



CHAPELTHORPE

2003 Full Year Results and Performance Report

introduction

- ③ Chapelthorpe has achieved major improvements in operating profits, cash generation and operating efficiency
- ③ Our financial risk reduced with borrowings and gearing well down on 2002 levels
- ③ Target borrowings below £20m by end of 2005
- ③ Doubled final dividend of 0.5p, making 0.75p in total
- ③ Our ability to continue to generate cash can reduce our financial risk further and provide a progressive dividend return



Financial Review

Chapelthorpe plc – full year financial highlights 2003

- ③ Operating profit of £8.2m, excluding goodwill and exceptional items, up 36%
- ③ Underlying EPS 1.69p (2002: 1.11p)
- ③ Full year dividend of 0.75p, up 50%, covered 1.7 times by pre-exceptional, post-tax earnings
- ③ Borrowings down from £38.6m to £28.2m
- ③ Gearing substantially reduced to 59% from 75%
- ③ Pre-tax profits, before exceptionals, rose £2.5m to £4.9m

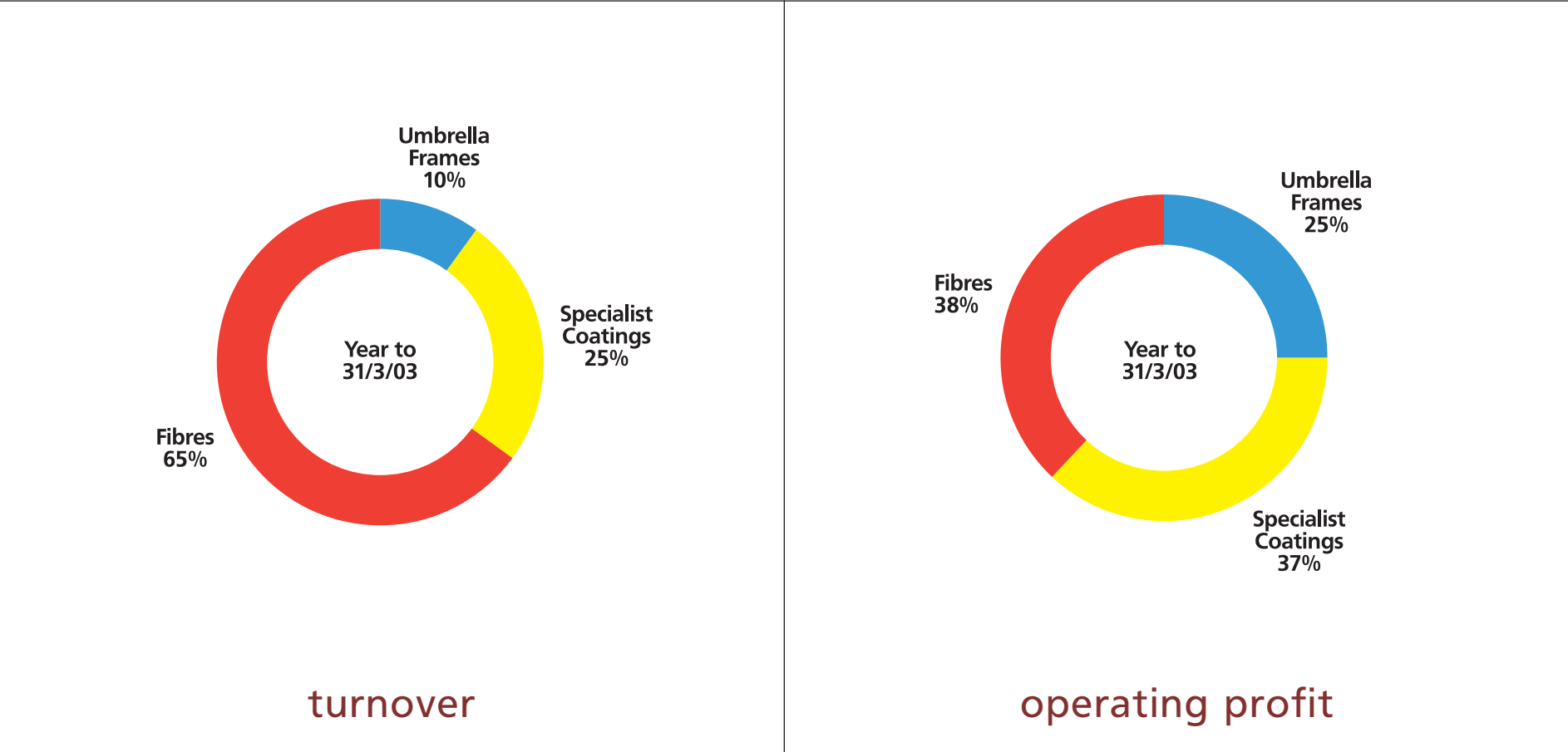
group key financials

	Full Year 2003 £m	Full Year 2002 £m
Turnover	121.8	127.0
Operating profit	8.2	6.0
Operating profit %	6.7%	4.7%
Interest cover	> 3 times	> 2 times
Return on operating assets	10.7%	7.1%
Effective tax rate	32.4%	22.5%
Underlying EPS	1.69p	1.11p
Dividend cover	1.71	1.39

- Ⓒ All figures exclude exceptional items
- Ⓒ Operating profit, interest cover, effective tax rate, return on operating assets and underlying EPS are stated before goodwill

