CHAPELTHORPE

plc

2007 Half Year Results and Performance Report

INTRODUCTION

→ Significantly improved performance following cost saving measures and restructuring. Operating profit on continuing operations of £0.1m compared to a loss of £5.6m a year ago.

→ Umbrella Frames operation sold for £1.05m cash plus £0.35m deferred.

→ Banking restructured and net borrowings reduced by £1.6m to £11.1m helped by strong working capital measures being implemented.

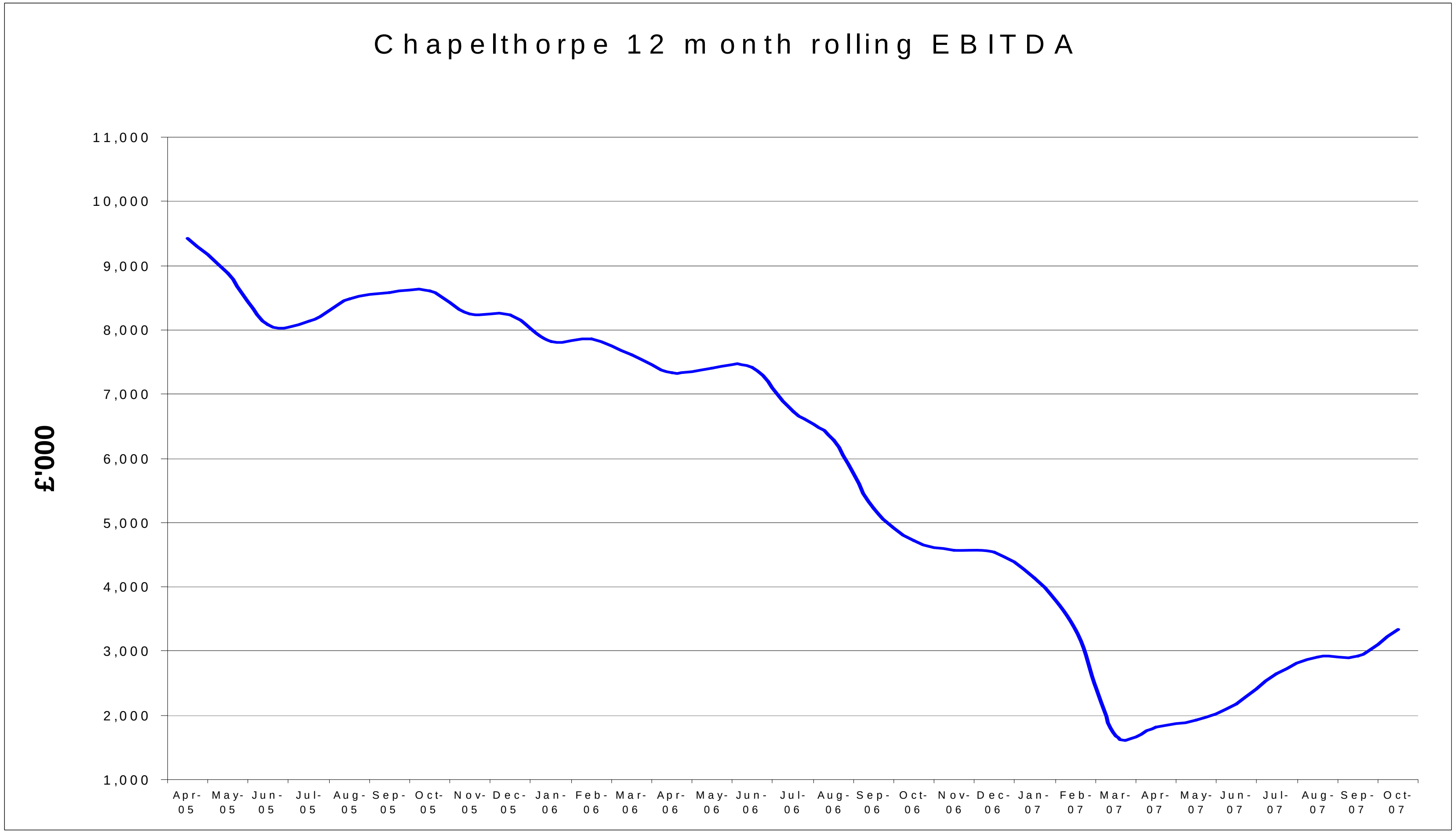
→ Transfer to AIM completed.

