

## **Press Release**

**March 31<sup>st</sup> 2008**

### **Kentz Corporation plc Full Financial Results 2007**

London, 31<sup>st</sup> March 2008: Kentz Corporation plc (the "Company"), the holding company of the Kentz engineering and construction group, today announces its unaudited group results for year ending 31<sup>st</sup> December 2007.

#### **Financial Highlights**

- Revenue in 2007 increased by 47.2% to US\$544.6m (2006: US\$370.1m) \*
- Profit before tax in 2007 increased by 36.9% over 2006 to US\$34.3m from US\$25.1m. This was an 111.4% increase on a 2005/06 average profit before tax of US\$16.2 million\*\*
- Profit before tax margins in 2007 increased to 6.3% from a 2005/06 average of 4.8% \*\*
- Net cash at the end of 2007 increased by 115.9% to US\$123.7m up from US\$57.3m in 2006.
- Backlog at the end of 2007 increased by 9.7% to US\$596.4m (2006: US\$543.8m) \*

\* Excluding JV and discontinued operations

\*\* Based on two year averages during 2005/2006: 2006 earnings were enhanced by a deferral of profits from 2005 due to our conservative profits recognition policy. The effect of the deferral of profits produced a lower margin in 2005 than would otherwise have been the case and a correspondingly higher figure in 2006

#### **Current Trading and Prospects**

- Backlog as of end of January 2008 has increased to US\$682m
- Renewal of a US\$90m support services contract with Fluor in Kuwait, announced on 6 March 2008
- Additional letters of intent for new projects in excess of US\$250m received, which are expected to be converted to backlog within next two months
- Future prospects exceed US\$1 billion

## **Corporate Development and Operational Highlights**

- Listed on AIM on 5 February 2008, raising a total of £66.7m (US\$ 131.8m) before costs for the Company and its selling shareholders
- Group reorganised during 2007 to create four distinct operating regions: the Middle East; Africa; Australasia, Europe and Caribbean; and the Arctic Region and new areas
- Completed phase one of Sakhalin 1 development with ExxonMobil Neftegas and Fluor, with contracts in excess of US\$50m
- Participation in Shell Pearl GTL in Qatar well advanced with contracts in excess of US\$200m
- Completion of the US\$80m fast track EPC facilities project for RasGas in Qatar
- Saudi Aramco Khurais contract won in Saudi Arabia in excess of US\$50m
- Good progression on SipChem EPC offplots and facilities project (in excess of US\$100m) in Saudi Arabia
- Completion of Kenmare Resources facilities in Mozambique
- Awarded Rio Tinto Ilmenite project in Madagascar, valued in excess of US\$40m
- Completed another successful turnaround program with Sasol in South Africa
- Kentz established in Calgary, Canada and working on the Suncor and mobilising onto the Kearl Lake Oil Sands projects

**For more information about Kentz please refer to our website [www.kentz.com](http://www.kentz.com) or contact**

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## **Outlook**

The continued growth of the world economy provides a favourable environment to underpin demand for Kentz' services in its core markets and sectors of oil, gas, petrochemical, energy, mining and metals:

### Economic drivers

- Brent oil averaged US\$72.39/bbl in 2007. In December 2007 it averaged US\$91.40/bbl and at the time of finalising this report the February average was US\$94.28/bbl and trending upwards
- World oil demand in 2007 is estimated to have grown by 1.2 million barrels of oil equivalent per day (BOEPD) to an average of just under 87 million BOEPD or 1.4%. This trend is set to continue in 2008, driven by growth in emerging markets and developing economies
- Oil companies increased their capital spending by over 10% in 2007, and expect spending to be around 10-12% in 2008
- Finite reserves have caused capital expenditure budgets to be focussed on developing existing reserves and maximising the life and production of current assets. This is driving project costs and scale

### Regional factors

- The Middle East region holds over 60% of the world's proven oil reserves. US\$358 billion of industrial projects have been recently completed and US\$1,100 billion of industrial projects are planned by the Gulf Coast Countries (GCC) over the next five years. Of the GCC projects planned or underway, US\$344 billion are oil, gas and petrochemicals projects
- The IMF has projected world growth to be 4.1% in 2008. Within the emerging markets and developing economies, China's projected growth in 2008 is 10% and Middle East 5.9%.
- Industrial and economic growth in developing countries, particularly the growing economies of Brazil, Russia, India and China (BRIC), is driving the price of raw materials. For example world steel consumption grew by 7% in 2007 and is forecasted to grow by another 12.8% versus the BRIC countries where consumption is set to increase by 11.1% in 2008.

These trends should continue to benefit oil service companies providing project services to the end user oil companies, such as Kentz. The board believes commodity prices will remain strong and Kentz is well placed to benefit from continued growth in the mining and metals sector. In addition we are not seeing any slowdown in the development of projects, either in upstream oil and gas or in refinery and petrochemicals expansion projects.

Kentz continues to focus on delivering specialised services for blue chip clients, as well as the leading engineering and project management companies, in key areas such as the Middle East, Canada, the Caspian region, Russia, South Africa and Australia. These are all areas where Kentz Group already has a presence.

## **Chairman's Report**

2007 was a remarkable and rewarding year for Kentz. The ever-increasing demand for engineering and construction services, especially in the oil and gas industries, has underpinned the growth of Kentz. The board expects this current buoyant market for oil and gas services to continue for the foreseeable future, particularly in regions that are rich in hydrocarbons such as the Middle East, Russia and Canada.

In 2007 Kentz took a number of strategic decisions to prepare the company to take advantage of the significant increase in activity in our industry. We have positioned Kentz to capitalise on the growth in the market, while increasing the scope and regional reach of services to our clients.

In 2007, the board implemented a reorganisation of the Middle Eastern Kentz companies, from a confederation of subsidiaries, to a region operating through a single Middle East holding company. As a result Kentz now has four distinct regions of operation each with a regional manager reporting to our CEO, Hugh O'Donnell. There are now also three focused business lines namely Specialist EPC, Construction, and Technical Support Services. The transition from a group of small subsidiaries to a multi-national corporation operating through four regions tied together by a strategically orientated corporate management has now been completed.

