

The background of the slide is a microscopic view of a blue foam structure, showing a network of interconnected, irregular, cell-like shapes. The cells are light blue, and the walls between them are a darker blue, creating a complex, porous pattern.

Zotefoams plc

Preliminary Results Presentation

March 2015

David Stirling :
Clifford Hurst :

Managing Director
Finance Director

Highlights

In Constant FX:

- Total Revenue¹ increased by 15%
- High-Performance Products ('HPP') revenue growth of 61%
- Profit before tax and exceptional items² up 43%

Other:

- HPP segment margins increase to 15% (2013: 6%)
- MuCell Extrusion LLC ('MEL') installed equipment base increases by 62% to 52 units (2013: 32)
- Successful share placing in September 2014 raising £8.8m gross to deliver global capacity expansion based at Group's Kentucky, USA site
- Proposed final dividend increased by 3% to 3.7 pence (2013: 3.6p)

¹ Total Revenue consolidates all external sales made by the joint ventures as well as those made by Zotefoams plc and its subsidiaries.

² The non-cash impairment charge made following the decision to curtail manufacturing activity on the microZOTE® extrusion line has been treated as an exceptional item.

Constant FX : calculated by restating 2014 at 2013 average foreign currency exchange rates but excluding Balance Sheet translation differences (see Press Statement) .

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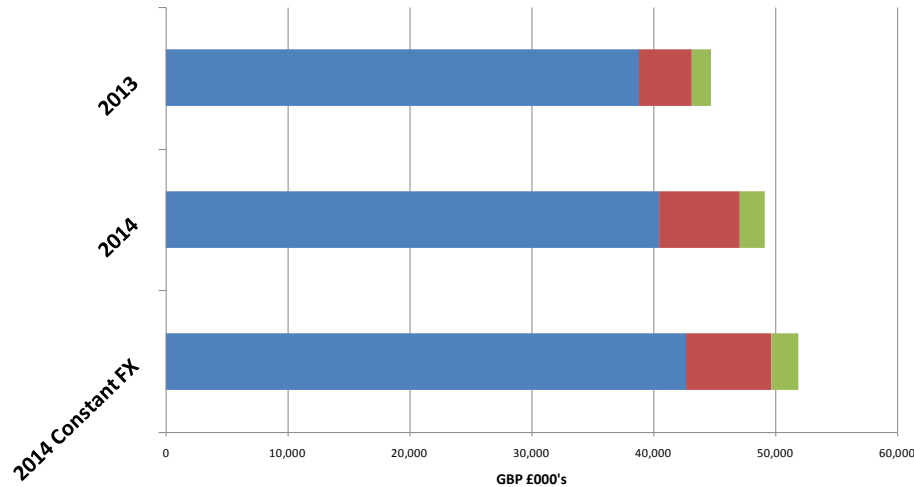
1. Group Overview
2. Zotefoams' Strategy
3. Preliminary Results
4. Business Review
5. Outlook

Appendices

Group Overview

Revenue by Segment

■ Polyolefins ■ HPP ■ MEL



Segments

- Azote® Polyolefin Foams
- HPP : High Performance Products
- MEL : MuCell Extrusion LLC technology licensing

Locations (wholly owned)

- Croydon, UK : main manufacturing site
- Walton, KY, USA : foam expansion
- Woburn, MA, USA : MuCell Extrusion HQ
- Phuket, Thailand : sales office

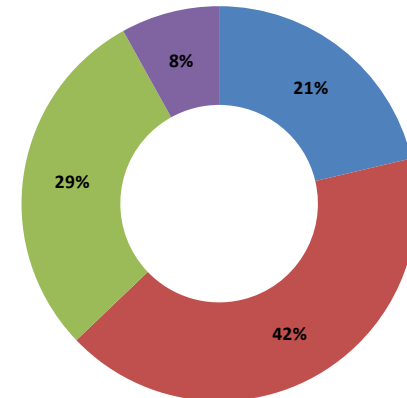
Locations (JV)

- Hong Kong : sales and investment
- Kunshan, Jiangsu, PRC : sales and foam conversion

Zotefoams is a world leader in cellular materials technology. Using a unique manufacturing process with environmentally friendly nitrogen gas expansion, Zotefoams produces lightweight foams in UK and USA for diverse markets worldwide. Zotefoams also owns and licenses patented MuCell® microcellular foams technology from a base in Massachusetts, USA to customers worldwide and sells T-Tubes® advanced insulation.

