

**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<sup>®</sup> heat transfer tubing, announces the following results for the nine months ended 31 December 2008.

**Highlights**

- Revenue increased by 6.6% to \$22.3m (2007: \$20.9m)
- Gross profit up by 15% to \$6.3m (2007: \$5.5m)
- Profit before tax up 2% to \$2.24m (2007: \$2.19m)
- Net assets increased by 17% to \$9.45m (2007: \$8.1m)
- Net cash of \$1.0m (2007: \$0.03m net debt)

**Overview**

Revenues were ahead of expectations for the nine month period at \$22.25 million, up \$1.4 million, or 6.6% over the prior year. Shipments of heat exchangers to our major customers remained strong and slightly ahead of the same period last year.

The geothermal water source heat pump market was steady during this period and benefited from effect of high energy prices through the summer months along with rebate programs and tax credits available in the US and Canada for geothermal heat pump installations. Whilst the swimming pool market has remained in decline during the period, our share was steady with the addition of new customers.

The first manufacturing cell at our new factory in Hickory started production in January. With the addition of further cells planned over the next few months, we expect the facility to be fully operational by late summer 2009. Establishing this facility is already helping the Company's overall production capacity by providing access to the regional skilled workforce. The new facility will also relieve the

pressure on our Windsor, Connecticut plant which has run at capacity during this period. The Company estimates non recoverable start-up costs will amount to approximately \$0.25m, spread over the current fiscal year third and fourth quarters.

Whilst profit before tax was up 2% to \$2.24m, net profit for the nine month period was down 6.9% to \$1.33m compared with the same period of the prior year. As reported in our interim results, the litigation with Thermodynamics Inc., our majority shareholder, has led to a disproportionate rise in the use of legal and other advisory services resulting in a sharp increase in administrative expenses in preparation for the trial in March 2009.

**Commenting on the interim results, Sunil Raina, Managing Director of Turbotec Products, said:**

“We are pleased to report that nine month sales and earnings have remained steady, despite the negative global economic environment and the continued US housing market decline. We are now seeing rescheduling of orders, including reduced production at our customers, as they match supply with demand. Whilst this, along with the steep reduction in commodity costs is expected to reduce our fourth quarter sales and earnings; we expect our full year results to be broadly in line with market expectations. The Company has been cash generative, has a strong balance sheet and continues to manage its working capital carefully. We are excited about our operational new manufacturing facility and the new market opportunities we are pursuing. We have positioned Turbotec so that it can continue to take advantage of the drive towards energy efficient heating and cooling systems, and the Company remains well placed to capitalise on existing and future market opportunities.”

**-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](http://www.turbotecproducts.com)

**TURBOTEC PRODUCTS PLC**  
**CONSOLIDATED INCOME STATEMENT**

	Nine Months 31 December 2008 \$'000 UNAUDITED	Nine Months 31 December 2007 \$'000 UNAUDITED	Year Ended 31 March 2008 \$'000 AUDITED
<b>Revenue</b>	22,251	20,874	28,021
Cost of sales	(15,910)	(15,382)	(20,675)
<b>Gross profit</b>	<u>6,341</u>	<u>5,492</u>	<u>7,346</u>
Distribution costs	(519)	(580)	(662)
Administrative expenses	(3,570)	(2,699)	(3,466)
<b>Operating profit</b>	<u>2,252</u>	<u>2,213</u>	<u>3,218</u>
Finance costs	(15)	(25)	(33)
<b>Profit before tax</b>	<u>2,237</u>	<u>2,188</u>	<u>3,185</u>
Income tax expense	(906)	(758)	(1,269)
<b>Profit for the period</b>	<u>1,331</u>	<u>1,430</u>	<u>1,916</u>
<b>Earnings per share – basic</b>	\$ 0.10	\$ 0.11	\$ 0.15
<b>Earnings per share – diluted</b>	\$ 0.10	\$ 0.11	\$ 0.14

