



Press Release

9 December 2011

Turbotec Products Plc

("Turbotec" or "the Company")

Half Yearly Report

Turbotec Products Plc (TRBO.L), the designer and manufacturer of high performance heat exchangers and Tru-Twist® heat transfer tubing, today announces its interim results for the six months ended 30 September 2011.

Highlights

- Revenue of \$11.7 million (2010: \$12.2 million)
- Profit before tax of \$0.4 million (2010: \$1.2 million), including net proceeds from litigation of \$0.3 million (2010: \$0.3 million)
- Increase in net assets to \$11.8 million (2010: \$11.4 million)
- Multi year contracts secured from major customers
- Resolution of litigation with former parent company
- Significant progress made in refurbishment of manufacturing facility in North Carolina; relocation of operations continue

Overview

First half sales of \$11.7 million were below the \$12.2 million achieved in the comparable period last year, with shipments to major market segments at decreased levels and unit volumes down by approximately 5% overall. The Company generated profit before tax of \$0.4 million for the first half, (2011: \$1.2 million) which includes the final payment of costs of \$336,000 (£210,000) in relation to the Company's successful defence of the litigation brought against it by its major shareholder, Thermodynetics Inc. The aggregate cost recovery from this litigation totaled \$837,000 (£560,000), which includes a payment on account in the prior year.

While the Company had benefited in previous years from a robust housing market and more flexible lending practices, current operations are now negatively impacted by reverse trends. The continuing weak 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. The residential geothermal heat pump market trails previous year's shipments, despite the continuing 30% tax credit incentive in the United States towards the installation of such systems. The demand for swimming pool heat pump applications continues to be depressed and with no outside stimulus package anticipated, shipments to this market are expected to remain at reduced levels through the foreseeable future. The product mix has shifted to components used in commercial heating and cooling applications which typically are of lower efficiency when compared to the high efficiency residential applications; these products are priced at points resulting in lower gross margins.

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. The Company has vigorously worked to recover lost market share through some aggressive contract negotiations and has recently secured long term agreements with some of its major customers which are expected to positively impact the business outlook for the long term.

In April 2010 the Company acquired a new facility in Hickory, North Carolina, and has now completed the majority of the building structural upgrades to accommodate its manufacturing requirements. Operations at the nearby rental facility were moved into the new building. Upgraded machinery and newly acquired production equipment is being transferred from Connecticut to Hickory; this process is expected to continue over the next 12 months. Although the Company has extended its previously announced timetable for the move to Hickory, certain actions were taken this past summer, including personnel changes, to address the situation. These moves have resulted in a positive effect on the transition process.

Competitive pressures in the marketplace have affected customer pricing, which combined with increased operating costs reflecting expenses related to the transition of operations to Hickory, including delays created by the changes in senior staff, resulted in a 9% decrease in gross margin as a percentage of sales compared to the same period of the prior year.

The Company is now in a position to offer some of the same products from both facilities; the testing and qualification programs for the initial production runs from the new facility have started and are expected to accelerate every month as we proceed with the shift of product shipments from Windsor, Connecticut to Hickory, North Carolina.

The additions of senior staff in sales and engineering are starting to significantly enhance the Company's selling and technical expertise and we are now able to respond to the continuous higher efficiency product requirements from our existing customer base while also preparing to target new product applications which will expand our business prospects in future years.

Commenting on the interim results, Sunil Raina, Managing Director of Turbotec Products, said: "The Company is pleased to continue its performance record of generating profits in each reporting period since joining the AIM market. In these extremely turbulent economic times; we continue to focus our efforts in protecting our market share in an extremely competitive environment for heating, ventilation and air conditioning components while at the same time developing our new manufacturing facility which is expected to help improve the Company's growth prospects. "

-Ends-

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Electronic copies of this announcement can be obtained from the Company's website
www.turbotecproducts.com.

Chairman's Statement

We continue to face a challenging business landscape driven by weak global economic conditions and softness in our core markets. The housing market in particular remains extremely weak and there has been no recovery in the swimming pool and marine markets.

Fluctuating metal prices have continued to challenge us but we are taking opportunities to purchase forward as prices allow, keeping our costs as low and consistent as possible.

Competition, both domestic and foreign, continues in our market segments and we have moved aggressively to combat this by entering into longer term supply deals with our major customers. We are continuing to maintain a dual manufacturing capability in Windsor and Hickory and transfer operations to Hickory only when our customers have fully tested the items produced there. This process has taken longer than we had first estimated and consequently we have extended our lease in Windsor to December 31 2012, at very favourable rates.

Our turnover for the period dropped to \$11.7 million from \$ 12.2 million for the comparable period in 2010. Gross margins fell from 25% to 16% as a result of increased raw material costs and our multi-plant transitional operating structure, resulting in an operating profit of \$0.4 million. (2010: \$1.2million)

I am pleased to report that the long running legal matter with our former parent company, Thermodynamics Inc. has finally been settled with a final payment of £210,000 (\$336,000) received during July 2011. The Company has received a total of £560,000 (\$837,000) as a full and final settlement of our bill of costs, which totaled £683,000.

