Pressure Technologies

Interim Results 2021

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Group Highlights

INTERIM RESULTS

- Overall Group revenue of £14.5 million (2020: £13.9 million) and adjusted operating profit* of £1.1 million (2020: £0.1 million adjusted operating loss)
- Strong performance from Chesterfield Special Cylinders (CSC) more than offsetting continued weakness in Precision Machined Components (PMC)
- Strong defence order book underpinned a 79% increase in revenue for CSC and an increase in adjusted EBITDA** to £3.3 million (2020: £0.7 million)
- Oil and gas trading conditions resulted in a 58% reduction in revenue for PMC and a negative adjusted EBITDA** of £0.6 million (2020: positive EBITDA £0.7 million)

** Adjusted operating profit is operating profit before amortisation, impairments and other exceptional items*

*** Adjusted EBITDA is operating profit/(loss) before depreciation, amortisation, impairments and other exceptional items*

OPERATIONAL HIGHLIGHTS

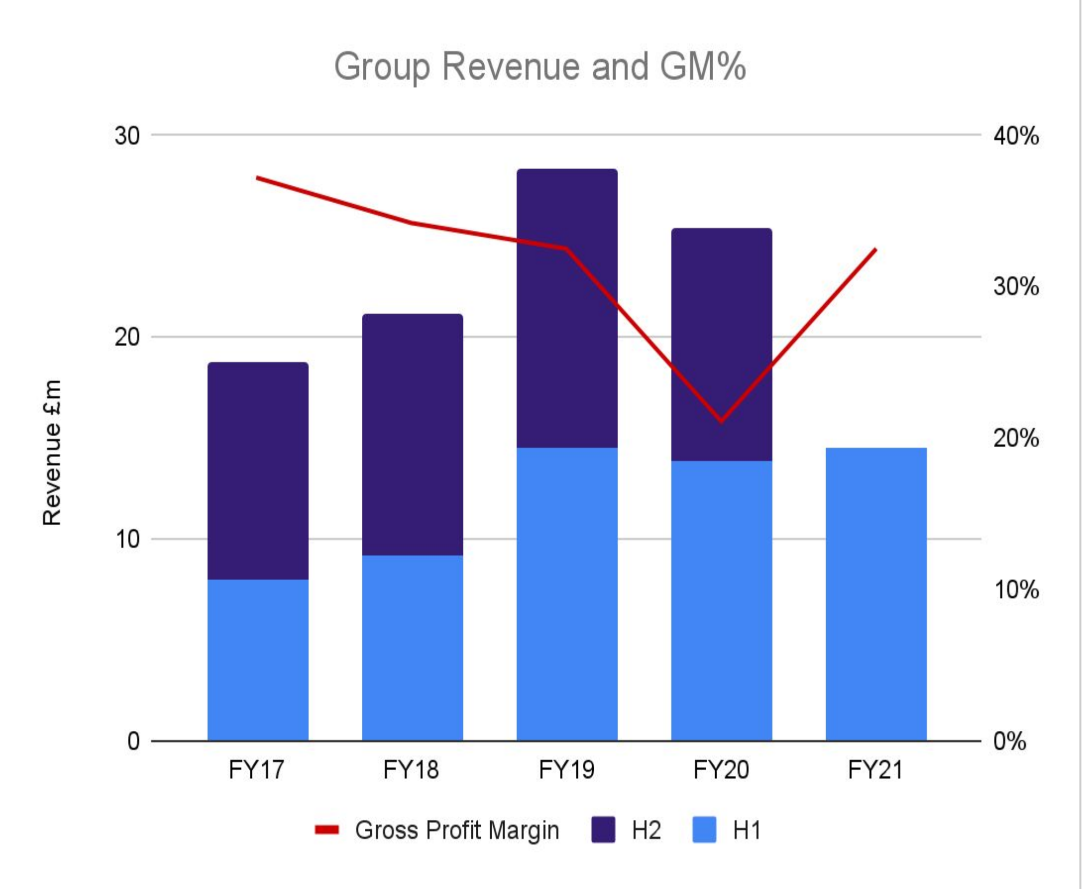
- Momentum gathering in the fast-developing hydrogen energy market, with over £1.4 million of refuelling station contract wins since December 2020 and improving visibility of future demand
- First hydrogen storage order placed by Shell under the five-year framework agreement announced in June 2020. Second order expected imminently, both are for European refuelling station projects
- Investment in people and production facilities to support hydrogen growth has continued at the CSC Sheffield site and will deliver significant capacity increases by the end of 2022
- Long-term supply agreement established with steel tube manufacturer, Vallourec and strategic stock orders placed to meet hydrogen-related demand outlook and lead times
- PMC order book at May 2021 reached the highest level since October 2020 and OEM customers are reporting an improving outlook for the second half of 2021 and a steady recovery in 2022
- Long-term global supply agreement established by PMC with Schlumberger Technology Corporation, covering a wide range of precision machined parts for oilfield service applications

