



**30 August 2011**

**LAMPRELL PLC**

("Lamprell" or the "Company")

**2011 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 2011.

**H1 2011 FINANCIAL RESULTS**

- Revenue: US\$ 383.6 million up 102.6% (H1 2010: US\$ 189.3 million)
- Adjusted operating profit: US\$ 30.1 million up 45.4%\* (H1 2010: US\$ 20.7 million\*\*)
- Adjusted net profit: US\$ 27.0 million up 39.9%\* (H1 2010: US\$ 19.3 million\*\*)
- Adjusted EPS (fully diluted): 12.41 cents up 40.2% (H1 2010: 8.85 cents\*\*)
- Proposed interim dividend: 4.00 cents (2.44 pence) per ordinary share (H1 2010: 3.50 cents\*\*)
- Successful completion of rights issue raising gross proceeds of US\$ 226 million
- Cash and bank balances, including rights issue proceeds, as at 30 June 2011 of US\$ 357 million (31 December 2010: US\$ 210 million)
- Order book as at 31 July 2011 of US\$ 869 million (March 2011: US\$ 1,090 million)

\* For the current six-month period stated before reflecting exceptional charges for various legal and professional charges amounting to US\$ 8.4 million (H1 2010: US\$ nil) incurred in connection with the acquisition in July 2011 by Lamprell plc of all of the issued share capital of Maritime Industrial Services Co. Ltd. Inc.

\*\* The trading results in 2010 reflect the underlying results for the period before a one-off gain of net US\$ 20.4 million related to the cancellation of a contract, 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. The comparative figures for earnings per ordinary share and dividends per ordinary share have been restated for the bonus element of the June 2011 rights issue. The adjustment factor has been calculated by dividing the share price immediately before the shares were quoted ex-rights (351.3p) with the theoretical ex-rights price (323.77p), giving an adjustment factor of 1.085.

## **H1 2011 STATUTORY RESULTS**

The statutory results for the six-month period (after reflecting the exceptional charges noted above) are as follows:

- Operating profit: US\$ 21.6 million down 47.4% (H1 2010: US\$ 41.1 million)
- Net profit: US\$ 18.6 million down 53.1% (H1 2010: US\$ 39.7 million)
- EPS (fully diluted): 8.55 cents down 53.1% (H1 2010: 18.23 cents)

## **H1 2011 OPERATIONAL HIGHLIGHTS AND MAJOR EPC PROJECTS**

- A total of 26 jack up rigs have been worked upon at the Company's Hamriyah and Sharjah facilities during the first six months of 2011
- The Company has achieved a 2011 lost time injury frequency rate per million man-hours of 0.18, compared to the construction industry average of 2.83
- Significant savings continue to be realised from the Company's procurement and supply chain initiatives
- The Company's Enterprise Resource Planning system is on schedule to be operational in Q4 2011
- A further 40,000 m<sup>2</sup> plot has been procured on a long lease in Hamriyah, adjacent to our existing facilities
- The Company's capital investment programme has continued both at the Hamriyah and Jebel Ali facilities

## **MIS ACQUISITION**

- In May 2011 an offer was made by the Company's wholly owned subsidiary, Lamprell Investment Holdings Limited ("LIH") for Maritime Industrial Services Co.Ltd.Inc. ("MIS") for NOK 38 per share, valuing MIS at NOK 1,831 million (£203.8 million; US\$ 335 million)
- The offer for MIS subsequently completed in July 2011, with LIH acquiring over 99% of the issued share capital of MIS
- The acquisition has added 375,000 m<sup>2</sup> of yard capacity and 400m of quayside, with the enlarged group now benefitting from 925,318 m<sup>2</sup> of yard space and 2.2 km of quayside
- The Company has consolidated its position as a regional leader in the rig market for both refurbishment and new build activity
- The acquisition enhances Lamprell's in-house engineering capabilities, with a combined 1250 engineering staff in the enlarged group, and has increased the overall headcount by 3,710, creating a total workforce of approximately 13,000 people
- The combination of Lamprell and MIS enables the enlarged group to achieve cost and revenue synergies between these two highly complementary businesses

## NEW CONTRACT AWARDS

Lamprell has secured new contract awards in H1 amounting to US\$ 316 million. These include:

- the contract award from Greatship Global Energy Services Pte. Ltd (“Greatship”), Singapore, announced on 22 February 2011. This contract is to construct a LeTourneau S116E jack up drilling rig for delivery in Q4 2012. Engineering and Procurement activities are well underway.
- the US\$ 41 million contract with Weatherford Drilling International (BVI) Ltd. (“Weatherford”), announced on 30 March 2011, for the engineering, construction and delivery of two 3000 HP land drilling rigs. Delivery of the rigs is scheduled for Q1 2012, and construction is underway at our Hamriyah facility.
- US\$ 57 million jackup rig upgrade and refurbishment contract awards, as announced on 3 May 2011, from multiple clients and across the whole range of refurbishment services offered by the Group.

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

*“The first six months of 2011 have been encouraging for the Group. In February we announced the award by Greatship of a new contract to build a LeTourneau S116E jackup rig. This was followed, in March, with the announcement of a major contract with Weatherford for our Oilfield Engineering Services business. In addition we have remained active with rig upgrade and refurbishment projects.*

*It is particularly pleasing to note the strong health and safety performance of our operations, with lost a time injury frequency in the first half significantly below the industry average. This continues, nevertheless, to be an area of focus for the Group.*

*The acquisition of MIS, completed in July, is a transformational step for the Group. The complementary businesses, expanded regional footprint, and enhanced capacity, resources and expertise that the acquisition offers positions the business well for profitable growth. I take this opportunity to welcome both new customers and colleagues to the Lamprell Group and look forward to the exciting opportunities that lie ahead for the enlarged business.*

*Market conditions remain encouraging and the Group enjoys both a healthy order book, at US\$ 869 million, and a strong bid pipeline at US\$ 4.7 billion. As such the Board is confident of the prospects for the business, whilst remaining vigilant with regard to the risks posed by the volatile global economic climate.”*

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## **Chairman's Statement**

I am pleased to report that the performance of Lamprell plc and its subsidiaries in the first half of 2011 has been in line with management expectations with revenues of US\$ 383.6 million and an adjusted net profit of US\$ 27.0 million before exceptional charges. Furthermore bid activity remains at a high level. It is expected that the Company will perform in the full year in line with forecasts.

The Directors, having considered the Company's outlook, have resolved upon the payment of an interim dividend of 4.00 cents per ordinary share, with a Sterling equivalent of 2.44 pence per ordinary share, payable on 10<sup>th</sup> October 2011 to shareholders on the register on 9<sup>th</sup> September 2011.

### **Maritime Industrial Services Co. Ltd Inc.**

A major focus of the first half of the year was the acquisition of MIS, a company whose shares are listed on the Oslo Børs, for a total consideration of NOK 1,831 million (£203.8 million; US\$335 million). The acquisition was completed on 13<sup>th</sup> July 2011 and represents a significant step in Lamprell's evolution. It expands the breadth and depth of our service offering, our customer base, the geographical range of our operations and consolidates Lamprell's position as a regional leader in the rig market.

