Interim Results Presentation

Half Year Ended 1 April 2017

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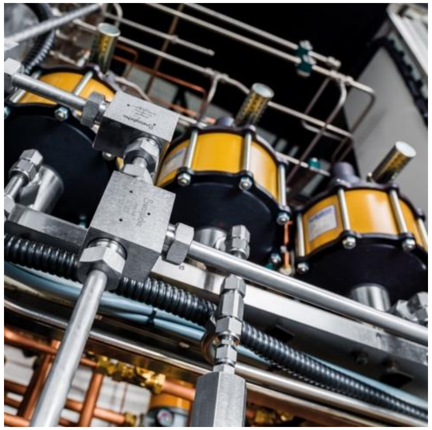
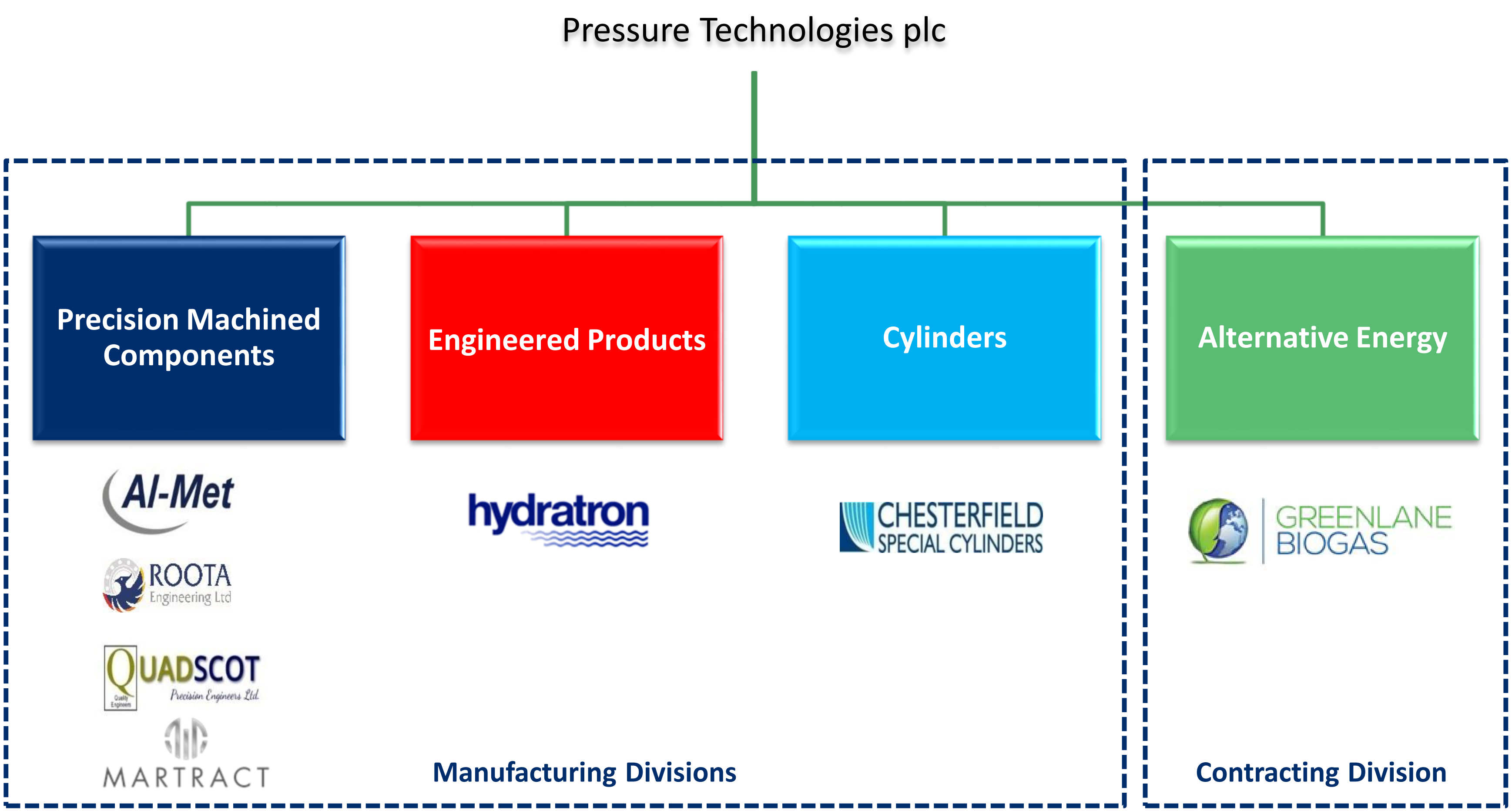