During 2007 the board took the decision to list Kentz on the AIM market of the London Stock Exchange. Preparations for listing were completed in early 2008 and the shares started trading on 5 February 2008. This was an historic milestone for Kentz, affording it access to capital markets to help facilitate further expansion and growth. A key part of the listing process was to incentivise senior management who now hold approximately 24% of the company.

The capital raised from the listing, will allow Kentz to identify acquisitions with the aim of enhancing our technology and expertise within the upstream oil and gas industry. A number of targets have been identified and are being explored with a view to completing a strategic acquisition. The board is also looking to

add to the company's construction assets and engineering services in South Africa.

Another significant accomplishment during 2007 was to increase our blue-chip client base. This has led to a number of new opportunities and our relationship-driven model has allowed us to follow core clients from one continent to another.

Canada is a particularly exciting and relatively new market for Kentz which is driven by the significant expansion of new Canadian tar sands projects. Kentz plans further expansion in North and South America through organic growth, strategic acquisitions and alliances. In particular, the vast coal reserves in the United States represent a huge market for oil from coal technology. Because of our expertise, Kentz is exceptionally well placed to target this market and to take advantage of growth.

Prior to the listing of Kentz we have expanded and strengthened our Board of Directors. Brendan Lyons and Hans Kraus join David Beldotti as the independent non executive directors. Ed Power, the Kentz CFO, has also joined the board as an executive director. The Board is pleased with the accomplishments of 2007 and remains confident for the future outlook for Kentz.

Tan Sri Mohd Razali Abdul Rahman  
Chairman

### **Chief Executive Officer's Report**

2007 was an exciting and prosperous year for Kentz with strong growth in all of our key business metrics; our revenue increased by 47.2% year-on-year, our profits before tax increased by 36.9% year-on-year and our backlog has increased to US\$596.4m up from US\$543.8m in 2006.

Focus on our core strengths and differentiators means we are now recognised as the specialist solutions provider of choice, with the ability to deliver projects for clients anywhere in the world. In 2007 we have continued to focus on delivering growth in our margin-enhancing business lines, specifically Specialist EPC (revenues increased by 82% to US\$263.7m from US\$145.1m in 2006) and Technical Support Services (revenues increased by 139% to US\$133.5m from US\$55.9m in 2006). This significant revenue increase has underpinned the growth in our bottom line profit before tax margin, which has increased to 6.3% compared with the 2005/06 average of 4.8%.

Geographically, the strongest growth for Kentz in 2007 occurred in the Middle East, with significant capital investments in both upstream and downstream projects in Qatar, Saudi Arabia, Kuwait and Abu Dhabi. Kentz works with most of the major oil companies in the region and the volume and size of the projects continues to grow. Recent work includes critical EPC packages for Shell Pearl GTL, RasGas COP and QatarGas 2 projects.

Our Technical Support Services business has developed very successfully throughout the Middle East, Far East Russia, Kazakhstan and in Canada. We have already built up a reputation for successfully supporting integration and managing interfaces throughout the lifetime of projects.

The oil, gas and petrochemical markets, which represent approximately 89% of the Kentz business, have reached new heights with a continued uptrend in the oil price. The upturn has prompted recent project investment decisions such as the US\$20bn Suncor Tar Sands Programme in Canada, where Kentz is delivering construction management services. Opportunities abound for sustained growth in the company's other areas - Russia, the Caspian, Southern Africa and Australia. We will continue to focus on our blue chip clients and on managing our growth, balancing margin growth, sales growth and risk management. We have a great track record in all of these areas over the last three years.

The oil and gas industry has experienced significant developments over the last number of years. In 2007 a huge offshore oil discovery in Brazil boosted its petroleum reserves by almost 40% and pushed Brazil into the ranks of the world's top ten major exporters. There has also been a resurgence in Alaska's gas projects to support the United States' long term energy demands. Kentz is well-positioned to service these opportunities as several of our core clients are involved in developing these projects.

During 2007 we successfully deployed approximately 3,000 new staff across all the regions, which is a significant achievement in an industry which often lacks sufficient human resources. Our success in hiring and retaining employees is in a very large part due to the culture of the Group, where the average length of service of our top 100 managers is more than 18 years.

The deep and far-reaching relationships held by Kentz senior management with our core international clients drive our business. These relationships are underpinned by performance and delivery of solutions for worldwide projects over the past 30 years. More profitable business in remote locations is where the skills of Kentz are tested to the full, and where we bring most value to our clients. The recent listing of the Kentz Group on the AIM market of the London Stock Exchange will provide us with the financing to develop further and to ensure we continue delivering for our clients.

Kentz has achieved a considerable amount to date and we believe that the industries in which our clients operate are now set for significant and continuing growth. I am confident that our ability to deliver expert solutions anywhere in the world, coupled with our increasing blue-chip client base, means that Kentz' employees and shareholders can look to the future with real optimism.

Hugh O'Donnell  
Chief Executive Officer

## Our markets and sector focus

### Review

The Kentz Group provides a wide range of engineering and construction services, principally in the oil services sector. Our core clients include international oil companies, national oil companies and leading engineering and project management companies with projects in over 20 countries supported by approximately 8,100 employees on average during 2007. Our Middle East operation is our largest, generating almost 70% of group revenues. Kentz is a fully integrated services solution provider delivering specialist EPC solutions, construction and technical support services for projects involving offshore platforms and FPSO, onshore oil and gas collection and processing facilities, gas oil separation, LNG, GTL and refinery units. We provide similar services to the petrochemicals and metal and mining sectors; the latter services being principally provided in Sub-Saharan Africa and Australia.

