



23 August 2010

LAMPRELL PLC

("Lamprell" or the "Company")

2010 INTERIM RESULTS

Lamprell (ticker: LAM), a leading provider of specialist engineering services to the international oil & gas and renewable industry based in the UAE, is pleased to announce its Interim Results for the six month period ended 30 June 2010.

H1 2010 FINANCIAL RESULTS

- Revenue: US\$ 189.3 million down 27.2% (H1 2009: US\$ 259.9 million)
- Operating profit: US\$ 41.1 million up 31.7% (H1 2009: US\$ 31.2 million)
- Net profit: US\$ 39.7 million up 25.6% (H1 2009: US\$ 31.6 million)
- EPS (fully diluted): 19.77 cents up 25.1% (H1 2009: 15.80 cents)
- Proposed interim dividend: 3.80 cents (2.44 pence) per ordinary share (H1 2009: nil)
- Cash and bank balances as at 30 June 2010 of US\$ 110 million (31 December 2009: US\$ 68 million)
- Order book as at 31 July 2010 of US\$ 836 million (July 2009: US\$ 417 million)

H1 2010 UNDERLYING TRADING RESULTS

The underlying trading results for the six month period ended 30 June 2010, are as follows:

- Operating profit: US\$ 20.7 million down 33.7% (H1 2009: US\$ 31.2 million)
- Net profit: US\$ 19.3 million down 38.9% (H1 2009: US\$ 31.6 million)
- EPS (fully diluted): 9.60 cents down 39.2% (H1 2009: 15.80 cents)

The underlying trading results reflect the results for the period before a one-off gain related to the cancellation of the contract with Riginvest G.P., amounting to US\$ 23.9 million, net of additional provisions arising as a result of the one-off gain, amounting to US\$ 3.5 million.

H1 2010 OPERATIONAL HIGHLIGHTS AND MAJOR EPC PROJECTS

- The Offshore Mischief new build jackup rig for Scorpion Rigs LTD was completed in April 2010, on time and on budget.
- A total of thirty jackup rigs have been at the Hamriyah and Sharjah facilities during the first six months of 2010.
- US\$ 320.4 million contract award from Fred Olsen Windcarrier AS (“Windcarrier”). The engineering and procurement phase of the two GustoMSC NG-9000 design self-elevating and self-propelled offshore wind turbine installation vessels is proceeding according to schedule and construction activities will commence in Jebel Ali in Q3 2010 for unit 1 and Q4 2010 for unit 2.
- US\$ 129.0 million contract award from Seajacks 3 LTD (“Seajacks”). The engineering and procurement phase of the “Seajacks Zaratan”, a GustoMSC NG-5500C design self-elevating and self-propelled offshore wind turbine installation vessel is proceeding according to schedule and construction activities will commence in Hamriyah in Q4 2010.
- Construction of two offshore well head platforms, including associated jackets and piles, for a leading oil and gas operator in India commenced at our Jebel Ali facility in Q2, 2010 and delivery to our consortium partner Swiber Offshore Construction Pte Ltd. (“Swiber”) for transportation and installation, is currently scheduled for late Q4 2010.

NEW CONTRACT AWARDS

- US\$ 317 million contract award from National Drilling Company, Abu Dhabi (“NDC”) announced on 28 July. Following the award to construct two LeTourneau S116E jackup drilling rigs, construction activities have commenced on the first rig at our Hamriyah facility. This rig was previously under construction for Riginvest G.P. (“Riginvest”) and the engineering and procurement elements of this project are therefore well advanced. The procurement activities associated with the second rig have commenced and construction of this unit will commence in Q3 2010. The cancellation of the Riginvest contract has created a material one-off accounting gain in the Company’s financial statements of US\$ 20.4 million.
- US\$ 39 million contract award from a leading integrated energy provider. The contract is for the construction of an offshore topside structure comprising of a two level utility deck and five level accommodation module for 38 personnel. The project will be constructed to North Sea standards and is scheduled for delivery alongside the Jebel Ali quay in Q1 2012.

Commenting on the half year results Nigel McCue, Chief Executive Officer, Lamprell said:

“This has been a busy and successful period for Lamprell operationally during which we have won a number of significant new contract awards, in excess of US\$ 890 million, including our recent NDC contract. Executing our work to the highest standard, both on time and on budget, remains central to our business and we believe is the basis on which we have won recent contracts and added new customers. We completed the Scorpion Offshore Mischief in April 2010, on time and on budget, and this approach is underpinning the future growth of our business.”

We continue to see a high level of interest for the wide spectrum of new build services we offer and our proposals pipeline remains strong. Our strategic focus on diversifying the scope of our operating markets has been successful, as evidenced by the contract awards from Fred Olsen Windcarrier announced on 9 February 2010 and also the recent award from Seajacks for the wind turbine installation vessel. In addition, the award for the construction of two offshore well

head platforms for an offshore gas field development in India, together with our consortium partner Swiber, announced on 8 February 2010, is very encouraging.

We have experienced a higher level of rig refurbishment activity through our facilities than in prior periods, although it continues to be at a lower level of average expenditure than previously. Whilst we are experiencing a reduced level of offshore construction activity, mainly in the area of Floating Production, Storage and Offloading vessels, we remain confident of the long term future of this market sector.

The Board is encouraged by the improving market conditions for our operating markets and this combined with our ongoing diversification strategy, means that it is confident that our long term prospects remain promising.”

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Chairman's Statement

Performance in the first half of 2010 has been in line with expectations with revenues of US\$ 189.2 million and a net profit of US\$ 39.7 million. The underlying operating profit for the period was US\$ 20.7 million, before a one-off accounting gain, amounting to US\$ 23.9 million, in respect of the cancellation of the Riginvest contract, and net of additional provisions arising as a result of the gain, amounting to US\$ 3.5 million. The underlying net profit amounted to US\$ 19.3 million.

Encouragingly, we are now beginning to see some signs of recovery in our operating markets and importantly, our efforts to diversify the scope of our operating markets are beginning to bear fruit. We have won, against strong competition, two major contracts in the period to build liftboats to install offshore wind turbines whilst at the same time adding an important new customer to our books.

In February 2010, we won a significant contract award amounting to US\$ 320.4 million from Fred Olsen Windcarrier AS ("Windcarrier") for the construction of two Gusto MSC NG-9000 design self-elevating and self-propelled offshore wind turbine installation vessels. We are delighted to have been selected to carry out this work and to be working with such an internationally well-regarded client as Fred Olsen. Both vessels will be constructed at Lamprell's Jebel Ali facility and are scheduled for delivery in Q2 and Q3 2012 respectively. As part of the contract, Lamprell and Fred Olsen have agreed options for Lamprell to build two further vessels for in excess of US\$ 320.4 million in total with the exercise period for the first option being February 2011 and for the second option being August 2011.

In June 2010, we were awarded a US\$ 129.0 million contract from Seajacks 3 LTD for the design, construction and delivery of a Gusto MSC NG-5500 design self-elevating and self-propelled offshore wind turbine installation vessel. The vessel, named "Seajacks Zaratan", will be constructed at Lamprell's Hamriyah facility and will be delivered in Q2 2012. As part of the contract Lamprell and Seajacks have agreed an option for Lamprell to construct a second vessel for US\$ 129.0 million with a 12 month exercise period. This contract demonstrates our ability to attract repeat business following our successful construction of the Kraken and Leviathan vessels for Seajacks.