I would like to thank Sunil Raina and his team for working extremely hard to deliver these results in a very challenging environment. Hard decisions were made that reduced profit margin in the short term, but protected the Company and the customer base. We should see the benefits in FY 2013 as production moves to our lower cost manufacturing facility in Hickory.

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

Rob Lowe

Chairman

9 December 2011

TURBOTEC PRODUCTS PLC

UNAUDITED CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

	Six Months 30 September 2011 \$'000	Six Months 30 September 2010 \$'000	Year Ended 31 March 2011 \$'000
Revenue	11,728	12,162	24,839
Cost of sales	(9,872)	(9,063)	(19,886)
Gross profit	<u>1,856</u>	<u>3,099</u>	<u>4,953</u>
Distribution costs	(341)	(308)	(614)
Administrative expenses	(1,066)	(1,573)	(2,905)
Operating profit	449	1,218	1,434
Finance costs	(20)	(2)	(10)
Profit before tax	<u>429</u>	<u>1,216</u>	<u>1,424</u>
Income tax expense	(59)	(360)	(586)
Profit and total comprehensive income for the period	<u><u>370</u></u>	<u><u>856</u></u>	<u><u>838</u></u>
Earnings per share – basic	\$ 0.03	\$ 0.07	\$ 0.07
Earnings per share – diluted	\$ 0.03	\$ 0.07	\$ 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 2010	228	3,441	6,952	(168)	10,453
Profit and total comprehensive income for the period	-	-	856	-	856
Share based payment expense	-	-	53	-	53
Balance at 30 September 2010	228	3,441	7,861	(168)	11,362
Profit and total comprehensive income for the period	-	-	-6	-	-6
Share based payment expense	-	-	70	-	70
Balance at 31 March 2011	228	3,441	7,925	(168)	11,426
Profit and total comprehensive income for the period	-	-	370	-	370
Share based payment expense	-	-	41	-	41
Balance at 30 September 2011	228	3,441	8,336	(168)	11,837

TURBOTEC PRODUCTS PLC

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30 SEPT 2011 \$'000	30 SEPT 2010 \$'000	31 MARCH 2011 \$'000
Assets			
Non-current assets:			
Property, plant and equipment	12,919	10,156	11,778
Intangible assets	229	313	271
Other	37	11	9
	<u>13,185</u>	<u>10,480</u>	<u>12,058</u>
Current assets:			
Inventories	4,385	4,865	4,365
Trade and other receivables	2,083	2,153	1,969
Cash and cash equivalents	4	288	5
	<u>6,472</u>	<u>7,306</u>	<u>6,339</u>
Total Assets	<u>19,657</u>	<u>17,786</u>	<u>18,397</u>
Liabilities			
Non-current liabilities:			
Loans and borrowings	3,320	2,393	764
Deferred tax liability	894	900	894
	<u>4,214</u>	<u>3,293</u>	<u>1,658</u>
Current liabilities:			
Trade and other payables	2,203	2,909	2,488
Loans and borrowings	1,389	173	2,827
Current tax liabilities	14	49	(2)
	<u>3,606</u>	<u>3,131</u>	<u>5,313</u>
Total Liabilities	<u>7,820</u>	<u>6,424</u>	<u>6,971</u>
Net Assets	<u>11,837</u>	<u>11,362</u>	<u>11,426</u>
Shareholders' equity:			
Share capital	228	228	228
Share premium account	3,441	3,441	3,441
Merger reserve	(168)	(168)	(168)
Retained earnings	8,336	7,861	7,925
Total equity	<u>11,837</u>	<u>11,362</u>	<u>11,426</u>

TURBOTEC PRODUCTS PLC
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	SIX MONTHS 30 SEPT 2011 \$'000	SIX MONTHS 30 SEPT 2010 \$'000	YEAR ENDED 31 MARCH 2011 \$'000
Cash flows from operating activities			
Profit before tax	429	1,216	1,424
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	259	239	476
Finance expense	20	2	10
Charge recognized in respect of share based payment	41	65	135
Cash flows from operating activities before changes in working capital	749	1,522	2,045
(Increase) in trade and other receivables	(141)	(616)	(430)
(Increase) in inventory	(20)	(1,115)	(615)
(Decrease) / increase in trade and other payables	(285)	1,772	1,293
Cash generated from operations	303	1,563	2,293
Taxes paid	(43)	(307)	(520)
Net cash provided by operating activities	260	1,256	1,773
Cash flows from investing activities			
Additions to property, plant and equipment	(1,358)	(4,829)	(6,646)
Net cash used in investing activities	(1,358)	(4,829)	(6,646)
Cash flows from financing activities			
Proceeds from revolving debt and long term borrowings	1,270	2,479	3,645
Principal payments on long term debt	(153)	(80)	(221)
Finance expense	(20)	(2)	(10)
Net cash provided by financing activities	1,097	2,397	3,414
Net change in cash and cash equivalents	(1)	(1,176)	(1,459)
Cash and cash equivalents, beginning of period	5	1,464	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 2012 be prepared in accordance with International Financial Reporting Standards adopted for use in the EU ("IFRS"). 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 2011 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 9 December 2011 and hence on the basis of IFRS that are expected to apply in preparation of the accounts for the year ending 31 March 2012. 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 2011 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 498(2) or 498 (3) of the Companies Act 2006.

