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Plexus Holdings plc ('Plexus' or 'the Group')

Interim Results for the six months ended 31 December 2014

Plexus Holdings plc, the AIM quoted oil and gas engineering services business and owner of the proprietary POS-GRIP® friction-grip method of wellhead engineering announces its interim results for the six months to 31 December 2014.

Financial Results

- 7% increase in sales revenue to £13.51m (2013: £12.64m)
- 14% increase in EBITDA to £4.16m (2013: £3.66m)
- 28% increase in profit after tax to £1.97m (2013: £1.54m)
- 25% increase in basic earnings per share to 2.32p (2013: 1.85p)
- 6% increase in interim dividend to 0.51p per share approved for payment on 22 April 2015 to all shareholders appearing on the register of members on the record date 7 April 2015

Highlights

- Strong financial performance for POS-GRIP friction-grip rental wellhead equipment as a result of a combination of new and on-going contracts with a range of major international oil and gas operators particularly for High Pressure/High Temperature ('HP/HT') applications
- Two purchase orders for HP/HT rental wellhead systems secured from Det Norske Oljeselskap ASA ('Det Norske') for two wells in Norwegian sector of the North Sea with a value of circa £1.9m
- Contract received from a major oil and gas operator for the supply of HP/HT 15,000 psi wellhead equipment for the UK Continental Shelf ('UKCS') for circa £1.9m – the operator who is a long standing customer was the first operator to use Plexus HP/HT equipment on the Norwegian Continental Shelf
- Additional order secured from Centrica Energy Exploration and Production ('Centrica') for the Southern North Sea, offshore UK for standard pressure equipment with a value of circa £0.6m
- Contract received from BG Group (UK) for the supply of HP/HT exploration wellhead equipment in the UKCS with a value of circa £1.9m
- Post period end additional purchase orders received for three standard pressure and HP/HT exploration wells with a total value of circa £1.5m from long standing customer Brunei Shell Petroleum Sdn Bhd ('Shell Brunei') under an existing four year contract which runs to 2016
- Shell China Exploration and Production Company Limited ('Shell China') HP/HT gas exploration well announced in May 2014 offshore Hainan Island has commenced operations, and Plexus hopes that this will lead to further opportunities in this increasingly important Asian region where Plexus has also supplied wellhead equipment to Australia, Brunei and Malaysia
- The new subsea wellhead design HGSS™ Joint Industry Project ('JIP') continues to make excellent progress with the two remaining key test interfaces, to verify performance, entering their final stages with target completion by July this year – the building of a prototype single string system commenced in February 2015 and is expected to be completed in readiness for display at the SPE Offshore Europe Exhibition and Conference in Aberdeen ('OE2015') in September. Following launch, we hope that in conjunction with our JIP partners to deploy the prototype in the field in 2016
- Industry support for the HGSS JIP continues to be strong as demonstrated by the addition of BG International Ltd as a new consulting partner to the JIP in September alongside Eni S.p.A., Maersk, Senergy Holdings Limited ('Senergy'), Shell International Exploration and Production B.V. ('Shell'), Total E&P Recherche Developpement SAS ('Total'), Tullow Oil plc, Wintershall and Oil States Industries Inc.

- HP/HT Tie-Back JIP connector product is now ready for customisation and manufacture to suit specific requirements associated with an individual customer's HP/HT project – the unique advantages of this POS-GRIP product will now begin to be marketed to the industry
- New POS-GRIP product - POS-SET Connector™ - which is designed to enable operators to re-establish a connection onto rough conductor casing that has been previously cut above the seabed to facilitate abandonment operations, offers uniquely superior features and moves Plexus into the growing abandonment market
- Significant increase in research and development ('R&D') spend, excluding costs of building test fixtures, increased by 94% to £1.36m reflecting the innovative and proprietary technology driven nature of Plexus at a time when increased effort is being made to expand the portfolio of Plexus POS-GRIP based products

Corporate

- Asian business hub strategy made further important progress with the establishment of Plexus Products (Asia) Sdn Bhd ('PPA'), a new Malaysian Joint Venture ('JV') company between Plexus Ocean Systems (Singapore) Pte Ltd ('Plexus Singapore') and a local oil and gas services business partner, Integrated Petroleum Services Sdn Bhd ('IPS') – PPA is currently working towards securing the necessary local licences for the supply of Plexus wellhead equipment
- Growing global awareness of both Plexus and the safety and operational benefits of POS-GRIP technology not only in relation to organic exploration drilling activities, but also in relation to production and subsea applications
- Plexus invited to present on POS-GRIP metal sealing in September 2014 at the "World Oil HP/HT Drilling and Completions Conference" in Houston, Texas, and also to make a similar presentation in London at the Oil and Gas iQ "HP/HT Wells Summit 2014" regarding pioneering techniques and technology in HP/HT drilling and completions
- Doubled the size of operational headquarters in Dyce, Aberdeen following the acquisition in September of a circa 36,000 sq. ft. work shop and office facility from leading oilfield services company Baker Hughes for £2.4m – the new building is importantly situated immediately adjacent to the existing main facility which will deliver efficiency gains and facilitate future growth plans
- Plexus wins the "Commitment to Innovative Use of Research and Development" award at the 11th annual Northern Star Business Awards 2014, the flagship event for the Aberdeen & Grampian Chamber of Commerce in recognition of Plexus' long standing commitment to R&D
- Following the publication of Sir Ian Wood's "UKCS Maximising Recovery Review: Final Report" in February 2014 which emphasised the importance of making more of HP/HT resource potential, deploying the best and most cost effective technology, and leveraging the capabilities of the UK's own oil and gas supply chain, the UK Government finally announced in the Budget last week a series of measures and tax cuts aimed at reviving the UKCS and encouraging more investment – such initiatives, if effective will be beneficial for Plexus as exploration activity is predicted to increase
- Appointment of additional non-executive director to the Board – Charles Jones has over 30 years of senior management and board experience in the US energy sector and is advising and assisting the Board in building relationships in the US with potential commercial and licencing partners
- Bank facilities renewed and increased with the Bank of Scotland in September, comprising a £5m revolving credit facility on a three year term and a £2m overdraft on a yearly term – in addition a five year £1.5m term loan was put in place to part fund the purchase of the additional Aberdeen facility

Plexus' Chief Executive Ben van Bilderbeek said,

"This has been a further period of growth for Plexus, one in which we have continued to deliver on our strategy to build Plexus into a leading international oil and gas wellhead engineering company, supplying the best in class and safest wellhead equipment for exploration, production and subsea applications.

