



Wellstream Holdings PLC

Half Year Report for the six months ended 30th June 2008

Wellstream Holdings PLC

Wellstream is a leading designer and manufacturer of bespoke flexible pipeline products, systems and solutions for the oil and gas industry.

Wellstream's portfolio includes established product lines for use as dynamic flexible risers and static flowlines in deep and ultra-deepwater environments. In addition, newer product lines designed for use onshore and in high temperature/high pressure drilling and well service applications have also been introduced. With over 1000 employees internationally, Wellstream has offices and facilities in the UK, USA, Canada, Brazil and Australia.

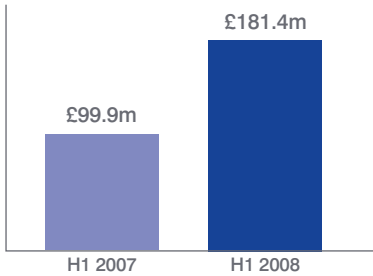


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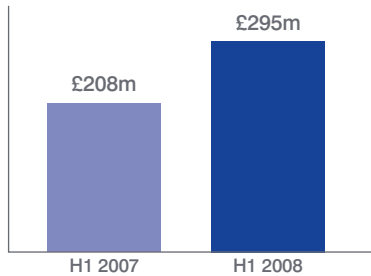
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Financial Highlights

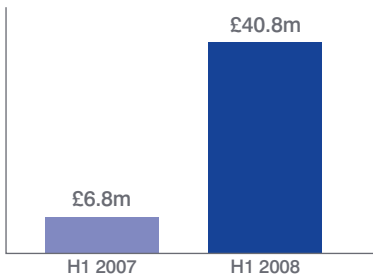
Revenue up 82%



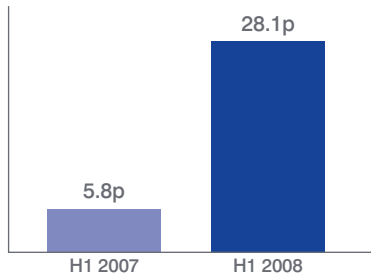
Backlog* up 42%



PBT up 501%



EPS up 384%



* Revenue Backlog is the aggregate of revenue that has not yet been recognised in the accounts from contracts that have been entered into and from contracts that the directors are confident will be entered into and revenue that the directors are confident will arise in the next year from the Framework Agreement. Further revenue from the Framework Agreement and orders from customers in the form of limited or non-binding commitments are not included in revenue backlog.

Chairman's Statement



INTRODUCTION

I am pleased to announce another buoyant financial performance for the six month period ended 30 June 2008. We have consolidated the success achieved in 2007 by continuing to drive record throughput at the plants in Newcastle UK and Niteroi Brazil. We are forging ahead with the expansion programme to increase overall capacity from 410 nkm* to 570 nkm* and this is on target for completion in Q1 2009.

I am particularly pleased to announce our maiden interim dividend of 4p per share, further demonstrating the solid progress of the Group since its IPO last year.

In the six months ended 30 June 2008:

- Revenues increased 82% to £181.4m (2007 H1: £99.9m)
- Operating profit increased 267% to £42.5m (2007 H1: £11.6m)
- EPS increased 384% to 28.1p (2007 H1: 5.8p)
- Revenue Backlog increased 42% to £295m (2007 H1: £208m)

In July and August 2008, the Group also received further strategically significant awards including the Petrobras Framework Agreement worth in excess of £600m and the Tupi EWT project which take the current backlog to some £360m** and additional customer commitments to in excess of £580m over the next four years. These awards help position the Group for the future and represent a major step forward in terms of customer relations, technology and the geographic diversity of the business.

The Oil and Gas market continues to generate strong demand for our products and the Board is therefore confident that the financial performance for the remainder of the year will be in line with its expectations. We believe that high energy prices, even after recent falls, will continue to support expanding drilling and capital budgets for our key customers and bodes well for future activity. This reinforces our expectation that the extended investment cycle will persist, and we anticipate that the strategies we have employed will provide us with ample opportunity for continued profitable growth.

