



CHAPELTHORPE
plc

2005 Half Year Results and Performance Report

INTRODUCTION

“Reshaping continues”

- ③ Planning application for 14 acres at Penistone submitted, response expected in first quarter of 2006; initial feedback from local authority and Development Agency supportive
- ③ Exceptional cash costs have driven debt £1.4m higher from March 2005 level but improved second half performance and property sales to deliver reduction for full year. Target borrowings of below £18m by year end
- ③ Weak first quarter trading depressed overall results for the half year, but was partially offset by stronger second quarter. Current trading conditions challenging but strong final quarter anticipated as in prior years. Full year out turn will be materially below our previous expectations
- ③ Actions being taken to ensure resources are aligned with performance
- ③ Interim dividend of 0.33p maintained



FINANCIAL REVIEW

GROUP KEY FINANCIALS

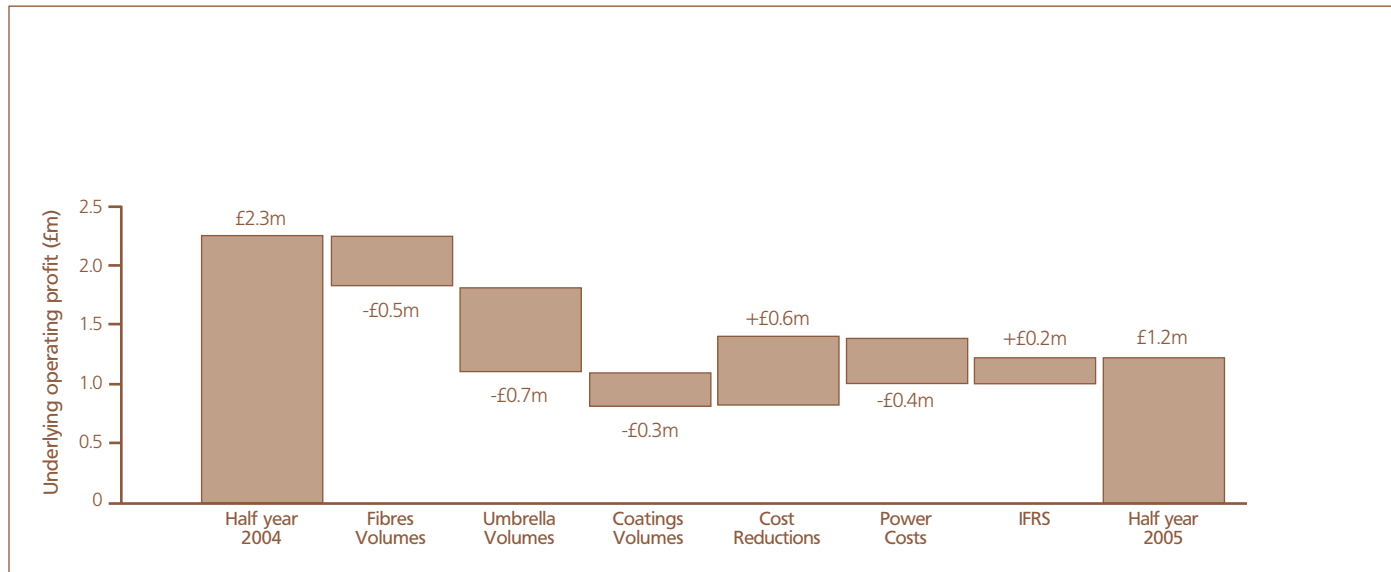
“Dividend maintained”

	Half year 2005	Half year 2004
Turnover	£58.8m	£60.9m
Underlying operating profit	£1.2m	£2.3m
Underlying operating profit %	2.1%	3.8%
Exceptional items	£1.4m	£7.0m
Operating loss (post exceptional items)	(£0.2m)	(£4.7m)
Interest cover (bank interest only)	> 1.5 times	> 2.8 times
Effective tax rate	45.2%	28.8%
Underlying EPS	0.08p	0.55p
Dividend	0.33p	0.33p
Borrowings (excluding preference shares)	£21.1m	£21.2m

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

PROFIT BRIDGE

“Volumes under pressure”



- ⓐ Fibre volumes affected by US automotive production cut backs and curtailed demand in Europe due to polymer price volatility
- ⓐ Umbrella frame demand has remained weak
- ⓐ Market decline impacted Specialist Coatings volumes in UK
- ⓐ UK power price rises to have further dramatic impact in second half

