Pressure Technologies

PRESSURE TECHNOLOGIES PLC
INTERIM REPORT 2013

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Alan Wilson, Chairman

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Pressure Technologies is an AIM listed, leading designer and manufacturer of speciality engineering solutions for high pressure systems serving large global markets. The Group is organised into three divisions: Cylinders, Engineered Products and Alternative Energy.

HIGHLIGHTS

- Strong growth in revenues and profits
  - Revenue up 30% at £16.4 million (2012: £12.6 million)
  - Pre-tax profit of £1.33 million (2012: £0.46 million)
- Basic earnings per share increased to 8.5p (2012: 3.1p)
- Progressive dividend policy continues: interim dividend of 2.6p per share (2012: 2.5p)
- Strong balance sheet maintained - net cash of £2.7m
- Improving trend in order intake with good opportunities for further growth across all markets
- Ongoing commitment to organic and acquisitive diversification strategy

CHAIRMAN'S STATEMENT

Alan Wilson, Chairman

The interim results show the benefits of the Board's diversification strategy and these, combined with on-going opportunities, give us considerable optimism for the future.

I am delighted to have taken over the chairmanship of Pressure Technologies plc and I look forward to working with the Board on driving growth in the coming years.

On behalf of the Board of Directors, I would like to thank Richard Shacklady for his excellent contribution in chairing the Board of Pressure Technologies since its inception and helping to lead the business to where it is today.

Results

I am pleased to report that revenues for the 26 weeks to 30 March 2013 were £16.4 million (2012: £12.6 million), which returned a pre-tax profit of £1.33 million (2012: £0.46 million) and a return on sales of 8.1% (2012: 3.5%).

The Group's balance sheet remains strong with £2.7m of net cash. The strength of the balance sheet combined with the positive trading outlook has allowed the Board to continue with its progressive dividend policy. An interim dividend of 2.6p per share (2012: 2.5p) will be paid on 8 August 2013 to shareholders on the share register at the close of business on 12 July 2013.

Cylinders

The primary driver for the overall growth in sales and profits was the Group's Cylinders division. The continued recovery in our offshore oil and gas activity, coupled with strong activity in defence, resulted in significant sales and profit growth that was ahead of our expectations. We have seen the benefit of our move to focus on more complex, higher value added opportunities and the provision of services, such as in-situ testing, into this market.

Within oil and gas, the number of new rig build projects is ahead of the comparable period last year. As anticipated, however, this has slowed and we continue to expect a lower level of activity from the second half onwards. In other areas of oil and gas, including diving support and motion compensated winch systems, we are enjoying high levels of activity and we expect this to continue.

Overall, cylinder sales for the financial year into this market are expected to be broadly in line with 2012 but spread across a wider range of products and customers.

Chesterfield Special Cylinders is the principal supplier of high pressure cylinders for use on naval vessels in the European defence market. Our order book at the half year end was already 33% higher than the prior year and investment in global naval infrastructure is leading to new opportunities in the European market. We are confident of securing new customers in this sector.

Engineered Products
Al-Met experienced strong demand for wear parts in the subsea tree market. The four largest subsea tree manufacturers have reported record order books as a result of substantial capital spending on deepwater project developments. This has already had a very positive impact on Al-Met's revenues and profits and there is scope for Al-Met to gain a greater market share.

First quarter order placement at Hydratron was lower than anticipated and adversely impacted first half results. A dramatic increase in orders was experienced in the second quarter and I am pleased to report that this trend has continued. We see strong potential for new and existing Hydratron products in the global oil and gas market and, accordingly, we have invested significantly in people and new product development during the period, both in the UK and USA.

The Board remains excited by the growth prospects for this division.

Alternative Energy
Chesterfield BioGas delivered a biogas upgrader in Stockport and received a number of high value project opportunities in the first half. The placement of orders has been delayed primarily by a regulatory issue, allowable oxygen levels in biomethane for injection to the UK gas Grid, which was satisfactorily resolved on 24 May 2013.