Subsequent to our Annual Report Candover sold their remaining 13% shareholding in the Company and consequently Nils Stoesser left the Board in April. Once again I record my thanks to him for his support to the Group.

John Kennedy
Chairman

* nkm stands for normalised kilometres and is an internal measure used to standardise different pipe diameters for comparison purposes to a standard 8" offshore pipe and a standard 4" onshore pipe.

** Revenue Backlog is the aggregate of revenue that has not yet been recognised in the accounts from contracts that have been entered into and from contracts that the directors are confident will be entered into and revenue that the directors are confident will arise in the next year from the Framework Agreement. Further revenue from the Framework Agreement and orders from customers in the form of limited or non-binding commitments are not included in revenue backlog.

Chief Executive's Statement

REVIEW OF OPERATIONS

Market overview

The market outlook remains excellent and is unchanged from that reported at the time of our annual results. Our recent awards in Brazil, West Africa, Australia and the Gulf of Mexico and the level of tendering activity, support our confidence in growth opportunities in the market. This confidence is further supported by the recently received Framework Agreement from Petrobras. The agreement is worth in excess of £600 million over four years and underpins our production and expansion plans for our customers in Brazil as well as demonstrating confidence in Wellstream as a key supplier and development partner to Petrobras. It also allows us to concentrate engineering resources in tandem with Petrobras to develop flexible flowlines and risers for deeper water and other specialised projects.

As noted above, Wellstream has recently received several strategically significant awards that clearly demonstrate our customers' confidence in Wellstream technology, willingness to collaborate and ability to deliver in this capacity-constrained environment. These awards include:-

- **Petrobras; Tupi EWT (extended well test).** The award of the £11m riser and flowline contract, which is incremental to the Petrobras Framework Agreement, is for the first phase of this world class field development and is a tremendous achievement for Wellstream. It demonstrates the applicability and technical advantages of flexible flowlines and risers for the sub-salt discoveries in Brazil and positions Wellstream for future phases of this development.

- **Nexus Energy; Crux Field Development.** This contract, for which Wellstream has received a Letter of Intent, is valued in excess of £40m and is our third award in 2 years in the increasingly important oil and gas province of the NW Shelf offshore Australia. If executed, this project will not only consolidate our position in the region, but will allow us to work with a new and dynamic customer.
- **Anadarko Petroleum Corporation; Caesar Tonga in Gulf of Mexico.** This £10m award for the supply of the world's first 15,000psi operating pressure deepwater riser in 1,500m of water further demonstrates Wellstream's technology leadership and willingness to partner with customers in order to deliver technical innovations within the industry.



Courtesy: Subsea 7 and Chevron

Chief Executive's Statement continued

Production

Throughput over the first six month period has been excellent, with high levels of utilisation being achieved at both plants resulting in a record performance. In Newcastle a throughput of 121nkm was achieved during the period (2007; 119nkm), whilst in Niteroi, throughput totalled 59nkm (2007; 4nkm) as the ramp up in production volumes continues at the plant. We are particularly pleased with this performance, as it has taken place alongside our supply chain and capacity expansion. The production volumes have also been enhanced by integrated production planning between the two plants which has allowed production smoothing and bottleneck optimisation at the two locations.

The manufacturing phase of the Chevron Frade project is now substantially complete and delivery of the finished product is in progress. Manufacturing for BHP Billiton Pyrenees, the largest project this year, is now underway and is expected to be substantially complete before the year end and ready for installation by our Seastream Joint Venture in early 2009.

Expansion

Our expansion plans announced in November 2007 are on track for completion in Q1 2009 when total production capacity will rise from 410nkm to 570nkm. Phase 1 of the expansion programme was completed in Newcastle during July 2008 with the opening of a new office complex and new and efficient raw materials handling facilities. Work continues on the expansion of the manufacturing facilities in both Newcastle and Niteroi and, overall, the expansion programme is now over 40% complete.

Seastream

Seastream, our installation Joint Venture, also continues to enjoy significant customer interest and this supports our belief that exposing how competitive the true installed cost of flexible solutions is when compared with the installed cost of rigid pipes will provide a driver for growth over the next 5 years.

