

Review of Operations

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The successful acquisition of MIS in July and the large number of major project awards made 2011 a transformational year for Lamprell from an operating perspective. Post acquisition, the Group's facility capacity increased by 68% to over 925,000m² including, 2.2km of quayside. In addition, the enlarged Group employs over 14,000 people, including labour supply personnel, management, administration, operational personnel and field staff. This enlarged capacity and increased resource enables the Group to improve operational efficiency and positions the Company for continued growth.

Lamprell continues to place the highest priority on maintaining high standards of project execution, with a particular emphasis on safety, high quality standards and delivering projects on time and on budget.

This focus on project execution, as well as client satisfaction, both ensures that Lamprell maintains and strengthens relationships with existing customers and enables Lamprell to expand its customer base.

Post the acquisition, a great deal of focus has been placed on the successful integration of the enlarged Group's facilities and business. As well as the physical integration of the extended Sharjah facility, this process has focused on the organisation structure, the implementation of the Company's management systems, marketing and business development, the extension of the ongoing ERP implementation programme and securing planned synergies. The integration process has proceeded extremely well and will be completed in 2012.

Throughout 2011 and the start of 2012 the Group has maintained its focus on Health, Safety and Environmental (“HSE”) issues. The Group has the following HSE certification which is founded on a Group HSE policy and detailed procedures:

- > ISO 14001:2007 for the Jebel Ali facility
- > OHSAS 18001:2007 for the Jebel Ali facility
- > OHSAS 18001:2007 for the Hamriyah Free Zone facility – obtained in 2011
- > OHSAS 18001:2007 for the Sharjah facility

Lamprell has a Group Quality department with quality assurance and quality control personnel located at each facility. The Lamprell Group is certified to ISO 9001:2008 Quality Management System standard and various American Petroleum Institute (“API”) and American Society of Mechanical Engineers (“ASME”) standards.

Lamprell’s Hamriyah, Sharjah & Jebel Ali facilities are certified to ISO 9001:2008 standard and the Land Rig Services group is certified to ISO 9001:2008, ISO 29001, API Q1, monogram licence for API spec 2B, 2C, 4F, 5CT, 6A, 7-1, 7K, 8C, 16A, 16C & 16D. Compliance with these standards assures our customers that we have the capability to execute projects in accordance with their specifications and requirements and the Company was successfully audited in 2011 to ensure that we are adhering to these standards.

The strength of Lamprell’s operations is reflected in the order book which was at a record high of USD 1,215m at the year end and included USD 489m from new customers and USD 726m from repeat customers.



The principal markets in which Lamprell operates, and the principal services provided are:

- > Oil & Gas
 - New Build Jackup Drilling Rigs
 - New Build Offshore
 - Engineering & Construction
 - Rig Refurbishment
 - Land Rig Services
- > Renewable Energy
 - Wind Farm Installation Vessels
- > Services
 - Inspec (NDT, Mechanical & Calibration Services)
 - Engineering Services
 - Sunbelt (H₂s Safety Services)
 - Operations & Maintenance

The operational aspects of these business activities are reviewed as follows:

New Build Offshore Drilling Rigs

At the beginning of the year Lamprell was executing three new build offshore drilling rig projects and subsequently secured contracts for an additional five units. Therefore at the close of the year the Group was constructing a total of eight jackup rigs.

These projects are under construction at the Hamriyah and Sharjah facilities.

NDC S116E jackup drilling rigs

Lamprell signed the contract with the National Drilling Company, Abu Dhabi (“NDC”) to construct two LeTourneau S116E jackup drilling rigs in July 2010. The engineering and procurement phases of this contract are now substantially complete and the construction of both units at the Hamriyah facility is well advanced.

The first rig, “Makasib”, was loaded out in October 2011 and the cantilever and remaining leg sections have subsequently been installed. The rig is now undergoing final commissioning and will be delivered in Q2 2012.

Construction of the second rig, “Muhaiymat”, is also proceeding to plan and the rig was loaded out in January 2012. Construction and subsequently final commissioning will continue until delivery later in 2012.

In October 2011, NDC exercised options for two further LeTourneau Super 116E rigs. Engineering and procurement activities are ongoing and both rigs will be constructed at the Hamriyah facility, with delivery scheduled in 2014.

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Eurasia Drilling Company Limited (“EDC”) S116E jackup drilling rig

Lamprell signed a contract with EDC in November 2010 for a new build LeTourneau S116E jackup drilling rig to be delivered to EDC in the Caspian Sea. The construction plan for this project is to build the rig hull in modules which, together with other primary rig components including the legs and cantilever, will be transported to the Caspian Sea through the Volga-Don canal.

The modules and other rig components have been under construction throughout 2011 at the Hamriyah facility and the first of four shipments to the Caspian Sea commenced in March 2012.