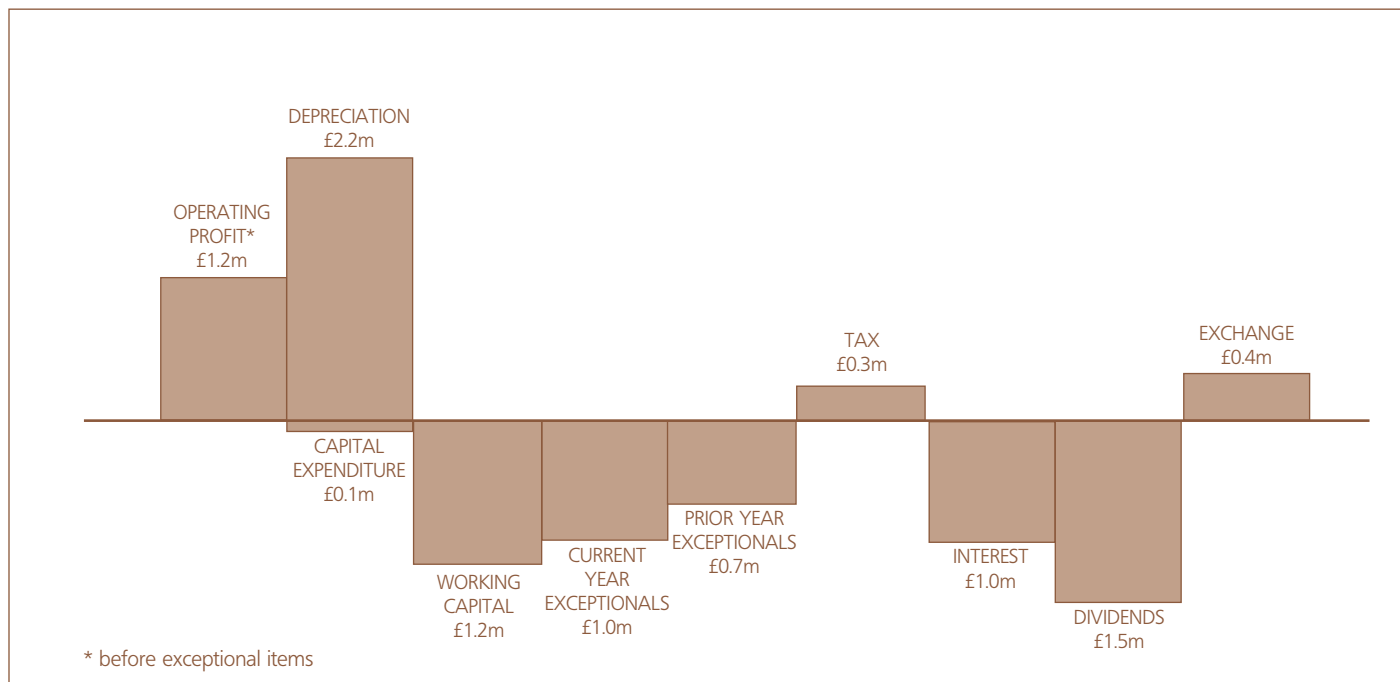
TRADING PATTERN

“Q1 weak; Q2 stronger”

	Quarter 1		Quarter 2		Half year	
	2005 £m	2004 £m	2005 £m	2004 £m	2005 £m	2004 £m
Underlying Operating Profit						
Fibres	(0.26)	0.54	1.12	0.66	0.86	1.20
Specialist Coatings	(0.04)	0.24	0.48	0.32	0.44	0.56
Umbrella Frames	–	0.29	(0.07)	0.29	(0.07)	0.58
	(0.30)	1.07	1.53	1.27	1.23	2.34

CASH FLOW SUMMARY

“Exceptional cash outflows have significant impact”



- Ⓢ Exceptional cash outflows include EGM costs, costs of Penistone sale and redundancy costs
- Ⓢ Debt targeted to fall as a result of expected stronger trading and property sales in the second half

IFRS

“Pension deficit recognised”

