

2 April 2008

WELLSTREAM HOLDINGS PLC
PRELIMINARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

Wellstream, a leading designer and manufacturer of bespoke flexible pipeline products, systems and solutions for the oil and gas industry, today announces its preliminary results for the year ended 31 December 2007.

Highlights

- Revenues up 81% to £266.8m and Reported EBITDA up 119% to £52.8m
- Reported PBT up 64% to £41.7m
- Record performance driven by improved margins and throughput in the UK and the commencement of production in Brazil.
- Significant awards from Petrobras, BHP Billiton, Devon Energy, Anadarko and StatoilHydro have resulted in Backlog increasing 48% to £335.9m.
- Opening of Niteroi plant in Brazil in May 2007 which has added 150 normalised kilometres^(f) of annual capacity.
- Formation of the Seastream joint venture in June 2007 allowing Wellstream to offer flexible products on an installed basis.
- Further expansion programme underway which will add an additional 40% to capacity in 2009.
- Admitted to the London Stock Exchange on 1 May 2007.

Financial Highlights

year ended 31 December

	2007	2006	% Change
Revenue	£266.8m	£147.2m	81%
Reported EBITDA	£52.8m	£24.1m	119%
Adjusted EBITDA ^(a,c)	£56.9m	£24.1m	136%
Reported PBT	£41.7m	£25.4m	64%
Adjusted PBT ^(a,d)	£45.8m	£8.4m	443%
Reported diluted EPS	31.6p	34.6p	
Adjusted diluted EPS ^(a,e)	34.7p	11.4p	204%
Backlog ^(b)	£335.9m	£226.8m	48%

Commenting on the results, Gordon Chapman, Chief Executive of Wellstream, said:

"I am delighted to report on an excellent set of results for the Group which have been driven by significant increases in throughput and capacity across the business. It was a truly remarkable year with several highlights including our listing on the London Stock Exchange, the opening of our Brazil plant in Niteroi which is continuing to perform ahead of plan and the establishment of our joint venture, Seastream.

"Looking ahead we will continue to apply ourselves to maintaining and improving our levels of throughput and to delivering our target expansion plans. Currently, our planned investment will boost total capacity by some 40% in 2009. The long term industry fundamentals remain strong and we continue to see growth opportunities across all aspects of our business."

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Conference Calls

A presentation for analysts and investors will be held at 9.00 (GMT) today. This presentation will have a call in facility which will be in listen only mode. To participate in the call, dial: +44 (0) 1452 568 442 (access code 40533900). A recording will also be available for 7 days after the call, dial: +44 (0)1452 550 000 (access code: 40533900).

A conference call for analysts and investors will be held at 14.30 (GMT) today. To participate in the conference call, dial: +44 (0)1452 555 566 (access code 38951662). A recording will also be available for 7 days after the call, dial: +44 (0)1452 550 000 (access code: 38951662).

Notes to Editors:

Wellstream

Wellstream is a leading designer and manufacturer of bespoke flexible pipeline products, systems and solutions for the oil and gas industry. Wellstream's portfolio includes established product lines for use as dynamic flexible risers and static flowlines in deep and ultra-deepwater environments. In addition, newer product lines designed for use onshore and in high temperature/high pressure drilling and well service applications have also been introduced. With over 900 employees internationally, Wellstream has offices and facilities in the UK, USA, Canada, Brazil, and Australia.

Notes to Preliminary Results:

- a) Wellstream has presented these supplemental measures because they are used by Wellstream in managing its business performance, although they are not measures of profit or operating performance recognised under IFRS.

- b) Revenue Backlog is the aggregate of revenue that has not yet been recognised in the accounts from contracts that have been entered into and from contracts that the Directors are confident will be entered into.
- c) EBITDA represents Operating profit before depreciation is charged. Adjusted EBITDA represents operating profit before depreciation and excludes the charge relating to share options exercised – refer to Financial Review for details of the calculations.
- d) Adjusted PBT represents Profit before Tax adjusted for share options exercised, exchange rate gains and losses on financing and bank fees written off in the period – refer to Financial Review for details of the calculations.
- e) Diluted EPS represents Profit after Tax divided by the weighted average diluted number of ordinary shares in issue. Adjusted Diluted EPS represents Adjusted Profit after Tax divided by the weighted average diluted number of ordinary shares in issue. Adjusted Profit after Tax is calculated by taking Profit after Tax and adjusting for the tax effected charge/(credit) made for share options exercised, exchange rate gains and losses on financing and bank fees written off. For further details see note 10.
- f) Normalised kilometre (nkm) is based on the work centre hours required to produce a standard 8 inch ID offshore pipe or a standard 4 inch ID onshore pipe. A relative scale factor is applied to other pipes to convert actual production lengths and composition into nkm.

CHAIRMAN'S STATEMENT

I am pleased to announce that Wellstream has achieved a record financial performance during 2007. In addition, we successfully completed the Initial Public Offering (IPO) and listed our shares on the London Stock Exchange on 1 May 2007.

Financial performance

In the 12 months to 31 December 2007, Revenue increased by 81% to £266.8m (2006 £147.2m), Adjusted EBITDA increased by 136% to £56.9m (2006 £24.1m), and Adjusted Earnings per Share reached 34.7p against 11.4p for 2006. We maintain a strong backlog which has increased by £109.1m during 2007, ending the year at £335.9m.

