26 March 2020

PLEXUS HOLDINGS PLC
INTERIM RESULTS FOR THE 6 MONTHS TO 31 DECEMBER 2019

Plexus Holdings plc, 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 2019.

Financial Results

- Following the sale of the wellhead Jack-up exploration application business (the "Jack-up Business") to FMC Technologies Limited ('TFMC'), a subsidiary of major oil services provider TechnipFMC (Paris:FTI)(NYSE:FTI), on 1 February 2018, the interim results and prior periods are reported as required on a continuing and a discontinued operations basis.
- Continuing operations sales revenue £49k (2018: £1,312k)
- Continuing operations EBITDA loss (£1,809k) (2018: £1,504k loss)
- Continuing operations loss before tax (£2,763k) (2018: Loss £2,337k)
- Basic loss per share from continuing activities (2.75p) (2018: 2.22p loss)
- Net cash of £4.5m (2018: £9.5m).
- The Group in addition has £2.96m in financial assets (2018: £2.85m)
- The Group has no debt following the final repayment (£75k) of a term loan in September 2019.

Overview

Focus on IP led strategy to establish proprietary POS-GRIP technology in new markets and replicate success achieved in North Sea jack-up exploration where Plexus equipment raised standards, generated substantial cost savings for operators and enjoyed a dominant market position

Surface production wellhead and tree market

- Strategy centred on offering full-service package following formation of majority owned Plexus Pressure Control Ltd ('PPC'), a JV with UK based BEL Valves Ltd, in June 2019
  - Enables Plexus for the first time to offer operators of large-scale production projects POS-GRIP wellheads alongside valves and Xmas-trees
- Growing sales pipeline of bidding activity
  - Actively participating in the tender process for a range of projects across the world
  - Increased interest being expressed by operators in Plexus tendering for projects
  - Long lead times associated with large surface production projects
- Large target market – the award of just one contract in the surface production market, which is estimated to be worth an estimated US$2.5 billion over the five-year period 2021-2025, has the potential to be transformational for Plexus
  - Rystad Energy estimates a total of 691 wells are planned to be drilled between 2021 - 2025 with an average capex spend of nearly US$50 billion implying a potential production wellhead and tree market opportunity of c. US$2.5 billion

- If Plexus was able to secure just a 5% share of this market from its growing sales pipeline, this could translate into revenue of US$125 million with an estimated average gross margin of around 30%

Russia and the CIS states

- Strategy centred on supporting licensing partner Gusar's efforts to secure contracts for POS-GRIP wellheads in the Russian and CIS markets, a top three hydrocarbon producer in the world with significant gas reserves
- Breakthrough first jack-up exploration wellhead successfully installed as part of the inaugural contract for POS-GRIP rental wellhead equipment secured by Gusar with global energy giant Gazprom
  - Marks commencement of Gusar's contracted work with Gazprom for the first year of an up to five-year jack-up gas exploration drilling programme on the Kara Sea Shelf
  - Set to initiate a licence royalty revenue stream for Plexus under existing Gusar Licence Agreement
  - Post period end, sale of additional POS-GRIP® wellhead equipment to Gusar following encouraging discussions with Russian operators

Outlook

- The Board anticipates Group revenues for the 12 months to 30 June 2020 ("FY20") to be in line with market expectations.
- It is important to acknowledge the ongoing disruption to the general global economy and resultant uncertainty for companies and workforces caused by the COVID-19 virus and the impact this may have on Plexus. Like many companies the full extent of the impact of the COVID-19 pandemic is not yet known, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.
- The Company also notes the actions of Saudi Arabia and Russia in terms of increasing production of crude oil to record levels which has, in conjunction with the impact of coronavirus on demand for oil, had a material impact on the oil price.

Chief Executive Ben van Bilderbeek said:

"In previous results announcements I have extolled the virtues of POS-GRIP, Plexus' proprietary wellhead technology: how it delivers a gas-proof solution and substantial cost savings; how its superior sealing technology reduces harmful carbon emissions from the well-site; how it has been successfully deployed on over 400 wells worldwide by over 70 operators; and how our technology can raise standards wherever metal to metal sealing is required. New set of interims, same old message? Not quite. Our technology, which is proven to raise performance, reliability and safety standards, remains the same. So too do the substantial cost savings generated by reduced installation and maintenance time. What is different and what gives us considerable encouragement as we look to establish POS-GRIP as the go-to technology for gas-proof solutions, is that debate over the need to move to a carbon neutral world and the oil and gas industry's place within it has moved from the fringes to the mainstream. I therefore believe that a major opportunity is opening up for Plexus, and our POS-GRIP leak-proof technology.

"Over the last 12 months, debate appears to have shifted decisively away from 'if' to 'when' the world goes carbon neutral. Indeed, such a goal has now become part of the mainstream strategy of many major international corporations around the world, and not just in the oil and gas industry. It therefore follows that to safeguard its future in a world that is moving towards net-zero carbon emissions, the oil and gas industry will have to clean-up its act. As reported in an article in the Daily Telegraph on 24 January 2020, Michael Liebreich, founder of Bloomberg New Energy Finance and head of Liebreich Associates, said, 'My advice to companies is that you had better have a 2050 net-zero strategy or you risk losing your societal licence to operate'. Speaking to North Sea operators in Scotland in the same month, Oil & Gas Authority (OGA) chairman, Tim Eggar, stressed the need to act fast, 'We have to act much, much faster and go farther in reducing the carbon footprint. Our energy systems must keep improving at pace, to become cleaner and more efficient and this requires ambitious thinking, capital investment and bold leadership. Action not just talk or more analysis.'