Revenue by Geography

■ UK ■ Continental Europe ■ North America ■ RoW



Zotefoams' strategy



Zotefoams' strategy is to expand through a combination of profitable organic growth of our Polyolefin and HPP foams businesses, new customers for our MuCell Extrusion technology licensing business, and through partnerships or acquisitions in related technologies, products or markets.

AZOTE SALES

Objective: Sales growth in our polyolefin business to exceed twice the average rate of GDP growth
Outcome: Total Revenue from polyolefin foams grew by 4%, (9% in Constant FX)

HPP & MEL

Objective: Develop a HPP portfolio and MEL customer base to deliver enhanced margins
Outcome: HPP sales grew by 61% in Constant FX with the segment average profit margin of 15%
MEL sales increased by 40% in Constant FX with margins reflecting investment

GROUP MARGIN

Objective: Improve our operating margins
Outcome: Group operating margins increased to 11.4% (2013 : 9.3%) before exceptional items

GROUP ROCE

Objective: Improve our return on capital employed
Outcome: Pre-tax return on average capital employed, before exceptional items and excluding intangible assets and their amortisation costs, increased to 14.7% (2013 : 12.9%)

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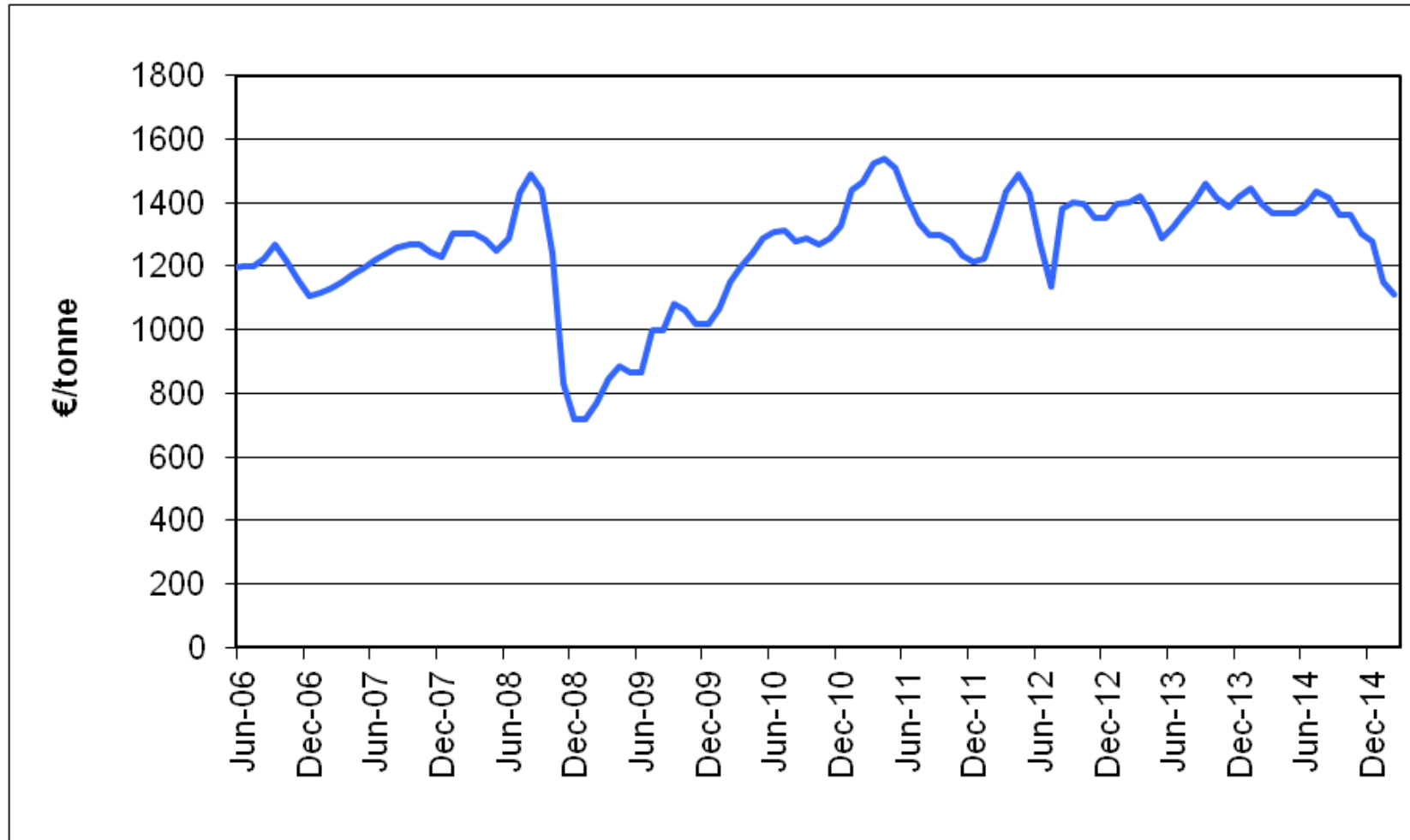
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Income Statement (excl Exceptional item)

