



Press Release

27 June 2011

Turbotec Products Plc
("Turbotec" or "the Company")

Final Results

Turbotec Products Plc (TRBO.L), the designer and manufacturer of compact high performance heat exchangers and heat transfer tubing, today announces its final results for the year ended 31 March 2011.

Highlights

- Sales turnover increased 25% to \$24.8 million (2010: \$19.8m)
- Earnings of \$1.4 million before tax (2010: \$1.2m), despite significant one-off costs incurred to develop new facility
- Adjusted earnings per share up 20% to \$0.06 per share (2010: \$0.05 per share)
- Net assets increased by \$1.0m to \$11.4m (2010: \$10.5m)
- Investments in new Hickory, North Carolina manufacturing facility at \$6.6m
- Transition to new Hickory manufacturing facility well underway with completion expected during 2012
- Favourable court verdict in May 2010 included substantial award of costs
- Seymour Pierce appointed as Nomad / broker with immediate effect

Commenting on the Final Results, Sunil Raina, Managing Director of Turbotec, said:

"Turbotec has delivered an improved set of results in a difficult economic environment. The Group remains focused on its Business Transformation Strategy including the development of its new manufacturing facility in Hickory, North Carolina. Turbotec plans to service its markets with quality products and build upon the strong relationships with its customers and suppliers. The Group will continue to be on the lookout for synergistic opportunities and planned expansion to meet market needs. With 2011 behind us we are confident that Turbotec is poised for long term growth and to deliver increased shareholder value."

- Ends -

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Chairman's Statement

In this my first Chairman's Statement, I am pleased, on behalf of the Board, to report that the year ended 31 March, 2011 was an improvement on the previous year.

The Group generated sales of \$24.8 million in the period, a 25% increase over the year ended 31 March, 2010. Profit before tax improved by 18% to \$1.4m (2010:\$1.2m) and earnings per share increased by 20% to \$0.06 per share (2010: \$0.05). No dividend payment will be considered by the Board until the results are known of the hearing due before the Cost Judge in London in August 2011, over the balance of the litigation costs award made to the Company in May 2010. The Company reported in last year's Annual Report the receipt of £350,000 as a post fiscal year event, with a further sum to be determined by the Court.

The Group's move to our new manufacturing facility in Hickory, North Carolina is continuing in a planned and organised manner with anticipated completion at the end of the calendar year. We will maintain a smaller presence in Connecticut to retain the services of some key employees who are not in a position to relocate to North Carolina at this time. The Board considers this a necessary step to protect our Intellectual Property and proprietary methodologies developed over the years.

Energy prices are presently at all-time highs and as a result our waste heat recovery technology is beginning to be trialed by major names in the hospitality and food and beverage industries on an international basis. Our technology allows existing refrigeration equipment to be used to generate hot water at no additional cost which provides customers with an important cost savings.

As an added benefit, recent trials have shown a quantifiable improvement in performance and efficiency of the refrigeration equipment during the heat recovery process. We believe that this part of our product offering will see considerable growth in years to come.

As in most businesses a key ingredient of our success is the quality of our people. We are fortunate to have a loyal and dedicated workforce that we have added to in the past year. Your Board has placed great emphasis on recruiting additional engineering and

management expertise to help continue our pursuit of excellence in our manufacturing processes.

The opportunity to join Turbotec and work in Hickory, NC has proven conducive to some exceptional people joining the team in the past year.

I have to report that Tony Mirabella, Non-Executive Director and Tom Nairn, Non-Executive Chairman both retired from the Board in September and December 2010, respectively.

The Board wishes to thank Tony and Tom for the contribution that they made to the development of the Group during their tenure.

Joseph DeSena, a Managing Director of Collins Stewart LLC in New York, joined the Board in July 2010. Joe is a natural entrepreneur who has also been extremely successful on Wall Street and brings an added dimension to the Board.

Turbotec is pleased to announce the appointment of Seymour Pierce Limited as the Company's Nomad and broker with immediate effect.

