



Press Release

23 November 2009

Proventec Plc

("Proventec" or the "Group")

Interim Results

Proventec Plc (AIM:PROV, Alternext:ALTPC), a provider of specialist steam cleaning and coatings technologies, today announces its interim results for the six months ended 30 September 2009.

Highlights

- Turnover of £8.0 million (2008: £8.2 million)
- Gross profit maintained at £3.4 million
- Loss before tax of £1.0 million (2008: loss of £649,000)
- Successful fundraising of £1.5 million through Placing of shares
- Strategic acquisitions of the controlling stakes in Frank GmbH and CryoJet Industrial Services BV performing well:
 - Cryojet, working with a number of major petroleum producers
 - Frank developing a new concept in steam cleaning equipment
- Successfully restructured operations to reduce costs and improve efficiencies

David Chestnutt, Chief Executive of Proventec, commented: "The first six months have been encouraging, despite the current difficult trading conditions in Europe. We have started a restructuring programme and have already seen a positive impact in sales and administration efficiencies. The acquisitions of Frank and Cryojet have further broadened the Group's offering and are proving to be highly successful. The Group is in the final stages of restructuring and by 2010 will be well placed to benefit from the continuing development of its technologies."

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CHAIRMAN'S STATEMENT

I am pleased to report Proventec has continued to move forward during the period, despite the difficult economic and trading environment in Europe over the last twelve months. The Group is now beginning to see positive results from many of the strategic decisions taken over the last year.

The strategic acquisitions of the controlling stakes in Frank GmbH and Cryojet Industrial Services BV are also beginning to show financial benefits to the Group.

In Germany, Frank, the Group's manufacturer and distributor of automated cleaning systems and products, is continuing to develop its own range of hot and cold water industrial pressure washers and car wash stations, as well as utilising its engineering skills to develop new dry steam industrial equipment for Osprey. Frank has also worked on the development of the new hand hygiene system for the healthcare sector which to date has been fully funded through grants from the UK Department of Health.

Cryojet, the Group's specialist, industrial cleaning service provider, utilising steam and proprietary dry-ice technology, has been working with a major petroleum producer in Rotterdam to solve the heavy duty cleaning problems associated with the refurbishment and rolling maintenance requirements of that industry. Within the last two weeks Cryojet has completed a specific cleaning project and this is now being evaluated by the main board of the customer with a view to recommending the adoption of Cryojet's cleaning systems on a global basis for their group.

As part of this trial, the petroleum authorities in Mexico have also been in attendance in Rotterdam to observe the effectiveness of Cryojet's dry-ice cleaning technology and we are hopeful that this may lead to considerable expansion for this part of the business.

During the last six months, the Group's Rotterdam operation has moved to new premises and all of the Dutch based companies have been brought together under one roof. This includes the mainland European offshoot of Contico Manufacturing, which now has warehousing facilities and Cryojet whose sales and administrative offices have been brought into the Group. Centralising our European operations has driven cross sales opportunities as well as improving administration efficiencies.

A clinical trial of Osprey's equipment in one of the UK's leading hospital trusts is expected to lead to further endorsement by that sector of the advantages and merits of utilising dry steam as part of the healthcare cleaning regime.

Proventec raised £1.5 million before expenses in July, to assist in the continued development of the Group. This fundraising was supported by most of our major shareholders.

We are continuing to look at ways of repaying and or converting the loan notes in issue and this and the preservation of cash remain high on the agenda of your Board.

Peter Teerlink
Chairman

CHIEF EXECUTIVE'S REPORT

Although trading conditions have remained difficult during the last twelve months, the results for the six months to 30 September are encouraging.

Turnover, boosted by the sales from the acquisitions we made last year, has reduced by less than 3% to £8.0 million (2008:£8.2 million) whilst improved efficiencies has led to a slight increase in gross margins.

Despite the substantial cost savings made by the Group during the last twelve months, administration expenses have increased following the acquisitions of Frank GmbH and Cryojet Industrial Services BV.