	2014 £m	2013 £m	Change	Constant FX Change
Total revenue	49.08	44.63	10%	15%
Group revenue	48.95	44.63	10%	15%
Gross profit	12.84	11.62	11%	19%
<i>Gross margin</i>	26%	26%		
Operating profit	5.57	4.16	34%	39%
Net interest/joint venture loss	(0.30)	(0.31)		
Profit before tax	5.27	3.86	37%	43%
Tax	(0.93)	(0.70)	33%	
<i>Effective tax rate</i>	18%	18%		
Profit after tax	4.35	3.16	38%	
Eps (p)	10.7	8.0	34%	
Adjusted profit before tax (Excludes amortisation costs)	5.60	4.18	34%	40%

Polymer (LDPE) prices





Cash Flow

	2014 £m	2013 £m
Operating profit (after exceptional items)	4.31	4.16
Depreciation, impairment & amortisation	4.67	3.61
Working capital	(2.48)	(0.71)
Pension contributions	(0.66)	(0.66)
Share options charge	0.14	0.23
Cash generated from operations	<u>5.98</u>	<u>6.63</u>
Tax paid	(0.87)	(1.01)
Capital expenditure	(7.57)	(4.21)
Share capital issue (net)	8.43	0.04
Dividends	(2.11)	(2.05)
Net debt movement	<u>3.86</u>	<u>(0.60)</u>
Net (debt)/funds brought forward	(1.12)	(0.62)
Exchange adjustments/roundings	(0.32)	0.11
Net funds / (debt)	<u>2.42</u>	<u>(1.12)</u>

Balance Sheet

	2014 £m	2013 £m
Investments in joint ventures	0.17	
Intangible assets	6.85	4.92
Tangible assets	28.56	27.33
Net working capital	15.94	13.45
Retirement benefit obligations	(6.13)	(4.28)
Deferred tax, net	(0.20)	(0.79)
Tax payable	(0.39)	(0.51)
Net funds / (debt)	2.42	(1.12)
Total shareholders' equity	<u>47.23</u>	<u>39.01</u>

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Polyolefin Foams

Business Model

- Azote® polyolefin foams are more consistent, lighter, purer and have better mechanical properties than similar foams made by other foaming methods
- Investment in process equipment, technology, marketing and R&D gives us distinct advantages in both product and market presence
- Process : core high-pressure nitrogen gas autoclave technology in UK and foam expansion in UK and USA
- Value to customer : consistency in manufacturing with performance in end-use
- Structure : Zotefoams has largest market share in UK, EU and North American markets. Our growth comes from market extension in these areas and penetration elsewhere

Strategy

- Product line extension in specific sub-segments, where Zotefoams has a lower market share and/or can increase our competitive advantage and margin
- Increased participation (with sales through channel partners) in end-use markets, such as:
 - Construction
 - Automotive
 - Sports & leisure
- Global increase in capacity delivered with increased presence geographically
 - Full manufacturing presence in KY, USA
 - 50:50 sales (and “final stage” manufacturing) JV in Asia