With the completion of the first installation contract for Devon Energy's Polvo project early in 2008 and execution of the Pyrenees project proceeding to plan, the value and capability of our installation expertise is clearly being demonstrated to the industry. The installation element of the Pyrenees project is well on track, with the project team in Perth meeting key milestones agreed with BHP Billiton. In this regard, the launch of the Jascon 25 installation vessel in July 2008 by our JV partner Seatrucks, was particularly noteworthy. The fit-out of the vessel will now be completed in September and sea trials undertaken ahead of mobilisation of the vessel to Australia. We look forward to building on this track record over the coming year.

Wellstream, on its own account, also committed to significantly enhancing Seastream's capability when we sanctioned the design and construction of additional deepwater installation equipment. This will enhance our ability to offer core product sales in a key growth market for us. We expect the investment to total some £25m during 2008/9. The system will be operated using Seatrucks' fleet and is due for delivery in 2009 and will strengthen and develop the Seastream brand and differentiate the Group from the competition.



Throughput over the first six months has been excellent, with high levels of utilisation being achieved at both plants resulting in record performance.



The Board remains confident with its outlook for the end of the financial year.



Chief Executive's Statement continued

Flexsteel

After an encouraging second half in 2007, Flexsteel had a disappointing first half in 2008. It is now the focus of new management appointed in April. This enhanced focus on the business has already begun to produce results, with increased manufacturing efficiencies, the continued development of our 6" diameter product unique to Wellstream (the largest spoolable pipe available in the market) and other key innovations to the product offering; all of which have enhanced the value of the product to our customers. Having made this progress, with continued focus, the prospects for the business look positive with interest in Latin America high and sales volumes in North America expected to recover during the second half of this year.

Organisation

With the continued expansion of production capacity, global staff numbers have grown to 1,037 at 30 June 2008 (30 June 2007; 818).

Risks and Uncertainties

The principal risks and uncertainties faced by the Group over the remainder of the year are typical to the industry and are set out in detail in our Annual Report for 2007 which was published in May. These include customer concentration, supply chain management and production mix. To that end, we continue to focus on the strategic initiatives in place to mitigate these including diversification of our customer base, a clear supply chain strategy and management of the flow of incoming work.

In addition to the above, the Group is also exposed to risks associated with the current high levels of production output, particularly with relation to disruptions caused by the expansion programme. The Group has in place risk management policies that seek to limit the adverse effects of these risks on its financial performance. The Key Performance Indicators referred to in the Annual Report continue to represent the main measures under the Company's performance management system.

Outlook

Demand for our services continues to be supported by a solid oil and gas market with activity levels in the South Atlantic Basin, Asia and deepwater Gulf of Mexico being particularly encouraging. Based on this, the Board remains confident with its outlook for the end of the financial year.

In the longer term, high energy prices continue to support technically challenging projects for which our products are particularly suited and we anticipate the business strategies we have employed will provide us with ample opportunity for profitable growth.



Gordon Chapman
Chief Executive

Financial Review

Revenue

Revenue in the period increased by 82% to £181.4m (H1: 2007 - £99.9m). Offshore revenue grew £82.6m reflecting a full six months' production from Niteroi, good underlying, efficiency-driven growth in Newcastle and installation revenue from both Brazil and Australia. Average revenue per normalised kilometre of offshore pipe in the period increased by 8% as compared to the same period in 2007. This reflects the evermore demanding and complex solutions sought by our customers. Onshore revenue decreased by £1.1m when compared to the same period in 2007 as a result of a difficult start to the year and also reflecting, in part, sensitivity to adverse weather conditions that can result in greater seasonality than experienced in the Offshore business.

Profitability

Overall profitability of the business improved at all levels; Gross Margin achieved was 33.8% (FY2007 - 29.8%) reflecting greater throughput and factory efficiency. Operating Profit increased to 23.4% (FY2007 - 17.8%) demonstrating additional cost efficiency outside of the production environment and Profit before Tax was further enhanced by a reduced cost of financing. An increase in the effective tax rate to 31.3% in the first half, from 29.2% in 2007, resulted in post tax profit of £28.0m (H1: 2007 - £4.8m). This post tax profit is a near six fold increase though it is worthy of note that the corresponding figure for 2007 included a net £3m of one - off costs arising from the IPO.