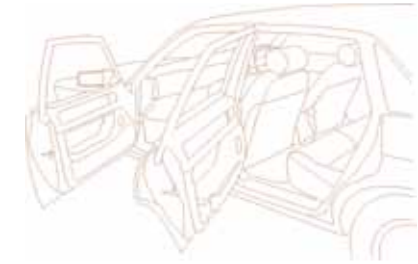
	Half year ended 30 September 2005 Loss before tax £m	Half year ended 30 September 2004 Loss before tax £m	Year ended 31 March 2005 Loss before tax £m	30 September 2005 Net assets £m
UK GAAP	(1.7)	(9.5)	(8.3)	37.3
Pensions	0.1	—	—	(4.2)
Dividends	—	—	—	0.7
Goodwill – amortised	0.4	0.4	0.8	1.2
– recycled	—	3.5	3.5	—
Foreign currency	—	0.1	0.1	—
Hedging	—	—	—	0.1
Preference shares	—	—	—	(0.8)
Deferred tax	—	—	—	0.9
IFRS	(1.2)	(5.5)	(3.9)	35.2



OPERATIONAL REVIEW

FIBRES – NORTH AMERICA

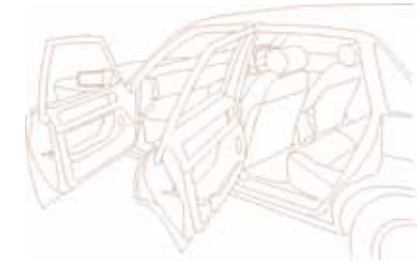
“Automotive demand soft”



- ③ Staple fibre demand fell from strong levels of 2004/5 driven by cutbacks in automotive production and a dramatic decline in the SUV share of the market
- ③ Major sales initiatives by the “Big Three” saw excess 2005 model year inventories cleared. Production of 2006 models has resulted in recovery of our volumes in latter part of first half although demand has fallen back at the start of the second half. Automotive volumes will remain unpredictable given GM’s recent announcement
- ③ Transplant sales are improving and now account for 10% of automotive volumes
- ③ Filament sales have improved following gain of a number of small customers. However, underlying market does not show any signs of growth
- ③ Polymer prices fell in quarter one but have risen since the impact of hurricanes Katrina and Rita to record levels, with supply also tight. These events have also caused demand to weaken but anticipated polymer price falls should stimulate demand in final quarter

FIBRES – EUROPE

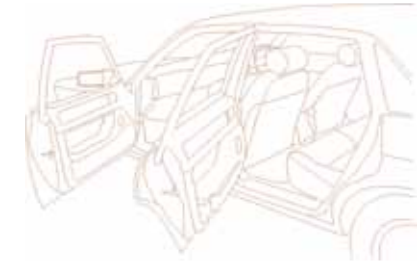
“Volume and margin pressure”