Polyolefin Foams : Results

- NARRATIVE THROUGH THE YEAR
 - Global underlying demand strong
 - H1 : Capacity constraint in extrusion
 - H2 : Delayed shipments with new ERP system
- INVESTMENT IN CROYDON SITE INFRASTRUCTURE & CAPACITY
 - Factory expansion
 - Polyolefin extrusion
 - High-pressure gassing
- GLOBAL CAPACITY PLANNED IN USA
 - Growth globally mainly in lighter weight foams
 - Need for global capacity with growth in all major geographies

	2014	2013		
		Restated		
	£000's	£000's	Change %	Constant FX
Total Revenue	40,440	38,825	4%	9%
Segment profit (pre amortisation)	6,008	5,798	4%	
<i>Return</i>	14.9%	14.9%		

- REVENUE
 - Increase of 9% in Constant FX, 9% in volume
 - Currency impact c£1.8m adverse
 - Main Factors
 - Recovery from 2013 destocking
 - Underlying demand strong
- COSTS
 - LDPE, major input raw material, pricing at similar levels to 2013 but with slight downward trend in the period

Business Model

- ZOTEK® HPP foams are manufactured from raw materials offering enhanced properties, such as being fire retardant or having stability at high-temperature. With additional value added and existing installed capacity these foams offer potential for higher margins
- Portfolio of products at different stages of development and market penetration in this segment
- Process : core high-pressure nitrogen gas autoclave technology in UK
- Value to customer : superior technical performance, often replacing “multi-material” composite systems
- Structure : HPP foams are redefining markets with significant opportunity across a variety of segments. Timing and extent of penetration can be difficult to predict

Strategy

- ZOTEK® F fluoropolymer foams for aviation remains the largest market and medium-term offers the largest opportunity for growth. Focus to grow:
 - Increased content per plane in USA
 - EU and Asia with OEMs
 - Aftermarket and completion centres with “specified products”
- T-Tubes®
 - Resource focused on Asia and India
 - Product-line extension into industrial areas
- ZOTEK® N nylon foams
 - End-user focus in construction, S&L, composites and automotive
- ZOTEK® Peba speciality foam
 - Sports mainly & some industrial markets

HPP : Results

- REVENUE

- Constant FX growth of 61%
- CAGR 42% from 2008
- Represents 13% of group sales
- ZOTEK[®]F fluoropolymer foam is the largest constituent, with growth mainly from aviation
- Other products in this segment : T-Tubes[®], Pebafoam & ZOTEK[®] N nylon foam

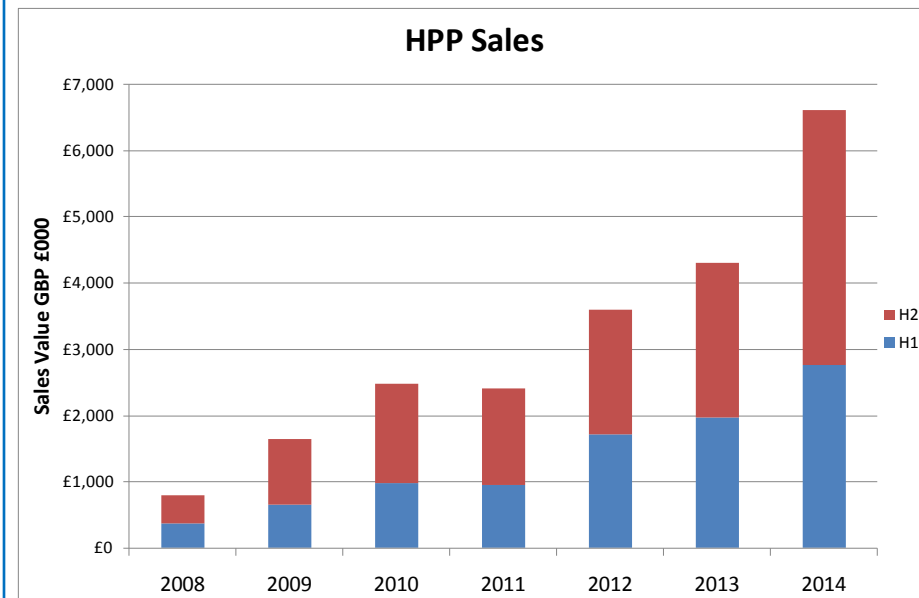
- COSTS

- Well invested in sales and development with targeted increase to deliver potential
- Manufacturing costs increased in line with revenue, efficiency improvement opportunities identified

