



**Press Release**

**14 August 2007**

**Turbotec Products Plc**

("Turbotec" or "the Company")

**First Quarter Results for the Three Months to 30 June 2007**

Turbotec Products Plc (TRBO.L), the designer and manufacturer of high performance, high quality heat exchangers and flexible connector products, provides the following trading statement issued for the three month period ended 30 June 2007.

**Highlights**

- Turnover increased by 28% to \$7.25m (2006: \$5.68m)
- Gross profit up by 47% to \$1.85m (2006: \$1.26m)
- Profit before tax up 68% to \$771k (2006: \$459k)
- Net assets increased to \$8.20m (2006: \$7.68m)
- Continued strong performance in core markets

**Overview**

Net sales were ahead of expectations and set a new record for the Company. For the quarter net sales were \$7.25 million, up \$1.6 million or 28% over the prior year. Shipments to the major water source heat pump customers remained strong for the entire quarter despite weakness in the housing market. The demand for high efficiency heat pumps has increased over the past year, despite the housing slump, as 'green' building is on the upswing and the higher efficiency units are being successfully marketed as a smart investment to reduce energy costs in existing housing. Shipments of boiler tubing were also up significantly in the current year as the replacement market for high efficiency boilers in schools and other public applications was extremely strong in the first quarter. The swimming pool heat pump market is down overall but the Turbotec share is growing with the additions of two major players; overall shipments to this market were higher than last year and are expected to show further growth as these new customers come fully on line in the current months.

Gross margin percentage was 25.5% for the first quarter of fiscal 2008 compared to 22.3% for the same period last year. For the full fiscal year ended 31 March 2007 gross margin percentage was 22.6%. The improvement in gross margin was a result of price increases and adjustments to formulas passing on the cost increases of raw materials, coupled with production efficiencies resulting from completed lean manufacturing projects.

Net income for the current three month period was \$515,000 compared to \$337,000 for the same period of the prior year. Increased expenditures in marketing, engineering and corporate governance functions were made in the current year as the company continues to expand its business base and product applications.

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

“We are delighted to report record sales for this quarter, continuing the trend from the successful past year. We continue to aggressively pursue new opportunities for our growing line of products. While the US economy is expected to see reduced growth, we remain optimistic about our future.”

**Enquiries:**

**Turbotec Products Plc**

Sunil Raina, Managing Director

Tel: +1 (860) 683 2005

[SRaina@turbotecproducts.com](mailto:SRaina@turbotecproducts.com)

Robert Lieberman, Treasurer and Chief Financial Officer

Tel:+1 (860) 683 2005

[RLieberman@turbotecproducts.com](mailto:RLieberman@turbotecproducts.com)

[www.turbotecproducts.com](http://www.turbotecproducts.com)

**Dawnay, Day**

David Rae

Tel: +44 (0) 20 7509 4570

[www.daynayday.com](http://www.daynayday.com)

**Media enquiries:**

**Abchurch Communications**

Sarah Hollins/Charlie Jack/ Emma Johnson

Tel: +44 (0) 207 398 7784

[emma.johnson@abchurch-group.com](mailto:emma.johnson@abchurch-group.com)

[www.abchurch-group.com](http://www.abchurch-group.com)

**TURBOTEC PRODUCTS PLC**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE THREE MONTHS ENDED 30 JUNE**

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>UNAUDITED</b>	<b>UNAUDITED</b>
<b>Revenue</b>	7,251	5,680
Cost of sales	(5,398)	(4,419)
<b>Gross profit</b>	<u>1,853</u>	<u>1,261</u>
Distribution costs	(189)	(224)
Administrative expenses	(886)	(542)
<b>Operating profit</b>	<u>778</u>	<u>495</u>
Finance costs	(7)	(36)
<b>Profit before tax</b>	<u>771</u>	<u>459</u>
Income tax expense	(256)	(122)
<b>Profit for the period</b>	<u><u>515</u></u>	<u><u>337</u></u>
<b>Earnings per share – basic</b>	<u>\$ 0.04</u>	<u>\$ 0.03</u>
<b>Earnings per share – diluted</b>	<u><u>\$ 0.04</u></u>	<u><u>\$ 0.03</u></u>

The accompanying notes are an integral part of these consolidated financial statements.