A specialist engineering group supplying niche products & services to the global oil and gas, defence, industrial gases and AE markets



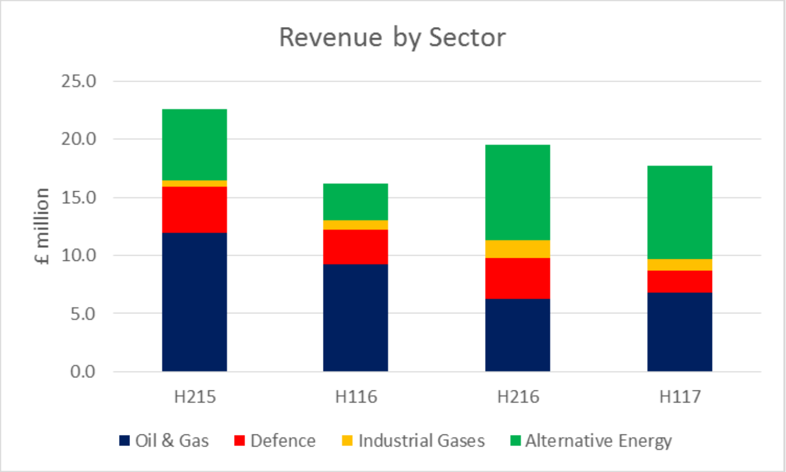
Key metrics

	Manufacturing Divisions*	AE Division	Central	**Group H117**	*Group H116***
Sales (continuing operations)	£9.7m	£8.0m	n/a	**£17.7m**	*£16.2m*
Adjusted Operating Profit/(Loss)	£0.0m	£0.1m	£(0.8)m	**£(0.8)m**	*£(0.7)m*
Gross Profit Margin	27.9%	19.1%	n/a	**24.2%**	*29.5%*
Return on sales	(0.0)%	1.1%	n/a	**(4.5)%**	*(4.3)%*
AE Upgrader orders secured***	n/a	1	n/a	**1**	*5*
Exceptional credits/(costs)	£(0.1)m	£(0.5)m	£(1.1)m	**£(1.7)m**	*£1.8m*
Profit/(loss) before tax	£(0.1)m	£(0.4)m	£(2.1)m	**£(2.6)m**	*£0.9m*
Net operating cash inflow****	£0.6m	£1.6m	£(0.5)m	**£1.8m**	*£2.1m*
Net Debt	n/a	n/a	£8.6m	**£8.6m**	*£6.1m*
Closing headcount	181	43	10	**234**	*244*

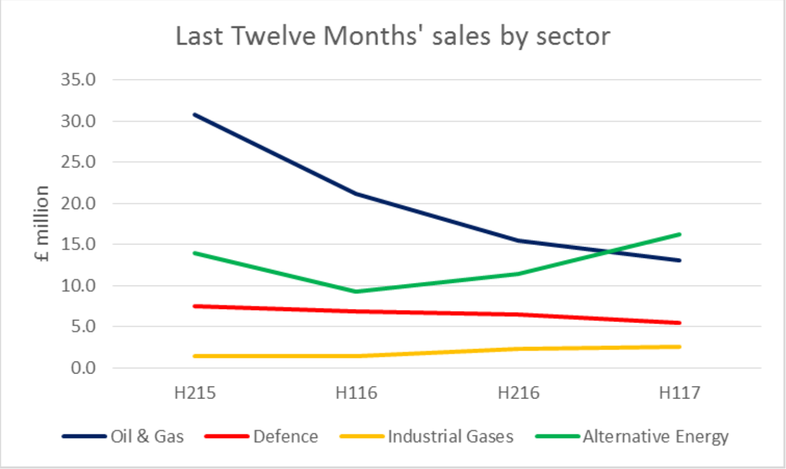
** Including the post acquisition results of Martract Ltd*
*** Represented to show results for Engineered Products US operation as discontinued*
**** orders secured up to the end of March 2017, orders won between then and the date of this presentation excluded from the KPI*
***** After payment of exceptional redundancy and reorganisation costs*