These awards, which were made despite competition from numerous yards from around the world, reinforce our belief that we are well positioned to be leaders in the provision of such liftboats, a market we expect to expand rapidly as the offshore wind turbine sector pursues its ambitious growth plans. A large proportion of our new business bidding pipeline is assigned to potential liftboat construction, an area where we are gaining international recognition for our capabilities in project execution.

In February 2010, Lamprell was also awarded a contract for the construction of two well head platforms for an offshore gas field development in India, together with our consortium partner Swiber. This is the first contract the Company has been awarded as a main contractor by a major client in the Indian market. Under the consortium arrangement, Lamprell will design and construct the wellhead platforms and Swiber will undertake the transportation, installation and pipe laying aspects of the project. Delivery of the platforms at Lamprell's Jebel Ali quayside is scheduled for December 2010.

From an operational perspective, on 28 April 2010, Lamprell completed its second Le Tourneau Technologies designed Super 116E Jackup Rig, the "Scorpion Offshore Mischief", which was delivered on time and within budget and to the high standards of quality demanded by an operator such as Scorpion.

In rig refurbishment, we are experiencing a higher level of activity through our facilities than in prior years, although, in line with 2009, average expenditure remains low. In 2010, to date, we have worked on 30 jack up rigs shared between our UAE facilities, with Sharjah working on 13 jackup rigs and the new Hamiryah facility working on 17 rigs.

In line with the industry worldwide, we have witnessed a reduced level of offshore construction activity, mainly in the area of Floating Production, Storage and Offloading ("FPSO") vessels, although we remain confident of the long term future of this market sector. Work continues on behalf of Saipem Energy Services S.p.A. for the construction of six process modules for the Aquila Phase 2 FPSO, currently being undertaken at Jebel Ali. We have also undertaken work in the period on the Livorno FPSO and accommodation modules for Saipem S.p.A.

Since the period end, we have won further contracts amounting in aggregate, to US\$ 356 million. In August we received an award from National Drilling Company ("NDC"), Abu Dhabi for the construction and delivery of two jackup rigs for US\$ 158.5 million each with additional optional equipment orders of US\$ 12.6 million per rig. The rigs will be completely outfitted and equipped, LeTourneau designed, self-elevating Mobile Offshore Drilling Platforms of a Super 116E (Enhanced) Class design. Work on the first rig commenced on 1 August 2010 with delivery scheduled for the middle of Q2 2012.

As part of the contract, NDC has options for Lamprell to build two further jackup rigs for US\$ 158.5 million per rig, exercisable during the 12 month period commencing on 1 August 2010. Each option includes additional optional equipment orders of US\$ 12.6 million. Upon signing the contract with NDC, Lamprell and Riginvest terminated the contract they had entered into for the construction of a LeTourneau Super 116E jackup drilling rig. That rig is one of the rigs now being built for NDC. Riginvest will receive a portion of the contract advance it initially paid to Lamprell as part of the termination agreement. From an accounting perspective, and pursuant to International Financial Reporting Standards, the cancellation of the Riginvest contract has created a one-off accounting gain in the Company's financial statements for 2010 of US\$ 20.4 million, net of additional provisions related to this one-off gain.

A further contract has been awarded by a leading integrated energy provider amounting to US\$ 39 million. The contract is for the construction of an offshore topside structure comprising a two level utility deck and five level accommodation module for thirty eight personnel. The project will be constructed to North Sea standards and is scheduled for delivery free alongside the Jebel Ali quay in Q1 2012

The Board remains focused on managing Lamprell's activities as efficiently as possible. We maintain our close control on costs, aided, in part, by our flexible business model. Whilst doing so, we continue to look to broaden our capacity to take advantage of opportunities whenever they arise. The construction of the new 250,000m² facility in Hamriyah continues, with the second phase on track for completion in Q1 2011. This facility will enable the Group to carry out work relating to semi-submersible drilling rigs, both refurbishment and new construction, and to refurbish drillships, which will provide increased opportunities for the Group to secure high value projects with increased revenue visibility.

As previously announced, Peter Whitbread stepped down from the Board at the AGM. Peter's contribution to Lamprell over 18 years of service has been outstanding. Peter served as Chairman and Chief Executive Officer of the Company until February 2008, continued as Chief Executive Officer until 2009 and then took up the role of Director of International Development. We wish him all the best for a very happy and successful retirement. Chris Hand was appointed Chief Operating Officer at the time of the AGM and we are delighted to welcome him to the senior operational management team.

At 31 July 2010, we had a substantial order book of US\$ 836 million extending to Q3 2012 which is a significant increase from the same period last year and we continue to operate with no long term debt. The Directors, having considered the Company's outlook, in particular the award of the NDC contract and the resolution of the Riginvest contract, have recommended the payment of an interim dividend of 3.80 cents per ordinary share with a Sterling equivalent of

2.44 pence per ordinary share payable on 18 October 2010 to shareholders on the register on 3 September 2010.

Market Overview

Since the beginning of 2010, Lamprell has secured the award of over US\$ 850 million of contracts. These awards have increased the Company's order book to US\$ 836 million providing substantial revenue visibility through to Q3 2012. In addition to these awards, proposals activity remains high and our bidding pipeline currently exceeds US\$ 3.1 billion, covering all of the business segments in which Lamprell operates.

The number of jackup drillings rigs stacked has remained high throughout 2010 and drilling contractors remain uncertain as to when higher levels of utilisation will return. Operators are currently demonstrating a preference for premium high capacity rigs constructed since 2000 and these rigs have continued to secure contracts and maintain relatively high levels of utilisation. We believe that opportunities exist, predominately from national oil companies, to secure further contracts to construct new build drilling rigs and these opportunities remain an area of focus for the Group. From a rig refurbishment perspective, the high number of stacked rigs has resulted in high volumes of work in the first half of 2010 and we believe that we can maintain reasonable levels of activity in this business segment throughout 2010 and in the future.

The market for offshore wind turbine installation vessels has been very active in 2010 following the third UK licensing round and we continue to receive enquiries from a number of operators in this sector relating to the construction of additional installation units. Beyond these, the Group believes that there is an opportunity for it to expand the extent of its services in this sector and this opportunity is being actively explored.

Lamprell also continues to develop opportunities in new business areas such as the refurbishment and construction of semi-submersible drilling rigs and drill ship refurbishment, which will be carried out at our new Hamriyah Free Zone facility.

Following the award of two offshore well head platforms, including associated jackets and piles, by a leading oil and gas operator in India earlier in the year, Lamprell is confident that it can build on this success and opportunities for further projects in India and the Middle East are being actively pursued.

Oilfield Engineering activities have continued throughout 2010 and management is seeking to secure further contracts to construct new build land rigs. In particular, the market in Iraq and other Middle East countries has been identified as the target for contract awards in the medium term.

Although we are now seeing some improvements in our markets we cannot be complacent as we seek to build the business further. Those market have become intensely competitive with some of the new entrants in South East Asia offering to execute projects at extremely low prices and on very favourable payment terms. Inevitably, margins have, and are expected to continue to come under pressure but we will seek to manage our next phase of growth with the same management and cost discipline we brought to the period of the economic crisis. Our track record of on time and on budget project execution remains central to our offering and underpins our confidence in our long term prospects. We are encouraged by the contract awards that have been made to the Group since the beginning of 2010 and look to the future with confidence.

Operating Review

Revenue in the first half of 2010 has been generated through the execution of multiple projects across all of Lamprell's operating segments.

In 2010, we have continued to make changes to our operating structure to benefit from economies of scope and scale. These changes, in conjunction with a focus on procurement activities, will continue to facilitate a reduction in operating costs and the process of reviewing operations to improve efficiency will continue throughout 2010 and beyond.

