



Press Release

16 February 2010

Turbotec Products Plc

("Turbotec", "the Company" or "the Group")

Third Quarter Results and Trading Statement

Turbotec Products Plc (TRBO.L), the designer and manufacturer of high performance, high quality heat exchangers and Tru-Twist® heat transfer tubing, announces the following results for the nine months ended 31 December 2009 ("the Period").

Overview

Turnover for the Period was \$14.7 million (2008: \$22.3 million), with turnover for the third quarter of \$4.9 million similar to the level recorded in the preceding three quarters. However, due to a combination of deteriorating gross margin during the third quarter and further legal costs incurred, the Company generated a profit before tax for the Period of \$0.76 million (2008: \$2.2 million). The board expects that underlying trading for the fourth quarter will return to the levels experienced during the first half of the current financial year. However, on this basis and as announced on 5 February 2010, trading for the full year will still be below the board's expectations.

The trial associated with the previously notified litigation has now concluded, with judgement anticipated by the end of March 2010.

Whilst the board expects that trading conditions will remain challenging for the foreseeable future, it continues to execute its long-term growth strategy for the Group. Building on the Group's success with its pilot plant in Hickory, North Carolina, the board is currently considering much larger facilities in that locale to realise further cost advantages and efficiency savings.

Commenting on the results for the Period, Sunil Raina, Managing Director of Turbotec Products, said: "Great efforts continue to be made by the Group's employees despite the ongoing challenging conditions. The board believes that the Group has the platform in place which will enable it to capitalise on existing and future market opportunities when conditions recover."

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TURBOTEC PRODUCTS PLC

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Nine Months 31 December 2009 \$'000 UNAUDITED	Nine Months 31 December 2008 \$'000 UNAUDITED	Year Ended 31 March 2009 \$'000 AUDITED
Revenue	14,682	22,251	26,986
Cost of sales	(10,626)	(15,910)	(19,477)
Gross profit	<u>4,056</u>	<u>6,341</u>	<u>7,509</u>
Distribution costs	(457)	(519)	(683)
Administrative expenses	(2,834)	(3,570)	(4,426)
Operating profit	<u>765</u>	<u>2,252</u>	<u>2,400</u>
Finance costs	(4)	(15)	(17)
Profit before tax	<u>761</u>	<u>2,237</u>	<u>2,383</u>
Income tax expense	(289)	(906)	(968)
Profit and total comprehensive Income for the period	<u><u>472</u></u>	<u><u>1,331</u></u>	<u><u>1,415</u></u>
Earnings per share – basic	\$ 0.04	\$ 0.10	\$ 0.11
Earnings per share – diluted	\$ 0.04	\$ 0.10	\$ 0.11

TURBOTEC PRODUCTS PLC

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital \$'000	Share Premium \$'000	Retained earnings \$'000	Merger Reserve \$'000	Total \$'000
Balance at 31 March 2008	228	3,441	4,533	(168)	8,034
Profit and total recognized income and expenses for the period	-	-	1,331	-	1,331
Share based payment expense	-	-	87	-	87
Balance at 31 December 2008	228	3,441	5,951	(168)	9,452
Profit and total recognized income and expenses for the period	-	-	84	-	84
Share based payment expense	-	-	54	-	54
Balance at 31 March 2009	228	3,441	6,089	(168)	9,590
Profit and total recognized income and expenses for the period	-	-	472	-	472
Share based payment expense	-	-	84	-	84
Other	-	-	(38)	-	(38)
Balance at 31 December 2009	228	3,441	6,607	(168)	10,108

TURBOTEC PRODUCTS PLC

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 DEC 2009 \$'000 UNAUDITED	31 DEC 2008 \$'000 UNAUDITED	31 MARCH 2009 \$'000 AUDITED
Assets			
Non-current assets:			
Property, plant and equipment	5,223	4,867	5,018
Intangible assets	376	460	439
Other	6	7	7
	<u>5,605</u>	<u>5,334</u>	<u>5,464</u>
Current Assets:			
Inventories	3,972	3,944	3,572
Trade and other receivables	1,364	2,232	1,654
Cash and cash equivalents	1,803	1,389	1,509
Current tax assets	188	-	-
	<u>7,327</u>	<u>7,565</u>	<u>6,735</u>
Current Liabilities			
Current portion of long-term borrowings	117	179	178
Trade and other payables	1,729	2,101	1,247
Current tax liabilities	-	108	117
	<u>1,846</u>	<u>2,388</u>	<u>1,542</u>
Net current assets	<u>5,481</u>	<u>5,177</u>	<u>5,193</u>
Non-current liabilities			
Long-term borrowings	103	212	167
Deferred tax	875	847	900
	<u>978</u>	<u>1,059</u>	<u>1,067</u>
Net assets	<u>10,108</u>	<u>9,452</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	6,607	5,951	6,089
Total equity	<u>10,108</u>	<u>9,452</u>	<u>9,590</u>