Group Financial Results

Revenue 4% increase	Gross profit
£14.5m	**£4.7m**
(2020: £13.9m)	(2020: £4.0m)

Adjusted operating profit*	Profit before taxation
£1.1m	**£0.2m**
(2020: £0.1m adjusted operating loss)	(2020: £1.5m loss before taxation)

Operating cash outflow**	Closing Total Net Cash***
-£1.4m	**£0.2m**
(2020: £2.0m inflow)	(2020: £7.4m net debt)



** Adjusted operating profit is operating profit before amortisation, impairments and other exceptional items*
*** Adjusted operating cash outflow is operating cash flow before cash flow for exceptional items*
**** Net cash/(borrowings) comprises cash and cash equivalents, bank borrowings, asset finance lease liabilities and right of use asset lease liabilities*

Summary Profit & Loss

	H121	H120	FY20
Revenue (£m)	**14.5**	13.9	25.4
Precision Machined Components Division	**3.2**	7.6	14.2
Chesterfield Special Cylinders Division	**11.3**	6.3	11.2
Gross profit (£m)	**4.7**	4.0	5.3
Adjusted operating profit/(loss) (£m)	**1.1**	(0.1)	(2.4)
Precision Machined Components Division	**(1.0)**	0.3	(0.6)
Chesterfield Special Cylinders Division	**3.0**	0.4	(0.1)
Group and Central costs	**(0.9)**	(0.8)	(1.7)
Exceptional items (£m)	**(0.7)**	(1.9)	(18.6)
Operating profit/(loss) (£m)	**0.4**	(2.0)	(21.0)
Profit/(loss) before taxation (£m)	**0.2**	(1.5)	(20.0)
EPS basic (pence)	**0.8**	(5.9)	(101.5)
EPS adjusted (pence)	**2.9**	0.0	(6.4)
Dividend (pence)	**nil**	nil	nil

Adjusted operating profit for the period reflects the revenue mix in CSC and weak PMC operational performance in the first half

CSC revenue and margin driven mainly by major defence contract phasing benefitting the first half

PMC revenue and margin still impacted by difficult oil and gas market conditions, but order intake and enquiries are increasing and key OEM customers are reporting an improving outlook later in 2021

Exceptional items relate to:

- £0.4m - reorganisation and redundancy
- £0.2m - other plc costs
- £0.1m - amortisation

Summary Balance Sheet

	H121 £m	FY20 £m	H120 £m
Goodwill & Intangible Assets	**0.2**	0.3	15.2
Tangible fixed assets	**13.8**	13.8	14.5
Right of Use assets	**0.8**	1.1	1.2
Tangible Assets	**14.6**	14.9	15.7
Long-term financial assets/asset held for sale	**0.4**	3.7	5.9
Net Working Capital	**6.0**	2.7	6.6
Long-term Liabilities	**(0.4)**	(0.5)	(0.7)
Tax Provisions	**(0.3)**	(0.3)	(0.9)
RCF facility drawn borrowing	**(4.8)**	(6.8)	(9.3)
Cash and cash equivalents	**8.6**	3.4	2.6
Asset finance and right of use asset lease debt	**(3.6)**	(4.1)	(4.1)
Total Net Cash/(Borrowings)	**0.2**	(7.5)	(10.8)
Net Assets	**20.7**	13.3	31.0