"Encouragingly, easy wins for the industry are at hand. Specifically, prioritising cleaner natural gas at the expense of dirtier oil and coal and eliminating harmful leaks from the supply chain can make a real difference. As Ben Ratner powerfully pointed out on the Environmental Defense Fund website in January 2020, 'The opportunity presented is significant: if the global oil and gas industry reduced methane emissions by 45% by 2025, it would deliver the same near-term benefit to the climate as closing 1,300 coal-fired power plants — one-third of all the coal plants in the world.' Crucially, natural gas and eliminating methane emissions from the well-site are both areas where POS-GRIP can excel.

"I have often described POS-GRIP wellhead systems as being 'leak-proof' and 'superior' in terms of performance, reliability and safety. These are tangible, measurable benefits that have been proven many times over out in the field and in extensive testing to levels that for the first time can fully match those of premium couplings. In terms of 'leak-proof', which is defined as life-cycle integrity for metal wellhead seals, POS-GRIP wellheads have been used to drill exploration wells in highly challenging operating environments around the world. This includes the Total Solaris well, which is believed to be the highest pressure, highest temperature well ever to be drilled in the North Sea. In terms of testing, POS-GRIP wellheads are the only ones to have exceeded, let alone passed without exception, new tougher standards set by a major operator for wellheads. What lies behind this 'superior' performance is the method by which POS-GRIP holds and seals component parts. By harnessing the force of friction from the outside of a wellhead, POS-GRIP enables a significantly higher force to be applied over a large contact area to pre-load the wellhead. This contrasts with the limitations of conventional wellheads, which require torque to be applied from within to activate an annular point seal. The result is POS-GRIP delivers a superior metal to metal seal that prevents gas leakage, even when dealing with liquids and gases from ultra-high pressure/high temperature ('U-HP/HT') reservoirs.

"Having raised the bar to such an extent that wellhead equipment can safely withstand extraordinary pressures and temperatures, our technology can now offer operators a solution that prevents harmful methane leaking into the atmosphere, just when the industry is desperately in need of one as it seeks to eliminate fugitive emissions throughout the supply chain. The backdrop in which we operate has therefore changed decisively in a short space of time, and I believe that our technology will gain wider acceptance as a result. Together with key R&D testing and corporate developments over the last 12 months, including a first POS-GRIP wellhead order from Gazprom in Russia, the sale of a third wellhead set to our Russian partner in anticipation of further orders in the country, and the formation of a JV to offer full package solutions for large production projects, we believe we have never been better placed to establish POS-GRIP as a superior enabling technology for the energy sector.

On a more sober note, it is of course both necessary and disappointing that I have to temper this report by making reference to the perfect storm that the oil and gas industry is currently being subjected to, specifically in terms of pressures associated with the world's focus on Net Zero and the lowering of the consumption of hydrocarbons; the material slowdown in economic activity and therefore energy demand in relation to the impact of COVID-19; and the breakdown of production level targets between Saudi Arabia and Russia, linked to the United States ongoing elevated oil and gas production levels. According to the International Energy Agency in March 2020, these factors are expected to lead to a fall in world oil demand this year for the first time since 2009. However, we have to look beyond what will hopefully be relatively short-term drivers and recognise that the world will still need oil and gas for many years to come. With this in mind, we fully expect to play our part in supplying superior leakproof equipment, whether organically or through trading partners and licensees.

“The half year numbers, including revenues of £49k, are in line with internal budgets and the Group’s revenues are projected to be higher in the second half of the current financial year. Trading for the full year is expected to be in line with market expectations. Taking into account the confidence expressed above, the Group’s financial results should be set against the context of the move into the surface production wellhead market being a new initiative, and the long lead times associated with the contracts we are looking to secure organically and via the JV with Bel Valves. Although the JV was only established in June 2019, we are already seeing an increased level of interest from operators for our equipment. In the event Plexus was awarded a production wellhead contract, which can be significant in value, it would transform the Group’s financial performance and broaden our credentials as a supplier of gas-proof solutions for the surface production market and the wider energy industry. In addition, we will continue to support our licensing partner’s efforts to secure further orders in Russia, a top three hydrocarbon region. We are working hard to grow and diversify our portfolio of revenue streams and Plexus products, and I look forward to providing further updates on our progress.”

Chairman’s Statement

Business progress

New decade and new strategy. The ‘reset and rebuild’ of the Company into an IP-led research and development licensing business based on our game-changing POS-GRIP technology is well underway. The ‘reset’ followed the sale of the niche jack-up exploration wellhead rental business to TechnipFMC in 2018. The ‘rebuild’ has been multi-layered and includes the establishment of the PPC JV with Bel Valves Ltd which, for the first time, enables Plexus to supply ‘leak-proof’ wellheads as part of a full service package; supporting our Russian partner’s successful efforts to secure the first of what we hope will be many wellhead orders from Gazprom; and acquiring a 49% stake in precision engineering business Kincardine Manufacturing Services Limited ('KMS'), which provides access to machining capability in support of R&D projects. Plexus is now in a position to embark on the next phase of its growth strategy, one that is centred on developing and rolling out new POS-GRIP-based products, initially targeted at the larger and lucrative surface production wellhead and Xmas tree market.