The acquisition was partly financed through a successful rights issue and, following a general meeting of MIS shareholders scheduled for 7<sup>th</sup> September 2011, it is anticipated that an application will be made for the MIS shares to be delisted.

The acquisition of MIS is compelling both financially and operationally. We believe that this transaction will rapidly create value for our shareholders: we anticipate that the transaction will be substantially earnings accretive in the first full year of ownership. In addition, as the enlarged group moves forward we will see both new business opportunities and operational and financial synergies, with cost synergies of US\$11 million per year expected. Lamprell now has 925,318 m<sup>2</sup> of yard space and 2.2 km of quayside, making the Company one of the large players within the Middle Eastern region.

There is a strong complementary fit between Lamprell and MIS. The combination of the groups enhances our in-house engineering capabilities, provides extra capacity and key resources and adds a number of established businesses in target geographies. This will enable the enlarged group to pursue new opportunities through its enhanced resource and technical competence.

We see real competitive advantage in the Company's combined engineering offering which will enable the enlarged group to offer a vertically integrated service to our clients through conceptual engineering, design engineering, and detailed engineering. This will help to increase margins by removing the need to outsource design engineering. The enlarged group will have greater access to new business in the downstream and onshore sectors.

Management has put together a detailed integration plan, and an integration committee has been appointed involving senior representatives from both Lamprell and MIS in order to implement the integration plan and identify and maximise synergies. Following meetings of the committee the organisational structure of the enlarged group has been finalised and savings have been identified. Integration of the two companies will be an ongoing process.

The physical relocation of the MIS management and finance teams has taken place and operationally, the integration of yards is also underway. Notably, the MIS facility in Sharjah is in an advanced stage of integration with the adjacent Lamprell yard.

On 15<sup>th</sup> August 2011 MIS reported its results for the six months to 30<sup>th</sup> June 2011, a period prior to the acquisition by Lamprell. Whereas revenue at US\$ 122.3 million was 36% down on the same period in 2010 and gross profit was reduced by increased losses on a significant refurbishment project, the non newbuild backlog increased by 29% from 31<sup>st</sup> December 2010, and net borrowings were reduced by 11.1% from US\$39.8 million to US\$35.4 million.

## **Market Overview**

In the first half of 2011 we saw improvements in our operating markets and bid activity remaining at a high level.

We have worked on a total of 26 rig upgrade and refurbishment projects in the year to date and these projects have included work scopes covering the full range of our services.

The previously reported increase in activity in the rig refurbishment and upgrade market has continued, representing a strong improvement from the lower levels of expenditure experienced in the second half of 2010. In the first half of 2011 we have secured orders from multiple clients to upgrade and refurbish a number of jackup rigs. As previously announced by early May 2011, these awards had a combined contract value of approximately US\$ 57 million, and since that date there have been further awards, together with orders for increased scopes of work under existing contracts.

The continuing strength of the market for new build jackup rigs was demonstrated early in the year by the award, by Greatship, of a contract for the construction and delivery of a completely outfitted and equipped, LeTourneau designed, self-elevating Mobile Offshore Drilling Platform of a Super 116E Class design. Activity in the newbuild sector is continuing, although there have been signs that the strengthening of demand is slowing down following the surge of orders that commenced in the second half of 2010. This has not currently affected the offshore construction market, and there are a number of projects and options currently in the pipeline.

The significant contract award from Weatherford in March 2011, the largest yet for our oilfield engineering business, illustrated the strength of the land rig market. There is an exciting opportunity for Lamprell in this developing regional market, in which we see Saudi Arabia, where MIS already has a presence, and Iraq providing new opportunities for the company as we move forward.

In the short-term, delays in the development of the wind turbine installation market means that activity in that sector has slowed down. The option which each of Fred Olsen Windcarrier AS ("Windcarrier") and Seajacks 3 LTD ("Seajacks") had to require the Company, in each case, to construct a new unit have expired and have not been extended. Discussions are ongoing, however, with Windcarrier with respect to its option. Windcarrier and Seajacks are both confident in the prospects for the offshore wind turbine installation market and have each indicated that they will require another liftboat when activity in this market picks up again.

As the sector matures in the medium and longer term, Lamprell's status as one of the leading providers of liftboats for offshore wind turbine installation positions the Company well for renewed activity in this market.

## **Operating Review**

Revenue in the first half of 2011 has been generated through the execution of multiple projects across all of Lamprell's operating segments.

We remain focused upon pro-active management of the Company's cost base, in particular the level of labour employed and the amount of hired equipment being utilised. In addition, the procurement group continues its work to establish strategic agreements with key suppliers and capture further cost savings.

We have also maintained our focus on project execution, with a particular emphasis on safety, quality and on time and on budget delivery. In addition we have continued to refine our operating structure to ensure that synergies relating to scope and scale are realised. This process, combined with our continuing strategic procurement initiative and capital investment programme, is expected to provide an ongoing reduction in operating costs and this will remain an area of focus for the Company throughout the balance of 2011 and beyond.

## **New Build Marine Projects**

Lamprell has worked on the construction of seven new build marine projects in the first half of 2011. These include four jackup drilling rigs, one liftboat at the Hamriyah Free Zone facility and two liftboats at the Jebel Ali facility.

### **S116E jackup drilling rigs**

Lamprell is currently constructing four LeTourneau Super 116E Class design jackup rigs at the Hamriyah facility. The level of progress on each project varies based on the date of the contract award and the delivery date.

In July 2010 National Drilling Company (“NDC”), Abu Dhabi, awarded Lamprell a contract for the construction and delivery of two jackup rigs for US\$ 158.5 million each. The construction of the hull for each rig is now advanced and the first hull will be launched in Q3 2011, followed by the second hull in Q4 2011. Following the launch the hull outfitting will be completed and the drilling packages plus remaining leg sections installed. The scheduled delivery of rig 1 is the middle of Q2 2012 and rig 2 the end of Q3 2012. The exercise period for the options that NDC has for two further jackup rigs has been extended beyond the 1 August 2011 deadline until 16<sup>th</sup> October 2011.

Eurasia Drilling Company signed a US\$ 210.0 million contract with Lamprell in November 2010 for one LeTourneau S116E jackup to be delivered in the Caspian Sea. This rig is being constructed in modular form and progress is significantly advanced, such that load-out of the modules is on schedule for Q1 2012. Following load-out, the modules will be transported via the Volga Don canal to the Caspian Sea for final assembly and delivery in 2013.

The fourth LeTourneau S116E jackup is under construction for Greatship following the contract award in February 2011. The engineering and procurement phase of this project has proceeded to schedule and the construction of the hull commenced, as planned, in Q3 2011. The scheduled delivery date is at the end of Q4 2012.

### **Liftboats**

Windcarrier awarded two contracts to the Company in February 2010 for an aggregate price of US\$ 320.4 million for the design, construction and delivery of two Gusto MSC NG-9000 design self-elevating and self-propelled offshore wind turbine installation vessels. 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.

Construction of both vessels is ongoing at the Company’s Jebel Ali facility and construction work on both hulls is advanced, with primary equipment being installed. Unit 1 will be loaded out in Q1 2012 and delivered in Q2 2012 whilst unit 2 will be loaded out in Q2 2012 and delivered late in Q3 2012.

