CHAPELTHORPE

2003 Half Year Results and Performance Report

introduction

"on track"

- On track to meet market expectations of trading performance
- Borrowings continue to fall despite difficult trading conditions
- Remain on target to achieve borrowings below £20m by end of 2005
- Increased interim dividend of 0.3p, up 20% from 0.25p last year

Chapelthorpe plc – half year financial highlights 2003

“dividends up 20%”

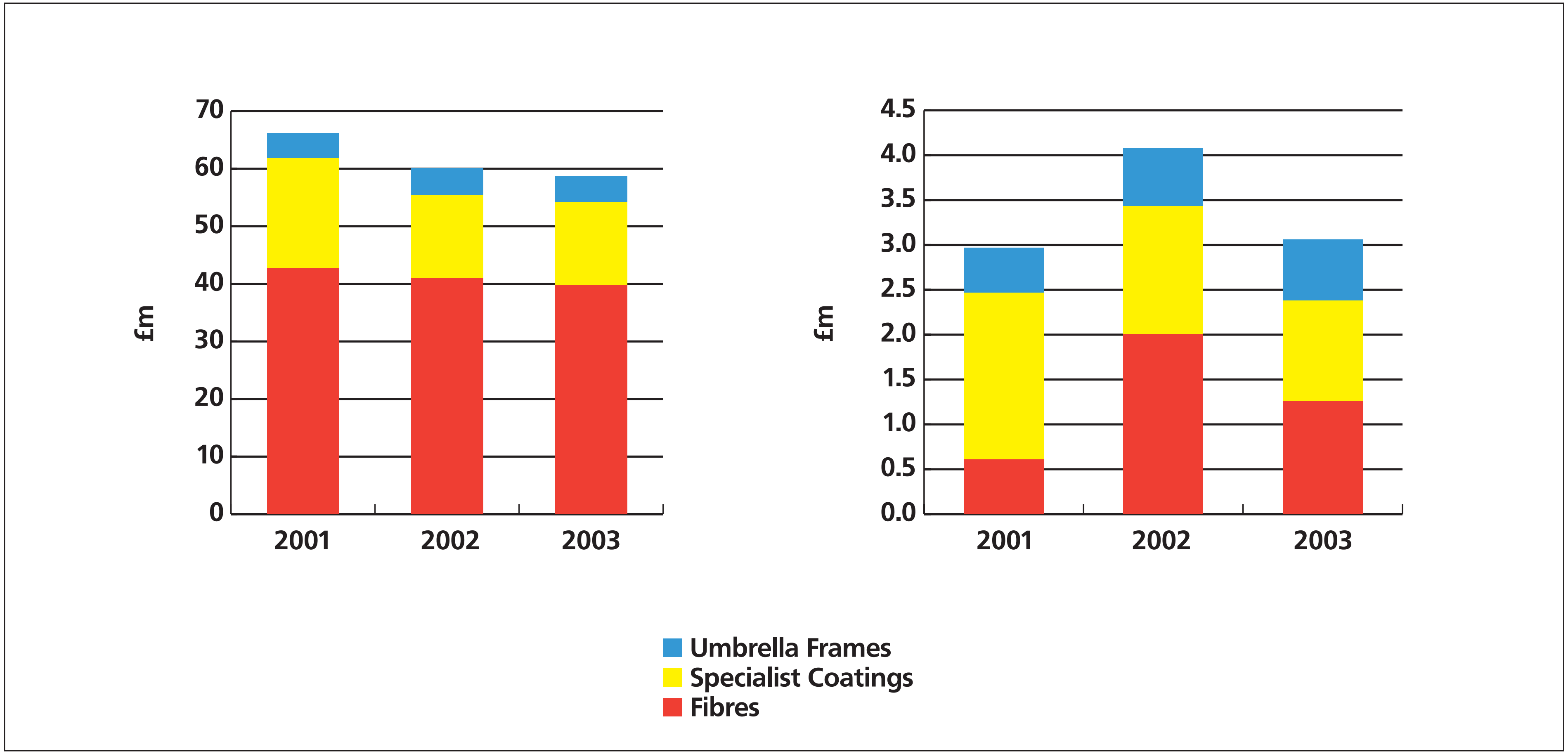
- Underlying operating profit £3.1m (2002: £4.1m)
- Underlying EPS 0.67p (2002: 0.91p)
- Interim dividend of 0.3p, up 20%, covered 1.6 times by post-tax earnings
- Borrowings down from £28.2m to £25.5m
- Settlement of outstanding litigation for £1.6m (£1.2m net of costs) in September
- Results impacted by £160k of bad debts re. Crown Wallcoverings and Carpets International

segmental statistics

“difficult conditions”

