Pressure Technologies

2018 Interim Investor Presentation

Pressure Technologies plc

Specialist engineering • Engineering excellence • organic growth • Future growth • Unique solutions • Integrity management services • World leader • 120 years of engineering heritage • Highly skilled craftsmen • Creativity and ingenuity • Close collaboration with customers • Creation of PMC brand • Collaboration • Investment in people • Investment in IT • Investment in systems • Substantial potential • New customers • New markets • Product development • Trusted suppliers • Niche specialism • Niche markets • Precision Machined Components • Cylinders • Alternative Energy • Oil and Gas • Industrial gases • Defence • Design and development • Safety critical • High Added Value

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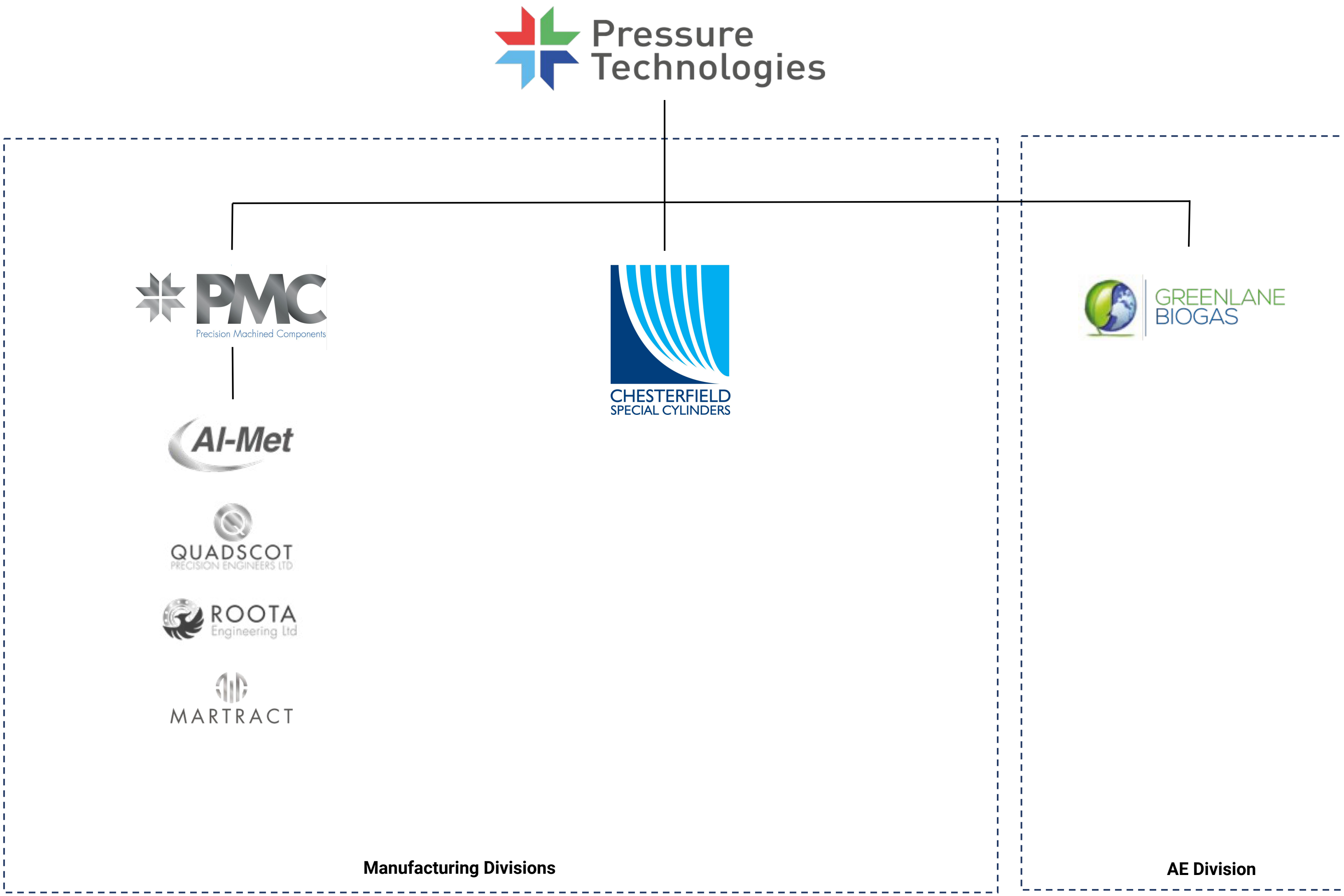
Our Group Structure



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Key messages and highlights

Manufacturing Divisions strengthened considerably due to more favourable market conditions

PMC benefited from the recovery in O&G market - like for like revenue 10% up on 2017 but GM% down 1ppt due to mix. Closing order book 29% higher than at March 2017

Consolidating and focusing on core competency in component manufacture for organic growth

Cylinders, underpinned by defence work, broke even in the first half (2017: loss £0.6m) as GM% up 19ppt due to both volume and mix

Hydratron Limited disposed of 7 June 2018 for initial consideration of £1.1m

Exploring strategic options to unlock value for Shareholders for AE

AE experienced delays in contract awards to-date and revenue down but GM% up 4ppt as project management improved

