



**Plexus Holdings plc**

**Interim Results for the six months ended 31<sup>st</sup> December 2006**

Plexus Holdings plc (“Plexus” or “the Group”) the AIM quoted oil and gas engineering services business and owner of the proprietary POS-GRIP™ method of wellhead engineering announces its interim results for the six months to 31 December 2006.

**Highlights**

- 186.0% increase in turnover to £4.4m (2005: £1.6m)
- 288.8% increase in EBITDA (before FRS 20 share based payment charges) to £0.556m (2005: £0.143m)
- Profit before tax increased to £0.12m (2005: loss before tax of £0.16m) after adopting FRS20 for the first time
- Installation of the first production wellheads for the major BP Shah Deniz project in the Caspian Sea
- Wellhead rental wins with BG International Ltd (BG), and Maersk Oil North Sea UK Limited (Maersk)
- Significant capital investment in expansion of rental inventory and in particular high pressure/high temperature (HP/HT) wellheads
- Continuing development of proprietary wellhead technology for 20,000 psi applications and engineering of additional products such as valves and connectors

Plexus’ CEO, Ben van Bilderbeek, commented:

“I am very pleased with the progress we have made during our first 12 months as an AIM listed company. This has been a particularly active period in which we have had to increase our infrastructure considerably to accommodate our growing sales activities in new markets and with new customers around the world. The significant increase in sales generated by our high pressure/high temperature (HP/HT) rental wellhead equipment is particularly gratifying as this demonstrates the growing acceptance by the industry of the technical benefits of our proprietary method of engineering and its unique combination of benefits in terms of safety; performance; and time savings”.

**For further information please visit [www.posgrip.com](http://www.posgrip.com) or contact:**

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## **Chairman's Statement**

### **Introduction**

I am pleased to report that the Group has continued to make good progress during the first half of the year delivering a 186.0% increase in turnover and a 288.8% increase in EBITDA (before FRS 20 share based payment charges) against the same period last year, and generating a number of new business opportunities outside of our traditional North Sea base of operation.

### **Interim Results**

Turnover for the 6-month period was £4.44m, up 186.0% from £1.55m the previous year. The rental business and related equipment and services account for the majority of Plexus' business activities of which HP/HT wells continue to grow in importance, with sales up 179.4% for the six months to December 2006 versus the same period to December 2005. In line with the project cycle, the large BP Shah Deniz wellhead supply project related income grew for the 6-month period to £1.27m from £0.31m last year, but will reduce in the second half as delivery of equipment for the first stage of the project nears completion.

Gross margins have reduced to 45.4% in the first half of the year from 61.9% in the comparative period last year as a result of the lower margin BP Shah Deniz business activities accounting for a higher percentage of overall turnover, plus the dilutive margin effect of pass-through sales of Xmas Trees (well control valves) which are not Plexus products and are sold at cost. It should be noted however that rental gross margins have improved upon the comparative period as a result of economies of scale associated with higher volumes.

Administration expenses have continued to grow year on year and totalled £1.71m for the period up from £0.99m last year. This increase reflects the necessary step up and implementation of expanded premises, personnel, and associated infrastructure to meet the demands of sales growth, which is now more diverse both in terms of product mix and geographical spread. The business is nearing the necessary cost base to service customer requirements for the foreseeable future, with minor headcount expansion planned for the second half of the financial year.

The profit before tax of £0.12m compares to a loss before tax for the same period last year of £0.16m, with depreciation and amortisation increasing to £0.42m in the period against £0.24m for the same period last year. The profit before tax is stated after charging amortisation of share based payments for the first time under reporting standard FRS 20; the charge for the half-year to December 2006 is £0.06m compared to £0.01m in the corresponding period last year. The PBT figure includes a contribution of £94k from our participating interest in a precision engineering business. The Group does not anticipate a charge to UK Corporation Tax due to the utilisation of brought forward losses, which have not been provided for in the accounts as a deferred tax asset. The tax charge for the period of £17k represents foreign corporation tax. Earnings per share amounted to 0.13p per share (2005 – loss of 0.41p) on a fully diluted basis.