Our core objective is to replicate the success our POS-GRIP technology enjoyed in the jack-up exploration market in other sub-sectors of the energy industry, including surface production, subsea exploration, abandonment and renewables, including geothermal. By the time the Group sold the jack-up rental wellhead exploration business, Plexus had become established as the dominant supplier of wellheads for HP/HT applications in the North Sea. A benchmark for future success has therefore been set, one that is based on Plexus’ superior method of engineering - POS-GRIP technology. POS-GRIP wellheads not only set new performance, reliability and safety standards but also generated considerable cost savings for operators in the form of reduced installation and maintenance time, a major cost component in the life cycle of a conventional wellhead due to the need for additional trips at the installation stage, as well as disruption to and loss of production when remedial intervention is required. Once installed, a POS-GRIP wellhead should require no maintenance and therefore delivers a cost-effective, leak-proof solution. POS-GRIP based equipment therefore not only benefits the environment by demonstrably helping prevent methane emissions throughout the life of a well, but also the industry’s profitability by reducing downtime caused by maintenance work. We are confident our technology can do the same across the wider energy industry.

Our leak-proof metal sealing technology has an opportunity to be in the right place at the right time. In response to increased scrutiny, more and more operators are pledging to substantially limit harmful carbon emissions from the energy supply chain. For example, BP's new CEO, Bernard Looney, recently set a new target for the supermajor to become a net zero company by 2050 or sooner: "The world's carbon budget is finite and running out fast; we need a rapid transition to net zero. We all want energy that is reliable and affordable, but that is no longer enough. It must also be cleaner. To deliver that, trillions of dollars will need to be invested in replumbing and rewiring the world's energy system. It will require nothing short of reimagining energy as we know it. This will certainly be a challenge, but also a tremendous opportunity. It is clear to me, and to our stakeholders, that for BP to play our part and serve our purpose, we have to change. And we want to change - this is the right thing for the world and for BP." Importantly BP is not alone. Repsol has also pledged to become a net zero emissions company by 2050, and the list is growing.

If operators are serious about tackling methane gas leakage, and there is no reason to believe they are not, then state-of-the-art equipment is needed. When it comes to the well-site, the POS-GRIP wellhead is one such piece of critical equipment, one which has been proven out in the field many times over. This is beginning to resonate much more strongly with operators, and we are confident that the underlying value of our unique IP will eventually be realised. While these interims have come too soon for the numbers to reflect the progress being made, we believe it is only a matter of time before Plexus' future financial results do so.

On a note of caution, it would be remiss not to refer to the ongoing COVID-19 outbreak ('coronavirus'). Demand for hydrocarbons is directly related to general levels of economic activity. For example, at the height of the quarantines in China oil demand fell by circa 25% from what had been normal levels. How long the outbreak lasts, how far it spreads, and the final number of infections are of course all unknown at this stage. Until there is greater clarity, concerns over the impact of coronavirus on supply chains, the global economy and demand for oil will likely continue to weigh heavily on global stock and energy markets: oil prices are currently trading around the US$25 per barrel level, over 40% below the highs of early January. These demand pressures are exacerbated on the supply side by the conflict between Saudi Arabia and Russia regarding production levels, which has resulted in what Jan Stuart, the Credit Suisse global energy economist recently described as "a freakish amount of oil". However, for now we must rely on forecasts and anecdotal evidence. Energy consultancy FGE has forecast zero global demand growth for oil in 2020, and the IEA negative growth. Significantly, UBS recently noted the collapse of capital spending expectations in America in 2020 from 10% growth to a 15% contraction. These metrics are reflected across a range of industries and businesses and have led to a raft of sales warnings and stock market collapse. The oil and gas industry is not immune, and it is reasonable to assume that the longer the outbreak persists, projects could be delayed or even cancelled which would potentially disrupt Plexus' new IP-led strategy.

Operating Review

When we first set out to prove our technology in the North Sea jack-up exploration market, we had our POS-GRIP wellhead designs, the science behind our technology, a highly competent and experienced team, and not much else. As we enter the new decade and focus on breaking into much larger and more lucrative markets, such as surface production, we are in a far more advanced position.

Plexus has a suite of developed POS-GRIP products for multiple markets including production, subsea and abandonment.

Plexus now has a long list of blue-chip customers. The likes of BP, Gazprom, Shell, and Total have all experienced the benefits of our technology for themselves.

Plexus has a debt free, cash rich balance sheet, along with a fixed and operating cost base that is much reduced following the sale of the rental business, and which can be further addressed if required.

Plexus is no longer the only voice extolling the benefits of POS-GRIP. We have now positioned ourselves to work with a number of partners, each of whom is well established in their respective markets: Bel Valves is our JV partner in PPC which, by adding Xmas tree and valve technology to the product portfolio, strengthens our ability to penetrate the substantial production wellhead and tree market; Gusar is our licensing partner for the Russian and CIS markets; and TFMC which, in addition to acquiring the jack-up business, signed a collaboration agreement with us to advance future product design and development, thereby demonstrating the validity of our technology. This means that when talking to potential customers Plexus is able to offer a package solution' in terms of wellheads/valves/and trees, whilst also being able to point at companies like TFMC and Gusar/Gazprom who have validated the advantages of the technology.

In terms of penetrating our initial major target market, namely surface production, progress is being made. We are increasingly being invited to tender for projects and have a number of enquiries ongoing not only in relation to POS-GRIP wellheads for oil and gas, but also geothermal wellheads and Crown Plugs. It should be noted that such projects generally involve longer sales cycles and although we have no control over the timings of such contract awards, it is worth pointing out that securing just one of these would be of major significance for Plexus. Significant not just in terms of what it would do to our revenue profile, but also in terms of demonstrating to the industry that Plexus can supply major projects with state-of-the-art equipment as part of a full-service package that would likely include trees and valves.

