CHAPELTHORPE

2004 Half Year Results and Performance Report

introduction

"challenging environment"

- Performance impacted by depressed North American wallcoverings market and rising raw material prices
- Despite challenging conditions borrowings down and on track to meet target of £20m by March 2005
- Interim dividend of 0.33p up 10%
- Reshaping of the Group underway

group key financials

"dividend up by 10%"

	Half Year 2004	Half Year 2003
Turnover	**£60.9m**	£58.7m
Underlying operating profit	**£2.3m**	£3.1m
Underlying operating profit %	**3.8%**	5.3%
Exceptional bad debts	**£1.8m**	–
Operating profit (post-bad debts and goodwill)	**£0.2m**	£2.8m
Closure of Canada (provisional)	**£5.4m**	–
Interest cover	**2.9 times**	3.2 times
Effective tax rate	**28.5%**	33.4%
Underlying EPS	**0.53p**	0.71p
Dividend	**0.33p**	0.30p
Dividend cover	**1.6 times**	2.4 times

c Underlying operating profit, interest cover, effective tax rate, underlying EPS and dividend cover are stated before goodwill and exceptional items

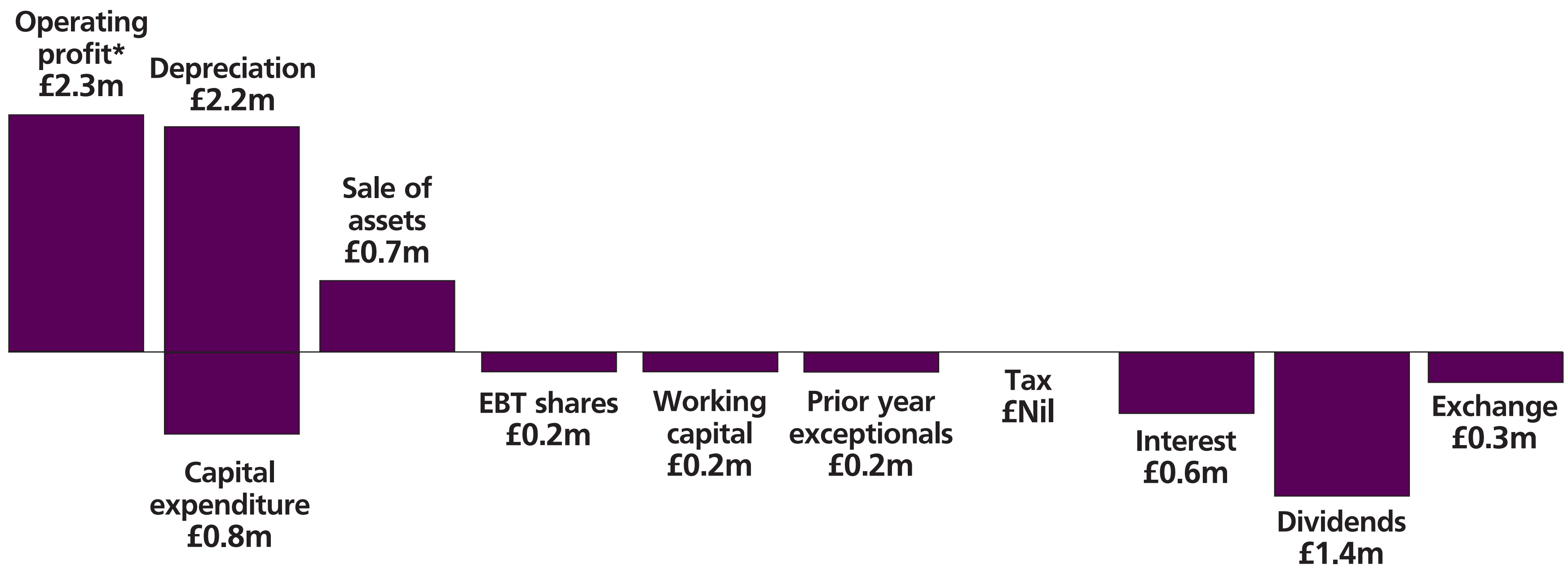
net debt and gearing

"debt continues to fall"