**TURBOTEC PRODUCTS PLC**  
**CONSOLIDATED BALANCE SHEET**

	31 DEC 2008 \$'000 UNAUDITED	31 DEC 2007 \$'000 UNAUDITED	31 MARCH 2008 \$'000 AUDITED
<b>Assets</b>			
<b>Non-current assets:</b>			
Property, plant and equipment	4,867	4,318	4,496
Intangible assets	460	471	471
Other	7	-	-
	<u>5,334</u>	<u>4,789</u>	<u>4,967</u>
<b>Current Assets:</b>			
Inventories	3,944	3,312	3,137
Trade and other receivables	2,232	2,615	2,996
Cash and cash equivalents	1,389	543	873
	<u>7,565</u>	<u>6,470</u>	<u>7,006</u>
<b>Current Liabilities</b>			
Current portion of long-term borrowings	179	189	178
Trade and other payables	2,101	1,526	2,428
Current tax liabilities	108	365	174
	<u>2,388</u>	<u>2,080</u>	<u>2,780</u>
<b>Net current assets</b>	<u>5,177</u>	<u>4,390</u>	<u>4,226</u>
<b>Non-current liabilities</b>			
Long-term borrowings	212	384	346
Deferred tax	847	692	812
	<u>1,059</u>	<u>1,076</u>	<u>1,158</u>
<b>Net assets</b>	<u>9,452</u>	<u>8,103</u>	<u>8,035</u>
<b>Shareholders' equity:</b>			
Share capital	228	228	228
Share premium account	3,441	3,441	3,441
Merger reserve	(168)	(168)	(168)
Retained earnings	5,951	4,602	4,534
<b>Total equity</b>	<u>9,452</u>	<u>8,103</u>	<u>8,035</u>

**TURBOTEC PRODUCTS PLC**  
**CONSOLIDATED STATEMENTS OF CASH FLOW**

	NINE MONTHS 31 DEC 2008	NINE MONTHS 31 DEC 2007	YEAR ENDED 31 MARCH 2008
	\$'000 UNAUDITED	\$'000 UNAUDITED	\$'000 AUDITED
<b>Cash flows from operating activities</b>			
Profit before tax	2,237	2,188	3,185
Adjustments to reconcile net income to net Cash provided by operating activities:			
Depreciation and amortization	231	210	293
Finance expense	15	25	33
Charge recognized in respect of share based payment	85	28	37
<b>Cash flows from operating activities before changes in working capital and provisions</b>	2,568	2,451	3,548
Decrease / (increase) in trade and other receivables	757	742	363
Decrease / (increase) in inventory	(807)	103	279
Increase / (decrease) in trade and other payables	(567)	(928)	356
Increase / (decrease) in accrued expenses and taxes	363	118	(750)
<b>Cash generated from operations</b>	2,314	2,486	3,796
Taxes paid	(1,074)	(780)	(884)
Net cash provided by operating activities	1,240	1,706	2,912
<b>Cash flows from investing activities</b>			
Development costs, net of amortization	11	(59)	(60)
Purchases of property, plant and equipment	(602)	(353)	(614)
Net cash used in investing activities	(591)	(412)	(674)
<b>Cash flows from financing activities</b>			
Proceeds from long term borrowings	-	363	366
Principal payments on long term debt	(133)	(123)	(174)
Dividends paid to shareholders	-	(1,037)	(1,602)
Net cash used in financing activities	(133)	(797)	(1,410)
<b>Net change in cash and cash equivalents</b>	516	497	828
<b>Cash and cash equivalents, beginning of period</b>	873	45	45
<b>Cash and cash equivalents, end of period</b>	1,389	542	873

