

# Interim Results

for the six months ended 30 September 2002



# CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

**Highlights:** We are pleased to report a very robust performance in challenging circumstances. The Group's balanced portfolio of products and services has responded well to the varied conditions prevailing in each of its geographic markets, producing a continued good overall performance.

The principal drivers for the business have been the strong demand for subsurface systems for deepwater developments around the world. Geographically our activities in Africa, the Former Soviet Union and the Middle East (AFSUME) have performed well due to the sustained focus of our clients' development capital spending in these areas.

The results for the six months to 30 September 2002 compared with the same period last year were:

- Turnover increased 7% to £111.4m
- Operating Profit increased 7% to £15.4m\*\*
- Profit before Tax increased 9% to £12.8m\*\*
- Earnings per share increased 6% to 13.8p\*\*
- Interim dividend of 3.8p up from 3.7p

\*\* Based on continuing operations before goodwill amortisation and exceptional item.

**Dividend:** The board is increasing the interim dividend to 3.8p per share. This will be payable on 31 January 2003 to shareholders on the register at 31 December 2002.

**Overview:** Turnover for *Cased Hole Services*, our production optimisation business was virtually unchanged from last year at £41.5m. The primary driver for this activity is client operating expenditure levels. In Europe, there was strong demand for well maintenance and data services across our UK Continental Shelf (UKCS) client base, as operators have sought to maximise cash flow from existing assets. In the AFSUME region, income has grown significantly in North Africa, where major campaigns have been conducted for BP, BHP and Ourhoud in Algeria. Similar good progress was made in the Asia Pacific region, which enjoyed a full half year contribution from the integrated services contract awarded last year by Santos for their Cooper Basin assets. Conversely, in the Americas region, where revenues are greatly influenced by the number of gas development well completions, we experienced a continuation of the weaker conditions that developed in the latter months of the prior year following the fall in natural gas prices, linked to the slowdown in the US economy.

*Subsurface Systems*, our deepwater field development business increased turnover 24% to £31.6m. This reflects the momentum that built up during the prior year as client capital expenditures grew. Whilst capital expenditure has moderated in the current year, the prior

year momentum ensured a strong first half, particularly in Europe and AFSUME. In Europe, subsea development activity in the UKCS on BP's Machar and Mirren, Exxon Mobil's Skene and Kerr McGee's Leadon fields, was complemented by strong activity in Norway for Statoil (Sigyn), Norsk Hydro (Asgard and Fram Vest) and Total Fina Elf (Skirne and Bygve). In AFSUME, whilst activity remained high in West and South Africa, a new market in Egypt provided significant incremental growth with the provision of subsea and permanent monitoring systems to BG on its West Delta Deep project. Asia Pacific saw a modest decline in activity relative to the prior year period reflecting the completion of operations on Shell's Malampaya field in the Philippines. The Americas region, with its deepwater exposure, enjoyed modest growth driven by Permanent Monitoring and Tronic. Programme delays resulted in a reduction in subsea completion activity for a number of clients, but these are expected to occur during the second half of the year.

The *Surface & Environmental Systems* business, which provides production solutions, well clean-up and reservoir characterisation services, increased turnover 6% to £38.3m. Performance in Europe was sustained by the high level of clean-up activity associated with subsea completions, as well as High Pressure High Temperature operations for Phillips on its Jade field. In addition, the Southern North Sea saw much higher levels of testing activity for BP, Conoco and Shell, as well as independents such as ATP, Venture Oil and Consort. Tuscan Energy recently awarded a £17million production solutions contract to Expro in connection with the development of the Ardmore field, formerly known as Argyll. Venture, Consort and Tuscan are representative of the new breed of independents formed to develop hitherto marginal reserves in the UK sector of the North Sea, which are presenting major opportunities for Expro. In Italy, the Group secured a twelve month extension to the early production facility on AGIP's Gaggiano field. AFSUME also enjoyed considerable growth, primarily in North Africa (BP and BHP in Algeria) and in Kazakhstan. Income in the Asia Pacific region was lower than the prior year, reflecting the completion of operations on Shell's Malampaya field in the Philippines. In the Americas, the delays in subsea completions in the deepwater Gulf of Mexico have had an impact on associated well clean-up activity. However, this will be redressed in the second half with operations for Amerada Hess, Chevron, BHP, Mariner and Shell.