	30 September 2004 £m	31 March 2004 £m
Shareholders' funds	**39.4**	45.0
Net debt	**21.2**	22.7
Gearing	**53.8%**	50.4%

cash flow summary

"on track for £20m target"



*before goodwill amortisation and exceptional items

- Capex forecast to be approximately £2m for whole year
- Sale of surplus property and tax refunds net over £1m in first half

operating cash flow

"low capex"

	Fibres £m	Specialist Coatings £m	Umbrella Frames £m	**Total £m**
Operating cash inflow	3.9	(1.0)	1.4	**4.3**
Operating profit	1.2	0.5	0.6	**2.3**
Strategic capex	–	0.4	–	**0.4**
Maintenance capex	0.2	0.1	0.1	**0.4**
Total capex	0.2	0.5	0.1	**0.8**
Depreciation	1.6	0.3	0.3	**2.2**
% of depreciation	13%	167%	33%	**36%**

- Future capex anticipated to continue at levels well below depreciation
- Figures exclude goodwill amortisation and exceptional items

changes in prime costs over last 12 months

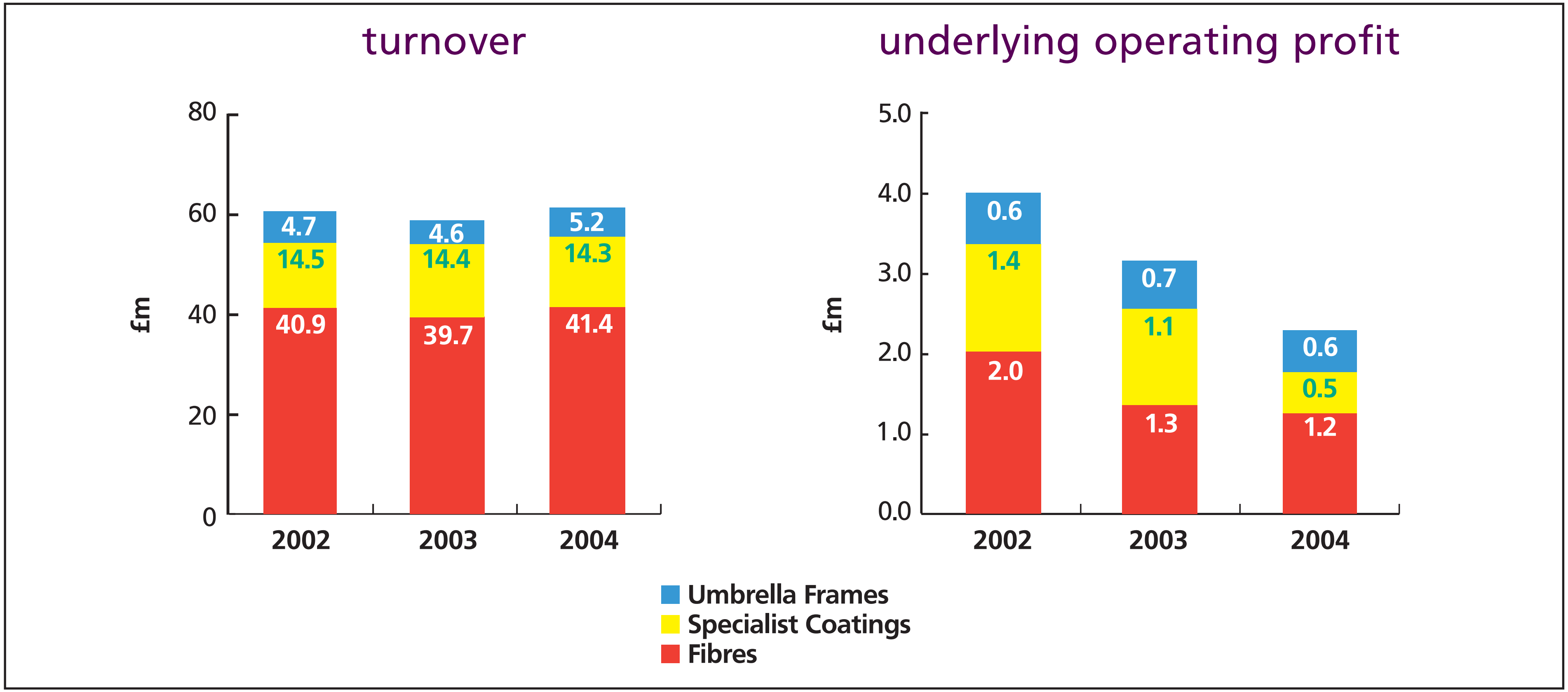
“escalating costs”