TURBOTEC PRODUCTS PLC
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOW

	NINE MONTHS 31 DEC 2009	NINE MONTHS 31 DEC 2008	YEAR ENDED 31 MARCH 2009
	\$'000 UNAUDITED	\$'000 UNAUDITED	\$'000 AUDITED
Cash flows from operating activities			
Profit before tax	761	2,237	2,383
Adjustments to reconcile net income to net Cash provided by operating activities:			
Depreciation and amortization	239	231	386
Finance expense	4	15	17
Charge recognized in respect of share based payment	46	85	121
Cash flows from operating activities before changes in working capital and provisions	1,050	2,568	2,907
Decrease / (increase) in trade and other receivables	290	757	1,335
Decrease / (increase) in inventory	(399)	(807)	(435)
Increase / (decrease) in trade and other payables	441	(204)	(1,338)
Cash generated from operations	1,382	2,314	2,469
Taxes paid	(578)	(1,074)	(761)
Net cash provided by operating activities	804	1,240	1,708
Cash flows from investing activities			
Development costs, net of amortization	63	11	(10)
Purchases of property, plant and equipment	(444)	(602)	(866)
Net cash used in investing activities	(381)	(591)	(876)
Cash flows from financing activities			
Proceeds from long term borrowings	10	-	-
Principal payments on long term debt	(135)	(133)	(179)
Finance expense	(4)		(17)
Net cash used in financing activities	(129)	(133)	(196)
Net change in cash and cash equivalents	294	516	636
Cash and cash equivalents, beginning of period	1,509	873	873
Cash and cash equivalents, end of period	1,803	1,389	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), these interim financial statements have 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 15 February 2010 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 IFRS 8 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:

	Nine months ended 31 Dec 2009 (\$000’s)	Nine months ended 31 Dec 2008 (\$000’s)	Year ended 31 March 2009 (\$000’s)
Current	314	871	933
Deferred	(25)	35	35
Total Taxation	<u>289</u>	<u>906</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 (30% for 2009; 28% for 2008). The differences are attributable to the following:

	Nine months ended 31 Dec 2009 (\$000's)	Nine months ended 31 Dec 2008 (\$000's)	Year ended 31 March 2009 (\$000's)
Profit before tax	761	2,237	2,383
Profit before tax multiplied by rate of corporate tax in the UK of 30% (2008:28%)	228	656	667
Effect of:			
Differences between book and taxable income	(10)	(48)	22
Higher rate of tax on overseas earnings	68	251	286
Tax credits used to reduce taxes paid	-	(100)	(30)
Other	(7)	(1)	23
Total taxation	<u>289</u>	<u>758</u>	<u>968</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 period.

	<u>Nine Months 31 Dec 2009</u>		<u>Nine Months 31 Dec 2008</u>		<u>Year Ended 31 March 2009</u>	
	(Numerator) (\$000's)	(Denominator) Weighted Average Shares	(Numerator) (\$000's)	(Denominator) Weighted Average Shares	(Numerator) (\$000's)	(Denominator) Weighted Average Shares
Basic EPS						
Profit for the period	472	-	1,331	-	1,415	-
Weighted average shares	-	12,806,773	-	12,806,773	-	12,806,773
Diluted EPS- Effect of Dilutive Securities						
Stock options	-	450,000	-	-	-	-
Diluted EPS	<u>472</u>	<u>13,256,773</u>	<u>1,331</u>	<u>12,806,773</u>	<u>1,415</u>	<u>12,806,773</u>

4. INTANGIBLE ASSETS

	Goodwill (\$000's)	Capitalized Development Costs (\$000's)	Total (\$000's)
Period Ended 31 Dec 2009			
Cost and net book value			
Balance at 1 April, 2009	94	345	439
Additions	-	-	-
Amortization	-	(63)	(63)
Balance at 31 Dec, 2009	<u>94</u>	<u>282</u>	<u>376</u>

Period Ended 31 Dec 2008			
Cost and net book value			
Balance at 1 April, 2008	94	377	471
Additions	-	10	10
Amortization	-	(21)	(21)
Balance at 31 Dec, 2008	<u>94</u>	<u>366</u>	<u>460</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:

	31 Dec 2009 (\$000's)	31 Dec 2008 (\$000's)	31 March 2009 (\$000's)
Cash available on demand	1,803	1,389	1,509
Bank overdrafts	-	-	-
	<u>1,803</u>	<u>1,389</u>	<u>1,509</u>

6. LONG TERM BORROWINGS

	31 Dec 2009 (\$000's)	31 Dec 2008 (\$000's)	31 March 2009 (\$000's)
Current financial liabilities			
Bank loans - secured	117	179	178
Non-current financial liabilities			
Bank loans - secured	103	212	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:

	31 Dec 2009	31 Dec 2008	31 March 2009
Bank overdrafts and secured loans	3.25%	3.67%	3.25%

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

	31 Dec 2009 (\$000's)	31 Dec 2008 (\$000's)	31 March 2009 (\$000's)
In less than 1 year	120	190	186
In 1-2 years	96	110	90
In 3-4 years	16	87	82
Thereafter	-	22	-
	<u>232</u>	<u>409</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. The trial commenced in December 2009 and concluded in February 2010. Judgement is anticipated by the end of March 2010. The Company believes that it has meritorious defences to the claims raised and that it will ultimately prevail. 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 trading statement was approved by the Directors of the Company on 15 February 2010. Copies may be obtained on the Company's website, www.turbotecproducts.com, or from the Company Secretary.