Seajacks awarded a US\$ 129.0 million 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. 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.

This unit is being constructed in the Company’s Hamriyah Free Zone facility. The hull and leg construction is well advanced and load out and delivery are expected to take place, as scheduled, in Q1 2012 and Q2 2012 respectively.

## **Fixed offshore platforms**

The two well-head platforms comprising of jacket, topside platform and piles, constructed for a leading oil and gas operator in India were delivered at the Jebel Ali quayside to our consortium partner Swiber in Q1 2011 and were subsequently successfully installed in the North Tapti gas field development in India.

In August 2010 Lamprell was awarded a US\$ 40 million contract by a leading integrated energy provider for the construction of an offshore topside structure comprising a two level utility deck and a five level accommodation module for 38 personnel. The project is being constructed to North Sea standards at our Jebel Ali facility and is scheduled for delivery, alongside the Jebel Ali quay, in 2012.

## **Upgrade and refurbishment of offshore jackup rigs**

During the first six months of 2011, Lamprell has executed 26 upgrade and refurbishment projects at our Sharjah and Hamriyah facilities.

Notable projects have included rigs "655" and "656" for Nabors, the "Sagadrill 2" for Japan Drilling Company and the "Burj" for Burj LLC, part of the Millennium Offshore Services group ("Millennium"). The combined work scopes on these projects include living quarters' extensions, upgrade and refurbishment, as well as high volumes of condition-driven work such as structural steel renewal, piping replacement and painting.

## **Oilfield engineering services**

Throughout 2011 our oilfield engineering business unit 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 Weatherford, Momentum and Aker.

In addition, Lamprell secured a contract award from Weatherford in March 2011, for the engineering, construction and delivery of two 3000HP land drilling rigs, with a total contract value of USD 41 million. The initial engineering and procurement phases of this project have proceeded to schedule and construction is ongoing at the Jebel Ali facility, with delivery planned in Q1 2012.

## **Operational developments**

Lamprell has continued the program of capital investment in facilities and equipment throughout 2011 with the objective of increasing productivity and capacity.

At the Hamriyah Free Zone facility, the main office and permanent welfare facilities were completed earlier in 2011 and are now fully operational. In addition, the relocation to Hamriyah of our Oilfield Engineering API workshop was completed in July. This has released capacity at our Jebel Ali facility whilst allowing Oilfield Engineering operations to benefit from the synergies between land rig and jackup rig projects at the Hamriyah facility.

At our Jebel Ali facility we have commenced the construction of a corporate head office and the design phase of additional amenity and office facilities is also underway, with construction planned to commence in Q3 2011.

We also 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. The acquisition of MIS has added significantly to the construction equipment that is available for use in the Jebel Ali, Sharjah and Hamriyah facilities.

We believe the benefits of the investments that have been made and will continue to be made will support the ongoing development of our business throughout the remainder of 2011 and beyond.

## Financial Review

The results of Lamprell's activities for the half year ended 30 June 2011 are set out, in summary, below.

### Results for the six month period from operations

	2011 (US\$m)	2010 (US\$m)**	Change
Revenue	383.6	189.3	102.6%
Gross profit	44.5	35.3	26.1%
<i>Gross margin</i>	11.6%	18.6%	
Adjusted EBITDA *	33.6	27.0	24.4%
<i>Adjusted EBITDA margin *</i>	8.8%	14.3%	
Adjusted operating profit *	30.1	20.7	45.4%
<i>Adjusted operating margin *</i>	7.8%	10.9%	
Adjusted net profit *	27.0	19.3	39.9%
<i>Adjusted net margin *</i>	7.0%	10.2%	
Adjusted diluted earnings per share *	12.41c	8.85c	40.2%

\* For the current six month period stated before reflecting exceptional charges for various legal and professional charges amounting to US\$ 8.4 million (H1 2010: US\$ nil) incurred in connection with the acquisition by Lamprell plc of all of the issued share capital of MIS.

\*\* The trading results in 2010 reflect the results for the period including a one-off gain of net US\$ 20.4 million related to the cancellation of a contract, 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. The comparative figures for earnings per ordinary share and dividends per ordinary share have been restated for the bonus element of the June 2011 rights issue. The adjustment factor has been calculated by dividing the share price immediately before the shares were quoted ex-rights (351.3p) with the theoretical ex-rights price (323.77p), giving an adjustment factor of 1.085.

Group revenue for the period to 30 June 2011 increased by 102.6% to US\$ 383.6 million (H1 2010: US\$ 189.3 million). Revenue generated from new build projects increased significantly during the period largely as a result of a higher number of projects under construction in the first half year. This included four new build jackups and three liftboats for the windfarm installation sector. Revenue from jackup rig upgrade and refurbishment activity was lower than in H1 2010 reflecting a lower number of rigs refurbished. However, activity was higher than in H2 2010 during which the number of refurbishment projects decreased significantly. Revenues generated from the offshore new build activity, based in Jebel Ali, (including construction of Floating Production, Storage and Offloading units, accommodation units and also offshore wellhead platforms) decreased in the current period as a result of a number of projects being delivered in 2010.

Gross profit margin decreased to 11.6% for the period to 30 June 2011 (H1 2010: 18.6%), primarily a function of revenue mix and also reflected three new build projects contracted with lower margins. The gross margin on new build projects is generally lower as a result of a higher level of procurement of materials and sub-contractor work. The margin was also impacted by two new build jackup contracts with no reported margin at 30 June 2011, as the projects were less than 20% complete. Lower activity levels in the higher margin rig refurbishment business in comparison to the prior period negatively impacted the overall gross margin in the period although improvement in the gross margin on rig refurbishment was seen in comparison to the prior period, as a result of increases in scopes of work being undertaken.

Adjusted EBITDA (before exceptional charges) increased to US\$ 33.6 million (H1 2010 underlying: US\$ 27.0 million) an increase of 24.4% over the prior year driven by an improved operating performance. The adjusted EBITDA margin (before exceptional charges) for the period was 8.8% (H1 2010 underlying: 14.3%) also primarily due to the change in revenue mix.

Adjusted operating profit for the period (before exceptional charges) increased by 45.4% to US\$ 30.1 million (H1 2010 underlying: US\$ 20.7 million) mainly reflecting the increase in gross profit in the current period driven by a significant increase in revenues. The adjusted operating margin (before exceptional charges) of 7.8% is down from 10.9% in the corresponding period last year.

The adjusted net profit (before exceptional charges) increased by 39.9% to US\$ 27.0 million (H1 2010 underlying: US\$ 19.3 million) in line with the operating profit and also reflects net finance costs in the current period of US\$ 3.0 million (H1 2010: US\$ 1.4 million). These arose from facility and guarantee charges related to our new build projects. The adjusted net margin of 7.0% is a decrease from the net margin of 10.2% in the first half of 2010.

## **Taxation**

The Company, which is incorporated in the Isle of Man, has no income tax liability for the period ended 30 June 2011 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. Any potential taxation liability related to MIS or subsidiaries will be assessed post acquisition.

