

Pressure Technologies plc



Pressure Technologies plc
Interim Results
12 June 2012

John Hayward, Chief Executive
James Lister, Finance Director

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Pressure Technologies plc

A leading designer and manufacturer of high pressure engineering systems, serving the global energy, defence and industrial gases markets and the UK alternative energy market

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- Revenue of £12.6 million (2011: £10.3 million)
- Operating profit at £0.45 million (2011: loss of £0.31 million)
- Pre-tax profit of £0.46 million (2011: loss of £0.31 million)
- Basic earnings per share 3.1p (2011: loss of 1.9p)
- Strong balance sheet maintained -
 Net funds £3.5 million (2011: H1 £2.7 million, H2 £2.9 million)
- Progressive dividend policy continued -
 Proposed interim dividend of 2.5p per share (2011: 2.4p)

- Return to H1 profitability achieved
- Group order book significantly strengthened, as a result of strong demand from the Oil & Gas market
- Defence sales, as predicted, lower than 2011 due to phasing of projects
- Improving market visibility in Cylinder Division -
Now 12 months
- Confidence of a strong H2 performance and further growth in 2013

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Financial Performance

James Lister
Group Finance Director

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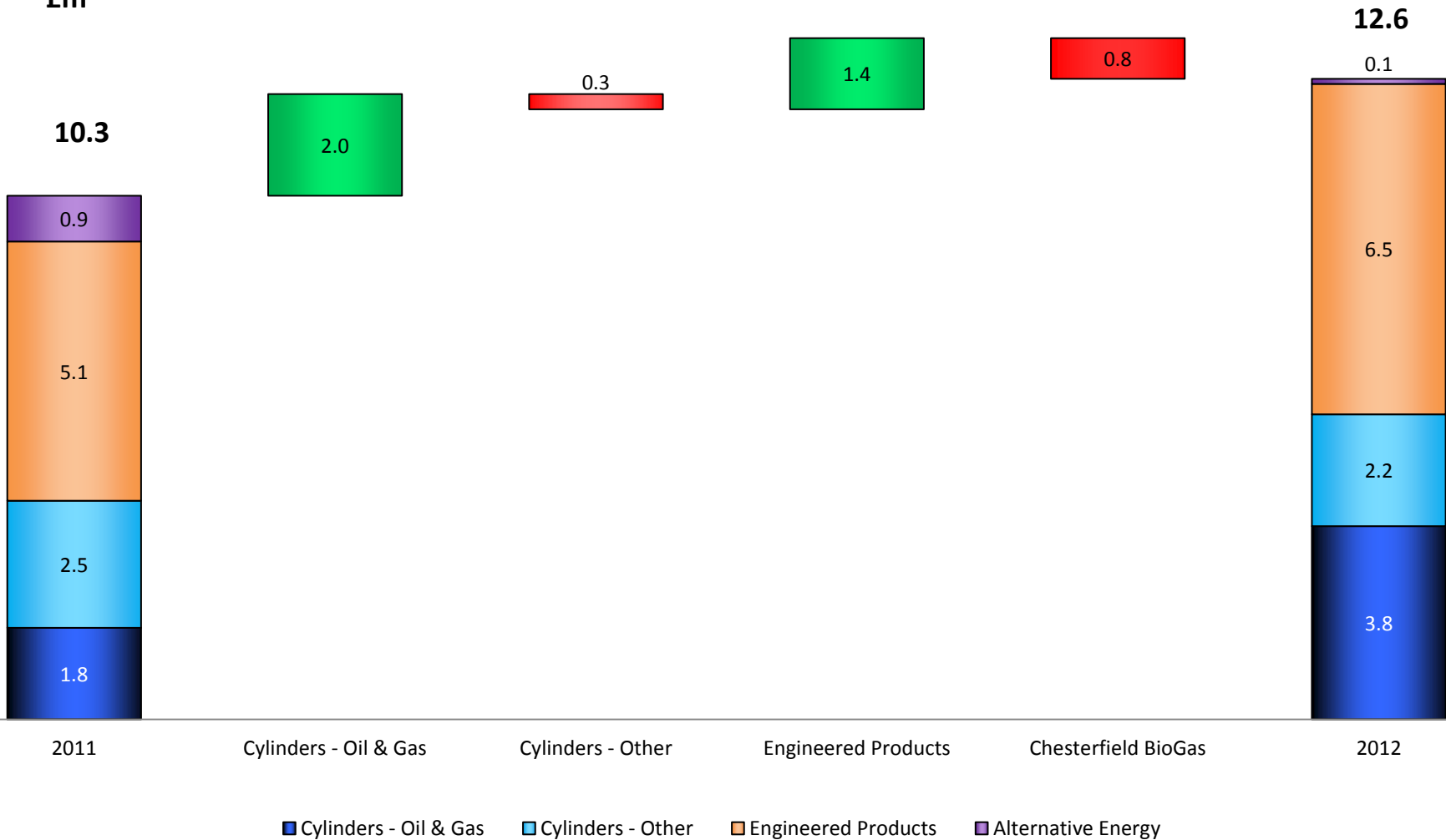
Financial Performance

