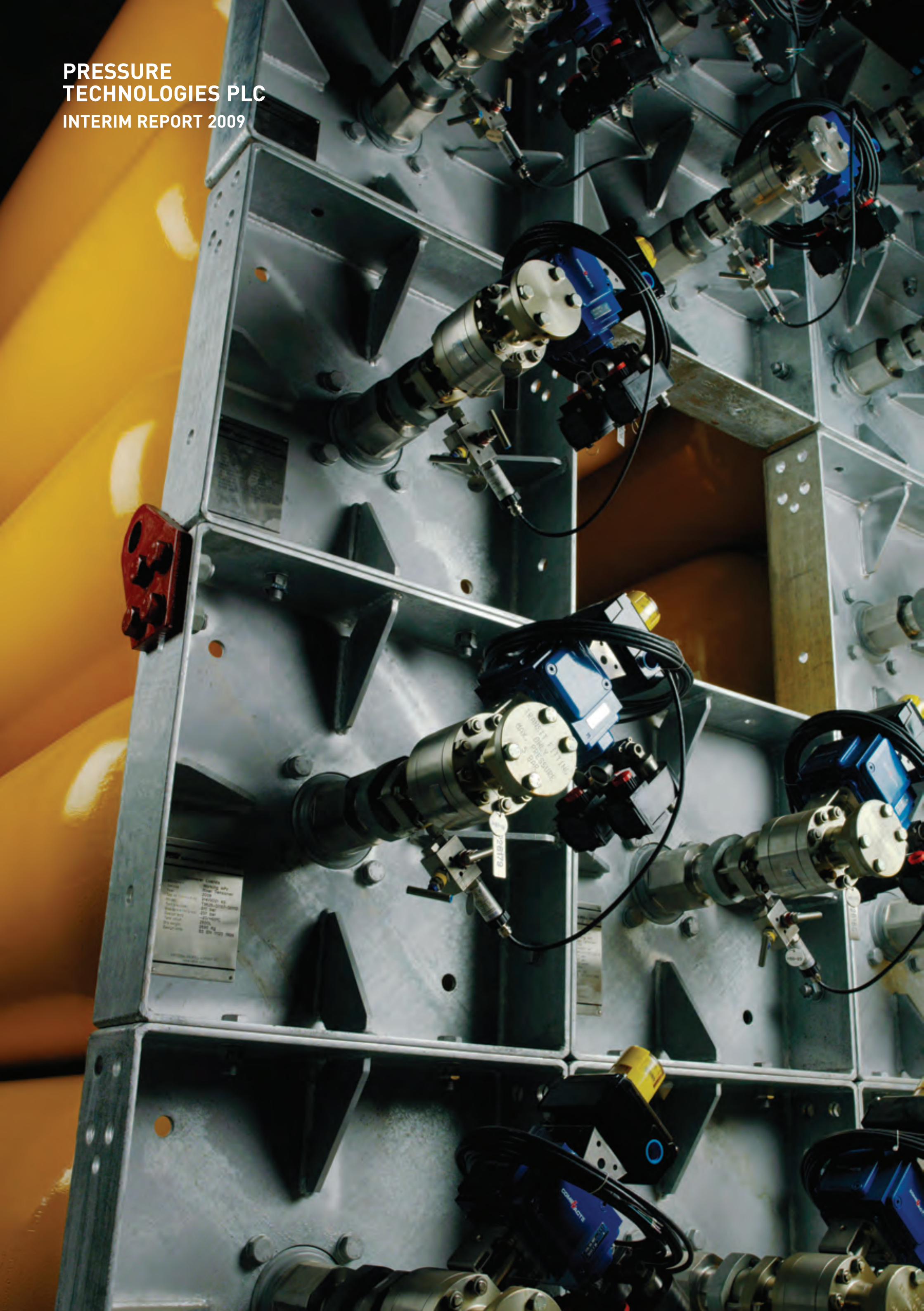
PRESSURE TECHNOLOGIES PLC

INTERIM REPORT 2009



PRESSURE TECHNOLOGIES PLC

I AM PLEASED TO REPORT THAT THE GROUP IS DISPLAYING ITS RESILIENCE AND HAS ACHIEVED A SOLID SET OF RESULTS FOR THE FIRST HALF OF THE CURRENT FINANCIAL YEAR, DESPITE THE GLOBAL ECONOMIC CRISIS AND SOME WEAKENING IN OUR KEY MARKETS.

