

30 August 2006

For immediate release

**Chieftain Group Plc (“Chieftain” or “the Group”)
Interim results for the six months ended 30 June 2006**

Chieftain Group is an industrial services business, encompassing Engineering Services, Fabrication, Manpower Supply, Environmental Services and Marine Outfitting. It is based in Newcastle-upon-Tyne with principal operations on Tyneside, Teesside, Barrow and in Belfast.

Financial Highlights

- Turnover increased by 260% to £16.9 million (H1 2005: £4.7 million)
- Pre-tax profit of £732,000 (H1 2005: £1,000)
- Interim dividend up 60% at 2.0p (H1 2005: 1.25p)
- Significantly improved net cash position of £3.7 million (H1 2005: £1.2 million)

Operational Highlights

- All divisions performing well and contributing to profitability
- Further contract signed by Engineering Services operation on Teesside
- Manpower business underpinned by strong demand
- Current order book of £55 million (H1 2005: £25 million)

Commenting on the results, Chief Executive, Bill Taylor, said:

“I am pleased to report that the momentum built in 2005 has continued into the first half of the current year with significant improvements in turnover and profit before tax. Our order book has increased further to £55 million and all sectors of our business are performing well and are contributing to the bottom line”.

Enquiries:

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Chairman's Statement

INTRODUCTION

I am pleased to report that the increase in trading volume referred to in my statement in March has been maintained into the first half of 2006. This is reflected in the results for the first half of 2006 which show a pre-tax profit of £732,000 compared with just £1,000 in the corresponding period in 2005 and £729,000 for the whole of last year. Turnover rose very substantially over the period, reflecting a first-time contribution from our Engineering Services operation on Teesside together with satisfactory performances across all Chieftain's areas of operation. In particular, our Manpower Supply business experienced excellent growth in the period, underpinned by high levels of demand.

Our order book remains strong, having risen to £55 million as at 30 June from £23 million at the end of 2005. This has been achieved as a result of winning new contracts and an upward revaluation of some existing contracts.

Financial

Turnover for the first half came in at £16.9 million, compared with £4.7 million in the first half of 2005 and £15.0 million in the whole of 2005. After funding a significant increase in turnover of some 260% our cash position has strengthened considerably, increasing from a positive balance of £2.1 million as at 31 December 2005 to £3.7 million as at 30 June 2006. Our bank facility of £1.5 million remained unutilised during the period. Earnings per share in the first half were 5.76p, compared with 0.01p in the first half of 2005 and 5.73p achieved for the whole of 2005.

Dividend

The Board is again demonstrating its confidence in the continued profitable expansion of the Group by maintaining its progressive dividend policy and declaring an interim dividend of 2p per ordinary share. This represents a 60% increase on the corresponding interim dividend in 2005.

OPERATING REVIEW

Engineering Services

We entered this business activity at the beginning of 2005, providing a natural extension of our pipe fabrication and general steel fabrication business carried out by R. Blackett Charlton, one of our wholly-owned subsidiaries.

Activity levels in this sector increased in the early part of 2006 due to the commencement of three major contracts and have been maintained at a consistent level for most of the period. We now work with three well-known industry names in this sector from our offices on Teesside – BASF, Conoco-Phillips and px limited, operator of the Teesside Power Station. Levels of activity are expected to be maintained in the second half of the year whilst new opportunities in this sector are being pursued.

Fabrication

The Group's fabrication facilities at R. Blackett Charlton in Newcastle-upon-Tyne operated at near full capacity for most of the period, supporting Chieftain's claim to

have one of the largest pipe fabrication facilities in the UK. Tendering for new work is at a high level and negotiations for further contracts are ongoing.

Manpower Supply

R. Blackett Charlton's third mainstream activity is the provision of skilled manpower for major engineering projects in the UK and Northern Europe. There is a growing demand for these services as construction project management companies outsource the recruitment of employees with appropriate skill levels, at the time they are needed.

I am pleased to report that this sector of the business has expanded considerably as we anticipated in our preliminary statement in March. There is currently very strong demand for skilled labour in the heavy engineering sector in both the UK and Northern Europe. We were awarded several major contracts in the early part of the period and these are now being fulfilled.

Environmental Services

Our Environmental Services division provides services for the surveying, encapsulation and removal of hazardous materials including all grades of asbestos contaminated materials. Despite a slow start to the year, caused principally by our public sector clients experiencing tight budgetary controls, I am pleased to report that activity has now returned to more normal levels and a satisfactory and profitable outcome is expected at the full year.

Marine Outfitting

The Group continues to trade in its long established business of outfitting sea-going vessels for the merchant and warship fleet together with oil and gas offshore platforms for the North Sea and elsewhere. The marine business is underpinned by a long term contract for work on the Astute class submarine programme which is continuing to perform satisfactorily.

OTHER DEVELOPMENTS

I am particularly pleased to welcome new shareholders to Chieftain, not least those staff members who acquired shares through the exercise of share options granted under our original share option scheme. As a result, there was a small increase in the share capital of the Group of 45,500 shares. A new share option scheme to incentivise senior management was approved at our AGM in May of this year and 260,000 share options have been granted at an option price of 117.5p.

Safety remains high on the priority of all companies operating within Chieftain Group. We were particularly proud, therefore, to be awarded the much-coveted Presidents Award from RoSPA following 10 successive years of gold medal achievement.

OUTLOOK

I am pleased to report that the profitable growth of the Group, which commenced in the second half of 2005, has been maintained into 2006. This has been achieved entirely through organic means and without demands on our positive net cash position which has increased yet again.

We now have a first class management team, the financial resources and an established blue-chip client base to underpin further profitable expansion of the Group by both organic and acquisitive means in the second half and beyond.