| | 1st half 2012 | 1 st half 2011 |
|-----------------------|-------------------------------------|------------------------------|
| Sales (£m) | 12.6 | 10.3 |
| Operating Profit (£m) | 0.45 | (0.31) |
| Operating Margin (%) | 3.5% | (3.0)% |
| EBITDA (£m) | 0.9 | 0.2 |
| PBT (£m) | 0.46 | (0.31) |
| EPS Basic (pence) | 3.1p | (1.9)p |
| Dividend (pence) | 2.5p | 2.4p |
| Cash Flow (£m) | 0.6 | (3.8) |
| Net Funds (£m) | 3.5 | 2.7 |

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Sales Analysis

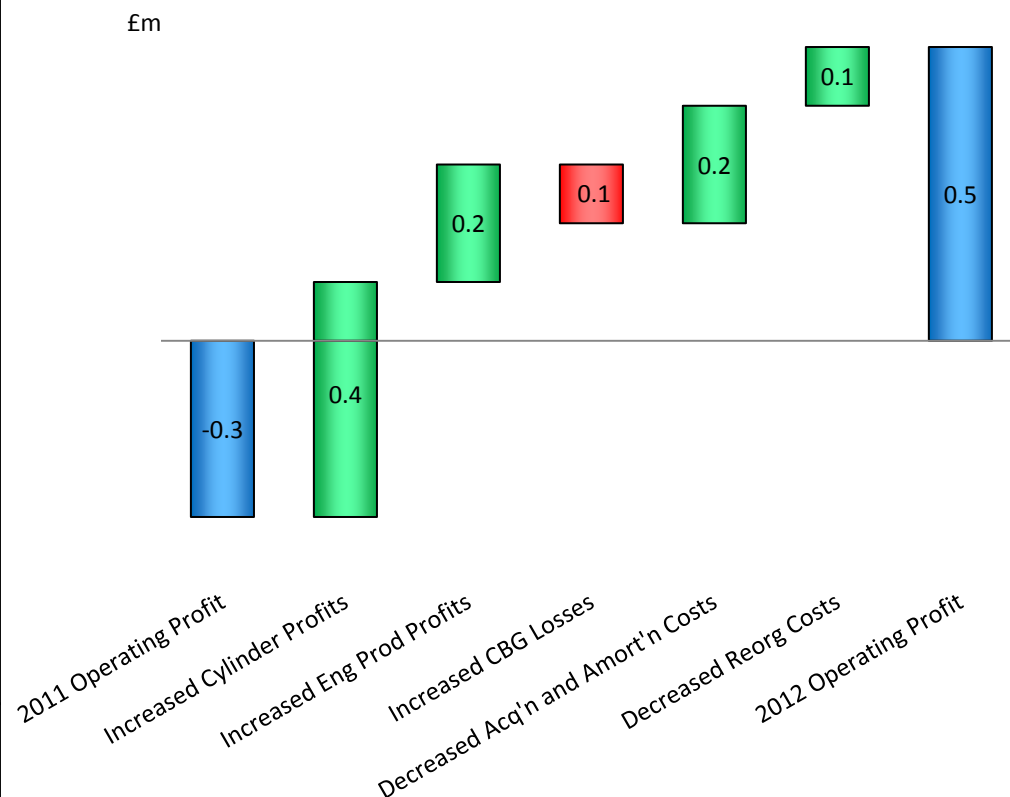
£m



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Operating Profit

| | 2012 Half Year £m | 2011 Half Year £m |
|---------------------------------------|-------------------------|-------------------------|
| Cylinders | 0.7 | 0.3 |
| Engineered Products | 0.5 | 0.3 |
| Chesterfield BioGas | (0.2) | (0.1) |
| Acquisition and Amortisation Costs | (0.1) | (0.3) |
| Central Costs (unallocated) | (0.4) | (0.5) |
| Operating profit/(loss) | 0.5 | (0.3) |



