The Tanfield Group Plc

("Tanfield", "Group", or "the Company")

Interim Results for the six month period to 30 June 2009

30 September 2009

Tanfield Group Plc, the leading manufacturer of aerial work platforms and commercial electric vehicles, announces its unaudited interim results for the six month period to 30 June 2009.

Summary

- Turnover of £29.9m (H1 2008: £92.8m / H2 2008 £52.9m)
- Operating loss of £11.0m (H1 2008: Operating profit £10.3m / H2 Operating loss £9.0m)
- Net cash at 30 June of £10.8m (31 December 2008: £11.1m)
- Staff costs reduced by 40% since H2 08

Darren Kell, CEO of Tanfield, said: "Sales performance across the Group continues to be constrained by the global recessionary environment.

"However, we took appropriate and timely corrective action to reshape the business. Throughout the period we have consciously run the Company for cash ahead of profitability; a strategy that has maintained the cash position, with the group still retaining a strong balance sheet.

"We continue to prepare for an eventual upturn in market demand in both our core business sectors, and are already witnessing positive developments in the Zero Emission Vehicles division."

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Summary

Throughout the period, the Company continued to experience volatility in all its market sectors as a direct consequence of the worldwide economic recession. Turnover declined 68% to £29.9m, resulting in a loss of £11.0m for the period.

Market pricing continued to decline in the period, particularly in the Powered Access division, where our revenue performance declined in line with the market and our peers. Access to credit for capital goods purchases remains the most significant challenge faced by the Company's customers in both the Powered Access and Zero Emission Vehicles divisions.

We took decisive action to reduce the cost base and improve business efficiency at the beginning of 2009, coupled with measures including shorter working weeks and periods of unpaid leave. This resulted in a reduction of staff costs by 40% whilst retaining the core skills base of the workforce. However, price erosion in Powered Access markets has meant that even after this level of resizing, the business has reported a loss. We have consciously focused on cash generation, ahead of profitability, to ensure that we maintained the cash position and the Company remained debt-free, rather than reduce the size of the business to a level that would have jeopardised recovery.

Strategic Developments

The Board of Directors is currently engaged in a strategic review of the business. Detailed consideration is being given to a possible de-merger of the two core trading divisions, thereby creating two separate companies focused on Powered Access and Zero Emission Vehicles respectively. The Board is reviewing how this could improve shareholder value, whilst providing sustained growth opportunities in each of the business units. The Board will, in due course, provide more detailed information on the outcome of this strategic review.

Powered Access: Turnover of £21.2m (H1 2008: £72.9m / H2 2008: £41.5m)

A focus on inventory reductions during the period generated cash and harmonised Tanfield's finished goods stock with production target levels.

During the first half, Tanfield further expanded its global dealer network, with the appointment of new distributors in Latin America, North Africa and Europe. The Company also appointed a national network of sales agents in North America, to target smaller, family-owned equipment rental companies.

Tanfield has substantially strengthened the core competencies of its workforce in North East England. The Company took advantage of workforce training opportunities and has received 3,750 man-hours of education for employees in the Powered Access Division. This has resulted in improved skills and qualifications for every production operative.

The almost blanket cessation of fleet purchases by equipment rental companies seen in the second half of 2008 continued throughout this period. This has fuelled increased competition for the end user market, resulting in heavy discounting from all the Company's major competitors. However, while revenues in the period have declined, our performance is in line with, or better than, our sector peers.

Zero Emission Vehicles: Turnover of £8.1m (H1 2008: £15.6m / H2 2008: £9.5m)

The Tanfield Group is already recognised worldwide as a leading manufacturer of electric vehicles and is therefore well placed to capitalise on the growing demand for these products. In the light of this, the Company continues to exploit opportunities for the advancement of electric vehicle sales across the world.