RICHARD L SHACKLADY

CONTENTS

KEY POINTS

- RESULTS FOR FULL YEAR EXPECTED TO BE BROADLY IN LINE WITH MARKET EXPECTATIONS
- SUBSTANTIAL ORDER BOOK OF £21 MILLION (2008: £18 MILLION), DESPITE WEAKENING MARKETS
- NEW PRODUCT AND SERVICE DEVELOPMENTS PROGRESSED
- M&A SPECIALIST APPOINTED SINCE HALF YEAR END
- MEDIUM TO LONG TERM PROSPECTS REMAIN STRONG, DESPITE SHORT TERM ISSUES AFFECTING 2010
- PIPELINE OF OPEN QUOTATIONS IN CORE BUSINESS AND INTEREST IN BIOGAS PRODUCTS VERY HEALTHY

FINANCIAL HIGHLIGHTS

- REVENUE INCREASED TO £12.7 MILLION (2008: £11.7 MILLION)
- UNDERLYING OPERATING PROFIT, BEFORE ONE-OFF COSTS AND EXCHANGE RATE LOSS, OF £2.6 MILLION (2008: £2.1 MILLION)
- PRE-TAX PROFIT UNCHANGED AT £2.4 MILLION
- BASIC EARNINGS PER SHARE OF 15.5P (2008: 15.0P)
- STRONG, UNGEARED BALANCE SHEET - CASH AT BANK £6.1 MILLION (2008: £3.0 MILLION)
- PROGRESSIVE DIVIDEND POLICY - INTERIM DIVIDEND AT 2.2P PER SHARE (2008: 2.0P) - UP 10%

8.5% ↑

REVENUE 2009: £12.7M

23.8% ↑

UNDERLYING OPERATING PROFIT 2009: £2.6M

3.3% ↑

EPS-BASIC 2009: 15.5P

CHAIRMAN'S STATEMENT

I am pleased to report that the Group is displaying its resilience and has achieved a solid set of results for the first half of the current financial year, despite the global economic crisis and some weakening in our key markets.

FINANCIAL HIGHLIGHTS

In the six months to 28 March 2009, revenue increased by 9% to £12.7 million (2008: £11.7 million). Whilst volumes have remained at the same level as the first half of last year, underlying operating profits at £2.6 million (2008: £2.1 million) benefited from a favourable product mix.

At a reported level, the results were impacted by one-off costs incurred in the establishment of Chesterfield BioGas of £0.1 million and an IAS 39 exchange loss of £0.1 million (2008: gain £0.2 million). Overall, operating profit at a reported level improved marginally to £2.4 million (2008: £2.3 million). Profit before taxation remained unchanged at £2.4 million. Earnings per share rose to 15.5p (2008: 15.0p).

Given our strong balance sheet, the Board is pleased to announce an increase in the interim dividend to 2.2 pence per share (2008: 2.0 pence) in line with our progressive dividend policy. This will be paid on 10 August 2009 to shareholders on the register at the close of business on 10 July 2009. The ex-dividend date will be 8 July 2009.

REVIEW OF OPERATIONS

Trading in our main market, the oil and gas sector, was broadly in line with the corresponding half year period in 2008 with sales in this sector representing around 79% of total revenues. It is pleasing to note that our two major customers now account for less than 70% of total Group revenues (2008: 74%), as business with other customers has grown successfully.