Outlook
Overall market conditions within our dominant sector, offshore oil and gas, remain buoyant; global exploration and production spending is expected to reach a record US$644 billion in 2013 - up 7% on the previous year. Looking to the longer term, we have been monitoring the developments in the North American Light Tight Oil sector. We are also monitoring the hydraulic fracturing market in North America and the UK, to assess where opportunities for our products and technology development may arise.

The Board believes that opportunities across all the Group's markets are good. Our ongoing investment in new products and services will broaden our customer spread and ensure that the Group is well positioned to deliver further growth.

Alongside our focus on organic growth, we have explored a number of acquisition opportunities in the first half. As yet, none have fulfilled the Board's risk versus reward criteria and further opportunities are being evaluated.

The interim results show the benefits of the Board's diversification strategy and these, combined with on-going opportunities, give us considerable optimism for the future.

Alan Wilson
Chairman
11 June 2013

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 26 weeks ended 30 March 2013

	Note	**Unaudited 26 weeks ended 30 March 2013 £'000**	Unaudited 26 weeks ended 31 March 2012 £'000	Audited 52 weeks ended 29 September 2012 £'000
Revenue	2	**16,412**	12,639	30,442
Cost of sales		**(11,691)**	(9,391)	(22,704)
Gross profit		**4,721**	3,248	7,738
Administration expenses		**(3,301)**	(2,708)	(5,788)
Operating profit pre acquisition costs and related amortisation		**1,420**	540	1,950
Acquisition costs and related amortisation		**(93)**	(95)	(190)
Operating profit post acquisition costs and related amortisation		**1,327**	445	1,760
Finance income		**5**	16	27
Finance cost		**(5)**	(5)	(9)
Profit before taxation		**1,327**	456	1,778
Taxation	3	**(356)**	(109)	(507)
Profit for the financial period		**971**	347	1,271
Other comprehensive income		**69**	5	9
Total comprehensive income for the period		**1,040**	352	1,280
Earnings per share – basic	4	8.5p	3.1p	11.2p
Earnings per share – diluted	4	8.5p	3.1p	11.2p

CONDENSED CONSOLIDATED BALANCE SHEET

For the 26 weeks ended 30 March 2013

	Unaudited 30 March 2013 £'000	Unaudited 31 March 2012 £'000	Audited 29 September 2012 £'000
Non-current assets			
Goodwill	**1,964**	1,964	1,964
Intangible assets	**1,350**	1,805	1,478
Property, plant and equipment	**4,623**	4,458	4,654
Deferred tax asset	**111**	224	110
Trade and other receivables	**157**	327	152
	8,205	8,778	8,358
Current assets			
Inventories	**6,795**	6,053	6,922
Trade and other receivables	**9,550**	6,036	7,257
Cash and cash equivalents	**2,689**	3,505	2,693
	19,034	15,594	18,872
Total assets	**27,239**	24,372	25,230
Current liabilities			
Trade and other payables	**(8,824)**	(7,489)	(7,651)
Derivative financial instruments	**(127)**	—	(23)
Borrowings	**—**	(19)	(6)
Current tax liabilities	**(501)**	(71)	(252)
	(9,452)	(7,579)	(7,932)
Non-current liabilities			
Other payables	**(633)**	(703)	(655)
Deferred tax liabilities	**(593)**	(722)	(588)
	(1,226)	(1,425)	(1,243)
Total liabilities	**(10,678)**	(9,004)	(9,175)
Net assets	**16,561**	15,368	16,055
Equity			
Share capital	**568**	567	568
Share premium account	**5,387**	5,369	5,378
Translation reserve	**75**	2	6
Profit and loss account	**10,531**	9,430	10,103
Total equity	**16,561**	15,368	16,055

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 26 weeks ended 30 March 2013

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Translation reserve £'000	Total equity £'000
Balance at 29 September 2012 (audited)	568	5,378	10,103	6	16,055
Dividends	—	—	(568)	—	(568)
Share based payments	—	—	25	—	25
Shares issued	—	9	—	—	9
Transactions with owners	—	9	(543)	—	(534)
Profit for the period	—	—	971	—	971
Exchange gains arising on retranslation of foreign operations	—	—	—	69	69
Balance at 30 March 2013 (unaudited)	**568**	**5,387**	**10,531**	**75**	**16,561**