**Outlook:** A feature of the Group's business has been a bias in performance towards the second half, however, this year the contribution from each half is expected to be more balanced.

In the short-term, economic and political uncertainties are constraining exploration and production programmes, with clients more concerned with maximising the economic

return on their existing assets. Expro's niche products and service portfolio, focused on lowering client capital and operating costs, are ideally suited to this environment.

In the US, our deepwater business in the Gulf of Mexico remains unaffected by current uncertainties. Shallow water and onshore gas activity remains subdued, although incremental improvements are expected during 2003 as current drilling levels are not sufficient to sustain existing production levels, let alone the increased demand that the forecast recovery in economic growth will generate. Expro is well positioned in this strategically important market to benefit as the imbalance between supply and demand comes into play. Outside North America, there continues to be a steady increase in demand for services in Africa and more recently China, with the North Sea expected to slow following a good increase in activity during the first half of the year.

We are encouraged by the fact that our order book visibility is at the same level as six months ago, with approximately sixty percent of rolling twelve months expected revenue covered. Our resilience in difficult market conditions is also demonstrated by our continued delivery of robust profitability. This enables us to further pursue strategic opportunities linked to enhancing and broadening our technology capability and leveraging our international infrastructure.

The long-term outlook for the oil service sector remains positive. Our clients are focused on achieving production growth either from bringing new wells on stream or through optimising the productivity of existing wells.

It is against this backdrop that the directors look to the future with confidence.

**Dr Chris Fay, CBE**

Chairman

**John Dawson**

Chief Executive Officer

3 December 2002

*Visit our Website for more information about the Group:*

**[www.exprogroup.com](http://www.exprogroup.com)**

Copies of these unaudited interim results will be sent to registered shareholders.

Further copies can be obtained from the Company Secretary,  
Expro International Group PLC, Reading Bridge House, Reading, Berkshire RG1 8PL



# UNAUDITED GROUP PROFIT AND LOSS ACCOUNT

for the six months ended 30 September 2002

	Note	Six months ended 30 September 2002 £000's	Six months ended 30 September 2001 £000's	Year ended 31 March 2002 £000's
<b>Turnover:</b>				
Group and share of joint ventures		<b>111,416</b>	103,818	219,241
Less: share of joint ventures		<b>(2,987)</b>	(3,740)	(6,203)
Group turnover	2	<b>108,429</b>	100,078	213,038
<b>Operating profit of continuing operations before goodwill</b>				
Discontinued operations before goodwill	3	<b>15,371</b>	14,425	30,453
		-	(453)	(453)
<b>Operating profit before goodwill</b>				
Goodwill amortisation		<b>15,371</b>	13,972	30,000
		<b>(1,242)</b>	(1,238)	(2,468)
Operating profit	3	<b>14,129</b>	12,734	27,532
<b>Operating profit:</b>				
Group		<b>13,819</b>	11,590	25,837
Share of joint ventures		<b>310</b>	1,144	1,695
Total	3	<b>14,129</b>	12,734	27,532
Exceptional item	7	<b>246</b>	(1,964)	(1,964)
<b>Profit on ordinary activities before finance charges</b>				
Finance charges (net)		<b>14,375</b>	10,770	25,568
		<b>(2,615)</b>	(2,694)	(5,415)
<b>Profit on ordinary activities before tax</b>				
Tax on profit on ordinary activities	4	<b>11,760</b>	8,076	20,153
		<b>(3,627)</b>	(3,169)	(6,967)
<b>Profit on ordinary activities after tax</b>				
Minority equity interests		<b>8,133</b>	4,907	13,186
		<b>(45)</b>	(6)	(15)
<b>Profit for the period</b>				
Dividends paid and proposed	5	<b>8,088</b>	4,901	13,171
		<b>(2,514)</b>	(2,434)	(7,119)
<b>Retained profit for the period</b>				
		<b>5,574</b>	2,467	6,052
<b>Earnings per ordinary share:</b>				
Basic	6	<b>12.3p</b>	7.5p	20.0p
Diluted	6	<b>12.2p</b>	7.4p	19.8p
Basic on continuing operations before goodwill amortisation and exceptional item	6	<b>13.8p</b>	13.0p	27.5p

Total recognised gains and losses for the six months ended 30 September 2002 comprise the profit for the period of £8,088,000 and a net loss of £3,123,000 on foreign currency translation and overseas borrowings (six months ended 30 September 2001 – gain of £562,000; year ended 31 March 2002 gain of £539,000).