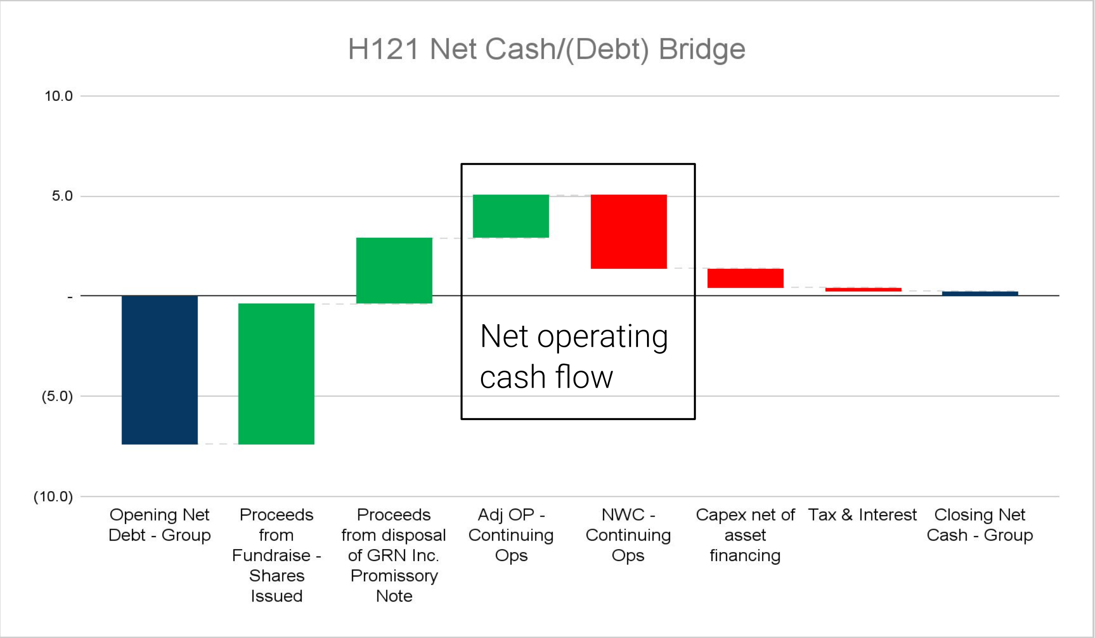
Strategic investment in facilities and equipment at CSC and maintenance expenditure at PMC continued in the period, with additions matching depreciation of c. £0.8m.

Carrying value of PMC division assets of £4.8m assessed for impairment and no changes needed now, but to be reviewed again at the end of the financial year.

Working capital management remains a key focus. Negative movement in the first half related to creditor payments, predominantly to HMRC for delayed tax payments from FY20, and for the purchase of hydrogen-related strategic material stock.

Receipt of Greenlane Renewables Inc. Promissory Note in Feb 2021 of £3.4m led to early bank debt repayment of £2.0m, reducing drawn debt to £4.8m at the half year.

Net Cash/(Debt) - leverage considerably reduced



Net cash/(debt)	**£m**
Cash and Cash Equivalents	8.6
Bank Borrowings	(4.8)
Asset finance leases	(2.8)
Right of use asset leases	(0.8)
Net cash - 3 April 2021	0.2

- Net proceeds of c. £7.0m from the December 2020 fundraising strengthened the balance sheet and provided important investment capital of £1.5m for the CSC Sheffield facility to deliver a significant increase in overall operational capacity required to meet the expected growth in demand for hydrogen projects. This investment commenced at the end of the first half of the year and will complete at the end of 2022.
- Greenlane Renewables Inc. Promissory Note of £3.4m was repaid early in February 2021, which enabled the reduction of drawn debt by £2.0m to £4.8m at the end of the period.
- Net operating cash outflow of £1.4m relates to major creditor payments, predominantly to HMRC for delayed tax from FY20, and for the purchase of hydrogen-related strategic material stock.