In terms of the size of the addressable production market that Plexus is initially targeting, Rystad Energy recently estimated, ahead of the COVID-19 pandemic that a total of 691 wells are in plan for drilling over the five-year period 2021 - 2025 with an average capex spend of nearly US$50 billion. The proportion of well development capex spent on production wellheads and trees is around 5%, although the final figure is dependent on a number of factors and differs from one project to another. However, using this 5% average figure implies a potential production wellhead and tree market opportunity of c. US$2.5 billion over the next five years from 2021. If Plexus was able to secure just a 5% share of this market, this could translate into revenue of US$125 million with an average gross margin of around 30%.

While our focus is on breaking into the global surface production market, Plexus continues to be interested in its proven jack-up exploration wellhead equipment via the earn-out agreed with TechnipFMC as part of the sale of the Jack-Up Business in 2018, and also via our licensing agreement with Gusar for the important Russian and CIS markets. During the period, a breakthrough first jack-up exploration wellhead was successfully installed on the Kara Sea Shelf as part of the inaugural contract for POS-GRIP rental wellhead equipment secured by our Russian licensing partner Gusar with global energy giant Gazprom. Gusar's contracted work with Gazprom covers just the first year of an up to five-year jack-up gas exploration drilling programme and therefore has the potential to generate a valuable licence royalty revenue stream for Plexus. In line with this, the post period end sale of additional wellhead equipment to our partner Gusar bodes well for further awards in the country being forthcoming, and we are hopeful that further orders will follow from Gazprom in due course in view of the success of the first well project.

Following the sale of the jack-up exploration wellhead rental business, Plexus has maintained high quality operating standards. Together with the Company's PPC joint venture this ought to be seen by customers as a statement of intent that Plexus is capable of tendering, supplying, executing and servicing contracts for projects that fit the current tender pipeline. In line with this, Plexus has maintained a staffing and engineering team resource that is at a level capable of both supporting increased business activity, as well as carrying out research, testing and development work for new POS-GRIP based products.

Key functions that support our operations are Human Resources (‘HR’), Quality Health and Safety (‘QHSE’), Information technology (‘IT’) and Intellectual Property (IP’).

For the six months in review and following the annual monitoring audit in August 2019, HR has successfully maintained OPITO accreditation for the Competency Management System, Competency@Plexus (C@P). In the wake of the review and revision of C@P, attention has been turned to the in-house training modules. These were initially developed as a complete training programme, in order to develop the knowledge and skills required for their role and which are later assessed on through C@P.

QHSE continues to be an important area, and recently posted zero incidents and occupational health claims for 2019. Plexus, driven by QHSE will continue to deliver the highest safety standards, and this discipline has been further improved following the introduction of Senior Management safety tours.

The overall health and safety culture continues to improve and progress, allowing the company to meet its requirements for compliance with important regulatory standards. Plexus recently achieved accreditation to API Q1 which is viewed as an important milestone. Looking ahead, Plexus will move towards achieving compliance and accreditation to ISO 45001 (as OHSAS 18001 becomes obsolete) with a compliance audit planned for May/June 2020 with the aim of achieving full compliance and certification to ISO 45001.

Robust IT systems, and the delivery of a safe and secure service to customers and Plexus itself is paramount, especially as is widely reported there is no reduction in external threats of hacking and viruses. Ensuring confidentiality, integrity and accessibility of information is essential, and Plexus continually reviews and develops its computer network and security monitoring systems capability as part of its cyber security protocols. Precautions include penetration testing and network monitoring to ensure our IT systems have not been breached, while our anti-virus software is continually updated to newer version malware protection, and internet filtering is used to keep our data secure. Active monitoring of network activity and infrastructure ensures downtime is minimised. Plexus relies on its own in-house developed software systems, and these have the advantage of allowing the Company to develop software solutions that can react quickly to any IT issues that may arise. Following the recent coronavirus outbreak, the IT department has ensured that the current infrastructure will enable the Group’s operations to function satisfactorily, whilst allowing the majority of the workforce to work from home should this be required.

Innovative IP is at the core of Plexus, with a focus on oil and gas equipment design and development utilising our proprietary POS-GRIP friction grip method of engineering. POS-GRIP was designed to address limitations associated with conventional technology particularly in terms of metal sealing, and this has led to the raising of safety standards for HP/HT wellhead applications whilst delivering significant operational and cost advantages. The ongoing development of our extensive IP suite, in conjunction with partners where appropriate, continues to be a priority for the Company, and ongoing investment in research and development in a wide range of areas and applications outside of Jack-up rental wellhead exploration including surface production and subsea wellhead equipment, as well as proprietary connector technology, is an important part of this strategy. It is envisaged that in time this strategy will enable Plexus to introduce its technology to sectors outside of oil and gas, such as geothermal and nuclear. Since the formation of PPC there has also been significant work undertaken to design a tree to add to the Plexus suite of products. Significantly, in November 2019 Plexus announced that its POS-GRIP “HG” metal sealing system successfully completed an extreme temperature test verification programme from -75 to +400 degree F in accordance with API 6A PR2F standards at 10,000 psi pressure. This test exceeded both conventional API 6A temperature class ranges and was independently verified by Lloyds Register. Plexus believes that this qualification was an industry first as the entire test was performed within a single test and passed first time, whereas typically, multiple tests are required, possibly using different test fixtures or different sealing systems.