O&G revenues have shown some positive signs in the period and momentum in AE has continued

- Signs of improvement in the oil and gas market with revenues from this sector 8.4% higher than the H216 low point
- Oil & Gas Order book stronger by 4.4%
- Defence contract phasing weighted to the second half of 2017 and an order book of £11.2m out to 2020
- AE had an opening order book of £14.2m. £8m revenue delivered in H117 and the 7.3% growth over the last two years demonstrates the growing momentum
- Industrial gases sector, whilst small in terms of Group revenue, has seen growth of over 13% in the last two years



NB results are for continuing operations only



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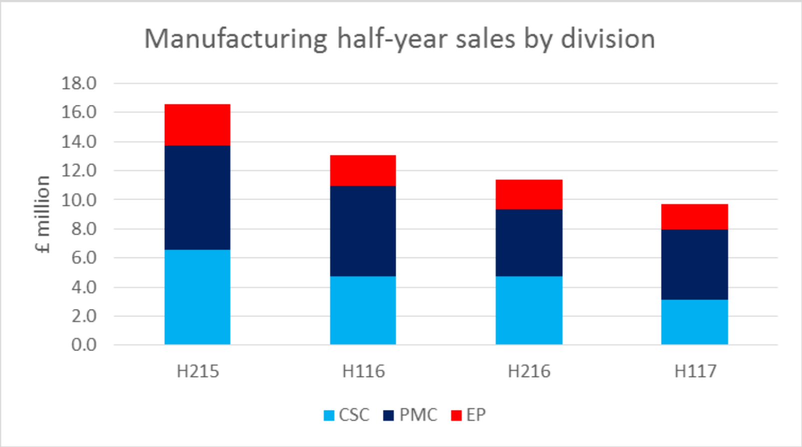
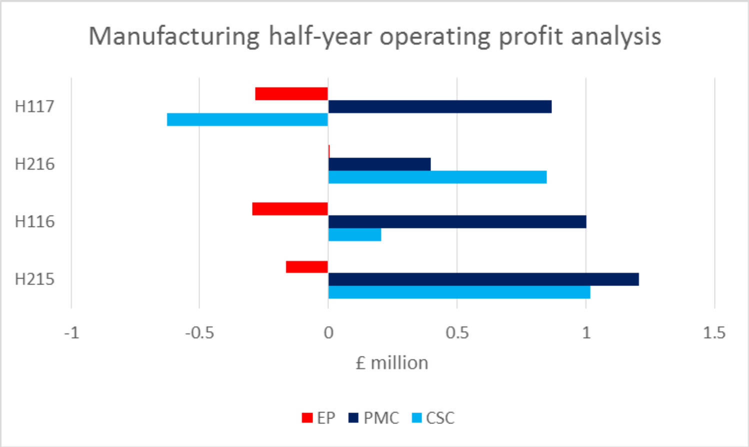
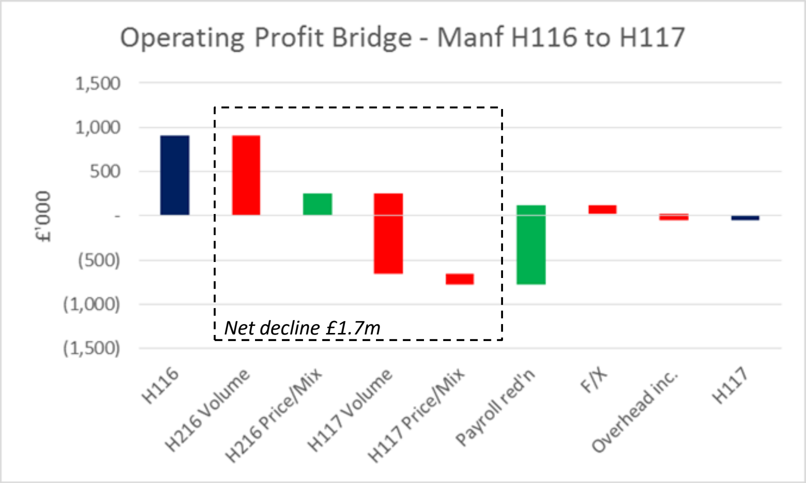
Manufacturing Divisions emerging from a sustained period of retrenchment and reorganisation