Banking facilities

REVISED BANK FACILITY - MARCH 2021

- Facility:
  - £7.0 million to Sep 2021 (reduced on property disposals)
  - £6.0 million to Nov 2022 (end of facility term)
- Financial covenant tests:
  - Leverage: Net Debt to Adjusted EBITDA < 3.0 times
  - Interest cover: Adjusted EBITDA to Net Interest > 4.0 times
- Tested quarterly using rolling 12 months trailing EBITDA & Net Interest

LOW PROFITABILITY AFFECTING COVENANT COMPLIANCE AND HEADROOM

- Leverage covenant:
  - Currently compliant, but with limited headroom expected at 30 June 2021
- Interest cover covenant:
  - Breached marginally at 3 April 2021 and technically an event of default
  - Likely to breach this covenant at 30 June 2021
  - Sufficient cash reserves to repay loan if required
  - In dialogue with Lloyds Bank to resolve expediently

Chesterfield Special Cylinders - Financial Results

Revenue 80% up
£11.3m
(2020: £6.3m)

Gross profit
£4.6m
(2020: £2.1m)

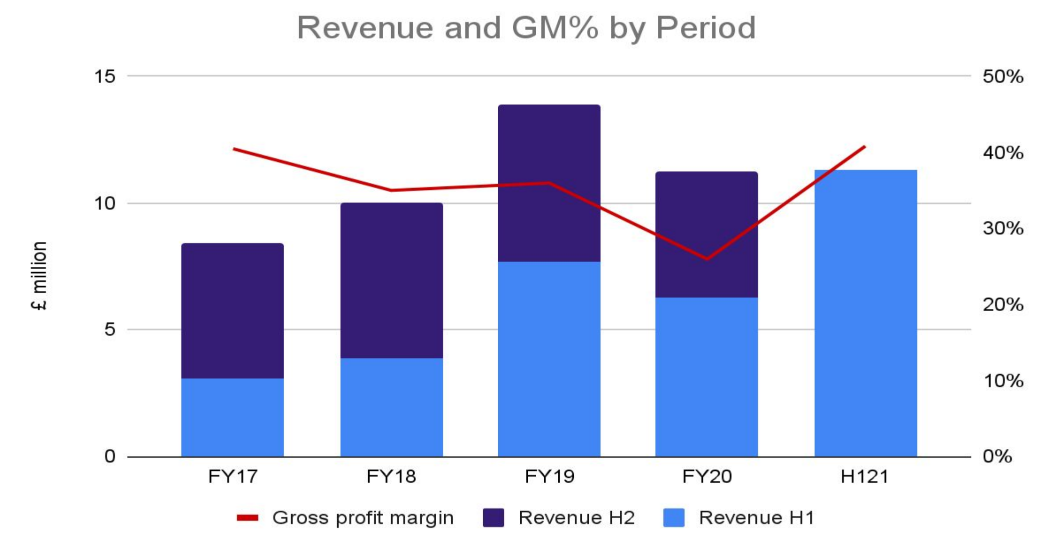
Adjusted operating profit*
£3.0m
(2020: £0.4m)