Finance costs and Currency

Net interest cost in the period of £1.8m (H1: 2007 - £7.2m) reflects the substantially different capital structure of the Group post IPO but is broadly in line with net interest cost in H2: 2007 of £1.4m. Post the Group's IPO in May 2007 the Group's net debt has primarily been £ sterling denominated.

Prior to this date, a significant portion of the debt was US\$ denominated. This has resulted in much reduced volatility arising from foreign exchange gains and losses on financing; the gain in the period was £33,000 (H1: 2007 - £2.4m). Other currency exposure arises mainly on the retranslation of the earnings and net assets of our Brazilian operations and from periodic US\$ denominated contracts. Currency movements in the half year impacted Profit before Tax adversely by £1m.

Cash flow

Working capital increased by £11.4m in the period, most significantly due to currency translation on net working capital in Brazil. At the period end working capital represented 18% of rolling annual historic revenue (FY2007 -18.9%). Cash from operating activities in the period was £38.5m which enabled the business to fund its significant capital expenditure programme, £26.2m was spent in the period (H1: 2007 - £7.1m), whilst also reducing net debt to £32.7m from £46.7m at the year end.

Dividend

As previously indicated the Group intends to pay an interim dividend for the year ended 31 December 2008. A dividend of 4p per share will be payable on 13 October 2008 to shareholders on the register at close of business on 5 September 2008. The ex dividend date is 3 September 2008.



Chris Gill
Finance Director



Condensed Financial Statements

Condensed Consolidated Income Statement

For the six month period ended 30 June 2008

	Note	Six months ended 30 June 2008 Unaudited £000	Six months ended 30 June 2007 Unaudited £000	Year ended 31 December 2007 Audited £000
Revenue	3	181,419	99,935	266,810
Cost of sales		(120,034)	(69,994)	(187,382)
Gross profit		61,385	29,941	79,428
Administrative expenses		(19,214)	(18,766)	(32,963)
Other operating income		343	415	1,096
Operating profit		42,514	11,590	47,561
Foreign exchange gains on financing		33	2,416	2,755
Finance income		542	337	1,115
Finance expenses		(2,303)	(7,562)	(9,691)
Profit before tax		40,786	6,781	41,740
Tax	4	(12,766)	(1,980)	(12,727)
Profit for the period (attributable to equity holders of the parent)		28,020	4,801	29,013
Basic earnings per ordinary share (pence)	6	28.1	5.8	31.8
Diluted earnings per ordinary share (pence)	6	27.8	5.8	31.6

All results are derived from continuing operations

Condensed Consolidated Statement of Recognised Income and Expense

For the six month period ended 30 June 2008

	Six months ended 30 June 2008 Unaudited £000	Six months ended 30 June 2007 Unaudited £000	Year ended 31 December 2007 Audited £000
Exchange differences on translation of foreign operations	13,383	1,093	7,578
Net income recognised directly in equity	13,383	1,093	7,578
Profit for the period	28,020	4,801	29,013
Total recognised income (attributable to equity holders of the parent)	41,403	5,894	36,591

Condensed Financial Statements continued

Condensed Consolidated Balance Sheet

As at 30 June 2008

	Note	30 June 2008 Unaudited £000	30 June 2007 Unaudited £000	31 December 2007 Audited £000
Non-current assets				
Goodwill		39,107	39,107	39,107
Property, plant and equipment	7	84,756	51,344	59,350
		123,863	90,451	98,457
Current assets				
Inventories		39,530	21,969	29,247
Trade and other receivables		156,277	101,292	136,307
Cash and cash equivalents		7,739	5,796	5,904
Derivative financial instruments		-	220	-
		203,546	129,277	171,458
Total assets				
		327,409	219,728	269,915
Current liabilities				
Trade and other payables		(125,572)	(93,790)	(106,728)
Current tax liabilities		(5,977)	(24)	(1,030)
Bank overdrafts and borrowings		(14,925)	-	(5,148)
		(146,474)	(93,814)	(112,906)
Net current assets				
		57,072	35,463	58,552
Non-current liabilities				
Interest bearing loans and borrowings	8	(25,504)	(53,169)	(47,439)
Deferred tax liabilities		(9,940)	(1,971)	(6,782)
		(35,444)	(55,140)	(54,221)
Total liabilities				
		(181,918)	(148,954)	(167,127)
Net assets				
		145,491	70,774	102,788
Equity				
Share capital	9	996	996	996
Share premium account	10	66,697	66,697	66,697
Translation reserve	10	20,734	866	7,351
Capital redemption reserve	10	30	30	30
Retained earnings	10	57,034	2,185	27,714
Total equity				
		145,491	70,774	102,788