The balance sheet reflects the growth in operations during the period with tangible assets including items in the course of construction increasing to £4.70m at the end of December 2006 from £1.57m at the end of December 2005. This is primarily due to investment in expansion of rental inventory, which is due to complete throughout the rest of 2007 and be income generating as it comes on stream. Debtors have increased to £4.56m at the end of the period as compared to £0.84m at the end of December 2005, primarily as a result of the increase in sales revenues and the balance due on long term contracts. Net cash position closed at £0.17m compared to £7.31m at the end of

December 2005 reflecting the Group's investment in expanding the rental fleet of equipment and the funding of manufacture on long-term contracts. In recognition of the capital expenditure commitments either completed or under construction the Group has recently increased its bank facilities from £0.75m to £2.5m.

FRS 20 (Share Based Payments) charges have been included in the accounts for the first time, in line with reporting standards. The "fair value" of share based payments has been computed independently by specialist consultants and is amortised evenly over the expected vesting period from the date of grant. This computation is unaudited in these accounts and will be audited for the first time at 30 June 2007. The impact of this policy is detailed in note 5.

The Group's IFRS (International Financial Reporting Standards) conversion programme is at an early stage. Compliance with IFRS is required for the year ending 30 June 2008 with comparatives restated accordingly for the year ending 30 June 2007. At this stage it is not possible to say what the impact upon earnings will be. However the key areas of potential impact identified so far are IFRS 2 – share based payments and IAS 28 – Investments in Associates.

## **Operating Review**

Plexus' focus during the first six months of the year has continued to be on winning new contracts with the emphasis on HP/HT rental wellheads; establishing the necessary infrastructure and personnel to support increased levels of business activity; whilst at the same time fulfilling our ongoing commitments for the BP Shah Deniz project in the Caspian Sea.

As the reputation and awareness of Plexus continues to make progress, increasing opportunities are presenting themselves to introduce our proprietary POS-GRIP™ technology to new territories and to new customers. Of particular note during the period was the winning of two new major customers for our HP/HT wellhead equipment, namely BG International and Maersk. In the case of BG International Plexus has been asked to develop and qualify POS-GRIP wellhead equipment to 20,000 psi as part of a five-year framework agreement to support BG's exploration activities in new and more technically challenging fields in the North Sea. It is anticipated that the successful conclusion of this project over the next nine months will help us in due course to make further inroads into the burgeoning X (ultra)-HP/HT marketplace and lead to additional business with BG International. Such rental activity growth is anticipated to generate over time new opportunities for the supply of production wellheads as the market place becomes more familiar with our POS-GRIP technology.

To be able to service and support such diverse growth opportunities it has been necessary to increase the Group's rental wellhead inventory through a sizeable capital expenditure programme, which in turn needs to be engineered and operated by an increased number of personnel. These growth requirements are reflected in increased overheads, where for example, the number of personnel has grown from 37 at the end of December 2005 to 55 currently.

The Group's major BP Shah Deniz project, which began in 2004, has reached an important milestone; the first POS-GRIP wellhead systems have been installed, and the platform is producing gas. Further development and testing work is continuing with BP, which we anticipate will lead to a greater understanding and acceptance of POS-GRIP and its capabilities and will also be relevant for potential future major projects with other operators.

It is important to note that operating conditions in the North Sea, which is the Group's traditional area of activity and focus, have been particularly challenging for operators in terms of widely reported steep cost increases and general shortage of skilled personnel and in some cases rigs. Over time it is anticipated that exploration and production activity and therefore associated investment in the North Sea will decline and this is reflected in the recent round of new licenses granted where the 'super majors' chose not to participate. Furthermore the Treasury has recently reduced its tax revenue forecasts. For these reasons Plexus' strategy of seeking new business from other areas around the world such as Egypt, Brunei, and Trinidad has been proved correct, although at the same time the greater geographical spread of activity can lead to supply chains being stretched and in some cases contract execution and equipment uptake delays.

In addition to the ongoing activities of our wellhead business, an increasing amount of engineering and new POS-GRIP product development activity is taking place. These new technologies include specialist riser and conductor connectors and a project to develop X-HP/HT (30,000 psi) capability for tubing hangers. Discussions also continue with major operators and rig contractors where POS-GRIP technology can provide enabling advantages as part of the revolutionary hardware that is needed for new drilling technology methods under development. Related to this, and in recognition of the fast growing importance of subsea activities, Plexus is recruiting engineering specialists with skills outside of our current core business activities who will assist with the development of remote subsea setting capabilities for POS-GRIP.

