)	(94,678)
Oil & gas expenditure - producing assets		(9,812)	-	-
Net cash outflow for capital expenditure and financial investment		(10,476)	(51,154)	(97,537)
Cash outflow before management of liquid resources and financing		(6,550)	(53,539)	(93,282)
Management of liquid resources				
Net transfer from term deposits		-	14,184	14,184
Net cash outflow before financing		(6,550)	(39,355)	(79,098)
Financing				
Increase in debt		8,600	39,055	60,000
Issue of share capital		-	3,795	12,560
Net cash inflow from financing		8,600	42,850	72,560
Increase / (decrease) in cash	11(b)	2,050	3,495	(6,538)

Ramco Energy plc
Notes to the Financial Statements

1. Basis of presentation
The interim financial information for the six months ended 30 June 2003 and 30 June 2004 is unaudited, but has been prepared on the basis of accounting policies expected to be adopted in the financial statements for the year ended 31 December 2004. The accounting policies are consistent with those set out in the audited accounts for the year ended 31 December 2003. This interim financial information does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985.

The financial information for the year ended 31 December 2003 has been extracted from the financial statements of the Company which have been delivered to the Registrar of Companies. The auditors report on those financial statements was unqualified but modified by reference to Note 1 to the financial statements – Basis of Preparation – Going concern and the adequacy of disclosures concerning the Group's current borrowing facilities and ongoing negotiations with its bankers and certain third parties and outstanding litigation proceedings in the United States.

This report relates to the six month period ending 30 June 2004 and was approved by a duly appointed and authorised committee of the Board of Directors on 29 September 2004. It should be read in conjunction with the financial statements for the year ended 31 December 2003. Particular attention is drawn to Note 1 of those financial statements – Basis of Preparation – Going concern which describes uncertainties surrounding the Group's ability to continue as a going concern, and the Directors conclusion of why they believe it was appropriate for the financial statements to be prepared on the going concern basis.

2. Segmental Reporting	Oil & Gas			Oil Services			Total		
	6 months to 30/06/04 unaudited £'000	6 months to 30/06/03 unaudited £'000	Year to 31/12/03 audited £'000	6 months to 30/06/04 unaudited £'000	6 months to 30/06/03 unaudited £'000	Year to 31/12/03 audited £'000	6 months to 30/06/04 unaudited £'000	6 months to 30/06/03 unaudited £'000	Year to 31/12/03 audited £'000
Turnover	19,433	-	9,812	6,373	8,076	14,061	25,806	8,076	23,873
Less joint venture and Associates	-	-	-	(1,940)	(2,030)	(3,041)	(1,940)	(2,030)	(3,041)
Group turnover	19,433	-	9,812	4,433	6,046	11,020	23,866	6,046	20,832
Profit / (loss) before amounts not allocated to segments:									
Group	1,155	(1,530)	(103,929)	543	517	1,338	1,698	(1,013)	(102,591)
Joint venture and associates	-	-	30	390	248	189	390	248	219
	1,155	(1,530)	(103,899)	933	765	1,527	2,088	(765)	(102,372)
Administrative expenses							(682)	(828)	(1,778)
Investment income							-	-	3
Loss on exchange							(58)	(64)	(686)
Profit / (loss) before interest and taxation							1,348	(1,657)	(104,833)
Net interest							(2,238)	405	738
Loss on ordinary activities before taxation							(890)	(1,252)	(104,095)

3. Loss Per Share
Basic and fully diluted loss per share

The calculation of basic loss per share is based on the loss for the financial period of £973,000 (6 months to 30/06/03 loss £1,390,000, year to 31/12/03 loss £76,691,000) and 30,144,713 (30/06/03 26,285,299 and 31/12/03 27,570,483) ordinary shares, being the weighted average number of ordinary shares in issue during the period.