Fibres	
Polymer – Europe	+27%
– US	+45%
Specialist Coatings	
DINP (plasticiser)	+49%
PVC	+9%
Umbrella Frames	
Steel	+50%

- Added value impacted by over £1m; partially offset by improved volumes and higher selling prices
- Energy costs set to rise in second half, with 90% increase in UK

segmental statistics

"difficult conditions"



- Volumes ahead in all operations except North American wallcoverings
- Margins impacted by raw material price increases and the weak US Dollar

fibres – North America

“solid performance”

- Staple fibre market remains strong; home furnishings filament market continues to be weak
- Automotive production down slightly on 2003, in line with industry expectations
- Negotiation of our three largest contracts complete. Prices now linked to polymer price
- Average polymer prices significantly higher than last year and upward pressure remains
- Two thirds of business has selling prices linked to polymer, although up to a three month lag
- Despite high polymer prices business is performing ahead of last year and strong trading expected to continue in second half

fibres – Europe

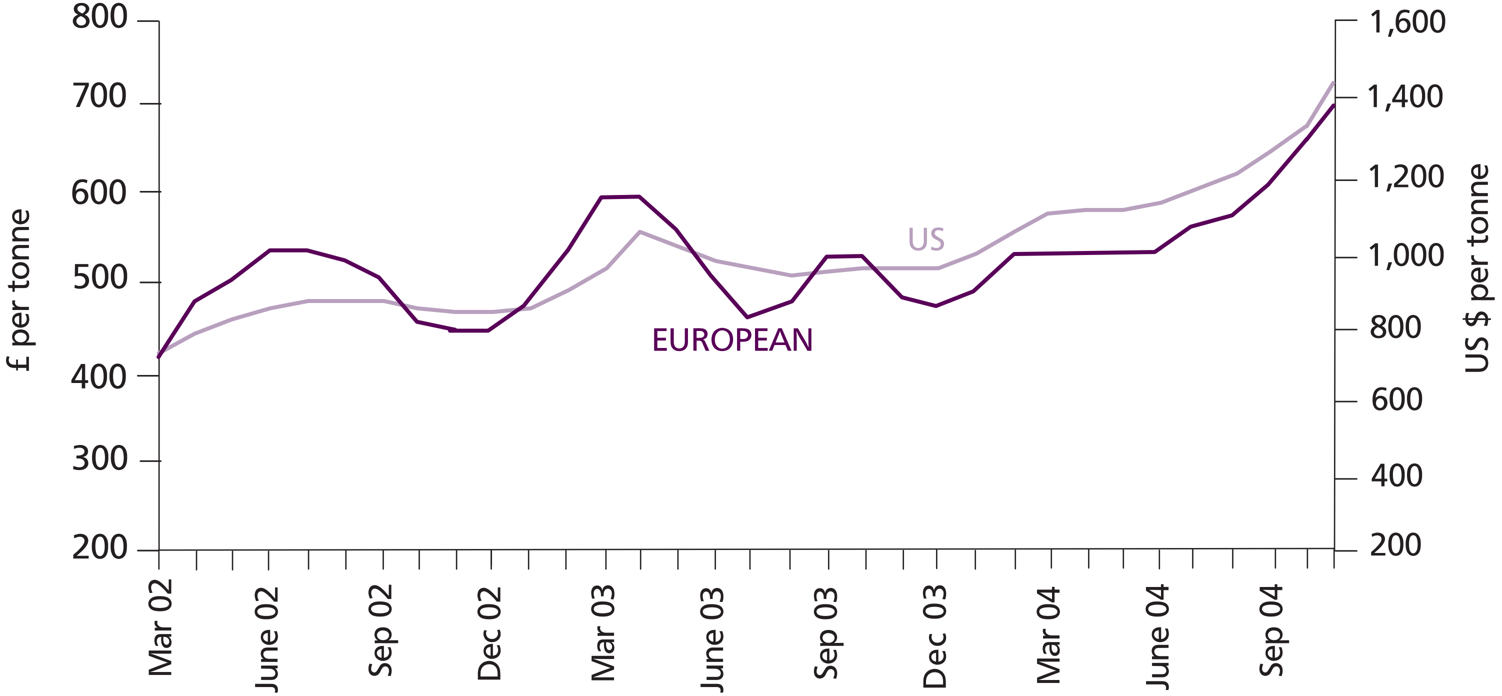
"margin pressure"