NB results are for continuing operations only

- PMC has delivered an impressive first-half operating profit, despite the continued low market volumes, as the benefits of high operational gearing and some positive signs in the market are felt
- CSC posted a first-half loss in line with expectations, due to the phasing of defence projects to the second half of 2017
- EP continues to be most affected by cuts in capital expenditure and discretionary service spend in the oil and gas market

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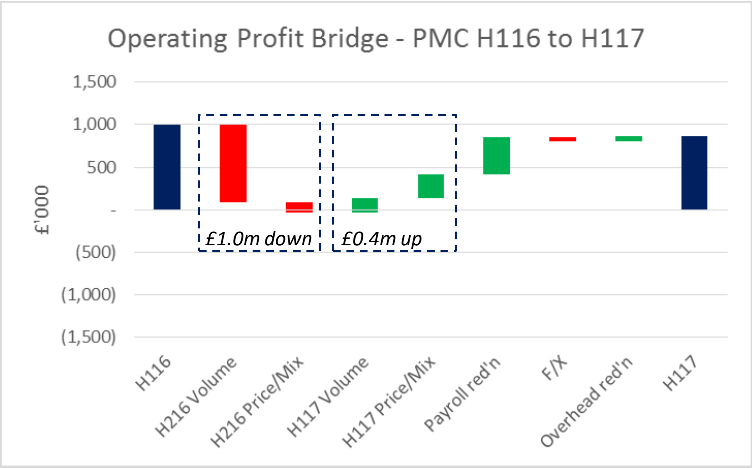
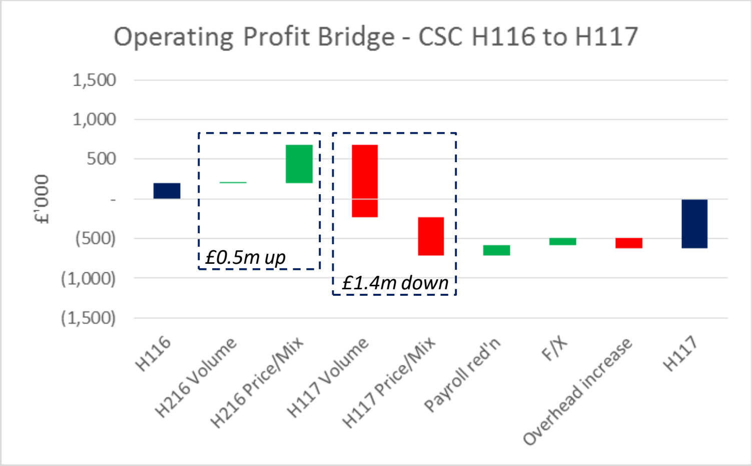
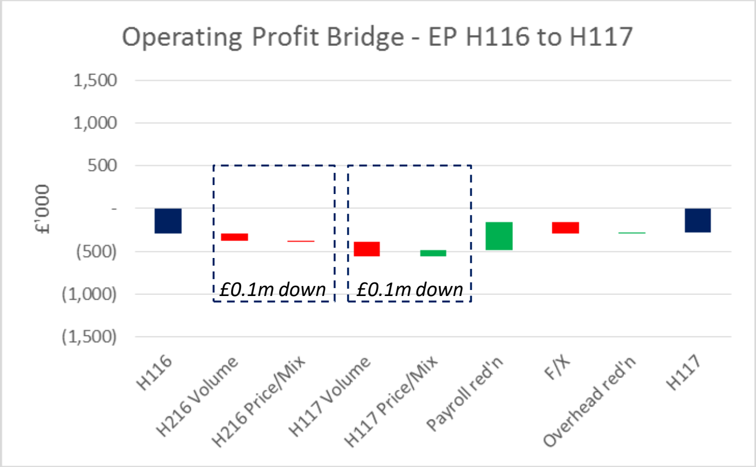
Improvements in O&G volumes and benefits of restructuring is seen in margin improvement