During the first half, Tanfield ramped up its strategy to grow export sales into countries that are aggressively incentivising electric vehicle procurement. The company has since appointed new distributors in Hong Kong, Southern China and Denmark, adding to existing dealers in The Netherlands and the Republic of Ireland. This strategy is already bearing fruit; in September 2009, Tanfield received purchase orders for 50 electric vans in Holland. The vehicles will be deployed by Dutch utility company Eneco. Our distributor in Hong Kong, also appointed in September, has ordered 15 commercial electric vehicles, which are destined for the fleet of the Hong Kong government.

As previously reported, Tanfield successfully completed a Licence Agreement with its US associate company Smith Electric Vehicles US Corporation (SEV US Corp). Under this arrangement, Tanfield will hold 49% of the equity of SEV US Corp and the company will manufacture and distribute Tanfield products under licence in North America. This strategic development has enabled Tanfield to achieve a low cost entry into the US market, which has already won financial support from the Federal Government and sold vehicles to high profile customers including Coca-Cola and Staples.

In the UK, Tanfield was one of four producers of low carbon vans to be selected for the Government's Low Carbon Vehicle Procurement Programme.

In Phase One, Tanfield will deliver 54 vehicles out of a total 129 electric and hybrid vans, making the Company the largest supplier of electric vans into the programme.

Tanfield is also part of two consortia that both won funding for Technology Strategy Board programmes. These programmes will see the Company deliver 16 electric passenger vehicles and develop new, high-efficiency vehicle ancillary systems.

Official figures for June 2009 showed that year-on-year total van sales in the UK had declined by approximately 40%. Inevitably this has been reflected in Tanfield's sales performance of electric commercial vehicles during the period. Furthermore, the inability of some fleet operators to access credit during this period has resulted in a number of UK customers postponing - and in some cases reducing - orders.

Other: Turnover of £0.6m (H1 2008: £4.3m / H2 2008: £2.0m)

The core customer base of Tanfield's Engineering operations is construction vehicle manufacturers. These customers continued to experience a sharp decline in sales during this period, reflected in lower turnover for this business unit.

Outlook

The Board is confident that the worldwide demand for low emission vehicles, especially in the commercial vehicle sector, will remain a major market driver and provide significant medium and longer term growth prospects for the Zero Emission Vehicles division. Short term predictions are modest, with any substantial growth opportunity dependent upon worldwide economic recovery.

The short term outlook for Powered Access remains challenging. Major rental companies have applied a capital expenditure moratorium on new equipment and are actively reducing inventory. This has resulted in a large number of used machines entering the market, which has in turn impacted on new product sales and pricing. Rental customers, that globally account for over two-thirds of all powered access sales, are indicating that their 'purchasing holiday' could continue throughout 2010.

Notwithstanding these market challenges, the Board expects that the strong customer relationships and product support capabilities of Tanfield's distributor network will sustain sales, albeit at the significantly reduced levels and pricing similar to those experienced so far this year.

Overall, the Board expects trading conditions in the second half of 2009 will be similar to the first half of the year.

Given the focus on cash generation, Tanfield is not proposing to pay a dividend for the period. The business remains well funded with zero debt and a strong balance sheet.