Engineering, Procurement and Construction (“EPC”)

Throughout the first half of the year, EPC activities focused on the completion and delivery of the Offshore Mischief, a LeTourneau design S116E jackup drilling rig for Scorpion Rigs LTD. The rig was successfully delivered on time and on budget in April 2010 and the rig has subsequently been transported on a heavy lift vessel to Brazil, where it has commenced a contract with Anadarko Petroleum Corporation.

During the year, Lamprell has secured and commenced the following additional EPC contracts.

S116E jackup drilling rigs

NDC, Abu Dhabi, awarded Lamprell a contract for the construction and delivery of two jackup rigs for US\$ 158.5 million each with additional optional equipment orders of US\$ 12.6 million per rig. The rigs will be completely outfitted and equipped, LeTourneau designed, self-elevating Mobile Offshore Drilling Platforms of a Super 116E (Enhanced) Class design. The rigs consist of triangular hulls and three 310 foot truss type legs per rig, each leg with an electro-mechanical rack and pinion elevating system, which will allow drilling in depths of up to 200 feet of water with a rated drilling depth of 30,000 feet.

The construction of these rigs has now commenced at our new Hamriyah facility and scheduled delivery of rig 1 is the middle of Q2 2012 and rig 2 the end of Q3 2012.

As part of the contract, NDC has options for Lamprell to build two further jackup rigs for US\$ 158.5 million per rig, exercisable during the 12 month period commencing on 1 August 2010. Each option includes additional optional equipment orders of US\$ 12.6 million.

Liftboats

Windcarrier awarded two EPC contracts for an aggregate price of US\$ 320.4 million for the design, construction and delivery of a Gusto MSC NG-9000 design self-elevating and self-propelled offshore wind turbine installation vessel. The design weight of each class leading and state of the art jackup vessel exceeds 14,000 tonnes. The vessels are equipped with dynamic positioning, high speed jacking systems, an 800Te crane and a rotary propulsion system that allows the vessels to sail at a speed of 12 knots. Each unit includes accommodation for 80 personnel and has a payload capacity in excess of 5000Te.

The engineering and procurement phase of this project is proceeding on schedule and construction activities will commence in Jebel Ali in Q3 2010 for unit 1 and Q4 2010 for unit 2.

In addition to these two units, Lamprell and Windcarrier have executed an option agreement for two further vessels. The exercise periods for these units are 12 months and 18 months respectively commencing on 9 February 2011 and 9 August 2011.

Seajacks awarded a US\$ 129.0 million EPC contract for the design, construction and delivery of a Gusto MSC NG-5500 design self-elevating and self-propelled offshore wind turbine installation vessel named “Seajacks Zaratan”. The design weight of this jackup vessel exceeds 10,000 tonnes and the vessel is equipped with dynamic positioning, high speed jacking systems, an 800Te crane and a propulsion system that allows the vessel to sail at a speed of 9 knots. The unit includes accommodation for 90 personnel and has a payload capacity of 2850Te.

The engineering and procurement phase of this project is proceeding on schedule and construction activities will commence in Hamriyah in Q4 2010.

As part of the contract, Lamprell and Seajacks have agreed an option for a second vessel for US\$ 129.0 million, with a 12 month exercise period commencing on 17 June 2010.

Fixed offshore platforms

A leading oil and gas operator in India awarded an Engineering, Procurement, Installation & Construction contract to Lamprell and its consortium partner Swiber.

Under the consortium arrangement, Lamprell is undertaking the design and construction of two offshore well head platforms for the North Tapti ("NTP") gas field development in India and Swiber will undertake the transportation, installation and pipeline aspects of the project. The total contract price is US\$ 117.5 million and Lamprell's revenue from this contract will be US\$ 39.4 million.

The well head platforms, NTP-1 and NTP-2, comprise of jacket, topside platform and piles, and the load out weight of each platform (with jacket and piles) will be in excess of 2000 tonnes.

Construction commenced at our Jebel Ali facility in Q2 2010 and delivery to our consortium partner Swiber is currently scheduled for late Q4 2010.

Upgrade and refurbishment of offshore jackup rigs

During the first six months of 2010, Lamprell has executed 30 upgrade and refurbishment projects at our Sharjah and Hamriyah facilities. Notable projects have included the "Noble David Tinsley" for Noble International LTD, the "Gulf 2" for Gulf Drilling International Ltd. ("GDI") and the "Rowan California" for RDC Arabia Drilling, Inc. The main element of the "Noble David Tinsley" work scope is the fabrication and installation of new legs. This contract has been ongoing at our Hamriyah facility since 2009 and will be completed in Q3, 2010. The "Gulf 2" work scope included steel replacement and a helideck upgrade and was completed in Q2, 2010. The "Rowan California" is located at our Hamriyah facility and work including a living quarter extension and condition driven refurbishment will be completed in Q3 2010.

New build construction for the offshore oil and gas sector

In addition to the EPC projects ongoing at our Jebel Ali facility, work is also ongoing on a number of fabrication projects, including FPSO process modules for Saipem S.p.A and Saipem Energy Services S.p.A and onshore accommodation modules for Saipem S.p.A.

Oilfield engineering services

Throughout 2010, to date, our oilfield engineering facility has focused on the core activities of land rig upgrade and refurbishment, land camp related projects and the inspection and overhaul of mechanical and rotary equipment. A wide range of projects have been executed for multiple clients including Nabors Drilling International Ltd. and KCA Deutag.

Thailand

During the first half of 2010, activity levels have been low, as expected, reflecting low levels of rig upgrade and refurbishment activity in the South East Asia region. The regional offshore construction market is also limited and currently very competitive. Given these unfavourable market conditions and the uncertain outlook, the Board has requested management to re-assess the Company's operations in Thailand.

Operational developments

Lamprell has continued the program of organic investment in facilities and equipment throughout 2010 with the objective of increasing productivity and capacity.

The new Hamriyah Free Zone facility has been partially operational in H1 2010 and the core elements of the facility will be completed by the end of Q1 2011. The construction of the main office, welfare facilities and additional workshops are ongoing and will be completed in Q1 2011, at which time the full capacity of the facility will be operational.

Our Oilfield Engineering operation is being relocated in the new Hamriyah facility. This will release capacity at our Jebel Ali facility and allow Oilfield Engineering operations to benefit from the synergies between land rig and jackup rig projects. Fabrication and refurbishment projects will be transferred to Hamriyah by the end of 2010 and a new workshop will be completed in Q2 2011.

We believe the benefits of these investments will support the ongoing development of our business throughout the remainder of 2010 and beyond. We continue to analyse the utilisation of all construction equipment, across all facilities, and further investments will continue to be made, as and when required, to ensure that high levels of operational efficiency are maintained.

Financial Review

The results of Lamprell's activities for the half year ended 30 June 2010 are set out, in summary, below.

Results for the six month period from operations

	2010 (US\$m)	2009 (US\$m)	Change
Revenue	189.3	259.9	(27.2)%
Gross profit	35.3	48.2	(26.8)%
<i>Gross margin</i>	18.6%	18.5%	
EBITDA	47.4	37.7	25.7%
<i>EBITDA margin</i>	25.0%	14.5%	
Operating profit	41.1	31.2	31.7%
<i>Operating margin</i>	21.7%	12.0%	
Net profit	39.7	31.6	25.6%
<i>Net margin</i>	21.0%	12.2%	
Earnings per share	19.77c	15.80c	25.1%

Group revenue for the period to 30 June 2010 decreased by 27.2% to US\$ 189.3 million (H1 2009: US\$ 259.9 million). Revenue generated from EPC projects, comprising a new build jackup and a self-erecting tender assist drilling unit, decreased during the period largely as a result of a lower level of projects in the first half year, following the delivery of three major contracts in 2009. The higher level of jackup rig upgrade and refurbishment activity showed an increase over H1 2009 but with, generally, a lower level of average expenditure, as experienced in the prior year. Revenue generated from offshore construction, based in Jebel Ali, also reflects an increase during the period compared to H1 2009.