Recent weakening of the oil and gas market has had no impact on orders for delivery in the current financial year. Whilst our order book remains substantial, there is no doubt that order visibility in the oil and gas sector has been reduced, with lead times shortening as customers delay decisions to the last possible moment.

Since the half year end, we failed to secure £4 million of oil and gas contracts, relating to the 2010 financial year. This was due to protectionist policies in South East Asia. We expect this loss of business in 2010 to be partially offset by contract wins in our new biogas division.

Our activity in the export defence markets increased significantly with the value of orders delivered in the period under review rising by 50%. Negotiations on the next phase of the Astute submarine programme were advanced, although the UK defence market generally remained subdued. Sales to the aerospace sector also improved substantially (up 25%) but there was a distinct reduction in future orders placed during the first half, as a result of UK defence budget cuts on spares and cutbacks in executive jet building.

The industrial gas trailer and refurbishment business continues to develop positively. Sales doubled in the first half, when compared with the corresponding period in 2008, in line with our internal budgets. We continue to target new customers in this sector and expect further improvement in 2010.

Since the half year end, we have appointed a new business manager to focus on developing our small cylinder business unit, which includes aerospace, industrial gases, factored products and retest and reconditioning.

Our newly established compressed natural gas business, Chesterfield BioGas, was very active in the period under review. In November 2008, the Group secured an exclusive licence agreement with Greenlane® Biogas Limited for the manufacture and distribution of biogas upgrade equipment in the UK and Eire. Projects totalling over £10 million have since been identified. These are for delivery between 2010 and 2012 and have reached varying stages of the quotation process.

Pressure Technologies is flexible and responsive and we were able to react quickly to the changing needs of our customers and the move to shorter lead times experienced during the period. We are also responding rapidly to changes in market conditions. Further manufacturing efficiencies have been made since the half year end, with a reduction in headcount of six in April 2009, and the Group is investing in additional sales personnel, focused on new business opportunities in ultra large and small cylinders, in the second half.

STRATEGY

Our strategy to penetrate key growth sectors, notably global energy and high pressure gases markets, and to establish a presence in new niche markets, acquiring businesses which offer synergistic benefits in related niche sectors, is progressing.

In March 2009, we recruited an experienced M&A specialist to support the Board in its diversification by acquisition strategy.

The Group is committed to its R&D programmes. We are making real headway in the development of a composite cylinder product and have made further progress on our in-situ cylinder testing service, which we now believe has wider applications than just oil and gas as originally envisaged.

PEOPLE

We continued to strengthen our technical and second tier specialist management, appointing an additional designer and a non-destructive testing specialist in CSC and a gas engineer in Chesterfield BioGas. It is pleasing to note the ongoing commitment of all our employees to vocational improvement training programmes, as well as College and University courses.

PROSPECTS

The Group's results for the full year ending 3 October 2009 are expected to be broadly in line with market forecasts.

We entered the second half of the financial year with a forward order book, stretching through 2009 and into 2010, of £21 million (2008: £18 million). The pipeline of open quotations for worldwide projects in our core business and interest in the Group's new biogas products are very healthy. However, due to competitive pressures in the oil and gas sector, and the reduced order visibility, the Board is prudently anticipating that revenues for 2010 are likely to be slightly lower than those of the current financial year.

Despite the short term issues, the Directors are confident that the Group's prospects in the medium to long term remain strong.