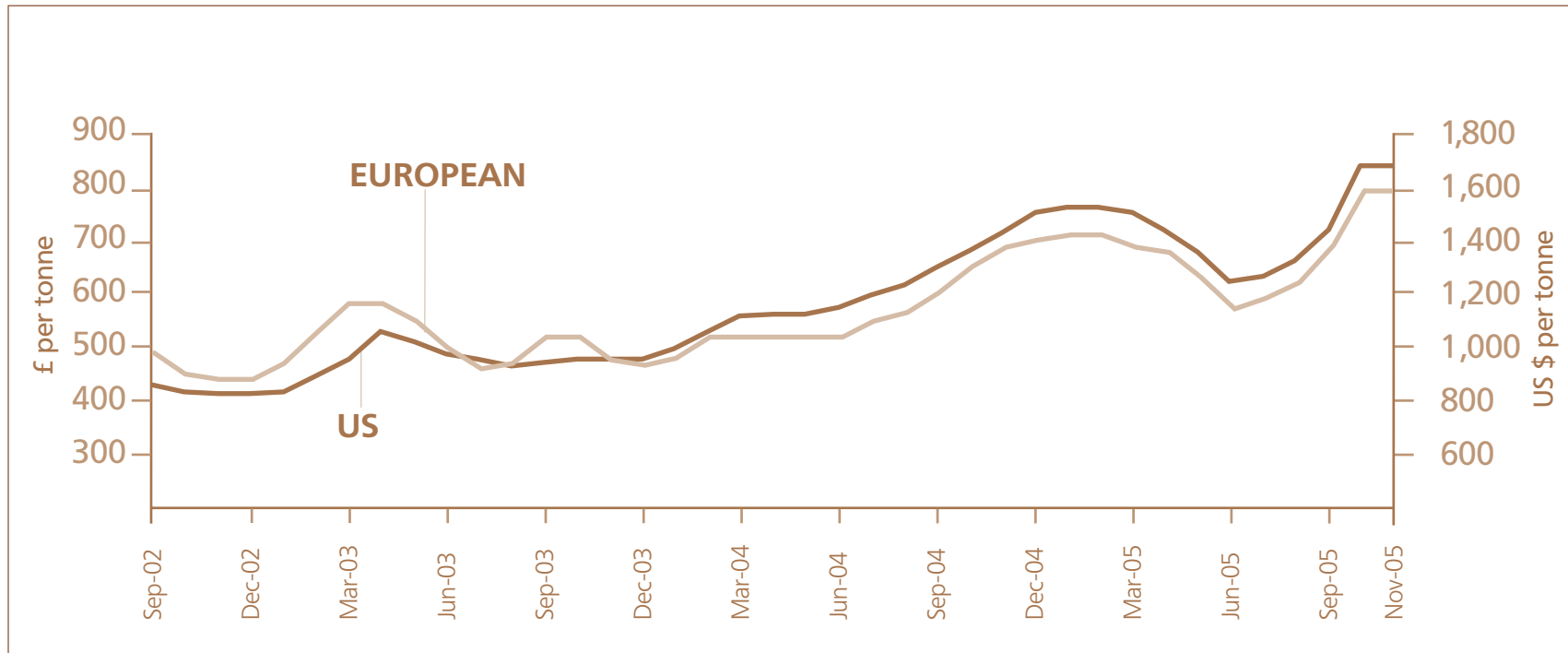
- Ⓢ Over-capacity in the market remains an issue; UK Fibres to restructure during second half
- Ⓢ UK volumes at beginning of year subdued as customers waited for polymer prices to bottom out in the summer. Volumes increased strongly in the second quarter but in the current quarter, with polymer now at a record high, activity has once again weakened
- Ⓢ Austrian volumes more stable but margins have been eroded severely as polymer price ramped up rapidly
- Ⓢ Raw material prices have increased in third quarter dampening current demand, which is anticipated to pick up on the expected fall in polymer prices in final quarter
- Ⓢ UK energy costs set to continue to escalate in second half
- Ⓢ Restructuring UK business will realise capital from surplus property sale

FIBRES

“Prices at record levels”



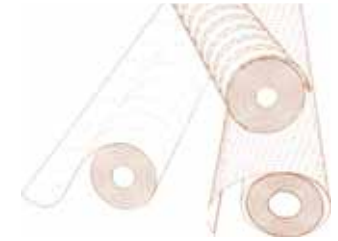
European and US Polymer Prices



- Ⓒ Polymer prices have risen sharply in recent months, exceeding the highs experienced last year, but have now levelled off and industry expectations are for a fall in coming months
- Ⓒ Supply is tight, compounded by impact of hurricanes on US production output

SPECIALIST COATINGS

“Traditional markets vs. expanding markets”



- Ⓢ UK market has continued to decline – 14% in calendar year 2005 to date
- Ⓢ Demand particularly from Western Europe improved in latter part of first half
- Ⓢ Russian business continues to develop and growth expected in the second half as more capacity comes on line
- Ⓢ New branch established in Poland to supply local market, supported by five year sole supply agreement with Polish manufacturer – expected to make positive contribution in second half
- Ⓢ A number of redundancies made in first quarter to reflect lower activity levels saving £0.3m p.a.
- Ⓢ Contracts exchanged for sale and leaseback of Darwen site to raise £2.3m in cash. Completion scheduled for December 2005
- Ⓢ Opportunities in China are being progressed

SPECIALIST COATINGS

“Opportunities in the East”



Global Wallcoverings Markets 2004	%
Russia	31
South Korea	12
France	9
Germany	9
UK	9
USA	9
China	5
Other – Western Europe and Canada	7
Other – Eastern Europe	9
	100

UMBRELLA FRAMES

“Reshaping continues”



- Ⓢ Over 90 redundancies made, with assembly work moved to Romania. Use of homeworkers ceased
- Ⓢ Business reshaped, retaining higher skilled or capital intensive operations. Headcount targeted to be reduced to approximately 80 by March 2006
- Ⓢ Leasehold site identified – available for occupation late 2006 conditional on planning application on Penistone being successful
- Ⓢ No recovery in market conditions. In addition only limited pre buying in September for forthcoming season, therefore now prudent to take cautious view of volumes
- Ⓢ Margins down due to mix and steel price rises; market capacity for further selling price increases limited