Gross profit margin increased marginally to 18.6% for the period to 30 June 2010 (H1 2009: 18.5%). The gross margin on EPC projects in H1 2010, which is generally lower as a result of a higher level of procurement both in respect of material purchases and sub-contractor work, reflected a positive contribution, mainly on the successful completion of the Scorpion Mischief project. The increase in higher margin rig refurbishment activity has also impacted the gross margin positively in the period although the gross margin on rig refurbishment continues to be lower than in prior years as a result of the reduced scopes of work being undertaken and generally tighter market conditions.

EBITDA increased to US\$ 47.4 million (H1 2009: US\$ 37.7 million) a rise of 25.7% over the prior year period reflecting an improved operating performance and also a net gain related to the cancellation of the contract with Riginvest, amounting to US\$ 20.4 million, net of additional provisions, arising as a result of the gain from the contract cancellation. EBITDA margin for the period was 25.0% (H1 2009: 14.5%) reflecting the increase in operating margin.

Operating profit for the period increased by 31.7% to US\$ 41.1 million (H1 2009: US\$ 31.2 million) largely comprising the decrease in gross profit offset by the net gain related to the cancellation of the contract with Riginvest. The operating margin of 21.7% reflects an increase from the operating margin in the same prior year six month period, of 12.0%.

The net profit increased by 25.6% to US\$ 39.7 million (H1 2009: US\$ 31.6 million) in line with the operating profit and also reflects net interest costs in the current period of US\$ 1.4 million (H1 2009: US\$ 0.4 million net income) largely arising as the result of facility and guarantee charges related to new contract awards in the period. The net margin of 21.0% reflects an increase from the net margin in the same prior year six month period of 12.2%. Excluding the impact of the one-off net gain, the net margin amounts to 10.2%.

Taxation

The Company, which is incorporated in the Isle of Man, has no income tax liability for the period ended 30 June 2010 as it is taxable at 0% in line with local Isle of Man tax legislation. The Group is not currently subject to income tax in respect of its operations carried out in the United Arab Emirates, and does not anticipate any liability to income tax arising in the foreseeable future. In December 2008, Lamprell Asia Limited, the Company's wholly owned subsidiary in Thailand, was granted Board of Investment privileges which allows it to operate with a tax exempt status for a period of up to eight years.

Earnings per share

Fully diluted earnings per share for the six month period to 30 June 2010 increased to 19.77 cents per share (H1 2009: 15.80 cents) reflecting primarily the increased profit of the Group for the period under review.

Operating cash flow and liquidity

The Group's net cash flow from operating activities for the six month period was US\$ 104.0 million (H1 2009: US\$ 18.1 million). The net cash flow from operations was higher than the prior year six month period reflecting increased profit for the period and movements in working capital, largely reflecting an increase in amounts due to customers on contracts, mainly arising as a result of advances on new contract awards in the period.

Investing activities for the period absorbed US\$ 16.8 million (H1 2009: US\$ 13.0 million) and mainly comprise investments in property, operating plant and equipment, largely in the new Hamriyah facility, amounting to US\$ 14.8 million (H1 2009: US\$ 13.8 million), and an investment held-to-maturity in the period of US\$ 6.9 million. This was offset by interest income for the period amounting to US\$ 1.0 million (H1 2009: US\$ 0.8 million) and a deposit of US\$ 3.8 million which matured in the period.

Net cash used in financing activities amounted to US\$ 32.6 million (H1 2009: US\$ 19.1 million) and mainly reflected the final dividend payment for the year ended 31 December 2009 of US\$ 7.6 million and also the reduction in bank borrowings of US\$ 22.6 million.

Risks and uncertainties

A number of potential risks and uncertainties exist which could have a material impact on the Group's performance over the second half of the year and which would cause actual results to differ materially from expected performance. The Directors do not consider that the principal

risks and uncertainties have changed since the publication of the Group's Annual Report for 2009. An explanation of these risks and uncertainties, and the business strategies that Lamprell uses to manage and mitigate those risks and uncertainties, can be found on pages 22 and 23 of the Annual Report, which is available for download at www.lamprell.com.

The Company's 2009 Annual Report made reference to the principal risks and uncertainties arising from counterparty credit risk, the dependence of the Group's growth on the availability of financing both for its own future projects and for its customers, the decline in the level of expenditure by oil and gas companies, the inability of the Company to use equipment purchased in advance should a customer not be found for such equipment, the Company's dependence upon a small number of contracts and customers, and the Company operating on a project-by-project basis and not having long term commitments with the majority of its customers, which may cause its visible order book to fluctuate significantly. In addition, the hedging strategy of the Company to cover foreign currency exposures related to procurement on major contracts.

Outlook

At 31 July 2010, the total order book was approximately US\$ 836 million extending to Q3 2012. This provides significant forward revenue visibility across a number of our operating sectors and we remain focused on pursuing a number of potential new contracts which have been identified as likely prospects for Lamprell across all our business activities in the second half of the year.

The contracted order book, combined with the potential projects including contractual options, gives the Board confidence of meeting management expectations in the second half of 2010 and beyond.

Jonathan Silver
Chairman

Lamprell plc
23 August 2010

Lamprell plc

Consolidated balance sheet

	Note	<u>At 30 June</u> 2010 USD'000	<u>At 31 December</u> 2009 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	106,273	97,690
Intangible asset	9	1,266	1,310
Held-to-maturity investment	10	6,875	-
		<u>114,414</u>	<u>99,000</u>
Current assets			
Inventories		47,314	43,060
Trade and other receivables		199,580	193,776
Financial asset at fair value through profit or loss		2,500	2,500
Cash and bank balances	11	109,966	67,842
		<u>359,360</u>	<u>307,178</u>
Total assets		<u><u>473,774</u></u>	<u><u>406,178</u></u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	18,682	18,682
Legal reserve	14	31	31
Merger reserve	15	(22,422)	(22,422)
Translation reserve		555	98
Hedging reserve	17	(10,377)	-
Retained earnings		271,400	238,401
		<u>257,869</u>	<u>234,790</u>
Total equity		<u>257,869</u>	<u>234,790</u>
Non-current liabilities			
Provision for employees' end of service benefits	16	16,214	15,150
Derivative financial instruments	17	10,377	-
		<u>26,591</u>	<u>15,150</u>
Current liabilities			
Trade and other payables		189,314	124,610
Borrowings	12	-	31,628
		<u>189,314</u>	<u>156,238</u>
Total liabilities		<u>189,314</u>	<u>156,238</u>
Total equity and liabilities		<u><u>473,774</u></u>	<u><u>406,178</u></u>

Lamprell plc

Consolidated income statement

		<u>Six months ended 30 June</u>	
	Note	2010	2009
		USD'000	USD'000
Revenue	4	189,294	259,907
Cost of sales		(153,949)	(211,685)
Gross profit		<u>35,345</u>	<u>48,222</u>
Other operating income	5	24,397	-
Selling and distribution expenses		(560)	(818)
General and administrative expenses		(16,245)	(16,213)
Other (losses)/gains – net		(1,856)	15
Operating profit		<u>41,081</u>	<u>31,206</u>
Finance costs		(2,431)	(477)
Finance income		1,009	823
Profit for the period attributable to the equity holders of the Company		<u>39,659</u>	<u>31,552</u>
Earnings per share attributable to the equity holders of the Company			
Basic	6	<u>19.93c</u>	<u>15.83c</u>
Diluted		<u>19.77c</u>	<u>15.80c</u>