RICHARD L SHACKLADY
Chairman
8 June 2009

I AM PLEASED TO REPORT THAT THE GROUP IS DISPLAYING ITS RESILIENCE AND HAS ACHIEVED **A SOLID SET OF RESULTS** FOR THE FIRST HALF OF THE CURRENT FINANCIAL YEAR, DESPITE THE GLOBAL ECONOMIC CRISIS AND SOME WEAKENING IN OUR KEY MARKETS.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Notes	**Unaudited Six months ended 28 March 2009 £000**	Unaudited Six months ended 29 March 2008 £000	Audited Year ended 27 September 2008 £000
Revenue	2	**12,735**	11,674	23,660
Cost of sales		**(8,789)**	(7,964)	(16,150)
Gross profit		**3,946**	3,710	7,510
Administration expenses		**(1,568)**	(1,363)	(2,578)
Operating profit		**2,378**	2,347	4,932
Finance income		**74**	88	155
Finance costs		**(8)**	(13)	(41)
Profit before taxation		**2,444**	2,422	5,046
Taxation	3	**(685)**	(719)	(1,465)
Profit for the financial period		**1,759**	1,703	3,581
Earnings per share basic	4	**15.5p**	15.0p	31.6p
Earnings per share – diluted	4	**15.5p**	15.0p	31.5p

CONDENSED CONSOLIDATED BALANCE SHEET

	Unaudited 28 March 2009 £000	Unaudited 29 March 2008 £000	Audited 27 September 2008 £000
Non-current assets			
Property, plant and equipment	**2,146**	1,898	2,043
Deferred tax asset	**80**	62	76
	2,226	1,960	2,119
Current assets			
Inventories	**7,284**	5,754	6,527
Trade and other receivables	**4,802**	6,624	3,125
Derivative financial instruments	**55**	322	110
Cash and cash equivalents	**6,100**	3,025	6,091
	18,241	15,725	15,853
Total assets	**20,467**	17,685	17,972
Current liabilities			
Trade and other payables	**(6,200)**	(6,208)	(4,731)
Current portion of long-term borrowings	**(80)**	(80)	(80)
Current tax liabilities	**(704)**	(1,016)	(846)
	(6,984)	(7,304)	(5,657)
Non-current liabilities			
Other payables	**(618)**	(336)	(695)
Long-term borrowings	**(120)**	(200)	(160)
Deferred tax liabilities	**(272)**	(341)	(293)
	(1,010)	(877)	(1,148)
Total liabilities	**(7,994)**	(8,181)	(6,805)
Net assets	**12,473**	9,504	11,167
Equity			
Share capital	**567**	567	567
Share premium account	**5,341**	5,341	5,341
Retained earnings	**6,565**	3,596	5,259
Total equity	**12,473**	9,504	11,167

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	Unaudited Six months ended 28 March 2009 £000	Unaudited Six months ended 29 March 2008 £000	Audited Year ended 27 September 2008 £000
Cash flows from operating activities			
Profit after taxation	**1,759**	1,703	3,581
Adjustments for:			
Depreciation	**114**	88	200
Finance income – net	**(66)**	(75)	(114)
Profit on disposal of property, plant and equipment	**—**	(19)	(19)
Gain on early repayment of deferred consideration	**(20)**	—	—
Share option costs	**8**	6	17
Taxation expense recognised in income statement	**685**	719	1,465
Loss/(gain) on derivative financial instruments	**55**	(244)	(32)
Increase in inventories	**(757)**	(1,204)	(1,977)
(Increase)/decrease in trade and other receivables	**(1,677)**	(3,469)	30
Increase/(decrease) in trade and other payables	**1,519**	860	(542)
Increase/(decrease) in non-current other payables	**15**	(112)	272
Cash generated from/(used for) operations	**1,635**	(1,747)	2,881
Finance costs paid	**(8)**	(13)	(41)
Income tax paid	**(852)**	—	(977)
Net cash from/(used for) operating activities	**775**	(1,760)	1,863
Cash flows from investing activities			
Finance income received	**74**	88	155
Purchase of property, plant and equipment	**(217)**	(294)	(551)
Proceeds from sale of equipment	**—**	101	101
Payment of deferred consideration	**(130)**	—	(100)
Net cash flow used in investing activities	**(273)**	(105)	(395)
Cash flows from financing activities			
Financing			
Repayment of borrowings	**(40)**	(40)	(80)
Dividends paid	**(453)**	—	(227)
Net cash used for financing activities	**(493)**	(40)	(307)
Net increase/(decrease) in cash and cash equivalents	**9**	(1,905)	1,161
Cash and cash equivalents at beginning of period	**6,091**	4,930	4,930
Cash and cash equivalents at end of period	**6,100**	3,025	6,091