Improved utilisation in Newcastle

High utilisation rates have been achieved throughout the year in Newcastle and we achieved a record throughput of 237 nkm. This contributed substantially to our buoyant performance this year. Following a programme of process improvements, we also revised our capacity in Newcastle to 260 nkm and plan to further expand that capacity.

Successful start-up of our new production plant in Brazil

We officially opened the Niteroi plant in July 2007 having started production in May and I am pleased to report that the plant is already making a contribution in excess of our expectations. In total we achieved a throughput of 52 nkm, which was ahead of our ramp up plan. On 29th November 2007 we announced plans to further expand capacity at Niteroi, recognising the Board's confidence in future demand for our products.

Establishment of Seastream JV

In July 2007, we successfully established a Joint Venture called Seastream. It has secured a major contract from BHP Billiton, in which we offered our products on an installed basis for the first time. This project is progressing to plan and we look forward with confidence to securing additional contracts for installation of our flexible pipe products.

Board additions

I welcome the addition to the board of three industry specialists, Neil Gaskell, the former Treasurer of Royal Dutch Shell, Francisco Gros, former CEO of Petrobras and Pat Murray the former CEO of Dresser Inc. I also welcome Chris Gill as Finance Director, who joined us on 7 January 2008. Marek Gumienny, of Candover Partners, resigned as a non-executive director at the IPO and Andrew Turk, Finance Director, left the Company on 31 December 2007. I thank them both for their contribution during a period of rapid growth and considerable change in the Company.

Outlook

With our new investment in capacity, we have set the foundations to take advantage of the anticipated demand for flexible pipe. The market fundamentals remain strong and we have confidence that we are well positioned to capture a significant share of this growing market.

Finally, I pay tribute to the professionalism of our staff, whose hard work and dedication have helped bring about these record breaking results.

John Kennedy
Chairman

CHIEF EXECUTIVE'S REVIEW

2007 was a remarkable year for Wellstream. Several records were broken and strong foundations were set for future growth.

Significant highlights included the strong performance from the Newcastle operation, on-time start up of the new Niteroi plant in Brazil, further growth of the onshore FlexSteel™ business and the launch of an installation capability through the Seastream JV. Towards the end of the year the Company decided to further extend its future offshore flexible capacity by some 40% through an investment programme in the Niteroi and Newcastle offshore production facilities.

Scope of the Business

With over 20 years' experience, Wellstream is a leading designer and supplier of high quality unbonded flexible pipeline products and systems. In 2007 Wellstream had approximately 30% of the global offshore flexible pipe market and was the world's second largest supplier. Our portfolio includes dynamic risers, static flowlines, subsea and topside jumpers, fluid transfer lines and well service lines for use in the offshore oil and gas market. Onshore we produce FlexSteel™ a flexible pipeline product. Our success is based on strong technology supported by continuous research and development, excellent customer relationships and a focus on working collaboratively with customers and partners.

Wellstream's core business addresses the needs of the floating production and subsea sectors of the offshore oil and gas industry. This is a fast growing segment, where deepwater applications are becoming more common and for which flexible pipe is often a critical element of the development solution.

Market Overview

Oil and Gas are expected to continue as the world's dominant energy sources for the foreseeable future. As many of the more easily accessible offshore hydrocarbon deposits have now been discovered and produced, the industry has to explore in progressively more remote locations, often in deeper water depths. This has increased the capital intensity of the newer developments and sparked an evolution in development concepts from fixed platforms to floating production facilities such as FPSO (Floating Production, Storage and Offloading) vessels.

Industry analysts, Infield Systems Ltd have estimated that capital expenditure on deepwater developments has increased from approximately \$9bn in 2004 to \$19bn in 2007. Over the next 5 years, they expect this expenditure to increase further to in excess of \$25bn per annum.

As Oil Companies move in to more remote areas, and deeper water depths, the use of floating production facilities has become more prevalent. Flexible pipelines are a critical element of the majority of FPSO developments; connecting the wellheads to the surface via flexible risers. Thus, the increased use of FPSOs worldwide has been one of the drivers for rapid growth in Wellstream's business.

There are now approximately 200 floating production systems in service worldwide, of which some 60% are FPSOs. International Maritime Associates Inc. project that this inventory of FPSOs will double over the next five years.

The most important regions globally for this type of development are Latin America and West Africa which together account for over 40% of the global installed base for FPSOs. The market in Latin America dominates the worldwide flexible market, underpinned by Brazil, and if the potential of the major discoveries made in the country during 2007 are realised, this trend is expected to continue. A significant market is also developing in Asia.

In addition to FPSOs, subsea developments are also an important driver for Wellstream's business. Whilst much of the subsea market has evolved in support of floating production vessels and deepwater developments, subsea tiebacks in shallow water remain significant, particularly in mature production

basins like the North Sea and Gulf of Mexico. In these regions, the current high oil and gas prices have made the development of marginal fields economic. Many of these developments have been facilitated by the use of flexible flowlines, which can be quickly manufactured and rapidly installed using readily available and cost effective offshore installation vessels.