Lamprell plc

Consolidated statement of comprehensive income

		<u>Six months ended 30 June</u>	
	Note	2010	2009
		USD'000	USD'000
Profit for the period		39,659	31,552
Other comprehensive income			
Currency translation differences		457	97
Changes in the fair value of derivatives classified as cash flow hedges	17	(10,377)	-
Other comprehensive (loss)/income for the period		<u>(9,920)</u>	<u>97</u>
Total comprehensive income for the period attributable to the equity holders of the Company		<u><u>29,739</u></u>	<u><u>31,649</u></u>

Lamprell plc

Consolidated statement of changes in equity

	Note	Share capital USD'000	Legal reserve USD'000	Merger reserve USD'000	Translation reserve USD'000	Hedging reserve USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2009		18,682	29	(22,422)	(47)	-	216,012	212,254
Profit for the period		-	-	-	-	-	31,552	31,552
Other comprehensive income:								
Currency translation differences		-	-	-	97	-	-	97
Total comprehensive income for the period ended 30 June 2009		-	-	-	97	-	31,552	31,649
Transactions with owners:								
Share based payments: – value of services provided		-	-	-	-	-	737	737
Treasury shares purchased	13	-	-	-	-	-	(1,697)	(1,697)
Dividends	19	-	-	-	-	-	(6,284)	(6,284)
Total transactions with owners		-	-	-	-	-	(7,244)	(7,244)
At 30 June 2009		18,682	29	(22,422)	50	-	240,320	236,659

Lamprell plc

Consolidated statement of changes in equity (continued)

	Note	Share capital USD'000	Legal reserve USD'000	Merger reserve USD'000	Translation reserve USD'000	Hedging reserve USD'000	Retained earnings USD'000	Total USD'000
At 1 July 2009		18,682	29	(22,422)	50	-	240,320	236,659
Loss for the period		-	-	-	-	-	(3,129)	(3,129)
Other comprehensive income:								
Currency translation differences		-	-	-	48	-	-	48
Total comprehensive income/ (loss) for the period ended 31 December 2009		-	-	-	48	-	(3,129)	(3,081)
Transactions with owners:								
Share based payments: – value of services provided		-	-	-	-	-	1,204	1,204
Treasury shares purchased	13	-	-	-	-	-	8	8
Transfer to legal reserve	14	-	2	-	-	-	(2)	-
Total transactions with owners		-	2	-	-	-	1,210	1,212
At 31 December 2009		18,682	31	(22,422)	98	-	238,401	234,790

Lamprell plc

Consolidated statement of changes in equity (continued)

	Note	Share capital USD'000	Legal reserve USD'000	Merger reserve USD'000	Translation reserve USD'000	Hedging reserve USD'000	Retained earnings USD'000	Total USD'000
At 1 January 2010		18,682	31	(22,422)	98	-	238,401	234,790
Profit for the period		-	-	-	-	-	39,659	39,659
Other comprehensive income:								
Currency translation differences		-	-	-	457	-	-	457
Cash flow hedges:								
Fair value loss for the period	17	-	-	-	-	(11,282)	-	(11,282)
Transfers	17	-	-	-	-	905	-	905
Total other comprehensive income/(loss)		-	-	-	457	(10,377)	-	(9,920)
Total comprehensive income/(loss) for the period ended 30 June 2010		-	-	-	457	(10,377)	39,659	29,739
Transactions with owners:								
Share based payments:								
- value of services provided		-	-	-	-	-	929	929
Dividends	19	-	-	-	-	-	(7,589)	(7,589)
Total transactions with owners		-	-	-	-	-	(6,660)	(6,660)
At 30 June 2010		18,682	31	(22,422)	555	(10,377)	271,400	257,869

Lamprell plc

Consolidated statement of cash flows

	Note	<u>Six months ended 30 June</u>	
		2010 USD'000	2009 USD'000
Operating activities			
Profit for the period		39,659	31,552
Adjustments for:			
Share based payments - value of services provided		929	737
Depreciation	8	6,234	6,432
Amortisation of intangible asset	9	44	44
Loss on disposal of property, plant and equipment		4	7
Gain on cancellation of a contract	5	(23,925)	-
Provision for slow moving and obsolete inventories		217	151
Provision for employees' end of service benefits	16	1,709	1,815
Finance costs		2,431	477
Finance income		(1,009)	(823)
		<hr/>	<hr/>
Operating cash flows before payment of employees' end of service benefits and changes in working capital		26,293	40,392
Payment of employees' end of service benefits	16	(645)	(1,674)
Changes in working capital:			
Inventories before movement in provision		(4,471)	(28,541)
Trade and other receivables before movement in provision for impairment of trade receivables		13,838	103,824
Derivative financial instruments		-	50
Trade and other payables excluding unpaid dividend		68,993	(95,955)
		<hr/>	<hr/>
Net cash generated from operating activities		104,008	18,096
Investing activities			
Payments for property, plant and equipment	8	(14,759)	(13,826)
Proceeds from sale of property, plant and equipment		7	37
Held-to-maturity investment	10	(6,875)	-
Finance income		1,009	823
Deposit with an original maturity of more than three months	11	3,847	-
Movement in margin deposits	11	(65)	(49)
		<hr/>	<hr/>
Net cash used in investing activities		(16,836)	(13,015)
Financing activities			
Treasury shares purchased	13	-	(1,697)
Dividends paid	19	(7,595)	(6,257)
Repayment of borrowings – revolving facilities	12	(22,547)	(11,170)
Finance costs		(2,431)	-
		<hr/>	<hr/>
Net cash used in financing activities		(32,573)	(19,124)
Net increase/(decrease) in cash and cash equivalents			
		54,599	(14,043)
Cash and cash equivalents, beginning of the period	11	49,241	90,225
Exchange rate translation		388	66
		<hr/>	<hr/>
Cash and cash equivalents, end of the period	11	104,228	76,248
		<hr/> <hr/>	<hr/> <hr/>

1 Legal status and activities

Lamprell plc (“the Company”) was incorporated and registered on 4 July 2006 in the Isle of Man as a public company limited by shares under the Isle of Man Companies Acts with the registered number 117101C. The Company acquired 100% of the legal and beneficial ownership in Lamprell Energy Limited (“LEL”) from Lamprell Holdings Limited (“LHL”), under a share for share exchange agreement dated 25 September 2006 and this transaction was accounted for in the consolidated financial statements using the uniting of interests method. The Company was admitted to the Alternative Investment Market (“AIM”) of the London Stock Exchange with effect from 16 October 2006. From 6 November 2008, the Company moved from AIM and was admitted to trading on the London Stock Exchange (“LSE”) plc’s main market for listed securities. The address of the registered office of the Company is 15-19 Athol Street, Douglas, Isle of Man and the Company is managed from the United Arab Emirates (“UAE”). The address of the principal place of the business is PO Box 33455, Dubai, UAE.

The principal activities of the Company and its subsidiaries (together referred to as “the Group”) are: the upgrade and refurbishment of offshore jackup rigs; fabrication; assembly and new build construction for the offshore oil and gas and renewables sectors, including jackup rigs and liftboats; Floating Production, Storage and Offloading (“FPSO”) and other offshore and onshore structures; and oilfield engineering services, including the upgrade and refurbishment of land rigs.