Ongoing operational activities and necessary R&D and capex continue to be funded from cash reserves.

Interim Results

The six months to December 2019 results and activities reflect the Group's movement towards the development of new revenue streams, including targeting the significantly larger surface production wellhead market.

Continuing operations revenue for the six-month period ended 31 December 2019 decreased to £49k, compared to the previous year's figure of £1,312k, reflecting the fact that last year's comparison period included revenue in relation to a production well contract for Spirit Energy.

During the period Plexus continued to focus on preserving Group cash by minimising spending and investment on capex, opex and non-essential R&D, without compromising operations.

Continuing activities administrative expenses have increased for the 6 months to December 2019 to £3.02m (2018: £2.83m) and includes a part reinstatement of previously reduced salaries. Personnel numbers for continuing staff are in line with the prior year at 37. This staff structure has been balanced in anticipation of ongoing and future organic operational opportunities, whilst also being able to further develop and support our POS-GRIP IP led strategy involving external partners in Plexus. The current staff levels are also required to maintain the operational infrastructure that has been developed to date, including maintaining the Group's Business Management System, and retaining all relevant accreditations, in addition to operational requirements.

For continuing operations, the Group has reported a loss of £2.7m which is an increase on the prior year loss of £2.3m. The increased loss is driven by the fall in revenues. The loss comes after absorbing similar rental asset and other property, plant and equipment depreciation and amortisation costs of circa £0.9m, an increase of £0.1m when compared to the prior year as a result of the amortisation charge in introduced following the adoption of IFRS 16.

The Group has not provided for a charge to UK Corporation tax at the prevailing rate of 19%. Basic loss per share for continuing operations was 2.75p per share which compares to a 2.22p loss per share for the same period last year.

The balance sheet continues to remain strong, and the current level of intangible and tangible property, plant and equipment asset values at £10.6m and £3.6m respectively illustrate the amount of cumulative investment that has been made in the business. Total asset values at the end of the period stood at £34.4m. The non-essential R&D spend is in line with the prior year at £0.1m. Such control on investment activity will not compromise our IP and its ongoing development, or our ability to provide customers with a high standard of equipment and service. The Group has no debt, following the final repayment of a property term loan in September 2019 (£75k) and closed the period with net cash of approximately £4.48m and in addition has financial assets with a value of £2.96m at 31 December 2019.

Outlook

Over the course of the last two hundred years the oil and gas industry has fuelled three industrial revolutions. Each one has played a major part in generating the prosperity the world enjoys today. Arguably, all three revolutions have sown the seeds for the next phase of progress. The technological revolution the world is in the midst of today would seem to fit into the historic pattern. As well as transforming the way we live and the way businesses operate, technology is driving the rapid growth of new industries such as electric vehicles and alternative / renewable energy generation which are themselves at the forefront of efforts to slash carbon emissions and tackle climate change. While progress is being made, there is a considerable way to go before the world becomes carbon neutral and because of this, hydrocarbons are forecast to continue to be an important component of the energy mix for years and even decades to come. As Ben Ratner writes in a post on the Environmental Defense Fund website entitled: 'The next major ESG opportunity for investors in Europe', "Although the EU is aggressively moving off fossil fuels and aims to become carbon neutral by mid-century, the transition to net-zero, low-carbon energy sources will still require natural gas in the energy mix."

Certainly, if the quantum of capital invested in oil and gas projects around the world is anything to go by, the industry is putting its money where its collective mouth is. In the North Sea alone, the Investor's Chronicle reports BP and Chevron are investing £6.78 billion into six new projects, while Total is investing £10 billion over the next five years. Although the long term impact of the current disruption to the oil and gas industry and wider global economy by COVID-19 is still to be determined, investment indicators such as these can only have helped to inform the conclusion of an independent report from the Committee on Climate Change which states: 'oil and gas will remain an important part of the UK's energy mix for decades to come.' The North Sea is not an outlier. Looking at the global picture, analysts at McKinsey & Co expect a wave of 'sanctioning of new deep-water projects thanks to recent cost compression trends in offshore, resulting in an additional ~$654bn (£504bn) of cumulative deep-water oil project expenditure until 2030.'

It would of course be wrong to infer that high levels of investment translate into business as usual for the oil and gas industry. Increasingly, the carbon footprint of operations right across the energy spectrum, from the drill bit to the consumer, are being subjected to thorough and urgent scrutiny by environmental lobbyists and activist investors. Times have changed and the energy industry is having to change with them. As the Financial Times' Lex Column noted in February 2020, 'Carbon emissions were once thought of as a costless "externality" by business. But as evidence of climate change has mounted and public opinion shifted, energy companies have begun to look at the real financial consequences. This has been most notable in the rising cost of capital for hydrocarbons groups and ever-cheaper money for renewables.' The column goes on to point out that 'After much hand-wringing, BlackRock, the world's largest investment manager, signed up to the Climate Action 100+ initiative, a group of 370 fund managers controlling at the time of that report some $35 trillion of assets. These investors want and indeed demand action on greenhouse gases, and energy producers with large stores of hydrocarbon reserves are an obvious target.' In an interview with EnergyVoice in January 2020, Kevin Alexander, director of procurement solutions at consultancy Achilles, said "In our communities, we are seeing a continued focus on transparency of operations. Buyers are initiating carbon audits for themselves and their supply chains to get absolutely clear on the carbon impact of their own organisation and where and how they can improve."