### Oil and Gas Market:

66% of our revenues in 2007 came from oil and gas projects, primarily in the Middle East, Russia and Sub-Saharan Africa. [Current major ongoing contracts include:](#)

**Qatar:** Specialist EPC services for the temporary power, telecommunications, waste water treatment, temporary buildings and permanent electrical and instrumentation services on the Shell Pearl GTL project. The Pearl GTL project comprises the development of upstream gas production facilities, an onshore GTL plant that will produce 140,000 barrels per day (bpd) of GTL products, as well as approximately 120,000 bpd of associated condensate and liquefied petroleum gas. The project will be developed in two phases with the first phase operational around the end of the decade. The second phase will be completed around one year later. The project includes the development of a block within Qatar's vast North Field gas reserves, which will produce 1.6 billion cubic feet per day of natural gas.

**Kuwait:** Technical support services to Fluor in Kuwait, providing consultancy services to manage projects and parts of its activities in the next five years, extending a previous agreement. The program will help the national oil company, which manages oil exploration in the world's seventh-largest oil exporter, to increase production capacity and improve production reliability.

**Saudi Arabia:** Construction management and installation services on Saudi Aramco's Khurais project for the development of a 1.2 million bpd Khurais Increment Programme. This is the largest crude increment undertaken in Saudi Aramco's history and is one of the largest industrial projects being executed in the world today. The programme is due for completion by mid-2009.

**Abu Dhabi:** Construction services to Bechtel for the GASCO ODGIII development. The project is designed to produce 125,000 bpd of condensate:

12,000 tonnes per day of NLG's which include about 3,200 tonnes per day of ethane; and recycle an equal volume of produced gas into the reservoir via a high pressure gas injection system.

Russia/Sakhalin: Technical support and construction services, including commissioning and project management support for Exxon Neftegas Limited, an affiliate of ExxonMobil, the operator of the Sakhalin-1 project; and an oil and gas development on the northeast shelf of Sakhalin Island. The Project area comprises the Chayvo, Odoptu and Arkutun-Dagi fields where total recoverable reserves are estimated to be 2.3 billion barrels of oil and 17.1 trillion cubic feet of natural gas. The Sakhalin-1 Project has been one of the most ambitious and successful projects faced by international oil and gas industry today with phase I delivering 250,000 bpd of oil.

Sub-Saharan Africa: Maintenance, shutdown and turnaround services for Sasol Secunda, South Africa. To date, Kentz has performed many shutdowns and in Secunda we have been providing maintenance and shutdown services since 2002 when we were awarded contracts on the Sasol 2&3. Kentz have performed all synthol reactor train shutdowns since 2003.

Trinidad & Tobago: Construction services to Fluor for the Petrotrin Isomerization project which is part of the Gasoline Optimization Programme. The Isomerization unit will produce Isomerate that improves the octane rating of light gasoline, thus enabling Petrotrin to supply premium markets better.

### **Petrochemicals Market**

23% of our business is derived from petrochemical projects, primarily in the Middle East.

Saudi Arabia: EPC services to JCP, a Jubail ChevronPhillips Company, for the product pipelines (from the integrated styrene facility), distribution and export facilities (port expansion) project located in the Al Jubail Industrial Complex, Saudi Arabia. The styrene facility includes feed fractionation, olefins cracker, ethylbenzene, styrene monomer process units and the associated utilities and infrastructure.

EPC services to SipChem, one of the largest, fully-integrated, petrochemical companies in the Middle East, owned and operated by the private sector, for the product pipelines, port expansion and some buildings on the new major Acetyls complex. The Acetyls complex consists of an Acetic Acid plant (460 thousand mtpa), Vinyl Acetate Monomer plant (330 thousand mtpa) and a Carbon Monoxide plant (345 thousand mtpa).

Construction services to Linde/Linarco for two air separation units at gas complexes in Jubail and Yanbu industrial cities. These two new ASUs, each having capacity of 3,000metric tons of oxygen per day, are part of expansion plans in line with SABIC's strategic growth to meet its future production plans, bringing the total annual production capacity to 60 m tons during the next two years.

### **Mining, Metals and Power Market**

10% of our business is derived from mining and metals projects, primarily in Southern Africa. In addition, we have a joint venture business with Thiess of Australia, where a majority of the business is for mining and metals clients. This generated an additional US\$54.9m in revenue. Including the Kentz share of joint venture revenue in our industry split, metals and mining would total 17% of revenues.

Sub-Saharan Africa: Construction services to Rio Tinto and Fluor/Hatch for the mineral sands QMM ilmenite titanium dioxide project for Rio Tinto in Madagascar. Final production from the operation in the Fort-Dauphin region is expected in late 2008 with initial production of 750,000 tonnes of ilmenite per annum. Construction services to Kenmare resources for the Moma Mineral Sands project in Mozambique, 700,000 tons titanium minerals project, which included installation of a floating concentrator plant, separation plant, roaster, dredgers, barge accommodation village and related infrastructure. The main processing plant was relocated from a former BHP Billiton plant in Western Australia.

Australia: Construction services to Anglo Coal Australia for the Dawson mine, one of Queensland's leading export coal operations producing over 7 Mt of coking, soft coking and thermal coal annually using open cut and highwall mining methods. The mine also has the capacity to produce 6.5 petajoules annually of coal seam methane gas, which is sold to industrial customers throughout Queensland.

### **Other markets**

1% of our business is derived from other business including governmental and infrastructure.

Ireland: Specialist EPC services for the Hermitage and Waterford General hospital where our responsibilities are for the design, procurement and construction of specialist mechanical, electrical and telecommunications systems.

### **Areas of Operation and Regional Management Focus**

Kentz is currently established and operating in over 20 countries worldwide delivering projects for our core clients in the Middle East, Southern Africa, Australia, Far East Russia, the Caribbean, South East Asia, USA, Canada and Europe. For operational purposes the Group divides its operational management centres into four regions:

- Middle East;
- Africa;
- Arctic Region and New Areas (containing FSU/Russia, the Caspian region and Canada); and
- Australasia, Europe and the Caribbean.

