

Chief Executive's Review

Nigel McCue



2011 was a very positive year for the Company, with contract awards totalling USD 1.1bn together with a backlog of USD 1.2bn at the year-end. The transformational acquisition of Maritime Industrial Services Co. Ltd. Inc. ("MIS") significantly contributed to consolidating our position as a market leader in the provision of contracting products and services in the oil & gas and renewables industry together with increasing our reach into new regional markets. Ongoing strength in the oil price has also helped to bolster a record bid pipeline and we ended the

year with unprecedented levels of enquiries and bid activity.

The results for the year were very pleasing with revenues totalling USD 1,148m, resulting in an adjusted net profit for the year of USD 73.8m (USD 63.3m after exceptional charges) reinforcing the firm commercial foundations of the business.

Our longstanding strategy of maintaining a strong balance sheet has continued to underpin our disciplined fiscal approach to our business even as

markets became more active, and this rigorous control remains central to our activities.

We also continue to focus on delivering best in class execution of projects, and once again in 2011 we saw the benefits of this delivery-led strategy as repeat business contributed significantly to revenues.

The Group maintains a substantial order book extending to Q2 2014 which at the end of 2011, was USD 1.2bn, comprising USD 914m from new build marine projects, USD 220m from offshore construction projects, including offshore wellhead platforms, floating production storage and offloading units and accommodation modules, USD 17m from Land Rig Services, USD 14m from Jackup Rig Refurbishment projects, and USD 50m from the Group's other fabrication activities and subsidiary operating companies.

The Company continues to place great emphasis on the development and application of practices designed to provide a workplace that is both safe and which minimises environmental impact. We are proud of our safety record; in 2011 the lost-time injury frequency was 0.27, significantly below the UK construction industry average for similar businesses.

There remains widespread uncertainty regarding the macro economic climate, although we have seen negligible impact on our business. Continued strength in the oil price has ensured that operator activity and investment

USD 333m

Contract award from National Drilling Company in Abu Dhabi

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remains high, and sentiment throughout the industry supply chain is positive. However, we can never be complacent about this situation given the prevailing macro economic issues and we continue to keep a close watch on our costs and ability to remain flexible throughout the business.

The year was a very strong one for contract wins, with awards being boosted by contracts for New Build Jackup, New Build Offshore and Land Rig Services.

Significant project milestones during the year included the contract award from Greatship Global Energy Services, Singapore, announced in February 2011. This award was an early indicator of the strength of the jackup rig market throughout the year; strength that was further demonstrated both by the exercise by the National Drilling Company, Abu Dhabi, of its option for the construction by Lamprell of two LeTourneau Super 116E Class jackup rigs valued at USD 333m, and the contract award by Jindal Pipes (Singapore) also for a LeTourneau Super 116E Class jackup rig.

The USD 41m contract with Weatherford Drilling International, announced in March 2011, for the engineering, construction and delivery of two 3000 HP land drilling rigs, was the largest yet for our Land Rig Services business, demonstrating the exciting opportunity to develop Lamprell's offering in this emerging regional market. Delivery of the rigs is scheduled for Q1 2012 and construction is almost complete at our Jebel Ali facility.



We were also pleased to announce in November 2011 the award, by Nexen Petroleum U.K. Limited, of two platform deck construction contracts for the Golden Eagle Development in the UK North Sea. The offshore fixed platform market remains strong and the Company is well positioned to benefit from that strength both regionally and internationally.

Acquisition of MIS

The acquisition of MIS, for a total consideration of NOK 1,869m (USD 338m), was completed on 13 July 2011, and was a transformational step for the Group. The acquisition expanded the breadth and depth of our service offering, our customer base, the geographical range of our operations and consolidated Lamprell's position as a regional leader in the new build jackup rig market. Additionally, the significant increase in resources and expertise also further enhances our position for future profitable growth.

The acquisition of MIS was compelling both financially and operationally. We believe that this transaction will rapidly create value for our shareholders, and

we anticipate that the transaction will be substantially earnings accretive in the first full year of ownership. As the enlarged Group moves forward we see both new business opportunities and operational and financial synergies, with cost synergies of USD 11m per year expected to be realised as planned. Lamprell now has over 925,000m² of yard space and 2.2km of quayside, making the Company one of the largest players within the Middle East region.