- Market conditions largely unchanged
- Improved volumes achieved in both UK and Austria through increased market share but margins eroded by polymer price rises in second quarter
- UK energy costs set to escalate dramatically in second half
- Continuing raw material price increases will make second half challenging
- Our strategic focus remains on developing supply into higher added value applications, with tea bags and concrete reinforcement set to grow in second half

fibres

"outlook uncertain"

European and US polymer prices



- Polymer prices risen in period when they typically fall

- Prices are at 10 year high in Europe and 25 year high in US and supply is tight. High demand from Far East and Eastern Europe is supporting spot prices there broadly in line with western prices

specialist coatings

"operations consolidated"

- North American market decline has impacted both European and Canadian performances. Exceptional charges for bad debts and closure of Canada made in the period
- Total European volumes ahead despite UK market decline of around 10%, due to full year impact of sole supply agreements
- Margins eroded by change of mix of customers and raw material price rises
- Canada will be closed by end of December and transfer of business to European operation should provide improvements in final quarter
- Cash costs of Canada's closure should be covered by proceeds from asset sales
- Russian business has continued to develop and contributed £0.25m of income in the first half. This should continue to grow as more customer capacity comes on stream

umbrella frames

"steady progress"

- Volumes up 14% supported by some pre-buying in advance of increases in selling prices for next season
- Margins down due to mix and steel price rises
- Operation consolidated onto one site giving cost savings and improved efficiencies of over £100,000 pa. Surplus property sold for £600k
- New products being launched and the Rotilt continues to perform well

strategy

“reshaping underway”