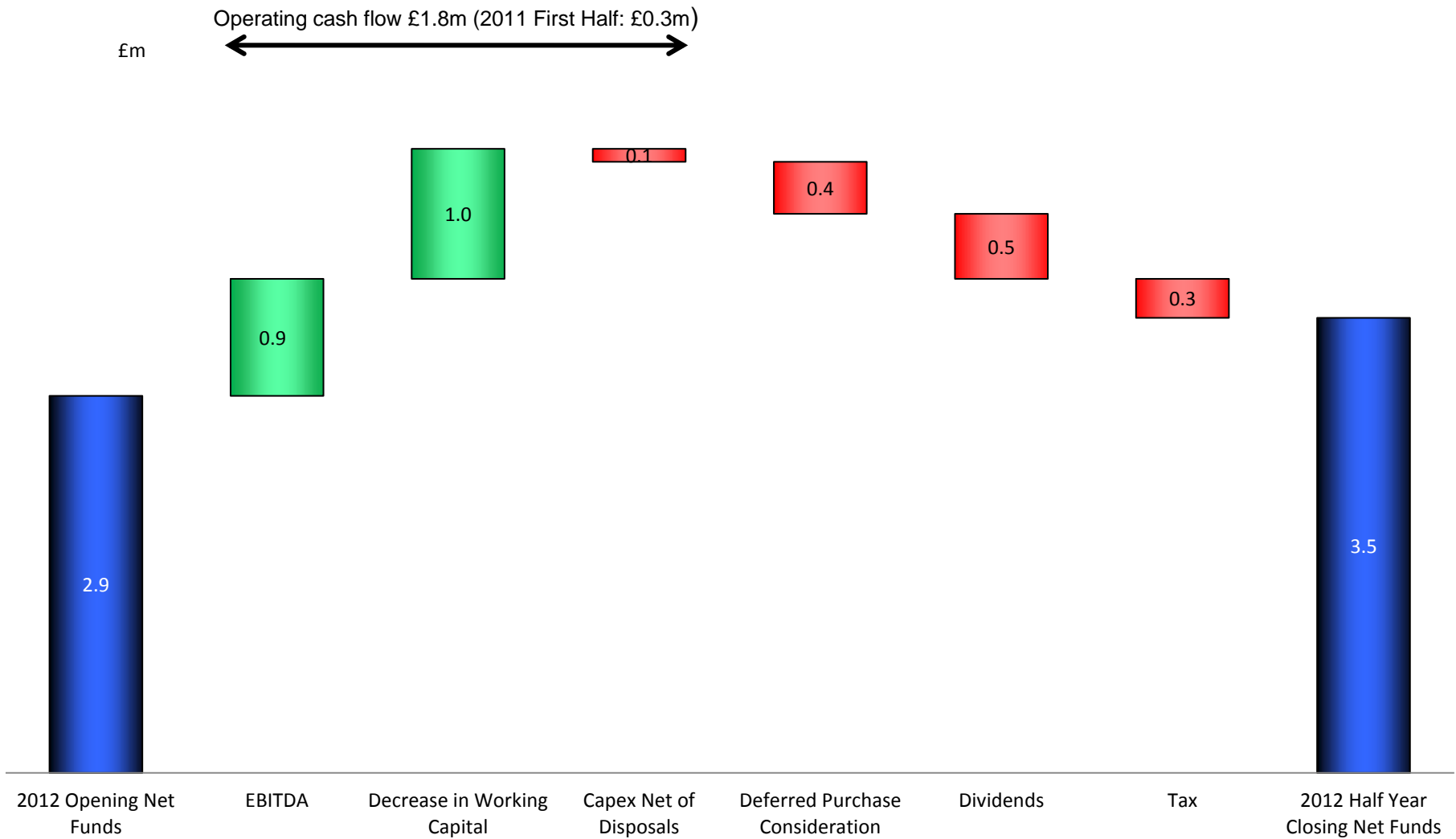
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Balance Sheet

| | 31 Mar 2012 £m | 02 Apr 2011 £m | 01 Oct 2011 £m |
|--------------------|-------------------------------|-------------------------------|-------------------------------|
| Intangible assets | 3.8 | 4.0 | 3.9 |
| Fixed assets | 4.5 | 4.5 | 4.6 |
| <i>Inventories</i> | 6.0 | 5.8 | 5.0 |
| <i>Receivables</i> | 6.4 | 7.1 | 6.8 |
| <i>Payables</i> | (8.2) | (8.4) | (7.0) |
| Working capital | 4.2 | 4.5 | 4.8 |
| Tax provisions | (0.6) | (0.5) | (0.7) |
| Net funds | 3.5 | 2.7 | 2.9 |
| Net assets | 15.4 | 15.2 | 15.5 |