- MARGIN

- Segmental analysis shows average margin
- Currently highest return business

	2014	2013		
		Restated		
	£000's	£000's	Change %	Constant FX
Total Revenue	6,614	4,311	53%	61%
Segment profit	1,022	269	280%	
Return	15.5%	6.2%		



Business Model

- MEL licenses technology for continuous foaming
- Process : easy to retrofit to existing equipment. Uses CO₂ or nitrogen inert, environmentally friendly gases
- Value to licensee : saving of material cost and environmental benefits (less plastic, fully recyclable, no chemical additives) for their customers
- Payment model : MEL takes a share of savings over the life of the contract
- Market size : very large
- Intellectual property : developed internally and licensed-in where appropriate. Portfolio of patents and know how

Strategy

- Refocus of activities towards a more limited number of segments with high potential, mainly in consumer packaging
 1. Thin film
 2. Plastic sheet
 3. Extrusion blow moulded packaging
- Leverage : addressing markets through channel partners where possible, e.g.:
 - Automotive blow moulding : signed global agreement with Kyoraku of Japan
 - Thin films : MuCell capability installed at Dow Chemical global technical centres (Switzerland, Singapore, Texas)
- Machinery sales are enabling technology
 - Further development of capability outside existing supplier base
 - Internally developed 1000barG gas unit



MuCell Extrusion: Results

- REVENUE
 - 40% increase in constant currency
 - Most licences not yet mature / generating royalties
- COSTS
 - Maintain investment to support growth
 - Higher level of equipment sales
 - All cost increases per business plan
- ACTIVITY LEVEL
 - Technology validation “proven”
 - Existing licensees rolling-out technology
 - New licensee enquiry activity very high
 - MEL focus on specific segments delivers known capability and faster development
 - Negotiation of licences from templates
 - IP developed in 2014 looks promising

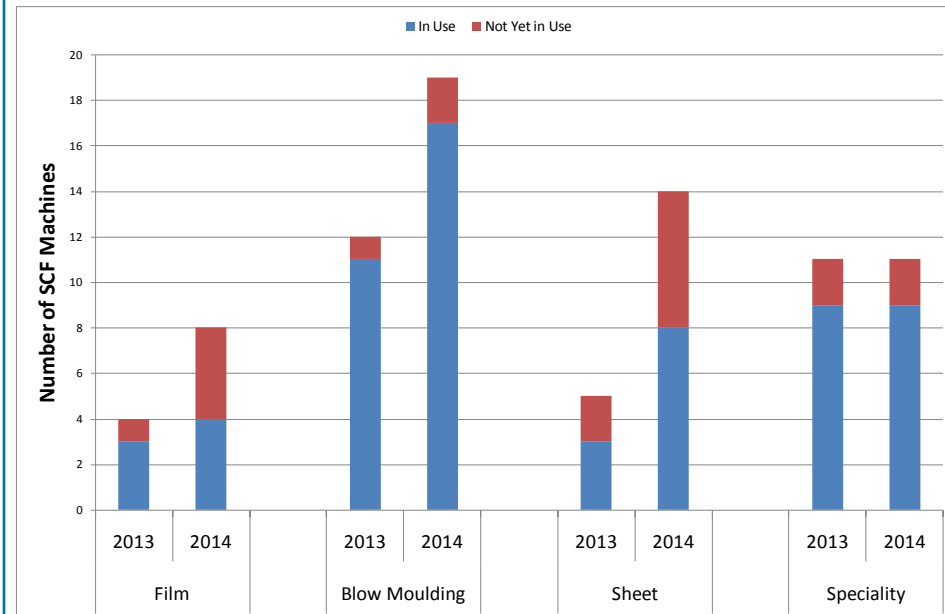
	2014	2013		
	£000's	£000's	Change %	Constant FX
Total Revenue	2,088	1,562	34%	40%
Segment loss pre-amortisation	(103)	(138)		
Return	-4.9%	-8.8%		
Amortisation of acquired intangible assets	(304)	(320)		