GROUP KEY FINANCIALS

		Half year 2007 £m	Half year 2006 £m
Revenue			
-	continuing	**54.8**	54.8
-	discontinued	**1.6**	2.5
		56.4	57.3
Operating profit (loss) for the year			
-	continuing	**0.1**	(5.6)
-	discontinued	**0.1**	(1.4)
		0.2	(7.0)
Underlying* operating profit (loss) for the year			
-	continuing	**0.7**	-
-	discontinued	**-**	(0.4)
		0.7	(0.4)
Underlying* Ebitda			
-	continuing	**2.3**	1.8
-	discontinued	**0.1**	(0.3)
		2.4	1.5
Borrowings		**11.1**	18.0
Head count – continuing operations (number)		**414**	478

*Underlying is before exceptional items.

GROUP EBITDA



EXCEPTIONAL ITEMS

	Half year 2007 £m	Half year 2006 £m
Continuing Operations		
Restructuring	**0.4**	0.1
Refinancing costs	**0.1**	-
Transfer to AIM	**0.1**	-
Bad debts	**-**	0.7
Goodwill impairment	**-**	4.8
	0.6	5.6
Discontinued Operations		
Umbrella Frames restructuring / sale costs	**(0.1)**	0.9
Total	**0.5**	6.5

CASH FLOW

Cash flow	**£m**
Cash generated from operations:	
Operating profit before exceptional items	**0.7**
Depreciation	**1.6**
Working capital reduction	**1.8**
Exceptionals – continuing operations	**(2.2)**
Discontinued operations	**(0.2)**
Movement in pension obligations	**(0.2)**
	1.5
Net interest paid	**(0.5)**
Net capital expenditure	**(0.2)**
Proceeds from sale of Umbrella Frames	**1.1**
Exchange	**(0.3)**
Net cash flow	**1.6**
Net debt at 1 April 2007	**(12.7)**
Net debt at 30 September 2007	**(11.1)**

→ Cash flow includes significant payment of exceptional costs provided at 31 March 2007. Exceptionals in respect of continuing operations include £0.9m on bank refinancing and £1.1m on restructuring.

FIBRES - NORTH AMERICA

		Half year 2007	Half year 2006
Sales (£m)		**18.1**	17.9
Operating profit before exceptionals (£m)		**0.3**	0.3
Volumes (000's tonnes)	- staple	**14.9**	12.2
	- filament	**1.1**	1.5

→ Staple volumes robust – plant has been running at close to capacity. Volumes up over 20% on previous year.

→ Automotive demand now stable but shortfall replaced by lower margin business.

→ Filament sales were weak in the first 6 months but new initiatives have generated improved sales opportunities for the second half.

→ Restructuring has mitigated the impact of rising healthcare costs.

FIBRES - EUROPE

		Half year 2007	Half year 2006
Sales (£m)		**24.9**	25.3
Operating profit before exceptionals (£m)		**0.1**	(0.1)
Volumes (000's tonnes)	- staple	**21.4**	21.4
	- filament	**0.3**	0.4
Head count		**179**	210