The onshore market in North America, and in particular the USA, has remained robust during 2007 as oil companies have sought to increase production and exploit unconventional gas plays. A growing market for refurbishment of existing flowline infrastructure is also emerging.

Strategy for Growth

Wellstream aims to build a leadership position as a supplier of bespoke engineered flexible pipeline products for oil companies around the world. This leadership position will be built upon superior customer relationships, innovation, technology, manufacturing and project delivery excellence. Wellstream's ability to deliver against these goals rests firmly with its employees and Wellstream therefore seeks to create an environment of enthusiasm, engagement and opportunity for all of its staff. The business will deliver growth organically and through alliances and acquisitions that add capacity and capability. Currently, the Company is:

- Increasing production throughput in Brazil and the UK
- Adding capacity in Newcastle, UK to reach 300 nkm/pa in 2009
- Increasing capacity in Niteroi, Brazil to reach 270 nkm/pa in 2009
- Continuing to grow production of onshore flowline products
- Developing the Seastream JV focused on installation of flexible pipelines and risers to support Wellstream's strategic intent to keep the installed cost of flexible pipes visible to end customers.

Offshore Production

The centrepiece of 2007's strong performance was the Newcastle manufacturing operation which successfully met many challenges including complexity in design, manufacturing, testing, packaging and shipping of flexible pipe. The capacity at Newcastle, measured in normalised kilometres (nkm), was upgraded at the start of the year to 240nkm p.a and further upgraded mid year to 260nkm p.a. Total throughput of 237nkm represented a new annual record for the plant, being 14% ahead of 2006. The outcome validated the ongoing focus on continuous improvement in all facets of the operation.

Undoubtedly a major 2007 milestone was the successful commissioning of the new plant in Niterói, Brazil in May 2007. The Niterói plant was formally inaugurated on 11 July 2007 with Government representatives, Petrobras, and other major customers and suppliers in attendance. The ramp-up of production at the plant progressed ahead of plan for the remainder of the year and a total of 52nkm throughput was achieved. The plant has also received full accreditation from Petrobras. The ramp-up of the Niteroi plant exceeded expectations and we have brought forward the commitment to a 4 shift system to allow 24/7 operations.

With the establishment of two manufacturing facilities for our offshore business, the operational teams in Niterói and Newcastle are actively working on production optimisation and taking advantage of the plants' combined and complementary capabilities.

Capacity Expansion

In November we announced capacity expansions in both Niteroi (from 150 nkm to 270 nkm p.a.) and Newcastle (from 260 nkm to 300 nkm p.a.); a £35 million investment has been approved for this. This is further supported by a global continuous improvement initiative.

The capacity expansion project has successfully transitioned from the definition to execution phase. Critical activities are on track to support the Q1 2009 operational handover. Long lead equipment items have been ordered and pre-construction activities for Niteroi and Newcastle are progressing well.

In support of capacity expansion, an accelerated reel build programme has been progressing in both Brazil and the UK and will run through 2008.

Major Projects

In total 26 projects were at an execution stage during 2007. Of particular note was the Frade project for Chevron in Brazil. This is a contract valued in the order of £100m requiring the design and production of 138km of pipes varying in size from 2 inch to 8 inch. The Frade project accounted for some two thirds of the annual production in Newcastle and at year end the programme was on schedule and over 70% complete.

The year also featured 8 major projects for Petrobras. These projects involved both the Newcastle and Niteroi operations. Of particular note was the technically complex P52 16 inch loading line contract which was successfully completed in July and has now been installed offshore by the customer. Other major contracts included UNBC phase 1 which is the first project to be entirely executed and manufactured in Brazil. The UNBC projects are continuing into 2008 where several pipe designs are being delivered from the Niteroi plant.

Customers and Awards

Our 20 year relationship with Petrobras has been further enhanced by the opening of the plant in Niterói, Brazil. This has already begun to benefit the business by facilitating greater cooperation in terms of collaborative capacity planning, product qualification and technology development. Key commitments have been received from Petrobras for 2008.

The Niterói plant has also supported other Wellstream customers such as Devon Energy, Chevron, Anadarko and StatoilHydro, all of whom have projects that were executed in 2007 or will be manufactured in 2008.

In total this customer support translated into a backlog at 31 December 2007 of £335.9m.

Seastream

On 3 July 2007, BHP Billiton awarded Wellstream and its Seastream Joint Venture, contracts for its Pyrenees project in Western Australia. The contracts involve the supply and installation of flexible flowlines and risers and installation of the subsea infrastructure and the Floating Production Storage and Offloading vessel (FPSO). The value of these contracts is in excess of £100m and represents a significant milestone for both Wellstream and the Joint Venture. At the end of the year preparations were well underway from a new operating centre in Perth, Australia for the offshore programme which is due to commence in early 2009. The pipe manufacturing programme will commence in Newcastle in mid 2008 and the project team is overseeing an extensive engineering, procurement and manufacturing preparedness programme.

At year end we also received a commitment from Devon Energy for remedial installation work on the Polvo field in Brazil. The offshore work was completed in February 2008.