The rig will be assembled at a facility in Astrakhan, Russia and delivery is scheduled for 2013.

Greatship Global Energy Services Pte. Ltd (“Greatship”) S116E jackup drilling rig

The first new build jackup award of 2011 was secured with Greatship in February to build a LeTourneau designed rig to operate in water depths of up to 350 feet.

The engineering and procurement phase of the project is well advanced and the construction is proceeding at the Hamriyah facility. The rig will be loaded out in Q3 and delivered during Q4 2012.

Jindal Pipes (Singapore) Pte. Limited (“Jindal”) S116E jackup drilling rig

Lamprell was awarded a new contract in November 2011 from Jindal for the construction and delivery of a completely outfitted and equipped, LeTourneau Super 116E design rig. The rig is designed to operate in water depths of up to 350 feet and will have a rated drilling depth of 30,000 feet. The engineering and procurement phase of the project is well advanced and the construction is proceeding at the Hamriyah facility. The rig will be delivered in Q4 2013.

Compañía Perforadora Mexico S.A.P.I. DE C.V. (“PEMSA”) Hull 108 Super M2 jackup drilling rig

In December Lamprell successfully negotiated a contract with PEMSA, a subsidiary of Grupo Mexico, for the construction and delivery of Hull 108, a completely outfitted and equipped, Friede & Goldman designed Super M2 self-elevating Mobile Offshore Drilling Platform.

Hull 108 had been partially constructed by MIS at the time of its acquisition by Lamprell in July 2011 and the project had been suspended pending a contract award. Lamprell will complete the construction of the jackup rig at the Sharjah facility, with delivery scheduled for Q2 2012.

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New Build Offshore

The new build offshore segment of Lamprell operations covers a wide range of projects including:

- > liftboats;
- > tender assist drilling barges;
- > MOPUs and process barges;
- > offshore drilling rig components and accessories;
- > floating offshore facilities;
- > living quarters;
- > offshore hook-up;
- > process modules;
- > offshore fixed structures; and
- > mooring systems and turrets.

In Q1 2011, the group delivered the final Aquila process module for Saipem Energy Services S.p.A. and two offshore wellhead platforms with associated jackets and piles were also delivered to a leading Indian oil & gas operator. These projects were executed at the Jebel Ali facility.

Offshore topside structure

Work continues in Jebel Ali on the construction of an offshore topside structure comprising of a two-level utility deck and five level accommodation module for 38 personnel for a leading integrated energy provider. The project is being constructed to North Sea standards and is currently scheduled for delivery alongside the Jebel Ali quay in Q2 2012.

Nexen Petroleum U.K. Limited ("Nexen") wellhead deck and Production, Utilities and Quarters ("PUQ") deck

In November, Lamprell announced that it had been awarded two new construction contracts by Nexen in relation to the Golden Eagle Development in the UK North Sea, with a total contract value in excess of USD 200m.

The first contract comprises a two-level wellhead deck, measuring approximately 50 metres by 50 metres and weighing 4,000 tonnes. The wellhead deck will be constructed at Lamprell's Jebel Ali yard, and is scheduled for completion in Q2 2013.

The second contract is for a three-level Production, Utilities and Quarters ("PUQ") Deck, measuring 85 metres by 40 metres and weighing 10,000 tonnes. The PUQ Deck will also be constructed at Lamprell's Jebel Ali facility and is scheduled for completion in Q2 2014. The construction phase of both contracts has commenced and is proceeding to schedule.

Leighton Offshore Pte Ltd ("Leighton") topsides and jackets

In February 2012, Lamprell was awarded a USD 62m contract by Leighton, a Singapore based company, for the fabrication of two topsides and jackets with metering skid and associated piping in connection with the Iraq crude oil export facility reconstruction.

The work will be performed at Lamprell's enlarged Sharjah facility and are currently scheduled for delivery in Q4 2012.



Engineering and Construction ("E&C")

Lamprell E&C offers the combined expertise of Lamprell and MIS, providing fully integrated engineered solutions to the onshore and offshore oil & gas and renewable energy sectors. The group is structured to deliver projects in the UAE, GCC, Iraq and North Africa.

Onshore projects include the development and upgrade of gas plants/refineries and production facilities and offshore projects include jackets and decks, as well as process modules.

A number of projects were executed in 2011 including both onshore and offshore site works for clients including Rak Petroleum Oman Ltd, Apina Middle East, Geo Energi, Petrofac and RAK Gas.

In addition, the group engineered, constructed and delivered multiple pressure vessels and columns from its Sharjah facility.

Lamprell believes there is an opportunity to significantly expand the scope and scale of the E&C business and this is an area of strategic focus in 2012.