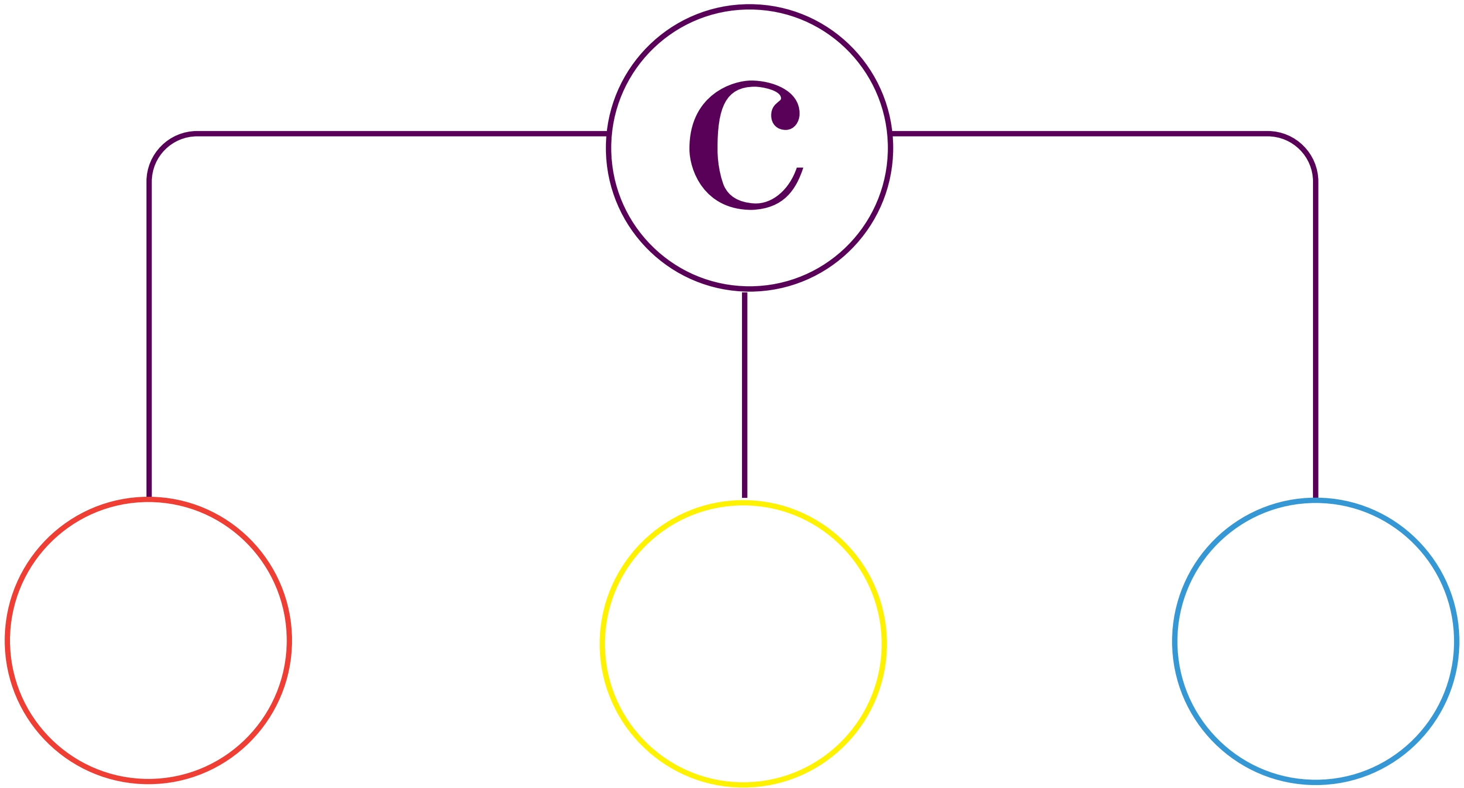
- Examining our businesses/assets and the sectors in which they operate to identify opportunities to improve growth and returns for shareholders
- Review of our asset base and targeted acceleration of realisation of tax losses has yielded over £1m in the first half
- Canadian wallcoverings operation being closed
- New direction focussing more on man-made fibres. We are exploring ways to maximise release of value and cash from the Umbrella Frames division

outlook

“prime costs escalating”

- Positive cash generation and low capex requirement to further reduce borrowings. Target debt level of £20m by March 2005 remains unchanged
- Despite an environment of escalating raw material and energy costs we anticipate an improved trading performance from all our operations in the second half

group structure



Fibres

Asota GmbH
Drake Extrusion Ltd
Drake Extrusion, Inc.