"We are delighted to report another set of record results for the six months to the end of December 2014. This excellent financial performance is the result of new business generation supplying our proprietary POS-GRIP wellhead systems, primarily into the exploration jack-up drilling market. Our wellhead equipment continues to gain traction with leading international oil and gas majors as it meets the critical safety and performance demands required of wellhead technology across all pressure spectrums. As the exploration for, and production of, oil and gas goes deeper and becomes more complex, particularly in

HP/HT environments, the need for such innovative, safe and effective wellhead technology is being increasingly recognised. In the North Sea we enjoy a dominant position within the increasingly important HP/HT arena, which we believe we can replicate in other key regions around the world. During the period we secured multiple contract wins in the North Sea, particularly offshore Norway, including wins with Centrica, Maersk, Det Norske Oljeselskap ASA Norway, and BG Group (UK). In addition we gained a further important contract win in Asia with Shell Brunei for an additional three exploration wells under an existing four year contract which bodes well for further business in the future. These contract wins highlight the strength of our core POS-GRIP rental exploration business model in terms of revenue generation and market penetration.

"Importantly in the UKCS, as originally recommended by the 2014 Wood Report the UK Government confirmed in the Budget last week a series of tax cuts and incentives. The supplementary charge tax ('SCT') will be cut to 20% from 30%, the petroleum revenue tax ('PRT') charged on so called "super-profits" will be reduced to 35% from 50% (reducing the effective tax rate on these fields from 81% to 52.5%), and a new 'Investment Allowance' is being introduced to replace all existing allowances and which will allow for the offsetting of 62.5% of all qualifying capex against profits (subject to SCT) for a field. Of particular relevance to Plexus is the introduction of legislation to create a new cluster allowance to support the development of HP/HT projects and encourage exploration and appraisal activity in the surrounding area or 'cluster'. These welcome and long awaited measures will help drive further investment in exploration and production, and Plexus expects to benefit over the coming years.

"As the inventor of POS-GRIP technology, I feel that it is my duty to continue to articulate the core principles that lie behind our success, and why I am confident that POS-GRIP wellheads will become a new global standard. In essence POS-GRIP friction-grip method of engineering enables us to attach casing to the wellhead and form metal-to-metal interface seals, in a simple and cost effective way, to match the integrity of the other connections in the system. Throughout history design efforts have focused on the integrity of the wellhead body and its connection to the blowout preventers ('BOP') that sit on top. In addition hundreds of millions of dollars have been spent on the development of dependable casing couplings of which hundreds are used in a casing string, and which cannot be tested until the whole string is cemented in the well. Conversely however, the connection between the wellhead and the casing strings, in terms of qualification standards, has 'fallen between two stools' and presents a clear weak link in the system. Uniquely POS-GRIP technology is able to deliver a scientific approach to deal with this anomaly, which remains poorly understood in our industry because Plexus wellheads provide a convenient releasable engagement of the casing hanger to the wellhead bore, instantly providing a metal interface seal, which is based on the same principles as those employed in premium casing couplings design.

"As a result our wellheads not only deliver significant cost savings for operators, which can total millions of pounds, but uniquely and critically deliver a controlled and reversible gripping force, which holds casing hangers and metal seals rigid. This remotely delivered and calibrated force eradicates destructive seal movement, and protects seal integrity to ensure long-term safety over the lifetime of a production well and beyond. Although the American Petroleum Institute ('API') is beginning to recognise the need to address this challenge in some of its new and on-going API standard developments, I do not see how conventional engineering solutions can address casing hanger design in a way that can match premium coupling standards. This is because the casing hanger and annular seal are the last critical connection to be assembled inside the wellhead bore, and unlike couplings are manipulated remotely. This 'out of sight' procedure makes it ever so more important that the system is designed to be assembled in a controlled manner, in accordance with a calibrated procedure, to be verified and recorded (which POS-GRIP wellheads are able to do). Proof must be delivered that 'face to face' seals are stressed within Hertzian contact stress limits, otherwise metal to metal sealing which is critical to HP/HT operations cannot be claimed. The ability to deliver true metal sealing means that particularly in subsea applications Plexus offers unique capability. We can guarantee metal sealing up to 20,000 psi at high temperature, because we measure the force delivered remotely to the seal interface, through the application of hydraulics. The system is fully reversible, which means many wells can be drilled in various directions from a single location, saving millions of dollars in exploration costs – a true industry first.

"Such unique technical features underpin not only the growing value of our Intellectual Property ('IP') suite, but also the keen interest shown by the industry in taking our wellhead equipment from the surface to subsea which resulted in our HGSS subsea wellhead design JIP. This JIP is nearing completion in terms of both testing, and the building of the prototype which will be launched at OE2015 in September where there will be a focus on the latest drilling, completion, intervention, and production technologies for subsea developments. Once the prototype is completed an opportunity will be pursued with our JIP consulting partners to run the HGSS prototype in the field in 2016.

"Whilst we are making significant progress in terms of our existing and new product opportunities, it should be noted that during the period, and continuing post period end, the oil price has fallen over 50% creating a turbulent environment for operators and service companies. Importantly for Plexus, evidence suggests that the two main sectors that are taking the brunt of the impact of lower oil prices are tight gas (fracking) where wells deplete very quickly, and long term multi-billion dollar projects in challenging areas of the world such as the Arctic. Conversely, we are fortunately currently focused on supplying equipment for shallow water offshore drilling from jack-up rigs, (often for prolific long term gas wells which have a relatively lower life time capital cost per barrel) and these activities have proven to be more resilient to the industry's current challenging trading conditions. Despite this we are not at all complacent and are making every effort to communicate to our increasingly cost conscious customers, the time and operational efficiency savings that our wellhead equipment delivers, which often can be cost negative to the operator, whilst at the same time offering uniquely superior metal-to-metal sealing capabilities and safety features.