## 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 2009 be prepared in accordance with International Financial Reporting Standards adopted for use in the EU ("IFRS"). Consequently this interim 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 2008 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 12 February 2009 and hence on the basis of IFRS that expected to apply in preparation of the accounts for the year ending 31 March 2009. 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 2008 are not the Company's full statutory accounts for that year within the meaning of Section 240 of the Companies Act of 1985. 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 2008 (\$000's)	Nine months ended 31 Dec 2007 (\$000's)	Year ended 31 March 2008 (\$000's)
Current	871	662	1,052
Deferred	35	96	217
Taxation	<u>906</u>	<u>758</u>	<u>1,269</u>

Tax reconciliation:

The effective tax rates for the periods are different than the standard rate of corporate tax in the UK (30% for all periods presented). The differences are attributable to the following:

	Nine months ended 31 Dec 2008 (\$000's)	Nine months ended 31 Dec 2007 (\$000's)	Year ended 31 March 2008 (\$000's)
Profit before tax	2,237	2,188	3,185
Profit before tax multiplied by rate of corporate tax in the UK of 30%	671	656	956
Effect of:			
Temporary differences between book and tax income	45	(48)	25
Higher rate of tax on overseas earnings	201	251	318
Dividend from overseas subsidiary taxed at higher UK rate	-	-	-
Tax credits used to reduce taxes paid	(11)	(100)	(30)
Other	-	(1)	-
Total taxation	906	758	1,269

### 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 2008</u>		<u>Nine Months 31 Dec 2007</u>		<u>Year Ended 31 March 2008</u>	
	(Numerator) (\$000's)	(Denominator) Weighted Average Shares	(Numerator) (\$000's)	(Denominator) Weighted Average Shares	(Numerator) (\$000's)	(Denominator) Weighted Average Shares
<b>Basic EPS</b>						
Profit for the period	1,331	-	1,430	-	1,916	-
Weighted average shares	-	12,806,773	-	12,806,773	-	12,806,773
<b>Diluted EPS- Effect of Dilutive Securities</b>						
Stock options	-	-	-	800,000	-	800,000
Diluted EPS	1,331	12,806,773	1,430	13,606,773	1,916	13,606,773

#### 4. INTANGIBLE ASSETS

	Goodwill (\$000's)	Capitalized Development Costs (\$000's)	Total (\$000's)
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	94	366	460
Period Ended 31 Dec 2007			
Cost and net book value			
Balance at 1 April, 2007	94	317	411
Additions	-	60	60
Balance at 31 Dec, 2007	94	377	471
Period Ended 31 March 2008			
Cost and net book value			
Balance at 1 April, 2007	94	317	411
Additions	-	60	60
Balance at 31 March, 2008	94	377	471

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.

The Company operates as a single integrated business and as such has one operating segment, which is used as the reporting unit for the purposes of evaluating goodwill impairment. In accordance with IFRS 3, the Group regularly monitors the carrying value of intangible assets. A review was undertaken at 31 March 2008 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 2008 (\$000's)	31 Dec 2007 (\$000's)	31 March 2008 (\$000's)
Cash available on demand	1,389	543	873

## 6. LONG TERM BORROWINGS

	31 Dec 2008 (\$000's)	31 Dec 2007 (\$000's)	31 March 2008 (\$000's)
Current financial liabilities			
Bank loans - secured	179	189	178
Non-current financial liabilities			
Bank loans - secured	212	384	346

The bank loans are secured by a fixed charge over the assets of the Group. In addition, the Group must comply with certain financial and 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 2008	31 Dec 2007	31 March 2008
Bank overdrafts and secured loans	3.67%	8.25%	5.25%

Maturities of borrowings are as follows:

	31 Dec 2008 (\$000's)	31 Dec 2007 (\$000's)	31 March 2008 (\$000's)
In less than 1 year	190	179	201
In 1-2 years	110	132	193
In 3-4 years	87	72	91
Thereafter	22	107	39
	<u>409</u>	<u>490</u>	<u>524</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. APPROVAL**

This trading statement was approved by the Directors of the Company on 12 February 2009. Copies may be obtained on the Company's website, [www.turbotecproducts.com](http://www.turbotecproducts.com), or from the Company Secretary.