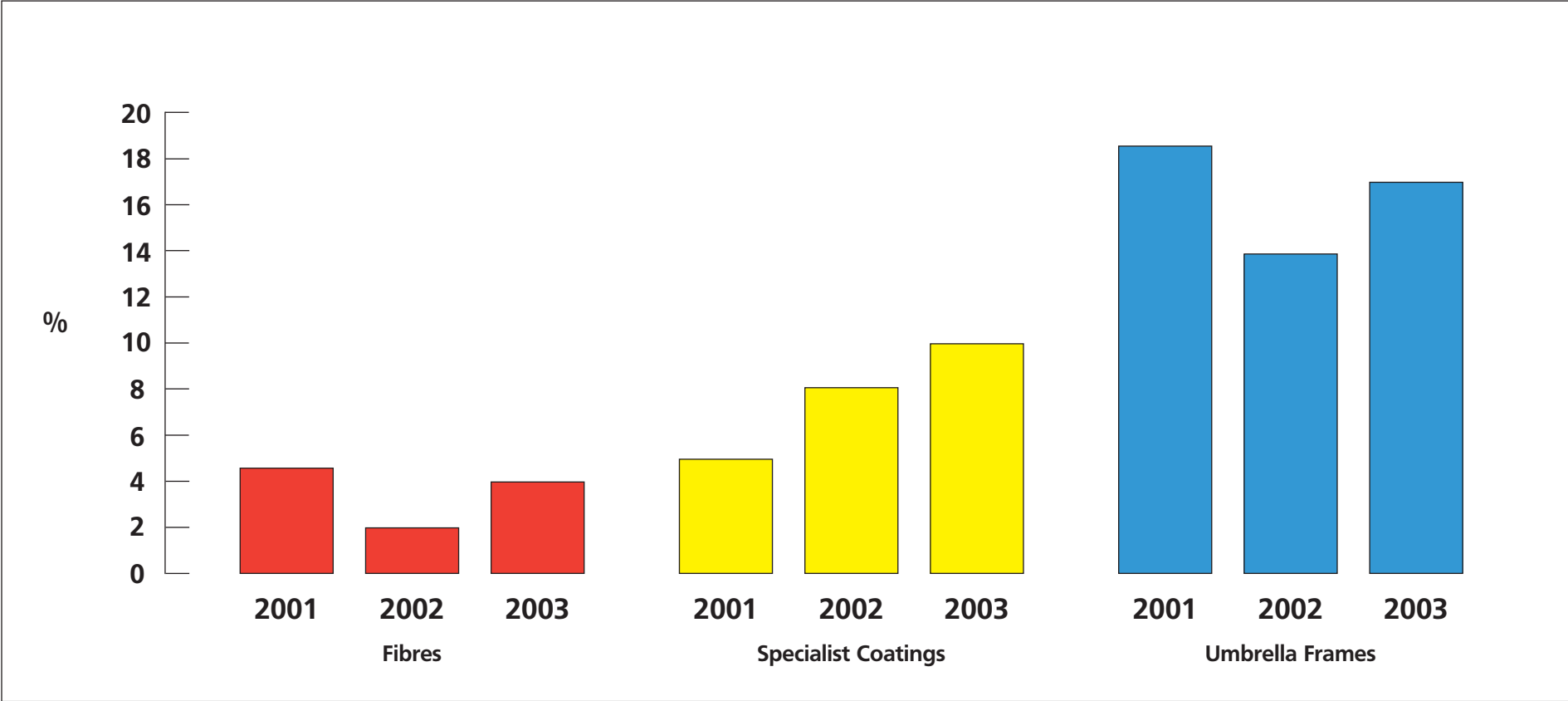
segmental statistics

turnover and operating profit



operating profit statistics

operating profit %

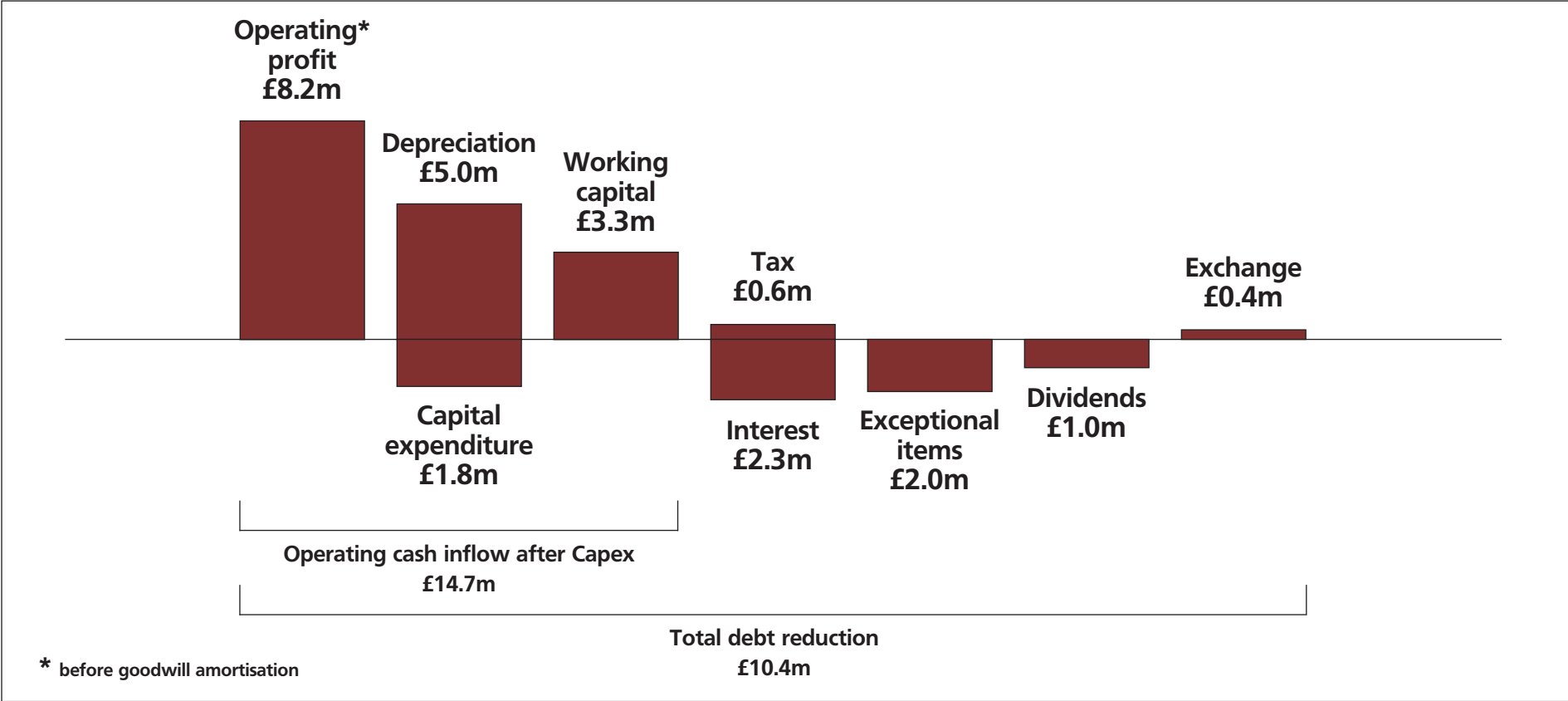


exceptional items

	£m
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Operating exceptionals:	
Surplus leasehold properties	1.1
Redundancy and severance costs	0.4
	1.5
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Non-operating exceptionals:	
Costs relating to disposed of properties	1.1
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© All amounts above are pre-tax