As a result, there is a small EBITDA loss of £45,000 and the loss before tax has increased to £1.02 million (2008:£607,000)

The results are in line with Group expectations and we are confident that the second half of the year will show better growth and begin to reflect the changes we have made to the Group's operations.

Proventec Healthcare

Proventec Healthcare ("PH") was launched in April 2009 to provide a "one-stop shop" for hygienic solutions and cleaning products to the healthcare sector.

PH promotes the Osprey range of healthcare steam equipment and specialist tooling, general cleaning products, including disposable microfibre sourced from Contico and a number of individual products selected for their efficacy and compatibility to provide a validated infection control offering to private hospitals, care homes and associated healthcare providers.

The management team of PH has been strengthened by the appointment of Neill Simmons as Sales Director who joined the Group in November from a major European FMCG company.

As part of the Group's UK re-structuring, the Proventec Healthcare and OspreyDeepclean warehousing and logistics are being relocated and will be

accommodated in Contico Manufacturing's premises in Redruth. This will improve operational efficiencies and reduce overheads.

The responsibility for UK sales across the Proventec Group will be headed up by Vernon Holmes, Managing Director of Contico who will lead a combined UK sales force approaching 40.

The Cheltenham premises currently occupied by the Osprey companies will become the Group central Sales and Marketing centre for the UK.

OspreyDeepclean

The current recession has affected the sales and progress of OspreyDeepclean. The take up of orders in the healthcare sector has been lower than anticipated, despite the enthusiasm shown by the Infection Control community for the impressive results continuously demonstrated by using steam as a primary cleaning method. Earlier in 2009 the company won the Healthcare Associated Infections Award for the "new and novel technology with the greatest contribution to enhancing the cleanliness of the hospital environment". Despite this endorsement the current trading conditions have not proved as favourable as we had expected and the NHS Trusts and major contract cleaning groups have delayed their capital purchasing. However over recent weeks the Group has seen some signs that the spending restrictions in the NHS may be gradually being relaxed.

The company in conjunction with the Department of Health is conducting a fully funded clinical trial with the Durham and Darlington NHS Trust. This trial will evaluate the efficacy of steam by comparison with current cleaning standards and the company expect the results to highlight the advantages and effectiveness of steam in infection control and as a cleaning medium. The trial, which began in October, will last for six months and the results are expected during the second quarter, 2010.

OspreyDeepclean has continued to introduce its technology and validated data to the infection control community abroad and has made presentations to leading healthcare personnel in India, Malaysia, the Middle East and Canada who have shown great interest in working with the company. The company has concluded an agreement with an Indian cleaning group and is in final discussions with similar companies in Malaysia and Canada.

The company continues to develop its healthcare steam equipment and tooling range while working on developing the technology. One of the new ventures is the design and development of a hand hygiene washing system that has been produced in conjunction with a licensing partner. This project has already received funding from the government's Small Business Research Initiative (Stage 1) and has now applied for Stage 2 with a potential grant of significant funding. Much of the engineering and development work has been carried out at the Group's German based engineering company, Frank.

Contico

Contico, a supplier of janitorial products, saw a slow down in sales, like many UK companies in the last quarter of 2008 and the first part of this year.

The company has added new products to its range, has improved its inventory planning and management and reviewed all of its costs. This has been a very successful process and as a result, the company has surpassed its forecast. In recent months there have been some signs that business is picking up although the company is still finding trading conditions difficult.

The company was planning to move its operation to a new green field site but has now put these plans on hold and is in discussions with its landlord over extending the lease of its premises.

Proventec Industrial

The Proventec Industrial division will replicate Proventec Healthcare but for the industrial sector, with an initial focus on the petro-chemical industry and the food manufacturing sector.

The business is being developed around the Cryojet Dry-Ice cleaning systems. This system has delivered exceptional results on projects for a number of major petroleum groups who have an increasing need for cost effective and specialist cleaning. Cryojet's proprietary restorative cleaning techniques have been tested and found successful in cleaning a number of key installations including oil refinery storage tanks. The process has many advantages over other cleaning techniques such as sand blasting. Once the target area has been cleaned the refurbished plant can be more easily maintained and cleaned using Osprey's range of industrial steam machines.