**TURBOTEC PRODUCTS PLC**  
**CONSOLIDATED BALANCE SHEETS AT**

	<b>30 JUNE 2007 \$'000 UNAUDITED</b>	<b>31 MARCH 2007 \$'000 AUDITED</b>
<b>Assets</b>		
<b>Non-current assets:</b>		
Property, plant and equipment	4,215	4,175
Intangible assets	436	411
	<u>4,651</u>	<u>4,586</u>
<b>Current Assets:</b>		
Inventories	3,655	3,359
Trade and other receivables	3,977	3,416
Cash and cash equivalents	88	45
	<u>7,720</u>	<u>6,820</u>
<b>Current Liabilities</b>		
Current portion of long-term borrowings	93	108
Bank overdraft	-	-
Trade and other payables	2,919	2,315
Current tax liabilities	349	481
	<u>3,361</u>	<u>2,904</u>
<b>Net current assets/(liabilities)</b>	<u>4,359</u>	<u>3,916</u>
<b>Non-current liabilities</b>		
Long-term borrowings	207	224
Deferred tax	595	595
	<u>802</u>	<u>819</u>
<b>Net assets</b>	<u>8,208</u>	<u>7,683</u>
<b>Shareholders' equity:</b>		
Share capital	228	228
Share premium account	3,451	3,441
Merger reserve	(168)	(168)
Retained earnings	4,697	4,182
<b>Total equity</b>	<u>8,208</u>	<u>7,683</u>

The accompanying notes are an integral part of these consolidated financial statements

**TURBOTEC PRODUCTS PLC**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE THREE MONTHS ENDED 30 JUNE**

	<b>2007</b> <b>(\$000's)</b> <b>UNAUDITED</b>	<b>2006</b> <b>(\$000's)</b> <b>UNAUDITED</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from operations	598	(168)
Taxes paid	(388)	-
	<u>210</u>	<u>(168)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Development costs paid	(25)	(29)
Payments for property, plant and equipment	(110)	(130)
	<u>(135)</u>	<u>(159)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bank borrowings	-	90
Proceeds from stock placing	-	4,383
Share issue costs	-	(892)
Principal payments on long term debt	(32)	(335)
Principal payments on capital lease obligations	-	(7)
Dividends paid to equity shareholder	-	(102)
	<u>(32)</u>	<u>3,137</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>43</b>	<b>2,810</b>
<b>CASH AND CASH EQUIVALENTS, beginning of period</b>	<u><b>45</b></u>	<u><b>(2,610)</b></u>
<b>CASH AND CASH EQUIVALENTS, end of period</b>	<u><u><b>88</b></u></u>	<u><u><b>200</b></u></u>

The accompanying notes are an integral part of these consolidated financial statements

## NOTES TO THE FINANCIAL STATEMENTS

### 1. BASIS OF PREPARATION

The financial information set out above does not constitute the company's statutory accounts for the periods ended 30 June 2007 or 30 June 2006.

### 2. TAXATION

Analysis of charge in period:

	Three Months Ended 30 June 2007 (\$000's)	Three Months Ended 30 June 2006 (\$000's)
Current	256	122
Deferred	-	-
Taxation	256	122

Tax reconciliation:

The effective tax rates for the periods are different than the standard rate of corporate tax in the UK (30% for both three month periods ended 30 June 2007 and 2006). The differences are attributable to the following:

	2007 (\$000's)	2006 (\$000's)
Profit Before Tax	771	459
Profit before tax multiplied by rate of corporate tax in the UK of 30% (2006:30%)	231	138
Effect of:		
Temporary differences between book and tax income	(10)	(17)
Higher rate of tax on overseas earnings	55	33
Tax credits used to reduce taxes paid	(20)	(32)
Total taxation	256	122