### **Client Focus**

During the past 4 years, our client base has evolved to a large proportion of end user clients with 53% of our revenues coming directly from end user oil and gas companies. In 2007, 37% of total revenues came from International oil companies such as Shell, ExxonMobil, ChevronPhillips, Sasol, Marathon, Hess, BP and AIOC. We work closely with national oil and petrochemical companies such as Saudi Aramco, SipChem, Qatar Petroleum, Gasco and KNPC, which represented 16% of total revenues in 2007.

Kentz works with most of the leading engineering and project management companies within the USA, Europe and Asia. Fluor, with its strong presence in most of Kentz's markets, continued to lead the way in the oil and gas sector, followed by others such as Bechtel and Foster Wheeler. With the continuing rapid expansion of the petrochemical sector in the Middle East and Southern Africa, Linde and Krupp Udhe continue as significant clients. 40% of total revenue in 2007 came from leading engineering and project management companies.

Within the mining and metals sector, Mittal Steel and Anglo Coal are key end users.

### **Business Line Services**

Kentz business lines are divided into three areas, providing specialist engineering, procurement and construction (EPC) services, construction and technical support services.

**Specialist EPC Services:** Manage, engineer and design, procure, construct and commission projects. Our focus in specialist EPC is in those areas referenced above where we have built up a credible track record within this niche area with several of our core clients. Our task force approach comprises of experienced personnel with proven capabilities seconded from our local subsidiaries throughout the Group. Project methodologies and execution strategies are designed by the team in accordance with client specifications and requirements. Our engineers and constructors are spread throughout the regions, whilst systems and tools are developed by the Group and centrally led. Our global procurement capability enables us to bring the strength of an international purchasing organization to any project. Recent specialist EPC project values range approximately within the US\$50m to US\$145m band.

**Construction Services:** Managing and executing multi-discipline construction projects, including inter alia, construction and site management, field engineering and procurement, HSE and testing for our clients. We also specialise in the provision of commissioning and startup services in conjunction with, or independent of, project construction activities. The Group's workforce has the experience in the commissioning and start-up of large, often complex, plant facilities in remote locations. Recent construction project values are in the US\$30m to US\$60m band.

**Technical Support Services:** Working in the early stages of project development at the front end engineering and design phase (FEED) before

EPC works commence. We perform specific FEED study programs and we have teams of specialist personnel engaged with the client delivering validation and budgeting. Typically a team then works as part of an integrated project management group once the project gets the go ahead, providing specialist services and systems to support the management of the project.

We also provide maintenance, shutdown and turnaround management services for clients on an international basis. Typical scope of work includes management and execution services including shutdowns and turnarounds. In addition to maintenance, shutdowns and turnarounds, we provide commissioning services for the upstream (offshore and onshore), refining, petrochemicals, metals and mining industries. Recent technical support project values are within the US\$5m to US\$50m band.

As is clear from the full year 2006 and 2007 revenue splits by business line we have a definitive strategy to focus on growing our margin enhancing business lines of Specialist EPC and Technical Support Services. Our Technical Support Services revenue was up in relative revenue terms from 15% in 2006 to 25% in 2007. Specialist EPC revenue in 2007 was up in relative revenue terms from 39% in 2006 to 48% in 2007.

In general our specialist EPC contracts are fixed price, lump sum and are often competitively bid; construction contracts are based on a re-measurable work unit rate; and our technical support services are usually on a fully reimbursable basis. Any lump sum fixed price contracts undergo rigorous risk assessment through a board risk committee prior to submission.

### **Backlog and revenue visibility**

Backlog is defined as the future work load on our books for the EPC, construction and technical support services business lines, comprising current contracts work not yet completed and new orders received. Backlog is not an audited measure and other companies may calculate the measure differently.

The Group's backlog of work as of December 31, 2007 was US\$596.4m, up from US\$543.8m as of December 31, 2006. Our projection of future work stretches beyond our backlog; we typically have at any one time a number of additional letters of intent that are waiting to be converted to contracts. Across our offices we have a number of prospects of key projects that are under development in bidding and proposals. Presently, these are in excess of US\$1billion. We are also participating in certain projects which we see as strategic prospects which are being developed by our clients and are in pre-investment stage. Overall our visibility of future work has several layers and this gives us confidence in the future forecasts that have been set.

### **Revenues**

The Middle East continues to be the single largest area for Kentz with revenues of US\$380m in 2007, a growth of US\$133m from 2006 to 2007. Of note though is the 50% increase in our African revenues between 2006 and

2007. Our Arctic and new areas region slightly increased revenue to US\$45m and it enters 2008 with a backlog of US\$39m.

#### Middle East

Management of Kentz Middle East activities is based in Bahrain with operating companies in Qatar, Saudi Arabia, UAE and Kuwait. It is our largest region by revenue with 69.7% of the 2007 revenues coming from this region. Leading oil, gas and petrochemical end users have rolled out large scale developments and given the projected expansion and spending plans within the region, the Middle East is expected to continue as the largest revenue generating region for the Group. Our manpower within the Middle East region is now at an historic high and with oil and gas expected to remain as the number one source of energy, we are in a strong position in this market.

#### Africa

The Africa region represents 17.4% of revenue for 2007. Within this region investment remains strong in the mining and metals sectors and large investment by the energy sector has moved into the implementation phase. This is a long term growth market with increasing global demand for natural resources and with spending on power generation and distribution set to grow in South Africa in the coming years.

#### Arctic & New Areas Region

Our Arctic & New Areas region, which consists of Russia, Caspian region and Canada represents 8.3% of revenues for 2007. In this region, investment in oil and gas projects remains strong, especially with major projects announced in Kazakhstan, Sakhalin and Canada. During 2007, we participated in two oil sands project developments in Canada; the KEARL Lake project with Imperial Oil and the Suncor Voyageur project. There are many similarities between these projects and other projects with the same climatic weather conditions, challenges and work methods, where Kentz has experience. We have established a good entry position in this growth market which has high demand for project management and construction services.