2. TAXATION

Analysis of charge in period:

	Six months ended 30 Sept 2011 \$'000	Six months ended 30 Sept 2010 \$'000	Year ended 31 March 2011 \$'000
Current	59	335	567
Deferred	-	25	19
Total Taxation	59	360	586

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 2011 \$'000	Six months ended 30 Sept 2010 \$'000	Year ended 31 March 2011 \$'000
Profit before tax	429	1,266	1,424
Profit before tax multiplied by rate of corporate tax in the UK of 28%	120	355	399
Effect of:			
Differences between book and taxable income	10	(10)	123
Higher rate of tax on overseas earnings	34	101	176
Utilisation of tax loss carry forward	(94)	(84)	(161)
Tax credits used to reduce taxes paid	(5)	(5)	-
Other	(6)	3	49
Total Taxation	59	360	586

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.

	Six Months 30 Sept 2011		Six Months 30 Sept 2010		Year Ended 31 March 2011	
	\$'000	Weighted Average Shares	\$'000	Weighted Average Shares	\$'000	Weighted Average Shares
Basic EPS						
Profit for the period	370	-	856	-	838	-
Weighted average shares	-	12,806,773	-	12,806,773	-	12,806,773
Diluted EPS- Effect of Dilutive Securities						
Stock options	-	1,623,470	-	922,778	-	1,360,000
Diluted EPS	370	14,430,243	856	13,729,551	838	14,166,773

4. INTANGIBLE ASSETS

	Goodwill	Capitalized Development Costs	Total
	\$'000	\$'000	\$'000
Period Ended 30 Sept 2011			
Cost and net book value			
Balance at 1 April, 2011	94	177	271
Additions	-	-	-
Amortization	-	(42)	(42)
Balance at 30 Sept, 2011	<u>94</u>	<u>135</u>	<u>229</u>
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	<u>94</u>	<u>219</u>	<u>313</u>
Period Ended 31 March 2011			
Cost and net book value			
Balance at 1 April, 2010	94	261	355
Additions	-	-	-
Amortization	-	(84)	(84)
Balance at 31 March, 2011	<u>94</u>	<u>177</u>	<u>271</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 2011 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. CASH AND CASH EQUIVALENTS

	30 Sept 2011 \$'000	30 Sept 2010 \$'000	31 March 2011 \$'000
Cash available on demand	4	288	5
Bank overdrafts	(1,128)	-	(390)
	<u>(1,124)</u>	<u>288</u>	<u>(385)</u>

The Company has an overdraft facility in place. Approximately \$2,122,000, \$3,250,000 and \$2,860,000 was available for borrowing against the Company's revolving line of credit at 30 September 2011, 30 September 2010, and 30 March 2011, respectively.

6. LONG TERM BORROWINGS

	30 Sept 2011 \$'000	30 Sept 2010 \$'000	31 March 2011 \$'000
Current financial liabilities			
Bank loans - secured	261	173	2,437
Non-current financial liabilities			
Bank loans - secured	3,320	2,393	764

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 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 non-compliance with a covenant that existed at 31 March 2011. Therefore, although the entire balance of the mortgage is shown above as a current liability at 31 March 2011, the loan remains repayable under its original terms, as reflected in the debt maturity table below.

During the current year the Company received funding of approximately \$532,000 for manufacturing equipment purchases under a line of credit arrangement with its bank that provided for a total of \$1,000,000 to be advanced for qualified purchases. Under the terms of the agreement, interest only is payable at a floating rate on advances made through April 2012, with the aggregate principal amount repayable in 48 successive equal monthly installments.

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 2011	30 Sept 2010	31 March 2011
Bank overdrafts and secured loans	3.25%	3.25%	3.25%

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

	30 Sept 2011 \$'000	30 Sept 2010 \$'000	31 March 2011 \$'000
In less than 1 year	501	292	866
In 1-2 years	569	254	464
In 2-3 years	553	211	451
In 3-4 years	482	205	449
In 4-5 years	1,919	182	1,951
	<u>4,024</u>	<u>1,144</u>	<u>4,181</u>

At 30 September 2010 the balloon maturity of the mortgage was not included in the above table as the payment date was beyond five years.

7. LITIGATION JUDGMENT

In 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) that was received by the Company in fiscal year 2011. In July 2011 an additional 210,000

pounds sterling (\$336,000) was paid by Thermodynamics, representing the balance of the cost award.

8. APPROVAL

This interim report was approved by the Directors of the Company on 9 December 2011. Copies may be obtained on the Company's website, www.turbotecproducts.com, or from the Company Secretary.