## Outlook

Our strategy continues to be that of growing organically our rental and product sales around the world, whilst using these as a 'showcase' for pursuing licensing opportunities and potential joint ventures in selected regions where Plexus POS-GRIP wellheads could be manufactured locally. Importantly, the global outlook for oil and gas exploration and production is such that unconventional HP/HT operating environments are becoming ever more vital. In line with this, the unique capabilities of our POS-GRIP technology are expected to be able to play an increasingly important role within the wellhead market, which will underpin our goal of POS-GRIP wellheads becoming over time the new wellhead standard. This bodes well for the future and we continue to be excited about the growth prospects for your company over the coming years.

Finally I would like to thank all those involved with the Company for their hard work and commitment during the last six months.

Robert Adair  
Chairman  
7th March 2007

## Unaudited Consolidated Profit and Loss Account for the half year ended 31 December 2006

	<b>Six months ended 31/12/06 £000</b>	Six months ended 31/12/05 £000	Year ended 30/06/06 £000
<b>Turnover</b>	<b><u>4,439</u></b>	<b><u>1,552</u></b>	<b><u>6,777</u></b>
<b>Gross profit</b>	<b>1,920</b>	961	1,936
<b>Administration expenses</b>	<b>(1,711)</b>	(988)	(2,035)
<b>Income from participating interest</b>	<b>94</b>	-	225
<b>Operating profit/(loss) before amortisation</b>	<b>303</b>	(27)	126
<b>Amortisation</b>	<b>(168)</b>	(68)	(233)
<b>Operating profit/(loss)</b>	<b>135</b>	(95)	(107)

FRS 20 Share compensation expense (note 5)	(57)	(6)	(63)
Net interest receivable / (payable)	<u>42</u>	<u>(62)</u>	<u>53</u>
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>120</b>	(163)	(117)
Taxation (note 6)	<u>(17)</u>	—	<u>(113)</u>
<b>Profit/(loss) on ordinary activities after taxation</b>	<b><u>103</u></b>	<u>(163)</u>	<u>(230)</u>
<b>Earnings/(loss) per ordinary share</b> (note 7)	<b>0.13p</b>	(0.41)p	(0.39)p
<b>Fully diluted earnings/(loss) per ordinary share</b> (note 7)	<b><u>0.13p</u></b>	(0.41)p	<u>(0.38)p</u>

### Summary Unaudited Group Balance Sheet at 31 December 2006

	31/12/06 £000	31/12/05 £000	30/06/06 £000
<b>Fixed assets</b>			
Tangible assets	4,696	1,569	2,421
Intangible assets	6,208	6,448	6,375
Investments	<u>200</u>	—	<u>200</u>
	<b>11,104</b>	8,017	8,996
<b>Working capital</b>			
Stocks	1,644	2,948	1,238
Debtors	4,563	842	2,640
Creditors	(2,445)	(1,565)	(908)
Long term contract payments on account	—	<u>(2,739)</u>	—
	<b><u>3,762</u></b>	<u>(514)</u>	<u>2,970</u>
<b>Net cash/(debt)</b>	<b>170</b>	7,313	2,910
<b>Taxation</b>	—	<u>85</u>	—
	<b><u>15,036</u></b>	<u>14,901</u>	<u>14,876</u>
<b>Capital and reserves</b>			
Ordinary share capital	802	802	802
Preference share capital	—	—	—
Share premium account	15,596	15,611	15,596
Share based payments reserve (note 5)	120	6	63
Profit and loss reserve	<u>(1,482)</u>	<u>(1,518)</u>	<u>(1,585)</u>
	<b><u>15,036</u></b>	<u>14,901</u>	<u>14,876</u>

**Summary Unaudited Consolidated Cash Flow Statement for the half year ended 31 December 2006**

	<b>Six months ended 31/12/06 £000</b>	Six months ended 31/12/05 £000	Year ended 30/06/06 £000
Net cash (outflow)/inflow from operating activities (note 8)	(237)	1,969	(962)
Net interest received / (paid)	<u>42</u>	<u>(62)</u>	<u>44</u>
<b>Returns on investment and servicing of finance</b>	<b>(195)</b>	1,907	(918)
<b>Taxation</b>	<b>(17)</b>	15	(14)
Purchase of intangible fixed assets	-	(5,421)	(5,513)
Purchase of tangible fixed assets	<b>(2,528)</b>	(108)	(1,200)
Purchase of investments	<u>-</u>	<u>-</u>	<u>(159)</u>
<b>Capital expenditure</b>	<b>(2,528)</b>	(5,529)	(6,872)
<b>Net cash outflow before financing</b>	<b>(2,740)</b>	(3,607)	(7,804)
<b>Financing</b>			
Proceeds of share issues net of issue expenses	-	14,673	14,658
Loan advances to participating interest	-	-	(191)
Repayment of loans	<u>-</u>	<u>(2,250)</u>	<u>(2,250)</u>
<b>(Decrease)/increase in cash</b>	<b><u>(2,740)</u></b>	<b><u>8,816</u></b>	<b><u>4,413</u></b>