## **Earnings per share**

Adjusted fully diluted earnings per share (before exceptional charges) for the six month period to 30 June 2011 increased to 12.41 cents per share (H1 2010 underlying: 8.85 cents) reflecting primarily the underlying 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 reflected a net outflow of US\$ 21.7 million (H1 2010: US\$ 104.0 million net inflow). The net cash flow from operations was lower than the prior year six month period reflecting decreased profit for the period and movements in working capital, largely reflecting an increase in trade and other receivables, mainly arising as a result of an increase in amounts due from customers on contracts of US\$ 60.5 million. Amounts due to customers on contracts are lower by US\$ 31.1 million, largely reflecting the progress of the EPC projects.

Investing activities for the period absorbed US\$ 18.7 million (H1 2010: US\$ 16.8 million) and mainly comprise investments in property, operating plant and equipment, largely in the new Hamriyah facility, amounting to US\$ 28.0 million (H1 2010: US\$ 14.8 million), offset by a net decrease in deposits with an original maturity of more than three months of US\$ 7.0 million (H1 2010: US\$ 3.8 million) and by interest income for the period amounting to US\$ 1.0 million (H1 2010: US\$ 1.0 million).

Net cash inflow from financing activities amounted to US\$ 193.5 million (H1 2010: US\$ 32.6 million net outflow) and largely reflected the net proceeds from the rights issue of US\$ 216.8 million for the acquisition of MIS, offset by the final dividend payment for the year ended 31 December 2010 of US\$ 19.0 million and finance costs for the period of US\$ 4.1 million (H1 2010: US\$ 2.4 million).

## **MIS**

During the period, the Company entered into an agreement with MIS with the intention to acquire 100% of the shares in MIS. MIS is registered in Panama and has operations in the Middle East and Kazakhstan. The principal activities of MIS are the upgrade and refurbishment of offshore jackup rigs, fabrication, assembly and new build construction for the offshore oil and gas sector, engineering and construction, safety and training services and other operating and maintenance services. MIS is listed on the Norwegian Stock Exchange. LIH made a voluntary offer to the shareholders of MIS on 19 May 2011 for a consideration of NOK 38 per share. LIH received acceptance from 99.76% of the shareholders of MIS before expiry of the offer on 29 June 2011 and announced that the offer was successful on 30 June 2011. Further, LIH also issued a cash cancellation offer to the option holders of MIS for cancellation of the options held by them and received acceptances from the majority of the option holders before expiry of the cash cancellation offer on 29 June 2011.

As per the transaction agreement dated 19 May 2011 between the Company and MIS, the shareholders of MIS accepting the offer remained owners of their shares, including retaining their right to vote for their shares and other shareholder rights, until settlement pursuant to the offer was completed. Subsequent to the balance sheet date, LIH settled in cash the consideration payable to the shareholders and option holders of MIS who accepted the voluntary offer and cash cancellation offer respectively on 13 July 2011. Further, LIH extended the mandatory offer to the remaining shareholders of MIS (0.24%) who did not accept the voluntary offer. The mandatory offer expired on 17 August 2011 and the settlement is expected on or before 31 August 2011.

As LIH acquired more than half of the voting rights (99.76%) on 13 July 2011, the control of MIS transferred to LIH on 13 July 2011. The consideration for the transfer of shares of MIS and cancellation of options amounted to approximately USD 335 million. The net assets of MIS as at 31 March 2011 amounted to USD 197.4 million. Management will perform a purchase price allocation in accordance with IFRS 3 (revised) "Business Combinations" in the second half of the year.

The Company entered into a facility agreement with HSBC on 19 May 2011, whereby the Group would receive various facilities to partly fund the acquisition of MIS and also for other capital expenditure and working capital purposes. Subsequent to the balance sheet date, LIH made a drawdown of USD 137 million which was utilised to settle the cash consideration payable to the shareholders and option holders of MIS.

## **Risks and uncertainties**

A number of potential risks and uncertainties exist which could have a material impact on the Company'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 2010 save in connection with the acquisition of MIS and as highlighted on pages 8 to 22 of the prospectus published by the Company on 19<sup>th</sup> May 2011. 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 20 and 21 of the Annual Report, which is available for download at [www.lamprell.com](http://www.lamprell.com).

The Company's 2010 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 Company's dependence upon a small number of contracts and customers; 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; and the Company operates in a highly competitive industry. In addition, the hedging strategy of the Company to cover foreign currency exposures related to procurement on major contracts. The May 2011 prospectus highlighted the risks that arise from the acquisition of MIS, including that the construction costs of Hull 108 may not be recovered; that certain of MIS's leases are subject to three months' termination periods; that MIS may be required to make substantial capital contributions to the joint ventures in which it participates; and that the anticipated synergies of the acquisition may not be achieved.

## **Outlook**

At 31 July 2011, the total order book was approximately US\$ 869 million extending to Q1 2013. 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, other potential projects including contractual options and the opportunities arising from the MIS business, gives the Board confidence of meeting management expectations in the second half of 2011 and beyond.

**Jonathan Silver**  
Chairman

Lamprell plc  
**30 August 2011**

**Lamprell plc****Consolidated balance sheet**

	Note	<u>At 30 June</u> 2011 USD'000 (Unaudited)	<u>At 31 December</u> 2010 USD'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	133,696	113,304
Intangible assets	9	2,397	2,413
Held-to-maturity investment	10	6,875	6,875
Derivative financial instruments	16	-	2,517
		<u>142,968</u>	<u>125,109</u>
<b>Current assets</b>			
Inventories		7,902	9,458
Trade and other receivables		311,293	251,124
Financial asset at fair value through profit or loss		-	2,500
Derivative financial instruments	16	16,821	-
Cash and bank balances	11	357,399	210,223
		<u>693,415</u>	<u>473,305</u>
<b>Total assets</b>		<u><u>836,383</u></u>	<u><u>598,414</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	12	23,552	18,682
Share premium	12	211,962	-
Legal reserve	13	33	33
Merger reserve	14	(22,422)	(22,422)
Translation reserve		489	777
Hedging reserve		15,302	(134)
Retained earnings		287,201	287,032
<b>Total equity</b>		<u>516,117</u>	<u>283,968</u>
<b>Non-current liabilities</b>			
Provision for employees' end of service benefits	15	19,237	18,524
Derivative financial instruments	16	-	2,651
		<u>19,237</u>	<u>21,175</u>
<b>Current liabilities</b>			
Trade and other payables		301,029	293,271
<b>Total liabilities</b>		<u>320,266</u>	<u>314,446</u>
<b>Total equity and liabilities</b>		<u><u>836,383</u></u>	<u><u>598,414</u></u>

## Lamprell plc

### Consolidated income statement

	Note	Six months ended 30 June	
		2011 USD'000 (Unaudited)	2010 USD'000 (Unaudited)
Revenue	4	383,618	189,294
Cost of sales		(339,079)	(153,949)
<b>Gross profit</b>		<u>44,539</u>	<u>35,345</u>
Other operating income	5	-	24,397
Selling and distribution expenses		(1,156)	(560)
General and administrative expenses		(23,685)	(16,245)
Other gains/(losses) – net		<u>1,945</u>	<u>(1,856)</u>
<b>Operating profit</b>	7	<u>21,643</u>	<u>41,081</u>
Analysed as:			
Operating profit before exceptional items		30,050	41,081
- Exceptional items	22	<u>(8,407)</u>	<u>-</u>
Operating profit after exceptional items		<u>21,643</u>	<u>41,081</u>
Finance costs		(4,056)	(2,431)
Finance income		<u>1,007</u>	<u>1,009</u>
<b>Profit for the period attributable to the equity holders of the Company</b>		<u>18,594</u>	<u>39,659</u>
<b>Earnings per share attributable to the equity holders of the Company</b>			
Basic	6	<u>8.58c</u>	<u>18.36c*</u>
Diluted	6	<u>8.55c</u>	<u>18.23c*</u>

\* Earnings per share disclosure has been restated for the bonus element of the 2011 rights issue (Note 6).