Summary Group results

	2018 H1	2017 H1
Revenue (£m)	13.6	17.7
Gross profit (£m)	4.2	4.2
Adjusted operating loss (£m)	(1.3)	(0.8)
Exceptional items (£m)	(3.5)	(1.7)
Operating loss (£m)	(4.8)	(2.5)
LBT (£m)	(5.0)	(2.6)
EPS basic* (pence)	(25.0)	(15.9)
EPS adjusted (pence)	(6.9)	(6.3)
Dividend (pence)	nil	nil

Revenue down

-23.2%

to £13.6m (2017: £17.7m)

Gross margin up 7.1 ppt to

+30.9%

(2017: 23.9%)

Return on Revenue down

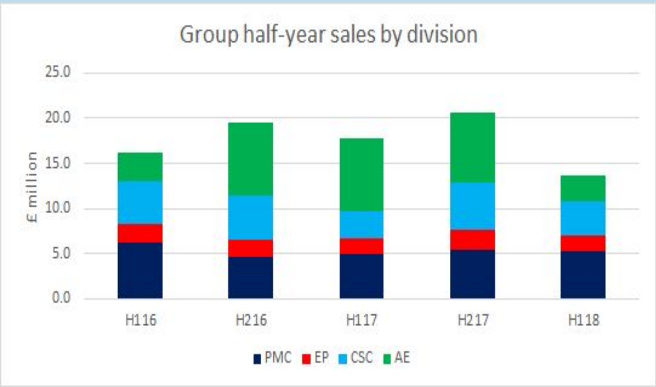
-5.1ppt

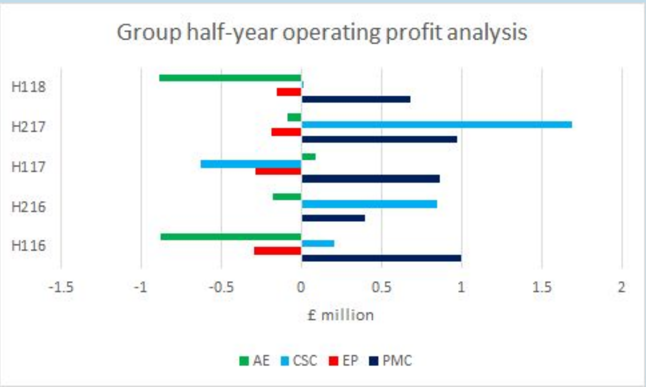
to (9.6)% (2017: (4.5)%)

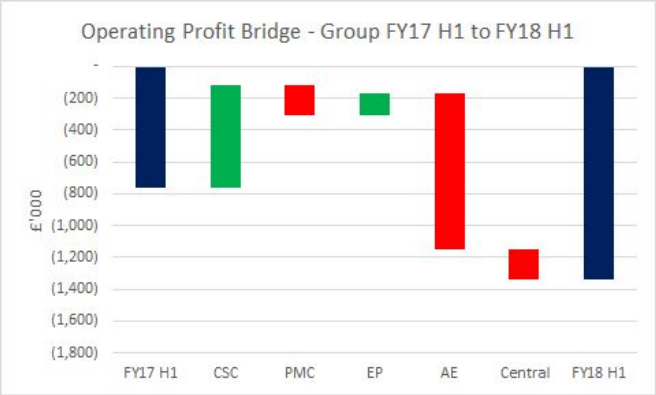
Exceptional items below adjusted operating profit relate to:

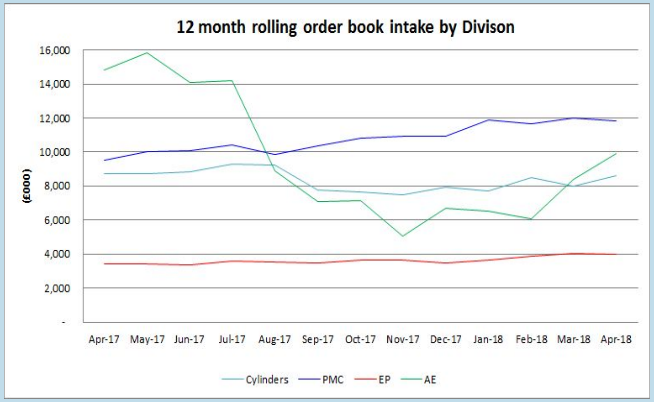
- £0.2m - Share placing costs
- £0.3m - Restructuring
- £1.3m - Amortisation of intangible assets
- £1.7m - Goodwill impairment (Hydratron)

PMC continues to achieve strong returns for the Group with phasing of large contract orders and revenue in both CSC and AE leading to volatility in reported group results









- PMC continues to contribute most Operating Profit and, although ordering patterns remain patchy, order intake continues to improve. Closing order book up 29% on e017
- CSC is underpinned by defence and services and continues to see very low O&G volumes, although the second drillship order for 3 years was placed in the first half 2018. The volume and mix towards defence work has resulted in 19ppt increase in Gross Margin percentage from first half 2017
- Profit recognition on AE upgrading projects is necessarily skewed to completion and the order delays experienced move profits on projects to later periods
- EP will be presented as Discontinued in the full year following its disposal on 7 June 2018

Summary Group balance sheet

	2018 H1 £m	2017 H16 £m
Goodwill & Intangible assets	27.0	30.0
Tangible Assets	12.2	13.2
Inventories	6.0	5.2
Trade & other receivables	8.9	8.2
Trade & other Payables	(9.1)	(11.5)
Net Contract Balances	0.0	(1.6)
Net Working Capital	5.8	0.3
Tax Provisions	(1.2)	(2.2)
Net Debt	(9.3)	(8.6)
Net Assets	34.5	32.7