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Cash Flow



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Business Update

John Hayward
Chief Executive

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Business Overview

Cylinders



Engineered
Products



Alternative
Energy



Oil & Gas

Chesterfield Special
Cylinders
Hydratron UK and US
Al-Met

APV systems for
deepwater platforms
Diving support systems
Retest/refurbishment
In-situ testing
Pumps
Hydraulic control
systems
Valve test benches
High integrity wear parts



Defence

Chesterfield Special
Cylinders
Hydratron UK

Submarines
Surface vessels
Aerospace
Test systems
Retest/refurbishment
In-situ testing



Industrial Gases

Chesterfield Special
Cylinders

Trailers
Bulk storage
Stock cylinders
Retest/refurbishment
In-situ testing

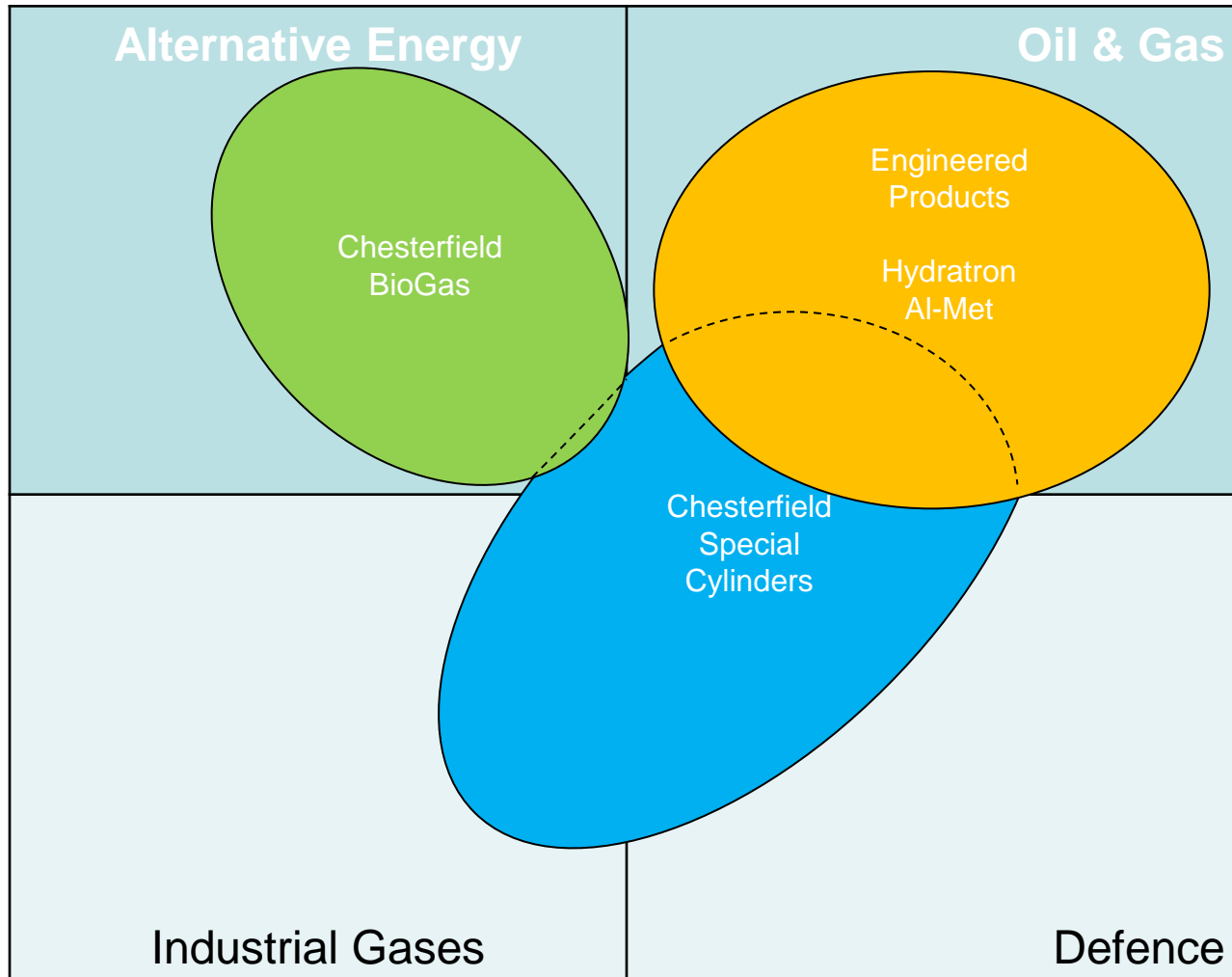


Alternative Energy

Chesterfield BioGas
Chesterfield Special
Cylinders

Biogas upgrading
Injection to Grid
CNG refuelling systems
Trailers





Cylinders

- Main market deepwater Oil & Gas platforms
- Strong recovery in the market has continued and visibility now 12 months
 - 2011 – 3 drillship projects supplied
 - 2012 – 9 drillship projects to be supplied
 - 2013 – 5 drillship projects won to date
- Medium and long term prospects remain strong as confidence in the sector has returned but the market is becoming more competitive
- Progress maintained on in-situ inspection projects with follow on work won for 2012 in Kazakhstan and the UK

Engineered Products

AI-Met – valve and flow control wear parts

- As predicted, demand flat in first half
- Orders and customer feedback in Q2 and Q3 indicate that expected growth is occurring
- Business restructured to improve efficiency and support growth

Hydratron – pumps, boosters, hydraulic control panels, test rigs

- Sales revenues up 50%
- UK expanding rapidly
- US at break-even in H1 and forecast to move into profit during H2
- Engineering, Design and R&D are being expanded to meet growth and new product development

Acquisitions

- Actively searching for related businesses to add to the Engineered Products division to offset volatility in the Cylinder division

Cylinders

- As predicted, 2012 sales will show a reduction compared to 2011 due to phasing of naval projects
- Next major deliveries for UK and France forecast for 2013
- Contract won with MoD to provide “through life” support for the Royal Navy’s stock of ultra-large cylinders for submarines and surface vessels
- Design team strengthened to assist medium term aim of securing prime contractor status with all major western naval defence contractors