## Lamprell plc

### Consolidated statement of comprehensive income

	Note	<u>Six months ended 30 June</u>	
		2011 USD'000 (Unaudited)	2010 USD'000 (Unaudited)
Profit for the period		18,594	39,659
<b>Other comprehensive income</b>			
Currency translation differences		(288)	457
Cash flow hedges:			
Net gain/(loss) recognised in other comprehensive income	16	18,351	(11,282)
Net amount transferred to the income statement	16	(2,915)	905
		<u>          </u>	<u>          </u>
<b>Other comprehensive income/(loss) for the period</b>		15,148	(9,920)
		<u>          </u>	<u>          </u>
<b>Total comprehensive income for the period attributable to the equity holders of the Company</b>		33,742	29,739
		<u>          </u>	<u>          </u>

Lamprell plc

Consolidated statement of changes in equity

	Note	Share capital USD'000	Share premium 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
<b>At 1 January 2010</b>		18,682	-	31	(22,422)	98	-	238,401	234,790
Profit for the period		-	-	-	-	-	-	39,659	39,659
<b>Other comprehensive income:</b>									
Currency translation differences		-	-	-	-	457	-	-	457
Cash flow hedges	16	-	-	-	-	-	(10,377)	-	(10,377)
<b>Total other comprehensive income/(loss)</b>		-	-	-	-	457	(10,377)	-	(9,920)
<b>Total comprehensive income/(loss) for the period ended 30 June 2010</b>		-	-	-	-	457	(10,377)	39,659	29,739
<b>Transactions with owners:</b>									
Share based payments:									
– value of services provided		-	-	-	-	-	-	929	929
Dividends	18	-	-	-	-	-	-	(7,589)	(7,589)
<b>Total transactions with owners</b>		-	-	-	-	-	-	(6,660)	(6,660)
<b>At 30 June 2010 (Unaudited)</b>		18,682	-	31	(22,422)	555	(10,377)	271,400	257,869

**Lamprell plc**

**Consolidated statement of changes in equity (continued)**

	Note	Share capital USD'000	Share premium 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
<b>At 1 July 2010</b>		18,682	-	31	(22,422)	555	(10,377)	271,400	257,869
Profit for the period		-	-	-	-	-	-	25,568	25,568
<b>Other comprehensive income:</b>									
Currency translation differences		-	-	-	-	222	-	-	222
Cash flow hedges	16	-	-	-	-	-	10,243	-	10,243
<b>Total other comprehensive income/(loss)</b>		-	-	-	-	222	10,243	-	10,465
<b>Total comprehensive income for the period ended 31 December 2010</b>		-	-	-	-	222	10,243	25,568	36,033
<b>Transactions with owners:</b>									
Share based payments:									
– value of services provided		-	-	-	-	-	-	1,131	1,131
Treasury shares purchased	12	-	-	-	-	-	-	(3,475)	(3,475)
Transfer to legal reserve	13	-	-	2	-	-	-	(2)	-
Dividends	18	-	-	-	-	-	-	(7,590)	(7,590)
<b>Total transactions with owners</b>		-	-	2	-	-	-	(9,936)	(9,934)
<b>At 31 December 2010 (Audited)</b>		18,682	-	33	(22,422)	777	(134)	287,032	283,968

**Lamprell plc**

**Consolidated statement of changes in equity (continued)**

	Note	Share capital USD'000	Share premium 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
<b>At 1 January 2011</b>		18,682	-	33	(22,422)	777	(134)	287,032	283,968
Profit for the period		-	-	-	-	-	-	18,594	18,594
<b>Other comprehensive income:</b>									
Currency translation differences		-	-	-	-	(288)	-	-	(288)
Cash flow hedges	16	-	-	-	-	-	15,436	-	15,436
<b>Total other comprehensive income/(loss)</b>		-	-	-	-	(288)	15,436	-	15,148
<b>Total comprehensive income/(loss) for the period ended 30 June 2011</b>		-	-	-	-	(288)	15,436	18,594	33,742
<b>Transactions with owners:</b>									
Share based payments:									
– value of services provided		-	-	-	-	-	-	771	771
Treasury shares purchased	12	-	-	-	-	-	-	(455)	(455)
Proceeds received from exercise of share options	12	-	-	-	-	-	-	187	187
Proceeds from shares issued (net)	12	4,870	211,962	-	-	-	-	-	216,832
Dividends	18	-	-	-	-	-	-	(18,928)	(18,928)
<b>Total transactions with owners</b>		4,870	211,962	-	-	-	-	(18,425)	198,407
<b>At 30 June 2011 (Unaudited)</b>		23,552	211,962	33	(22,422)	489	15,302	287,201	516,117

## Lamprell plc

### Consolidated statement of cash flows

	Note	<u>Six months ended 30 June</u>	
		2011	2010
		USD'000	USD'000
<b>Operating activities</b>			
Net cash (used in)/generated from operating activities	23	(21,700)	104,008
<b>Investing activities</b>			
Additions to property, plant and equipment	8	(27,960)	(14,759)
Additions to intangible assets	9	(28)	-
Proceeds from sale of property, plant and equipment		27	7
Held-to-maturity investment	10	-	(6,875)
Finance income		1,007	1,009
Proceeds from sale of financial asset at fair value through profit or loss		2,589	-
Deposits with an original maturity of more than three months	11	6,959	3,847
Movement in margin deposits	11	(1,317)	(65)
Net cash used in investing activities		(18,723)	(16,836)
<b>Financing activities</b>			
Proceeds from shares issued (net of expenses)	12	216,832	-
Treasury shares purchased	12	(455)	-
Proceeds received from exercise of share options	12	187	-
Dividends paid	18	(18,979)	(7,595)
Repayment of borrowings – revolving facilities		-	(22,547)
Finance costs		(4,056)	(2,431)
Net cash generated from/(used in) financing activities		193,529	(32,573)
<b>Net increase in cash and cash equivalents</b>		<b>153,106</b>	<b>54,599</b>
Cash and cash equivalents, beginning of the period	11	136,804	49,241
Exchange rate translation		(288)	388
Cash and cash equivalents, end of the period	11	289,622	104,228

## 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 condensed 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 Fort Anne, 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
LEL	100	100	Isle of Man
Lamprell Investment Holdings Ltd. (“LIH”) (incorporated on 4 May 2011)			British Virgin Islands
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 <sup>+</sup>	100	UAE
Lamprell Asia Limited (“LAL”)	100 <sup>++</sup>	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 17).

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

<sup>+</sup> 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.

<sup>++</sup> 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 is held by LE FZCo.