Condensed Consolidated Cash Flow Statement

For the six month period ended 30 June 2008

	Six months ended 30 June 2008 Unaudited £000	Six months ended 30 June 2007 Unaudited £000	Year ended 31 December 2007 Audited £000
Profit for the period	28,020	4,801	29,013
Share based payments	881	3,624	4,467
Depreciation of property, plant and equipment	3,718	2,079	5,275
Gain on disposal of property, plant and equipment	(261)	(5)	(29)
Finance income	(542)	(337)	(1,115)
Finance expenses	2,303	7,562	9,691
Tax	12,766	1,980	12,727
Foreign exchange gains on financing	(33)	(2,416)	(2,755)
Increase in inventories	(8,417)	(6,831)	(13,246)
Increase in receivables	(7,542)	(36,269)	(65,696)
Increase in payables	13,616	42,908	54,332
Cash from operations	44,509	17,096	32,664
Income taxes paid	(4,235)	(279)	(4,464)
Interest received	542	337	1,115
Interest paid	(2,303)	(2,425)	(4,229)
Net cash increase from operating activities	38,513	14,729	25,086
Investing activities			
Purchases of property, plant and equipment	(26,168)	(7,126)	(16,744)
Proceeds on disposal of property, plant and equipment	320	11	38
Net cash used in investing activities	(25,848)	(7,115)	(16,706)
Financing activities			
Gross proceeds of new debt	5,223	59,431	62,526
Repayments of debt	(28,000)	(106,304)	(115,304)
Net repayment of financing	(22,777)	(46,873)	(52,778)
Proceeds on issue of share capital	-	75,063	75,063
Redemption of own shares	-	(30)	(30)
Costs of issuing equity	-	(8,304)	(8,304)
Debt refinancing costs	-	(982)	(1,088)
Net cash (decrease)/increase from financing activities	(22,777)	18,874	12,863
Net (decrease)/increase in cash and cash equivalents	(10,112)	26,488	21,243
Foreign exchange movements on translation of cash balances	2,170	169	374
Cash and cash equivalents at beginning of period	756	(20,861)	(20,861)
Cash and cash equivalents at end of period	(7,186)	5,796	756
Cash and cash equivalents and bank overdrafts at end of period comprise:			
Cash and cash equivalents	7,739	5,796	5,904
Bank overdrafts	(14,925)	-	(5,148)
	(7,186)	5,796	756

Notes to the Condensed Financial Statements

1. Basis of Preparation

This half-yearly report does not constitute statutory accounts as defined in section 240 of the Companies Act 1985, and should be read in conjunction with the 2007 Annual Report. However, the information has been reviewed by the Company's auditors, Deloitte & Touche LLP and their report is presented on page 21.

The financial information for the year ended 31 December 2007 has been derived from the audited financial statements of Wellstream Holdings PLC for that year, which have been reported on by Deloitte & Touche LLP and delivered to the Registrar of Companies. The report of the auditors on those statutory accounts was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

3. Operating Segments

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

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

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

The methods of measuring and allocating segment revenues, results and assets are as reported in the Group's 2007 Annual Report.

Segment revenues and results

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

Six months ended 30 June 2008:	Onshore £000	Offshore £000	Consolidated £000
Revenue			
External sales	3,740	177,679	181,419
Result			
EBITDA	(1,918)	48,150	46,232
Depreciation			(3,718)
Operating profit			42,514

2. Significant Accounting Policies

The annual financial statements of Wellstream Holdings PLC are prepared in accordance with the IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as adopted by the European Union.