The Company has either directly or indirectly the following subsidiaries:

Name of the subsidiary	Percentage of legal ownership %	Percentage of beneficial ownership %	Country of incorporation
Lamprell Energy Limited	100	100	Isle of Man
Lamprell Dubai LLC (“LD”)	49*	100	UAE
Lamprell Sharjah WLL (“LS”)	49*	100	UAE
Maritime Offshore Limited (“MOL”)	100	100	Isle of Man
Maritime Offshore Construction Limited (“MOCL”)	100	100	Isle of Man
International Inspection Services Limited (“Inspec”)	100	100	Isle of Man
Cleopatra Barges Limited (“CBL”)	100	100	British Virgin Islands
Lamprell plc employee benefit trust (“EBT”)	100	†	Unincorporated
Jebel Ali Investments Limited (“JIL”)	100	100	British Virgin Islands
Lamprell Energy FZCO (“LEFZCo”)	90 ⁺	100	UAE
Lamprell Asia Limited (“LAL”)	100 ⁺⁺	100	Thailand

* The balance of 51% in each case is registered in the name of a UAE National who has assigned all the economic benefits attached to his shareholding to the Group entity. LEL has the power to exercise control over the financial and operating policies of the entities incorporated in the UAE through management agreements and accordingly, these entities are consolidated as wholly owned subsidiaries in this condensed consolidated interim financial information. The UAE National shareholders of these entities receive sponsorship fees from the Group (Note 18).

† The beneficiaries of the EBT are the employees of the Group.

⁺ A free zone company (“FZCo”) is required to have a minimum of two shareholders and consequently the balance of 10% is held by an employee of LEL in trust for the beneficial interest of the Group.

⁺⁺ A Thailand registered company is required to have a minimum of three shareholders and consequently of the total 867,000 shares, 2 shares are held by employees of the Lamprell Group in trust for the beneficial interest of the Group and the balance of 866,998 shares are held by LE FZCo.

2 Summary of significant accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2010 has been prepared in accordance with the Disclosure and Transparency Rules (“DTR”) of the United Kingdom’s Financial Services Authority (“FSA”) and with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” as adopted by the European Union (“EU”). The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2009, which have been prepared in accordance with IFRSs as adopted by the EU.

2.2 Accounting policies

Except as discussed below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those financial statements. The annual financial statements for the year ended 31 December 2009 are available on the Company’s website (www.lamprell.com).

The preparation of condensed interim financial information requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant, are disclosed in Note 3.

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2010, but are not currently relevant for the Group.

IFRS 3 (revised), ‘Business Combinations’ and Consequential Amendments to IAS 27, ‘Consolidated and Separate Financial Statements’, IAS 28, ‘Investments in Associates’ and IAS 31, ‘Interests in Joint Ventures’, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest’s proportionate share of the acquiree’s net assets. All acquisition-related costs should be expensed. This revised IFRS is currently not applicable to the Group, as the Group has no such business combinations.

IFRIC 17, ‘Distributions of non-cash assets to owners’, effective for annual periods beginning on or after 1 July 2009. This is currently not applicable to the Group, as it has not made any non-cash distributions.

IFRIC 18, ‘Transfers of assets from customers’, effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.

‘Additional exemptions for first-time adopters’ (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group does not expect the new standard to have a significant impact on its financial statements. The Group will apply IFRS 9 from 1 January 2013.

Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. The Group will adopt this revised standard from 1 January 2011 and does not anticipate it to have a significant impact on the Group.

'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. This is currently not applicable to the Group, as it does not have any rights issues.

'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. This is currently not applicable to the Group, as it does not have any defined benefit asset and minimum funding requirements.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. This is currently not applicable to the Group, as it has not settled any financial liabilities with equity instruments.

Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective 1 January 2010.

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 17. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement within 'other (losses)/gains-net'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the ineffective portion is recognised in the consolidated income statement within 'other (losses)/gains-net'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in cost of goods sold in the case of contracts work in progress or in depreciation in the case of fixed assets.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated income statement within 'other (losses)/gains-net'.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available for sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are as follows:

Revenue recognition

The Group uses the percentage-of-completion method in accounting for its contract revenue. Use of the percentage-of-completion method requires the Group to estimate the stage of completion of the contract to date as a proportion of the total contract work to be performed in accordance with the Group's accounting policy. As a result, the Group is required to estimate the total cost to completion of all outstanding projects at each period end. The application of a 10% sensitivity to management estimates of the total costs to completion of all outstanding projects at the period end would result in the revenue and profit increasing by USD 2.7 million (H1 2009: USD 8.1 million) if the total costs to completion are decreased by 10% and the revenue and profit would decrease by USD 2.5 million (H1 2009: USD 7.5 million) if the total costs to completion are increased by 10%.

Employees' end of service benefits

The rate used for discounting the employees' post employment defined benefit obligation should be based on market yields on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields on government bonds should be used. In the UAE there is no deep market either for corporate or government bonds and therefore, the discount rate has been estimated using the US AA-rated corporate bond market as a proxy. On this basis the discount rate applied was 5.75% (2009: 5.75%). If the discount rate used were to differ by 0.5 points from management's estimates, the carrying amount of the employees' end of service benefits provision at the balance sheet date would be an estimated USD 551,000 (2009: USD 515,000) lower or USD 584,000 (2009: USD 545,000) higher.

4 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Directors who make strategic decisions. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Executive Directors consider the business mainly on the basis of the facilities from where the services are rendered. Management considers the performance of the business from Sharjah (SHJ), Hamriyah (HAM), Jebel Ali (JBA) and Thailand (THL) in addition to the performance of Oil Field Engineering (OFE) and International Inspection Services Limited (Inspec).

SHJ, HAM, JBA and OFE meet all the aggregation criteria required by IFRS 8 and are reported as a single segment (Segment A). Services provided from Inspec and THL do not meet the quantitative thresholds required by IFRS 8, and the results of these operations are included in the "all other segments" column.

The reportable operating segments derive their revenue from the upgrade and refurbishment of offshore jackup rigs, fabrication, assembly and new build construction for the offshore oil and gas and renewables sectors, including FPSO and other offshore and onshore structures, oilfield engineering services, including the upgrade and refurbishment of land rigs.

Inspec derives its revenue from various services such as non-destructive pipeline testing, ultrasonic testing and heat treatment. THL derives its revenue from the upgrade and refurbishment of offshore jackup rigs, fabrication, assembly and new build construction for the offshore oil and gas sector and other offshore structures.

	Segment A USD'000	All other segments USD'000	Total USD'000
Six months ended 30 June 2010			
Total segment revenue	182,323	7,870	190,193
Inter-segment revenue	-	(899)	(899)
	<u>182,323</u>	<u>6,971</u>	<u>189,294</u>
Revenue from external customers	182,323	6,971	189,294
	<u>44,661</u>	<u>1,174</u>	<u>45,835</u>
Gross profit	44,661	1,174	45,835
Six months ended 30 June 2009			
Total segment revenue	253,147	7,558	260,705
Inter-segment revenue	-	(798)	(798)
	<u>253,147</u>	<u>6,760</u>	<u>259,907</u>
Revenue from external customers	253,147	6,760	259,907
	<u>61,967</u>	<u>2,019</u>	<u>63,986</u>
Gross profit	61,967	2,019	63,986

Sales between segments are carried out on agreed terms. The revenue from external parties reported to the Executive Directors is measured in a manner consistent with that in the consolidated income statement.