Additionally, in some applications, there are opportunities to utilise some of the Innoshield coatings to further protect the newly cleaned and refurbished surfaces, providing protection which can prevent the build up of heavy soiling.

Osprey, in conjunction with Frank, has been developing a new concept in steam cleaning equipment which should be available for the industrial market early in 2010. The cost to power ratio should enable the Group to sell this product at greatly reduced prices and as such assist in the accelerated introduction of this technology specifically to the food manufacturing sector.

Osprey is also undertaking two specific and separate tasks with two major food manufacturing companies to integrate their conveyor belt with new, belt-cleaning steam technology into CIP (Cleaning in Place) installations for two new food production lines.

All these developments will lead to considerable growth in this sector over the coming years.

Magma has seen the best trading period to date with its timber coating products. The commercial agreement with Dr Wolman, a wholly owned subsidiary of BASF, signed earlier this year is beginning to demonstrate the expected sales and marketing results.

Outlook

Proventec has used the last twelve months to simplify and streamline its offerings. As a result, it has significantly reduced costs and improved efficiencies within the Group.

The general economic climate remains uncertain and cash constraints may result in slower growth for the Group than expected.

However, there is still some further restructuring to be completed and by mid 2010 the Group will be in the right position to enjoy the benefits of all of its development and validation. This should be evidenced by increased demand and growth in its sales across both divisions, healthcare and industrial.

D M A Chestnutt
Chief Executive

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2009**

	Unaudited 30 September 2009 £'000	Unaudited 30 September 2008 £'000	Audited 31 March 2009 £'000
Assets			
Non-current assets			
Property, plant and equipment	888	1,049	906
Goodwill	26,867	38,303	27,125
Other intangible assets	4,834	4,697	4,949
Available for sale financial assets	12	2,816	12
Share of associate net assets	8	(33)	8
	32,609	46,832	33,000
Current assets			
Inventories	2,837	2,678	2,848
Trade and other receivables	4,567	11,937	4,149
Cash and cash equivalents	900	1,786	1,095
Investments held for sale	-	100	-
	8,304	16,501	8,092
Total assets	40,913	63,333	41,092
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	1,542	12,170	1,242
Other reserves	12,996	27,991	12,297
Retained earnings	2,420	(1,463)	3,444
	16,958	38,698	16,983
Minority interest	268	22	252
Total equity	17,226	38,720	17,235
Non-current liabilities			
Long term borrowings	14,318	16,744	14,260
Deferred tax	-	587	-
Total non-current liabilities	14,318	17,331	14,260
Current liabilities			
Trade and other payables	6,544	7,058	6,798
Current portion of long term borrowings	2,825	59	2,799
Current tax payable	-	165	-
Total current liabilities	9,369	7,282	9,597
Total liabilities	23,687	24,613	23,857
Total equity and liabilities	40,913	63,333	41,092

The financial statements were approved and authorised for issue by the Board on 20 November 2009 and were signed on its behalf by D Chestnutt.

**CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009**

	Unaudited 6 months to 30 September 2008 £'000	Unaudited 6 months to 30 September 2008 £'000	Audited 12 months to 31 March 2009 £'000
Revenue	7,956	8,182	15,390
Cost of sales	(4,524)	(4,716)	(8,773)
Gross profit	3,432	3,466	6,617
Other income		-	-
Administrative expenses - recurring	(3,720)	(3,326)	(7,033)
Impairment of goodwill	-	-	(16,000)
Impairment of investments	-	-	(3,260)
Impairment of receivables	-	-	(7,458)
Total administrative expenses	(3,720)	(3,326)	(33,751)
Finance costs	(734)	(747)	(1,542)
Share of associates operating loss	-	(42)	28
Loss before taxation	(1,022)	(649)	(28,648)
Income tax (expense)/credit	(1)	-	748
Loss for the period	(1,023)	(649)	(27,900)
Minority interest	1	(41)	(47)
Loss for the period relating to equity shareholders	(1,024)	(608)	(27,853)
Earnings per share			
basic	(7.7)	(5.0)	(227.4)
diluted	(7.7)	(5.0)	(227.4)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009**