#### Australia and other

In June 2004 Kentz Group entered into a joint venture agreement with Thiess Pty Ltd for an unincorporated joint venture trading as "Thiess Kentz Engineers and Constructors". Under the joint venture Kentz Group provided E&I experience enabling Thiess to offer single point, multidiscipline services. In October 2006, Thiess Pty Limited and Kentz incorporated a joint venture company, Thiess Kentz Pty Ltd, which will replace the unincorporated joint venture.

Thiess Kentz has offices in Queensland and Western Australia and its sales revenues do not form part of our consolidated financial statements. For information, 2007 sales revenue (Kentz 50% share of the joint venture) was US\$54.9m against US\$30.0m in 2006.

The Group also has minor operations in Europe, South East Asia and the Americas. Ireland and the UK remain important sources of management personnel for the Group.

### **Growth Strategy including Acquisitions and Business Opportunities**

Our regionalisation strategy for the Middle East was very successful in 2007, as the strength of our engineering and construction services in the region increased revenues to US\$379.6m in 2007 from US\$246.5m in 2006. We continually monitor trends within our industries and evaluate their potential impact on our regions and industries. By understanding the ever changing industrial environment and its potential impact on our business, we are prepared to deliver enhanced services to our clients, both end users and leading engineering and project management companies. The recent mega oil and gas field discoveries, such as in Brazil, and multibillion dollar developments, such as the Shell Pearl GTL, all require solution providers who are prepared to deliver EPC and construction solutions under difficult conditions and this creates great opportunities for Kentz. Kentz close relationships with core end users help us to develop opportunities for strategic growth.

The three main growth strategies for Kentz are:

- Expanding our regional involvement with core clients, including international oil companies, national oil companies and leading engineering and project management companies. Through our regional structures, we are able to provide more complete services locally and we expect to benefit from the increasing capital spending in the oil, gas, mining and minerals sectors.
- Developing key strategic projects through our regional capacity to target large multi-million projects with major international and national oil companies.
- Completing a strategic acquisition in the oil and gas upstream industry and leveraging this acquisition with the Kentz global footprint and client base. We intend to use such new capacity to deliver solutions in three new areas;
  - marginal field developments, including complete early production process plants;
  - offshore deepwater solutions in delivering FPSO topsides; and
  - complete small to mid-size process plants both onshore and offshore.

The execution of these strategies will enable Kentz to provide a more diversified service to our core clients and to and to develop new businesses with them. We also intend to enter into further joint ventures and alliances with other industry participants to reduce and diversify risks, to increase the

number of opportunities that can be pursued; to capitalise on the client relationships of each party; and to realise cost efficiencies.

## Chief Financial Officer's Report

### Summary of Key Financial Indicators

| For the year ended 31 December:               | 2007<br>(US\$M) | 2006<br>(US\$M) | %<br>Change |
|---|-----------------|-----------------|-------------|
| Sales Revenue                                 | 544.6           | 370.1           | +47.2%      |
| EBITDA  | 35.2            | 27.2            | +29.2%      |
| Profit before tax                             | 34.3            | 25.1            | +36.9%      |
| Profit after tax                              | 26.3            | 21.4            | +22.6%      |
| Profit after tax attributable to shareholders | 26.2            | 19.0            | +37.7%      |
| Net Cash from operating activity              | 87.5            | 52.1            | +67.8%      |
| Cash and equivalents at year end              | 123.7           | 57.3            | +115.9%     |
| Basic earnings per share (US cents)           | 26.19           | 19.01           | +37.8%      |
| Backlog                                       | 596.4           | 543.8           | +9.7%       |

### Group Income Statement - Overview of Trends and Highlights

| Continuing Operations<br><br>(Values in US\$ millions) | For the year ended 31 December |                   |       |       |
|--|--------------------------------|-------------------|-------|-------|
|  | 2007                           | Average<br>2005/6 | 2006  | 2005  |
| Sales Revenue  | 544.6                          | 341.5             | 370.1 | 312.8 |
| Gross Profit   | 68.2                           | 44.6              | 56.0  | 33.2  |
| % of sales   | 12.5%                          | 13.1%             | 15.1% | 10.6% |
| S.G. & A. expenses                                     | 39.7                           | 30.0              | 33.0  | 26.9  |
| % of sales   | 7.3%                           | 8.8%              | 8.9%  | 8.6%  |
| EBITDA   | 35.2                           | 18.1              | 27.2  | 8.9   |
| % of sales   | 6.5%                           | 5.3%              | 7.4%  | 2.8%  |
| Profit before tax                                      | 34.3                           | 16.2              | 25.1  | 7.4   |
| % of sales   | 6.3%                           | 4.8%              | 6.8%  | 2.4%  |
| Profit for the year – continuing operations            | 26.3                           | 12.6              | 21.4  | 3.9   |
| % of sales   | 4.8%                           | 3.7%              | 5.8%  | 1.2%  |
| ROCE   | 41.4%                          | 29.8%             | 40.4% | 15.8% |

The group accounts are prepared in accordance with IFRS

## Summary of Group Income Statement Highlights

### Revenue

Sales revenues from continuing operations increased by 47.2% in 2007 to US\$544.6m (2006: US\$370.1m) reflecting continued strong growth across our geographical business regions in general, but particularly in the Middle East region, primarily in Qatar and Saudi Arabia.

The breakdown of revenue by business line shows a significant shift taking place towards our Specialist EPC and Technical Support Services segments which grew to 48% of Group revenue (2006: 39%) and 25% (2006: 15%) respectively at the expense of the Construction Services segment which declined to 27% (2006: 46%) of the total. This shift is in line with our strategy to pursue higher margin work and achieve a more consistent flow of profitability between periods.

Sales to the oil and gas and petrochemicals market in 2007 totalled US\$484m or 89% of Group revenues, up from US\$315m or 85% of Group revenues in 2006. Our mining and metals revenues were constant at 10% of our overall revenues for both 2006 & 2007 and our other sectors in 2007 decreased to 1% from 5% in 2006.