Closing Net Debt up

£0.7m

to £9.3m (2017: £8.6m)

Measured leverage covenant ratio

3.5x

(2017: 3.1x)

Net working capital % sales*

25.4%

(2017: 14.3%)

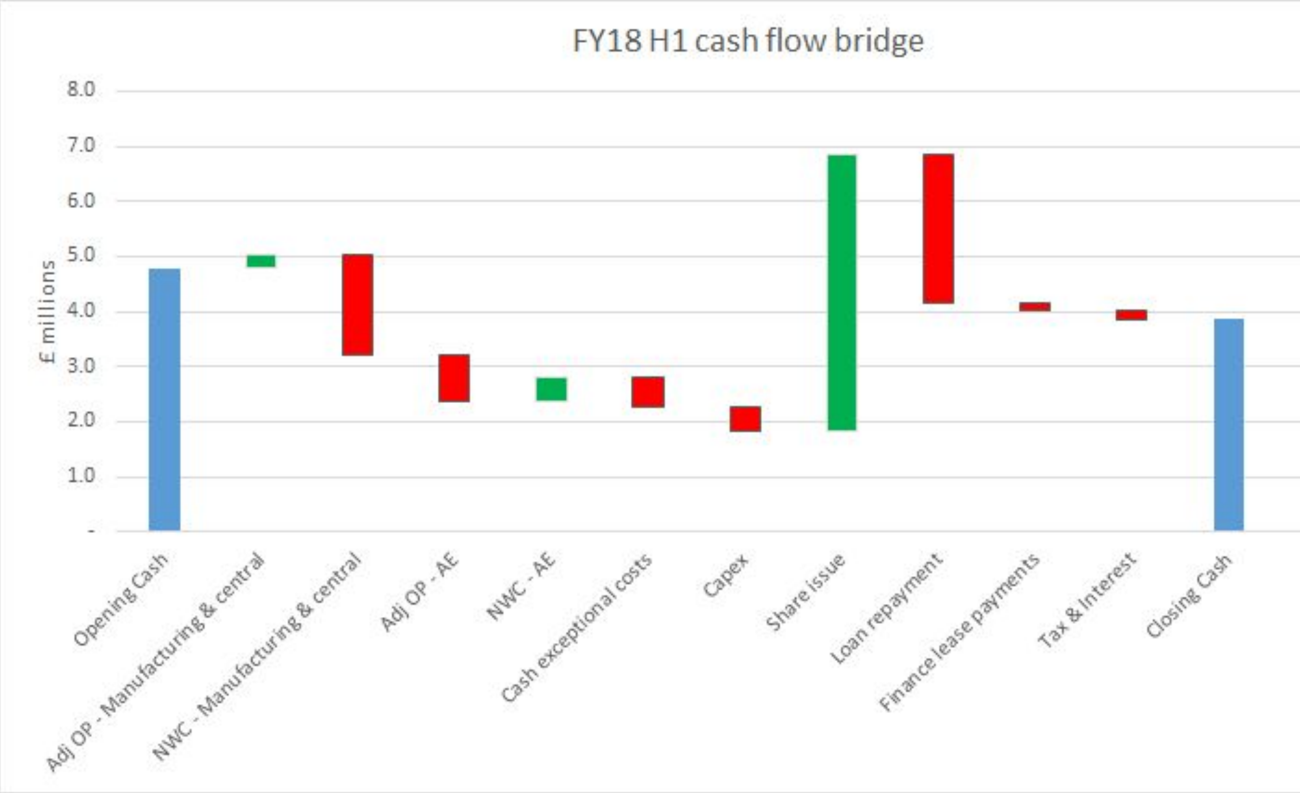
Goodwill & Intangibles % Net Assets

78.3%

(2017: 91.7%)

*Manufacturing and Central only - excluding AE

Summary Group cash flow - 6 months to March 2018



Operating cash (outflow)/inflow*

£(2.1)m

(2017: £2.2m inflow)

Net investment in working capital*

£1.5m

(2017: reduction £2.2m)

Net fundraising in 2018

£4.8m

(2017: nil)

Repayment of RCF facility

£2.7m

(2017: increase £2.7m)

*before cash outflow for exceptional costs

Manufacturing financial highlights

Revenue up 11.3% to

£10.8m

(2017: £9.7m)

Gross Profit margin up 6.2ppt to

33.3%

(2017: 27.1%)

Operating Profit*

£0.5m

(2017: £0.0m)

Return on Revenue

4.6%

(2017: (0.4)%)

Net investment in working capital

£(1.9)m

(2017: net reduction £0.2m)

Operating cash outflow***

£(0.8)m

(2017: inflow £0.7m)

Revenue per employee up 13.6% to

£124.5k**

(2017: £109.6k)

Restructuring costs

£0.1m

(2017: £0.1m)

* before central costs, M&A costs, amortisation on acquired businesses and exceptional charges and credits. Including 9m post-acquisition result of Martract.