Access to development capital on commercial terms is one pressure point that can be applied to the energy industry to ensure it cleans up its act in terms of reducing harmful carbon emissions from operations. If the targets being set by international oil and gas companies to reduce methane emissions all along the supply chain are anything to go by, together with the various industry-led efforts, such as the Oil and Gas Climate Initiative ('OGCI'), the energy industry clearly recognises the need to change. Certainly, at the well-site, Plexus' area of focus, the race is on among oil and gas industry participants to decarbonise hydrocarbons before they enter the supply chain. Sound and verifiable technical solutions have a key role to play. According to an article in the Financial Times on 11 February 2020, Mr Fatih Birol, head of the International Energy Agency, said, "We have the energy technologies to do this, and we have to make use of them all".

At the well-site at least, one solution already exists, our leak-proof POS-GRIP metal-to-metal sealing technology, a unique method of engineering which can be deployed for surface and subsea well applications. Thanks to POS-GRIP, we believe eliminating the leakage of dangerous pollutants at the well-site is among the low hanging fruit in the battle to achieve a 'net zero emissions' oil and gas supply chain. Encouragingly, the role of digital technologies, and the digitisation of information in minimising global oil and gas methane emissions is becoming ever more important. Plexus believes that such granular data analysis will expose more clearly the integrity issues associated with the design of conventional wellhead equipment and seals, and logic dictates that this should result in greater interest in and demand for leak-proof equipment and technologies, especially for hard to access locations such as subsea.

Based on sealing principles derived from Hertzian Stress Theory, POS-GRIP is the only known technology to have without exception passed and exceeded tough new standards for wellhead equipment set by a major operator. It can accurately deliver and maintain an equal amount of contact interface stress, around each point of the full perimeter of a metal seal, within a prescribed set of limits. It is this unique quality that has seen our technology successfully installed on ultra-HP/HT projects up to 20,000 psi at 375 degree F. Proven to withstand extreme operating conditions, POS-GRIP is particularly relevant for natural gas exploration and production. This is important. As the cleanest hydrocarbon to combust in terms of CO2 emissions, natural gas is widely regarded as a key transitional fuel as the world moves towards net zero. "With natural gas we have proven that economic growth and the reduction of carbon emissions are not mutually exclusive," said American Petroleum Institute (API) chief economist Dean Foreman. "The fact that the U.S. has led the world in the reduction of carbon emissions for nearly two decades wouldn't have been possible had it not been for the abundant supply of affordable and clean natural gas made possible by the shale revolution." The combination of helping satisfy the world's insatiable demand for energy while at the same time reducing harmful carbon emissions, lies behind forecasts of strong growth in demand for natural gas in the years ahead. According to BP's International Energy Outlook, demand for natural gas is expected to increase by almost 50% to c. 5,500 bcm over the next two decades, compared to 3,700 bcm in 2017.

Importantly, for natural gas to fulfil its promise, however, harmful methane leaks across the production and distribution chain need to be addressed. The challenge is clear. Although natural gas emits only half the level of CO2 compared to oil and coal when it burns, even relatively low levels of leakage of un-combusted methane during the process of extraction and delivery of gas along the supply chain can wipe out gas' advantage over other fossil fuels. In an interview with the Environmental Defense Fund, Tim Goodman, Director for Hermes EOS at Hermes Investment Management in London, stated, "Methane is a far more potent greenhouse gas than carbon dioxide — the more that we can minimise its effects, the greater the window the world has to transition to a low carbon economy. Methane's effects don't last as long as carbon, but if we don't tackle methane, we aren't taking meaningful action to move to a low-carbon economy." Thanks to POS-GRIP's leak-proof solution, eliminating methane emissions at the well-site is a challenge that can be overcome.

Of course, it is one thing to offer a technology that prevents methane emissions from occurring in the first place, but another for it to be firstly adopted and then to become the industry standard. Our strategy is focused on making life as easy as possible for operators to elect to use POS-GRIP-enabled equipment so that they can experience for themselves the superior performance and cost savings on offer. With this in mind, and to cater for operators' preference to award contracts for packaged solutions, we established the PPC JV with Bel Valves Ltd in June 2019, so that for the first time Plexus can offer high performance, low maintenance POS-GRIP wellheads, xmas trees and outlet valves. Tackling methane emissions at the well-site, being able to withstand extreme temperatures and pressures, generating cost savings, offering a full service package, there are more and more reasons for operators to deploy POS-GRIP equipment for surface production projects, and fewer (if any) reasons not to. Together with an active licensing agreement for our jack-up exploration technology in Russia where an order has recently been completed for Gazprom, the potential for us to play a key role in reducing the industry's carbon footprint, generate material cost savings for operators and at the same time build significant value for Plexus shareholders is clear.