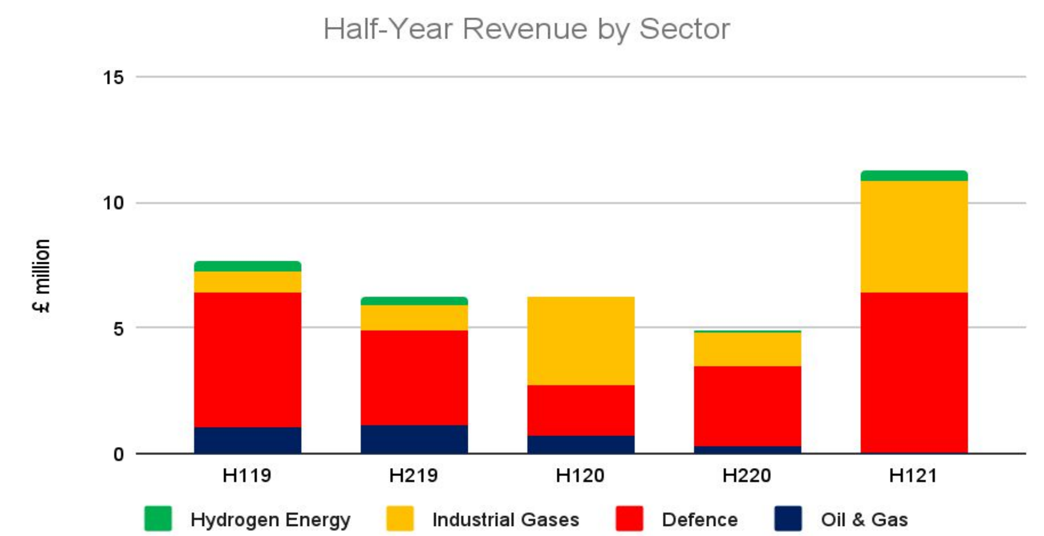
Gross profit margin
41%
(2020: 33%)

Return on revenue
26%
(2020: 6%)

Headcount at March 2021
110
(at March 2020: 87)

**Adjusted operating profit is operating profit before amortisation, impairments and other exceptional items*





Chesterfield Special Cylinders

Good performance in the first half across defence, industrial (including nuclear) and hydrogen energy markets. Extended Covid-19 restrictions, project delays and late material deliveries have affected the second-half outlook, but the order book remains strong and the pipeline of hydrogen opportunities continues to develop

FIRST-HALF PERFORMANCE AND PROGRESS

- Good first-half performance, in line with expectations across major projects
- Momentum gathering in the hydrogen energy market, with £1.4 million of order intake since December 2020 from new and established customers
- Long-term supply agreement established with steel tube supplier, Vallourec to support hydrogen demand, with strategic stock orders placed
- Investment in people and production facilities has continued at the CSC Sheffield site in line with plans set out in the December 2020 fundraise.

OUTLOOK AND SECOND-HALF PRIORITIES

- Order book remains strong, but operational delays will push second-half revenue and margin into FY22
- Covid-19 travel restrictions continue to disrupt Integrity Management deployments, and recovery of deployment activity is expected in the first half of FY22
- The pipeline of hydrogen opportunities continues to develop, with order intake from this exciting market expected to grow significantly in FY22

Hydrogen storage solutions for a growing customer base

New orders and customers are being realised, as we see proof of concept projects replaced by more standardised solutions for car, bus and mixed-use Hydrogen Refuelling Stations (HRS)

SUCCESSFUL HYDROGEN STORAGE SOLUTIONS

- All contracts placed to date utilise CSC's optimised Type 1 steel cylinder design
- Allows modular expansion to meet future demand increase
- Configured to enable cost-effective in-situ inspection and recertification with maximum availability through life, using CSC's Integrity Management services.

GROWING CUSTOMER BASE FOR EUROPEAN REFUELLING STATION PROJECTS

Haskel

McPhy

PLUG POWER

arcola energy

framatome

Hydrogen market opportunities are developing as expected

Hydrogen refuelling stations (HRS) will be commissioned at an increasing rate, especially across heavy duty applications. Projects supporting decarbonisation of industrial processes using green hydrogen from local renewable energy sources likely to develop faster than blue hydrogen projects

CAR HRS DEPLOYMENT NEEDS FURTHER STIMULUS IN EUROPE

- Dealing with ‘chicken-egg question’ on fuel cell cars and infrastructure
- Larger passenger cars and SUVs are the most attractive fuel cell electric vehicle applications, while smaller passenger cars are better suited to battery electric solutions
- Current HRS infrastructure needs significantly greater demand to become profitable. Fuel cell cars still an early stage and are a challenging purchase due to price and scarcity of options