Consolidated Income Statement

For the six months ending 30th June 2009

	Six months to 30 Jun 09 (unaudited) £000's	Six months to 30 Jun 08 (unaudited) £000's	Year to 31 Dec 08 (audited) £000's
Continuing operations			
Revenue	**29,928**	**92,785**	**145,734**
Changes in inventories of finished goods and WIP	840	(3,896)	4,808
Raw materials and consumables used	(24,103)	(53,374)	(102,724)
Staff costs	(9,501)	(16,971)	(32,197)
Depreciation and amortisation expense	(1,539)	(1,400)	(3,195)
Other operating income	-	-	500
Other operating expenses	(6,672)	(6,858)	(11,221)
Restructuring costs	-	-	(372)
Profit from operations	**(11,047)**	**10,286**	**1,333**
Impairment of Goodwill	-	(33,155)	(31,895)
Impairment of Intangible assets	-	(15,260)	(12,605)
Impairment of Property, plant & equipment	-	-	(83)
Impairment of Inventories	-	(15,325)	(22,185)
Impairment of Receivables	-	(11,549)	(22,894)
(Loss) / Profit from continuing operations	**(11,047)**	**(65,003)**	**(88,329)**
Finance costs	(374)	(549)	(913)
Interest receivable	26	288	457
(Loss) / profit before taxation	**(11,395)**	**(65,264)**	**(88,785)**
Income tax expense	838	(2,807)	239
Net (loss) / profit from continuing operations	**(10,557)**	**(68,071)**	**(88,546)**
Earnings per share before exceptional items			
From continuing operations			
Basic (pence)	**(14.25)**	**9.75**	**2.01**
Diluted (pence)	**(14.25)**	**9.40**	**1.96**
From continuing and discontinued operations			
Basic (pence)	**(14.25)**	**9.75**	**2.01**
Diluted (pence)	**(14.25)**	**9.40**	**1.96**

Consolidated Balance Sheet

As at 30th June 2009	30 Jun 09 (Unaudited) £000's	30 Jun 08 (Unaudited) £000's	31 Dec 08 (Audited) £000's
ASSETS			
Non Current Assets			
Goodwill	356	-	356
Intangible assets	14,583	13,110	15,153
Property, plant and equipment	5,630	8,106	6,346
Deferred tax asset	1,781	785	1,779
Trade and other receivables	1,500	-	1,500
	23,850	22,001	25,134
Current Assets			
Inventories	49,426	61,300	60,560
Trade and other receivables	13,103	46,197	20,595
Investments	208	130	251
Current tax assets	59	-	-
Cash and cash equivalents	10,813	12,009	11,130
	73,609	119,636	92,536
Total Assets	**97,459**	**141,637**	**117,670**
LIABILITIES			
Current liabilities			
Trade and other payables	15,176	32,169	19,807
Tax liabilities	-	1,293	687
Obligations under finance leases	547	671	565
Other creditors	9,138	3,728	9,954
	24,861	37,861	31,013
Non Current Liabilities			
Other creditors	-	5,066	-
Deferred tax liability	307	-	307
Obligations under finance leases	303	800	569
	610	5,866	876
Total Liabilities	25,471	43,727	31,889
Equity			
Share capital	3,704	3,704	3,704
Share premium account	138,511	138,511	138,511
Share option reserve	1,653	992	1,653
Loan stock equity reserve	-	-	-
Merger reserve	1,534	1,534	1,534
Translation reserve	6,054	1,627	9,290
Capital reduction reserve	7,228	7,228	7,228
Profit and loss account	(86,696)	(55,686)	(76,139)
Total Equity	71,988	97,910	85,781
Total Equity and Liabilities	**97,459**	**141,637**	**117,670**

