CHAPELTHORPE

plc

2007 Full Year Results and Performance Report

INTRODUCTION

- → Board composition changed in March. Full strategic and operational review and implementation.
- → New financing facilities in place bringing increased headroom and flexibility.
- → Penistone and Umbrella Frames business sold for £10.05m (£8.15m net) cash plus £0.35m deferred.
- → Cost base cut, in particular central costs reduced, and slimlined senior management structure.
- → Savings in excess of £3m made, in part to improve profitability, in part to offset projected cost increases.
- → Group position is improving but factors such as raw material prices, which are outside our control, continue to have an impact.

GROUP KEY FINANCIALS

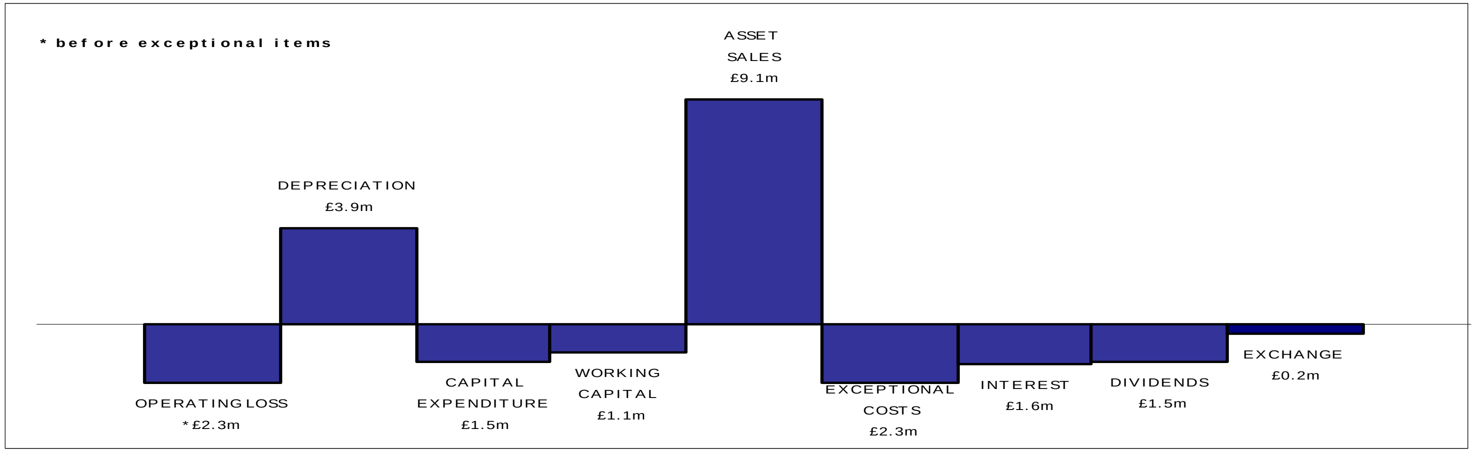
			Full year 2007 £m	Full year 2006 £m
Revenue			**114.5**	123.6
Operating loss for the year			**(14.7)**	(1.4)
Underlying* operating (loss)/profit for the year:				
	-	continuing	**(1.0)**	3.3
	-	discontinued	**(1.3)**	-
			(2.3)	3.3
Underlying* Ebitda:				
	-	continuing	**2.6**	7.2
	-	discontinued	**(1.0)**	0.4
			1.6	7.6
Borrowings			**12.7**	15.2

*Underlying is before exceptional items.

EXCEPTIONAL ITEMS

	Full year 2007 £m	Full year 2006 £m
Continuing Operations		
Restructuring	**2.6**	1.6
Refinancing costs	**1.1**	-
Bad debts	**1.3**	-
Onerous lease provision	**0.2**	0.6
Profit on sale of properties	**-**	(2.2)
Goodwill impairment	**9.0**	3.0
	14.2	3.0
Discontinued Operations		
Umbrella Frames restructuring	**1.2**	0.7
Profit on sale of property	**(6.8)**	-
Impairment of Umbrella Frames’ assets (including disposal costs)	**3.7**	0.6
	(1.9)	1.3
Total	**12.3**	4.3

BANKING AND CASH FLOW SUMMARY



→ Debt reduced but asset sales proceeds absorbed by service of interest, dividends and exceptional costs. Further restructuring outflow in first half of FY08.

→ Refinancing completed; borrowings now better matched to our geographical spread of assets.

→ Significant costs incurred with previous bank and completion of refinancing (to be mainly paid out in first quarter of FY08).

→ New facilities less costly and more flexible.

→ Modest capex requirement a continuing feature.

→ Working capital improvements targeted, particularly inventory.

FIBRES - NORTH AMERICA

	Full year 2007	Full year 2006
Sales (£m)	33.7	39.2
Operating profit before exceptionals (£m)	0.2	1.2
Volumes (000's tonnes)	26.9	29.9

→ Staple volumes down by 8% with biggest fall in automotive (17% down year on year). Volumes now appear to have stabilised although volumes are a third down on two years ago. Product application work continues to expand the content of polypropylene but decision making process slow.

→ After an encouraging start to the year, our largest needlepunch customer suffered some loss of business in our final quarter which resulted in volumes being 11% down year on year. Volumes have since recovered in FY08.

→ Our key filament yarn customer performed poorly in the year and it was eventually acquired by a competitor - overall filament fell by 25%. We are hopeful that this consolidation will bring increased business.

→ Over $250k of cost reductions being implemented in first half of 2007/8. Restructuring of healthcare cover avoided a significant cost increase of $100k in 2007/08 and a wage freeze saved $200k.