"I would like to take this opportunity to thank my fellow Board, Plexus management team and engineers for without them today's positive statement would not be possible. Plexus prides itself on its operational and engineering excellence, and this is evidenced by our workforce which includes some of the most talented oil and gas engineers in the industry today, without whom new and exciting new product developments such as our POS-SET Connector designed to facilitate abandonment operations would not be possible. For these reasons I am delighted to welcome Charles Jones as an additional non-executive director onto the Board, and who brings over 30 years of senior management and board experience in the US drilling equipment sector which will be extremely valuable as we begin to look at pursuing opportunities in the US. I look forward to updating our valued shareholders on our latest organic and strategic developments throughout 2015.

"Finally I am delighted to announce that as a demonstration of the Board's confidence in the future, the directors of the Group have approved a 6.3% increase in the interim dividend of 0.51p per share which will be paid on 22 April 2015."

For further information please visit www.plexusplc.com or contact:

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Chairman's Statement

Business Progress

I am pleased to report that the Group continued to make good progress in the first half of the year despite challenging market conditions in terms of the widely reported oil price volatility, with falls of over 50% since July last year, which have resulted in operators reducing their capital expenditure programmes. Plexus was able to build on the record performance and activity levels reported at the last year end at both the organic rental wellhead business activity level, and also in relation to on-going and new strategic initiatives. This performance resulted in a 7% increase in turnover to £13.51m, a 14% increase in EBITDA to £4.16m (before IFRS 2 share based payment charges), a 28% increase in profit after tax to £1.97m, and a 25% increase in basic earnings per share. Investment in IP, R&D, product development, and our rental wellhead inventory continues, and I am particularly pleased to note that BG International Ltd joined our on-going new subsea wellhead design JIP alongside a blue chip group of existing consulting partners comprised of major international oil and gas operators. Encouragingly for the longer term prospects of our company, we are also beginning to witness increased global awareness of Plexus and our POS-GRIP wellhead technology not only in relation to our organic jack-up exploration drilling activities, but also in relation to production and subsea applications. Such developments all help underpin the decision to increase the interim dividend by 6.3% to 0.51p share.

On-going and new rental wellhead exploration contracts continue to be focused on the supply of HP/HT equipment. Here our experience and dominance in the North Sea as the supplier of choice is being used as a technological and reputational springboard into other major markets that we are targeting both geographically, such as China, Russia, and the USA, and by application in terms of surface production and subsea applications. To place the scale of this opportunity into perspective the global jack-up drilling market is relatively small at circa US$400m, whereas the global wellhead market is estimated at US$4.5bn. Importantly we believe that we are making the transition (in what is recognised as being one of the most conservative industries in terms of the speed of adoption of new technology), from being viewed as new to being regarded as proven and established, which of course helps the marketing of our POS-GRIP technology as a superior standard. Such sales initiatives include the expansion of the reach and capabilities of our Asian business hub where we have subsidiaries in Brunei, Malaysia, and Singapore, and the pending incorporation of a subsidiary in Russia where despite sanctions, (which relate particularly to the fracking and Arctic arenas), Western companies' involvement in conventional projects continues apace. Goldman Sachs recently reported in a research note that it expects Russia to maintain its global market share in 2015 and even see production rise by 1%.

Alongside such organic and strategic activities it is important to remember that Plexus is a technology company and that its proprietary POS-GRIP friction-grip method of engineering is able to be applied to a wide range of products, both within and outside the oil and gas industry. For example we have developed a new product called POS-SET Connector which is designed to facilitate tie-back or abandonment operations, and which will be a new revenue stream. As we begin to turn our attention to such activities, and look to utilise the significant design and development engineering skills that we have harvested as part of our HGSS subsea JIP, we have incorporated Plexus Applied Technologies Limited for such initiatives.

Operating Review

Sales and profits growth has been supported by necessary on-going investment in personnel, rental wellhead inventory, and infrastructure both in the UK and increasingly abroad where we are looking in particular to grow sales in the important Asian region. Plexus' recognition of the importance of such investment, and the willingness to commit to it, underpins our confidence in the superior nature of our technology and its ability to become a new global standard. Such investment also enhances our ability to respond to and support customer requirements, which are becoming ever more demanding in terms of safety, time savings and operational performance, and which we believe we are uniquely able to address. Our sales mix for the first half period illustrates the importance of both the UKCS and the European Continental Shelf ('ECS') in the North Sea where sales to offshore Norway were particularly strong and increased by 95% compared to the same period in the prior year. We believe that the tax structure in Norway encourages exploration drilling as a result of allowances available where 'dry' wells are concerned. We hope that the latest tax incentive changes in the UKCS as announced in last week's Budget will have a similar positive impact which Plexus will benefit from. HP/HT equipment revenues continued to account for circa 87% of all sales and, as such field conditions are the most technically challenging demonstrates the technical advantages offered by our proprietary POS-GRIP friction-grip method of engineering and wellhead equipment design.

During the period we expanded our operational headquarters in Dyce, Aberdeen at a total cost of £2.79m, more than doubling the size of our facilities to circa 70,000 sq. ft. The acquisition of the ex-Baker Hughes building is an important part of the Company's growth strategy, and strengthens our ability to support and respond to the demand for our products and services. The new facility also enables Plexus to rationalise its work facilities, thereby significantly improving its logistical efficiencies, creating additional workshop, warehouse and service bay capacity, and providing further office space. The additional warehousing has already allowed our inventory, previously stored offsite, to be consolidated leading to greatly reduced material handling time.