The accounting policies and methods of computation applied are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2007. There have been no changes in the nature of key estimates and judgments made in applying the Group's accounting policies as explained in the 2007 Annual Report.

Six months ended 30 June 2007:	Onshore £000	Offshore £000	Consolidated £000
Revenue			
External sales	4,882	95,053	99,935
Result			
EBITDA	(210)	13,879	13,669
Depreciation			(2,079)
Operating profit			11,590

Year ended 31 December 2007:	Onshore £000	Offshore £000	Consolidated £000
Revenue			
External sales	11,173	255,637	266,810
Result			
EBITDA	(217)	53,053	52,836
Depreciation			(5,275)
Operating profit			47,561

Consolidated total assets

	As at 30 June 2008 £000	As at 30 June 2007 £000	As at 31 December 2007 £000
Onshore	11,020	8,898	10,689
Offshore	316,389	210,830	259,226
Consolidated	327,409	219,728	269,915

4. Tax

Income tax for the six month period is charged at 31.3% (six months ended 30 June 2007: 29.2%; year ended 31 December 2007: 30.5%), representing the best estimate of the annual effective income tax rate expected for the full year, applied to the pre-tax income of the six month period.

5. Dividends

	Six months ended 30 June 2008 £000	Six months ended 30 June 2007 £000	Year ended 31 December 2007 £000
Interim dividend proposed for the year ended 31 December 2008 of 4p per share	3,986	-	-

The proposed dividend was approved by the Board of directors on 27 August 2008 and has not been included as a liability at the balance sheet date.

Notes to the Condensed Financial Statements continued

6. Earnings per share

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

	Six months ended 30 June 2008 £000	Six months ended 30 June 2007 £000	Year ended 31 December 2007 £000
Weighted average number of shares			
For basic earnings per share	99,600,698	82,865,566	91,291,391
Options and awards	1,239,614	-	538,546
For diluted earnings per share	100,840,312	82,865,566	91,829,937
	Six months ended 30 June 2008 £000	Six months ended 30 June 2007 £000	Year ended 31 December 2007 £000
Earnings			
For basic and diluted earnings per share	28,020	4,801	29,013
Basic earnings per ordinary share (p)	28.1	5.8	31.8
Diluted earnings per ordinary share (p)	27.8	5.8	31.6

7. Property, plant and equipment

During the period, the Group spent £26,168,000 on property, plant and equipment, predominantly as part of the Group's expansion plans.

8. Interest bearing loans and borrowings

	As at 30 June 2008 £000	As at 30 June 2007 £000	As at 31 December 2007 £000
Bank Loans	15,148	53,169	43,039
Rio State Government Loan	10,356	-	4,400
	25,504	53,169	47,439

During the period £28,000,000 was repaid in respect of the Group's Revolving Credit Facility.

9. Share Capital

	Authorised No.	Authorised £	Issued No.	Issued £
Ordinary shares of £0.01 each				
At 1 January 2008	150,000,000	1,500,000	99,579,750	995,798
Issue of shares	-	-	62,500	625
At 30 June 2008	150,000,000	1,500,000	99,642,250	996,423

All issued share capital is called-up, allotted and fully paid.

10. Statement of Changes in Equity

	Share capital £000	Share premium £000	Translation reserve £000	Capital redemption reserve £000	Retained earnings £000	Total £000
At 1 January 2008	996	66,697	7,351	30	27,714	102,788
Profit for the period	-	-	-	-	28,020	28,020
Issue of share capital	-	-	-	-	-	-
Exchange differences on translation of overseas operations	-	-	13,383	-	-	13,383
Charge in relation to share options and tax thereon	-	-	-	-	1,300	1,300
At 30 June 2008	996	66,697	20,734	30	57,034	145,491

Ordinary share capital issued in the period amounted to £625, however due to presentation in round thousands, share capital remains at £996,000 (see note 9).