## **2 Summary of significant accounting policies**

### **2.1 Basis of preparation**

The condensed consolidated interim financial information for the six months ended 30 June 2011 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 2010, which have been prepared in accordance with IFRSs as adopted by the EU. After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its financial statements. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

### **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 2010, as described in those financial statements. The annual financial statements for the year ended 31 December 2010 are available on the Company’s website ([www.lamprell.com](http://www.lamprell.com)).

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. These are material items of income or expense that have been shown separately due to the significance of their nature or amount.

IAS 32 (Amendment), ‘Classification of rights issues’ was effective and adopted by the Group in the current period.

The preparation of condensed consolidated 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 2011, but are not currently relevant for the Group.

- IFRIC 19, ‘Extinguishing financial liabilities with equity instruments’ (effective 1 July 2010);
- IFRS 2 (Amendments), ‘Share based payment’ (effective 1 July 2010). Scope of IFRS 2 & IFRS 3 (revised);
- IAS 24 (revised), ‘Related party disclosures’ (effective 1 January 2011); and
- IAS 39 (Amendment) – ‘Eligible hedged items’, Financial Instruments: Recognition and measurement’ (effective 1 July 2010).

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

- IFRS 9, 'Financial instruments', (effective 1 January 2013);
- IFRIC 14 (Amendment), 'Prepayments of a minimum funding requirement', (effective 1 January 2012).
- IFRS 10 - 'Consolidated financial statements'. The standard is applicable beginning on or after 1 January 2013. Early application is permitted.
- IFRS 11 - 'Joint arrangements'. The standard is applicable beginning on or after 1 January 2013. Early application is permitted.
- IFRS 12 - 'Disclosure of interests in other entities'. The standard is applicable beginning on or after 1 January 2013. Early application is permitted.
- IFRS 13 - 'Fair value measurement'. This standard is applicable beginning on or after 1 January 2013. Early application is permitted.

### **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 13 million (H1 2010: USD 2.7 million) if the total costs to completion are decreased by 10% and the revenue and profit would decrease by USD 11.8 million (H1 2010: USD 2.5 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 5.25% (2010: 5.25%). 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 0.6 million (2010: USD 0.6 million) lower or USD 0.7 million (2010: USD 0.7 million) 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
<b>Six months ended 30 June 2011</b>			
Total segment revenue	375,745	9,828	385,573
Inter-segment revenue	-	(1,955)	(1,955)
	<u>375,745</u>	<u>7,873</u>	<u>383,618</u>
Revenue from external customers	375,745	7,873	383,618
	<u>51,958</u>	<u>2,525</u>	<u>54,483</u>
Gross profit	<u>51,958</u>	<u>2,525</u>	<u>54,483</u>
<b>Six months ended 30 June 2010</b>			
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	<u>44,661</u>	<u>1,174</u>	<u>45,835</u>

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>	
	2011	2010
	USD'000	USD'000
Gross operating profit for the reportable segments as reported to the Executive Directors	51,958	44,661
Gross operating profit for other segments as reported to the Executive Directors	2,525	1,174
Unallocated:		
Under-absorbed employee and equipment costs	(2,725)	(3,835)
Repairs and maintenance	(5,562)	(3,687)
Yard rent	(1,523)	(1,551)
Others	(134)	(1,417)
	<u>44,539</u>	<u>35,345</u>
Gross profit	44,539	35,345
Other operating income	-	24,397
Selling and distribution expenses	(1,156)	(560)
General and administrative expenses	(23,685)	(16,245)
Other gains/(losses)-net	1,945	(1,856)
Finance costs	(4,056)	(2,431)
Finance income	1,007	1,009
	<u>18,594</u>	<u>39,659</u>
Profit for the period	<u>18,594</u>	<u>39,659</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 for the period ended 30 June 2010 of USD 24.4 million includes a gain of USD 23.9 million arising on the cancellation of a contract with a customer.

## **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 EBT and held as treasury shares (Note 12).

### *(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>	
	2011	2010
	USD'000	USD'000
The calculations of earnings per share are based on the following profit and numbers of shares:		
Profit for the period	18,594	39,659
Weighted average number of shares for basic earnings per share	216,658,038	215,953,887
Adjustments for:		
- Assumed exercise of free share awards	203,338	1,197,423
- Assumed vesting of executive share options	448,149	377,232
- Assumed vesting of performance share plan	243,023	16,051
Weighted average number of shares for diluted earnings per share	217,552,548	217,544,593
Weighted average number of shares for basic earnings per share (previously stated)		199,035,841
Impact of bonus element of the rights issue		16,918,046
Weighted average number of shares for basic earnings per share (revised)		215,953,887
Earnings per share:		
Basic	8.58c	18.36c
Diluted	8.55c	18.23c

On 19 May 2011, the Company announced a rights issue of three shares for every ten shares held at a discounted price of 232 pence per share resulting in the issue of 60,083,792 new ordinary shares. The calculation of the weighted average number of ordinary shares for the current period was affected by the issue of the new ordinary shares. The Group has treated the discount element of the rights issue as if it were a bonus issue, using the theoretical ex-rights price of 324 pence per share. The effect of this is to increase the weighted average number of shares reported in the prior period, with a resulting reduction in the reported basic and diluted earnings per share for the previous period. The adjustment factor, to effect the increase in the weighted average number of shares, has been calculated by dividing the share price immediately before the shares were quoted ex-rights (351p) with the theoretical ex-rights price (324p), giving an adjustment factor of 1.085. These adjustments to the comparative EPS calculations do not impact the consolidated income statement and consolidated balance sheet previously reported.

## 7 Operating profit

Operating profit is stated after charging/(crediting):

	<u>Six months ended 30 June</u>	
	2011	2010
	USD'000	USD'000
Depreciation (Note 8)	7,527	6,234
Operating lease rentals – land and buildings	6,550	7,183
Gain on cancellation of a contract (Note 5)	-	(23,925)

## 8 Property, plant and equipment

	USD'000
<b>Net book amount at 1 January 2010</b>	97,690
Additions	14,759
Exchange differences	69
Net book amount of disposals	(11)
Depreciation	(6,234)
<b>Net book amount at 30 June 2010</b>	106,273
Additions	14,965
Exchange differences	166
Net book amount of disposals	(640)
Depreciation	(7,460)
<b>Net book amount at 31 December 2010</b>	113,304
Additions	27,960
Net book amount of disposals	(41)
Depreciation	(7,527)
<b>Net book amount at 30 June 2011</b>	133,696

The additions of USD 28 million during the current period comprise USD 13.6 million additions to capital work-in-progress, USD 8.5 million additions to buildings and infrastructure, and USD 5.9 million additions to other fixed assets.

## 9 Intangible assets

	Leasehold right USD'000	Work-in- progress USD'000	Total USD'000
<b>Net book amount at 1 January 2010</b>	1,310	-	1,310
Amortisation	(44)	-	(44)
<b>Net book amount at 30 June 2010</b>	1,266	-	1,266
Additions	-	1,191	1,191
Amortisation	(44)	-	(44)
<b>Net book amount at 31 December 2010</b>	1,222	1,191	2,413
Additions	-	28	28
Amortisation	(44)	-	(44)
<b>Net book amount at 30 June 2011</b>	1,178	1,219	2,397

Work-in-progress represents the cost incurred towards the implementation of an Enterprise Resource Planning software.