** based on straight average number of employees excluding group and AE

***before cash outflow for exceptional costs

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PMC Division highlights

- Division predominantly focused on the global oil and gas market which is starting to show signs of recovery following an unprecedented three year downturn
- Half-year revenues 10.0% higher than H1 2017 with a slow start to the year in Q1 followed by an increase in revenues of 22% in Q2
- Half-year gross margin 1ppt lower than H1 2017 due to mix of product with no orders for high-added value landing string ball valve components in H1 2018
- Return on revenue impacted by higher overhead due to investment in people, including the new Divisional MD, and equipment ahead of expected growth
- Order intake 33% higher than H1 2017 and 18% higher than H2 2017 with closing order book 29% higher at both points
- Requests for quotation remain high but no clear pattern to order placement and evidence of slowing of order intake in Q3 2018
- Investment in additional equipment and people
  - 5 axis milling machine purchased at Quadscot
  - Divisional MD appointed

Increase in Revenue

10.0% LFL*

in 2018 to £5.1 million

Decrease in Gross Margin

1ppt LFL*

in 2018 to 33%

Return on Revenue

12.9%

-4.9ppt from 2017

Revenue per employee

£122k

+12.9% from 2017

Closing order book up

29%

from March 2017

**excluding impact of Martract acquisition*

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Cylinders Division highlights (1 of 2)

- Transitioned from reliance on the oil and gas market to a defence market focused business
    - Principal project for 2018 and 2019 is supply of cylinders to the first of four Dreadnought submarines (Trident replacement)
        - Cylinder designs completed and standard naval cylinders in production
        - Order to start production of programme specific cylinders currently delayed by the customer which will impact H2
    - Contracts won for further UK and overseas defence projects including the MoD's Type 26 Frigate programme starting in 2019
    - Business Development efforts continue to focus on breaking into the substantial US defence market

Revenue up

24%

To £3.9m (2017: £3.1m)

Increase in Gross Margin

+19ppt

in 2018 to 35% driven predominantly by the mix of work towards defence

Return on Revenue

0.3%

+20.5ppt from 2017

Services revenue

£1.3m

2017: £1.4m

Revenue per employee

£126k

Up 14.7% from 2017

Cylinders Division highlights (2 of 2)

- Investment in large capital assets in the subsea, deepwater oil and gas market contracts remain at low levels with market forecasters not anticipating significant growth before 2020
  - The main revenue generator in this market is the supply of Air Pressure Vessels ("APVs") for motion compensation systems on deepwater drillships and semi-submersible oil rigs
  - Orders for APVs secured for two drillship projects for delivery in 2018 and 2019, the only two such projects placed in the last three years, demonstrating the Division's reputation and cost competitiveness in this market
- Services
  - Focused on the defence market, naval and aerospace, and industrial gases market, transportable and bulk storage
  - H1 revenues down slightly on 2017 due to a one off oxygen cylinder cleaning order in H1 2017 and awarding of the next MoD naval support contract being delayed to H2 2018.

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Revenue per employee

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Alternative Energy financial highlights

Revenue

£2.8m

(2017: £8.0m)

Gross Profit margin

21.7%

(2017: 18.1%)

Operating Loss*

£(0.8)m

(2017: profit £0.1m)

Return on Revenue

-31.8%

(2017: 1.1%)

Revenue per employee down 23% to

£270k**

(2017: £350k)

Operating cash outflow***

£(0.5)m

(2017: inflow £1.8m)

Closing biogas upgrader order book

£7.3m

(2017: £10.2m)

Restructuring costs

£0.2m

(2017: £0.2m)

* before central costs, M&A costs, amortisation on acquired businesses and exceptional charges and credits.

** based on straight average number of employees excluding group and Manufacturing

***before cash outflow for exceptional restructuring costs

Alternative Energy Division highlights

- First stage of reorganisation completed with hiring of new Divisional President based in Vancouver
- Strengthening of commercial teams and establishment of global partnerships within the supply chain in progress
- Technology lead maintained:
  - First Kauri model, world's largest single upgrader in final commissioning in Arizona
  - First project meeting the world's tightest gas composition standards now injecting Renewable Natural Gas ("RNG") into the California gas grid
- Low opening order book of £5 million (2017: £14 million) together with slippage on contract awards impacting revenue, profits and cash for the half-year and year
  - Only three contract awards in the period, one each in UK, Brazil and USA
  - North America potential high but complexity of project structures and funding slowing progress
  - UK impacted by late release of revised Renewable Heat Incentive, expected January 2018 but only passed on 22 May - several projects now expected to move to contract award
- Current projects showing improved gross margins as a result of better project management arising from focused divisional structure

Revenue down -65% to

£2.8m

Due to slippage of timing of new order wins

Increase in Gross Margin %

3.6ppt

Through improved project management

Return on Revenue

-32.9ppt

From 2017

Revenue per employee

£270k

-23% from 2017

Closing order book

£7.3m

2017: £10.2m

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Outlook

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PMC outlook

- Oil and gas market starting to recover but market dynamics changing
  - High quality, low cost and fast delivery required
  - Requirement similar to automotive industry and we have staff with considerable experience in this sector, not least the new Divisional MD
  - Challenging market but supply model already proven at Al-Met

- Short-term issues with potential to impact outturn for the year
  - High level of requests for quotations across the Division but order placement remains unpredictable and has slowed at start of Q3
  - But short order to delivery lead-times outlook can change within a quarter
  - Investment in new equipment and additional staff in progress

- Medium and long term
  - Oil and gas will continue to be the most important market for PMC
    - Expertise is in low volume, high added-value, safety critical components where cost of component is orders of magnitude lower than the opportunity cost of failure
    - Diversification through targeting markets with similar characteristics - defence, renewables and nuclear
  - Continuing investment in new technology and recruitment and retention of high quality staff