Onshore

The onshore "FlexSteelTM" business has performed well with encouraging new sales being achieved in Latin America. Production in the Panama City plant has accelerated with the introduction of new

equipment during the first quarter of 2007. In total 618nkm^(f) of pipeline was produced during 2007. The period also saw the successful introduction of 5.5 inch and 6 inch diameter products. The first 6 inch pipe delivery is destined for Pemex in Mexico. South America continues to show promise with Petrobras placing initial orders and negotiations continuing in Venezuela. The American and Canadian markets continue to underpin the business and despite the drop-off in the Canadian gas market the high pressure market for the FlexSteelTM product has remained positive.

Gordon Chapman
Chief Executive Officer

FINANCIAL REVIEW

Overview

Revenue for the year ended 31 December 2007 increased by 81.2% to £266.8m (2006: £147.2m).

Resulting Operating profit increased by 139.7% to £47.6m (2006: £19.8m) which generated profit before taxation of £41.7m (2006: £25.4m) and diluted earnings per share of 31.6p (2006: 34.6p).

The Company successfully completed its IPO on the London Stock Exchange during the year and its shares were admitted to trading on 1 May 2007. This and the consequent repayment of pre IPO debt resulted in a number of transactions of a substantially one-off or non-recurring nature, a summary of which is included below.

	EBITDA(1)	Operating Profit	Profit before Taxation	Diluted EPS(p)	Diluted EPS(p)
	£000	£000	£000	2007	2006
Unadjusted measure	52,836	47,561	41,740	31.6	34.6
Non Exec options (2) see below	4,089	4,089	4,089	3.1	-
Exchange gains on financing (3) see below	-	-	(2,755)	(2.1)	(23.2)
Repayment of DDBs (4) see below	-	-	2,716	2.1	-
Adjusted measure	<u>56,925</u>	<u>51,650</u>	<u>45,790</u>	<u>34.7</u>	<u>11.4</u>

Note

1. EBITDA represents Operating profit before depreciation is charged.
2. Prior to IPO, share options were issued to a non-executive director and these were exercised and converted into shares at IPO. A charge of £4.1m, inclusive of employer's taxes, was made in this regard.
3. Foreign exchange gains on financing of £2.8m (2006: £17.0m) arose substantially on long term US Dollar denominated debt that was converted to Sterling on 1 May 2007 as part of the IPO.
4. Upon the bank refinancing and repayment of the Deep Discount Bonds, associated fees, previously capitalised, of £2.7m were written off.

Revenue

Revenue for the year ended 31 December 2007 totalled £266.8m (2006: £147.2m).

The Group's Offshore business contributed the bulk of this growth ending the year with revenue of £255.6m (2006: £139.4m). This result is underpinned by the opening and subsequent revenues from the facility in Brazil and strong underlying growth originating from existing UK operations.

The Onshore business also saw strong growth albeit from a lower base, recording revenue of £11.2m (2006: £7.8m).

EBITDA

Adjusted EBITDA for the year ended 31 December 2007 totalled £56.9m (2006: £24.1m). The corresponding EBITDA margin in the period was 21.3% (2006:16.4%), an incremental margin earned in

the period of 27.2%. This incremental margin reflects increased use of installed capacity, offset somewhat by start-up inefficiencies in the newly installed Brazilian capacity.

Financing Costs

Financing costs comprise net interest expense of £8.6m (2006: £11.4m) and foreign exchange gains on financing of £2.8m (2006: £17.0m). The exchange gain on foreign currency denominated balances was primarily incurred in the period prior to IPO and relates substantially to US Dollar denominated debt which was repaid on IPO.

Profit before taxation

Profit before taxation of £41.7m (2006: £25.4m) includes items of a substantially one-off or non recurring nature totalling £4.1m (see above).

Taxation

The Group effective rate of taxation in the year was 30.5%. Corporate tax rates in the UK and Brazil of 30% and 34% respectively and a favourable tax regime in the UK for research and development underlie this rate. The full year rate is higher than that anticipated in the Group's Interim Report of 29.2% due to the successful start-up in Brazil and consequent increase in second half profits taxed at 34%. Cash tax payments commenced in the UK during 2007 as prior year losses have been exhausted.

EPS

Adjusted diluted earnings per share for the year ended 31 December 2007 was 34.7p (2006: 11.4p). Basic earnings per share for the year ended 31 December 2007 was 31.8p (2006: 34.6p). Diluted earnings per share was 31.6p (2006: 34.6p).

Dividend

The Company, in line with its Prospectus, has not proposed a dividend for 2007. The Prospectus also identifies that, assuming the Company has accumulated sufficient distributable reserves, its Directors anticipate paying both an interim and final dividend for 2008.

Operating Cash flow

Cash flow from operations was £32.7m (2006: £0.2m). Working capital in the period increased by £24.6m (2006: £23.7m). This increase reflects the longer supply chain currently associated with our Brazilian operations and phasing of customer payments over the year end. Net interest paid of £3.1m (2006: £4.8m) and taxation paid of £4.5m (2006: £0.1m) resulted in a net cash increase from operating activities of £25.1m (2006: decrease £4.7m), which more than covered the significant investment in capital equipment made in the period.