### Gross Profit

Gross profits of US\$68.2m or 12.5% of sales were recorded in 2007, an increase of US\$12.2m on the 2006 figure of US\$56.0m or 15.1% of sales.

It should be noted that 2006 earnings were enhanced by deferral of profits from 2005 to 2006, particularly on two large lump sum EPC projects which commenced in 2005. In compliance with the conservative profit recognition policy we apply to lump sum projects, sales revenues had been recorded in 2005 in line with progress achieved and properly invoiced to clients but no associated profits were taken on these sales until the required profit recognition threshold (typically 40% on such projects) had been reached and we were comfortable that the expected profitability would be achieved. The profit recognition thresholds were reached on these projects in 2006 and thereafter, profits were recognised using the percentage of completion method. The effect of the deferral of profits on these projects produced a lower margin percentage in 2005 than would otherwise have been the case and a correspondingly higher figure in 2006. In order to facilitate a more meaningful comparison of trends with prior year results, an average calculation of the results for 2005 and 2006 has been included in the table above. We believe this comparison provides a better trend indication as our 2007 results have not been affected by this issue to any material degree.

### Selling, General & Administrative Expenses (SG&A)

While SG&A expenses in 2007 increased by US\$6.7m to US\$39.7m in absolute terms (2006: US\$33m), in relative terms as a percentage of sales the number has fallen to 7.3% (2006: 8.9%) as better efficiency has been achieved from the higher level of activity in 2007.

### Other operating income

Other operating income for the year of US\$1.5m primarily relates to the recovery of a doubtful debt previously provided for, which has now been written back.

### Net finance income

Net finance income for the year was US\$3.2m and relates mainly to positive project cash flows and Group cash balances and as such is considered to be an integral part of the operating performance of the Group.

### Profit before tax

Profit before tax for 2007 is US\$34.3m or 6.3% of sales. This represents an increase of 36.9% on the 2006 figure (US\$25.1m or 6.8% of sales). However, as explained under gross profit (above), a more representative figure to gauge the underlying trend from prior periods is the average for 2005/6 (which was 4.8%).

### Taxation

The tax charge for the year is US\$8.0m which is an effective tax rate of 23.4%. This compares with an average effective rate of 22.1% for the 2005/6 years. The slightly higher percentage in 2007 reflects the fact that the group has expanded its business into new regions which have higher average tax rates.

### Net Profit for the year

Profit for the year from continuing operations was US\$26.3m, up 22.6% on 2006. Net profit represents 4.8% of revenue, compared to an average of 3.7% for 2005/6.

### Discontinued operation

The discontinued operation refers to a non-core Telecommunications business which traded mainly in West Africa. Following an internal review the board decided not to continue with this business and it sold its interest in the business in June 2007 for a consideration of US\$1.0m. This resulted in a gain on disposal of US\$0.8m.

### Earnings per share (Basic)

Basic earnings per share for the year were 26.19 US cents, up 37.8% (2006 19.01 US cents). This calculation is based on 100,000,000 ordinary shares in issue in each year.

### Dividend

The group intends to adopt a progressive dividend policy, paying out approximately 20% to 25% of profits after tax, paid on an interim (one third) and final (two thirds) basis with the interim payout expected to take place around September 2008, based on the interim results to June 2008. The final payout is expected to take place around mid 2009 and will be based on the final results to December 2008.

## Summary of Group Balance Sheet Highlights

### Working Capital

Working capital at year end was US\$55.2m, up 29.8% on 2006 year end (US\$42.5m).

Current assets at year end were US\$253.7m, up 58.9%. This growth is mainly due to increased cash (up by US\$61.9m) and trade and other receivables (up by US\$23.1m) reflecting the growth in the business coupled with the strong trading performance achieved.

Current liabilities at year-end were US\$198.6m, up 69.4% on 2006. The rise was mainly due to increased levels of trade and other payables, advance payments received and accruals and deferred income, reflecting the growth achieved during the year.

### Equity

Shareholders' equity at year-end was US\$62.3m, up 21.9% on 2006 (US\$51.1m). The growth is mainly due to an increase of US\$11.2m in retained earnings and reserves, after payment of dividends totalling US\$12.7m.

### Total Assets

Total Assets at the end of the year were US\$273.6m, up 46.1% or US\$86.3m on 2006. The increase was mainly due to higher cash balances and trade receivables coupled with the purchase of some additional plant and equipment, less the disposal of the discontinued operation.

## Summary of Group Cash Flow Highlights

### Cash flow from operations

Net cash flow from operating activities for the year was US\$87.5m, up 68% or US\$35.4m on 2006 levels, reflecting strong cash generation throughout the business coupled with an increased level of advance payments received.

### Cash flow used in investing activities

Net cash used in investing activities was US\$6.1m, up 5% on the 2006 year-end level and primarily related to the purchase of plant and equipment.

### Cash flow used in financing activities

Net cash used in financing activities for the year was US\$14.9m, up 128% on prior year and primarily related to the payment of dividends amounting to US\$12.7m and the repayment of US\$3.2m of short term borrowings.

### Net cash and equivalents.

Net cash and cash equivalents amounted to US\$123.7m at year end, up US\$66.4m or 116% on the 2006 figure of US\$57.3m reflecting both a strong trading performance and an improved cash flow across our operations generally.