Consolidated Cash Flow Statement

For the six months ending 30th June 2009

	Six months to 30 Jun 09 (unaudited) £000's	Six months to 30 Jun 08 (unaudited) £000's	Year to 31 Dec 08 (audited) £000's
Operating Activities			
Profit / (loss) from continuing and discontinuing operations	(11,047)	(65,003)	(88,329)
Depreciation of property, plant and equipment	621	535	1,165
Amortisation of intangible fixed assets	918	865	2,030
impairments	-	75,289	89,662
(Gain) loss on disposal of fixed assets	-	(15)	(587)
Operating cash flows before movements in working capital	**(9,508)**	**11,671**	**3,941**
(Increase) decrease in debtors	7,029	(10,247)	4,585
Increase (decrease) in creditors	(3,881)	4,598	(8,140)
(Decrease) Increase in provisions	-	3,216	2,612
(Increase) decrease in inventories	8,072	(15,764)	(13,933)
Cash (used) generated from operations	**1,712**	**(6,526)**	**(10,935)**
Tax paid	(69)	(46)	510
Interest paid	(374)	(549)	(913)
Net Cash (used) generated from Operating activities	**1,269**	**(7,121)**	**(11,338)**
Investing Activities			
Payment of deferred consideration	(349)	-	(252)
Purchase of property, plant and equipment	(80)	(2,513)	(1,087)
Proceeds from sale of property, plant and equipment	-	-	623
Purchase of investments	(3)	(3)	(45)
Purchase of intangible fixed assets	(349)	(6,417)	(6,431)
Interest received	26	288	457
Net cash used in investing activities	**(755)**	**(8,645)**	**(6,735)**
Financing Activities			
Proceeds from issuance of ordinary shares	-	19	19
Increase in bank loans and other borrowings	-	-	-
Repayment of borrowings	-	-	-
Repayment of obligations under finance leases	(278)	(327)	(693)
Net cash used in financing	**(278)**	**(308)**	**(674)**
Net Increase/(Decrease) in Cash and Cash Equivalents	236	(16,074)	(18,747)
Cash and cash equivalents at beginning of the period	11,130	27,952	27,952
Effect of foreign exchange changes	(553)	131	1,925
Cash and cash equivalents at end of the period	**10,813**	**12,009**	**11,130**

Consolidated Statement of Changes in Equity

For the six month period ended 30th June 09

	Share capital £000's	Share Premium £000's	Share Option Reserve £000's	Loan Stock Reserve £000's	Merger Reserve £000's	Capital Reduction Reserve £000's	Translation reserve £000's	Profit and Loss Account £000's	Total Equity £000's
Balance at 1 January 2009	3,704	138,511	1,653	-	1,534	7,228	9,290	(76,139)	85,781
Exercise of share options	-	-	-	-	-	-	-	-	-
Net gains/(losses) not recognised in the income statement	-	-	-	-	-	-	-	-	-
Issue of new share capital	-	-	-	-	-	-	-	-	-
Capital Reduction	-	-	-	-	-	-	-	-	-
Conversion of convertible loan notes	-	-	-	-	-	-	-	-	-
Foreign exchange differences on retranslation of investments	-	-	-	-	-	-	(3,236)	-	(3,236)
Shares issued for consideration	-	-	-	-	-	-	-	-	-
Net (loss) for the period	-	-	-	-	-	-	-	(10,557)	(10,557)
Balance at 30 June 2009	**3,704**	**138,511**	**1,653**	**-**	**1,534**	**7,228**	**6,054**	**(86,696)**	**71,988**

For the six month period ended 30th June 08

	Share capital £000's	Share Premium £000's	Share Option Reserve £000's	Loan Stock Reserve £000's	Merger Reserve £000's	Capital Reduction Reserve £000's	Translation reserve £000's	Profit and Loss Account £000's	Total Equity £000's
Balance at 1 January 2008	3,703	138,493	992	-	1,534	7,228	879	12,385	165,214
Exercise of share options	1	18	-	-	-	-	-	-	19
Net gains/(losses) not recognised in the income statement	-	-	-	-	-	-	-	-	-
Issue of new share capital	-	-	-	-	-	-	-	-	-
Capital Reduction	-	-	-	-	-	-	-	-	-
Conversion of convertible loan notes	-	-	-	-	-	-	-	-	-
Foreign exchange differences on retranslation of investments	-	-	-	-	-	-	748	-	748
Shares issued for consideration	-	-	-	-	-	-	-	-	-
Net (loss) for the period	-	-	-	-	-	-	-	(68,071)	(68,071)
Balance at 30 June 2008	**3,704**	**138,511**	**992**	**-**	**1,534**	**7,228**	**1,627**	**(55,686)**	**97,910**