## 10 Held-to-maturity investment

	<u>At 30 June</u> 2011 USD'000	<u>At 31 December</u> 2010 USD'000
Deposit with a fixed interest rate of 1.75% and a maturity date of 3 October 2012	6,875	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 2011, the fair value of the held-to-maturity investment is USD 6.8 million (2010: USD 6.8 million).

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

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

## 11 Cash and bank balances

	<u>At 30 June</u> 2011 USD'000	<u>At 31 December</u> 2010 USD'000
Cash at bank and on hand	267,714	36,916
Short term and margin deposits	89,685	173,307
Cash and bank balances	357,399	210,223
Less: Margin deposits	(7,290)	(5,973)
Less: Deposits with an original maturity of more than 3 months	(60,487)	(67,446)
Cash and cash equivalents (for cash flow purpose)	289,622	136,804

At 30 June 2011, the cash at bank and short term deposits were held with eight banks (31 December 2010: eight banks). The effective average interest rate earned on short term deposits was 1.81% (31 December 2010: 2.08%) per annum. Margin deposits of USD 7.3 million (2010: USD 6 million) and deposits with an original maturity of more than 3 months amounting to USD 54.4 million (2010: 67.5 million) are held under lien against guarantees issued (Note 20).

## 12 Share capital and share premium

### Issued and fully paid ordinary shares

	Number	<u>Equity share capital</u> USD'000	<u>Share premium</u> USD'000
At 1 January 2010 and 31 December 2010	200,279,309	18,682	-
Add: new shares issued during the period	60,083,792	4,870	221,089
Less: transaction costs relating to the rights issue		-	(9,127)
	<hr/>	<hr/>	<hr/>
At 30 June 2011	260,363,101	23,552	211,962
	<hr/>	<hr/>	<hr/>

The total authorised number of ordinary shares is 400 million (2010: 400 million shares) with a par value of 5 pence per share (2010: 5 pence per share).

During the period, the Company successfully carried out a fully underwritten rights issue in order to fund the proposed acquisition of 100% of the shares in Maritime Industrial Services Co. Ltd. Inc ("MIS") (Note 21). The rights issue offered three new ordinary shares for every ten ordinary shares held by each shareholder at an issue price of 232 pence per new ordinary share. The rights issue was subscribed and paid up as at 30 June 2011. The Company issued 60,083,792 new ordinary shares through the rights issue and received proceeds amounting to GBP 139.4 million (USD 226 million).

The paid-in capital from the rights issue is split between the par value of the shares issued (USD 4.9 million) and the share premium at the date of issue (USD 221.1 million) less any directly attributable transaction costs (USD 9.1 million). These new ordinary shares will rank pari passu in all respects with the existing ordinary shares, including the right to all future dividends and other distributions declared, made or paid, save that they will not carry the right to the 2010 final dividend.

During 2011, EBT acquired 171,565 shares (2010: 722,453 shares) of the Company. The total amount paid to acquire the shares was USD 0.5 million (2010: USD 3.5 million) and has been deducted from the consolidated retained earnings. During 2011, 705,253 shares (2010: 781,574 shares) amounting to USD 1.9 million (2010: USD 1.9 million) were issued to employees on vesting of the free shares/share options and 743,450 shares (31 December 2010: 1,277,138 shares) were held as treasury shares at 30 June 2011. During 2011, the company received USD 0.2 million in respect of exercise price on vesting of share options. 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.

## 13 Legal reserve

The legal reserve of USD 33,436 at 30 June 2011 (31 December 2010: USD 33,436) 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.

## 14 Merger reserve

	At 1 January 2010, 31 December 2010 and 30 June 2011 USD'000
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.

## 15 Provision for employees' end of service benefits

	USD'000
<b>At 1 January 2010</b>	15,150
Charge for the period	1,709
Payments during the period	(645)
	<hr/>
<b>At 30 June 2010</b>	16,214
Charge for the period	2,737
Payments during the period	(427)
	<hr/>
<b>At 31 December 2010</b>	18,524
Charge for the period	1,881
Payments during the period	(1,168)
	<hr/>
<b>At 30 June 2011</b>	19,237
	<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 3.5% to 5% (2010: 3.5% 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 5.25% (2010: 5.25%).

## 16 Derivative financial instruments

	2011			2010		
	Notional contract amount	Assets	Liabilities	Notional contract amount	Assets	Liabilities
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Derivatives designated as hedging instruments in cash flow hedges						
- Forward foreign exchange contracts	428,765	16,821	-	36,310	2,517	-
- Forward foreign exchange contracts	-	-	-	85,301	-	2,651
Total	<u>428,765</u>	<u>16,821</u>	<u>-</u>	<u>121,611</u>	<u>2,517</u>	<u>2,651</u>

During 2010, LEL 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. These contracts mature within 24 months from the date of inception.

During 2011, the Group entered into three forward contracts to hedge its foreign currency exposure on expected NOK payments with respect to the proposed acquisition of MIS (Note 21). The notional principal amount at the date of inception of these contracts was NOK 1,864 million. These contracts mature on or before 1 September 2011.

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.

During the period, a fair value movement of USD 18,351,000 (H1 2010: loss of USD 11,282,000 and H2 2010: gain of USD 10,978,000) was recorded in equity and an amount of USD 2,915,000 (H1 2010: loss of USD 905,000 and H2 2010: gain of USD 735,000) was recycled from equity to the income statement. The net movement in the hedging reserve during the six months period was a gain of USD 15,436,000 (H1 2010: loss of USD 10,377,000 and H2 2010: gain of USD 10,243,000).

The hedged highly probable forecast transactions denominated in foreign currency are expected to occur at various dates during the next 12 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 2011 are recognised in the consolidated income statement in the period or periods during which the hedged forecast transaction affects the consolidated income statement. In the event that the settlement of the hedge transaction results into recognition of a non-financial asset, the entity has a choice of whether to apply basis adjustment or retain the hedging gain or loss in equity and report it in profit or loss when the asset affects profit or loss.

This risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties, using the same techniques as for other counterparties.

The derivative financial instruments are gross settled and the maturity profile based on the year end rates of the expected undiscounted amounts payable and receivable at 30 June 2011 are as follows:

	2011 USD'000	2010 USD'000
<b>Receivable</b>		
Within one year	428,765	89,061
After one year but not more than two years	-	32,550
	<u>428,765</u>	<u>121,611</u>
<b>Payable</b>		
Within one year	414,107	88,683
After one year but not more than two years	-	32,562
	<u>414,107</u>	<u>121,245</u>

## 17 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>	
	2011 USD'000	2010 USD'000
Key management compensation	4,389	4,598
Sponsorship fees paid to the legal shareholders of Lamprell Dubai LLC and Lamprell Sharjah WLL	72	72
Key management compensation comprises:		
Salaries and other short term employee benefits	3,829	4,096
Share based payments – value of service provided	374	411
Post-employment benefits	186	91
	<u>4,389</u>	<u>4,598</u>

Dividends paid by the Company include an amount of USD 6.4 million (H1 2010: USD 2.7 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 6.3 million (H1 2010: USD 2.5 million) was paid to LHL, a company controlled by Steven Lamprell who is a member of key management.