I am confident that we have more exciting times to look forward to.

P Wardle
Chairman

30 August 2006

Unaudited Results for the six months ended 30 June 2006

| | Unaudited 6 months ended 30 June 2006 £'000 | Unaudited 6 months ended 30 June 2005 £'000 | Audited 12 months ended 31 Dec 2005 £'000 |
|--|--|--|--|
| Turnover: | | | |
| Continuing operations | <u>16,858</u> | <u>4,731</u> | <u>15,016</u> |
| Operating profit/(loss): | | | |
| Continuing operations | 682 | (20) | 693 |
| Net interest receivable | 50 | 21 | 36 |
| | <u> </u> | <u> </u> | <u> </u> |
| Profit on ordinary activities before taxation | 732 | 1 | 729 |
| Taxation | (229) | - | (230) |
| | <u> </u> | <u> </u> | <u> </u> |
| Profit on ordinary activities after taxation | 503 | 1 | 499 |
| | <u> </u> | <u> </u> | <u> </u> |
| Earnings per share - basic | 5.76p | 0.01p | 5.73p |
| - diluted | 5.75p | 0.01p | 5.71p |
| Dividend per share | <u>2.0p</u> | <u>1.25p</u> | <u>3.25p</u> |

Consolidated Balance Sheet

| | Unaudited as at 30 June 2006 £'000 | Unaudited as at 30 June 2005 £'000 | Audited as at 31 Dec 2005 £'000 |
|--|---|---|--|
| Fixed Assets | | | |
| Tangible assets | <u>753</u> | <u>702</u> | <u>698</u> |
| Current Assets | | | |
| Stocks and work in progress | 88 | 53 | 305 |
| Debtors | 5,002 | 2,510 | 4,576 |
| Cash at bank and in hand | 3,666 | 1,187 | 2,145 |
| | <u>8,756</u> | <u>3,750</u> | <u>7,026</u> |
| Creditors | | | |
| Amounts falling due within one year | (6,779) | (2,389) | (5,285) |
| Net Current Assets | <u>1,977</u> | <u>1,361</u> | <u>1,741</u> |
| Total Assets Less Current Liabilities | 2,730 | 2,063 | 2,439 |
| Creditors | | | |

| | | | |
|--|--------------|--------------|--------------|
| Amounts falling due after more than one year | (24) | (64) | (51) |
| | <u>2,706</u> | <u>1,999</u> | <u>2,388</u> |
| Capital and Reserves | | | |
| Called up equity share capital | 438 | 436 | 436 |
| Share premium account | 429 | 420 | 420 |
| Profit and loss account | 1,839 | 1,143 | 1,532 |
| | <u>2,706</u> | <u>1,999</u> | <u>2,388</u> |
| Equity Shareholders' Funds | | | |

Consolidated Cash Flow Statement

| | Unaudited 6 months ended 30 June 2006 £'000 £'000 | | Unaudited 6 months ended 30 June 2005 £'000 £'000 | | Audited 12 months ended 31 Dec 2005 £'000 £'000 | |
|--|---|-------------------|---|-------------------|---|-------------------|
| Net Cash Inflow/(Outflow) from Operating Activities | | 1,833 | | (610) | | 832 |
| Returns on Investments and Servicing of Finance | | | | | | |
| Interest received | 63 | | 31 | | 49 | |
| Interest paid | - | | (5) | | (1) | |
| Interest element of finance lease rental payments | <u>(13)</u> | | <u>(5)</u> | | <u>(12)</u> | |
| | | 50 | | 21 | | 36 |
| Taxation | | | | | | |
| Corporation tax paid | | (30) | | - | | (334) |
| Capital Expenditure | | | | | | |
| Purchase of tangible fixed assets | (114) | | (40) | | (73) | |
| Disposal of tangible fixed assets | <u>3</u> | | <u>9</u> | | <u>29</u> | |
| | | (111) | | (31) | | (44) |
| Equity Dividends Paid | | (196) | | (174) | | (283) |
| | | <u> </u> | | <u> </u> | | <u> </u> |
| Net Cash Inflow/(Outflow) before Financing Activities | | 1,546 | | (794) | | 207 |
| Financing | | | | | | |
| Issue of ordinary share capital | 11 | | - | | - | |
| Capital element of finance lease rental payments | <u>(36)</u> | | <u>(44)</u> | | <u>(87)</u> | |
| | | (25) | | (44) | | (87) |
| | | <u> </u> | | <u> </u> | | <u> </u> |
| Increase/(Decrease) in Cash in the Period | | <u>1,521</u> | | <u>(838)</u> | | <u>120</u> |

Notes:

1. The interim dividend is payable on 6 October 2006 to those shareholders on the Company's register on 15 September 2006.
2. The total cost of the interim dividend is £175,170 (2005 - £108,913) based on 8,758,500 ordinary shares in issue (2005 – 8,713,000).
3. Basic earnings per share is based upon the profit on ordinary activities after taxation and 8,737,750 (2005 – 8,713,000) ordinary shares (the weighted average number of shares in issue during the period).
4. Diluted earnings per share is based upon the profit on ordinary activities after taxation and 8,753,299 (2005 – 8,740,657) ordinary shares (the weighted average number of shares in issue during the period plus the weighted average number of dilutive options in issue during the period. Dilutive options are the difference between the number of shares that would have been issued at the option price and the number of shares that would have been issued at fair value).
5. These financial statements have been presented using accounting policies consistent with those applied in the Audited Financial Statements for the financial year ended 31 December 2005.
6. The Company's full accounts for the year to 31 December 2005 received an unqualified auditors' report and have been filed with the Registrar of Companies. Copies can be obtained from the Company's registered office at Chieftain House, White Street, Walker, Newcastle upon Tyne, NE6 3PJ.