



Press Release

13 November 2009

Turbotec Products Plc

("Turbotec" or "the Company")

Interim Results

Turbotec Products Plc (TRBO.L), the designer and manufacturer of high performance, high quality heat exchangers and Tru-Twist® heat transfer tubing, announces its interim results for the six months ended 30 September 2009.

Summary

- Revenue of \$9.7 million (2008: \$14.9 million)
- Gross margin of 29.1% (2008: 28.8%)
- Profit before tax of \$0.9 million (\$1.5 million)
- Increase in net assets by 13% to \$10.2 million (2008: \$9.0 million)
- Increase in net cash of \$0.5 million (2008: \$0.3 million)
- Planned expansion of Hickory manufacturing facility in North Carolina

Overview

As announced on 11 November 2009, first half sales of \$9.7 million were below the \$14.9 million achieved in the comparable period last year with shipments to all major market segments at reduced levels and unit volumes down by approximately 25%. The Company generated profit before tax of \$0.9 million for the first half, (FY2009: \$1.5 million) which, on an annualised basis, is below the Board's expectations.

In the United States, the continuing recession coupled with tight credit markets and the weak housing market has resulted in lower demand for all air-conditioning products including ground source heat-pumps (despite the 30% tax credit incentive from the federal government), marine air-conditioning systems and swimming pool heat pumps. This situation is now expected to continue well into 2010. The Company has also been experiencing increased competition in certain of its markets and is taking actions, including using design patents and pricing more aggressively, to protect its position. However, sales for the past three quarters have now stabilised at between \$4.7 million and \$4.9

million and the Board is hopeful that this may indicate that the bottom of the current market cycle has been reached.

The Company continues to incur additional legal and other advisory costs associated with the litigation brought against it by its majority shareholder, as it prepares for the trial scheduled for early December 2009.

The Company's facility in Hickory, North Carolina, is now fully operational and the Board has decided to further expand this operation over the next two years. The Company expects as a consequence, to be able to scale back its comparatively higher cost manufacturing operation in Windsor, Connecticut.

By the end of this calendar year, global regulations will require ozone-depleting refrigerants to be phased out of use. As was mentioned in the FY2009 annual report, significant design and product development effort has been undertaken throughout this year and is expected to continue into 2010.

Commenting on the interim results, Sunil Raina, Managing Director of Turbotec Products, said: "Whilst the Company continues to be profitable and cash flow positive, we remain cautious regarding our prospects for the next 12 months given the ongoing economic uncertainty, which creates an unpredictable and volatile trading environment. The Company, however, is focused on the long term market opportunities for highly energy efficient heating and cooling devices, and is well positioned to take advantage of those opportunities once the economy begins to recover."

-Ends-

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Copies of this announcement are available for collection from Evolution Securities, offices at Kings House, 1 King Street, Leeds, LS1 2HH and electronic copies can be obtained from the Company's website www.turbotecproducts.com.

CHAIRMAN'S STATEMENT

In this, our fourth interim report since we joined the AIM market, it is pleasing in such a challenging environment to report a pre-tax profit despite sales some 35% lower compared with the same period last year. The depressed demand experienced during our first quarter has continued these last few months, with sales to most major customers being affected.

Given the difficult conditions in our main markets, our focus has been on sustaining our gross margins and controlling operating costs and I am pleased to report that the Company has generated a respectable net income, despite these many challenges.

The dispute brought by our majority shareholder, Thermodynamics Inc., against the Company in January 2008 should soon be resolved, with the trial scheduled to be held early in December. The Company remains confident of its position and is continuing to defend the claim vigorously. Ongoing legal costs in relation to the dispute, along with the continuing investment being made in our expanding Southern manufacturing unit in Hickory, North Carolina, reinforce the need to conserve cash in these present depressed market conditions. After carefully considering all of these factors, the Board has concluded that it should reserve any decision on payment of a dividend until after the current year end, as to do otherwise would be imprudent.