→ Further cost savings being implemented in August generating over $300k savings offsetting significant rises in property taxes and insurances ($250k).

→ Encouragingly staple fibre activity levels have been robust at the beginning of 2007/8 despite polymer prices remaining stubbornly high. Filament sale continue to be weak.

FIBRES - EUROPE

	Full year 2007	Full year 2006
Sales (£m)	50.8	50.0
Operating profit before exceptionals (£m)	(0.3)	1.5
Volumes (000's tonnes)	44.0	46.0

→ Over capacity, falling demand and fierce competition have led to severe pressure on volume and margins.

→ Restructuring plan in Austria implemented. Headcount reduced by 10% and €700k of staff costs saved. Further restructuring in Asota ongoing.

→ Volumes in UK fell by 7% but competition kept prices below that required to recover raw material and energy cost increases.

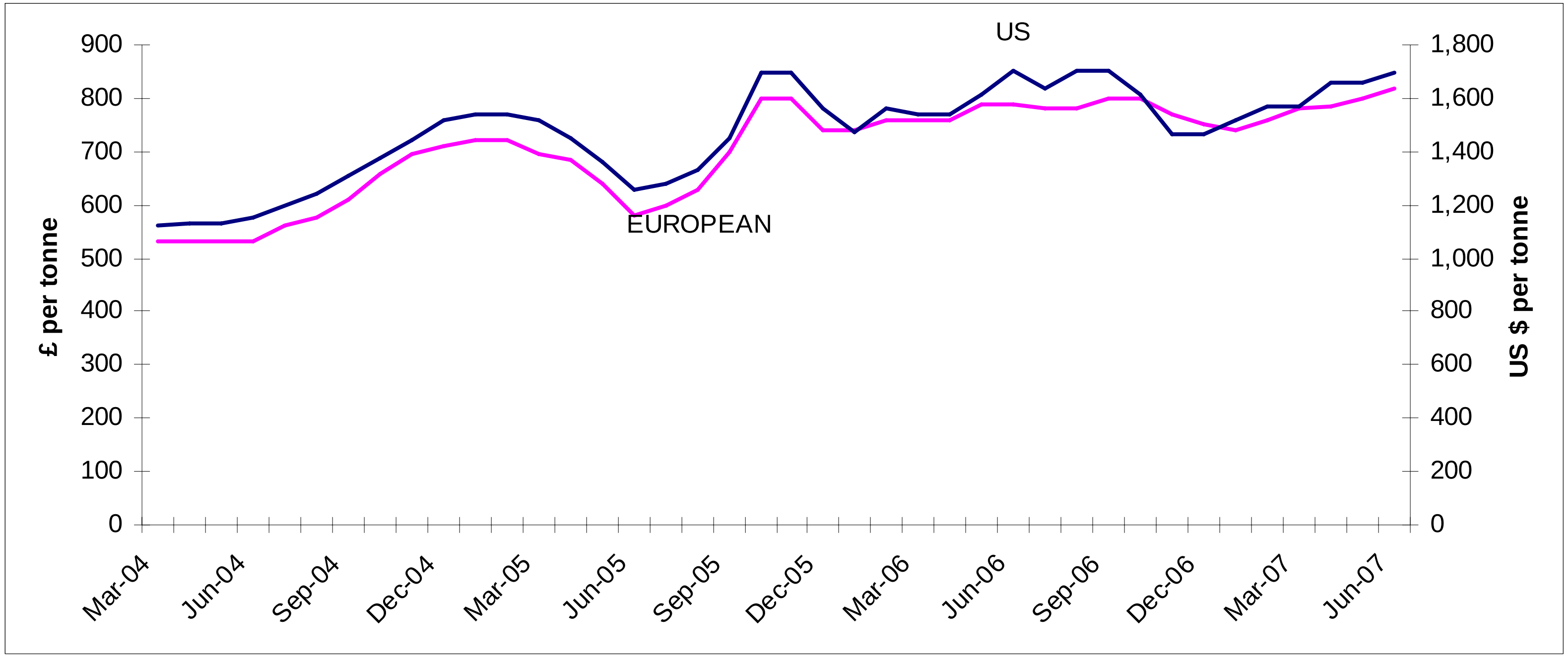
→ Senior management restructured.

→ Further cost reductions made in UK with 15 redundancies in May 2007 (approx 15% of workforce).

→ Polymer prices rising with cutbacks in supply and sales prices have failed to keep pace with these rises (see next slide).

FIBRES

European and US Polymer Prices



→ Prices risen by 11% since January.

→ Additional capacity predicted to come on stream in late 2008.

SPECIALIST COATINGS

	Full year 2007 £m	**Full year 2006 £m**
Sales (£m)	23.9	26.1
Operating profit before exceptionals (£m)	0.2	1.3
Volumes		
- vinyl base (million pieces)	10.4	12.7
- UK plastisol ('000 tonnes)	13.2	14.5
- Russian plastisol* ('000 tonnes)	10.6	5.4

* Specialist Coatings receive royalty income on this volume

→ UK market declined by 16% in 2006 calendar year but strong growth in first quarter of 2007 with 11% growth.

→ Buoyant demand in Western Europe helped mitigate UK market decline.

→ Continued expansion of Russia with activity levels nearly doubling although this royalty agreement scheduled to end in 2008.

→ PDP failure resulted in bad debt of £0.6m and headcount reductions of 24 which yielded £0.9m of savings. A considerable proportion of business ex PDP now with other Specialist Coatings customers.

→ Loss making Polish branch closed.

→ Closure of small UK support site.

→ New royalty agreements being developed.