For the 26 weeks ended 31 March 2012

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Translation reserve £'000	Total equity £'000
Balance at 1 October 2011 (audited)	567	5,369	9,605	(3)	15,538
Dividends	—	—	(545)	—	(545)
Share based payments	—	—	23	—	23
Transactions with owners	—	—	(522)	—	(522)
Profit for the period	—	—	347	—	347
Exchange differences arising on retranslation of foreign operations	—	—	—	5	5
Balance at 31 March 2012 (unaudited)	**567**	**5,369**	**9,430**	**2**	**15,368**

For the 52 weeks ended 29 September 2012

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Translation reserve £'000	Total equity £'000
Balance at 1 October 2011 (audited)	567	5,369	9,605	(3)	15,538
Dividends	—	—	(829)	—	(829)
Share based payments	—	—	56	—	56
Shares issued	1	9	—	—	10
Transactions with owners	1	9	(773)	—	(763)
Profit for the period	—	—	1,271	—	1,271
Exchange differences arising on retranslation of foreign operations	—	—	—	9	9
Balance at 29 September 2012 (audited)	**568**	**5,378**	**10,103**	**6**	**16,055**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited 26 weeks ended 30 March 2013 £'000	Unaudited 26 weeks ended 31 March 2012 £'000	Audited 52 weeks ended 29 September 2012 £'000
Cash flows from operating activities			
Profit after taxation	**971**	347	1,271
Adjustments for:			
Depreciation	**326**	277	639
Finance (income)/costs – net	**—**	(11)	(18)
Amortisation of intangible assets	**128**	157	484
Loss/(profit) on disposal of fixed assets	**6**	15	(1)
Share option costs	**25**	23	56
Taxation expense recognised in income statement	**356**	109	507
Loss on derivative financial instruments	**104**	—	23
Foreign exchange movement	**69**	—	9
Decrease/(increase) in inventories	**127**	(1,041)	(1,910)
(Increase)/decrease in trade and other receivables	**(2,298)**	448	(589)
Increase in trade and other payables	**1,153**	1,593	2,102
Cash generated from operations	**967**	1,917	2,573
Finance costs paid	**(5)**	(5)	(9)
Income tax paid	**(103)**	(277)	(514)
Net cash from operating activities	**859**	1,635	2,050
Cash flows from investing activities			
Finance income received	**—**	—	2
Purchase of property, plant and equipment	**(301)**	(161)	(727)
Proceeds from sale of fixed assets	**3**	60	84
Deferred purchase consideration	**—**	(400)	(800)
Net cash flow used in investing activities	**(298)**	(501)	(1,441)
Cash flows from financing activities			
Repayment of borrowings	**(6)**	(23)	(36)
Shares issued	**9**	—	10
Dividends paid	**(568)**	(545)	(829)
Net cash used for financing activities	**(565)**	(568)	(855)
Net (decrease)/increase in cash and cash equivalents	**(4)**	566	(246)
Cash and cash equivalents at beginning of period	**2,693**	2,939	2,939
Cash and cash equivalents at end of period	**2,689**	3,505	2,693

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The Group's interim results for the 26 weeks ended 30 March 2013 are prepared in accordance with the Group's accounting policies which are based on the recognition and measurement principles of International Financial Reporting Standards ("IFRS") as adopted by the EU and effective, or expected to be adopted and effective, at 28 September 2013. The principal accounting policies of the Group have remained unchanged from those set out in the Group's 2012 annual report and financial statements. The Group's 2012 financial statements received an unqualified audit report, did not contain statements under Sections 498(2) or (3) of the Companies Act 2006 and have been filed with the Registrar of Companies. As permitted, this interim report has been prepared in accordance with the AIM rules and not in accordance with IAS34 "Interim financial reporting".

The financial information for the 26 weeks ended 30 March 2013 and 31 March 2012 has not been audited and does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006. The unaudited interim financial statements were approved by the Board of Directors on 11 June 2013.