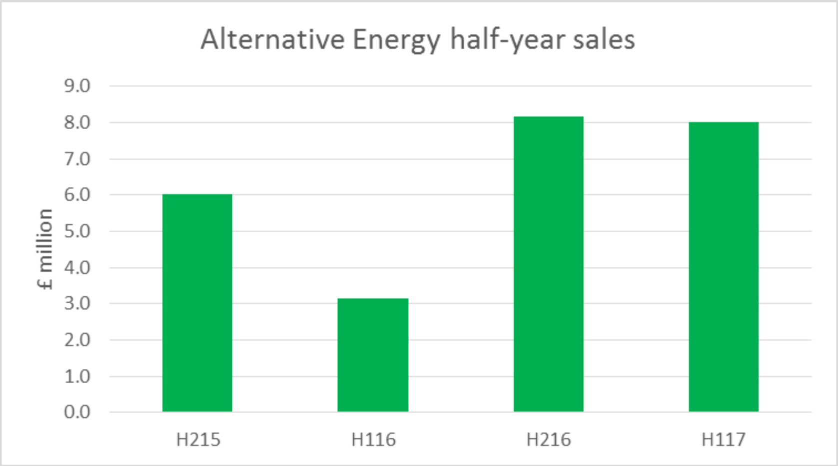


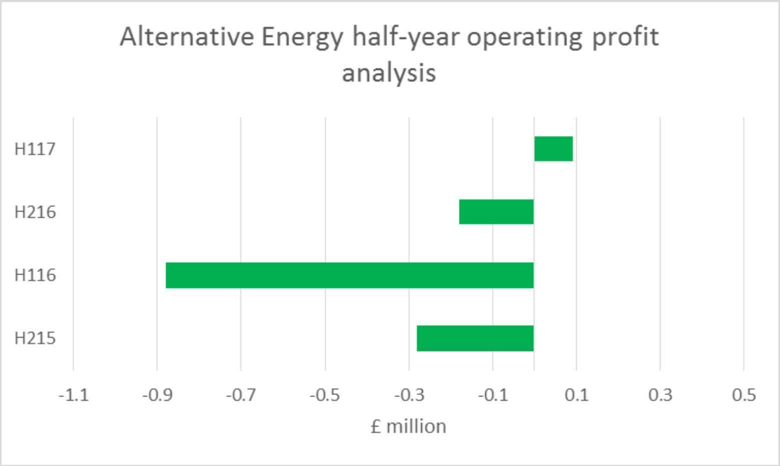
- The individual OP bridges highlight the different factors impacting the Manufacturing result over the last 12 months:
- PMC has benefited from both volume and margin increases in H117 along with the significantly lower fixed costs
- CSC defence volumes down in H117 compared to H116 which adversely impacts the overall margin achieved
- In EP cost reductions and "lean" management implemented in 2016 and H117 limited losses in first-half of 2017 which experienced higher volume fall than in the second half of 2016