MEDIUM AND HEAVY DUTY COMMERCIAL VEHICLES (BUSES, HD TRUCKS, TRAINS) ARE THE FOCUS FOR HRS

- Some HRS operators already increasing focus on larger stations with significantly greater storage
- Larger multi-vehicle HRS, including motorway service stations, increasingly attractive, space permitting
- Truck OEM fuel cell vehicle launches will drive the greatest hydrogen demand for rigid trucks (e.g. Hyundai) over the next 2-5 years
- First hydrogen train projects commenced (e.g. Arcola, Scotland)

LARGER STORAGE REQUIREMENTS SHORT-MEDIUM TERM DRIVEN BY INDUSTRIAL DECARBONISATION

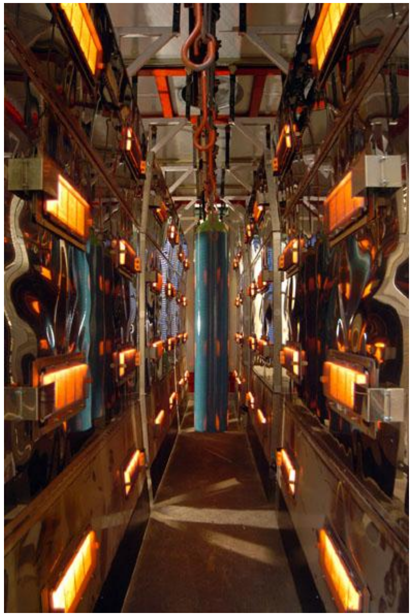
- Biorefinery and green energy operators with local renewable energy assets (e.g. solar, wind) are incentivised to promote decarbonisation projects, increasingly supported by government and regional funding

CSC investment for growth in European HRS market is on plan

Investment in people and production facilities at the Sheffield site has commenced in line with plans set out during the December 2020 fundraise. This will significantly increase overall operational capacity by the end of 2022, as required to meet the expected growth in demand for hydrogen projects

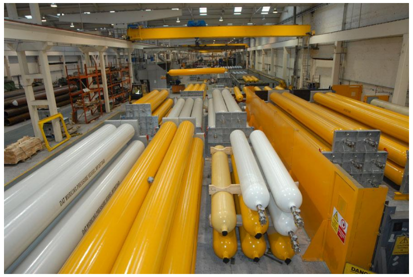
INCREASE PRODUCTION CAPACITY AND EFFICIENCY BY THE END OF 2022

- Planned investment will expand finishing lines and upgrade hydrotest, shot-blast and painting facilities
- New high-capacity nitrogen leak test facility and automated cylinder stamping technology will improve efficiency and throughput



INCREASE CAPABILITY, DEVELOP PARTNERSHIPS AND MARKET-LEADING PRODUCTS

- Strengthened our operational teams over the past 12 months, making key appointments across research and development, engineering, sales, production and supply chain functions
- Developing partnerships in the supply chain, including long-term supply agreement with steel tube manufacturer, Vallourec
- Significant strategic material stock orders placed since December 2020 for optimised Type 1 cylinder design to meet expected demand volumes and customer lead times



Precision Machined Components - Financial Results

Revenue 58% down

£3.2m

(2020: £7.6m)

Gross profit

£0.1m

(2020: £1.9m)

Adjusted operating loss*

£1.0m

(2020: £0.3m adjusted operating profit)

Gross profit margin

3%

(2020: 25%)