- Life cycle of aerospace steel cylinders extended as BAE winning additional contracts for new aircraft e.g. Hawk Trainers for Saudi Arabia

Cylinders

- Progress maintained in high pressure trailers with addition of a Germany based sales manager with good contacts into the European gas majors
- Design function strengthened by recruitment of a specialist high pressure trailer designer
- Compressed Natural Gas (“CNG”) and Hydrogen markets set for significant growth across Europe as part of the drive to “green” fuels

Market for biomethane to grid (“BtG”)

- Stockport project due for delivery September 2012
- Market slow to develop due to delay in RHI, complexity of the structure of projects and the planning system
- RHI review 2014/15 now driving market

CNG vehicle refuelling market

- Temporary mobile refuelling supplied for the Olympics
- Further projects under discussion with customer base
- Prototype “mini-upgrader” for vehicle refuelling to commence trials in the second half year

- Main market, Oil & Gas, experiencing a sustained upturn
- Cylinder and Engineered Products divisions expecting solid growth in 2012
- H2 growth supported by order intake and level of outstanding quotations and further growth anticipated for 2013
- Alternative Energy slower to reach its potential
- New service and product development providing further growth opportunities
- Actively seeking acquisitions to strengthen Engineered Products division
- Balance sheet robust - significant cash balances as a platform for further progress
- Progressive dividend policy continued as Group confident in future outlook

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Business Strategy

The vision is to build a highly profitable group of companies specialising in the containment and control of liquids and gases in pressure systems in four main areas

- Oil & Gas
- Defence
- Industrial Gases
- Alternative Energy

Five pronged strategy to deliver this and build a balanced Group

- Expanding the portfolio of products and services
- Complementary acquisitions
- Investing in new technology
- Investing in people
- Investing in strategic partnerships

Acquisition Criteria

- Target companies in niche areas of pressure containment and control
- Profitable with significant growth potential
- Management teams must be stable and capable of developing the business
- There should be overlap in core skills and/or customers to minimise technology and market risks

Acquisitions to date have demonstrated the Group's capability to buy and integrate complementary businesses