### 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.

	2007		2006	
	(Numerator)	(Denominator)	(Numerator)	(Denominator)
	(\$000's)	Weighted Average Shares	(\$000's)	Weighted Average Shares
<b>Basic EPS</b>				
Profit for the period	515	-	337	-
Weighted average shares	-	12,806,773	-	11,607,980
<b>Diluted EPS- Effect of Dilutive Securities</b>				
Stock options	-	800,000	-	-
Diluted EPS	515	13,606,773	337	11,607,980

The comparative figures are pro-forma based on the number of shares that would have been in issue had the capital structure of the parent company always have been in place.

### 4. INTANGIBLE FIXED ASSETS

	Goodwill	Capitalized Development Costs	Total
	(\$000's)	(\$000's)	(\$000's)
Period Ended 30 June 2007			
Cost and net book value			
Balance at 1 April, 2007	94	317	411
Additions	-	25	25
Balance at 30 June, 2007	94	342	436
Period Ended 30 June 2006			
Cost and net book value			
Balance at 1 April, 2006	94	-	94
Additions	-	29	29
Balance at 30 June, 2006	94	29	123

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 Company as an integral part of the engineering and manufacturing of its current product line. As this asset is deemed to have an indefinite future benefit no amortization has been recognized in fiscal years 2007 and 2008. 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. FIXED ASSET INVESTMENTS

The following companies are subsidiary undertakings of the Company at 30 June, 2007 and have consolidated into the Company's results:

	Country of Incorporation	Principal Activity	% Owned
Turbotec Products, Inc	United States	Manufacture of Heat Transfer Products	100

## 6. CALLED UP SHARE CAPITAL

Called up share capital for the three month periods ended 30 June is as follows:

	Authorized		2006	
	2007			
	<u>Number of Shares</u>	<u>\$000's</u>	<u>Number of Shares</u>	<u>\$000's</u>
Ordinary shares of 1p each	20,000,000	356	20,000,000	356
	Issued and Fully Paid			
	2007		2006	
	<u>Number of Shares</u>	<u>\$000's</u>	<u>Number of Shares</u>	<u>\$000's</u>
At beginning of year	12,806,773	228	10,009,590	178
Shares issued during period	-	-	2,797,183	50
	12,806,773	228	12,806,773	228

Turbotec Products Plc (the “Company”) was incorporated on 14 October 2005 in the UK and re-registered as a public company on April 11, 2006 and is the parent company of a wholly owned subsidiary, Turbotec Products, Inc (Turbotec) (together ‘the Company’).

On May 8, 2006, Thermodynamics, Inc. (“Thermodynamics”), formerly the sole shareholder of the Company, completed the sale of a minority interest of the company, whereby approximately 43.68% of the Company’s shares was sold or issued to institutional investors pursuant to a placing on the AIM Market of the London Stock Exchange. Pursuant to the placing, Thermodynamics sold and the Company issued 2,797,183 shares each (a total of 5,594,366 ordinary shares in the Company) at the price of 85 pence per ordinary share. Thermodynamics now owns 56.32% of Turbotec Products Plc, with the balance owned by institutional investors.

## 7. RECONCILIATION OF PROFIT BEFORE TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2007 (\$000's)	2006 (\$000's)
Profit before tax	515	337
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	70	63
Changes in operating assets and liabilities:		
(Increase) in trade and other receivables	(617)	(114)
(Increase) in inventory	(239)	(194)
(Decrease) Increase in trade and other payables	585	(350)
Increase (decrease) in accrued expenses and taxes	275	90
Charge recognized in respect of share based payment	9	-
Net cash provided by operating activities	598	(168)

## 8. ANALYSIS OF CASH AND CASH EQUIVALENTS

	2007 (\$000's)	2006 (\$000's)
Cash available on demand	45	200
Bank overdrafts	-	-
	45	200

## 9. 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.