The Executive Directors assess the performance of the operating segments based on a measure of gross profit. The staff, equipment and certain subcontract costs are measured based on standard cost. The measurement basis excludes the effect of the common expenses for yard rent, repairs and maintenance and other miscellaneous expenses. The reconciliation of the gross profit is provided as follows:

	<u>Six months ended 30 June</u>	
	2010 USD'000	2009 USD'000
Gross operating profit for the reportable segments as reported to the Executive Directors	44,661	61,967
Gross operating profit for other segments as reported to the Executive Directors	1,174	2,019
Unallocated:		
Under-absorbed employee and equipment costs	(3,835)	(8,102)
Repairs and maintenance	(3,687)	(2,111)
Yard rent	(1,551)	(1,744)
Others	(1,417)	(3,807)
Gross profit	<u>35,345</u>	<u>48,222</u>
Other operating income	24,397	-
Selling and distribution expenses	(560)	(818)
General and administrative expenses	(16,245)	(16,213)
Other (losses)/gains-net	(1,856)	15
Finance costs	(2,431)	(477)
Finance income	1,009	823
Profit for the period	<u>39,659</u>	<u>31,552</u>

Information about segment assets and liabilities is not reported to or used by the Executive Directors and accordingly no measures of segment assets and liabilities are reported.

5 Other operating income

Other operating income of USD 24.4 million includes a gain of USD 23.9 million arising on the cancellation of a contract with a customer during the current period.

6 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period excluding ordinary shares purchased by the Company and held as treasury shares (Note 13).

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the free share awards, options under executive share option plan and performance share plan, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share awards/options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share awards/options.

	<u>Six months ended 30 June</u>	
	2010	2009
	USD'000	USD'000
The calculations of earnings per share are based on the following profit and numbers of shares:		
Profit for the period	<u>39,659</u>	<u>31,552</u>
Weighted average number of shares for basic earnings per share	199,035,841	199,332,193
Adjustments for:		
- Assumed exercise of free share awards	1,197,423	318,613
- Assumed vesting of executive share options	377,232	67,496
- Assumed vesting of performance share plan	<u>16,051</u>	<u>-</u>
Weighted average number of shares for diluted earnings per share	<u>200,626,547</u>	<u>199,718,302</u>
Earnings per share:		
Basic	<u>19.93c</u>	<u>15.83c</u>
Diluted	<u>19.77c</u>	<u>15.80c</u>

7 Operating profit

Operating profit is stated after charging/crediting:

	<u>Six months ended 30 June</u>	
	2010	2009
	USD'000	USD'000
Depreciation	6,234	6,432
Operating lease rentals – land and buildings	7,183	11,657
Gain on cancellation of a contract (Note 5)	23,925	-

8 Property, plant and equipment

	USD'000
Net book amount at 1 January 2009	92,354
Additions	13,826
Exchange difference	31
Net book amount of disposals	(44)
Depreciation	(6,432)
Net book amount at 30 June 2009	99,735
Additions	4,657
Exchange difference	67
Net book amount of disposals	(15)
Depreciation	(6,754)
Net book amount at 31 December 2009	97,690
Additions	14,759
Exchange difference	69
Net book amount of disposals	(11)
Depreciation	(6,234)
Net book amount at 30 June 2010	106,273

The additions of USD 14.8 million during the current period comprises of USD 4.7 million additions to buildings and USD 8.9 million additions to capital work-in-progress and other fixed assets of USD 1.2 million.

9 Intangible asset

	USD'000
At 1 January 2009	1,400
Charge for the period	(44)
At 30 June 2009	1,356
Charge for the period	(46)
At 31 December 2009	1,310
Charge for the period	(44)
At 30 June 2010	1,266

10 Held-to-maturity investment

	<u>At 30 June</u> 2010 USD'000	<u>At 31 December</u> 2009 USD'000
Deposit with a fixed interest rate of 1.75% and a maturity date of 3 October 2012	6,875	-

The held-to-maturity investment represents a structured deposit with 100% capital protection, a guaranteed return of 1.75% and a variable return, which is linked to the performance of an underlying equity basket, which consists of ten equally weighted shares. The capital protected status of the investment is valid only if the investment is held to maturity. The variable component is considered as an embedded derivative, the fair value of which at the balance sheet date was Nil.

There is no provision for impairment against the held-to-maturity investment.

At 30 June 2010, the fair value of the held-to-maturity investment is USD 6.75 million (2009: Nil).

The held-to-maturity investment is denominated in UAE Dirhams.

The maximum exposure to credit risk at the reporting date is the carrying amount of the held-to-maturity investment.

The held-to-maturity investment is held by the bank as a lien against a guarantee issued by the bank in the ordinary course of business.

11 Cash and bank balances

	<u>At 30 June</u> 2010 USD'000	<u>At 31 December</u> 2009 USD'000
Cash at bank and on hand	20,811	18,336
Short term and margin deposits	89,155	49,506
Cash and bank balances	109,966	67,842
Less: Margin deposits	(5,738)	(5,673)
Less: Deposit with an original maturity of more than 3 months	-	(3,847)
Less: Bank overdrafts (Note 12)	-	(9,081)
Cash and cash equivalents (for cash flow purpose)	104,228	49,241

At 30 June 2010, the cash at bank and short term deposits were held with eight banks (31 December 2009: seven banks). The effective average interest rate earned on short term deposits was 2.02% (31 December 2009: 2.46%) per annum. These deposits have an average maturity of seven days to three months. The margin deposits with the banks are held under lien against guarantees issued by them.

12 Borrowings

	<u>At 30 June</u> 2010 USD'000	<u>At 31 December</u> 2009 USD'000
Bank overdrafts (Note 11)	-	9,081
Revolving facilities	-	22,547
	<u>-</u>	<u>31,628</u>
	<u>-</u>	<u>31,628</u>

The bank facility relating to overdrafts and revolving facilities carry interest at LIBOR/EIBOR + 2.0% to 4.0% (2009: LIBOR/EIBOR + 2.0% to 3.5%).

The carrying amount of the borrowings approximate to their fair value and are denominated in US dollars or UAE Dirhams, which is pegged to the US Dollar.

Although global market conditions have affected market confidence and consumer spending patterns, the Group remains well placed and does not have any exposure to sub-prime lending or collateralised debt obligations. The Group has sufficient working capital and undrawn financing facilities to service its operating activities.

13 Share capital

Issued and fully paid ordinary shares

	<u>Equity share capital</u>	
	Number	USD'000
At 1 January 2009, 31 December 2009 and 30 June 2010	200,279,309	18,682
	<u>200,279,309</u>	<u>18,682</u>

The total authorised number of ordinary shares is 400 million (2009: 400 million shares) with par value of 5 pence per share (2009: 5 pence per share).

During 2010, EBT acquired Nil shares (2009: 1,391,253 shares) of the Company. The total amount paid to acquire the shares was Nil (2009: USD 1.7 million) and has been deducted from the Consolidated Retained earnings. During 2010, 132,939 shares (2009: 724,251 shares) amounting to USD 0.2 million (2009: USD 2.2 million) were issued to employees on vesting of the free shares and 1,203,320 shares (31 December 2009: 1,336,259 shares) were held as treasury shares at 30 June 2010. The Company has the right to reissue these shares at a later date. These shares will be issued on the vesting of the free shares/share options granted to certain employees of the Group.

14 Legal reserve

The Legal reserve of USD 31,436 at 30 June 2010 (31 December 2009: USD 31,436) relates to subsidiaries incorporated as limited liability companies in the UAE. In accordance with the Articles of Association of the respective subsidiaries and the UAE Federal Law No. (8) of 1984, as amended, 10% of the profit for the year of such companies is transferred to a Legal reserve. Such transfers are required to be made until the reserve is equal to, at least, 50% of the share capital of such companies. There was no transfer to the Legal reserve during the current period.