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Cylinders outlook

- Defence will remain the mainstay of the Division for the foreseeable future
  - Submarine build programmes largely unaffected by any cuts in defence spending
  - Clear pipeline of potential projects through to at least 2030 and order book visibility through to 2021

- Short-term issues with potential to impact outturn for the year
  - Delays to release of programme specific cylinders for Dreadnought will move operating profits from 2018 to 2019

- Medium and long term
  - Defence
    - Further development of overseas markets
    - Expand Integrity Management and other services to export naval markets
  - Recovery in subsea deep water oil and gas market expected from 2020 should result in increased APV sales as new drillships and semi-submersible rigs expected
  - Development of higher pressure Hydrogen cylinders for vehicle refuelling systems
  - Continuing investment in new technology and recruitment and retention of high quality staff to maximise productivity and reduce costs

Alternative Energy outlook

- Renewable Natural Gas market set for rapid growth driven by ambitious environmental targets, for example
  - France target 30% of gas grid to be RNG by 2030 and 100% by 2050
  - Canada target 5% of gas grid to be RNG by 2025 and 10% by 2030
  - USA targeting to create 36bn ethanol gallon equivalent of renewables by 2022 - RNG qualifies for this
  - Banning of organic waste to landfill by 2020 in several US States gives a problem biogas upgrading can profitably solve

- Short-term issues with potential to impact outturn for the year
  - Outturn for year dictated by projects already in execution
  - Timing of any new contract awards this year will not now impact on the full year result
  - New contracts should positively impact cash

- Medium and long term
  - Immediate focus on North America and Europe where proximity to market and market growth potential greatest
  - Set against the positive background of increasing opportunities exploring a number of strategic options to unlock its latent potential

Group outlook

- Group core competency is in low volume, high added value, safety critical, difficult to manufacture engineering component markets where cost of a component is orders of magnitude smaller than opportunity cost of failure

- Short-term issues with potential to impact outturn for the year are all time dependent:
  - Cylinders shortfall recovered in 2019
  - PMC subject to minor short-term delays to market growth which may be recovered in the year
  - AE more complex but clear picture for 2018 at lower profitability

- Medium and long term
  - Immediate focus on organic growth across all Divisions to build on considerable market momentum
  - Options to realise shareholder value from AE Division being explored

Supporting information

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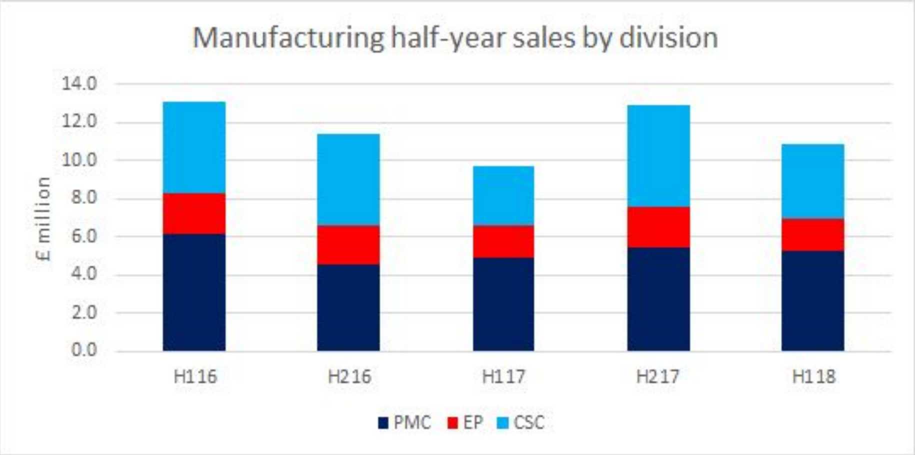
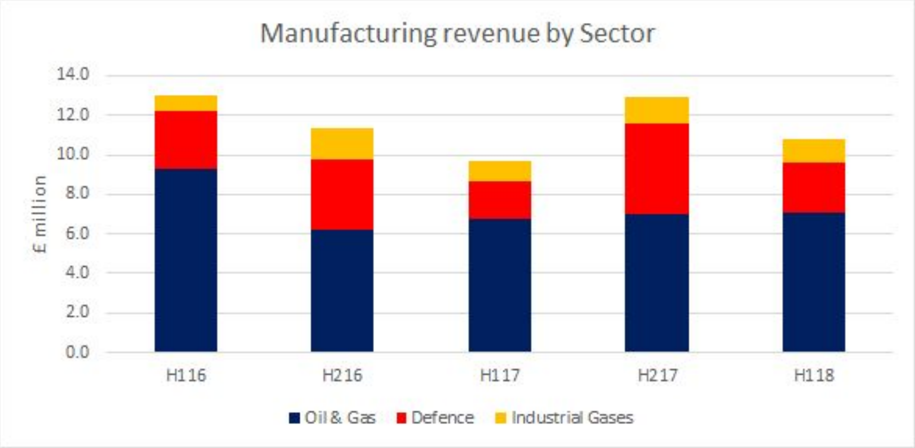
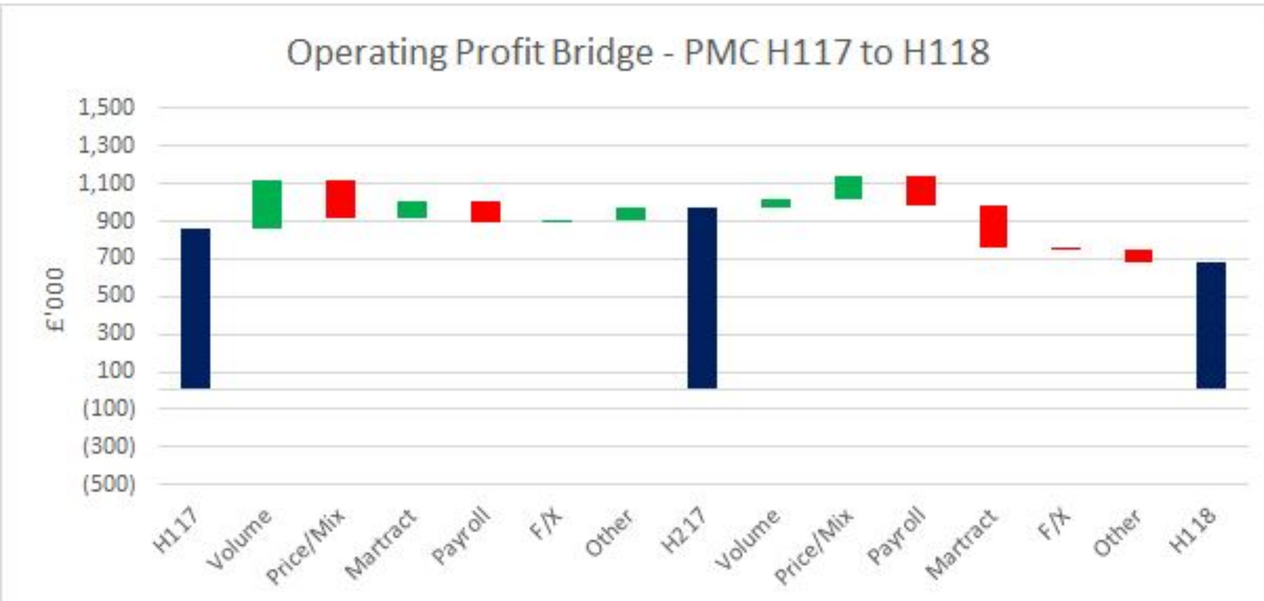
Oil and Gas sector revenue improving from H216 low point across the Manufacturing divisions





