ZOTEFOAMS

Interim Report 2009

High Performance Foams for Specialist Markets Worldwide

Welcome to Zotefoams

Zotefoams is the world's leading manufacturer of cross-linked block foams. The global appeal of its high-performance foams ensures that Zotefoams' products are used in a wide range of markets including sports and leisure, packaging, aerospace, automotive, medical and construction as well as general industrial and consumer products.

Our strategy is to expand sales internationally and broaden our market appeal with unique new products supported by our commitment to quality, innovation and customer service.

We are focused on achieving this while continuing to improve our operating margins, our return on capital employed and delivering our prime goal of sustained profit growth.

Contents

Front cover image
Azote® foam

Highlights

- **Revenue down 14% to £15.58 million (2008: £18.14m)**
- **Profit before tax and exceptional items decreased to £1.59 million (2008: £2.71m)**
- **Management action to reduce cost base**
- **HPP (High-Performance Polymers) foams sales grew by 78% to £0.66 million**
- **£3.34 million of cash generated from operations (2008: £3.48m)**
- **Interim dividend maintained at 1.5 pence per share**

Chairman's Statement
by Nigel Howard

Introduction
In the first six months of 2009 Zotefoams has experienced very difficult market conditions in all major markets. Management has been proactive in dealing with reduced sales volumes, managing the cost base while continuing our investment for the future. For the six months ended 30 June 2009 revenues decreased by 14% to £15.58 million (2008: £18.14 million) and profit before tax and exceptional items decreased to £1.59 million (2008: £2.71 million). Basic earnings per share decreased to 2.1p (2008: 5.6p). The Board has decided that the interim dividend of 1.5p (2008: 1.5p) should be maintained, reflecting its continued confidence in the prospects for the business.

Despite the difficult trading conditions, we remain positive about the prospects for our High-Performance Polymers ("HPP") foams and also for the microcellular foam technology being developed through our joint venture company, MuCell Extrusion LLC ("MuCell"). During the period we grew HPP sales by 78% to £0.66 million (2008: £0.37 million) and our share of profit from existing licences and other revenues from MuCell was £94,000 (2008: £nil).

We enter the second half of the year with limited forward visibility and continued economic uncertainty, although recently our business has experienced increased activity in many markets.

Financial and Operational Review
Sales volumes for the six months ended 30 June 2009 were 30% below the comparable period last year. Sales revenues declined by only 14%, primarily due to more favourable exchange rates. This steep decline in sales volumes led to under-utilisation of certain plant and equipment and therefore a relatively higher overhead burden.

The cost of low-density polyethylene (LDPE), our major raw material, was 27% lower than in the comparable period in 2008 due to weakness in the market demand for LDPE offset by a less favourable euro exchange rate for these purchases.

Overall gross margins, excluding exceptional items, increased by 0.9% to 33.8% of sales. Gross margins benefited from lower raw material prices and favourable exchange rates. In order to limit short term exchange volatility the Group's policy has been and continues to be to hedge a substantial proportion of its foreign exchange exposure. Currency contracts are placed on a rolling basis nine months forward and the realised gains or losses on these hedging instruments are shown in administrative expenses along with any translation gains or losses taken to the Income Statement from movements on foreign currency denominated assets and liabilities. For the six months ended 30 June 2009 a loss of £0.95 million (2008 : loss of £0.18 million) was included in administrative expenses relating to these foreign currency items.

Profit before tax and exceptional items was £1.59 million (2008: £2.71 million).

Exceptional Item
Due to the lower level of sales volumes experienced during the period under review Zotefoams' management decided to reduce staff numbers. Commencing in October 2008 we reduced staffing levels and costs by terminating fixed-term contracts and by tight control of overtime. By March 2009 we embarked on a more fundamental restructuring of the business culminating in the termination of 32 permanent employees with an associated cost of £0.48 million. This will produce a saving of approximately £70,000 per month and should therefore be cash neutral within the current financial year. The Group now has 212 employees, a reduction of approximately 20% from employment levels at the end of September 2008.