**Kentz Corporation plc**  
**Unaudited consolidated income statements**

| <i>In thousands of USD</i>                   | Notes | Year ended 31 December |                      |
|--|-------|------------------------|----------------------|
|  |       | 2007                   | 2006                 |
| <i>Continuing Operations</i>                 |       |                        |                      |
| <b>Revenue</b>                               | 2     | <b>544,650</b>         | <b>370,111</b>       |
| Cost of sales                                |       | <u>(476,490)</u>       | <u>(314,153)</u>     |
| <b>Gross profit</b>                          |       | <b><u>68,160</u></b>   | <b><u>55,958</u></b> |
| Administration expenses                      |       | (38,104)               | (31,631)             |
| Distribution & selling costs                 |       | (1,654)                | (1,351)              |
| Other operating income                       |       | 1,512                  | 299                  |
| <b>Operating profit before finance costs</b> |       | <b><u>29,914</u></b>   | <b><u>23,275</u></b> |
| Net finance income                           |       | 3,234                  | 367                  |
| Share of joint venture's profit              |       | 1,163                  | 1,418                |
| <b>Profit before tax</b>                     |       | <b><u>34,311</u></b>   | <b><u>25,060</u></b> |
| Income tax expense                           |       | <u>(8,033)</u>         | <u>(3,618)</u>       |
| <b>Profit for the year</b>                   |       | <b><u>26,278</u></b>   | <b><u>21,442</u></b> |
| Loss on discontinued operations              |       | (524)                  | (2,402)              |
| Gain on disposal of discontinued operations  |       | 761                    | -                    |
| <b>Profit for the year</b>                   |       | <b><u>26,515</u></b>   | <b><u>19,040</u></b> |
| Attributable to:                             |       |                        |                      |
| Equity holders of the parent                 |       | 26,186                 | 19,012               |
| Minority interest                            |       | <u>329</u>             | <u>28</u>            |
| <b>Profit for the year</b>                   |       | <b><u>26,515</u></b>   | <b><u>19,040</u></b> |
| Basic earnings per share                     | 3     | <b>26.19c</b>          | <b>19.01c</b>        |

**Kentz Corporation plc**  
**Unaudited Consolidated statement of total recognised income and expenses**

| <i>In thousands of USD</i>                               | <b>Year ended 31 December</b> |               |
|--|-------------------------------|---------------|
|  | <b>2007</b>                   | <b>2006</b>   |
| <b>Profit for the financial year</b>                     | <b>26,515</b>                 | <b>19,040</b> |
| Exchange translation differences                         |                               |               |
| - on employee benefits                                   | (946)                         | (1,053)       |
| - on foreign currency net investments                    | 536                           | (514)         |
| - on discontinued operations                             | (219)                         | -             |
| Actuarial (losses)/gains on defined benefit plan         | (1,655)                       | 2,231         |
| <b>Total recognised income and expenses for the year</b> | <b>24,231</b>                 | <b>19,704</b> |
| <b>Attributable to:</b>                                  |                               |               |
| Equity holders of the parent                             | 23,902                        | 19,676        |
| Minority interest  | 329                           | 28            |
| <b>Total recognised income and expenses for the year</b> | <b>24,231</b>                 | <b>19,704</b> |

**Kentz Corporation plc**  
**Unaudited consolidated balance sheets**

|   | <b>At 31 December</b> |                |
|---|-----------------------|----------------|
| <i>In thousands of USD</i>  | <b>2007</b>           | <b>2006</b>    |
| <b>ASSETS</b>   |                       |                |
| <b>Non-current assets</b>   |                       |                |
| Property, plant & equipment   | 12,565                | 7,358          |
| Intangible assets   | 760                   | -              |
| Other investments   | 3,929                 | 3,594          |
| Trade and other receivables   | 1,596                 | 2,667          |
| Deferred tax asset  | 1,045                 | 626            |
|   | <b>19,895</b>         | <b>14,245</b>  |
| <b>Current assets</b>   |                       |                |
| Inventories   | 18,194                | 9,400          |
| Trade and other receivables   | 108,055               | 84,913         |
| Amounts owed by related parties   | 3,436                 | 3,257          |
| Cash and cash equivalents   | 124,041               | 62,108         |
|   | <b>253,726</b>        | <b>159,678</b> |
| Assets classified as held for sale                                      | -                     | 13,372         |
|   | <b>253,726</b>        | <b>173,050</b> |
| <b>Total assets</b>   | <b>273,621</b>        | <b>187,295</b> |
| <b>EQUITY</b>   |                       |                |
| Share capital   | 14                    | 14             |
| Share premium   | 7,796                 | 7,796          |
| Reserves  | 578                   | 234            |
| Retained earnings   | 53,930                | 43,072         |
| <b>Total equity attributable to equity holders of the parent</b>        | <b>62,318</b>         | <b>51,116</b>  |
| <b>Minority interests</b>   | <b>339</b>            | <b>108</b>     |
| <b>Total equity</b>   | <b>62,657</b>         | <b>51,224</b>  |
| <b>LIABILITIES</b>  |                       |                |
| <b>Non-current liabilities</b>  |                       |                |
| Interest bearing loans and borrowings                                   | 117                   | 176            |
| Employee benefit obligations  | 9,801                 | 8,588          |
| Amounts owed to related parties   | 92                    | 92             |
| Trade and other payables  | 2,327                 | 1,048          |
| Deferred tax liabilities  | 59                    | -              |
|   | <b>12,396</b>         | <b>9,904</b>   |
| <b>Current liabilities</b>  |                       |                |
| Trade and other payables  | 196,058               | 110,393        |
| Interest bearing loans and borrowings                                   | 1,121                 | 4,569          |
| Amounts owed to related parties   | 1,389                 | 2,227          |
|   | <b>198,568</b>        | <b>117,189</b> |
| Liabilities directly associated with assets classified as held for sale | -                     | 8,978          |
|   | <b>198,568</b>        | <b>126,167</b> |
| <b>Total liabilities</b>  | <b>210,964</b>        | <b>136,071</b> |
| <b>Total equity and liabilities</b>                                     | <b>273,621</b>        | <b>187,295</b> |