Our resolve and commitment is to provide sustainable shareholder value through sales growth based on product quality and innovation. Turbotec has a clear strategy built on the expansion of our presence in new markets, exploiting the benefits of our low cost base in Hickory and fully developing the talents of all of our people. The Company now has the platform in place to capitalise on any upturn in demand as conditions in our markets improve.

Tom Nairn
Chairman

13 November 2009

TURBOTEC PRODUCTS PLC

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six Months 30 September 2009 \$'000	Six Months 30 September 2008 \$'000	Year Ended 31 March 2009 \$'000
Revenue	9,734	14,929	26,986
Cost of sales	(6,903)	(10,634)	(19,477)
Gross profit	<u>2,831</u>	<u>4,295</u>	<u>7,509</u>
Distribution costs	(281)	(343)	(683)
Administrative expenses	(1,627)	(2,411)	(4,426)
Operating profit	<u>923</u>	<u>1,541</u>	<u>2,400</u>
Finance costs	(3)	(11)	(17)
Profit before tax	<u>920</u>	<u>1,530</u>	<u>2,383</u>
Income tax expense	(369)	(602)	(968)
Profit and total comprehensive income for the period	<u><u>551</u></u>	<u><u>928</u></u>	<u><u>1,415</u></u>
Earnings per share – basic	\$ 0.04	\$ 0.07	\$ 0.11
Earnings per share – diluted	\$ 0.04	\$ 0.07	\$ 0.11

There were no items of other comprehensive income for any period

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share Premium	Retained earnings	Merger Reserve	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 March 2008	228	3,441	4,533	(168)	8,034
Profit and total recognized income and expenses for the period	-	-	928	-	928
Share based payment expense	-	-	54	-	54
Balance at 30 September 2008	228	3,441	5,515	(168)	9,016
Profit and total recognized income and expenses for the period	-	-	487	-	487
Share based payment expense	-	-	87	-	87
Balance at 31 March 2009	228	3,441	6,089	(168)	9,590
Profit and total recognized income and expenses for the period	-	-	551	-	551
Share based payment expense	-	-	62	-	62
Other	-	-	(38)	-	(38)
Balance at 30 September 2009	228	3,441	6,664	(168)	10,165

TURBOTEC PRODUCTS PLC

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 SEPT 2009 \$'000	30 SEPT 2008 \$'000	31 MARCH 2009 \$'000
Assets			
Non-current assets:			
Property, plant and equipment	5,174	4,666	5,018
Intangible assets	396	481	439
Other	7	5	7
	<u>5,577</u>	<u>5,152</u>	<u>5,464</u>
Current Assets:			
Inventories	3,725	4,035	3,572
Trade and other receivables	1,689	2,573	1,654
Cash and cash equivalents	1,984	1,173	1,509
Current tax assets	-	194	-
	<u>7,398</u>	<u>7,975</u>	<u>6,735</u>
Current Liabilities			
Current portion of long-term borrowings	142	179	178
Trade and other payables	1,609	2,829	1,247
Current tax liabilities	34	-	117
	<u>1,785</u>	<u>3,008</u>	<u>1,542</u>
Net current assets	<u>5,613</u>	<u>4,967</u>	<u>5,193</u>
Non-current liabilities			
Long-term borrowings	125	256	167
Deferred tax	900	847	900
	<u>1,025</u>	<u>1,103</u>	<u>1,067</u>
Net assets	<u>10,165</u>	<u>9,016</u>	<u>9,590</u>
Shareholders' equity:			
Share capital	228	228	228
Share premium account	3,441	3,441	3,441
Merger reserve	(168)	(168)	(168)
Retained earnings	6,664	5,515	6,089
Total equity	<u>10,165</u>	<u>9,016</u>	<u>9,590</u>