MEL : further analysis

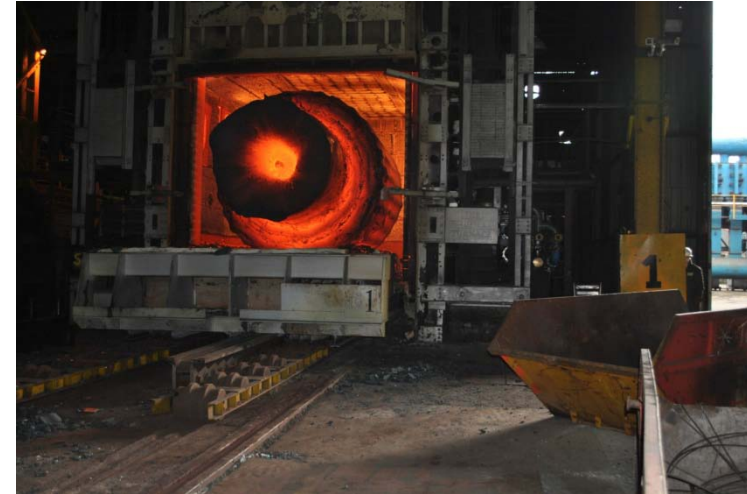
- E&E REVENUE (Constant FX)
 - 58% increase
 - “One-off”
 - Strong leading indicator of future L&R
 - 20 SCF units sold in 2014
 - Increase of installed base to 52 Units
- L&R REVENUE (Constant FX)
 - 25% increase
 - 2/3^{rds} from Speciality Category
 - Other categories expected to show strongly in coming years based in E&E activity
- GROWTH POTENTIAL function of:
 - Number of Lines
 - Category
 - Timing
 - Utilisation factor

	2014	2013	Change
	US\$m	US\$m	%
Equipment & Engineering	1.91	1.21	58%
License & Royalty	1.54	1.23	25%
Total	3.45	2.44	
Growth	41%		