Polyolefin Foams

All major geographic markets suffered similar volume declines compared with the first six months of 2008. Market conditions have proved very difficult in this period with certain sectors, such as construction and automotive, recording very low levels of activity generally. Overall sales were £14.92 million (2008: £17.77 million) and operating profit before exceptional items was £1.96 million (2008: £3.01 million).

The UK market is currently more active than it has been for some time although levels of commitment from end-users remain fragile.

Markets in Continental Europe have been mixed as we have more specific exposures to certain segments. Germany and Spain, where our sales are more in industrial applications, have performed relatively poorly while France, where end-use applications are more consumer-focused, has remained more robust.

In North America the pattern is similar to the UK, although an increase in market share in construction has helped offset some of the general decline in the overall market segment.

In the Far East, where volumes are still relatively low, the timing of specific projects has more impact on the reported result in any period. We believe that we are making solid underlying progress towards our goals for the future.

Overall there has been a lack of confidence in our markets, causing volatile trading volumes and lower than normal order visibility. Our focus remains on flexibility and maintaining tight control of our operating costs.

Nigel Howard
Chairman

In the second half of 2009 we expect continued growth in HPP sales supported by our investment in marketing and commercial resources.

Chairman's Statement continued

HPP Foams

Our strategy is to exploit our unique manufacturing process in the development of HPP foams. These products are therefore unique and capable of patent protection. The capital investment we believe another party would require to process these materials and our substantial investment in know-how underpin our position and provide additional barriers to enter these markets.

During the period under review we grew sales by 78% to £0.66 million (2008: £0.37 million) with the majority of sales being polyvinylidene fluoride (PVDF) foams for aviation and high-performance insulation. Overall the operating loss was unchanged at £0.27 million with an increase in commercial resource and technical development spending offsetting the additional contribution from the increased sales. There were no exceptional items associated with this business segment.

There are now four distinct products within our HPP segment:

ZOTEK® F fluoropolymer foams made from PVDF where sales grew by 88% to £0.61 million (2008: £0.33 million) aided by the first full shipment of material for the Boeing 737 window gasket program and I am pleased to report that this project has now moved from prototyping into production. The ZOTEK® F foams product line is our most mature HPP development and is operating at a profit.

T-Tubes® are high-performance insulation products made from ZOTEK® F foams where the target market is clean room processing and under a distribution agreement signed with UFP Technologies Inc. Zotefoams markets this product in Europe, India and Asia. Development is proceeding to plan with 25 installed sites, mainly on a trial basis. We are working to secure follow-on business from these sites as well as new-build or major refurbishment of facilities where volumes are significantly higher.

ZOTEK® N polyamide (nylon) foams are designed for use in high-temperature environments. We have experienced some problems with the design and manufacture of these materials over the past 12 months, particularly associated with the development of a more flexible grade of material required for the majority of development applications to date. I am pleased to report, however, that we have made significant progress towards the resolution of these issues and continue to invest in the market development required for successful commercialisation of nylon foams in future.

Our fourth product within the HPP segment is roll foams. The Company has invested in a licence and is in the process of developing technically advanced roll foams using the MuCell® microcellular foaming technology. We are examining a number of different materials for these products, including olefinic polymers which are similar to our LDPE foams. It is an early stage in the MuCell foaming development and therefore this product line is operating at a loss which includes amortisation of the licence fee attributable to the technology purchased.

MuCell

On 8 July 2008, we acquired a 30% shareholding in a joint venture, MuCell, partnering with Trexel Inc. of Massachusetts, USA to exploit and develop microcellular foam technology for extrusion. MuCell is making good progress in developing and commercialising the MuCell® technology, including projects which may result in new commercial licences. Due to its current profile of licences and other revenues this venture has a stronger performance in the first half of the calendar year and our share of their profit for the six months ending 30 June 2009 was £94,000 (2008: £nil). We received a cash distribution from MuCell of $5,000 in the period and $158,000 immediately after the period end.

Tax and Cash Flow

The Group's effective tax rate for the period was 31% (2008: 25%) comprising a current tax charge of 25% and a deferred tax charge of 6%. EBITDA excluding exceptional items was £3.30 million (2008: £4.17million). There was a reduction in working capital reflecting the lower sales in the period so cash generated from operations was £3.34 million, similar to that achieved in 2008 (£3.48 million). However, tax paid was £0.43 million higher and capital expenditure was £1.06 million higher than last year so there was a £0.45 million increase in net debt compared to a £1.31 million reduction for the same period in 2008.