Upgrade and Refurbishment of Offshore Jackup Rigs

Lamprell worked on a total of 43 jackup rigs throughout the year, for clients including Millennium Offshore Services, Nabors Drilling International Ltd., National Drilling Company, Noble International Ltd., and RDC Arabia Drilling Inc., and these projects have included work scopes covering the full range of our upgrade and refurbishment services.



Projects have been shared between our UAE facilities, with the Hamriyah facility working on 17 jackups and the Sharjah facility working on 26 rigs.

Refurbishment and upgrade projects such as these vary greatly in scope from project to project and depend on the existing condition of each rig and the owner's upgrade requirements. A minor project can have a work schedule lasting a few days, whereas a major upgrade project with a significant engineering requirement can last for 12 months or more. Typical upgrade and refurbishment projects include some of the following work scope:

- > leg extensions and/or strengthening;
- > conversion of slot rigs to cantilever mode;
- > living quarters extension, upgrade and refurbishment;
- > engine replacement and re-power works;
- > mud process system upgrade and/or refurbishment;
- > Helideck replacement, upgrade and/or refurbishment; and
- > condition-driven refurbishment, including structural steel and piping replacement and painting.

Land Rig Services

Land Rigs Services include all projects and services related to onshore drilling

rigs, oilfield service companies and drilling equipment refurbishment for land and offshore rigs. The Land Rig Services group operates from API accredited facilities in Hamriyah, Jebel Ali, Dubai Investment Park and Kuwait and also provides field services as required. Project types include:

- > new build land rigs;
- > land rig refurbishment, upgrade and recertification;
- > land and offshore drilling rig rotary equipment inspection and overhaul;
- > engineering and fabrication of structural and piping packages, machined items and BOP testing and recertification;
- > land camp construction and refurbishment; and
- > site deployment of personnel.

Weatherford Drilling International (BVI) Ltd ("Weatherford") 3000 HP land drilling rigs

In March 2011, Land Rig Services secured the largest contract awards to date for the business, as Weatherford signed contracts for the engineering, construction and delivery of two 3000HP land drilling rigs, with a total contract value of USD 41m.

Lamprell constructed the rigs at its facility in Jebel Ali.

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Post acquisition, the Group's facility capacity increased by 68% to over 925,000m², including 2.2km of quayside.



Wind Farm Installation Vessels

In October 2011, having substantially completed the detailed design phase of the fixed price wind farm installation vessel projects, two for Fred. Olsen Windcarrier and one for Seajacks 3 Ltd ("Seajacks"), the Company made a provision amounting in aggregate to USD 14.3m based on a detailed cost to complete exercise. The prototype nature of these vessels and the resulting evolution of the design and detailed engineering was identified as the primary cause of the increased costs. This issue was restricted to these projects and similar issues do not affect other ongoing projects.

Fred. Olsen Windcarrier

Construction of the two GustoMSC NG-9000 design self-elevating and self-propelled offshore wind turbine installation vessels, ordered by Fred. Olsen Windcarrier in February 2010 continued at the Jebel Ali facility throughout 2011. The first vessel "Brave Tern" was successfully loaded out in February 2012 and will be delivered in Q2 2012. The load out weight of 12,200 tonnes is the heaviest vessel land move ever to take place in the Middle East and one of a few worldwide. The second vessel "Bold Tern" will be delivered in Q3 2012.

Seajacks

Following the successful delivery on time and on budget in 2009 of the wind farm installation vessels, "Seajacks Kraken" and "Seajacks Leviathan", Lamprell secured a USD 129.0m contract award in June 2010 from Seajacks 3 Ltd. for the delivery of "Seajacks Zaratan", a GustoMSC NG-5500C design self-elevating and self-propelled offshore wind farm installation vessel. Construction continued throughout 2011 and the rig was successfully loaded out in January 2012, with delivery scheduled for Q2 2012.

Service businesses

Lamprell operates a number of service businesses that provide services to external clients and throughout the Group.

International Inspection Services Ltd. ("Inspec")

Inspec is predominantly engaged in the supply of inspection personnel and equipment for heat treatment and non-destructive testing services to the oil & gas, district cooling and other infrastructure-intensive industries, including desalination and energy. Inspec also provides mechanical and chemical analysis and calibration services. Inspec employs over 600 operatives and its primary markets of operation are currently the UAE, Oman, Bahrain, Saudi Arabia and Kurdistan.

Engineering Services

Lamprell's Engineering Services group provides a range of engineering solutions from concept engineering, front end engineering and design, design engineering to detailed and construction engineering. These services are delivered by a team of experienced multi-discipline engineers and designers using the latest engineering software and 3D modelling techniques. The group offers services including process, mechanical, electrical & instrumentation, piping and structural engineering.

This service is provided by Lamprell's core engineering team and Litwin PEL, which is established in Abu Dhabi and was acquired as part of the MIS acquisition. Litwin offers E&C and multi-disciplinary engineering services to the oil & gas industry and to the chemical & petrochemical sectors. In addition, Litwin provides technical assistance to many of the national operating companies in Abu Dhabi and to a considerable number of private companies in the oil & gas industry throughout the Middle East.