In closing I would like to thank Sunil Raina, Managing Director, and his executive team for delivering a year to be proud of, considering the added challenge of moving the business to Hickory and bringing a new manufacturing facility on line at the same time.

The Board would also like to thank our many dedicated employees, without whose effort all our goals and aspirations would not be possible.

Robert Lowe

Non-executive Chairman

Chief Executive's Review

Strategic Review

Turbotec Products is a market leader in high efficiency tube in tube heat exchangers having supplied in excess of two million heat exchangers for space conditioning applications. These heat exchangers are currently used in the highest efficiency heating and cooling devices, such as water source and geothermal heat pumps. Turbotec also provides titanium twisted tube in plastic shell based heat exchangers for the swimming pool heat pump market. Our heat exchangers are also used in marine air conditioning, ice machines and heat re-claimers. Enhanced surface tubing is used in a variety of heat transfer applications serving many markets, currently at low volumes.

Twisting metal tubes to create a highly enhanced surface is at the heart of our heat exchangers. While the technology dates back to the 1960's, the Group continues to improve the characteristics of the twisted tube geometry to continuously expand the heat transfer capability of the products. The twisting process is environmentally friendly as no cutting fluids are used and no material waste is generated when compared to other surface enhancing technologies e.g. "fin tube" technology.

Markets

While US factory unit shipments of air-conditioning and heating products saw a slight improvement over the previous year, as reported by Air Conditioning, Heating and Refrigeration Institute (AHRI), and despite the depressed housing market and the continuing recession, the Group has seen an 18% increase in unit volume of its heat exchangers compared to the previous year; which along with the increased metal surcharge pass through helped the Group increase revenue to \$24.8million, a 25% increase over the previous year. The Group uses its in-house sales force to sell directly to original equipment manufacturers both domestically as well as internationally.

Significant financial incentives in the form of a 30% US federal tax credit along with state tax credits are available for residential installations of geothermal heat pump systems. This, along with incentives from electric utilities, which see geothermal technology as an aid in load balancing continues to present a bright future for the application of this technology in reshaping our energy future. US factory shipments of water source and

geothermal heat pumps have stabilized with a modest decline of 5% over the past year after being flat for the previous year while still down about 17% after peaking in CY2008.

Titanium is the preferred metal for heat exchangers used in swimming pool heat pumps. With our patent pending combination of titanium twisted tubes and coiled plastic shells, Turbotec continues to hold a strong position. Florida, traditionally the largest market for swimming pool heat pumps continues to see reduced demand with the housing industry in the doldrums.

The Group supplies vented double wall heat exchangers that are used for making potable hot water from waste heat and that are integral to water source heat pumps manufactured by many of our customers. The Group also supplies packages integrating these heat exchangers with pumps and controls which are then field installed on existing air conditioning and refrigeration systems. Whilst this area of the market has been slow to develop; we remain optimistic of the potential with the high cost and availability of energy sources.

We continue to maintain long term relationships with our key OEM partners as we work to grow our market share with our product offerings despite competitive pressures from domestic and foreign suppliers, especially from China. Turbotec's visibility in the HVAC market place has positioned our company in the forefront for continued business growth. As consumer confidence improves and the credit markets open up, we expect the significant incentives for installing geothermal heat pumps to impact positively on our business.

Commodities

The Group uses both ferrous and non ferrous metals in the manufacture of its products and as such is impacted by the vagaries of the commodity markets. July 2008 saw copper prices at around \$4/lb before declining to a low of \$1.25/lb in December 2008. Since then copper prices have steadily risen peaking at around \$4.60/lb in January 2011. Similarly, nickel prices that had peaked in May 2007 at around \$24.50/lb declined to \$4/lb by November 2008. Since then the prices have increased and now hover in the \$9-\$13 range.

To minimize cost fluctuations, a limited amount of fixed price advance purchasing is done by the Group working with its primary non-ferrous mill.

The Group has pricing arrangements with its customers whereby a rolling average copper and nickel price is used to calculate raw material price adjustments which are then passed through to customers. While the customers have accepted the metal price increases, expectations have now shifted to the need for reduction in base prices thereby limiting the total increase, which coupled with increasing business costs has negatively impacted the Group's gross margins and profitability.