4. Intangible Fixed Assets

	6 months to 30/06/04 unaudited £'000	6 months to 30/06/03 unaudited £'000	Year to 31/12/03 audited £'000
Cost :			
Opening balance	4,536	2,895	2,895
Additions	657	612	2,600
Costs written off	-	-	(959)
Closing balance	5,193	3,507	4,536

5. Development Assets

Cost and net book value	6 months to 30/06/04 unaudited £'000	6 months to 30/06/03 unaudited £'000	Year to 31/12/03 audited £'000
Opening balance	-	40,980	40,980
Additions	-	79,909	109,028
Transfer to producing assets	-	-	(150,008)
Closing balance	-	120,889	-

6. Producing Assets

Cost	6 months to 30/06/04 unaudited £'000	6 months to 30/06/03 unaudited £'000	Year to 31/12/03 audited £'000
Opening balance	154,548	-	-
Transfer from development assets	-	-	150,008
Decommissioning asset	-	-	4,540
Additions	741	-	-
	155,289	-	154,548
Depreciation			
Opening balance	93,478	-	-
Provided during the period	5,258	-	509
Impairment provision	-	-	92,969
Impairment borne by non-recourse finance provider	9,832	-	-
	108,568	-	93,478
Net book value	46,721	-	61,070

7. Debtors

Amounts falling due after one year :	6 months to 30/06/04 unaudited £'000	6 months to 30/06/03 unaudited £'000	Year to 31/12/03 audited £'000
Amounts owed by associated undertakings	5,469	5,667	5,428
Provision	(5,469)	-	(5,428)
Amounts owed by associated undertakings	-	5,667	-

8. Creditors

Amounts falling due after one year :	6 months to 30/06/04 unaudited £'000	6 months to 30/06/03 unaudited £'000	Year to 31/12/03 audited £'000
Bank loan	50,542	32,055	50,055
Less: Impairment borne by non-recourse finance provider	(9,832)	-	-
Bank loan	40,710	32,055	50,055

This relates to a £68.6m project finance facility arranged for the Seven Heads gas field development which is due to be repaid in six monthly instalments. Full repayment is due by 30 June 2009. The first instalment of £5.0m fell due on 30 June 2004. The net cash generated from the field was insufficient to meet this repayment. Discussions with the Group's bankers over the rescheduling of the non-recourse and secured elements of the facilities are ongoing. The waivers referred to in the 2003 annual report have been extended to allow completion of these discussions.

The amount of £9.8 million provided above represents an adjustment to bring the non- recourse element of the loan creditor in line with the net present value of future cash flows expected from the gas field in accordance with the Statement of Recommended Practice 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities'.

9. Profit and Loss account

	6 months to 30/06/04 unaudited £'000	6 months to 30/06/03 unaudited £'000	Year to 31/12/03 audited £'000
Opening balance	(64,461)	12,230	12,230
Loss for the period	(973)	(1,390)	(76,691)
Closing balance	(65,434)	10,840	(64,461)

10. Reconciliation of Movement in Shareholders' Funds

	6 months to 30/06/04 unaudited £'000	6 months to 30/06/03 unaudited £'000	Year to 31/12/03 audited £'000
Loss for the period	(973)	(1,390)	(76,691)
Other recognised gains and losses relating to the year	(25)	(40)	(35)
Issue of ordinary share capital	-	3,795	12,560
Movement in revaluation	-	-	41
Amortisation of deferred gain on asset sold to joint venture	(9)	(9)	(18)
Net change in shareholders' funds	(1,007)	2,356	(64,143)
Opening shareholders' funds	7,902	72,045	72,045
Closing shareholders' funds	6,895	74,401	7,902

11. Notes to Consolidated Cash Flow Statement

(a) Reconciliation of operating profit / (loss) to net cash flow from continuing operating activities