# UNAUDITED GROUP BALANCE SHEET

at 30 September 2002

	30 September 2002 £000's	30 September 2001 £000's	31 March 2002 £000's
Intangible fixed assets and goodwill	<b>40,215</b>	44,492	44,270
Tangible fixed assets and investments	<b>74,908</b>	74,141	76,878
Investments in joint ventures	<b>3,360</b>	2,149	3,558
<b>Fixed assets</b>	<b>118,483</b>	120,782	124,706
Stocks and work-in-progress	<b>11,818</b>	13,309	12,073
Debtors	<b>77,526</b>	82,062	84,414
Cash at bank and in hand	<b>4,514</b>	9,342	5,848
<b>Current assets</b>	<b>93,858</b>	104,713	102,335
Creditors due within one year	<b>(46,020)</b>	(104,703)	(58,709)
<b>Net current assets</b>	<b>47,838</b>	10	43,626
Total assets less current liabilities	<b>166,321</b>	120,792	168,332
Creditors due after more than one year	<b>(77,585)</b>	(39,270)	(82,607)
Provisions for liabilities and charges	<b>(2,827)</b>	(2,910)	(2,635)
<b>Net assets</b>	<b>85,909</b>	78,612	83,090
Called-up share capital	<b>6,613</b>	6,579	6,605
Share premium account and capital reserve	<b>61,643</b>	60,447	61,328
Profit and loss account	<b>17,605</b>	11,592	15,154
Shareholders' funds being equity interests	<b>85,861</b>	78,618	83,087
Minority interest	<b>48</b>	(6)	3
<b>Total capital and reserves</b>	<b>85,909</b>	78,612	83,090

# UNAUDITED GROUP CASH FLOW STATEMENT

for the six months ended 30 September 2002

	Note	Six months ended 30 September 2002 £000's	Six months ended 30 September 2001 £000's	Year ended 31 March 2002 £000's
Cash inflow from operating activities	8	<b>23,257</b>	4,423	28,850
Finance charges (net)		<b>(3,044)</b>	(2,122)	(5,119)
Taxation		<b>(3,368)</b>	(4,121)	(7,010)
Capital expenditure and financial investment		<b>(8,841)</b>	(11,071)	(25,291)
Disposal of fixed assets of discontinued operations		-	2,979	2,979
Equity dividends paid		<b>(4,685)</b>	(4,203)	(6,636)
<b>Net cash inflow/(outflow) before financing</b>		<b>3,319</b>	(14,115)	(12,227)
Financing		<b>1,867</b>	(5,281)	31,933
<b>Increase/(decrease) in cash in period</b>		<b>5,186</b>	(19,396)	19,706

# NOTES TO THE INTERIM RESULTS

1. The results for the six months to 30 September 2002 and the comparative results for the six months to 30 September 2001 are unaudited and have been prepared on a basis consistent with the accounting policies set out in the statutory accounts for the year ended 31 March 2002. The comparative figures for the year ended 31 March 2002 do not constitute statutory accounts for the purpose of section 240 of the Companies Act 1985 and have been extracted from the Company's published accounts, a copy of which has been delivered to the Registrar of Companies and on which an unqualified audit report has been made by the auditors under Section 235 of the Companies Act 1985.