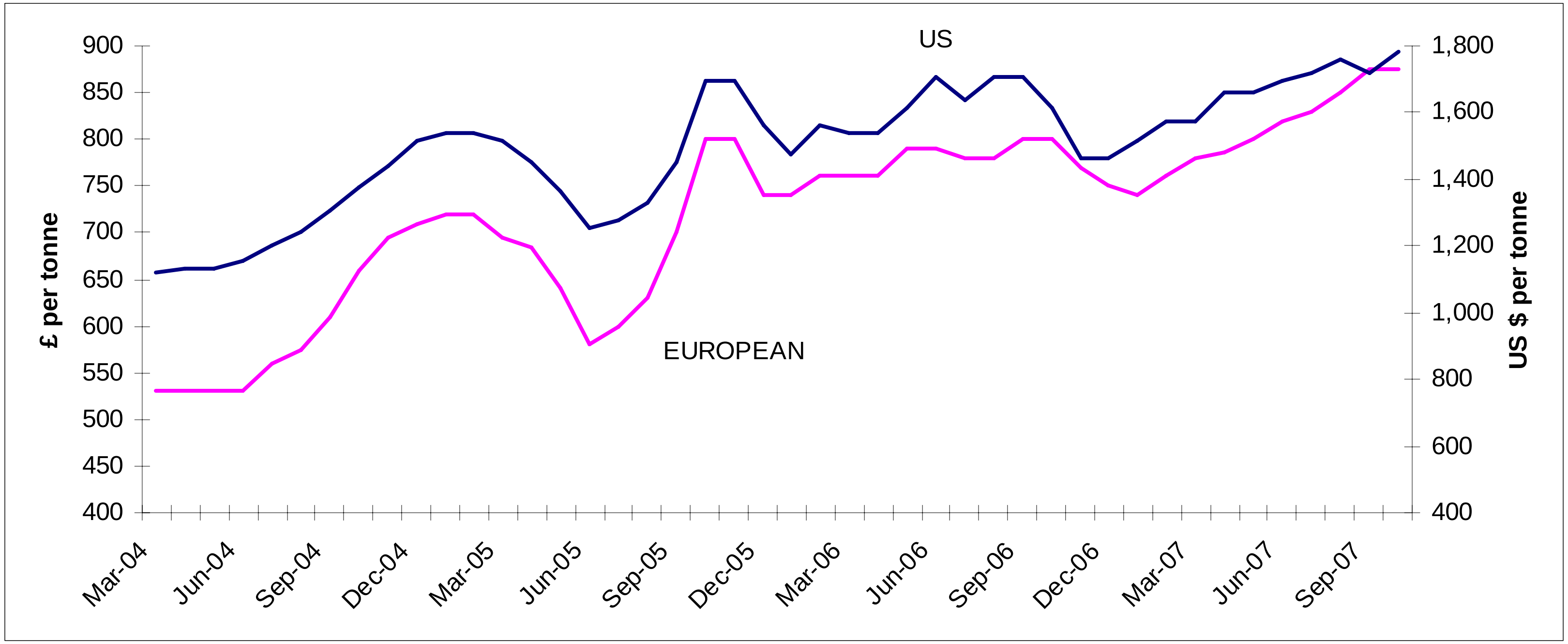
→ Cost cutting and restructuring has mitigated the continued pressure on margins of high polymer prices.

→ Staff numbers fallen by 15% as a result of redundancies in both UK and Austria.

→ Over capacity in market place remains a key concern.

→ Working capital improvements in Europe achieved including a sustainable reduction in inventories of £1m in Austria.

FIBRES – POLYMER PRICES



→ Additional capacity in Middle East predicted to come on stream in late 2008 which may provide an opportunity for prices to fall.

SPECIALIST COATINGS

	Half year 2007 £m	Half year 2006 £m
Sales (£m)	**11.9**	11.5
Operating profit before exceptionals (£m)	**0.7**	0.2
Volumes		
- vinyl base (million pieces)	**4.9**	5.0
- UK plastisol (‘000 tonnes)	**6.6**	6.6
- Russian plastisol* (‘000 tonnes)	**6.9**	5.0

* Specialist Coatings receive royalty income on this volume

→ Demand for wallcoverings increasing in Western Europe with UK market volumes increasing by 14% in the 6 month period to June 2007 compared to the corresponding period.

→ The impact of the PDP failure mitigated by PDP business moving to other Speciality Coatings customers and overall market recovery.

→ Raw material shortages and prices rises are being actively managed, although this has resulted in slightly increased inventory holdings.

→ Russian market remains strong, generating a 38% increase in Russian plastisol although this royalty agreement is scheduled to end in 2008. Discussions on replacing / renewing this contract are on-going and the first new agreement has been signed with a Siberian partner.