Capital Expenditure

Capital expenditure in the year ended 31 December 2007 was £16.7m (2006: £14.0m). The most significant investment was in Brazil where the Group has created new capacity in a leasehold facility. The total investment in Brazil in the past two years has been £17.9m of which in excess of 90% was incurred in respect of new plant and equipment. In November 2007 the Group announced a further £35m investment in new capacity, which is expected to occur during 2008 and early 2009.

Financing Activities

The IPO generated net proceeds from the sale of new share capital of £66.8m which, along with draw-down on the Group's £85m revolving facility, enabled the repayment of long-term debt and deep discounted bonds that existed pre-IPO. The net cash raised from financing activities of £12.9m (2006: £2.8m), was applied to short-term debt leaving net cash at the period end of £0.8m (2006: £20.9m deficit).

Net Debt

Net debt at 31 December 2007 was £46.7m (2006: £119.2m) which is currently denominated substantially in Sterling. Total debt available to the Group is £89.4m which, after allowing for performance bonds, guarantees and cash balances held overseas, leaves the Group with in excess of £30m of available headroom.

Treasury

The Group's day to day cash requirements and its capital investment programme are financed through an £85m revolving credit facility. Short term fixed interest rate loans, normally over a period of 1-3 months, form the significant part of the drawn-down facility with the balance being carried at variable interest rates. The overall credit facility is planned to reduce periodically from November 2008 until its expiry in May 2013.

Although a substantial part of the Group's revenue and profit is earned outside the UK, subsidiaries generally trade in either local currency or Sterling. The Group is therefore not normally exposed to significant foreign exchange transactional risk. Occasionally the Group does generate revenue in a third party currency and, where this occurs, the potential risk is assessed against any natural hedges that exist within the Group before any financial hedges are considered. The Group also has an exposure to foreign currency that arises upon the translation of overseas results into Sterling.

The Group does not currently hold any financial instruments to hedge either currency or interest rates.

Chris Gill
Finance Director

Group Income Statement

For the year ended 31 December 2007

	Notes	2007 £000	2006 £000
Revenue	2,3	266,810	147,221
Cost of sales		(187,382)	(105,850)
Gross profit		<u>79,428</u>	<u>41,371</u>
Administrative expenses		(32,963)	(22,763)
Other operating income		1,096	1,237
Operating profit	4,5	<u>47,561</u>	<u>19,845</u>
Foreign exchange gains on financing	6	2,755	17,002
Finance income	7	1,115	402
Finance expenses	8	(9,691)	(11,817)
Profit before tax		<u>41,740</u>	<u>25,432</u>
Income tax expense	9	(12,727)	(23)
Profit for the year (all attributable to equity holders of the parent)		<u>29,013</u>	<u>25,409</u>
Basic earnings per ordinary share	10	31.8	34.6
Diluted earnings per ordinary share	10	31.6	34.6

All results are derived from continuing operations

Statement of Recognised Income and Expense
For the year ended 31 December 2007

	Group	
	2007	2006
	£000	£000
Exchange differences on translation of foreign operations	7,578	(1,887)
Net income / (expense) recognised directly in equity	<u>7,578</u>	<u>(1,887)</u>
Profit for the year	29,013	25,409
Total recognised income (all attributable to equity holders of the parent)	<u>36,591</u>	<u>23,522</u>

Balance sheet

As at 31 December 2007

	Notes	Group	
		2007	2006
		£000	£000
Non-current assets			
Investments		-	-
Goodwill		39,107	39,107
Property, plant and equipment	11	59,350	45,298
		<u>98,457</u>	<u>84,405</u>
Current assets			
Inventories	12	29,247	15,050
Trade and other receivables	13	136,307	65,023
Cash and cash equivalents		5,904	726
Derivative financial instruments		-	434
		<u>171,458</u>	<u>81,233</u>
Total assets		<u>269,915</u>	<u>165,638</u>
Current liabilities			
Trade and other payables	14	(106,728)	(51,153)
Current tax liabilities		(1,030)	(23)
Interest bearing loans and borrowings		(5,148)	(25,674)
		<u>(112,906)</u>	<u>(76,850)</u>
Net current assets		<u>58,552</u>	<u>4,383</u>
Non-current liabilities			
Interest bearing loans and borrowings		(47,439)	(94,261)
Deferred tax liabilities		(6,782)	-
		<u>(54,221)</u>	<u>(94,261)</u>
Total liabilities		<u>(167,127)</u>	<u>(171,111)</u>
Net assets / (liabilities)		<u>102,788</u>	<u>(5,473)</u>

Shareholders' equity			
Share capital	15	996	21
Share premium account	15	66,697	943
Translation reserve	15	7,351	(227)
Capital redemption reserve	15	30	-
Retained earnings/ (losses)	15	27,714	(6,210)
Total equity / (deficit)	15	<u>102,788</u>	<u>(5,473)</u>

