



Press Release

6 December 2010

Turbotec Products Plc

("Turbotec" or "the Company")

Half Yearly Report

Turbotec Products Plc (TRBO.L), the designer and manufacturer of high performance, high quality heat exchangers and Tru-Twist® heat transfer tubing, today announces its interim results for the six months ended 30 September 2010.

Summary

- Revenue of \$12.2 million (2009: \$9.7 million)
- Gross margin of 25.5% (2009: 29.1%)
- Operating profit of \$1.2 million, including net litigation proceeds of \$0.3 million (2009: \$0.9 million, including litigation expenses of \$0.2 million)
- Increase in net assets by 11.8% to \$11.4 million (2009: \$10.2 million)
- Purchase of new Hickory manufacturing facility in North Carolina completed; relocation of operations underway

Overview

First half sales of \$12.2 million were above the \$9.7 million achieved in the comparable period last year with shipments to major market segments at increased levels and unit volumes up by approximately 23% overall. The Company generated profit before tax of \$1.2 million for the first half, (FY2010: \$0.9 million) which includes the interim payment on account of costs of approximately \$0.5 million in relation to the Company's successful defence of the litigation brought against it by its major shareholder, Thermodynamics Inc. Associated legal costs of approximately \$0.2 million were charged to operations during the period.

In the United States, the continuing sluggish economy coupled with tight credit markets has prolonged the weak housing market for both new construction and resale properties. Other markets served by the Company have been similarly impacted by the economy. In

an attempt to counterbalance these factors, the federal government instituted a home buyer credit and a 30% tax credit incentive towards the installation of geothermal heat pump systems in calendar year 2009, helping to spur demand for water source heat pump products during the current period. The demand for swimming pool heat pump applications continues to be depressed and with no outside stimulus package foreseen, shipments to this market are expected to remain at reduced levels through the foreseeable future. The board has factored into its expectations for the balance of the fiscal year a moderation of shipments as Canadian tax incentives for geothermal heat pumps expire and fears of a double-dip recession emerge. The Company has also been experiencing increased competition in certain of its markets and while taking action to protect its position, recent inroads made by domestic and overseas manufacturers into the company's core business markets have become more frequent.

In April 2010 the Company acquired a new facility in Hickory, North Carolina, and is currently upgrading the building to accommodate its manufacturing requirements. Operations at the nearby rental facility have been moved into the new building with production machinery and equipment from Connecticut to be transferred to Hickory over the coming months. Additions to senior staff in selling and engineering during the current period increased overhead costs in the current period but are expected to significantly enhance the Company's technical expertise and ability to develop new product applications and expand the customer base in future years.

Commenting on the interim results, Sunil Raina, Managing Director of Turbotec Products, said: "Whilst the Company continues to trade in line with the board's expectations for the full year, we remain cautious regarding our prospects for the next 6 months given the ongoing economic uncertainty. The Company, through the relocation of operations to Hickory and expansion of its sales and engineering functions, remains focused on a long term strategy 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

Given the difficult conditions in our main markets, it is most encouraging to report a respectable set of interim results for the half-year ended 30 September 2010. Turnover is up by 25% to \$12 million, due in part to the U.S. government fiscal stimulus programmes, and also due in part to stock replenishment, following the harsh cutbacks at some customers in the prior period.

Margins have been reduced by the volatile cost of raw materials, competitive pressures and the overlap costs of manufacturing sites, and I am pleased to report that the Company has generated a welcome net income of \$856,000, despite these many challenges. Copper has once again surged to a record level, which has a fluctuating and transient effect on margins.

In September 2010, Thermodynamics Inc., the Company's major shareholder which had previously brought proceedings against the Company, was served with a formal bill of costs in relation to the litigation amounting to approximately £683,000, which included the interim payment on account of £350,000 (\$501,000) already announced in May 2010. Thermodynamics Inc. paid the interim payment but has now served points disputing the bill of costs; a hearing on this matter will be scheduled by the Court.

The preparation of the new lower-cost Hickory facility for full manufacturing is progressing well, as is the recruitment of high caliber individuals in key positions to further strengthen the executive management team. The ongoing investment being made in Hickory reinforces the need to conserve cash in these current depressed market conditions.

After carefully considering all of these factors, and in line with previous statements, the Board has concluded that it should reserve any decision on payment of a dividend until after the payment of the final cost award in relation to the litigation.

In keeping with the wishes of our key customers the Company will retain some capabilities and extend its presence in Windsor, Connecticut for some period during 2011, enabling dual supply capability while the new Hickory manufacturing operation demonstrates supply capability that passes stringent testing and qualification parameters in meeting our long standing customers' expectations.

The challenges identified by your Board three years ago remain, as we positively re-equip the business on all fronts, to greatly improve its cost competitiveness for the long term in line with our business strategy. We are confident that the great efforts being made by a lot of our colleagues on the Hickory project will bear fruit in the coming years.