In tandem with expanding our main Aberdeen operational base, the July to September 2014 period saw us deliver on our near-term strategy of building a fully operational Asian business hub to facilitate the supply of our POS-GRIP wellhead equipment and services capabilities to the important Australian, Brunei, Indonesian, Malaysian, Thai, and Singaporean oil and gas markets. In August 2014 we completed the formation of a new Malaysian Joint Venture company Plexus Products (Asia) Sdn Bhd which in conjunction with our local oil and gas services partner Integrated Petroleum Services Sdn Bhd is currently working towards securing necessary local equipment supply licences. We believe that our Malaysian base will complement our already established Singaporean regional HQ and service base, and enable us to provide an enhanced product, servicing, and marketing service to the important Asian and Oceanic oil and gas markets. Plexus' global expansion ambitions also extend to targeting new major exploration and production markets, including Russia and China.

It is important to note that in addition to our organic exploration wellhead business activities, Plexus is an innovative, technology led business which is continually working on new applications of its proprietary POS-GRIP friction-grip method of engineering for use within, and outside, the oil and gas industry. For example we have recently completed a JIP in conjunction with oil and gas major Maersk to develop a downhole HP/HT Tie-Back connector which for the first time allows the reconnection of production casing to pre-drilled HP/HT exploration and production wells to the same standards as casing couplings. Full product development and qualification testing has now been completed, and the system is ready for customisation and manufacture to suit the specific requirements associated with any individual customer's HP/HT project. The connector will deliver significant savings for operators in terms of capital expenditure and accelerate the process of bringing a well into production. At a time when the industry is focusing strongly on cost and capex saving opportunities the benefits of such an innovative product are clear, and we will begin marketing this product on the basis that it is the only method available of achieving a remote casing connection with the same integrity and capacities as premium casing couplings.

A further new product that has been developed and qualified, for which interest is already being seen, is our POS-SET Connector which is designed to re-establish a connection onto rough conductor casing previously cut above the seabed to facilitate tie-back or abandonment operations. Full scale testing has shown that our connector can achieve 80% of the bending and tensile strength of the parent pipe, which is significantly better than conventional connector options. The market for permanent plugging and abandonment of wells is increasing significantly in the North Sea and beyond, and could be an important new revenue stream for the company. Oil and Gas UK in their "UK Decommissioning Insight 2013" report stated that wells plugging and abandonment is the largest category of such expenditure totalling £4.5bn, and represents 43% of the total forecast decommissioning expenditure from 2013 to 2022.

Our on-going JIP to design and develop a safer new generation HGSS subsea wellhead, which was established at the request of Shell post the 2010 Gulf of Mexico incident continues to make good progress. We were particularly pleased to welcome BG Group International Ltd as a new consulting partner to the JIP in September. BG joins eight other major oil and gas operators and service companies working towards delivering a new subsea wellhead that can be tested for the first time to standards that match those of premium connectors, so that the wellhead is no longer the weak link in the well architecture chain. Additional features of the HGSS design, which are not able to be provided by conventional subsea wellheads include instant casing hanger lockdown, avoidance of lock rings and lock down sleeves, ability to open and reseal the casing annulus to enable remedial cement job procedures and in due course annulus monitoring and bleed-off capability to address sustained casing pressure ('SCP') situations, with diagnostic capability. The building of the frozen design HGSS prototype started in February, and verification of the performance of the design has focused on two key interfaces: the high pressure/low pressure ('HP/LP') housing lock mechanism, and the POS-GRIP/HG metal seal load support and sealing mechanism for the production casing string. In addition over the past six months Plexus has successfully completed function testing and four million pound tension testing, and the test fixture is now being upgraded for a seven million foot pound bend testing, scheduled to commence in April. The prototype will be a standard pressure single string subsea wellhead. Importantly, due to the simplicity and modular nature of the design it will be able to be adapted to a two string full system through the addition of a further POS-GRIP activation mechanism and larger housing body, which then enables the system to be suitable for HP/HT applications.

The need for such standardisation and reliability is increasingly recognised by the industry and only last week in London at the "2015 SPE/IADC Drilling Conference & Exhibition" the leaders from oil and gas operators and drilling contractors were empanelled to tackle the issue of delivering wells in a changing world. Of particular interest to Plexus was the panels comment where it was reported that Ivan Tan, vice-president of wells HSE for Shell, said collaboration has led to standardisation in areas such as safety, but that when you move into performance there is less and less alignment, and he specifically pointed to the need for standardised subsea wellheads. Furthermore, Jack Winton, head of operations division for KCA Drilling was said to have commented that technology is only reliable when it is repeatable, and that finding a technology that works well and can be done safely and efficiently, over and over, is the core of standardisation. It is precisely such sentiments and scientific principles that lie behind the design of premium couplings, and we have adopted these exact same principals in the design of our wellheads which is something that conventional wellheads are incapable of achieving.

Key functions and operational areas were further expanded and developed including personnel, human resources, health and safety, IT and IP. Personnel numbers increased by 14 to 153 and currently stands at 158 having increased by 5 since the period end. Training, development, and retention is essential for a growing business. Pressures to recruit suitably skilled personnel in a traditionally tight labour market have eased somewhat following the oil price falls and subsequent impact on the sector, and we were able to recruit five Field Service Technicians which is a pivotal role within Plexus. In addition to Aberdeen recruitment continues for our Asia hub, and we are currently in the process of filling 4 positions in Singapore. The safety of all our staff is of course of critical importance, and we remain committed to delivering the highest practical safety standards. We continue to manage our safety risks through assessment, implementation of controls, continual monitoring, and hiring and developing staff to meet the competency levels required. We encourage our personnel to intervene and to challenge any unsafe act or condition and to ensure transparent reporting that meets our desired safety culture. As Plexus grows internationally, the dependence on the availability of our IT systems at all times is essential as we operate over many time zones. Investment in our IT infrastructure has therefore increased with added emphasis on securing the confidentiality, integrity and availability of our systems, and our in-house software development allows for the rapid creation of bespoke systems that can be tailored specifically for the ever evolving demands of the business. Plexus continues to generate new and innovative IP, and where we believe it to be of value we invest in expanding our extensive patent suite with both continuations, and new patents.

These various on-going and planned operational initiatives, and continued investment in tangible and intangible assets, are funded through free cash flow and bank facilities where we work to ensure that a suitable level of headroom is maintained. In September we renewed and increased our bank facilities with the Bank of Scotland, and comprise a £5m revolving credit facility on a three year term and a £2m overdraft on a yearly term. In addition a five year £1.5m term loan was put in place to part fund the purchase of the additional Aberdeen facility.