- As reported in the full year statement H216 was the low point for the Group's O&G revenue
- OPEC production cuts and consequent oil price increases combined with actions taken on business development by management have contributed to the momentum which continues to build
- Defence work, particularly on the Dreadnought programme will continue to deliver incremental revenue through 2018 and beyond, exact timing of call off orders remains uncertain
- EP business remains hardest hit by the low O&G market volumes. Q417 however saw and upward volume trend from the lowest point in H216

PMC Division operating profit bridge



Increase in Revenue

10.0% LFL*

in 2018 to £5.1 million

Decrease in Gross Margin

1ppt LFL*

in 2018 to 33%

Return on Revenue

12.9%

-4.9ppt from 2017

Revenue per employee

£122k

+12.9% from 2017

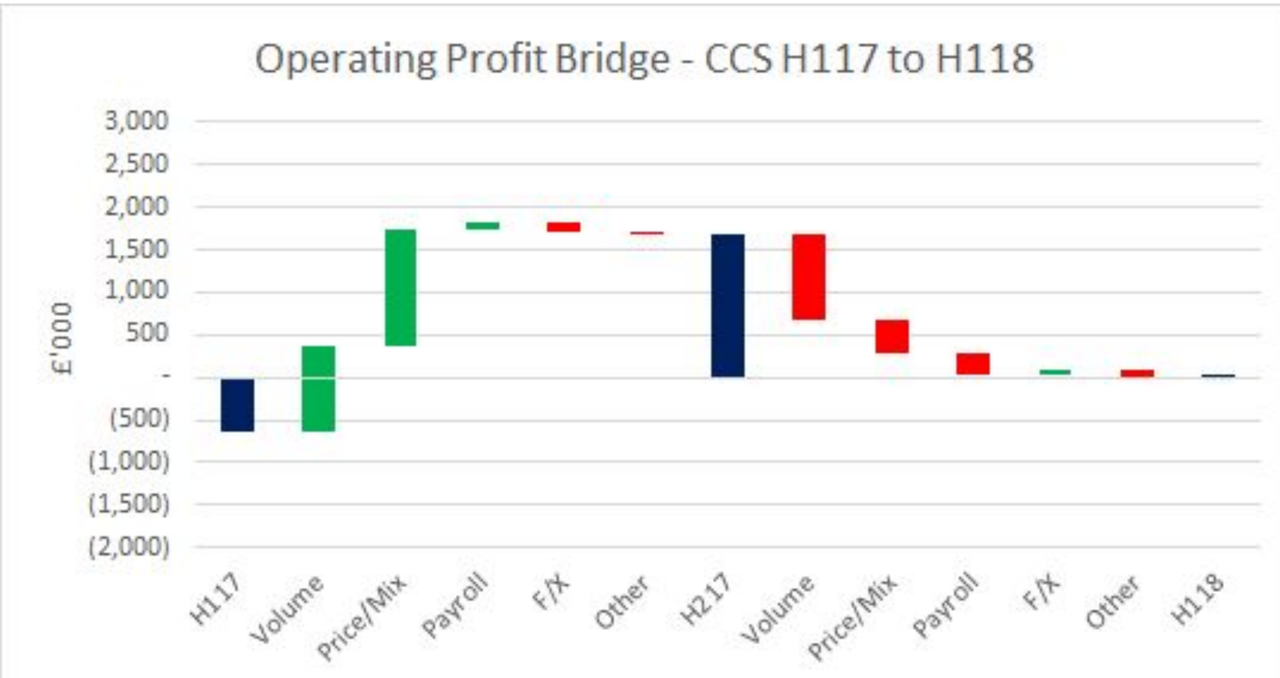
Closing order book up

29%

from March 2017

*excluding impact of Martract acquisition

CSC Division operating profit bridge



Revenue up

24%

To £3.9m (2017: £3.1m)