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. Basis of preparation

The Group's interim results for the six month period ended 28 March 2009 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 3 October 2009. The principal accounting policies of the Group have remained unchanged from those set out in the Group's 2008 annual report and financial statements. As permitted, this interim report has been prepared in accordance with the AIM rules and not in accordance with IAS34 "Interim financial reporting".

These interim results do not constitute full statutory accounts within the meaning of section 240(5) of the Companies Act 1985 and are unaudited. The unaudited interim financial statements were approved by the Board of Directors on 8 June 2009. The interim financial statements have been reviewed by the company's auditors. A copy of the auditor's review report is attached to this interim report.

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 year ended 27 September 2008, which were prepared under IFRS, have been filed with the Registrar of Companies. These statutory accounts carried an unqualified auditor's report and did not contain a statement under either Section 237(2) or (3) of the Companies Act 1985.

2. Segmental analysis

Revenue by destination

	Unaudited Six months ended 28 March 2009 £000	Unaudited Six months ended 29 March 2008 £000	Audited Year ended 27 September 2008 £000
United Kingdom	**3,761**	1,642	2,770
Other EU	**6**	730	2,134
Rest of World	**8,968**	9,302	18,756
	12,735	11,674	23,660

All turnover originates in the United Kingdom.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

3. Taxation

	Unaudited Six months ended 28 March 2009 £000	Unaudited Six months ended 29 March 2008 £000	Audited Year ended 27 September 2008 £000
Current tax	**710**	654	1,461
Deferred taxation	**(25)**	65	4
Taxation charged to the income statement	**685**	719	1,465

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 year.

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 Six months ended 28 March 2009 £000	Unaudited Six months ended 29 March 2008 £000	Audited Year ended 27 September 2008 £000
Profit after tax	**1,759**	1,703	3,581
	Number of shares	Number of shares	Number of shares
Weighted average number of shares in issue (used for basic earnings per share)	**11,333,620**	11,333,620	11,333,620
Dilutive effect of options issued 30 November 2007	**47,635**	39,465	47,958
Diluted weighted average number of shares (used for diluted earnings per share)	**11,381,255**	11,373,085	11,381,578
Earnings per share - basic	**15.5p**	15.0p	31.6p
Earnings per share - diluted	**15.5p**	15.0p	31.5p

5. Dividend

The final dividend for the period to 27 September 2008 of 4.0p per share was paid on 12 March 2009.

An interim dividend of 2.2p per share will be paid on 10 August 2009 to shareholders on the register at the close of business on 10 July 2009.

6. Availability of Interim Report

A copy of the Interim Report will be sent to shareholders shortly, and will be available on the company's website: www.pressuretechnologies.co.uk.

INDEPENDENT REVIEW REPORT TO PRESSURE TECHNOLOGIES PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the interim report for the six months ended 28 March 2009 which comprises of the Condensed Consolidated Interim Income Statement, Condensed Consolidated Balance Sheet, Condensed Consolidated Interim Cash Flow Statement and the Notes to the Condensed Consolidated Interim Financial Statements. We have read the other information contained in the interim report which comprises only of the Chairman's statement and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusion we have formed.

Directors' responsibilities

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report.

The accounting policies are consistent with those that the directors intend to use in the next annual financial statements.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the interim report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the interim report for the six months ended 28 March 2009 is not prepared, in all material respects, in accordance with International Accounting Standards as adopted by the European Union and in accordance with the basis of accounting described in note 1.

Grant Thornton UK LLP
Chartered Accountants
Birmingham, England
8 June 2009

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