	Unaudited 6 months to 30 September 2009 £'000	Unaudited 6 months to 30 September 2008 £'000	Audited 12 months to 31 March 2009 £'000
Loss for the period	(1,023)	(649)	(27,900)
Net exchange differences on translating foreign operations	(397)	212	5,764
Total comprehensive income and expense for the period	(1,420)	(437)	(22,136)
Attributable to the minority interest	1	(41)	(47)
Attributable to equity holders of the parent	(1,421)	(396)	(22,089)

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009**

	Share capital £'000	Share premium £'000	Shares to be issued £'000	Share options £'000	Retained earnings £'000	Foreign currency reserve £'000	Share warrants £'000	Total £'000
For the period ended 30 September 2009								
At 1 April	1,242	155	-	85	3,444	10,586	1,471	16,983
Loss for the period attributable to equity shareholders	-	-	-	-	(1,024)	-	-	(1,024)
Unrealised exchange movement	-	-	-	-	-	(397)	-	(397)
Issue of Shares	300	1,096	-	-	-	-	-	1396
Movement in period	300	1,096	-	-	(1,024)	(397)	-	(25)
At 30 September 2009	1,542	1,251	-	85	2,420	10,189	1,471	16,958
For the period ended 30 September 2008								
At 1 April	12,170	21,107	-	58	(855)	4,822	1,471	38,773
Loss for the period attributable to equity shareholders	-	-	-	-	(608)	-	-	(608)
Unrealised exchange movement	-	-	-	-	-	212	-	212
Issue of shares	-	-	321	-	-	-	-	321
Movement in period	-	-	321	-	(608)	212	-	(75)
At 30 September 2008	12,170	21,107	321	58	(1,463)	5,034	1,471	38,698

**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009
(continued)**

	Share capital £'000	Share premium £'000	Share options £'000	Retained earnings £'000	Foreign currency reserve £'000	Share warrants £'000	Total £'000
For the year ended 31 March 2009							
At 1 April	12,170	21,107	58	(855)	4,822	1,471	38,773
Loss for the year attributable to equity shareholders	-	-	-	(27,853)	-	-	(27,853)
Issue of shares	248	24	-	-	-	-	272
Issue of options	-	-	27	-	-	-	27
Reduction of Share capital	(11,176)	-	-	11,176	-	-	-
Cancellation of Share premium	-	(20,976)	-	20,976	-	-	-
Unrealised exchange movement	-	-	-	-	5,764	-	5,764
Movement in year	(10,928)	(20,952)	27	4,299	5,764	-	(21,790)
At 31 March 2009	1,242	155	85	3,444	10,586	1,471	16,983

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009**

	Unaudited 6 months to 30 September 2008 £'000	Unaudited 6 months to 30 September 2008 £'000	Audited 12 months to 31 March 2009 £'000
Cash flows from operating activities			
Cash generated from operations	(771)	(768)	370
Interest received	28	80	121
Interest paid	(706)	(711)	(1,442)
Tax (paid) / received	-	-	9
Net cash flow from operating activities	(1,449)	(1,399)	(942)
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)	-	(754)	(1,112)
Acquisition of available for sale financial assets	-	-	(6)
Proceeds from sale of tangible assets	6	-	-
Proceeds from sale of available for sale financial assets	50	-	-
Purchase of property, plant and equipment	(149)	(73)	(294)
Purchase of intangible assets	(45)	-	(99)
Net cash flow from investing activities	(138)	(827)	(1,511)
Cash flows from financing activities			
(Repayment of) / Proceeds from new loans	21	-	(712)
Proceeds from issue of share capital	1,500	-	272
Payment of finance lease liabilities	(25)	(30)	(54)
Costs in issuing share capital	(104)	-	-
Net cash flow from financing activities	1,392	(30)	(494)
Net decrease in cash and cash equivalents	(195)	(2,256)	(2,947)
Cash and cash equivalents at beginning of the period	1,095	4,042	4,042
Cash and cash equivalents at end of the period	900	1,786	1,095

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