The strong complementary fit between Lamprell and MIS has enhanced our in-house engineering capabilities, providing extra capacity and key resources and adding a number of established businesses in target geographies. Lamprell is now able to pursue new opportunities through its enhanced resource and technical competence.

We see real competitive advantage in the Company's newly combined engineering offering and our ability to offer a vertically integrated service to our clients through conceptual engineering, process design engineering and detailed

USD 726m

Value of our order book at year end from repeat customers

Chief Executive's Review continued



engineering. This will help increase margins by removing the need to outsource process design engineering, and the enlarged Group now has greater access to new business in the downstream and onshore sectors.

Management initiated a detailed integration plan with an integration committee appointed involving senior representatives from both Lamprell and MIS in order to identify and maximise synergies. Following meetings of the committee the organisational structure of the enlarged Group was finalised and savings identified. Integration of the two companies has been largely completed, with the operational structure finalised and in place.

The physical relocation of the MIS management and finance teams has taken place and operationally the integration of yards is complete. Notably, the MIS facility in Sharjah has been integrated with the adjacent Lamprell yard.

The acquisition added over 4,000 people to our workforce which now totals 14,000 including labour supply personnel, and it is to the great credit of all our staff that the integration process has proceeded smoothly.

The Board

In April, Jonathan Cooper was appointed as Chief Financial Officer, bringing with him extensive experience in the oil and gas sector. Jonathan took up his position in October, and I am certain he will make a very valuable contribution in the coming years. I am pleased that Scott Doak, Jonathan's

predecessor, has decided to remain with the Company in the new role of Integration and Development Director.

We were delighted to welcome Christopher Hand, Chief Operating Officer, to the Board in January 2011.

Market overview

The Company has a record bid pipeline which at the end of February 2012 amounted to USD 5.2bn. The increase in activity levels in the new build jackup rig market that was seen in 2010 continued into 2011, and that market segment remains buoyant. With eight jackup rigs currently under construction Lamprell has become one of the leading builders in the world. As the search for oil & gas becomes increasingly more technically demanding, rigs that can drill horizontal wells more cost effectively in deeper, harsh environment, waters, will demand higher day rates and hence will help drive the new build rig construction market. In this regard, the Company is actively looking to construct the next generation of much larger, higher specification, jackup rigs to meet these technological challenges.

As previously reported, we experienced a slowdown in the rig refurbishment market in the second half of 2010 but there are now encouraging signs of renewed activity triggered by a significant upturn in the Saudi Arabian market. We continue to see significant potential for Lamprell in the liftboat market for both the oil & gas and renewables sectors in the medium and longer terms and aim to build on our early leadership position in this part of our business.

The Company is actively pursuing a number of exciting prospects for its Land Rig Services business including new build land rigs, refurbishment projects and equipment overhaul and is confident that new business for this segment can be secured in the coming months.

The current trend in high oil prices underpinned by persistent supply side concerns and exacerbated by geopolitical production constraints continues to support significant investment in offshore development projects internationally and particularly in the Middle East region. Lamprell, with its experience and well established track record in offshore process fabrication, is well positioned to take advantage of the opportunities that will arise in this sector.

Dividend

The Board of Directors is recommending a final dividend payment of 8.00 cents per ordinary share. This will be payable, when approved, on 22 June 2012 to eligible shareholders on the register at 25 May 2012.

Outlook

We continue to see high levels of enquiries for our services in most sectors of our business. While remaining vigilant with regard to the risks posed by the volatile global economic climate, the Board remains optimistic that the long term prospects of the Group continue to be promising.

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To underline our growth record it is worth highlighting that this is the first time in the Company's history that the annual revenue has exceeded USD 1bn, in fact totalling USD 1.15bn. Ten years ago in 2002 the Company turned over USD 80m and in 2006, the year of our AIM listing, we turned over USD 330m; percentage increases of 1,333% and 248% respectively. With the business opportunities currently available to us, we look forward to continued growth with confidence.

Finally, I would again like to take this opportunity to express my personal thanks, together with those of the Board of Directors, to all of our management, staff and employees for their hard work and dedication which they have given throughout the year. Following the acquisition of MIS, Lamprell now has over 14,000 employees including labour supply personnel, and everyone has played their part in the success of the Company. On a final note, I would like to thank, as ever, our founder and President, Steven Lamprell, for his continuing encouragement and support.

Nigel McCue
Chief Executive Officer



Lamprell business model



USD 1,098m
New contract awards