Increase in Gross Margin

+19ppt

in 2018 to 35% driven predominantly by the mix of work towards defence

Return on Revenue

0.3%

+20.5ppt from 2017

Services revenue

£1.3m

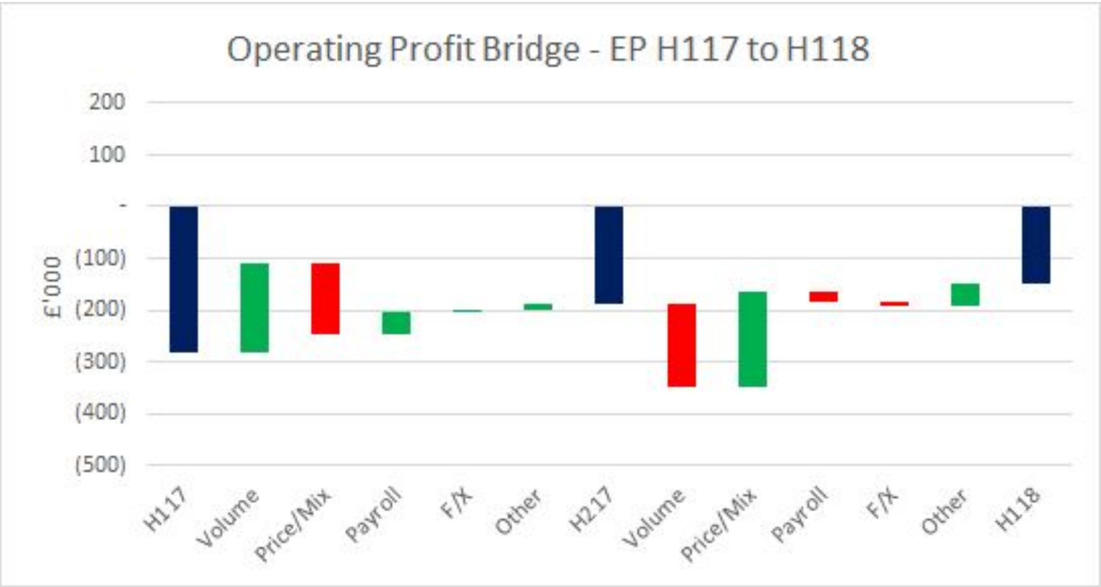
2017: £1.4m

Revenue per employee

£126k

Up 14.7% from 2017

EP Division operating profit bridge



On 7 June 2018, the Group completed the disposal of the entire issued share capital of its subsidiary, Hydratron Limited, to Pryme Group Limited who are majority owned by Simmons Private Equity LP. This business is reported by the Group as the Engineered Products Division.

The initial consideration was £1.1m (less costs and retentions), along with potential deferred contingent consideration up to a maximum of £2.3m, dependent on revenue in the twelve months post completion. Retentions relate to property leases and are expected to be released in 12-18 months time.

A goodwill impairment of £1.7m was recognised as an exceptional charge in the 6 month period ended 31 March 2018 as the disposal was considered to be a fair market value indicator that should be recognised.