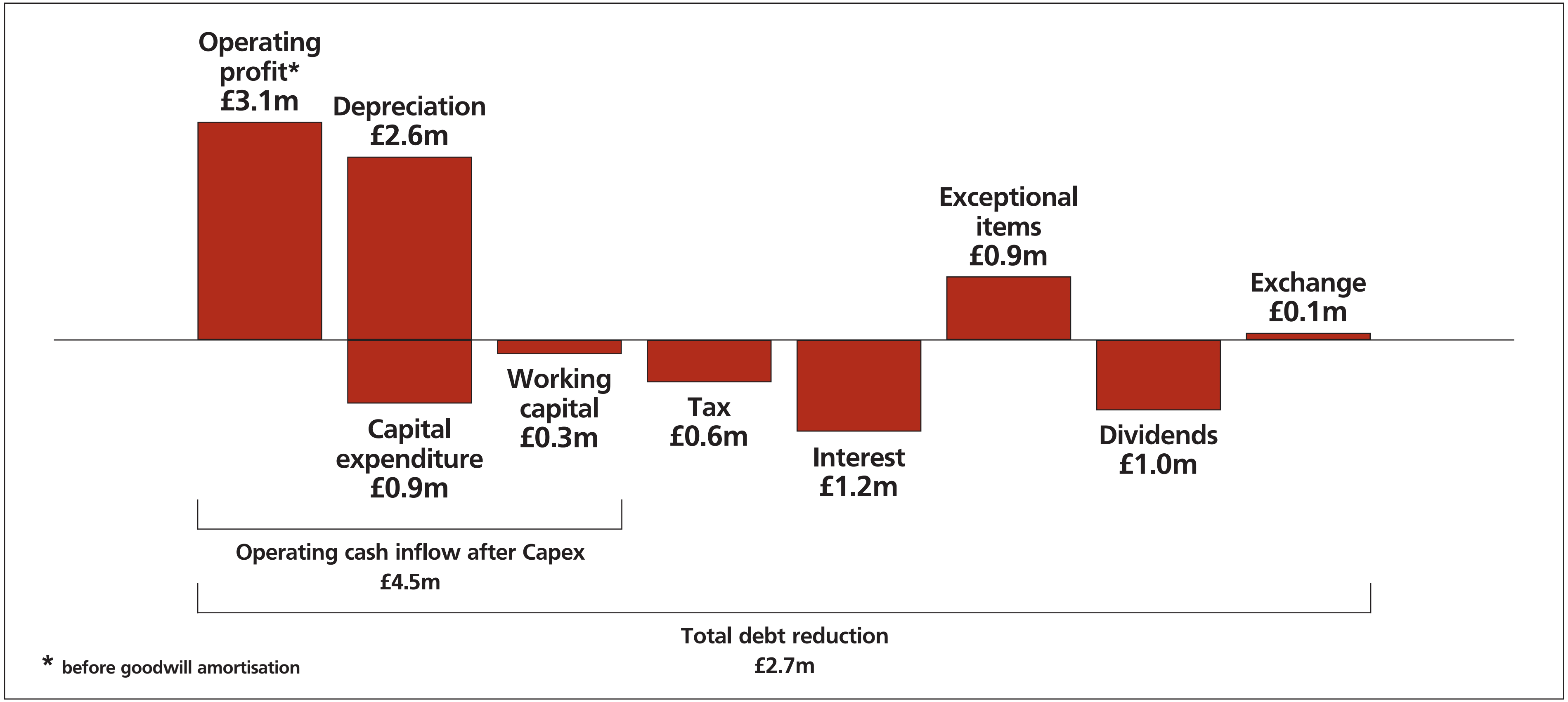
turnover

operating profit



cash flow summary

“high inflow”



operating cash flow

"low capex"