Tom Nairn

Chairman

2 December 2010

TURBOTEC PRODUCTS PLC**UNAUDITED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME**

	Six Months 30 September 2010 \$'000	Six Months 30 September 2009 \$'000	Year Ended 31 March 2010 \$'000
Revenue	12,162	9,734	19,823
Cost of sales	(9,063)	(6,903)	(14,372)
Gross profit	3,099	2,831	5,451
Distribution costs	(308)	(281)	(564)
Administrative expenses	(1,573)	(1,627)	(3,675)
Operating profit	1,218	923	1,212
Finance costs	(2)	(3)	(5)
Profit before tax	1,216	920	1,207
Income tax expense	(360)	(369)	(468)
Profit and total comprehensive income for the period	856	551	739
Earnings per share – basic	\$ 0.07	\$ 0.04	\$ 0.06
Earnings per share – diluted	\$ 0.07	\$ 0.04	\$ 0.06

There were no items of other comprehensive income for any period.

All of the profit and total comprehensive income is attributable to the owners of the parent.

TURBOTEC PRODUCTS PLC

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 2009	228	3,441	6,089	(168)	9,590
Profit and total comprehensive income 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
Profit and total comprehensive income for the period	-	-	226	-	226
Share based payment expense	-	-	62	-	62
Balance at 31 March 2010	228	3,441	6,952	(168)	10,453
Profit and total comprehensive income for the period	-	-	856	-	856
Share based payment expense	-	-	65	-	65
Other	-	-	(12)	-	(12)
Balance at 30 September 2010	228	3,441	7,861	(168)	11,362

TURBOTEC PRODUCTS PLC

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 SEPT 2010 \$'000	30 SEPT 2009 \$'000	31 MARCH 2010 \$'000
Assets			
Non-current assets:			
Property, plant and equipment	10,156	5,174	5,424
Intangible assets	313	396	355
Other	11	7	109
	10,480	5,577	5,888
Current Assets:			
Inventories	4,865	3,725	
Trade and other receivables	2,153	1,689	3,750
Cash and cash equivalents	288	1,984	1,539
	7,306	7,398	6,753
Current Liabilities			
Current portion of long-term borrowings	173	142	
Trade and other payables	2,909	1,609	85
Current tax liabilities	49	34	1,125
	3,131	1,785	2,231
Net current assets	4,175	5,613	5,522
Non-current liabilities			
Long-term borrowings	2,393	125	82
Deferred tax	900	900	875
	3,293	1,025	957
Net assets	11,362	10,165	10,453
Shareholders' equity:			
Share capital	228	228	228
Share premium account	3,441	3,441	3,441
Merger reserve	(168)	(168)	(168)
Retained earnings	7,861	6,664	6,952
Total equity	11,362	10,165	10,453

TURBOTEC PRODUCTS PLC
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	SIX MONTHS 30 SEPT 2010	SIX MONTHS 30 SEPT 2009	YEAR ENDED 31 MARCH 2010
	\$'000	\$'000	\$'000
Cash flows from operating activities			
Profit before tax	1,216	920	1,207
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	239	199	426
Finance expense	2	3	5
Charge recognized in respect of share based payment	65	62	124
Cash flows from operating activities before changes in working capital	1,522	1,184	1,762
(Increase) / (decrease) in trade and other receivables	(616)	(34)	113
(Increase) in inventory	(1,115)	(153)	(178)
Increase / (decrease) in trade and other payables	1,772	445	(201)
Cash generated from operations	1,563	1,442	1,496
Taxes paid	(307)	(574)	(510)
Net cash provided by operating activities	1,256	868	986
Cash flows from investing activities			
Purchases of property, plant and equipment	(4,829)	(312)	(848)
Net cash used in investing activities	(4,829)	(312)	(848)
Cash flows from financing activities			
Proceeds from long term borrowings	2,479	10	-
Principal payments on long term debt	(80)	(88)	(178)
Finance expense	(2)	(3)	(5)
Net cash provided by (used in) financing activities	2,397	(81)	(183)
Net change in cash and cash equivalents	(1,176)	475	(45)
Cash and cash equivalents, beginning of period	1,464	1,509	1,509
Cash and cash equivalents, end of period	288	1,984	1,464

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 2011 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 2010 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 2 December 2010 and hence on the basis of IFRS that are expected to apply in preparation of the accounts for the year ending 31 March 2011. 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 have neither been audited nor reviewed pursuant to guidelines issued by the Auditing Practices Board.

The comparatives for the full year ended 31 March 2010 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 Chapter 3 of the Companies Act 2006.