TURBOTEC PRODUCTS PLC
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	SIX MONTHS 30 SEPT 2009	SIX MONTHS 30 SEPT 2008	YEAR ENDED 31 MARCH 2009
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Profit before tax	920	1,530	2,383
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	199	153	386
Finance expense	3	11	17
Charge recognized in respect of share based payment	62	54	121
Cash flows from operating activities before changes in working capital	1,184	1,748	2,907
Decrease / (increase) in trade and other receivables	(34)	418	1,335
Decrease / (increase) in inventory	(153)	(898)	(435)
Increase / (decrease) in trade and other payables	445	515	(1,338)
Cash generated from operations	1,442	1,783	2,469
Taxes paid	(574)	(1,050)	(761)
Net cash provided by operating activities	868	733	1,708
Cash flows from investing activities			
Development costs paid	-	(10)	(10)
Purchases of property, plant and equipment	(312)	(323)	(866)
Net cash used in investing activities	(312)	(333)	(876)
Cash flows from financing activities			
Proceeds from long term borrowings	10	-	-
Principal payments on long term debt	(88)	(89)	(179)
Finance expense	(3)	(11)	(17)
Net cash used in financing activities	(81)	(100)	(196)
Net change in cash and cash equivalents	475	300	636
Cash and cash equivalents, beginning of period	1,509	873	873
Cash and cash equivalents, end of period	1,984	1,173	1,509

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The AIM Rules for Companies require that the annual consolidated financial statements of the company for the 52 week period ending 31 March 2010 be prepared in accordance with International Financial Reporting Standards adopted for use in the EU (“IFRS”). Other than the adoption of IAS1 (revised), this half year financial statement has been prepared on a consistent basis in accordance with the accounting policies adopted in the accounts for the year ended 31 March 2009 and on the basis of the recognition and measurement requirements of IFRS in issue that are either endorsed by the EU and effective (or available for early adoption) at 13 November 2009 and hence on the basis of IFRS that expected to apply in preparation of the accounts for the year ending 31 March 2010. The group will also adopt the requirements of IFRS8 in reporting the accounts for the year ended 31 March 2010. The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These interim financial statements are unaudited.

The comparatives for the full year ended 31 March 2009 are not the Company’s full statutory accounts for that year. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors’ report on those accounts was unqualified and did not contain a statement under section 237(2)-(3) of the Companies Act 1985.

2. TAXATION

Analysis of charge in period:

	Six months ended 30 Sept 2009 (\$000's)	Six months ended 30 Sept 2008 (\$000's)	Year ended 31 March 2009 (\$000's)
Current	369	567	933
Deferred	-	35	35
Total Taxation	<u>369</u>	<u>602</u>	<u>968</u>

Tax reconciliation:

The effective tax rates for the periods are different than the standard rate of corporate tax in the UK (28% for all periods presented). The differences are attributable to the following:

	Six months ended 30 Sept 2009 (\$000's)	Six months ended 30 Sept 2008 (\$000's)	Year ended 31 March 2009 (\$000's)
Profit before tax	920	1,530	2,383
Profit before tax multiplied by rate of corporate tax in the UK of 28%	258	459	667
Effect of:			
Differences between book and taxable income	(10)	(15)	22
Higher rate of tax on overseas earnings	110	153	286
Tax credits used to reduce taxes paid	(5)	(15)	(30)
Other	16	20	23
Total taxation	369	602	968

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 period.

	<u>Six Months 30 Sept 2009</u>		<u>Six Months 30 Sept 2008</u>		<u>Year Ended 31 March 2009</u>	
	(Numerator)	(Denominator)	(Numerator)	(Denominator)	(Numerator)	(Denominator)
	(\$000's)	Weighted Average Shares	(\$000's)	Weighted Average Shares	(\$000's)	Weighted Average Shares
Basic EPS						
Profit for the period	551	-	928	-	1,415	-
Weighted average shares	-	12,806,773	-	12,806,773	-	12,806,773
Diluted EPS- Effect of Dilutive Securities						
Stock options	-	-	-	-	-	-
Diluted EPS	551	12,806,773	949	12,806,773	1,415	12,806,773