	6 months to 30/06/04 unaudited £'000	6 months to 30/06/03 unaudited £'000	Year to 31/12/03 audited £'000
Operating profit / (loss)	958	(1,905)	(105,055)
Amounts written off in respect of intangible oil and gas assets	-	-	959
Amortisation of goodwill	15	15	30
Depreciation on producing assets	5,258	-	509
Impairment provision	-	-	92,969
Depreciation on tangible fixed assets	319	407	1,380
Gain on sale of tangible fixed assets	10	-	-
Provision against investments	-	-	34
Amortisation of deferred gain on asset sold to joint venture	(9)	(9)	(18)
(Increase) / decrease in stocks	(72)	57	(1,823)
Decrease / (increase) in debtors	1,032	(451)	20,357
Decrease in creditors	(1,761)	(753)	(5,251)
Increase in provisions	103	-	547
Exchange difference on retranslation	(133)	(26)	48
Net cash inflow / (outflow) from continuing operating activities	5,720	(2,665)	4,177

(b) Reconciliation of net cash flow to movements in net debt

	6 months to 30/06/04 unaudited £'000	6 months to 30/06/03 unaudited £'000	Year to 31/12/03 audited £'000
Increase / (decrease) in cash	2,050	3,495	(6,538)
Cash inflow from increase in debt	(8,600)	(39,055)	(60,000)
Revaluation of bank loan - exchange difference	113	-	(55)
Bank loan - impairment borne by non-recourse finance provider	9,832	-	-
Cash inflow from decrease in liquid resources	-	(14,184)	(14,184)
Change in net debt resulting from cash flows	3,395	(49,744)	(80,777)
Net (debt) / funds at start of period	(56,768)	24,009	24,009
Net debt at end of period	(53,373)	(25,735)	(56,768)
Represented by:			
Cash at bank and in hand	5,337	13,320	3,287
Debt due within one year	(18,000)	-	(10,000)
Debt due after one year	(40,710)	(39,055)	(50,055)
	(53,373)	(25,735)	(56,768)

The cash balances of £5.3 million above include £1.8 million which is ring fenced within the Seven Heads finance arrangement.

Liquid resources represent short term deposits not qualifying as cash.

(c) Analysis of changes in net debt

	At start £'000	Exchange £'000	Cash flow £'000	Other £'000	At end £'000
Cash at bank	3,287	-	2,050	-	5,337
Bank loan	(60,055)	113	(8,600)	9,832	(58,710)
	(56,768)	113	(6,550)	9,832	(53,373)

12. Litigation

Following a jury verdict in October 2003, the Texas State Court issued a final judgement against Ramco Energy plc, Ramco Oil Limited and certain other defendants in a case alleging breach of contract arising from confidentiality and non-circumvention obligations. These obligations had been undertaken while Ramco was considering investment in an oilfield development project in Kazakhstan which Ramco subsequently decided not to pursue.

The principal elements of the judgement issued by the trial judge on 1 April 2004 were an award against Ramco for past and future damages of $6.4 million plus interest and legal fees of $9.8 million. The award of legal fees was made jointly and severally against Ramco and its co-defendant Halliburton. The plaintiff subsequently agreed settlement terms with Halliburton which has been dismissed from the case.

Ramco has been advised that it has strong substantive grounds for appeal and has filed motions to modify the judgement as well as notice of appeal against the judgement. Appeal to the Texas Appellant Court, which may be followed by a further appeal to the Texas Supreme Court, is expected to take several years to complete.

Because of the uncertainty surrounding the range of possible outcomes, the Directors consider it is not possible to make a reliable estimate of the likely outcome of the appeal process beyond providing an estimate of the legal costs of pursuing the appeals, and accordingly a provision of $1 million (£559,000) was made in the year ending 31 December 2003. Expenses incurred during 2004 totalling £117,000 have been charged against the provision. The legal situation is unchanged since the provision was made and consequently the Board believe that the remaining provision is still appropriate.

13. Implementation of International Financial Reporting Standards (IFRS)

In accordance with legislation the Group will be adopting International Accounting Standards as from 1 January 2005. The Group is currently in the progress of assessing the impact these will have on its financial statements.