Business Transformation Strategy – Relocation to Hickory, North Carolina

The Group's business operations have been located in Windsor, Connecticut since 1981, most recently in two properties leased from Thermodynamics, Inc under leases which expired on 31 March 2011. The main building is now 30 years old and does not provide a good layout for manufacturing cells, preventing the Group from maximizing the benefit of applying lean manufacturing principles. While relocating to a different building in Connecticut more suited to our manufacturing needs would be a potential short term solution, the negative economic fundamentals for manufacturing companies continue to worsen in this region. The Group is not an employer of choice as it cannot compete against the more highly compensating "military industrial "dominated manufacturing sector. Additionally, the Group has had difficulty recruiting and relocating engineers and senior managers from other lower cost geographical areas.

During this year work began at the new Hickory manufacturing to prepare the facility and by December 2010, all manufacturing operations had been relocated from the Hickory rental building to the new facility. The Group is making substantial investments in modernizing the equipment to be installed in this facility. While some machinery will be designed and built by outside vendors, a substantial portion is being designed and constructed in house. Current plans call for the Group to have dual manufacturing capability by December 2011.

Due to the critical nature of the application for our products and its impact on system efficiency, major customers are requiring that the products to be manufactured on the new machines at this new facility go through an intensive testing and qualification

program which will take several months. This will require the continued use of the Windsor operation through the end of 2011. Effective April 2011, the operating company signed a short term lease for the main Windsor, CT building at a lower rental rate while vacating the second building. To prevent the loss of intellectual property and to continue the availability of the proprietary experience developed over the years, the Group will be keeping a small operation in Connecticut as some key long term employees will not be in a position to relocate to North Carolina in the near future.

People

Any business is only as good as its people and through customer surveys, we continue to be highly rated for our service levels to customers. The Group implemented a retention/ relocation bonus program to prevent significant loss of staff and production workers due to the uncertainty created by the announcement about the purchase of the building in Hickory. I am pleased to state that the Group was able to greatly limit the turnover of long term employees. It is a tribute to our people and their hard work that has produced commendable financial results for this fiscal year.

Legal Dispute in UK Courts

As announced in May 2010, the Company had a favourable ruling in the London High Court in the legal action taken by its then majority shareholder, Thermodynamics, Inc. While the order for the recovery of legal costs has vindicated the Company, the intangible cost to the Company may never be recovered. The interim cost award of £350,000 was received in May 2010 with the balance to be determined by a costs judge review, scheduled for August 2011.

Whilst in the previous three years, an inordinate amount of time and effort was expended in defending the Company that prevented the Board from devoting its full attention towards further developing the Group; we are now focused in further expanding the business.

Future

Turbotec plans to service our markets with quality products and strong relationships with our customers and suppliers. We will continue to be on the lookout for synergistic opportunities and planned expansion to meet our needs for the market as well as provide profits to our shareholders.

In closing I would like to thank our customers for their continued confidence in our ability to service their needs, our suppliers for supporting us during a time of fluctuating commodity costs and demand shifts, and our employees for their continued dedication and commitment to help us achieve our goals.

I would also like to thank Tom Nairn (former Non-Executive Chairman) and Tony Mirabella (former Non-Executive director) who along with Rob Lowe (current Non-Executive Chairman) have helped guide the Company since its infancy on the AIM market. Joe DeSena, our newest Board member, brings his entrepreneurial skills and access to capital markets which enhances the resources available to the Group as it moves to the next chapter in its development.

With 2011 behind us we are confident that Turbotec is poised for long term growth and to be an integral part of energy efficient heating and cooling products which provide mankind with comfortable living and working conditions while continuing to reduce per capita energy usage.