J Jeffrey Thrall
Non-Executive Chairman
26 March 2020

Plexus Holdings Plc
Unaudited Interim Consolidated Statement of Comprehensive Income
For the Six Months Ended 31 December 2019

	Six months to 31 December 2019	**Six months to 31 December 2018**	**Year to 30 June 2019**
	£ 000's	**£ 000's**	**£ 000's**
Revenue	49	1,312	3,611
Cost of sales	(51)	(828)	(1,865)
Gross profit	(2)	484	1,746
Administrative expenses	(3,024)	(2,833)	(5,756)
Operating loss	**(3,026)**	**(2,349)**	**(4,010)**
Finance income	100	100	218
Finance costs	(43)	(88)	(41)
Other income	126	-	-
Share in profit of associate	80	-	122
Loss before taxation	**(2,763)**	**(2,337)**	**(3,711)**
Income tax credit (note 6)	-	-	484
Loss after taxation from continuing operations	**(2,763)**	**(2,337)**	**(3,227)**
(Loss) after taxation from discontinued operations	-	-	(88)
Loss for Year	(2,763)	(2,337)	(3,315)
Other comprehensive income	-	-	-
Total comprehensive income	**(2,763)**	**(2,337)**	**(3,315)**
Loss per share (note 7)			
Basic from continuing operations	**(2.75p)**	**(2.22p)**	**(3.12p)**
Diluted from continuing operations	**(2.75p)**	**(2.22p)**	**(3.12p)**
Basic from discontinued operations	**-**	**-**	**(0.09p)**
Diluted from discontinued operations	**-**	**-**	**(0.09p)**

Plexus Holdings Plc
Unaudited Interim Consolidated Statement of Financial Position
As at 31 December 2019

	31 December 2019 £ 000's	31 December 2018 £ 000's	30 June 2019 £ 000's
ASSETS			
Goodwill	767	767	767
Intangible assets	10,569	11,129	10,876
Property, plant and equipment (note 9)	3,618	3,673	3,804
Non-current financial asset	2,964	2,849	2,835
Investment in associate	937	785	907
Deferred tax asset	1,259	984	1,259
Other Receivables	4,515	6,337	4,515
Right of use asset	1,700	-	-
Total non-current assets	26,329	26,524	24,963
Inventories	733	1,350	698
Trade and other receivables	2,822	3,187	4,948
Cash and cash equivalents	4,481	9,765	5,152
Current income tax asset	-	371	617
Total current assets	8,036	14,673	11,415
TOTAL ASSETS	34,365	41,197	36,378
EQUITY AND LIABILITIES			
Called up share capital (note 13)	1,054	1,054	1,054
Shares held in treasury	(2,500)	-	(2,500)
Share premium account	-	36,893	-
Share based payments reserve	674	674	674
Retained earnings	32,110	(42)	34,873
Total equity attributable to equity holders of the parent	31,338	38,579	34,101
Lease liabilities	1,557	-	-
Other non-current liabilities	-	493	-
Total non-current liabilities	1,557	493	-
Bank loans	-	225	75
Trade and other payables	1,198	1,900	2,202
Current income tax liability	14	-	-
Lease liabilities	258	-	-
Total current liabilities	1,470	2,125	2,277
Total liabilities	3,027	2,618	2,277
TOTAL EQUITY AND LIABILITIES	34,365	41,197	36,378

Plexus Holdings Plc
Unaudited Interim Statement of Change in Equity
For the Six Months Ended 31 December 2019

	Called Up Share Capital	**Shares Held in Treasury**	**Share Premium Account**	**Share Based Payments Reserve**	**Retained Earnings**	**Total**
	£ 000's	**£ 000's**	**£ 000's**	**£ 000's**	**£ 000's**	**£ 000's**
Balance as at 1 July 2018	**1,054**	**-**	**36,893**	**674**	**2,295**	**40,916**
Total comprehensive income for the period	-	-	-	-	(3,315)	(3,315)
Cancellation of share premium	-	-	(36,893)	-	36,893	-
Buyback of shares	-	(2,500)	-	-	-	(2,500)
Dividends paid	-	-	-	-	(1,000)	(1,000)
Balance as at 30 June 2019	1,054	(2,500)	-	674	34,873	34,101
Total comprehensive income for the period	-		-	-	(2,763)	(2,763)
Balance as at 31 December 2019	**1,054**	**(2,500)**	-	**674**	**32,110**	**31,338**

Plexus Holdings Plc
Unaudited Interim Statement of Cash Flows
For the six months ended 31 December 2019

	Six months to 31 December 2019 £ 000's	Six months to 31 December 2018 £ 000's	Year to 30 June 2019 £ 000's
Cash flows from operating activities			
Loss before taxation from continuing activities	(2,763)	(2,337)	(3,711)
Loss before taxation from discontinued activities	-	-	(108)
Loss before tax	(2,763)	(2,337)	(3,819)
Adjustments for:			
Depreciation, amortisation and impairment charges	962	833	1,625
Gain on sale of discontinued operation	-	-	(122)
Fair value adjustment of on financial assets	(20)	72	3
Share in profit of associate	(80)	-	-
Other income	(126)	-	-
Investment income	(80)	(100)	(218)
Interest expense	43	88	8
Changes in working capital:			
(Increase)/Decrease in inventories	(35)	521	1,173
Decrease in trade and other receivables	2,126	1,701	1,762
Decrease in trade and other payables	(912)	(2,470)	(2,661)
Cash generated from operations	(885)	(1,692)	(2,249)
Net income taxes received	631	43	26
Net cash used in operating activities	(254)	(1,649)	(2,223)
Cash flows from investing activities			
Investment in associate	-	(785)	-
Funds invested in financial instruments	(109)	(797)	(714)
Other income	126	-	-
Dividend received from associate	50	-	-
Associated cost on sale of discontinued operation	-	-	(311)
Purchase of intangible assets	(147)	(110)	(231)
Investment in associate	-	-	(785)
Interest received	80	100	218
Purchase of property, plant and equipment	(166)	(52)	(530)
Net proceeds of sale of property, plant and equipment	-	-	9
Net cash used from investing activities	(166)	(1,644)	(2,113)
Cash flows from financing activities			
Repayment of loans	(75)	(150)	(300)
Repayments of lease liability	(157)	-	-
Buyback of shares held in treasury	-	-	(2,500)
Dividends paid	-	-	(1,000)
Interest paid	(19)	(88)	(8)
Net cash outflow from financing activities	(251)	(238)	(3,808)
Net decrease in cash and cash equivalents	(671)	(3,531)	(8,144)
Cash and cash equivalents at brought forward	5,152	13,296	13,296
Cash and cash equivalents carried forward	4,481	9,765	5,152

Notes to the Interim Report December 2019

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

The comparative figures for the financial year ended 30 June 2019 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors, Crowe U.K 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.