	Fibres £m	Specialist Coatings £m	Umbrella Frames £m	**Total £m**
Operating cash inflow	1.7	2.4	1.3	**5.4**
Operating profit	1.3	1.1	0.7	**3.1**
Strategic capex	0.2	0.2	0.1	**0.5**
Maintenance capex	0.2	–	0.2	**0.4**
Total capex	0.4	0.2	0.3	**0.9**
Depreciation	1.7	0.6	0.3	**2.6**
% of depreciation	24%	33%	100%	**35%**

- Future capex anticipated to be at levels well below depreciation – capex for 2003/04 expected to be in line with last year
- Figures exclude exceptional cash flows

net debt and gearing

“reductions on target”

	30 September 2003 £m	31 March 2003 £m
Shareholders’ funds	**47.3**	47.9
Net debt	**25.5**	28.2
Gearing	**53.9%**	58.9%

c Exchange impact on net assets reduced shareholders’ funds by £0.9m

group key financials

"second quarter better"

	Half Year 2003	Half Year 2002
Turnover	**£58.7m**	£60.1m
Operating profit	**£3.1m**	£4.1m
Operating profit %	**5.3%**	6.8%
Interest cover	**3.1 times**	3.5 times
Return on operating assets	**8.9%**	10.5%
Effective tax rate	**34.8%**	36.6%
Underlying EPS	**0.67p**	0.91p
Dividend cover	**1.61 times**	2.86 times
Exceptional items	**–**	£0.2m

c All figures exclude exceptional items

c Operating profit, interest cover, effective tax rate, return on operating assets and underlying EPS are stated before goodwill

fibres

"demanding first quarter"

North America

- North American market conditions remain difficult, in particular in the home furnishings sector
- Automotive sales down by 4% against 2002 in line with our expectations
- High polymer prices impacted first quarter but then eased
- Long-term product development taking polypropylene into new automotive areas has continued