Sunil Raina
Managing Director

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2011**

	2011	2010
	\$'000	\$'000
Revenue	24,839	19,823
Cost of sales	(19,886)	(15,092)
Gross profit	4,953	4,731
Distribution expenses	(614)	(564)
Administrative expenses	(2,905)	(2,955)
Operating profit from operations	1,434	1,212
Finance expenses	(10)	(5)
Profit before tax	1,424	1,207
Tax expense	(586)	(468)
Profit and total comprehensive income	838	739
Earnings per share – basic	\$ 0.07	\$ 0.06
Earnings per share – diluted	\$ 0.06	\$ 0.05

The profit for the year is all attributable to the equity holders of the parent company.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2011**

	Share capital	Share Premium	Retained earnings	Merger Reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 March 2009	228	3,441	6,089	(168)	9,590
Profit and total recognized income and expenses for the period	-	-	739	-	739
Share based payment expense	-	-	124	-	124
Balance at 31 March 2010	228	3,441	6,952	(168)	10,453
Profit and total recognized income and expenses for the period	-	-	838	-	838
Share based payment expense	-	-	135	-	135
Balance at 31 March 2011	228	3,441	7,925	(168)	11,426

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2011

	2011	2010
	\$'000	\$'000
Assets		
Non-current assets:		
Property, plant and equipment	11,778	5,424
Intangible assets	271	355
Other	9	109
	<u>12,058</u>	<u>5,888</u>
Current assets:		
Inventories	4,365	3,750
Trade and other receivables	1,969	1,539
Cash and cash equivalents	5	1,464
	<u>6,339</u>	<u>6,753</u>
Total Assets	<u>18,397</u>	<u>12,641</u>
Liabilities		
Non-current liabilities:		
Loans and borrowings	764	82
Deferred tax liability	894	875
	<u>1,658</u>	<u>957</u>
Current liabilities:		
Trade and other payables	2,488	1,125
Loans and borrowings	2,827	85
Current tax liabilities	(2)	21
	<u>5,313</u>	<u>1,231</u>
Total Liabilities	<u>6,971</u>	<u>2,188</u>
Net Assets	<u>11,426</u>	<u>10,453</u>
Shareholders' equity:		
Share capital	228	228
Share premium account	3,441	3,441
Merger reserve	(168)	(168)
Retained earnings	7,925	6,952
Total equity	<u>11,426</u>	<u>10,453</u>

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2011**

	2011	2010
	\$'000	\$'000
	<hr/>	<hr/>
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,424	1,207
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	476	426
Finance expense	10	5
Charge recognized in respect of share based payment	135	124
	<hr/>	<hr/>
Cash flows from operating activities before changes in working capital and provisions	2,045	1,762
(Increase) decrease in inventory	(615)	(178)
(Increase) decrease in trade and other receivables	(430)	113
Increase (decrease) in trade and other payables	1,293	(201)
	<hr/>	<hr/>
CASH GENERATED FROM OPERATIONS	2,293	1,496
Taxes paid	(520)	(510)
	<hr/>	<hr/>
Net cash flows from operating activities	<u>1,773</u>	<u>986</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	<u>(6,646)</u>	<u>(848)</u>
Net cash used in investing activities	<u>(6,646)</u>	<u>(848)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank borrowings	3,645	-
Principal payments on long term debt	(221)	(178)
Finance expense	<u>(10)</u>	<u>(5)</u>
Net cash used in financing activities	<u>3,414</u>	<u>(183)</u>
 NET CHANGE IN CASH AND CASH EQUIVALENTS	<u>(1,459)</u>	<u>(45)</u>
CASH AND CASH EQUIVALENTS, beginning of period	<u>1,464</u>	<u>1,509</u>
CASH AND CASH EQUIVALENTS, end of period	<u><u>5</u></u>	<u><u>1,464</u></u>

1. BASIS OF PREPARATION

The financial statements of the group have been prepared in conformity with International Financial Reporting Standards ("IFRS" and IFRIC interpretations) issued by the International Accounting Standards Board as adopted for use in the European Union and with those parts of the Companies Act of 2006 applied to companies preparing their accounts under IFRS. The Company has elected to prepare its parent company financial statements in accordance with UK GAAP.