Cash flow statement

For the year ended 31 December 2007

	Group	
	2007	2006
	£000	£000
Profit for the year	29,013	25,409
Share based payments	4,467	-
Depreciation of property, plant and equipment	5,275	4,231
Gain on disposal of property, plant and equipment	(29)	(237)
Finance income	(1,115)	(402)
Finance expenses	9,691	11,817
Income tax expense	12,727	23
Foreign exchange gains on financing	(2,755)	(17,002)
(Increase)/decrease in inventories	(13,246)	2,811
Increase in receivables	(65,696)	(43,898)
Increase in payables	54,332	17,403
Cash from operations	<u>32,664</u>	<u>155</u>
Income taxes paid	(4,464)	(32)
Interest received	1,115	402
Interest paid	(4,229)	(5,234)
Net cash increase / (decrease) from operating activities	<u>25,086</u>	<u>(4,709)</u>
Investing activities		
Purchases of property, plant and equipment	(16,744)	(14,038)
Proceeds on disposal of property, plant and equipment	38	403
Net cash used in investing activities	<u>(16,706)</u>	<u>(13,635)</u>
Financing activities		
Gross proceeds of new debt	62,526	9,672
Repayments of debt	(115,304)	(6,713)

Net (repayment) / proceeds on new financing	(52,778)	2,959
Proceeds on issue of share capital	75,063	-
Redemption of own shares	(30)	-
Costs of issuing equity	(8,304)	-
Debt refinancing costs	(1,088)	(190)
Net cash increase from financing activities	12,863	2,769
Net increase / (decrease) in cash and cash equivalents	21,243	(15,575)
Foreign exchange movements on translation of cash balances	374	2,902
Cash and cash equivalents at beginning of year	(20,861)	(8,188)
Cash and cash equivalents at end of year	756	(20,861)
Cash and cash equivalents and bank overdrafts at end of year comprise:		
Cash and cash equivalents	5,904	726
Bank overdrafts	(5,148)	(21,587)
	756	(20,861)

1. Accounting policies

The announcement is prepared on the basis of the accounting policies as stated in the previous year's financial statements except in respect of the early adoption of IFRS 8 Operating Segments as described in note 3.

Whilst the financial information included in this preliminary announcement has been computed in accordance with IFRSs, this announcement does not itself contain sufficient information to comply with IFRSs. The Company expects to publish full financial statements that comply with IFRSs in April 2008.

2. Revenue

An analysis of the Group's revenue is as follows:

	2007	2006
	£000	£000
Revenue from construction contracts	255,637	139,438
Revenue from sale of other product	11,173	7,783
	266,810	147,221

Other operating income	1,096	-
Finance income (see note 7)	1,115	402
	<u>269,021</u>	<u>147,623</u>

3. Geographical and business segments

Business Segments

The Group has adopted IFRS 8 Operating Segments in advance of its effective date, with effect from 1 January 2007. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required the Group to identify two sets of segments (business and geographical), using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments. As a result, following the adoption of IFRS 8, the identification of the Group's reportable segments has changed.

The Group's reportable segments under IFRS 8 Operating Segments are therefore as follows:

Offshore - The design, production and installation of flexible unbonded pipelines for use in the offshore oil and gas industry.

Onshore - The design and production of flexible unbonded pipelines for use in the onshore oil and gas industry.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment in 2007:

	Onshore	Offshore	Consolidated year ended
	2007	2007	2007
	£000	£000	£000
Revenue			
External sales	11,173	255,637	266,810
	<hr/>		
Result			
EBITDA	(217)	53,053	52,836
Depreciation			(5,275)
Operating profit			<u>47,561</u>

The following is an analysis of the Group's revenue and results by reportable segment in 2006:

	Onshore	Offshore	Consolidated year ended
	2006	2006	2006
	£000	£000	£000
Revenue			
External sales	7,783	139,438	147,221
Result			
EBITDA	(3,342)	27,418	24,076
Depreciation			(4,231)
Operating profit			19,845

The accounting policies of the reportable segments are the same as the Group's accounting policies. Figures reported to the Board, as presented above, are based on the financial information used to produce the entity's financial statements.

Segment assets

	2007	2006
	£000	£000
Onshore	10,689	7,704
Offshore	259,226	157,934
Segment assets	269,915	165,638
Unallocated assets	-	-
Consolidated assets	269,915	165,638

For the purposes of monitoring segment performance and allocating resources between segments, the Board monitors the tangible, intangible and financial assets attributable to each segment. Inter-segmental funding has been excluded from the segment assets disclosure. Goodwill has been allocated entirely to the Offshore segment. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Segment liabilities	2007	2006
	£000	£000
Onshore	1,704	1,341
Offshore	158,641	169,770
Segment liabilities	<u>160,345</u>	<u>171,111</u>
Deferred tax liabilities	6,782	-
Consolidated liabilities	<u><u>167,127</u></u>	<u><u>171,111</u></u>

For the purposes of monitoring segment performance and allocating resources between segments, the Board monitors the external liabilities attributable to each segment and therefore inter-segmental funding is excluded from the segment liabilities disclosure.

Geographic information

Revenue from external customers:	2007	2006
	£000	£000
UK	3,894	15,458
Rest of world	262,916	131,763
	<u>266,810</u>	<u>147,221</u>

Included in revenues from external customers derived from outside of the UK, is £216,692,000 (2006 : £80,017,000) derived from customers in Brazil, and £24,671,000 (2006 : £1,571,000) derived from customers in the USA.

Non current assets by location (excluding goodwill):

	2007	2006
	£000	£000
UK	36,522	32,728
Rest of world	22,828	12,570
	<u>59,350</u>	<u>45,298</u>

Included in non current assets located outside of the UK, is £19,950,000 (2006 - £11,540,000) at net book value of assets located in Brazil.