**Reconciliation of net cash/(debt)**

Opening net cash / (debt)	<b>2,910</b>	(3,753)	(3,753)
Net cash (outflow) / inflow	<b><u>(2,740)</u></b>	<b><u>11,066</u></b>	<b><u>6,663</u></b>
Closing net cash/ (debt)	<b><u>170</u></b>	<b><u>7,313</u></b>	<b><u>2,910</u></b>

**Reconciliation of Movements in Consolidated Shareholders' Funds for the half year ended 31 December 2006**

	<b>Six months ended 31/12/06 £000</b>	Six months ended 31/12/05 £000	Year ended 30/06/06 £000
(Loss)/profit for the period	<b>103</b>	(163)	(230)
Dividends	<u>-</u>	<u>-</u>	<u>-</u>
Result for period	<b>103</b>	(163)	(230)

Share Capital			
Ordinary shares issued	-	602	602
Preference shares converted	<u>-</u>	<u>(400)</u>	<u>(400)</u>
	-	202	202
Share Premium			
On issue of ordinary shares	-	15,740	15,740
Less: Expenses of share issues	<u>-</u>	<u>(1,269)</u>	<u>(1,284)</u>
	-	14,471	14,456
Share Based Payments amortisation charge	<b>57</b>	6	63
Net increase /(decrease) in shareholders' funds	<b>160</b>	14,516	14,491
Opening shareholders' funds	<b><u>14,876</u></b>	<u>385</u>	<u>385</u>
Closing shareholders' funds	<b><u>15,036</u></b>	<u>14,901</u>	<u>14,876</u>

### Notes to the Interim Report December 2006

1. 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 2006 with the exception that FRS 20 "Share Based Payments" has been adopted for the first time in the interim financial statements. Accordingly, the comparative figures have been restated where appropriate for FRS 20 impact.
2. This interim report was approved by the board of directors on 7 March 2007.
3. The directors do not recommend payment of an interim dividend.
4. There were no other gains or losses to be recognised in the financial period other than those reflected in the profit and loss account.
5. Amortisation of share based payments is included for the first time under the adoption of FRS 20. The charge to the profit and loss account for the period amounted to £57k. The comparative figures have been restated to incorporate a prior year adjustment for the adoption of FRS 20, which results in a charge of £6k in the half year to December 2005. The change in policy did not result in any change to Shareholders' equity.
6. Taxation on the operating profit after interest has been provided at a rate of 0% for the six months ended 31 December 2006 (2005: 0%) which is the estimated rate of UK tax for the full year, after accounting for brought forward tax losses. The taxation charge in the period relates to foreign corporation tax deducted at source by BP Exploration Shah Deniz Ltd.
7. Basic and pre-exceptional earnings per share are based on the weighted average of ordinary shares in issue during the half-year of 80,182,569 (2005: 39,261,962). 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 193,472 (2005: 300,824). The number of shares included in the calculation of fully diluted earnings per share was 80,376,041 (2005: 39,562,786).
8. **Net cash inflow/ (outflow) from operating activities**

<b>Six months ended</b>	Six months ended	Year ended
<b>31/12/06</b>	31/12/05	30/06/06
<b>£000</b>	£000	£000

Operating profit/(loss)	<b>135</b>	(95)	(107)
Income from participating interest	<b>(94)</b>	-	(225)
Amortisation	<b>168</b>	68	233
Depreciation	<b>253</b>	170	375
(Increase)/ decrease in working capital	<b><u>(699)</u></b>	<u>1,826</u>	<u>(1,238)</u>
	<b><u>(237)</u></b>	<u>1,969</u>	<u>(962)</u>

9. The comparative figures for the financial year ended 30 June 2006 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors 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 237(2) or (3) of the Companies Act 1985.
  
10. Copies of this report will be sent to all Shareholders and will be available to the public for at least one month, free of charge, from the registered office of the Company, Plexus House, 1 Cromwell Place, London, SW7 2JE.