Earnings per Share

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months to 30 Jun 09	Six months to 30 Jun 08 (Restated)	Year to 31 Dec 08 (Restated)
Continuing operations			
Earnings			
Earnings for the purposes of basic earnings per share	(10,557)	(68,071)	(88,546)
Effect of dilutive potential ordinary shares:			
- interest on convertible loan notes	-	-	-
Earnings for the purposes of diluted earnings per share	(10,557)	(68,071)	(88,546)
Impairments	-	75,289	89,662
Restructuring	-	-	372
Adjusted earnings for the purposes of earnings per share before exceptional items	(10,557)	7,218	1,488
Number of shares (restated)			
Weighted average number of ordinary shares for the purposes of basic earnings per share	74,077,218	74,067,218	74,072,218
Convertible Loan Notes	-	-	-
Share Options	821,527	2,751,882	1,859,723
Weighted average number of ordinary shares for the purposes of diluted earnings per share	74,077,218	76,819,100	75,931,941
Basic earnings per share (pence)	**(14.25)**	**(91.90)**	**(119,54)**
Diluted earnings per share (pence)	**(14.25)**	**(91.90)**	**(119.54)**
Basic earnings per share before exceptional items (pence)	**(14.25)**	**9.75**	**2.01**
Diluted earnings per share before exceptional items (pence)	**(14.25)**	**9.40**	**1.96**

On the 16th June 2009 the Company's existing Ordinary Shares of 1 pence were consolidated into new Ordinary Shares of 5 pence each. The earnings per share comparatives have been adjusted to reflect this consolidation.

Business Segments

	For the six months ending 30.06.09				For the six months ending 30.06.08				For the twelve months ending 31.12.08 (restated)			
	Powered Access Platforms £000's	Zero Emmission Vehicles £000's	Other £000's	Group £000's	Powered Access Platforms £000's	Zero Emmission Vehicles £000's	Other £000's	Group £000's	Powered Access Platforms £000's	Zero Emmission Vehicles £000's	Other £000's	Group £000's
Revenue												
External Sales	21,184	8,100	644	29,928	72,900	15,600	4,285	92,785	114,388	25,087	6,259	145,734
Inter-segment sales												
Total revenue	21,184	8,100	644	29,928	72,900	15,600	4,285	92,785	114,388	25,087	6,259	145,734
Result												
Segment Result before restructuring	(8,084)	(1,887)	(1,076)	(11,047)	(66,992)	1,896	93	(65,003)	(82,689)	(1,389)	(3,879)	(87,957)
Restructuring	-	-	-	-	-	-	-	-	(263)	(38)	(71)	(372)
Loss from operations	(8,084)	(1,887)	(1,076)	(11,047)	(66,992)	1,896	93	(65,003)	(82,952)	(1,427)	(3,950)	(88,329)
Finance costs				(348)				(261)				(456)
Loss before tax				(11,395)				(65,264)				(88,785)
Income tax (expense)				838				(2,807)				239
Loss after tax				(10,557)				(68,071)				(88,546)
Other information												
Capital additions	136	293	-	429	2,437	6,471	22	8,930	2,179	5,317	22	7,518
Depreciation and amortisation	700	572	267	1,539	810	455	135	1,400	2,025	904	265	3,195
Impairments	-	-	-	-	74,012	1,097	180	75,289	88,385	1,097	180	89,662
Balance Sheet												
Assets:												
Segment assets	69,636	20,706	7,117	97,459	109,301	23,106	9,230	141,637	88,266	21,338	8,066	117,670
Consolidated total assets	69,636	20,706	7,117	97,459	109,301	23,106	9,230	141,637	88,266	21,338	8,066	117,670
Liabilities:												
Segment Liabilities	14,493	3,103	7,875	25,471	30,654	4,883	8,190	43,727	19,133	3,677	9,079	31,889
Consolidated total liabilities	14,493	3,103	7,875	25,471	30,654	4,883	8,190	43,727	19,133	3,677	9,079	31,889