The financial information set out above/ below does not constitute the company's statutory accounts for 2011 or 2010. Statutory accounts for the years ended 31 March 2011 and 31 March 2010 have been reported on by the Independent Auditors. The Independent Auditors' Report on the Annual Report and Financial Statements for 2011 and 2010 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

Statutory accounts for the year ended 31 March 2010 have been filed with the Registrar of Companies. The statutory accounts for the year ended 31 March 2011 will be delivered to the Registrar in due course.

2. TAXATION

Analysis of charge in period:

	2011 (\$000's)	2010 (\$000's)
Current Tax Expense		
Income tax computed at US tax rates	567	493
UK corporation tax	-	-
Total current tax expense	<u>567</u>	<u>493</u>
Deferred tax expense computed at US tax rates	19	(25)
Total income tax expense	<u>586</u>	<u>468</u>

Tax reconciliation:

The tax for the period is different than the standard rate of corporate tax in the UK (28% in 2011 and 2010). The differences are attributable to the following:

	2011 (\$000's)	2010 (\$000's)
Profit Before Tax	1,424	1,207
Profit before tax multiplied by rate of corporate tax in the UK of 28% (2010:28%)	399	338
Effect of:		
Higher rate of tax on overseas earnings	176	135
Unrelieved losses carried forward	-	134
Differences between taxable and book income	123	(52)
Over accrual from prior year	-	(72)
Utilization of tax losses	(161)	-
Other	49	(15)
Total Taxation	<u>586</u>	<u>468</u>

3. BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

The calculations of basic and diluted earnings per ordinary share are based on the profit for the financial year and the weighted average number of equity voting shares in issue and dilutive shares during the year.

	2011		2010	
	Income (Numerator)	Shares (Denominator)	Income (Numerator)	Shares (Denominator)
Net income	<u>838</u>		<u>739</u>	
Basic EPS				
Income available to common shareholders	838	12,806,773	739	12,806,773
Effect of Dilutive Securities				
Stock options		<u>1,360,000</u>		<u>707,781</u>
Diluted EPS				
Income available to common shareholders including assumed conversions	<u>838</u>	<u>14,166,773</u>	<u>739</u>	<u>13,514,554</u>

4. OPERATING PROFIT

Administrative expenses from operations increased significantly during the year as the Group instituted a relocation / retention bonus plan for its Connecticut employees and incurred a significant amount of other non-capitalized expenses relating to the development of the new Hickory facility, aggregating approximately \$964,000 in 2011 (2010: \$250,000). Offsetting these additional costs was the initial cash payment of 350,000 pounds sterling received related to the cost award pursuant to the litigation decision rendered by the UK court system. The proceeds from the cost award, net of current year related litigation fees was \$208,000 compared to prior year litigation costs of \$780,000.

5. LONG TERM BOROWINGS

In April 2010 the Group entered into a mortgage agreement with its bank as the primary source of funding for the Hickory, North Carolina facility. The mortgage was in the amount of \$2,215,000, repayable under a 25 year amortization schedule with a maturity date of April 2015. Interest for the first three years has been fixed at a rate of 5.4% with a floating rate thereafter. In June 2011 the Group's bank waived a covenant violation that existed at 31 March 2011. Therefore, although the entire balance of the mortgage is reflected as a current liability at 31 March 2011, the loan remains repayable under its original terms, with \$2,134,000 due after 31 March 2012.

6. CALLED UP SHARE CAPITAL

	Authorized			
	2011		2010	
	Number of Shares	\$000's	Number of Shares	\$000's
Outstanding shares of 1p each	20,000,000	356	20,000,000	356
	Issued and Fully Paid			
	2011		2010	
	Number of Shares	\$000's	Number of Shares	\$000's
At beginning of year	12,806,773	228	12,806,773	228
Changes during year	-	-	-	-
At end of year	12,806,773	228	12,806,773	228

7. ANNUAL REPORT

Copies of the Report and Accounts will be available shortly from the Company's website www.turbotecproducts.com and the Company's Registered Office:

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

8. ANNUAL GENERAL MEETING

The Annual General meeting of the Company is to be held on 26 September, 2011.