Revenue down

1.9%

From 2017

Increase in Gross Margin

6ppt

in 2018 to 31% as a result of continued focus on LEAN operations

Return on Revenue

-8.8%

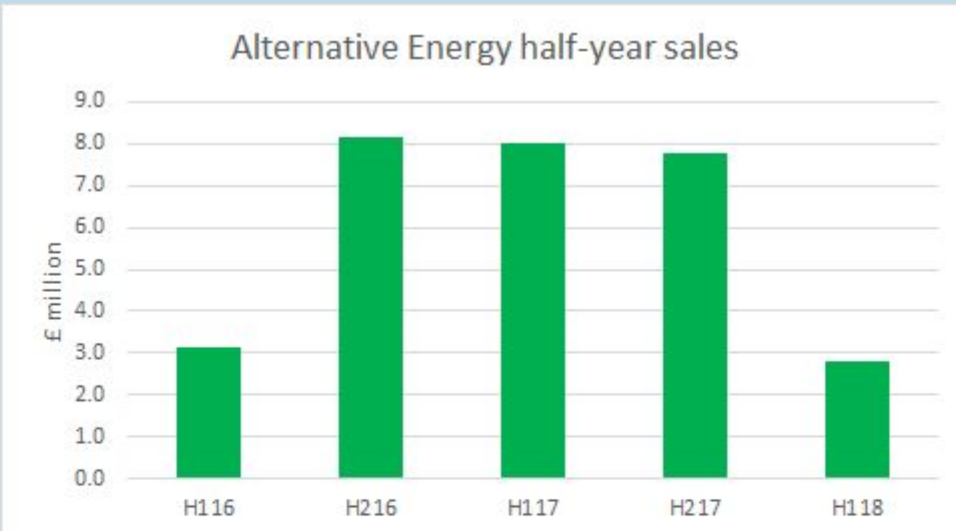
Up 7.6ppt from 2017

Revenue per employee

£127k

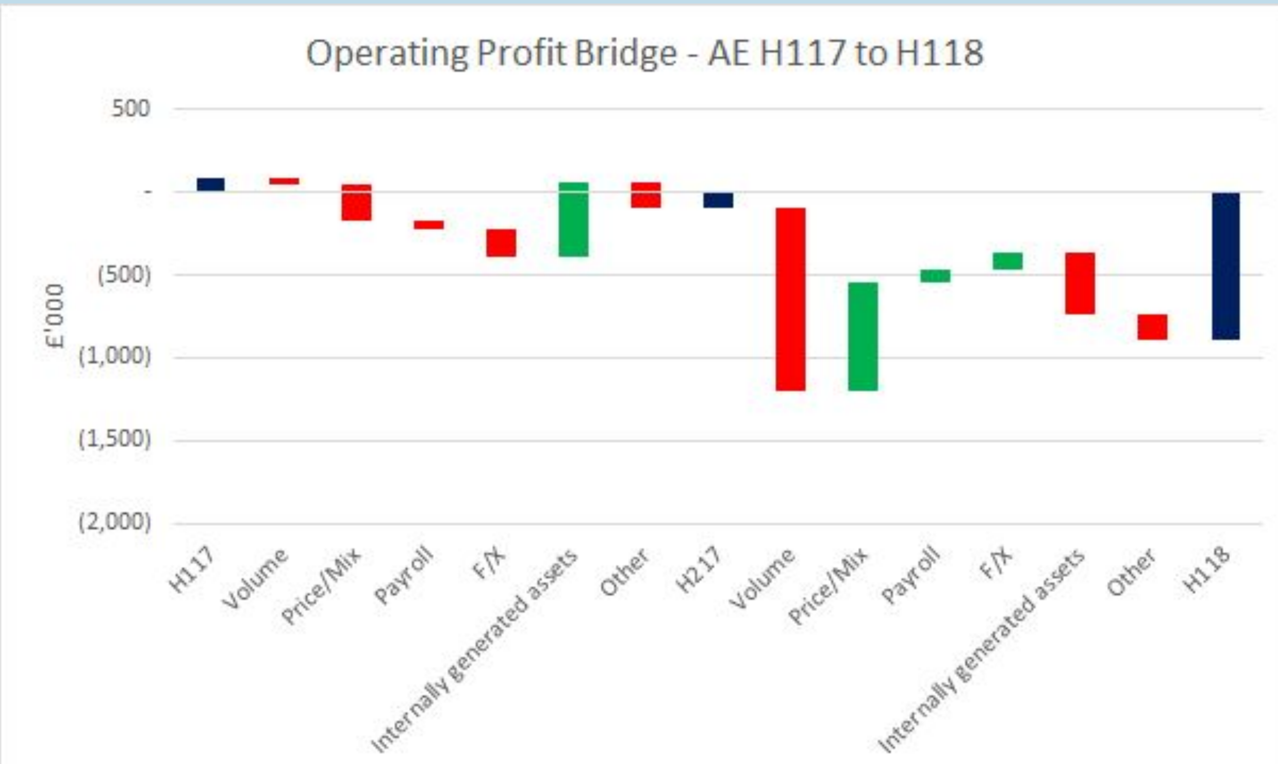
+13.3% from 2017

The AE division has delivered on the £5m order book that was brought forward into 2018



- The AE division has delivered on the £5m upgrader project order book that was brought forward into 2018
- Since the start of the year, three contracts has been secured in the UK, USA and Brazil. A further contract in the UK has been awarded but is pending formal documentation sign-off
- Upgrader project order book going onto the second half of 2018 is £ 7.3m

AE Division operating profit bridge



Revenue down -65% to

£2.8m

Due to slippage of timing of new order wins

Increase in Gross Margin %

3.6ppt

Through improved project management

Return on Revenue

-32.9ppt

From 2017

Revenue per employee

£270k

-23% from 2017

Closing order book

£7.3m

2017: £10.2m

Pressure Technologies

The Group's £15m RCF facility* was £12.3m drawn at the half year date. Leverage has continued to fluctuate with volatility in the AE performance and net investment in working capital as expected in the first half of the financial year.

Net debt: EBITDA leverage	FY18 H1	FY17
Reported last 12m EBITDA	£1.9m	£2.5m
Reported Net Debt	£9.3m	£11.1m
Reported leverage	4.9x	4.4x
Adjusted last 12m EBITDA	£2.4m	£3.3m
Adjusted Net Debt	£8.4m	£10.2m
Facility covenant measured leverage	**3.5x**	**3.1x**
Cash headroom	£1.2m	£1.4m

Adjusted Net Debt	FY18 H1 £m	FY17 £m
Reported Net Debt	9.3	11.1
Less: Non-BoS finance lease debt	(0.9)	(0.9)
Adjusted Net Debt	8.4	10.2

Adjusted EBITDA	FY18 H1 £m	FY17 £m
Reported EBITDA	1.9	2.5
Add: Non-cash accounting items	0.2	0.1
Add: Non-statutory exceptional items	0.3	0.7
Adjusted EBITDA	2.4	3.3

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