In January 2009 the Company took out a £3.30 million loan. This loan is repayable over five years, has no operating covenants and is secured against certain items of plant and equipment. The net debt of the business at 30 June 2009 of £1.60 million was principally made up of the outstanding balance on this loan offset by positive cash balances of £1.64 million.The asset base of the business remains strong with gearing of 6% (2008: 1%).

Capital Investment

We are currently investing in two large capital projects: refurbishment and upgrade of a large high-pressure vessel and an extrusion system for the MuCell® foam technology. Both projects are expected to be substantially complete in 2009 alongside a series of capital improvement programmes associated with reduction of costs, increasing plant flexibility and reliability and improving product quality. Overall expenditure in the six months ended 30 June 2009 was £1.72 million (2008 : £0.66 million)

Chairman's Statement continued

Dividend

The Directors have declared a maintained dividend of 1.5p net per share (2008: 1.5p) reflecting the continued confidence the Board has in the Company's medium and longer term prospects.The dividend will be paid on 15 October 2009 to shareholders on the Company's register at the close of business on 18 September 2009.

Risks and Uncertainties

Zotefoams' business and share price may be affected by a number of risks, not all of which are within our control. The process Zotefoams has in place for identifying, assessing and managing risks is set out in the Corporate Governance Report on page 30 of the 2008 Annual Report and Accounts.

The specific principal risks (which could impact Zotefoams' revenues, profits and reputation), and relevant mitigating factors, as currently identified by Zotefoams' risk management process, have not changed since the publication of the last Annual Report and detailed explanations of these can be found on page 16 of the 2008 Annual Report and Accounts. Broadly, these risks include operational disruption, supply chain disruption, technological change and competitor activity, foreign exchange and pensions liabilities.

Employees

The past six months have been a particularly difficult time for the business and our employees. During the recent restructuring regrettably we were forced to terminate the employment of many staff, including some long-serving employees, to balance levels of employment with our business activity and to reduce our cost base. On behalf of the Board I would like to thank all of our employees, both past and present, for their commitment to the Company.

Outlook

The business environment in the first six months of 2009 has been extremely difficult. Recently our business has experienced increased activity in many markets but we enter the second half of the year with limited forward visibility and continued economic uncertainty.

In the second half of 2009 we expect continued growth in HPP sales supported by our investment in marketing and commercial resources. Margins in our core polyolefin business are affected by prices for LDPE, which have recently increased although we anticipate benefit from our lower manufacturing costs. Forward contracts for foreign exchange conversion are at more favourable rates than in the first half and will provide a relative benefit during the second six months of the year.

The Board therefore remains confident of a satisfactory outturn for the year as a whole and believes that Zotefoams is well placed for the future.

N G Howard
Chairman
3 August 2009

ZOTEK® is a registered trademark of Zotefoams plc
Azote® is a registered trademark of Zotefoams plc
T-Tubes® is a registered trademark of UFP Technologies Inc.
MuCell® is a registered trademark of Trexel Inc.

Responsibility Statement of the Directors in Respect of the Interim Financial Report

We confirm that to the best of our knowledge:

(a) the condensed consolidated set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R of the Disclosure and Transparency Rules (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.2.8R of the Disclosure and Transparency Rules (disclosure of related party transactions and changes therein).