Information about major customers

Included in offshore revenues is an amount of £136,999,000 (2006 - £76,346,000) arising from sales to the Group's largest customer, and an amount of £72,521,000 (2006 - £nil) to the Group's second largest customer.

4. Operating profit

Operating profit for the year has been arrived at after charging / (crediting):

	2007	2006
	£000	£000
Net foreign exchange gains	(2,257)	(325)
Research and development	3,187	2,321
Depreciation of property, plant and equipment	5,275	4,231
Gain on disposal of fixed assets	(29)	(237)
Inventory impairment	505	439
Write back of credit balances	(261)	(1,456)
Cost of inventories (raw materials)	137,898	77,207
Staff costs (all)	39,978	25,174

Net foreign exchange gains on trading items represent the effect of movements in exchange rates on foreign currency denominated working capital and other trading items during the year.

The write back of credit balances represents a reduction of £261,000 (2006 - £1,456,000) in accruals against warranty and other claims which in the view of the Directors are no longer required.

An analysis of amounts payable by the Group to the Company's auditors, Deloitte & Touche LLP, and their associates is provided below:

	2007	2006
	£000	£000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	65	20
Fees payable to the Company's auditor and their associates for other services:		
The audit of the Company's subsidiaries, pursuant to legislation	70	66
Total audit fees	135	86

Other services pursuant to legislation	37	-
Tax services	158	129
Remuneration services	170	42
Corporate finance services	1,050	500
Other services	-	20
Total non-audit fees	<u>1,415</u>	<u>691</u>
	<u>1,550</u>	<u>777</u>

Fees payable to Deloitte & Touche LLP and their associates for non-audit services to the Company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

5. Staff costs

	Group	
	2007	2006
	£000	£000
Staff costs during the year (including Directors)		
Wages and salaries	30,867	21,726
Social security costs	3,870	2,476
Other pension costs	774	972
Share based payments	4,467	-
	<u>39,978</u>	<u>25,174</u>

The share based payment expense of £4,467,000 is net of employer's National Insurance contributions in the amount of £465,000 and consists of £3,624,000 relating to the granting of share options to Sir Graham Hearne on 19 March 2007, £793,000 relating to the Group's employee share schemes, and £50,000 in relation to the exercise of warrants.

Social security costs include National Insurance payable in relation to share based payment expenses in addition to Employer's National Insurance contributions on wages and salaries.

	Group	
	2007	2006
	No.	No.
Average number of persons employed		
Administration	235	166
Sales	21	27
Manufacturing	562	486
	<u>818</u>	<u>679</u>

6. Foreign exchange gains on financing

	2007	2006
	£000	£000
Foreign exchange gains on financial liabilities held at amortised cost	2,755	17,002

Exchange gains on financing reflects the change in value of the US dollar denominated bank debt and deep discount bonds.

7. Finance income

	2007	2006
	£000	£000
Interest income on loans and receivables		
Interest on bank deposits	1,115	402

8. Finance expenses

	2007	2006
	£000	£000
Interest expense on financial liabilities held at amortised cost		
Interest on bank overdrafts and loans	4,650	5,531
Accretion of discount of deep discount bonds	1,783	5,451
Amortisation of arrangement fees	344	677
	<u>6,777</u>	<u>11,659</u>
Write off of arrangement fees on extinguishing of related debt	2,718	-
Bank charges	224	268
Fair value gains on interest rate swaps	(28)	(110)
	<u>9,691</u>	<u>11,817</u>

Deep discount bonds, bank loans, and overdrafts were fully repaid during the year and replaced with new facilities. Arrangement fees relating to those facilities repaid were expensed during the year.

During the year the Group made net losses of £6,740,000 (2006 - £5,343,000 gain) on financial liabilities held at amortised cost.

9. Income tax expense

	2007	2006
	£000	£000
Current tax:		
Current tax charge	5,273	23
Adjustments in respect of prior years	198	-
	<hr/>	<hr/>
	5,471	23
Deferred tax:		
Origination and reversal of temporary differences	7,441	-
Adjustments in respect of prior years	(185)	-
	<hr/>	<hr/>
	7,256	-
Total income tax in the income statement	<hr/>	<hr/>
	12,727	23

UK corporation tax is calculated at 30% of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10. Earnings per share

Basic earnings per ordinary share is calculated by dividing earnings by the weighted average number of ordinary shares in issue during the year.

Diluted earnings per ordinary share uses the same figure as the basic calculation except that the weighted average number of shares has been adjusted to reflect the dilutive effect of the outstanding share options allocated under employee share schemes where the market value exceeds the option price. It is assumed that all dilutive potential ordinary shares are converted at the beginning of the accounting period. Diluted earnings per ordinary share is calculated by dividing earnings by the diluted average number of ordinary shares.

Reconciliations of the earnings and weighted average number of shares used in the calculations are outlined below:

Basic and diluted earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:.