Interim Results

Revenue for the six month period ended 31 December 2014 was £13.51m, a 7% increase on the previous year's figure of £12.64m. The rental wellhead equipment and associated services business activities for exploration drilling contracts accounted for over 97% of sales revenues. The largest sales component remains the supply of our HP/HT wellhead equipment which increased by 9% to £11.80m compared to £10.86m last year, and accounted for approximately 87% of total revenues compared to 86% last year. Revenue generated by the rental of 10,000 psi standard pressure wells increased by 13% to £1.25m from £1.10m last year. Geographically the North Sea during this period was the most significant source of sales revenues as compared to the Rest of the World where a number of contract activities came to an end and new ones, such as Shell China, are now in the process of initiating. Within the North Sea, UKCS sales rose by 29% to £5.77m, and in the ECS, sales rose by 22% to £6.51m. Importantly within the ECS sales to offshore Norway, where it is widely recognised that safety and operating standards are particularly stringent, rose by 95%.

First half gross margins remained strong at 67.9% compared to 69.0% in the comparative period last year. The level of gross margin achieved once again reflects the activity levels associated with higher margin HP/HT rental operations as opposed to low pressure equipment contracts.

As anticipated there was an increase in administration and overhead expenses during the six month period to £7.05m compared to £6.87m last year as we continued to invest in personnel and infrastructure to support future growth plans and increased operational and sales activities outside of the UK, notably in Asia where travel and subsistence increased 40%. Staff overhead costs were once again the most significant increase by value reflecting the importance of the need to ensure that staff numbers are appropriate for the Group's growth plans, and that they are well trained and supported to ensure our ability to execute in line with customer and company operational requirements. Personnel numbers increased by 6% during the period from 144 to 153, and increased by 14 compared to the previous year as part of our on-going plan to increase our organic activities capacity as well as various strategic initiatives. Post period end, personnel numbers have increased by a further 5 to 158. The proportion of these expenses as a percentage of sales revenues decreased marginally to 52.2% as opposed to 54.3% in the previous year reflecting efficiency gains.

Profit before tax increased 16% to £2.20m compared to the equivalent period last year (2013: £1.90m). This improved performance was achieved after absorbing higher rental asset and other property, plant and equipment depreciation and amortisation costs totalling £1.85m up from £1.68m for the same period last year, an increase of 10%. The higher level of depreciation and amortisation reflects the impact of a record increase in capital expenditure and the resultant addition of over ten wellhead sets during the last two years. On-going investment in Plexus' rental wellhead equipment inventory equipment, and totalled £1.35m as compared to £1.80m for the prior year. Total capital expenditure increased to £6.55m compared to £2.53m during the same period last year an increase of 159%. However it is important to note that £2.79m of this expenditure was the total cost including improvements of acquiring circa 36,000 sq. ft. additional work shop and facility space in Dyce, Aberdeen. If this is excluded from the analysis capex increased by 49% demonstrating on-going investment in the business. Profit before tax is stated after charges for share based payments under IFRS2; the charge for the half year to December 2014 is £0.01m, which compares to £0.01m for the corresponding period last year. The Group has provided for a charge to UK Corporation tax at the prevailing rate of 20% which is expected to be the rate of tax for the full year, and compares to a rate of 22% last year. The effective rate of tax for the six months is 11% (2013: 19%) after the application of both R&D tax credits relating to both the current and prior years, and offsets for disallowable expenditure. In addition Plexus continues to assess the degree to which the relatively new 'Patent Box' regime will apply during the current financial year where we believe that an element of our profits should qualify for a lower rate of Corporation Tax. A share of profits from the associate has been recorded as £0.16m (2013: £0.11m). Profit after tax increased 28% to £1.97m compared to the equivalent period last year (2013: £1.54m). Basic earnings per share amounted to 2.32p per share (2013: 1.85p).

The balance sheet continues to reflect the on-going investment in operations, R&D and IP related strategic initiatives in line with our growth strategy. Property, plant and equipment including items in the course of construction stood at £16.93m as at the end of December 2014, compared to £13.43m at the end of December 2013, an increase of 26%. This increase is mainly due to the acquisition from Baker Hughes of new office and work shop premises totalling circa 36,000 sq. ft., which doubled the size of the operational headquarters in Dyce. This major investment follows on from the last financial year's record level of capital expenditure, and which in this period continued to be focussed primarily on the expansion of rental inventory assets and which totalled £1.35m compared to £1.80m last year, as well as related R&D activity which increased by 94% to £1.36m against £0.71m in the same period last year. A similar level of capex is envisaged in the next financial year. IP continues to be an important component of our balance sheet. The on-going development and protection of newly created IP and twenty year patents will in particular support and protect our business development plans for our targeted participation in the subsea arena where, at the request of the industry, we are developing our new HGSS subsea wellhead design. This continued investment reflects our confidence in the superior and proven nature of our proprietary technology and equipment, as well as the scale of the market opportunity that exists outside of our existing core organic jack up exploration rental wellhead business. With regards to cash flow, £2.62m was paid for capex, excluding £2.79m in relation to the total cost including improvements of the new premises, unchanged from the same period last year. The Group closed the period with net borrowings of £4.07m after paying a final dividend of £0.53m during the period and incurring capital expenditure, including the new premises and R&D totalling £5.41m. Bank facilities totalling £8.425m (comprising a three year revolving £5.00m credit facility, an additional £2.00m overdraft facility agreed on a yearly term, and a five year term loan with a current balance of £1.425m) will be deployed to fund future activities. These include on-going R&D activity, rental inventory additions, continued capital expenditure related to the HGSS subsea JIP project including the building of a prototype for launch at SPE Offshore Europe Aberdeen oil show in September, and anticipated increased support for our Asian hub sales and service strategy.