By order of the Board

N G Howard
Chairman
3 August 2009

C G Hurst
Finance Director
3 August 2009

Condensed Consolidated Income Statement

for the six months ended 30 June 2009

	Note	Six months ended 30 June 2009 Pre-exceptional items £000	Six months ended 30 June 2009 Exceptional items (see note 5) £000	Six months ended 30 June 2009 Post-exceptional items £000	Six months ended 30 June 2008 £000	Year ended 31 December 2008 £000
Revenue	4	**15,578**	**—**	**15,578**	18,139	34,781
Cost of sales		**(10,309)**	**(353)**	**(10,662)**	(12,159)	(24,658)
Gross profit		**5,269**	**(353)**	**4,916**	5,980	10,123
Distribution costs		**(1,314)**	**(38)**	**(1,352)**	(1,316)	(2,820)
Administrative expenses		**(2,264)**	**(85)**	**(2,349)**	(1,924)	(3,273)
Operating profit	4	**1,691**	**(476)**	**1,215**	2,740	4,030
Financial income		**416**	**—**	**416**	580	1,150
Financial costs		**(608)**	**—**	**(608)**	(612)	(1,222)
Share of income/(loss) from associate		**94**	**—**	**94**	—	(27)
Profit before tax		**1,593**	**(476)**	**1,117**	2,708	3,931
Taxation	6	**(466)**	**125**	**(341)**	(681)	(925)
Profit/(loss) for the period		**1,127**	**(351)**	**776**	2,027	3,006
Attributable to:						
Equity holders of the parent		**1,127**	**(351)**	**776**	2,027	3,006
Earnings per share						
Basic (p)	8			**2.1**	5.6	8.3
Diluted (p)	8			**2.0**	5.5	8.1

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2009

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Year ended 31 December 2008 £000
Profit for the period	**776**	2,027	3,006
Other comprehensive income			
Foreign exchange translation differences on investment in foreign subsidiary/associate	**(1,496)**	(4)	3,043
Effective portion of changes in fair value of cash flow hedges net of recycling	**1,627**	50	(1,079)
Actuarial losses on defined benefit schemes	**—**	(1,263)	(1,658)
Tax relating to components of other comprehensive income	**(455)**	340	766
Other comprehensive income for the period, net of tax	**(324)**	(877)	1,072
Total comprehensive income for the period	**452**	1,150	4,078
Attributable to equity holders of the parent	**452**	1,150	4,078

Condensed Consolidated Statement of Financial Position

as at 30 June 2009

	30 June 2009 £000	30 June 2008 £000	31 December 2008 £000
Non-current assets			
Property, plant and equipment	**26,105**	25,586	26,775
Intangible assets	**95**	—	121
Investment in associate	**1,733**	—	1,912
Deferred tax assets	**188**	152	239
Total non-current assets	**28,121**	25,738	29,047
Current assets			
Inventories	**3,637**	4,381	4,335
Trade and other receivables	**7,603**	7,929	8,408
Cash and cash equivalents	**1,637**	1,732	429
Total current assets	**12,877**	14,042	13,172
Total assets	**40,998**	39,780	42,219
Non-current liabilities			
Interest-bearing loans and borrowings	**(2,475)**	(100)	—
Employee benefits	**(3,291)**	(3,435)	(3,527)
Deferred tax liabilities	**(2,432)**	(2,450)	(1,969)
Total non-current liabilities	**(8,198)**	(5,985)	(5,496)
Current liabilities			
Interest-bearing loans and borrowings	**(760)**	(400)	(300)
Bank overdraft	**—**	(1,616)	(1,281)
Tax payable	**(407)**	(808)	(937)
Trade and other payables	**(3,007)**	(4,171)	(4,984)
Total current liabilities	**(4,174)**	(6,995)	(7,502)
Total liabilities	**(12,372)**	(12,980)	(12,998)
Total net assets	**28,626**	26,800	29,221
Equity			
Issued share capital	**1,915**	1,854	1,889
Own shares held	**(95)**	(34)	(69)
Share premium	**13,941**	13,941	13,941
Capital redemption reserve	**15**	15	15
Translation reserve	**795**	(756)	2,291
Hedging reserve	**363**	(135)	(1,264)
Retained earnings	**11,692**	11,915	12,418
Total equity attributable to the equity holders of the parent	**28,626**	26,800	29,221