4. INTANGIBLE ASSETS

	Goodwill (\$000's)	Capitalized Development Costs (\$000's)	Total (\$000's)
Period Ended 30 Sept 2009			
Cost and net book value			
Balance at 1 April, 2009	94	345	439
Additions	-	-	-
Amortization	-	(43)	(43)
Balance at 30 Sept, 2009	<u>94</u>	<u>302</u>	<u>396</u>

Period Ended 30 Sept 2008			
Cost and net book value			
Balance at 1 April, 2008	94	377	471
Additions	-	10	10
Amortization	-	-	-
Balance at 30 Sept, 2008	<u>94</u>	<u>387</u>	<u>481</u>

Period Ended 31 March 2009			
Cost and net book value			
Balance at 1 April, 2008	94	377	471
Additions	-	10	10
Amortization	-	(42)	(42)
Balance at 30 March, 2009	<u>94</u>	<u>345</u>	<u>439</u>

Goodwill relates to the acquisition of a technology company acquired by the US parent company in 1985. The operations of that company were subsequently integrated into the company's primary manufacturing facility. The technology acquired continues to be used by the group as an integral part of the engineering and manufacturing of its current product line.

In accordance with IAS 36, the Group regularly monitors the carrying value of intangible assets. A review was undertaken at 31 March 2009 to assess whether the carrying value of assets was supported by the net present value of cash flows derived from those assets using future cash flow projections. Further to the review, there have been no impairments to the carrying amount of goodwill in any period. The deferred development costs will be amortized over the expected lives of the related products once sales of these products commence on a commercial level.

5. ANALYSIS OF CASH AND CASH EQUIVALENTS AT:

	30 Sept 2009 (\$000's)	30 Sept 2008 (\$000's)	31 March 2009 (\$000's)
Cash available on demand	1,984	1,173	1,509
Bank overdrafts	-	-	-
	<u>1,984</u>	<u>1,173</u>	<u>1,509</u>

6. LONG TERM BORROWINGS

	30 Sept 2009 (\$000's)	30 Sept 2008 (\$000's)	31 March 2009 (\$000's)
Current financial liabilities			
Bank loans - secured	142	179	178
Non-current financial liabilities			
Bank loans - secured	125	256	167

The bank loans and overdraft are secured by a fixed charge over the assets of the Group. In addition, the Group must comply with certain non-financial covenants, non-compliance with which would be considered an event of default and provide the bank with the right to demand repayment prior to the loan's maturity date.

The interest rate on floating rate financial liabilities is linked to the bank's prime rate. The interest rates charged at the balance sheet date are as follows:

	30 Sept 2009	30 Sept 2008	31 March 2009
Bank overdrafts and secured loans	3.25%	5.00%	3.25%

Maturities of borrowings are as follows (including interest payments at current rates):

	30 Sept 2009 (\$000's)	30 Sept 2008 (\$000's)	31 March 2009 (\$000's)
In less than 1 year	145	194	186
In 1-2 years	88	138	90
In 3-4 years	51	89	82
Thereafter	-	45	-
	<u>284</u>	<u>466</u>	<u>358</u>

7. ULTIMATE PARENT COMPANY

The ultimate parent undertaking is Thermodynamics, Inc, a company incorporated in the United States. This is largest and smallest company into which the Company's results are consolidated.

8. CONTINGENCIES

The Company is the defendant in an action brought by its majority shareholder seeking to limit the recovery of administration fees paid to Thermodynamics in 2007 and 2008 and other disputed obligations between the parties pursuant to a Relationship Agreement. Thermodynamics sought an adjournment seeking additional time to prepare for trial; the court has now set December 2009 as the new trial date. The Company believes that it has meritorious defences to the claims raised and that it will ultimately prevail when the matter is dispositioned by the court. The amount initially claimed was £205,000 Pounds Sterling. An amended claim was submitted by Thermodynamics in October 2008 which increased the quantum of claim up to, in one alternative, \$1.17m at that date

9. APPROVAL

This interim report was approved by the Directors of the Company on 13 November 2009. Copies may be obtained on the Company's website, www.turbotecproducts.com, or from the Company Secretary.