Outlook

Plexus is fortunate that our organic rental exploration business is based on drilling activities that are proving to be more resilient to the current oil price collapse namely shallow water offshore from jack-up rigs and involvement in prolific long term HP/HT gas fields which can have a twenty five year life over which to recover capital costs. This means that we continue to have good visibility of future business opportunities and remain confident for the current financial year, subject of course to any unforeseen delays, which we have seen some evidence of. However in view of continued oil and gas price volatility and uncertainty it is firstly essential, when considering the future, that it is placed in the context of past events during the period and post period end. In view of the significance of these developments I make no apologies for my outlook deliberations being longer than usual. This is important as there is inevitably a correlation between relative higher oil prices and drilling activity and associated capital expenditure commitments by the international and national oil and gas operators. It should be noted of course, and this does not seem to attract much comment in the press, that much oil and gas production is for domestic consumption around the world and in essence whatever the price in the market such drilling has to continue so as to be able to provide heat, power, and fuel for such populations.

In terms of understanding the events over the last circa nine months, and importantly where things may now be heading, the starting point is to try and understand why oil prices have fallen by over 50% since last summer. Many commentators will point out that The Organisation of the Petroleum Exporting Countries ('OPEC'), which still accounts for over 40% of the world oil market, and is likely to do so for the next twenty years, is there to maintain price stability within certain parameters. Therefore at a time when the US was materially increasing domestic production of tight oil why would in particular Saudi Arabia, UAE, and Kuwait keep oil flowing thereby driving prices down so far and so quickly? There are of course a number of conspiracy theories and explanations that have been put forward to explain these events. However, after analysing and assimilating a significant amount of data, my preference is for the simplest explanation based on market dynamics and to look at how any supplier in any market may choose to respond to an aggressive competitor, who in their opinion has created an imbalance of supply. In the case of Saudi Arabia it is reasonable to assume that they viewed the significant growth in US tight oil production as irresponsible and even reckless, and that by maintaining Saudi production levels, where break even prices are reported to be less than US$10 per barrel, they are not only protecting their market share, but also are allowing market forces to operate to enforce some discipline in the market and to in effect 'teach them a lesson'. This view is supported by very recent comments made by the Saudi oil minister, Ali al-Naimi who reiterated that stability and market balance were the key drivers of the kingdom's oil policy and expansion plans. This tactic has of course been very effective and the US has been impacted by this strategy more than any other region, with a significant reduction in drilling activity and large numbers of land rigs becoming inactive, to the degree that Cannacord expects the US rig count to average 40% lower in 2015 than it did in 2014. The key question however is when will the reduced number of rigs result in lower production as productivity has been increasing due to improved drilling techniques and technological advances.

So what happens next? A consensus seems to be forming that supply dynamics are such that production declines will overwhelm new capacity being brought on stream and that this could be as soon as May or June. As Core Labs the US leading provider of reservoir description, production enhancement, and reservoir management services said "the decline curve never sleeps, and the decline curve always wins". This as the Saudis realise is particularly the case with unconventional tight oil wells because as the Group Chief Economist of BP, Spencer Dale recently pointed out, these onshore wells have "exceptionally high rates of decline" and a "good well may produce 700 barrels of oil per day when it first starts, but that may be down to 100 by the end of the first year". As he put it "you have to run very fast to stand still in Texas and North Dakota".

The current weakness in oil prices, in what is a cyclical industry therefore may well not last. The issue then becomes what level are they likely to recover to and will they stay there? Of course such deliberations are not certain, but what is clear is that the optimal outcome for the industry is an oil price which is high enough to incentivise enough US production to balance inexorable growing global demand. Perhaps in the medium term that would be in the US$75 to US$85 per barrel range, subject to the impact of the overhang that exists due to current very high crude storage levels. Should the oil price overshoot such a level a further question is whether the same overproduction cycle would start all over again? My view is that it would not necessarily, as the uncertainty created by the unexpectedness and the depth of the current oil price decline has severely impacted the independent companies' confidence in a stable high oil price environment, and therefore the attractiveness of marginal developments will not be there either for the companies themselves or for the banks and investors who would be asked to fund such projects. Importantly I think that such an outcome would in the medium term be better for oil service companies than for the smaller exploration and production companies.

Despite these events, and the fact that no company in the oil and gas sector can be immune from the current uncertainties in terms of pricing pressures and potential contract delays, there are a number of positive dynamics that are encouraging for Plexus' organic jack up exploration market, as well as for new strategic opportunities that we are targeting such as subsea exploration and production. From a macro perspective global demand for energy is only going to increase significantly as a result of growth in developing economies. As ExxonMobil forecast in its 2014 "The Outlook for Energy: A View to 2040" by 2040 the global population will increase by two billion, resulting in 35% greater demand for energy, and critically that 60% of this extra demand will be supplied by oil and natural gas. Such demand drives global exploration and production spending which, at US$619.43bn, remains a massive market despite Barclays in its "E&P Spending Outlook" in January, which is based on a survey of 225 oil and gas companies, forecasting this could fall 9% in 2015.

At the more micro level much of the industry's capital reductions are expected to occur in North America where Plexus currently chooses not to operate. Plexus currently specialises in offshore jack up exploration drilling especially for HP/HT gas operations, where long term prolific wells are found. It is specifically these market opportunities that have been identified as being particularly resilient. E&P magazine recently reported that "the jack-up drilling market is forecasted to weather the storm better than others", and encouragingly Prospector Offshore in a statement said that "we expect E&P company capital expenditures for jack-up drilling to continue to be less influenced by the slowdown in capital expenditures relative to many other subsectors because jack-ups are typically used to develop oil reserves that are cheaper to develop than alternative oil reserves….". Only last month, Rystad Energy went further when it said it believes that offshore will be the most important source of new production by 2020-2025. Prospector also stated that there is a "push by some oil and gas companies into HP/HT environments" and that evidence shows that higher specification jack-up rigs that are ideal for our HP/HT wellheads have shown the most robust utilisation and rig rates, and I agree that in the current environment offshore shallow water exploration is more protected. Such HP/HT wells in particular are prolific by any measure, but where they win over shale tight gas wells is that they can last for many, many years. This means that even though the upfront capex costs can be high, when amortised from a 'whole of life' perspective they are very economic, and remain extremely viable as the peak cash generation period is spread over a longer timeline.