Specialist Coatings

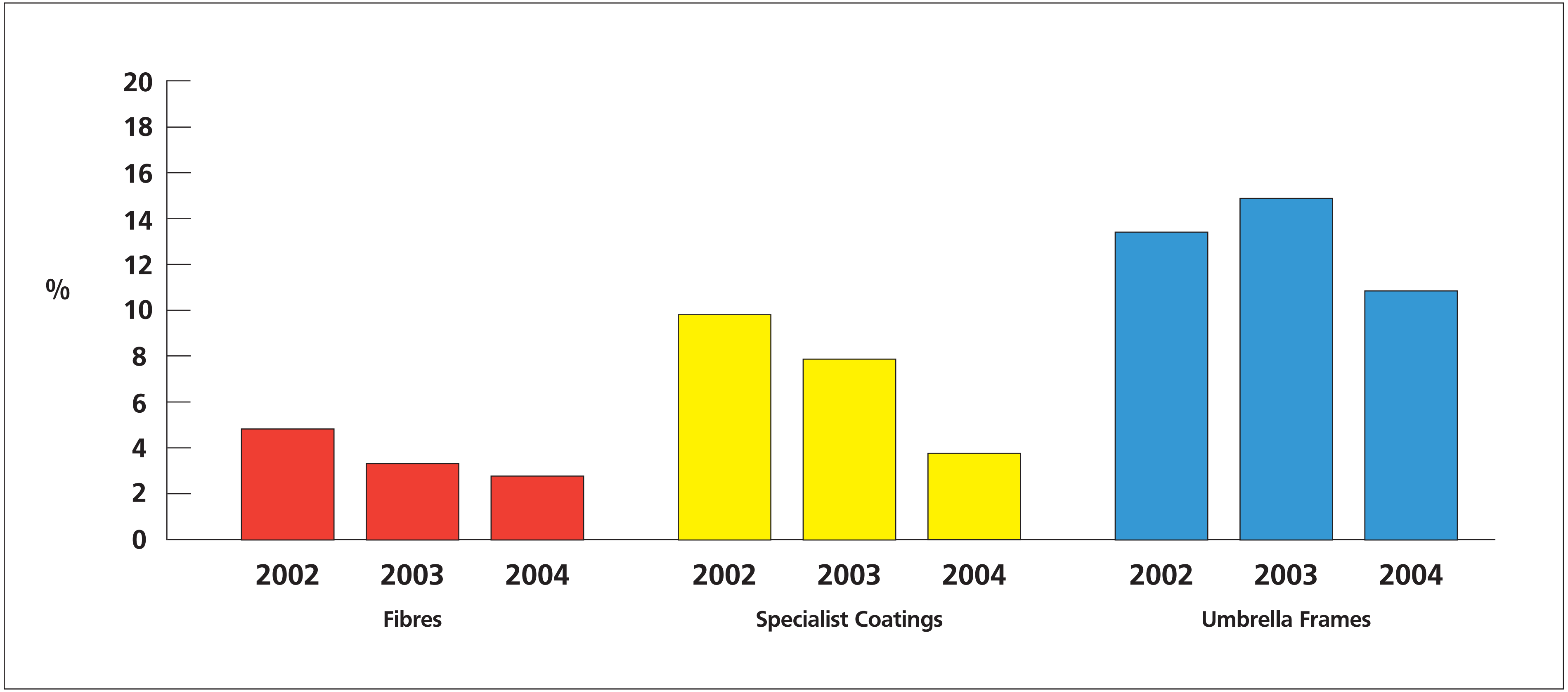
Speciality Coatings (Darwen) Ltd

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 2004	**22.7**
Operating cash inflow	(4.3)
Prior year exceptional items	0.2
Interest	0.6
Taxation	–
Capex (strategic £0.4m; maintenance £0.4m)	0.8
Sale of assets	(0.7)
EBT shares	0.2
Dividends	1.4
Exchange movement	0.3
Net borrowings at 30 September 2004	**21.2**

currency rates

Balance sheet translation:	**30 September 2004**	31 March 2004
US$	**1.81**	1.84
C$	**2.29**	2.42
€	**1.46**	1.50

Profit and loss average rates:	**Half year 2004**	Half year 2003
US$	**1.81**	1.62
C$	**2.42**	2.25
€	**1.49**	1.43