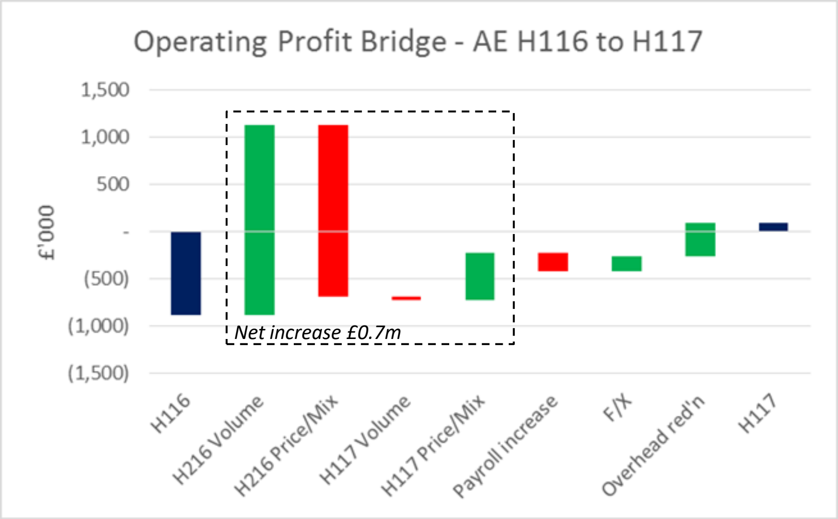




The enlarged Alternative Energy Division recorded its first profit

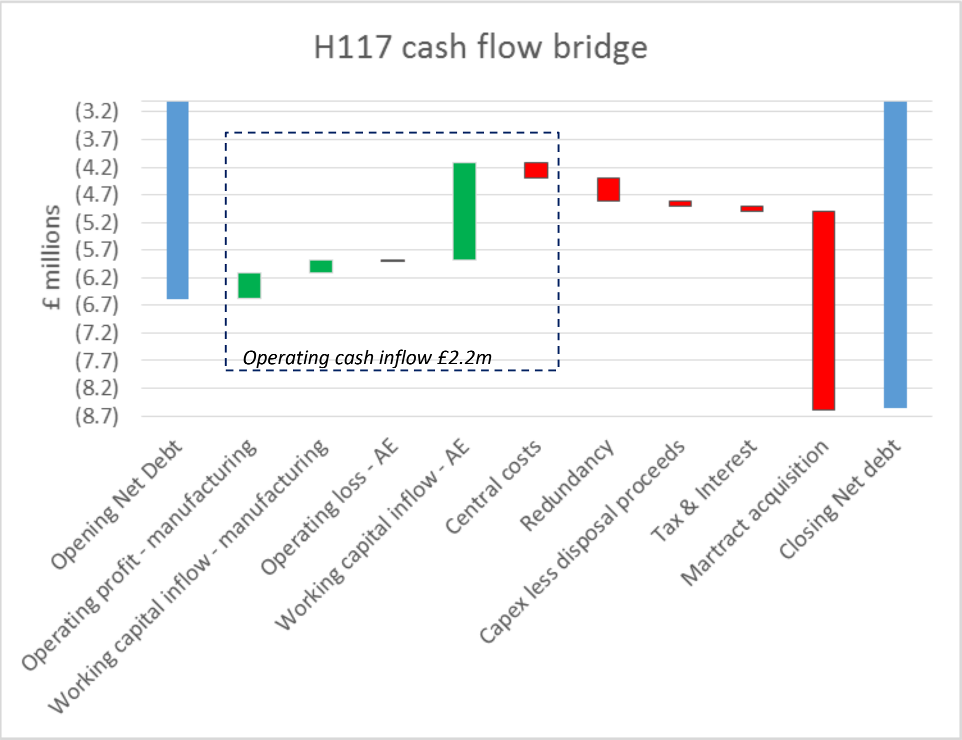






- Margins improved in the first-half of 2017 as legacy contract issues experienced in previous years and lower margins on first of type contracts have not been as significant
- Division reorganised on functional lines rather than by geographic area to improve project execution effectiveness and reduce fixed costs

Cash generated from operations before cost of redundancy £2.2m (H116: £2.4m)