cash flow summary



operating cash flow

	Fibres £m	Specialist Coatings £m	Umbrella Frames £m	Total £m
Operating cash inflow	10.4	3.2	2.9	16.5
Operating profit	3.1	3.0	2.1	8.2
Strategic capex	—	0.4	0.1	0.5
Maintenance capex	0.7	0.3	0.3	1.3
Total capex	0.7	0.7	0.4	1.8
Depreciation	3.5	0.9	0.6	5.0
% of depreciation	20%	80%	70%	40%

- Ⓒ Operating cash inflow double operating profit
- Ⓒ Future capex anticipated to be at levels well below depreciation
- Ⓒ Figures exclude exceptional cash flows

net debt and gearing

	31 March 2003 £m	31 March 2002 £m
Shareholders' funds	47.9	51.4
Net debt	28.2	38.6
Gearing	58.9%	75.1%

- Ⓒ Exchange impact on net assets reduced shareholders' funds by £2.2m



Operational Review

fibres

North America

- ③ North American operation returned to profit in 2002/2003, in spite of market conditions remaining difficult and escalating polymer prices
- ③ Turnover down year on year but automotive sales continued strongly throughout the year
- ③ Highly cash generative due to ongoing working capital improvements
- ③ Polymer prices rose significantly throughout second half to the highest level in seven years
- ③ Management team strengthened
- ③ Long-term product development taking polypropylene into new automotive areas has continued

fibres

Europe

- ③ Increase in turnover. Margins improved overall but second half profitability impacted by rapidly escalating polymer prices
- ③ Polymer prices in March were the highest for seven years
- ③ Positive level of cash generation
- ③ Operations remain competitive in the traditional bulk commodity sector
- ③ Fibres developed for niche technical applications

specialist coatings

Europe

- ③ Our market share has increased although UK market continued to decline
- ③ Sales into the UK increased marginally during year
- ③ Sole supply contract win from major UK wallcoverings manufacturer
- ③ Export sales down due to dull market conditions in Europe
- ③ Russian business continued to grow gradually during year. We have capacity for growth to continue in current year in this strategically important market

specialist coatings

North America

- ③ As expected, volumes into residential wallcoverings declined significantly during year
- ③ Canadian plant consolidation completed
- ③ Wide-width coating line operation expected to generate sales in second half of 2003/04
- ③ Positive cash generation in year

umbrella frames

- ③ Turnover up on previous year but not back to levels of 2001
- ③ Volume improvement in sun umbrella frames
- ③ Higher volumes and strengthening of Euro led to material improvement in profitability, assisted by a cost reduction programme instigated in 2002

outlook

Fibres

- ③ Economic conditions in North America still uncertain – decline in automotive sales widely predicted for 2003/04
- ③ Strengthened management team in US continues to deliver improvements in all key areas and generate cash
- ③ European market conditions expected to remain at broadly current levels
- ③ Continue to capitalise on our skills in production of very fine fibres for higher added value technical applications
- ③ Polymer prices beginning to fall, although still at historically high levels

outlook

Specialist Coatings

- ③ A full year contribution from the new sole supply contract will assist us in protecting volumes although outlook for sales in Europe continues to be uncertain
- ③ Contribution from Russia will continue to grow and reinforce our strategic supply position in this, the world's largest wallpaper market
- ③ Profit improvement in Canada being maintained
- ③ North American wide-width commercial market expected to bring benefits in the second half

Umbrella Frames

- ③ Early summer sales in Northern Europe dull
- ③ Priority is to develop new geographic markets

outlook

Group

- ③ Positive cash generation to continue bringing further reductions in borrowings and gearing
- ③ Target debt level below £20m by the end of 2005
- ③ Market conditions remain difficult but early signs of falling polymer prices encouraging
- ③ All businesses remain profitable and cash generative



Background Information

group structure