For these reasons our core organic jack-up exploration business is well positioned for growth in the coming years, and that the continuing importance of HP/HT fields, where we are recognised as the leading supplier in both the demanding UKCS and ECS, will support our strategic plans for both geographic expansion in regions like Asia and Eurasia, and expansion into subsea and production well markets. With this in mind it was encouraging to read in February an Oil & Gas IQ Report based on an industry survey that the two biggest areas for HP/HT expansion in the coming years would be the North Sea and the Asia Pacific ('APAC'). Plexus is of course already dominant in the North Sea where encouragingly a range of tax cuts designed to stimulate exploration and production were announced in last week's Budget, especially for HP/HT exploration and appraisal activity. We now therefore look forward to focussing on the APAC market opportunity, where we have already gained customers in Australasia, Brunei, China, and Malaysia. In addition to such organic sales opportunities, we of course continue to pursue licencing and joint venture partnerships with appropriate entities that either are already in the oil services and wellhead business, or who wish to move into it with a superior product, and we are confident that such initiatives will bear fruit in the future.

It is clear therefore that arguably more factors than ever before have to be taken into consideration when looking into the future. However what is irrefutable is that in a world where regulation, safety, and technical innovation are increasingly recognised as paramount, our POS-GRIP method of engineering continues to deliver superior wellhead solutions not only for surface but soon subsea applications, and that whereas trading cycles come and go the veracity of what we offer the industry will not. Although operators around the world have been quick to realign their budgets to the lower oil price environment by cutting capex and reducing operating costs, the fact that our wellhead equipment also offers material cost and time savings means that in our view we are ideally placed to win a greater share of the market as such cost considerations become increasingly important. It is such features that lead to the development of new POS-GRIP based products such as our POS-SET Connector to facilitate abandonment operations where we believe we can actively participate in this new and significant market opportunity.

I would like to thank all those involved with Plexus for their hard work and commitment during this period. We remain confident of on-going growth and in our ability to secure a larger share of the global wellhead market, even if unforeseen geopolitical factors do arise from time to time, such as those the industry has experienced since last summer. On a final note, in one of his last speeches to senior oil and gas industry executives in 2013, Peter Voser, the former chief executive of Royal Dutch Shell perhaps best articulated how the wider industry should respond to such developments. He said the industry's first priority "must be to invest heavily in new supplies, and to maintain it through economic and political turbulence. Failing to do so would be a sure path to another crunch and major price volatility". On this basis establishing the right balance between supply and demand is one of today's biggest challenges for OPEC and the global oil and gas industry, but inevitably a suitable equilibrium level will be found.

Jeff Thrall
Chairman
24 March 2015

Plexus Holdings Plc
Unaudited Interim Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2014

	Six months to 31 December 2014	Six months to 31 December 2013	Year to 30 June 2014
	£ 000's	£ 000's	£ 000's
Revenue	13,506	12,643	27,024
Cost of sales	(4,334)	(3,923)	(7,817)
Gross profit	9,172	8,720	19,207
Administrative expenses	(7,052)	(6,865)	(13,928)
Operating profit	**2,120**	**1,855**	**5,279**
Finance income	2	3	5
Finance costs	(83)	(65)	(124)
Share of profit of associate	165	105	215
Profit before taxation	**2,204**	**1,898**	**5,375**
Income tax expense (note 5)	(238)	(360)	(329)
Profit after taxation	**1,966**	**1,538**	**5,046**
Other comprehensive income	-	-	-
Total comprehensive income	**1,966**	**1,538**	**5,046**
Earnings per share (pence)			
Basic (note 6)	**2.32p**	**1.85p**	**6.01p**
Diluted (note 6)	**2.23p**	**1.76p**	**5.75p**

Plexus Holdings Plc
Unaudited Interim Consolidated Statement of Financial Position
As at 31 December 2014

	31 December 2014	31 December 2013	30 June 2014
	£ 000's	£ 000's	£ 000's
ASSETS			
Goodwill	760	760	760
Intangible assets	11,466	9,173	10,437
Investment in associate	1,106	830	941
Property, plant and equipment (note 8)	16,931	13,426	13,284
Deferred tax assets	-	789	751
Total non-current assets	30,263	24,978	26,173
Inventories	6,065	5,352	5,256
Trade and other receivables	6,571	4,462	6,463
Cash and cash equivalents	2,352	6,734	6,353
Total current assets	14,988	16,548	18,072
TOTAL ASSETS	45,251	41,526	44,245
EQUITY AND LIABILITIES			
Called up share capital	849	849	849
Share premium account	20,138	20,138	20,138
Share based payments reserve	1,641	2,803	2,476
Retained earnings	12,557	7,612	11,117
Total equity attributable to equity holders of the parent	35,185	31,402	34,580
Bank loans	6,125	4,000	4,000
Deferred tax liabilities	96	-	-
Total non-current liabilities	6,221	4,000	4,000
Bank loans	300	-	-
Trade and other payables	3,202	5,459	5,482
Current income tax liabilities	343	665	183
Total current liabilities	3,845	6,124	5,665
Total liabilities	10,066	10,124	9,665
TOTAL EQUITY AND LIABILITIES	45,251	41,526	44,245

Plexus Holdings Plc
Unaudited Interim Statement of Changes in Equity
For the six months ended 31 December 2014

	Called Up Share Capital	Share Premium Account	Share Based Payments Reserve	Retained Earnings	Total
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Balance as at 1 July 2013	**828**	**17,288**	**2,741**	**6,335**	**27,192**
Total comprehensive income for the year	-	-	-	5,046	5,046
Share based payments reserve charge	-	-	26	-	26
Transfer of share based payments reserve charge on exercise of options	-	-	(599)	599	-
Issue of ordinary shares (net of issue costs)	21	2,850	-	-	2,871
Net deferred tax movement on share options	-	-	308	-	308
Dividends	-	-	-	(863)	(863)
Balance as at 30 June 2014	**849**	**20,138**	**2,476**	**11,117**	**34,580**
Total comprehensive income for the period	-	-	-	1,966	1,966
Share based payments reserve charge	-	-	12	-	12
Net deferred tax movement on share options	-	-	(847)	-	(847)
Dividends	-	-	-	(526)	(526)
Balance as at 31 December 2014	**849**	**20,138**	**1,641**	**12,557**	**35,185**