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2009

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000	Year ended 31 December 2008 £000
Cash flows from operating activities:			
Profit for the period	**776**	2,027	3,006
Adjustments for:			
Depreciation, amortisation and impairment	**1,604**	1,427	2,931
Financial income	**(416)**	(580)	(1,150)
Finance expense	**608**	612	1,222
Share of (income)/loss from associate	**(94)**	—	27
Equity-settled share-based payments	**54**	81	165
Taxation	**341**	681	925
Operating profit before changes in working capital and provisions	**2,873**	4,248	7,126
Decrease/(increase) in trade and other receivables	**1,037**	(537)	(596)
Decrease/(increase) in inventories	**582**	(101)	227
(Decrease)/increase in trade and other payables	**(769)**	167	(387)
Decrease in provisions and employee benefits	**(385)**	(300)	(600)
Cash generated from the operations	**3,338**	3,477	5,770
Interest paid	**(65)**	(37)	(68)
Tax paid	**(810)**	(382)	(698)
Net cash from operating activities	**2,463**	3,058	5,004
Interest received	**17**	10	14
Acquisition of property, plant and equipment	**(1,715)**	(657)	(1,420)
Acquisition of licence	**—**	—	(150)
Investment in associate	**—**	—	(1,410)
Distribution from associate	**3**	—	15
Net cash used in investing activities	**(1,695)**	(647)	(2,951)
New bank loans raised	**3,300**	—	—
Repayment of borrowings	**(365)**	(200)	(400)
Dividends paid	**(1,091)**	(1,106)	(1,638)
Net cash generated/(used) from financing activities	**1,844**	(1,306)	(2,038)
Net increase in cash and cash equivalents	**2,612**	1,105	15
Cash and cash equivalents at 1 January	**(852)**	(984)	(984)
Effect of exchange rate fluctuations on cash held	**(123)**	(5)	117
Cash and cash equivalents at the end of period	**1,637**	116	(852)

Cash and cash equivalents comprise cash at bank and short-term highly liquid investments with a maturity date of less than three months.

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2009

	Share capital £000	Own shares held £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2009	1,889	(69)	13,941	15	2,291	(1,264)	12,418	29,221
Shares issued	26	(26)	—	—	—	—	—	—
Total comprehensive income for the period	—	—	—	—	(1,496)	1,627	321	452
Equity-settled share-based payment transactions net of tax	—	—	—	—	—	—	44	44
Dividends	—	—	—	—	—	—	(1,091)	(1,091)
Balance at 30 June 2009	**1,915**	**(95)**	**13,941**	**15**	**795**	**363**	**11,692**	**28,626**

During the six month period ending 30 June 2009 no share options vested and none were exercised.

	Share capital £000	Own shares held £000	Share premium £000	Capital redemption reserve £000	Translation reserve £000	Hedging reserve £000	Retained earnings £000	Total equity £000
Balance at 1 January 2008	1,820	—	13,941	15	(752)	(185)	11,827	26,666
Shares issued	34	—	—	—	—	—	—	34
Shares acquired	—	(34)	—	—	—	—	—	(34)
Total comprehensive income for the period	—	—	—	—	(4)	50	1,104	1,150
Equity-settled share-based payment transactions net of tax	—	—	—	—	—	—	90	90
Dividends	—	—	—	—	—	—	(1,106)	(1,106)
Balance at 30 June 2008	1,854	(34)	13,941	15	(756)	(135)	11,915	26,800

Notes to the Condensed Interim Financial Statements

for the six months ended 30 June 2009

1. Basis of Preparation

This condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

As required by the Disclosure and Transparency Rules of the Financial Services Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 December 2008. Those consolidated financial statements were prepared in accordance with IFRSs as adopted by the EU.

The condensed set of interim financial statements for the period ended 30 June 2009 is unaudited but has been reviewed by the auditors. The prior year comparatives are derived from audited financial information for Zotefoams plc as set out in the Annual Report for the year ended 31 December 2008 and the unaudited financial information in the interim financial statements for the period ended 30 June 2008.The Independent Review Report to Zotefoams plc from the independent auditor is set out at the end of this document.

The comparative figures for the financial year ended 31 December 2008 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the Registrar of Companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

There were no significant changes to the pension scheme or significant changes to market conditions during the period and therefore the Company did not update its actuarial valuation during this period. The Income Statement charge is based on the set of assumptions laid out in the consolidated statements for the year ended 31 December 2008.

2. Cyclical Nature of Business

Zotefoams traditionally makes more profit in the first six months of the year. This cyclical nature of the business can be attributed to a number of factors, namely:

- Reduced sales in second half of year due to customer holiday periods and factory shutdowns in August and December.

- Timing of maintenance/servicing cost which is concentrated around shutdown periods.