The consolidated financial statements are prepared under the historical cost convention as modified to include the revaluation of financial instruments. The statutory accounts for the 52 weeks ended 29 September 2012, which were prepared under IFRS, have been filed with the Registrar of Companies.

2. Segmental analysis

Revenue by destination

	Unaudited 26 weeks ended 30 March 2013 £'000	Unaudited 26 weeks ended 31 March 2012 £'000	Audited 52 weeks ended 29 September 2012 £'000
United Kingdom	**5,942**	4,185	10,307
Other EU	**2,995**	2,979	4,275
Rest of World	**7,475**	5,475	15,860
	16,412	12,639	30,442

Revenue by origin

All turnover originates in the United Kingdom except for £994,000 (2012 interim - £897,000, 2012 year end - £2,221,000) which originates in America. Turnover of £68,000 originated in Australia during the 2012 interim period and 2012 year end.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

2. Segmental analysis continued

Revenue by sector

	Unaudited 26 weeks ended 30 March 2013 £'000	Unaudited 26 weeks ended 31 March 2012 £'000	Audited 52 weeks ended 29 September 2012 £'000
Defence	**1,805**	933	2,190
Oil and gas	**12,741**	10,260	24,051
Industrial gases	**969**	1,297	3,888
Alternative Energy	**897**	149	313
	16,412	12,639	30,442

Revenue by activity

	Unaudited 26 weeks ended 30 March 2013 £'000	Unaudited 26 weeks ended 31 March 2012 £'000	Audited 52 weeks ended 29 September 2012 £'000
Cylinders	**8,468**	6,020	16,306
Alternative Energy	**897**	149	224
Engineered Products	**7,047**	6,470	13,912
	16,412	12,639	30,442

Profit/(loss) before taxation by activity

	Unaudited 26 weeks ended 30 March 2013 £'000	Unaudited 26 weeks ended 31 March 2012 £'000	Audited 52 weeks ended 29 September 2012 £'000
Cylinders	**1,801**	720	2,329
Alternative Energy	**(85)**	(197)	(494)
Engineered Products	**214**	374	819
Unallocated central costs	**(603)**	(441)	(876)
	1,327	456	1,778

The profit before taxation by activity is stated before the allocation of Group management charges.

3. Taxation

	Unaudited 26 weeks ended 30 March 2013 £'000	Unaudited 26 weeks ended 31 March 2012 £'000	Audited 52 weeks ended 29 September 2012 £'000
Current tax	**352**	158	576
Deferred taxation	**4**	(49)	(69)
Taxation charged to the income statement	**356**	109	507

4. Earnings per ordinary share

The calculation of the basic earnings per share is based on the earnings attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period.

The calculation of diluted earnings per share is based on the basic earnings per share, adjusted to allow for the issue of shares on the assumed conversion of all dilutive options.

	Unaudited 26 weeks ended 30 March 2013 £'000	Unaudited 26 weeks ended 31 March 2012 £'000	Audited 52 weeks ended 29 September 2012 £'000
Profit after tax	**971**	347	1,271

	Number of shares	Number of shares	Number of shares
Weighted average number of shares in issue	**11,360,232**	11,349,540	11,350,099
Dilutive effect of options	**35,543**	14,570	—
Diluted weighted average number of shares	**11,395,775**	11,364,110	11,350,099
Earnings per share – basic	**8.5p**	3.1p	11.2p
Earnings per share – diluted	**8.5p**	3.1p	11.2p

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

5. Dividends

The final dividend for the 52 weeks ended 1 October 2011 of 4.8p per share was paid on 9 March 2012.

The interim dividend for the 52 weeks ended 29 September 2012 of 2.5p per share was paid on 6 August 2012.

The final dividend for the 52 weeks ended 29 September 2012 of 5.0p per share was paid on 8 March 2013.

An interim dividend for the 52 weeks period ending on 28 September 2013 of 2.6p per share will be paid on 8 August 2013 to shareholders on the share register at the close of business on 12 July 2013.

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FSC® C022913
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