STRATEGY

“Capital raising focus”

- ③ We remain committed to examining our businesses/assets and the sectors in which they operate to identify opportunities to improve growth and returns for shareholders
- ③ Conditional sale contract for Penistone signed for up to £10.3m, dependent on planning permission
- ③ Contracts exchanged for sale and leaseback of Speciality Coatings, Darwen site, to yield £2.3m in December 2005
- ③ Negotiation of sale of surplus land at UK Fibres site in Drighlington, West Yorkshire created by consolidation of operations within approximately half the site and sale and leaseback of the remainder of the site. Targeted for completion by end of financial year
- ③ Asset sales not sufficient in isolation to generate value in medium term, given shrinking trading base. Options being explored

OUTLOOK

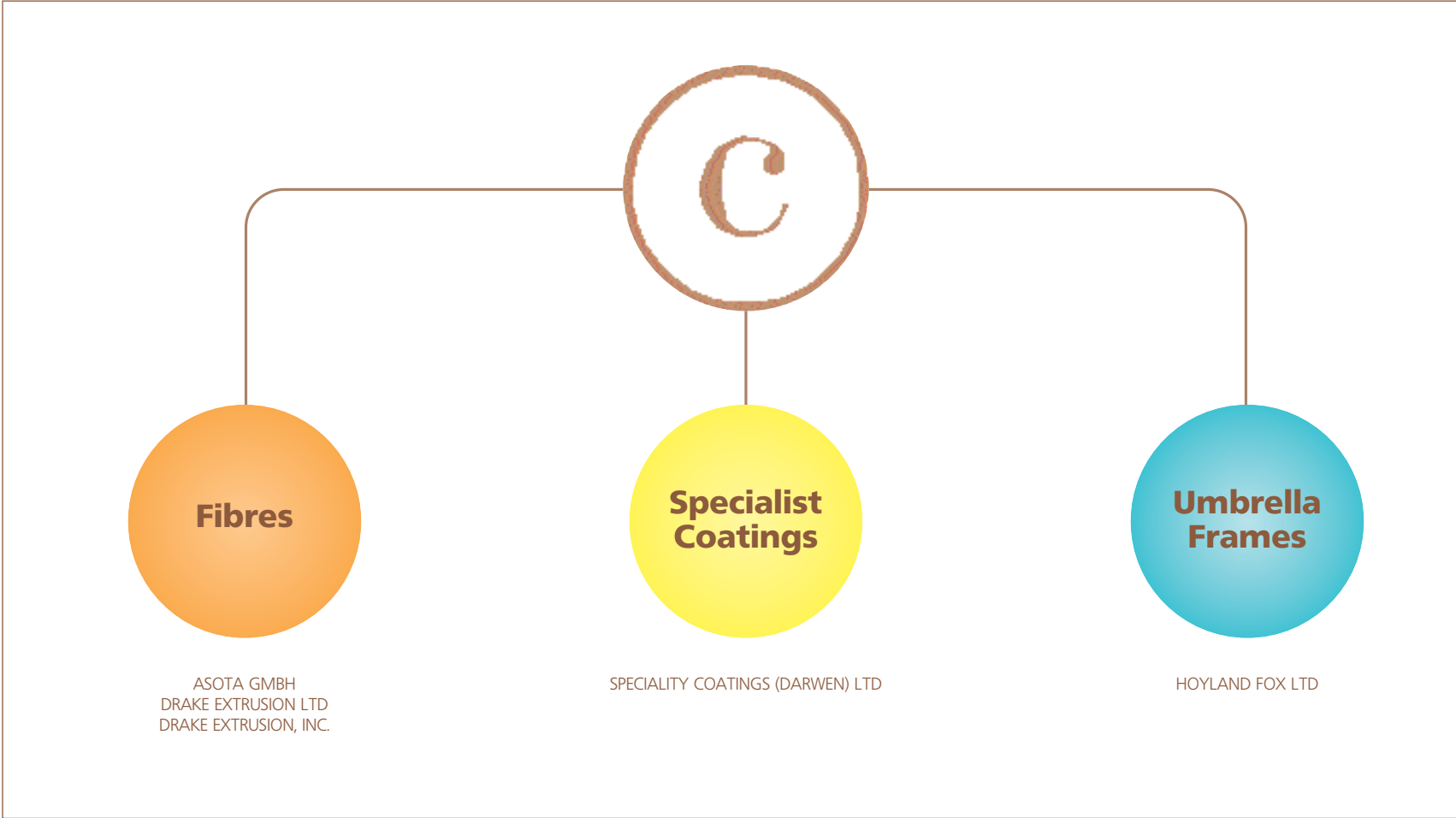
“Cash flow improvement”