	Earnings	Weighted average number of ordinary shares	Earnings	Weighted average number of ordinary shares
	2007 £000	2007 No.	2006 £000	2006 No.
For basic earnings per share	29,013	91,291,391	25,409	73,500,000
Options and awards	-	538,546	-	-
For diluted earnings per share	29,013	91,829,937	25,409	73,500,000
Basic earnings per share (p)		31.8		34.6
Diluted earnings per share (p)		31.6		34.6
Adjusted diluted earnings per share			2007	2006
Adjusted earnings (£000)			31,828	8,407
Diluted weighted average number of shares			91,829,937	73,500,000
Adjusted diluted earnings per share (p)			34.7	11.4

Adjusted EPS is discussed further in the Financial Review.

All ordinary shares had the same entitlement to share in profit for all periods presented. The weighted average number of ordinary shares outstanding for all periods presented has been adjusted for certain bonus issues and redesignations that have changed the number of ordinary shares outstanding without a corresponding change in resources.

All redeemable non-voting shares were issued and redeemed during the period and hence no separate earnings per share figure has been presented. At 1 January 2006 the company had 2,000 warrants in issue for contingently issuable shares, and on 19 March 2007 it granted options for contingently issuable shares. These are both excluded from the calculation of diluted earnings per share in 2006 as the related conditions were not met until 1 May 2007 at which date the shares were issued.

The difference between the weighted average number of ordinary shares for the purposes of basic and diluted earnings per share is due to the dilutive effect of the Company's Participation Share Plan, Save As You Earn scheme and Chairman's award.

11. Property, plant and equipment

	Assets in the course of construction	Leasehold improvements	Freehold land and buildings	Plant and equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 1 January 2006	-	144	15,570	30,837	46,551
Additions	12,573	-	177	1,288	14,038
Exchange differences	(254)	(13)	-	(814)	(1,081)
Disposals	-	-	-	(216)	(216)
At 1 January 2007	12,319	131	15,747	31,095	59,292
Additions	2,225	232	191	14,096	16,744
Transfers	(12,319)	-	-	12,319	-
Exchange differences	-	20	-	2,684	2,704
Disposals	-	(26)	-	(25)	(51)
At 31 December 2007	2,225	357	15,938	60,169	78,689
Depreciation					
At 1 January 2006	-	33	1,706	8,208	9,947
Charge for year	-	23	602	3,606	4,231
Exchange differences	-	(4)	-	(129)	(133)
Eliminated on disposals	-	-	-	(51)	(51)
At 1 January 2007	-	52	2,308	11,634	13,994
Charge for year	-	48	623	4,604	5,275

Exchange differences	-	2	-	110	112
Eliminated on disposals	-	(21)	-	(21)	(42)
At 31 December 2007	-	81	2,931	16,327	19,339
<hr/>					
Net book value					
At 31 December 2007	2,225	276	13,007	43,842	59,350
At 31 December 2006	12,319	79	13,439	19,461	45,298

The Company holds no property, plant or equipment.

12. Inventories

	2007	2006
	£000	£000
Raw materials	22,049	7,944
Work in progress	4,449	5,138
Finished goods	2,749	1,968
	<hr/>	<hr/>
	29,247	15,050

13. Trade and other receivables

	2007	2006
	£000	£000
Trade receivables	81,970	15,962
Impairment provision	-	(102)
	<hr/>	<hr/>
	81,970	15,860
Amounts due from contract customers	32,600	40,257
Prepayments	5,804	4,063
Other receivables	15,933	4,843
	<hr/>	<hr/>
	136,307	65,023

The Directors consider that the carrying amount of trade and other receivables approximates their fair value.

14. Trade and other payables

	2007	2006
	£000	£000
Trade payables	16,778	10,642
Accruals and deferred income	25,704	9,647
Amounts due to contract customers	57,314	29,981
Other tax and social security	764	883
Other payables	6,168	-
	<u>106,728</u>	<u>51,153</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for credit purchases is 45 days (2006 - 50 days).

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

15. Statement of changes in equity

	Share capital	Share premium	Translation reserve	Capital redemption reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
At 1 January 2006	21	943	1,660	-	(31,619)	(28,995)
Profit for the year	-	-	-	-	25,409	25,409
Exchange difference on translation of overseas operations	-	-	(1,887)	-	-	(1,887)
At 1 January 2007	21	943	(227)	-	(6,210)	(5,473)
Profit for the year	-	-	-	-	29,013	29,013
Bonus issues	737	(737)	-	-	-	-
Issue of share capital	264	74,766	-	-	-	75,030
Write off of expenses on new issue	-	(8,304)	-	-	-	(8,304)
Redemption of own shares	(30)	-	-	30	(30)	(30)
Share options exercised	2	29	-	-	3,624	3,655
Exercise of warrants	2	-	-	-	50	52
Exchange difference on translation of overseas operations	-	-	7,578	-	-	7,578

Charge in relation to share options and tax thereon	-	-	-	-	1,267	1,267
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At 31 December 2007	996	66,697	7,351	30	27,714	102,788
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16. The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 December 2007, but is derived from those accounts. Statutory accounts for 2006 have been delivered to the Registrar of Companies and those for 2007 will be delivered following the Company's Annual General Meeting.

The Auditors have reported on those accounts; their reports were unqualified and did not contain statements under Section 237 (2) or (3) of the Companies Act 1985.