**Kentz Corporation plc**  
**Unaudited consolidated cash flow statements**

| <i>In thousands of USD</i>                              | <b>Year ended 31 December</b> |                |
|---|-------------------------------|----------------|
|   | <b>2007</b>                   | <b>2006</b>    |
| <b>Cash flows from operating activities</b>             |                               |                |
| <b>Profit before taxation</b>                           | <b>34,306</b>                 | <b>24,556</b>  |
| Adjustments for:  |                               |                |
| Depreciation  | 4,185                         | 3,192          |
| Net finance (income)/cost                               | (2,941)                       | 664            |
| Loss/(gain) on sale of Property, plant & equipment      | 20                            | (33)           |
| Share of profit from joint ventures                     | (1,163)                       | (1,418)        |
| Current service cost                                    | 644                           | 778            |
| (Increase)/decrease in trade and other receivables      | (17,882)                      | 2,349          |
| (Increase)/decrease in inventories                      | (5,372)                       | 7,506          |
| Increase in trade and other payables                    | 80,680                        | 23,900         |
| <b>Cash generated from operations</b>                   | <b>92,477</b>                 | <b>61,494</b>  |
| Interest paid   | (515)                         | (1,452)        |
| Income taxes paid                                       | (4,464)                       | (7,908)        |
| <b>Net cash from operating activities</b>               | <b>87,498</b>                 | <b>52,134</b>  |
| <b>Cash flows from investing activities</b>             |                               |                |
| Net return from/(investment in) joint venture           | 910                           | (1,408)        |
| Acquisition of minority interest                        | (246)                         | -              |
| Disposal of subsidiary (net of cash)                    | 856                           | -              |
| Purchase of property, plant and equipment               | (9,235)                       | (4,627)        |
| Proceeds from sale of equipment                         | 224                           | 396            |
| Interest received                                       | 3,212                         | 859            |
| Pension contribution                                    | (1,848)                       | (1,063)        |
| <b>Net cash used in investing activities</b>            | <b>(6,127)</b>                | <b>(5,843)</b> |
| <b>Cash flows from financing activities</b>             |                               |                |
| Payment of finance lease liabilities                    | (126)                         | (100)          |
| Proceeds of long-term borrowings                        | 171                           | 125            |
| Payment of short-term borrowings                        | (3,247)                       | (3,187)        |
| Proceeds from short-term borrowings                     | 1,046                         | -              |
| Dividends paid  | (12,700)                      | (3,350)        |
| <b>Net cash used in financing activities</b>            | <b>(14,856)</b>               | <b>(6,512)</b> |
| <b>Net increase in cash and cash equivalents</b>        | <b>66,515</b>                 | <b>39,779</b>  |
| <b>Cash and cash equivalents at beginning of period</b> | <b>57,282</b>                 | <b>17,886</b>  |
| Exchange difference                                     | (146)                         | (383)          |
| <b>Cash and cash equivalents at end of period</b>       | <b>123,651</b>                | <b>57,282</b>  |

## **Kentz Corporation plc**

### **Notes to the preliminary statement for the year ended 31 December 2007**

#### **1. Basis of Preparation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB) and Jersey Company law.

The Group's date of transition to IFRS is 1 January 2004, the comparative figures have been restated to reflect IFRS, except where otherwise required or permitted by IFRS 1, First Time Adoption of International Financial Reporting Standards.

The currency used in these accounts is the US Dollar.

#### **2. Segment reporting**

Segment information is presented in respect of the group's geographical and business segments. The primary format, geographical segments, is based on the group's management and internal reporting structure.

##### **(i) Geographical segments**

The group manages its business on a worldwide basis by organising its activities into four distinct regions. The geographical areas are the Middle East, Africa, Australasia, Europe and Caribbean; and the Arctic region and new areas.

In presenting the information on the basis of geographical segments, segment revenue is based on the geographical location of assets.

##### **(ii) Business segments**

The group's activity comprises of the following main business segments:

- Engineering, procurement, and construction (EPC)
- Construction and
- Technical support services

## 2. Segment reporting (continued)

### Primary segment information by location of assets Geographical segments

| <i>In thousands of USD</i>           | Year ended 31 December |                |
|--------------------------------------|------------------------|----------------|
|                                      | 2007                   | 2006           |
| <b>Revenue by location of assets</b> |                        |                |
| Middle East                          | 379,568                | 246,470        |
| Africa                               | 94,902                 | 63,392         |
| Australasia, Europe and Caribbean    | 24,858                 | 16,411         |
| Arctic region and new areas          | 45,322                 | 43,838         |
| <b>Continuing operations</b>         | <b>544,650</b>         | <b>370,111</b> |
| Discontinued operations              | 9,618                  | 28,561         |
| <b>Total revenue</b>                 | <b>554,268</b>         | <b>398,672</b> |

### Secondary segment information by business Business segments

| <i>In thousands of USD</i>   | Year ended 31 December |                |
|------------------------------|------------------------|----------------|
|                              | 2007                   | 2006           |
| <b>Revenue by business</b>   |                        |                |
| EPC                          | 263,695                | 145,101        |
| Construction                 | 147,412                | 169,111        |
| Technical Support Services   | 133,543                | 55,899         |
| <b>Continuing operations</b> | <b>544,650</b>         | <b>370,111</b> |

## 3. Earnings per ordinary share

|  | Year ended 31 December |                 |
|--|------------------------|-----------------|
|  | 2007                   | 2006            |
| Earnings per share (US cents)  | <b>26.19</b>           | <b>19.01</b>    |
| <i>In thousands of USD</i>   |                        |                 |
| Earnings after tax, minority<br>Interests and preference dividends                 | 26,186                 | <b>19,012</b>   |
| The number of shares used for the earnings<br>per share calculation is as follows: |                        |                 |
|  | <b>No. '000</b>        | <b>No. '000</b> |
| Basic number of shares (No. '000)  | <b>100,000</b>         | <b>100,000</b>  |

The calculation is based on 100,000,000 ordinary shares of 1 pence each which reflects the restructuring of the shares in January 2008 as part of the preparation for

admission to AIM. The actual number of shares in issue at 31 December 2007 was 1,000,000 shares of 1 pence each and, subsequent to the year end, a bonus issue of 99,000,000 was made.