## 18 Dividends

During the period (on 25 March 2011), the Board of Directors of the Company approved a final dividend of USD 19 million (post-rights issue US cents 8.7 per share; pre-rights issue US cents 9.5 per share) relating to the year ended 31 December 2010 which was paid during the period ended 30 June 2011.

During 2010 (on 26 March 2010 and 20 August 2010), the Board of Directors of the Company approved dividends of USD 15.2 million comprising USD 7.6 million (post-rights issue US cents 3.8 per share; pre-rights issue US cents 3.5 per share) relating to 2009 and an interim dividend of USD 7.6 million (post-rights issue US cents 3.8 per share; pre-rights issue US cents 3.5 per share) for 2010. At 31 December 2010, unpaid dividends amounted to USD 51,000.

## Impact of the 2011 rights issue

On 19 May 2011, the Company announced a rights issue of three shares for every ten shares held by the qualified shareholder at a discounted price of 232 pence per share resulting in the issue of 60,083,792 new ordinary shares. In the absence of specific guidance in IFRS, the dividend per share amounts above have been adjusted for the bonus element included within the 2011 rights issue in line with the restatement of prior period earnings per share amounts required by IAS 33 'Earnings per share' (Note 6).

### 19 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 1 to 25 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> 2011 USD'000	<u>At 31 December</u> 2010 USD'000
Not later than one year	5,017	6,886
Later than one year but not later than five years	13,119	10,816
Later than five years	43,994	31,108
	<u>62,130</u>	<u>48,810</u>

#### (b) Other commitments

Letters of credit for purchase of materials and operating equipment	6,007	3,433
	<u>6,007</u>	<u>3,433</u>
Capital commitments for purchase of operating equipment	5,163	2,416
	<u>5,163</u>	<u>2,416</u>
Capital commitments for construction of a facility	18,894	13,555
	<u>18,894</u>	<u>13,555</u>

### 20 Bank guarantees

	<u>At 30 June</u> 2011 USD'000	<u>At 31 December</u> 2010 USD'000
Performance/bid bonds	108,895	126,284
Advance payment, labour visa and payment guarantees	372,216	292,126
	<u>481,111</u>	<u>418,410</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.

## **21 Events after balance sheet date**

The Board of Directors of the Company have proposed an interim dividend of 4 cents per share amounting to USD 10.4 million at a meeting held on 26 August 2011. In accordance with the accounting policy under IFRS set out in Note 2.16 of the annual financial statements for the year ended 31 December 2010, this dividend has not been accrued at 30 June 2011.

### **Acquisition of MIS**

During the period, the Company entered into an agreement with MIS with the intention to acquire 100% of the shares in MIS. MIS is registered in Panama and has operations in the Middle East and Kazakhstan. The principal activities of MIS are the upgrade and refurbishment of offshore jackup rigs, fabrication, assembly and new build construction for the offshore oil and gas sector, engineering and construction, safety and training services and other operating and maintenance services. MIS is listed on the Norwegian Stock Exchange. LIH made a voluntary offer to the shareholders of MIS on 19 May 2011 for a consideration of NOK 38 per share. LIH received acceptance from 99.76% of the shareholders of MIS before expiry of the offer on 29 June 2011 and announced that the offer was successful on 30 June 2011. Further, LIH also issued a cash cancellation offer to the option holders of MIS for cancellation of the options held by them and received acceptances from the majority of the option holders before expiry of the cash cancellation offer on 29 June 2011.

As per the transaction agreement dated 19 May 2011 between the Company and MIS, the shareholders of MIS accepting the offer will remain owners of their shares, including retaining their right to vote for their shares and other shareholder rights, until settlement pursuant to the offer is completed. Subsequent to the balance sheet date, LIH settled in cash the consideration payable to the shareholders and option holders of MIS who accepted the voluntary offer and cash cancellation offer respectively on 13 July 2011. Further, LIH extended the mandatory offer to the remaining shareholders of MIS (0.24%) who did not accept the voluntary offer. The mandatory offer expired on 17 August 2011 and the settlement is expected on or before 31 August 2011.

As LIH acquired more than half of the voting rights (99.76%) on 13 July 2011, the control of MIS transferred to LIH on 13 July 2011. The consideration for transfer of shares of MIS and cancellation of options amounted to approximately USD 335 million. The net assets of MIS as at 31 March 2011 amounted to USD 197.4 million. Management will perform a purchase price allocation in accordance with IFRS 3 (revised) "Business Combinations" in the second half of the year.

The Company entered into a facility agreement with HSBC on 19 May 2011, whereby the Group would receive various facilities to partly fund the acquisition of MIS and also for other capital expenditure and working capital purposes. Subsequent to the balance sheet date, LIH made a drawdown of USD 137 million which was utilised to settle the cash consideration payable to the shareholders and option holders of MIS.

## **22 Exceptional items**

Items that are material either because of their size or their nature or that are non-recurring are presented within their relevant consolidated income statement category, but highlighted separately in the consolidated income statement. The separate reporting of exceptional items helps provide a better picture of the Group's underlying performance.

An analysis of the amounts presented as exceptional items in these financial statements is given below.

	<u>Six months ended 30 June</u>	
	2011	2010
	USD'000	USD'000
<b>Acquisition-related costs</b>		
Financial advisory fees	5,024	-
Legal fees	1,362	-
Professional fees	1,220	-
Other expenses	801	-
	<u>8,407</u>	<u>-</u>

## 23 Cash flow from operating activities

	Note	<u>Six months ended 30 June</u>	
		2011	2010
		USD'000	USD'000
<b>Operating activities</b>			
Profit for the period		18,594	39,659
Adjustments for:			
Share based payments - value of services provided		771	929
Depreciation	8	7,527	6,234
Amortisation of intangible assets	9	44	44
Loss on disposal of property, plant and equipment		14	4
Gain on cancellation of a contract	5	-	(23,925)
Provision for slow moving and obsolete inventories		639	217
Provision for impairment of trade receivables		48	-
Provision for employees' end of service benefits	15	1,881	1,709
Unrealised gain on derivative financial instruments		(1,519)	-
Fair value gain on financial assets at fair value through profit or loss		(89)	-
Finance costs		4,056	2,431
Finance income		(1,007)	(1,009)
		<u>30,959</u>	<u>26,293</u>
Operating cash flows before payment of employees' end of service benefits and changes in working capital		30,959	26,293
Payment of employees' end of service benefits	15	(1,168)	(645)
Changes in working capital:			
Inventories before movement in provision		917	(4,471)
Trade and other receivables before movement in provision for impairment of trade receivables		(60,217)	13,838
Trade and other payables excluding unpaid dividend		7,809	68,993
		<u>(21,700)</u>	<u>104,008</u>
Net cash (used in)/generated from operating activities		(21,700)	104,008

## **Statement of Directors' responsibilities**

The directors confirm that, to the best of their knowledge, this consolidated interim financial information has 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 2010. On 26 January 2011, Christopher Hand was appointed as an Executive Director. A list of current directors is maintained on the Lamprell plc website [www.lamprell.com](http://www.lamprell.com).

The Directors of Lamprell plc are responsible for the maintenance and integrity of the company's website. Legislation in the Isle of Man governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.