- ③ Push on with strategic objectives
- ③ Positive cash generation and trading performance in second half are key to our progressive dividend policy



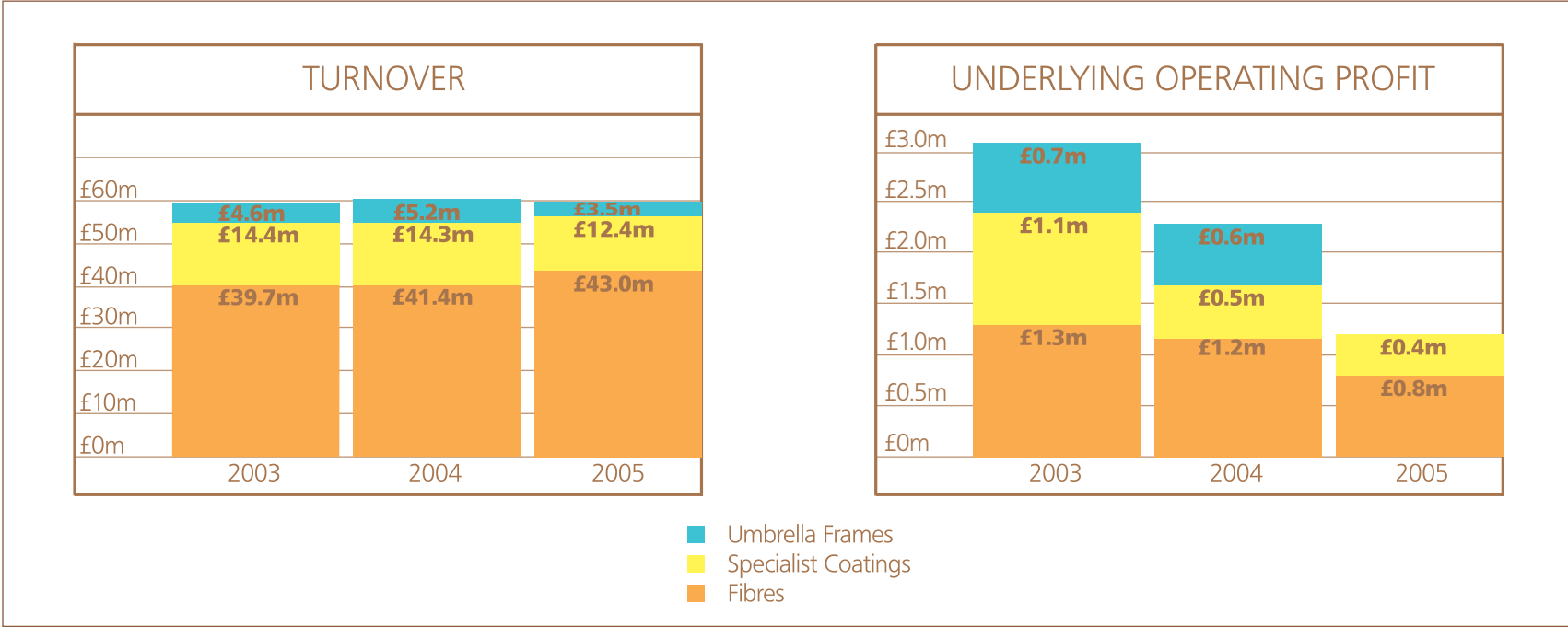
BACKGROUND INFORMATION

GROUP STRUCTURE



SEGMENTAL ANALYSIS

“Difficult conditions”



NET BANK BORROWINGS

	£m
Net bank borrowings at 31 March 2005	19.7
Operating cash inflow before exceptional items	(2.2)
Current year exceptional items	1.0
Prior year exceptional items	0.7
Interest	1.0
Taxation	(0.3)
Capex	0.1
Dividends	1.5
Exchange movement	(0.4)
Net bank borrowings at 30 September 2005	21.1

CURRENCY RATES

	30 September 2005	31 March 2005
Balance sheet translation:		
US\$	1.77	1.89
€	1.47	1.45
	Half year 2005	Half year 2004
Profit and loss average rates:		
US\$	1.81	1.81
€	1.47	1.49