Plexus Holdings Plc
Unaudited Interim Statement of Cash Flows
For the six months ended 31 December 2014

	Six months to 31 December 2014	Six months to 31 December 2013	Year to 30 June 2014
	£ 000's	£ 000's	£ 000's
Cash flows from operating activities			
Profit before taxation	2,204	1,898	5,375
Adjustments for:			
Depreciation, amortisation and impairment charges	1,848	1,683	3,405
Loss on disposal of property, plant and equipment	20	60	95
Charge for share based payments	12	12	26
Investment income	(2)	(3)	(5)
Interest expense	60	65	124
Share of result in associate	(165)	(105)	(215)
Changes in working capital:			
(Increase) / decrease in inventories	(809)	680	776
(Increase) / decrease in trade and other receivables	(108)	460	(1,541)
(Decrease) / increase in trade and other payables	(2,280)	233	256
Cash generated from operations	780	4,983	8,296
Income taxes paid	(78)	(4)	(353)
Net cash generated from operating activities	702	4,979	7,943
Cash flows from investing activities			
Acquisition of associate	-	(725)	(726)
Purchase of intangible assets	(1,413)	(796)	(2,403)
Purchase of property, plant and equipment	(5,136)	(1,729)	(3,016)
Proceeds of sale of property, plant and equipment	5	42	57
Net cash used in investing activities	(6,544)	(3,208)	(6,088)
Cash flows from financing activities			
Drawdown of loans	2,500	-	-
Repayment of loans	(75)	-	-
Net proceeds from issue of new ordinary shares	-	2,330	2,330
Proceeds from share options exercised	-	541	541
Interest paid	(60)	(65)	(124)
Interest received	2	3	5
Equity dividends paid	(526)	(455)	(863)
Net cash generated from financing activities	1,841	2,354	1,889
Net (decrease) / increase in cash and cash equivalents	(4,001)	4,125	3,744
Cash and cash equivalents at 1 July	6,353	2,609	2,609
Cash and cash equivalents at 31 December	2,352	6,734	6,353

Notes to the Interim Report December 2014

1. This interim financial information does not constitute statutory accounts as defined in section 435 of the Companies Act 2006 and is unaudited.

This unaudited interim report has been prepared on the basis of the accounting policies set out in the annual report for the year ended 30 June 2014 and which are also expected to apply for 30 June 2015.

The interim financial information is compliant with IAS 34 – Interim Financial Reporting.

The accounting policies are based on current International Financial Reporting Standards ("IFRS"), International Financial Reporting Interpretation Committee ("IFRIC") interpretations and current International Accounting Standards Board ("IASB") exposure drafts that are expected to be issued as final standards and adopted by the EU such that they are effective for the year ending 30 June 2015. These standards are subject to on-going review and endorsement by the EU and further IFRIC interpretations and may therefore be subject to change.

2. This interim report was approved by the board of directors on 23rd March 2015.

3. During the interim period the Group paid a final dividend on ordinary shares of £526k. The directors have approved the payment of an interim dividend of 0.51p per share which will be paid on 22nd April 2015 to members appearing in the register on the record date of 7th April 2015.

4. There were no other gains or losses to be recognised in the financial period other than those reflected in the Statement of Comprehensive Income.

5. Taxation on the operating profit after interest has been provided at a rate of 20% for the six months ended 31 December 2014 (2013: 22%) which is the estimated rate of UK tax for the full year. The effective rate of tax for the six months is 11% (2013: 19%) after adjustments made to reflect R&D tax credits received relating to the current and prior years and offsets for disallowable expenditure.

6. Basic earnings per share are based on the weighted average of ordinary shares in issue during the half-year of 84,892,673 (2013: 83,208,567). The calculation of fully diluted earnings per share is based on the weighted average number of ordinary shares in issue plus the dilutive effect of outstanding share options being 3,282,919 (2013: 4,196,929). The number of shares included in the calculation of fully diluted earnings per share was 88,175,592 (2013: 87,405,496).

7. The Group derives revenue from the sale of its POS-GRIP friction-grip technology and associated products, the rental of wellheads utilising the POS-GRIP friction-grip technology and service income principally derived in assisting with the commissioning and on-going service requirements of its equipment. These income streams are all derived from the utilisation of the technology which the Group believes is its only segment. Business activity is not subject to seasonal or cyclical fluctuations.

8. Property, plant and equipment

	Buildings £'000	Tenant Improve-ments £'000	Equipment £'000	Assets under Constru-ction £'000	Motor Vehicles £'000	Total £'000
Cost						
As at 1 July 2013	972	353	22,594	659	42	24,620
Additions	2	77	430	2,505	2	3,016
Transfers	-	-	2,904	(2,904)	-	-
Disposals	-	-	(535)	-	-	(535)
As at 30 June 2014	974	430	25,393	260	44	27,101
Additions	2,788	-	745	1,592	11	5,136
Transfers	-	-	1,488	(1,488)	-	-
Disposals	-	-	(133)	-	(7)	(140)

As at 31 December 2014	**3,762**	**430**	**27,493**	**364**	**48**	**32,097**
Depreciation						
As at 1 July 2013	325	76	11,028	-	23	11,452
Charge for the year	80	50	2,612	-	6	2,748
On disposals	-	-	(383)	-	-	(383)
As at 30 June 2014	405	126	13,257	-	29	13,817
Charge for the year	39	27	1,393	-	5	1,464
On disposals	-	-	(111)	-	(4)	(115)
As at 31 December 2014	**444**	**153**	**14,539**	-	**30**	**15,166**
Net book value						
As at 31 December 2014	**3,318**	**277**	**12,954**	**364**	**18**	**16,931**
As at 30 June 2014	569	304	12,136	260	15	13,284
As at 30 June 2013	647	277	11,566	659	19	13,168

9. The comparative figures for the financial year ended 30 June 2014 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors, Crowe Clark Whitehill LLP, and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.