## 2. Analysis of turnover

	Six months ended 30 September 2002 £000's	Six months ended 30 September 2001 £000's	Year ended 31 March 2002 £000's
Cased Hole Services	<b>41,493</b>	41,799	84,018
Subsurface Systems	<b>31,642</b>	25,603	54,111
Surface & Environmental Systems	<b>35,294</b>	32,477	74,710
Group turnover continuing operations	<b>108,429</b>	99,879	212,839
Operations discontinued in the prior period	–	199	199
Group turnover	<b>108,429</b>	100,078	213,038
Surface & Environmental Systems Joint Ventures	<b>2,987</b>	3,740	6,203
Total turnover	<b>111,416</b>	103,818	219,241

## 3. Discontinued operations

Turnover and operating profit includes the results of operations discontinued in the prior period as follows;

	Six months ended 30 September 2002 £000's	Six months ended 30 September 2001 £000's	Year ended 31 March 2002 £000's
<b>Turnover</b>			
Continuing operations	<b>108,429</b>	99,879	212,839
Discontinued operations	–	199	199
Group turnover	<b>108,429</b>	100,078	213,038
<b>Operating profit/(loss)</b>			
Continuing operations	<b>14,129</b>	13,181	27,979
Discontinued operations	–	(447)	(447)
Total	<b>14,129</b>	12,734	27,532

Operating loss of discontinued operations is net of £6,000 goodwill credit.

## 4. Taxation

Tax on profits on ordinary activities has been calculated based on an estimated weighted average tax rate for the year ended 31 March 2003 and includes foreign tax of £3,193,000 (six months ended 30 September 2001 £3,539,000; year ended 31 March 2002 £5,946,000). The weighted average tax charge for the period on profit on ordinary activities is 30.8%. This is compared to the weighted average standard rate of UK and foreign tax of 32.4% with the difference largely attributable to utilisation of US tax losses offset by expenses not deductible for UK tax purposes.

## 5. Dividends

An interim dividend of 3.8 pence per ordinary share is declared for payment on 31 January 2003 (six months ended 30 September 2001, 3.7p; year ended 31 March 2002, 10.8p).

# NOTES TO THE INTERIM RESULTS (CONTINUED)

## 6. Earnings per share

Basic earnings per share are based on the Group's profit on ordinary activities after taxation. For the six months to 30 September 2002 the earnings per share are calculated on a weighted average number of ordinary shares in issue during the period of 65,994,894 shares. The earnings per share for the six months to 30 September 2001 and for the year ended 31 March 2002 are based on 65,692,870 and 65,755,130 shares respectively.

Diluted earnings per share are calculated in accordance with FRS14. The basic earnings per share before goodwill amortisation is calculated by adjusting earnings for £1,242,000 goodwill amortisation in the period (six months ended 30 September 2001 goodwill amortisation of £1,238,000; year ended 31 March 2002 goodwill amortisation of £2,468,000).

## 7. Exceptional item

	Six months ended 30 September 2002 £000's	Six months ended 30 September 2001 £000's	Year ended 31 March 2002 £000's
Loss on termination of operations	472	1,581	1,576
Less prior year provision	(718)	-	-
Goodwill previously eliminated against reserves	-	506	506
Capitalised goodwill	-	(266)	(261)
Loss on disposal of fixed assets	-	143	143
Exceptional (profit)/loss	<u>(246)</u>	<u>1,964</u>	<u>1,964</u>

The exceptional item represents the costs associated with the closure of the Group's Venezuelan operation in the prior year.

## 8. Cash flow information

Reconciliation of operating profit to net cash flow from operating activities

	Six months ended 30 September 2002 £000's	Six months ended 30 September 2001 £000's	Year ended 31 March 2002 £000's
Operating profit	13,819	11,590	25,837
Depreciation and amortisation	9,377	8,888	18,496
Loss on sale of tangible fixed assets	21	-	20
Decrease/(increase) in stocks and work-in-progress	255	(1,550)	(314)
Decrease/(increase) in debtors	6,889	(8,682)	(11,033)
Decrease in creditors and provisions	(7,193)	(5,823)	(3,797)
Net cash inflow/(outflow) relating to exceptional item	<u>89</u>	<u>-</u>	<u>(359)</u>
Net cash inflow from operating activities	<u>23,257</u>	<u>4,423</u>	<u>28,850</u>

### Analysis of net debt

	1 April 2002 £000's	Cash flow £000's	Other non-cash changes £000's	30 September 2002 £000's
Cash at bank and in hand	5,848	(1,334)	-	4,514
Bank overdrafts	(12,116)	6,520	-	(5,596)
Debt due after one year	(81,905)	(1,543)	6,499	(76,949)
	<u>(88,173)</u>	<u>3,643</u>	<u>6,499</u>	<u>(78,031)</u>