11. Contingent liabilities

At 30 June 2008 the Group had granted guarantees and performance bonds to third parties totalling £8,750,000 (31 December 2007 : £10,374,000; 30 June 2007 : £4,526,000); since 30 June 2008 the Group has issued a letter of credit for £4.1m. Of the total at the balance sheet date £8,404,000 (31 December 2007 : £8,404,000; 30 June 2007 : £nil) is in respect of Seastream JV Australia Pty Limited, a jointly controlled entity in which the Group has a 50% holding.

Performance bonds are entered into in the normal course of operations and require the Group to make payments to third parties in the event that the Group does not satisfy its obligations under the terms of any related contracts.

The Group has put in place a guarantee of financial support, limited to the Group's share of Seastream JV Australia Pty Limited's liabilities, should the Company find itself unable to pay liabilities as they fall due. At the balance sheet date gross assets totalled £3,920,000 (31 December 2007 : £3,770,000; 30 June 2007 : £nil) and gross liabilities totalled £3,835,000 (31 December 2007 : £3,717,000; 30 June 2007 : £nil).

The Group has given guarantees to its bankers in respect of overdrawn balances on certain Group bank accounts and in respect of other overdrafts, loans and guarantees given by the banks to or on behalf of other Group undertakings. At 30 June 2008 there were bank overdrafts of £14,925,000 (31 December 2007 : £5,148,000; 30 June 2007 : £nil) and loans of £25,504,000 (31 December 2007 : £47,439,000; 30 June 2007 : £53,169,000).

12. Share based payments

During the period the Group supplemented the share based payment arrangements in existence as at 31 December 2007 with new offerings under the SAYE scheme, the Performance Share Plan and the newly initiated Share Appreciation Rights scheme for overseas employees.

13. Related party transactions

Other than as disclosed in note 11, there have been no related party transactions in the first six months of the current financial year which have materially affected the financial position or performance of the Group.

Related parties are consistent with those disclosed in the Group's Annual report and Accounts for the year ended 31 December 2007.

Responsibility Statement

We confirm that to the best of our knowledge:

- (a) The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting'.
- (b) The interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events during the first six months of the financial year; and a description of the principal risks and uncertainties for the remaining six months of the year; and
- (c) The interim management report includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules, being the disclosure of related party transactions and changes therein.

By order of the Board



Gordon Chapman
Chief Executive Officer
Date: 27 August 2008



Chris Gill
Finance Director
Date: 27 August 2008

Cautionary Statement

This Interim Management Report ('IMR') consists of the Chairman's Statement, Chief Executive's Statement and the Finance Review, which have been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied upon by any other party or for any other purpose.

The IMR contains a number of forward-looking statements. These statements are made by the directors in good faith based upon the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This interim management report has been prepared for the Group as a whole and therefore emphasises those matters which are significant to Wellstream Holdings PLC and its subsidiary undertakings when viewed as a whole.

Independent Review Report to Wellstream Holdings PLC

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 which comprises the condensed consolidated income statement, the condensed consolidated statement of recognised income and expense, the condensed consolidated balance sheet, the condensed consolidated cash flow statement and related notes 1 to 13. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with International Standard on Review Engagements 2410 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors.

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditor
27 August 2008
Newcastle upon Tyne, United Kingdom

Shareholder Information

Company Secretary and Registered Office

Rob Lamb
Wellstream Holdings PLC
Wellstream House
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NE6 3PF

Registrars

Equiniti
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Lancing
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Joint Brokers

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E14 4QJ

Merrill Lynch
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Auditors

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NE1 6AE

Legal Advisors to the Company

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10 Upper Bank Street
Canary Wharf
London
E14 5JJ

Corporate and Financial PR

Tulchan Communications
6th Floor
Kildare House
3 Dorset Rise
London
EC4Y 8EN

Payment of Dividends

An interim dividend of 4p per share is payable on 13 October 2008 to those on the record at 5 September 2008. The ex dividend date is 3 September 2008.

Website www.wellstream.com

Our shares are traded under the London Stock Exchange ticker WSM. All announcements and press releases are listed on our website under investor relations.

The Company's share register is open to the public by law. If you receive unsolicited mail you can limit what you receive by registering with the Mailing Preference Society, Freepost 22, London W1E 7EZ.

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