However, the Company is also subject to a number of other factors such as customer demand which can affect this cyclicality.

The Company's associate, MuCell Extrusion LLC, has a stronger first six months of the calendar year due to the profile of its licence agreements but this is also subject to a number of other factors which can affect this cyclicality including changes to its licence portfolio.

Notes to the Condensed Interim Financial Statements

for the six months ended 30 June 2009

3. Estimates

The preparation of condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results for which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2008.

4. Segment Reporting

The Group manufactures and sells high-performance foams for specialist markets worldwide. These fall into two main business segments best categorised by their constituent raw materials:

- Polyolefins: these foams are made from olefinic homopolymer and copolymer resin. The most common resin used is polyethylene.

- High-performance polymers (HPP): these foams exhibit high-performance on certain key properties, such as improved chemical, flammability or temperature performance, due to the resins on which they are based. Turnover in the segment is mainly derived from our ZOTEK® F foams made from PVDF fluoropolymer. Other polymers either commercially launched or being assessed in development include polyamide (nylon).

Due to our unique manufacturing technology Zotefoams can produce polyolefin foams with superior performance to other manufacturers. However, our strategy is to use the capabilities of our technology to produce foams from other materials in addition to polyolefins. The development of foams from the high-performance polymers business is currently in its early stages with costs (including the technical development and marketing costs to develop these materials) exceeding revenues.

Six months ended 30 June 2009	**Polyolefins £000**	**HPP £000**	**Consolidated £000**
Revenue	**14,923**	**655**	**15,578**
Operating profit/(loss) pre-exceptional items	**1,957**	**(266)**	**1,691**

Six months ended 30 June 2008	Polyolefins £000	HPP £000	Consolidated £000
Revenue	17,772	367	18,139
Operating profit/(loss)	3,006	(266)	2,740

5. Exceptional Items

The Company has classified the restructuring programme which resulted in the termination of employment of 32 employees in the first half of 2009 as an exceptional item. The costs incurred in this restructuring were £476,000 comprising termination payments, advisory and other associated costs.

6. Taxation

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000
Current tax:		
UK corporation tax	**269**	630
Overseas taxation	**12**	—
	281	630
Deferred tax	**60**	51
	341	681

The Group's consolidated effective tax rate pre-exceptional items for the six months ended 30 June 2009 was 29% (2008: 25%).

7. Dividends

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000
Final dividend for the year ended 31 December 2008 of 3.0p (2007: 3.0p) per share	**1,091**	1,106

The final dividend for the year ended 31 December 2008 was paid on 21 May 2009.

A proposed interim dividend for the year ending 31 December 2009 of 1.5p per share (2008: 1.5p) was approved by the Board on 3 August 2009 and has not been included as a liability as at 30 June 2009.

8. Earnings Per Share

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30 June 2009 £000	Six months ended 30 June 2008 £000
Earnings		
Earnings for the purpose of basic earnings per share being net profit attributable to equity holders of the parent	**776**	2,027
Earnings for the purposes of diluted earnings per share	**776**	2,027

Number of shares	**Number**	Number
Weighted average number of ordinary shares for the purposes of basic earnings per share	**36,402,608**	36,402,608
Effect of dilutive potential ordinary shares:		
Share options and Long Term Incentive Plans	**1,909,236**	709,905
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**38,311,844**	37,112,513

Independent Review Report to Zotefoams plc

We have been engaged by Zotefoams plc to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 which comprises the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cashflows, the consolidated statement of changes in equity and the related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements. This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' Responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA. As disclosed in note 1, the annual financial statements of the Zotefoams plc are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our Responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independent Review Report to Zotefoams plc

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2009 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Mark Sheppard
For and on behalf of:

KPMG Audit Plc
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley RH11 9PT
United Kingdom

3 August 2009

ckd

Designed & Produced by
ckd
www.ckdcorp.co.uk

Printed by
Empress Litho
http://www.empresslitho.com

ZOTEFOAMS

Zotefoams plc
675 Mitcham Road
Croydon CR9 3AL
United Kingdom

T +44 (0)20 8664 1600
F +44 (0)20 8664 1616
info@zotefoams.com
www.zotefoams.com