- The Group continued to be operationally cash generative in the first-half of 2016
- The cost of redundancies and reorganisation made in the period was £0.4m
- Most significant non-trading item was the net cash outflow of £3.6m for the acquisition of Martract Limited, satisfied in part from cash and an increase in borrowing within the existing RCF facility
- The Group has drawn-down the full £15m available under the RCF facility which, net of the cash in the Group, gives a closing net debt position of £8.6m

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Summary balance sheet

	H117 £m	FY16 £m	H116 £m
Goodwill & intangible assets	**29.9**	26.3	27.4
Fixed assets	**13.2**	13.8	14.0
Inventories	***5.2***	*5.2*	*6.6*
Trade Receivables	***8.8***	*11.3*	*9.5*
Trade Payables	***(13.1)***	*(13.5)*	*(9.7)*
Net Working Capital	**0.9**	3.0	6.4
Tax provisions	**(2.3)**	(1.7)	(2.2)
Deferred consideration	**(0.6)**	-	(3.0)
Net debt	**(8.6)**	(6.6)	(6.1)
Net Assets	**32.6**	34.8	36.6

- Goodwill and intangible assets have increased by £3.6m from the last balance sheet date reflecting the net of amortisation charged and recognition of the intangible assets arising from the acquisition of Martract in December 2016. The acquired intangible assets comprise:
  - Non-contractual customer relationships - £0.9m
  - Intellectual property - £2.6m
  - Goodwill - £1.2m
- Net working capital represents 2.5% of LTM sales (H116: 16.8%). This is broken down as:

	Group	**Manufacturing**	**Alternative Energy**
H117	**2.5%**	14.3%	-12.7%
2016	**8.4%**	14.3%	-2.6%
H116	***16.8%***	*17.8%*	*13.0%*

Continued focus on cash flow management in the Manufacturing Divisions is evidenced in the stability of the NWC% of last 12 months sales

The swings in the AE Division demonstrate the volatility in the working capital depending on the phasing of contracts at a particular date

- Covenants were complied with throughout the period

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Summary results

	H117	H116
Revenue (£m)	**17.7**	16.2
Adjusted operating loss (£m)	**(0.8)**	(0.7)
Exceptional (charges)/credits	**(1.7)**	1.8
Operating loss (£m)	**(2.5)**	1.1
PBT (£m)	**(2.6)**	0.9
EPS basic (pence)	**(16.2)**	8.3
EPS adjusted (pence)	**(6.3)**	(7.1)
Dividend (pence)	**-**	-

- Exceptional items in the period relate to:
  - Amortisation of intangible assets of £1.3m
  - Reorganisation and redundancy costs of £0.4m
- In H116 the Greenlane deferred consideration of £3.3m was written back which, after amortisation of £1.1m and reorganisation and redundancy costs of £0.4m resulted in the net exceptional credit.
- While there are signs of improvements in our core oil and gas markets and some positive momentum in Alternative Energy, the Board's view is that, until the trends are more established, it is still too early to reinstate the dividend

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Precision Machined Components Division

Sales revenue, excluding Martract acquisition, 1.7% higher than H216 low point with signs of improvement in the oil and gas market, particularly at Al-Met and Roota, underpinned by the order book development

Latent capacity created through investment in technology and improved productivity showing good generation of incremental profits, particularly through H117 as volume increased

Divisional business development director appointed March 2017

Quadscot remains affected by low-ball pricing in a very competitive sub-sector of the market, steps being taken to introduce new products and customers

Integration of Martract, acquired in December 2016, proceeding to plan

Capital investment continues to support customer quality requirements and production efficiencies

Revenue

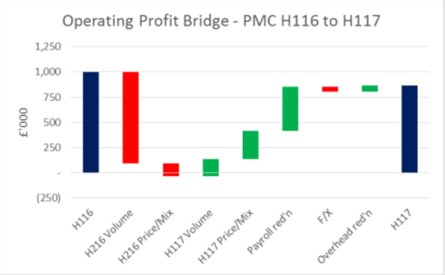
£5.0m

H116: £6.6m

Adjusted operating profit

£0.9m

H116: £1.0m



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Engineered Products Division