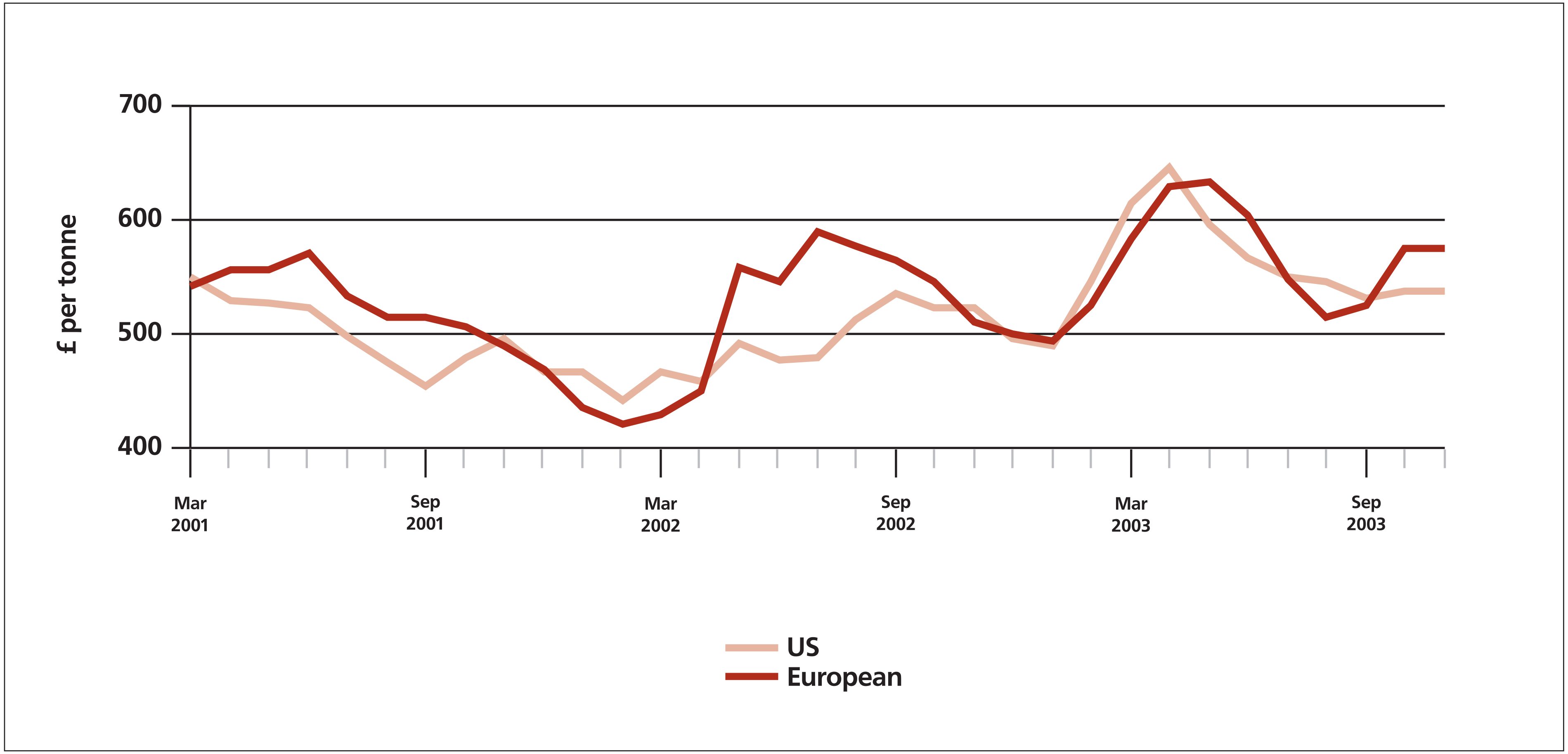
fibres

"dull markets"

Europe

- Volumes down due to weak economic conditions particularly in Germany
- Profitability affected by volatile polymer prices. Prices have eased from highs in first quarter
- New business won in niche areas but the traditional bulk commodity sector remains very competitive
- UK's largest carpet producer, Carpets International, went into receivership in August

European and US polymer prices



specialist coatings

“consolidation favouring us”

Europe

- Currently our strongest performing operation in the Group
- Decline in European wallcoverings market has shown some signs of slowing. Demand for vinyl products has increased marginally
- Markets still challenging, largest manufacturer in Europe, Crown, went into receivership in June. Now bought by Coloroll Wilman Vymura (“CWV”)
- Full benefit of sole supply contract with CWV
- Double digit margin maintained
- Russian business has continued to develop during period

specialist coatings

“weak demand”

North America

- Volumes into residential wallcoverings continued to decline
- Margins hit by lack of business and by strengthening of Canadian dollar against US dollar by 9%
- Wide-width coating line operation expected to begin to generate sales in second half of 2003/04. Positive enquiries have been received following sampling programme

umbrella frames

"awaiting next season demand"

- No benefit yet from good summer weather as increased market demand met from overstocked supply chain
- Overall fall in volumes, particularly in golf frames, but new aluminium market frame successfully launched
- Strengthening of Euro and tight cost control helped improve margins

outlook

“encouraging new opportunities”

Fibres

- Macro economic conditions in North America appear to be improving but benefit yet to be seen in our sectors
- Management team in US continues to improve production efficiency and reduce waste levels
- Currently renegotiating our two major North American automotive contracts
- European market conditions expected to remain largely unchanged
- Continue to focus on higher added value technical applications in Europe
- Polymer prices more stable than a year ago but outlook difficult to predict

outlook

"consolidation opportunities"

Specialist Coatings

- New three year sole agreement in place with Graham & Brown
- Volumes expected to continue at current levels for remainder of the year but plastisol volumes set to continue to increase
- Contribution from Russia, albeit small, will continue to grow and reinforce our strategic supply position
- No improvement in North American residential market anticipated this year
- North American wide-width commercial market expected to bring benefits in the second half
- Potential upsides from CWV's acquisition of Crown

outlook

“well prepared for new season”

Umbrella Frames

- Indications are for strong sales in second half as supply chain restocked after good summer weather
- Priority remains to develop new geographic markets

outlook

"expectations remain unchanged"

Group

- Positive cash generation to continue bringing further reductions in borrowings and improved dividend payouts
- On track to meet target debt level below £20m by the end of 2005
- Market conditions remain difficult but full year expectations remain unchanged

Background Information

group structure

Fibres

Asota GmbH
Drake Extrusion Ltd
Drake Extrusion, Inc.