Return on revenue

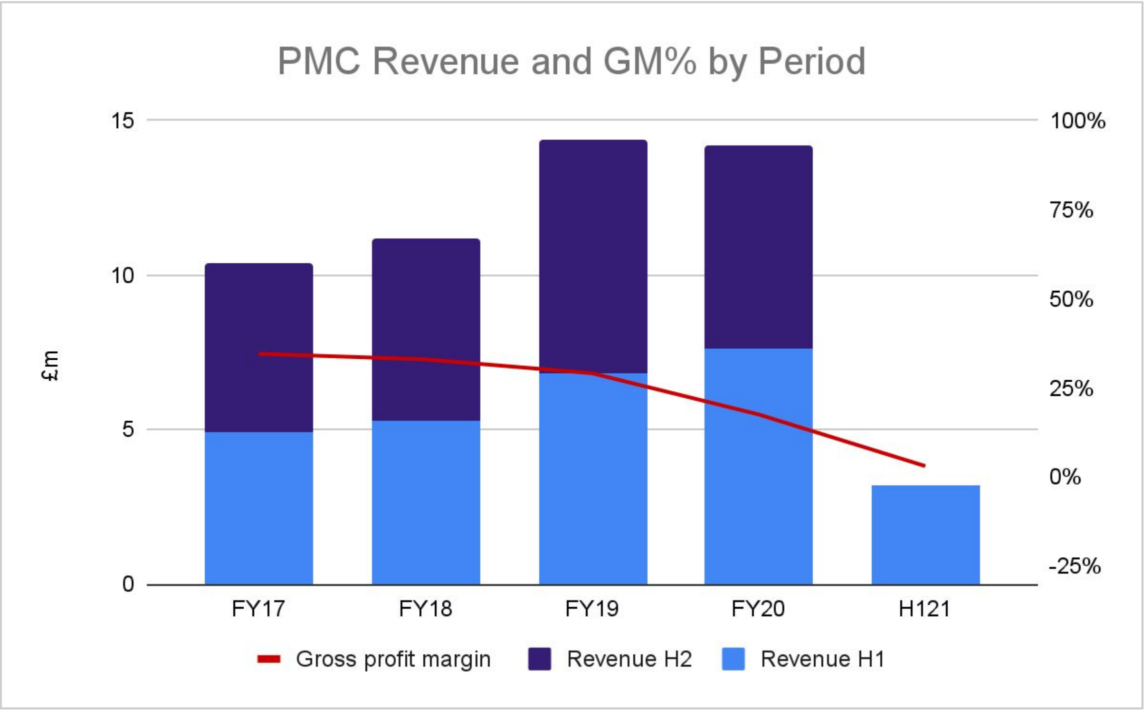
-28%

(2020: 4%)

March 2021 order intake

£0.8m

highest month since July 2020



* operating loss excluding amortisation, impairments and other exceptional costs

Precision Machined Components

We are encouraged by recent order intake levels, new customer acquisitions and pipeline development, alongside new strategic supply agreements, but we remain cautious regarding the pace of recovery in the oil and gas market

FIRST-HALF PERFORMANCE AND PROGRESS

- Delayed recovery in the oil and gas market impacted performance
- Further planned restructuring and cost savings completed
- Long-term global supply agreement signed with Schlumberger
- Maintain customer service and engagement, manage costs and conserve cash, whilst awaiting oil and gas market recovery

OUTLOOK AND SECOND-HALF PRIORITIES

- Improving order intake, growing order book and broader customer base in Roota
- Slower than expected recovery from key OEM customers in Al-Met
- Investment from 2019 has increased competitiveness and extended product scope
- Realise efficiency and margin gains from accelerated operational improvements
- Progress further opportunities to diversify customer base and end markets

Summary & Outlook

- The Group's strategy remains focused on the continued development and growth of both divisions and the Board is pleased with the progress being made
- Strong performance in the first half of the year was driven by major defence and nuclear contracts in Chesterfield Special Cylinders, more than offsetting the weakness in Precision Machined Components, which continues to be impacted by the challenging trading conditions across the oil and gas industry
- Backdrop of Covid-19 related challenges continues to impact the outlook in the second half
- In Chesterfield Special Cylinders, project delays have affected the outlook for Integrity Management deployments, while defence contract phasing, late steel deliveries and several delayed customer orders are also expected to push significant revenue and margin from the second half of FY21 into FY22
- The order book in Chesterfield Special Cylinders remains strong and momentum continues to gather in the fast-developing hydrogen energy market, with over £1.4 million of refuelling station contract wins since December 2020 and improving visibility of future demand. The Group has also secured its first order with Shell under the five-year framework agreement announced in June 2020
- Despite the impact of operational delays in Chesterfield Special Cylinders and the slower than expected recovery in the oil and gas market affecting Precision Machined Components, the Board remains confident in the prospects and opportunities for the business in the medium term.

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