Business still impacted by cuts in capital expenditure and discretionary service spend in the oil and gas market

Cost reductions and “lean” management implemented during 2016 and the early part of 2017 limited losses in first-half which experienced higher volume fall than in the latter half of 2016

Small signs of upturn in Q3 with order book now at breakeven levels

Product range expanded to higher pressure valve test systems through partnership with an Italian business specialising in clamping systems

Commercial focus remains on expanding distributor networks with additional distributors appointed in South and West Africa, Italy, India, Russia, Azerbaijan and Thailand year-to-date

Revenue

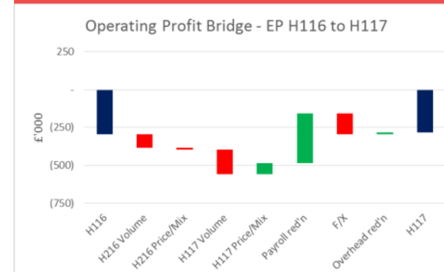
£1.7m

H116: £2.1m

Adjusted operating loss

£(0.3)m

H116: £(0.3)m loss



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Cylinders Division

Defence now the mainstay of the business with a solid order book through to 2020 and further orders anticipated for the Dreadnought class submarine build (Trident replacement)

First-half loss due to sales orders heavily skewed to H2 with a number of firm, defence contracts due for delivery in Q4

Service provision continues to grow with the IM service now extensively deployed in UK defence sector and an upturn in high-pressure gas trailer retest market

Capital expenditure focused on completion of the ultra-large forge project and process improvements

Revenue

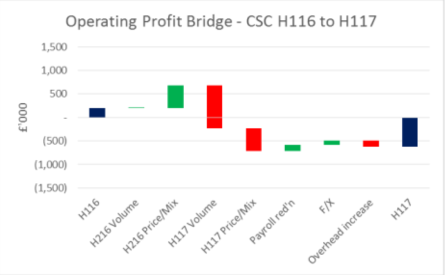
£3.1m

H116: £4.8m

Adjusted operating loss

£(0.6)m

H116: £0.2m



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Alternative Energy Division

Momentum from 2016 year-end biogas upgrader order book of £14.2 million resulted in a profitable first-half for the division

Margins improved in the first-half compared to second half 2016 as legacy contract issues experienced in earlier periods and lower margins on first of type contracts have not been significant

Division reorganised on functional lines rather than by geographic area to improve project execution performance and reduce fixed costs

Sales pipeline remains promising, but order conversion slow:

- USA due to delays on customers securing project finance
- UK due to delays to improvement of the RHI arising from a drafting error and the general election

First order received for a Kauri upgrader, world's largest single upgrader plant capable of processing 5,000 m3/hr

First entry level Kanuka Gen 2.0 project for volumes up to 300 m3/hr in final commissioning

Revenue

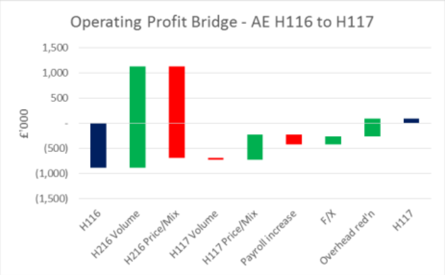
£8.0m

H116: £3.2m

Adjusted operating profit

£0.1m

H116: £(0.9)m



Summary & Outlook

Improvements in markets and the restructuring of the Group now showing in the results

Manufacturing Divisions showing a positive trajectory led by PMC in H1, with significant momentum in Cylinders and Engineered Products set to come through in H2

Alternative Energy Division is reaping the benefits of the momentum provided by its order book but timing of new orders remains difficult to predict.

Focus on productivity gains and improved technical capabilities continuing supported by targeted capital investment and training

Acquisition of Martract demonstrates commitment to the Group's growth strategy

The Board is pleased with progress to date and remains confident in the medium to long-term prospects for the Group

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