15 Merger reserve

	At 1 January 2009, 31 December 2009 and 30 June 2010 <u>USD'000</u>
Nominal value of shares of the Company	18,654
Share capital of LEL	(82)
	<hr/>
Merger reserve on acquisition of LEL	18,572
	<hr/>
Purchase consideration relating to acquisition of Inspec	4,000
Share capital of Inspec	(150)
	<hr/>
Merger reserve on acquisition of Inspec	3,850
	<hr/>
Total	22,422
	<hr/> <hr/>

On 11 September 2006, LEL acquired 100% of the legal and beneficial ownership of Inspec from LHL for a consideration of USD 4 million. This acquisition has been accounted for using the uniting of interests method and the difference between the purchase consideration (USD 4 million) and Share capital of Inspec (USD 150,000) has been recorded in the Merger reserve.

On 25 September 2006, the Company entered into a share for share exchange agreement with LEL and LHL under which it acquired 100% of the 49,003 shares of LEL from LHL in consideration for the issue to LHL of 200,000,000 shares of the Company. This acquisition has been accounted for using the uniting of interests method and the difference between the nominal value of shares issued by the Company (USD 18,654,000) and the nominal value of LEL shares acquired (USD 82,000) has been recorded in the Merger reserve.

16 Provision for employees' end of service benefits

	USD'000
At 1 January 2009	14,329
Charge for the period	1,815
Payments during the period	(1,674)
	<hr/>
At 30 June 2009	14,470
Charge for the period	1,358
Payments during the period	(678)
	<hr/>
At 31 December 2009	15,150
Charge for the period	1,709
Payments during the period	(645)
	<hr/>
At 30 June 2010	16,214
	<hr/> <hr/>

In accordance with the provisions of IAS 19, management has carried out an exercise to assess the present value of its obligations at the period end, using the projected unit credit method, in respect of employees' end of service benefits payable under the UAE Labour Law. Under this method, an assessment has been made of an employee's expected service life with the Group and the expected basic salary at the date of leaving the service. Management has assumed average increment/promotion costs of 4% to 5% (2009: 4% to 5%). The expected liability at the date of leaving the service has been discounted to its net present value using a discount rate of 5.75% (2009: 5.75%).

17 Derivative financial instruments

	<u>At 30 June</u> 2010 USD'000	<u>At 31 December</u> 2009 USD'000
Derivative liabilities		
- Forward contracts classified as cash flow hedges	10,377	-
	<u>10,377</u>	<u>-</u>
	<u><u>10,377</u></u>	<u><u>-</u></u>

During the period, the Company entered into three forward contracts to hedge its foreign currency exposure with respect to certain supplier commitments in Euros. The notional principal amount at the date of inception of these contracts was Euro 142.02 million. The notional principal amount of the outstanding forward contracts at 30 June 2010 was Euro 120.29 million (2009: Nil). These contracts mature within 24 months from the date of inception.

The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and, as a current asset or liability, if the maturity of the hedged item is less than 12 months.

An amount of USD 11.3 million was deferred in equity during the period and an amount of USD 0.9 million was recycled from equity to profit or loss for the period under 'Other (losses)/gains-net'.

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 24 months. Gains and losses recognised in the hedging reserve in the consolidated statement of changes in equity on forward foreign exchange contracts as of 30 June 2010 are recognised in the consolidated income statement in the period or periods during which the hedged forecast transaction affects the consolidated income statement.

18 Related party balances and transactions

Related parties comprise LHL (which owns 33% of the issued share capital of the Company), certain legal shareholders of Group companies and Directors and key management personnel of the Group. Other than disclosed elsewhere in the consolidated interim financial information, the Group entered into the following significant transactions during the period with related parties at prices and on terms agreed between the related parties:

	<u>Six months ended 30 June</u> 2010 USD'000	<u>2009</u> USD'000
Key management compensation	4,598	5,105
	<u>4,598</u>	<u>5,105</u>
Sponsorship fees paid to the legal shareholders of Lamprell Dubai LLC and Lamprell Sharjah WLL	72	69
	<u>72</u>	<u>69</u>

Key management compensation comprises:

Salaries and other short term employee benefits	4,096	4,526
Share based payments – value of service provided	411	424
Post-employment benefits	91	155
	<u>4,598</u>	<u>5,105</u>
	<u><u>4,598</u></u>	<u><u>5,105</u></u>

Dividends paid by the Company include an amount of USD 2.7 million (H1 2009: USD 2.2 million) in respect of shares held by key management personnel (including those held by the EBT in respect of shares gifted/awarded) of which USD 2.5 million (H1 2009: USD 2.1 million) was paid to LHL, a company controlled by Steven Lamprell who is a member of key management.

19 Dividends

During the period (on 26 March 2010), the Board of Directors of the Company approved a final dividend of USD 7.6 million (US cents 3.80 per share) relating to the year ended 31 December 2009. At 30 June 2010, the unpaid dividend amounted to USD 28,000.

During 2009 (on 27 March 2009), the Board of Directors of the Company approved a final dividend of USD 6.3 million (US cents 3.15 per share) relating to the year ended 31 December 2008. At 31 December 2009, the unpaid dividend amounted to USD 34,000.

20 Commitments

(a) Operating lease commitments

The Group leases land and staff accommodation under various operating lease agreements. The remaining lease terms of the majority of the leases are between 7 to 24 years and are renewable at mutually agreed terms. The future minimum lease payments payable under operating leases are as follows:

	<u>At 30 June</u> 2010 USD'000	<u>At 31 December</u> 2009 USD'000
Not later than one year	5,740	7,826
Later than one year but not later than five years	12,530	13,019
Later than five years	32,418	33,728
	<u>50,688</u>	<u>54,573</u>

(b) Other commitments

Letters of credit for purchase of materials and operating equipment	7,906	13,285
Capital commitments for purchase of operating equipment	564	929
Capital commitments for construction of a facility	15,346	18,262

21 Bank guarantees

	<u>At 30 June</u> 2010 USD'000	<u>At 31 December</u> 2009 USD'000
Performance/bid bonds	105,026	112,319
Advance payment, labour visa and payment guarantees	194,987	5,882
	<u>300,013</u>	<u>118,201</u>

The various bank guarantees, as above, were issued by the Group's bankers in the ordinary course of business. Certain guarantees are secured by 100% cash margins, assignments of receivables from some customers and in respect of guarantees provided by banks to the Group companies, they have been secured by Parent company guarantees. In the opinion of the Management, the above bank guarantees are unlikely to result in any liability to the Group.

22 Events after balance sheet date

The Board of Directors of the Company have proposed an interim dividend of 3.80 cents per share amounting to USD 7.6 million at a meeting held on 20 August 2010. In accordance with the accounting policy under IFRS set out at Note 2.16 of the annual financial statements for the year ended 31 December 2009 this dividend has not been accrued at 30 June 2010 (2009: Nil).

23 Statement of Directors' responsibilities

The Directors' confirm that, to the best of their knowledge, this consolidated interim financial Information have been prepared in accordance with IAS 34 as adopted by the EU. The interim management report includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7R and Disclosure and Transparency Rules 4.2.8R, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the consolidated interim financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last annual report.

The Directors of Lamprell plc are listed in the Lamprell plc Annual Report for 31 December 2009. A list of current directors is maintained on the Lamprell plc website www.lamprell.com.