2. TAXATION

Analysis of charge in period:

	Six months ended 30 Sept 2010 (\$000’s)	Six months ended 30 Sept 2009 (\$000’s)	Year ended 31 March 2010 (\$000’s)
Current	335	369	493
Deferred	25	-	(25)
Total Taxation	<u>360</u>	<u>369</u>	<u>468</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 2010 (\$000's)	Six months ended 30 Sept 2009 (\$000's)	Year ended 31 March 2010 (\$000's)
Profit before tax	1,266	920	1,207
Profit before tax multiplied by rate of corporate tax in the UK of 28%	355	258	338
Effect of:			
Differences between book and taxable income	(10)	(10)	(52)
Higher rate of tax on overseas earnings	101	110	135
Unrelieved losses carried forward	-	-	134
Utilisation of tax loss carry forward	(84)	-	-
Over accrual from prior year	0	-	(72)
Tax credits used to reduce taxes paid	(5)	(5)	-
Other	3	16	(15)
Total Taxation	360	369	468

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 2010</u>		<u>Six Months 30 Sept 2009</u>		<u>Year Ended 31 March 2010</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	856	-	551	-	739	-
Weighted average shares	-	12,806,773	-	12,806,773	-	12,806,773
Diluted EPS-						

Effect of Dilutive Securities						
Stock options	-	922,778	-	-	-	707,781
Diluted EPS	856	13,729,551	551	12,806,773	739	13,514,554

Employee options have been excluded from the calculation of diluted earnings per share in 2009 as their exercise price was greater than the weighted average price share during the year. Therefore it was not to be advantageous for the holders to exercise those options.

4. INTANGIBLE ASSETS

	Goodwill (\$000's)	Capitalized Development Costs (\$000's)	Total (\$000's)
Period Ended 30 Sept 2010			
Cost and net book value			
Balance at 1 April, 2010	94	261	355
Additions	-	-	-
Amortization	-	(42)	(42)
Balance at 30 Sept, 2010	94	219	313
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	94	302	396
Period Ended 31 March 2010			
Cost and net book value			
Balance at 1 April, 2009	94	345	439
Additions	-	-	-
Amortization	-	(84)	(84)
Balance at 31 March, 2010	94	261	355

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 2010 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 2010 (\$000's)	30 Sept 2009 (\$000's)	31 March 2010 (\$000's)
Cash available on demand	288	1,984	1,464
Bank overdrafts	-	-	-
	<u>288</u>	<u>1,984</u>	<u>1,464</u>

The Company has an overdraft facility in place. The entire balance was available for all periods presented.

6. LONG TERM BORROWINGS

	30 Sept 2010 (\$000's)	30 Sept 2009 (\$000's)	31 March 2010 (\$000's)
Current financial liabilities			
Bank loans - secured	173	142	85
Non-current financial liabilities			
Bank loans - secured	2,393	125	82

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.

In April 2010 the Company acquired a building in Hickory, NC that will become its new primary manufacturing facility after the completion of certain improvements (see Note 8). The purchase of the building and an adjacent land parcel were financed in part by a

mortgage with the face amount of \$2,215,000. The mortgage has a twenty five year amortization schedule with equal monthly payments of principal with a five year term and bears interest at a floating rate linked to the bank's prime rate.

Also in April 2010 the Company received funding of approximately \$264,000 for manufacturing equipment purchases under a line of credit arrangement with its bank that provides for a total of \$600,000 to be advanced for qualified purchases. Under the terms of the agreement, interest only is payable at a floating rate on advances made through 29 November 2010, with the aggregate principal amount repayable in fifty-four successive equal monthly installments. An additional \$331,000 was advanced against the line in November 2010.

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 2010	30 Sept 2009	31 March 2010
Bank overdrafts and secured loans	3.25%	3.25%	3.25%

Maturities of borrowings over the next five years are as follows (including interest payments at current rates):

	30 Sept 2010 (\$000's)	30 Sept 2009 (\$000's)	31 March 2010 (\$000's)
In less than 1 year	292	145	88
In 1-2 years	254	88	83
In 3-4 years	211	51	-
In 4-5 years	205	-	-
In 5-6 years	182	-	-
	<u>1,144</u>	<u>284</u>	<u>171</u>

7. LITIGATION JUDGMENT

On 10 May 2010 the Company was notified that it was successful in its defence of the claim brought by Thermodynamics Inc. in relation to the payment of administration fees under the Relationship Agreement. The company was awarded substantial costs, including an order of interim payment on account of 350,000 pounds sterling (\$501,000) by Thermodynamics Inc. with an additional amount to be determined by the Court. The interim payment was received by the Company in May 2010.

On 13 September 2010 Thermodynamics was served with a formal bill of costs amounting to approximately 683,000 pounds sterling, including the interim payment on account. Thermodynamics Inc. has served points disputing the bill of costs claimed and a Court hearing will be listed in due course. The Company has limited the recognition of the judgment to the amount of cash proceeds received to date.

8. PURCHASE OF NEW FACILITY

In April 2010, the Company completed the purchase of an approximately 100,000 square foot facility and an adjacent 5.46 acre parcel of undeveloped land in Hickory, North Carolina for \$2,769,000K. The purchase was financed in part with a mortgage from the Company's existing bank in the amount of \$2,215,000. The mortgage has a twenty five year amortization schedule with equal monthly payments of principal with a five year term and bears interest at a floating rate linked to the bank's prime rate.

9. APPROVAL

This interim report was approved by the Directors of the Company on 2 December 2010. Copies may be obtained on the Company's website, www.turbotecproducts.com, or from the Company Secretary.