Specialist Coatings

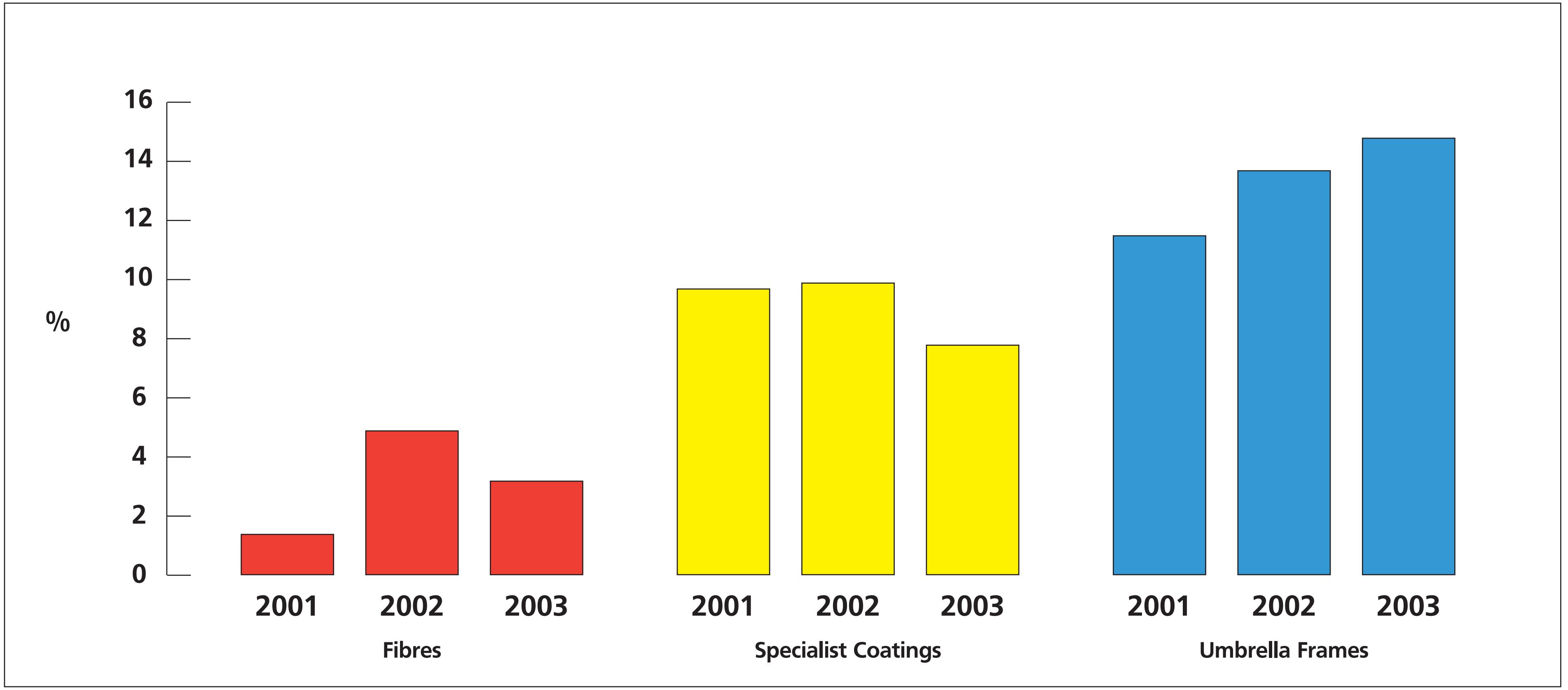
Speciality Coatings (Brantford) Ltd
Speciality Coatings (Darwen) Ltd

Umbrella Frames

Hoyland Fox Ltd

operating profit statistics

operating profit %



C Operating profit excludes goodwill amortisation and exceptional items

net borrowings

	£m
Net borrowings at 31 March 2003	**28.2**
Operating cash (inflow)	(5.4)
Interest	1.2
Cash (inflow) in respect of exceptional items	(0.9)
Taxation	0.6
Capex (strategic £0.5m; maintenance £0.4m)	0.9
Dividends	1.0
Exchange movement	(0.1)
Net borrowings at 30 September 2003	**25.5**

currency rates

Balance sheet translation:	**30 September 2003**	31 March 2003
US$	**1.66**	1.58
C$	**2.24**	2.33
EURO	**1.43**	1.45

Profit and loss average rates:	**Half year 2003**	Half year 2002
US$	**1.62**	1.51
C$	**2.25**	2.36
EURO	**1.43**	1.58