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 2020. 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. Except as described below the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 30 June 2019 and which are also expected to apply for 30 June 2020.

The changes in accounting policy set out below will also be reflected in the Group's consolidated financial statements for the year ended 30 June 2020.

IFRS 16

IFRS 16, which supersedes IAS 17, sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). Lessee accounting has changed substantially under this new standard while there has been little change for the lessor. IFRS 16 eliminates the classification of leases as either operating leases or financing leases and, instead, introduces a single lessee accounting model. A lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months (unless the underlying asset is of low value) and is required to present depreciation of leased assets separately from interest on lease liabilities in the consolidated statement of comprehensive income. A lessor continues to classify its leases as operating leases or financing leases, and to account for those two types of leases separately. IFRS 16 is effective for fiscal periods beginning on or after 1 January 2019. On inception an asset and liability of £1.9m were recognised.

3. This interim report was approved by the board of directors on 26 March 2019.

4. The directors do not recommend payment of an interim dividend in relation to this reporting period.

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

6. No corporation tax provision has been provided for the six months ended 31 December 2019 (2018: nil). As a result, there is no effective rate of tax for the six months ended 31 December 2019 (2018: 0%) after adjustments made to reflect R&D tax credits received relating to the current and prior years and offsets for disallowable expenditure.

7. Basic earnings per share are based on the weighted average of ordinary shares in issue during the half-year of 100,435,744 (2018: 105,386,239). In February 2019, Plexus Holdings PLC ("the Company") completed the acquisition of 4,950,495 Ordinary Shares held by LLC Gusar. The Buyback Shares have been transferred to the CREST account of the Company and will be held in treasury and will not rank for any future dividends and no voting rights will be exercised in respect of such Ordinary Shares. Following the transaction, the Company's issued share capital comprises 105,386,239 Ordinary Shares, of which 4,950,495 Ordinary Shares are held in treasury. The Company now has a total of 100,435,744 Ordinary Shares in issue with voting rights.

8. 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 fluctuations.

9. 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 30 June 2018	**3,607**	**716**	**5,509**	**10**	**17**	**9,859**
Additions	92	-	391	47	-	530
Transfers	-	-	57	(57)	-	-
Disposals	-	-	(525)	-	-	(525)
As at 30 June 2019	**3,699**	**716**	**5,432**	**-**	**17**	**9,864**
Additions	41	-	125	-	-	166
As at 31 December 2019	**3,740**	**716**	**5,557**	**-**	**17**	**10,030**
Depreciation						
As at 1 July 2018	1,158	381	4,315	-	1	5,855
Charge for the year	180	85	450	-	3	718
On disposals		-	(513)	-		(513)
As at 30 June 2019	**1,338**	**466**	**4,252**	**-**	**4**	**6,060**
Charge for the period	76	36	238	**-**	2	352
On disposals						
As at 31 December 2019	**1,414**	**502**	**4,490**	-	**6**	**6,412**
Net book value						
As at 31 December 2019	**2,326**	**214**	**1,019**	**-**	**11**	**3,618**
As at 30 June 2019	2,361	250	1,180	**-**	13	3,804
As at 30 June 2018	2,449	335	1,194	10	16	4,004

10. Investments

	Six months to 31 December 2019
Investment in associate at 30 June 2019	**907**
Share of profit for the period	**80**
Dividend received	**(50)**
Investment in associate at 31 December 2019	**937**

In December 2018 Plexus Ocean Systems Limited acquired a 49% interest in Kincardine Manufacturing Services Limited ('KMS') for a £735k plus associated legal fees.

The summary financial information of KMS, extracted on a 100% basis from the accounts for the 12 months ended 31 December 2019 are as follows:

	2019 £'000
Assets	**2,260**
Liabilities	**2,070**
Revenue	**5,533**
Profit after tax	**413**

11. Discontinued operations

	Six months to 31 December 2019	Six months to 31 December 2018	Year to 30 June 2019
	£'000	£'000	£'000
Revenue	**-**	**-**	-
Expenses	**-**	**-**	(108)
(Loss)/Profit before tax of discontinued operations	**-**	**-**	(108)
Income tax credit	**-**	**-**	20
(Loss)/Profit after tax of discontinued operations	**-**	**-**	(88)

12. Share Capital

	Six months to 31 December 2019	Six months to 31 December 2018	Year to 30 June 2019
	£'000	£'000	£'000
Authorised:			
Equity: 110,000,000 (2018: 110,000,000) Ordinary shares of 1p each	**1,100**	1,100	1,100
Allotted, called up and fully paid:			
Equity: 105,386,239 (Dec 2018: 105,386,239, June 19: 105,386,239) Ordinary shares of 1p each	**1,054**	1,054	1,054