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Recent projects executed by the Engineering Services group include engineering services for ADCO (Abu Dhabi Co. for Onshore Oil Operations) and BOROUGE (Abu Dhabi Polymers Company Limited).

Sunbelt

Lamprell's Sunbelt H₂S safety services group provides complete safety solutions to its clients through a range of specialised products and services. As an authorised distributor for a number of safety equipment manufacturers, Sunbelt ensures that it offers products that adhere to British, European and US standards. Sunbelt also provides technical consultancy services and support specialised in the detection and handling of the highly toxic H₂S gas.

In 2011, Sunbelt undertook contracts in a number of countries including the United Arab Emirates, Qatar, Saudi Arabia, Iraq and Kazakhstan.

Operations & Maintenance ("O&M")

Lamprell's O&M business has a proven record of excellent performance and service, with a core workforce of over 500 tradesmen and administrative personnel supplemented by field staff from the Lamprell Group.

O&M provides manpower, equipment and materials supply services to a diverse customer base at oil & gas and petrochemical facilities and plants, drilling rigs, offshore facilities, marine docks and marine vessels.

Contracts in 2011 included the provision of manpower and equipment rental to customers including Dubai Natural Gas Co. ("Dugas") and Dubai Petroleum Est. ("DPE").



MIS Arabia Co. Ltd ("MISA")

Lamprell is pleased to support its joint venture facilities in Jubail Industrial City in the Kingdom of Saudi Arabia. MISA focuses on the fabrication of process equipment and the provision of operation & maintenance services.

2011 was a busy and successful year for MISA and we look forward to ongoing success in 2012.

Human resources

The enlarged Group employs over 14,000 people, including management, administration, labour supply personnel, operational and field staff and the integration of over 4,000 MIS personnel was a key objective for Lamprell in 2011 and remains an area of focus in 2012.

Attracting, developing and retaining talented staff is of paramount importance to the success of Lamprell as a business. At Lamprell, we consider our employees to be an important asset and the continuous development and multi-skilling of our staff remains a focus for our success. The Human Resources ("HR") department has developed policies and best practices for effective employee management enabling managers to capitalise on the strengths of the employees and their ability to contribute to the

accomplishment of work. It is recognised that successful employee management helps employee motivation, development and retention.

We aim to provide a safe and supportive work environment to our employees, who are from diverse cultural backgrounds, and to do so in an environment that provides a competitive compensation programme that is affordable to the Company. We believe this continues to be a market differentiator and will strengthen our position as an employer of choice.

Lamprell continues to provide purpose-built accommodation and transportation for the labour force and this enhances our ability to attract and retain our workforce, and dramatically improves the quality and work/life balance expectations of the employees.

The HR department continues to work closely with senior business leaders on strategy execution, in particular designing HR systems and processes that address strategic business issues, organisational and people capability-building, as well as longer-term resource and succession management planning.

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Operating facilities

The structured capital investment programme at all facilities continued throughout 2011. The primary aims of this investment include higher levels of safety and productivity, as well as improving the working environment for both operational and administrative personnel.

The acquisition of MIS substantially increased yard space capacity, adding 375,000m² of yard capacity and 400 metres of quayside, with the enlarged Group now operating from 925,318m² of yard space and 2.2km of quayside.

The main facilities added by the acquisition are in Sharjah and Dubai. The 174,000m² Sharjah facility has been integrated with Lamprell's existing Sharjah facility, and is equipped with extensive open and covered fabrication areas, support facilities and workshops. The additional yard space provided by the acquisition is of material value to Lamprell as it would take a number of years and significant capital expenditure to develop such a facility organically. The 30,000m² facility in Dubai Investment Park is currently used to service land drilling rig contracts.

Improvements to the Hamriyah facility continued during 2011 and, following over three years of construction and an investment of over USD 75m, the facility was officially inaugurated in October. The event was attended by Lamprell's customers, partners and dignitaries, including His Highness Sheikh Dr. Sultan bin Mohammed Al Qassimi, Supreme Council Member and Ruler of Sharjah and Mr. Steven Lamprell.

With an area covering 365,000m² and a quayside of over 1.4km, the Hamriyah facility is one of the region's foremost facilities for the manufacture of oil & gas assets, with capacity to accommodate more than 10 jackup rigs simultaneously at the quayside

and multiple new build rigs and structures in various stages of construction within the yard itself.

The facility will continue to focus on the construction of new build jackup rigs, wind farm installation vessels, liftboats and rig refurbishment projects. The facility is fully API-accredited and hosts a main administration building which accommodates over 700 administration staff, a client office, several workshops and warehouse space.

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