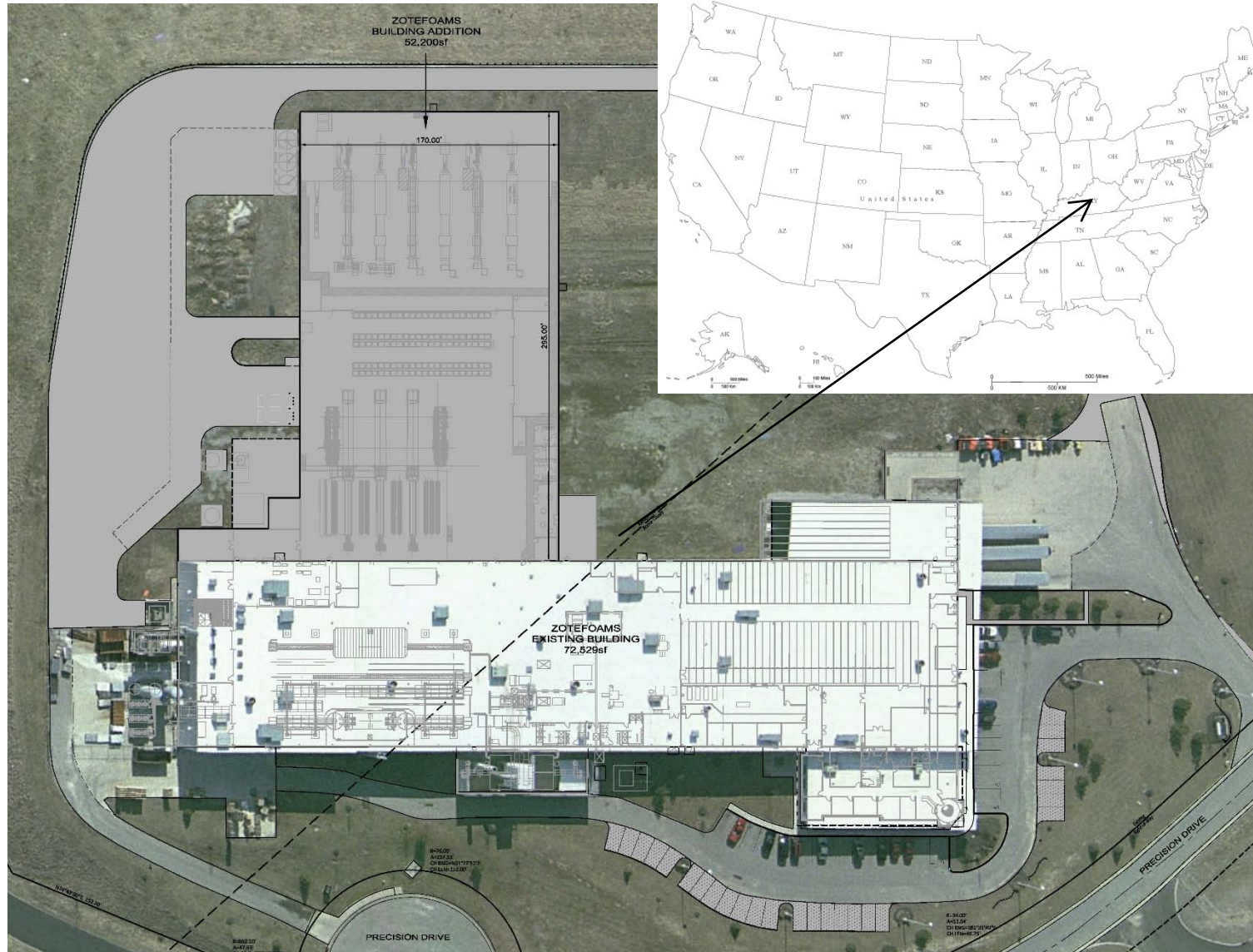


Investment

- Global capacity increase
 - Raised £8.8m gross proceeds from share placing in September 2014
 - Total investment cUS\$22m (c£14.5m) in Walton, KY, USA
 - Effective increase of c20% in overall Group manufacturing capacity
 - Facility anticipated operational H2:2016
- Croydon site development
 - Factory investment to deliver c13% additional space, with future use linked to HPP growth potential
 - Extrusion capacity increase of c17% for polyolefin foams now operational in Croydon
- ERP system
 - Phase 1 Microsoft Dynamics AX installed with “go-live” from October 2014 across all core systems other than MEL
 - Development of required management information to improve fit with the business and extend span of control
 - Further phases, including MEL, along with operational improvements scheduled



Facility Addition



ZOTEK King Lai Kunshan

Business Model

- T-Tubes® insulation products alignment with UFPT in MA, USA since 2007
- Premium product for clean room insulation and personnel protection based on ZOTEK® fluoropolymer foams
- Main markets are for new-build bio-pharma plants and semi-conductor manufacture
- Product sold primarily on performance but price & service are also important
- Key performance characteristics
 - Low flame and smoke
 - Degradation resistance
 - Chemical resistance
 - Quick installation
 - Non-shedding
 - Insulation factor
 - Size



Strategy

- Main markets are in India, China, South Korea and other ASEAN countries
- Local manufacture of end product to optimise service time, cost and freight
- King Lai Group, a Taiwanese manufacturer of speciality pipework for clean rooms globally, has been a customer of Zotefoams since 2012
- Zotefoams (51% share)
 - Provides foam raw material
 - Owns brand
 - Manages sales outside China from Thailand operation
- King Lai Group (49% share)
 - Responsible for manufacturing in Kunshan, 90mins from Shanghai
- Joint venture
 - Minimal capital expenditure
 - Operational from H2:2015



Current Situation

- Entered 2015 with a larger than normal order backlog and a strong forward order book
- Polyolefin foams
 - Demand in EU and North America remained robust in the first two months of 2015
 - Experiencing increasing levels of activity in Asia
- Following very strong levels of growth in HPP and in our MEL licensing business we expect further progress in 2015, with:
 - Clear indications of increased demand from existing customers and markets
 - Good development opportunities in new areas
- Chinese JV with King Lai Group is expected to make a positive contribution to revenue growth rates later this year
- As a net exporter we are exposed to movements in foreign exchange rates:
 - Sterling is currently much stronger against the euro than the average rates experienced last year, but this is counteracted by sterling's current weakness against the US Dollar
 - The euro-denominated price of LDPE is currently at slightly lower levels than seen in 2014 and at these levels offers some limited benefit

Outlook

- The wide scope of Zotefoams' business means we are influenced by global economic conditions
- In addition, the timing of sales from new products and markets, where higher growth rates are anticipated, can be somewhat difficult to predict
- While being mindful of currency and economic conditions, the Board anticipates 2015 being another year of growth and remains confident about the long-term prospects for our business

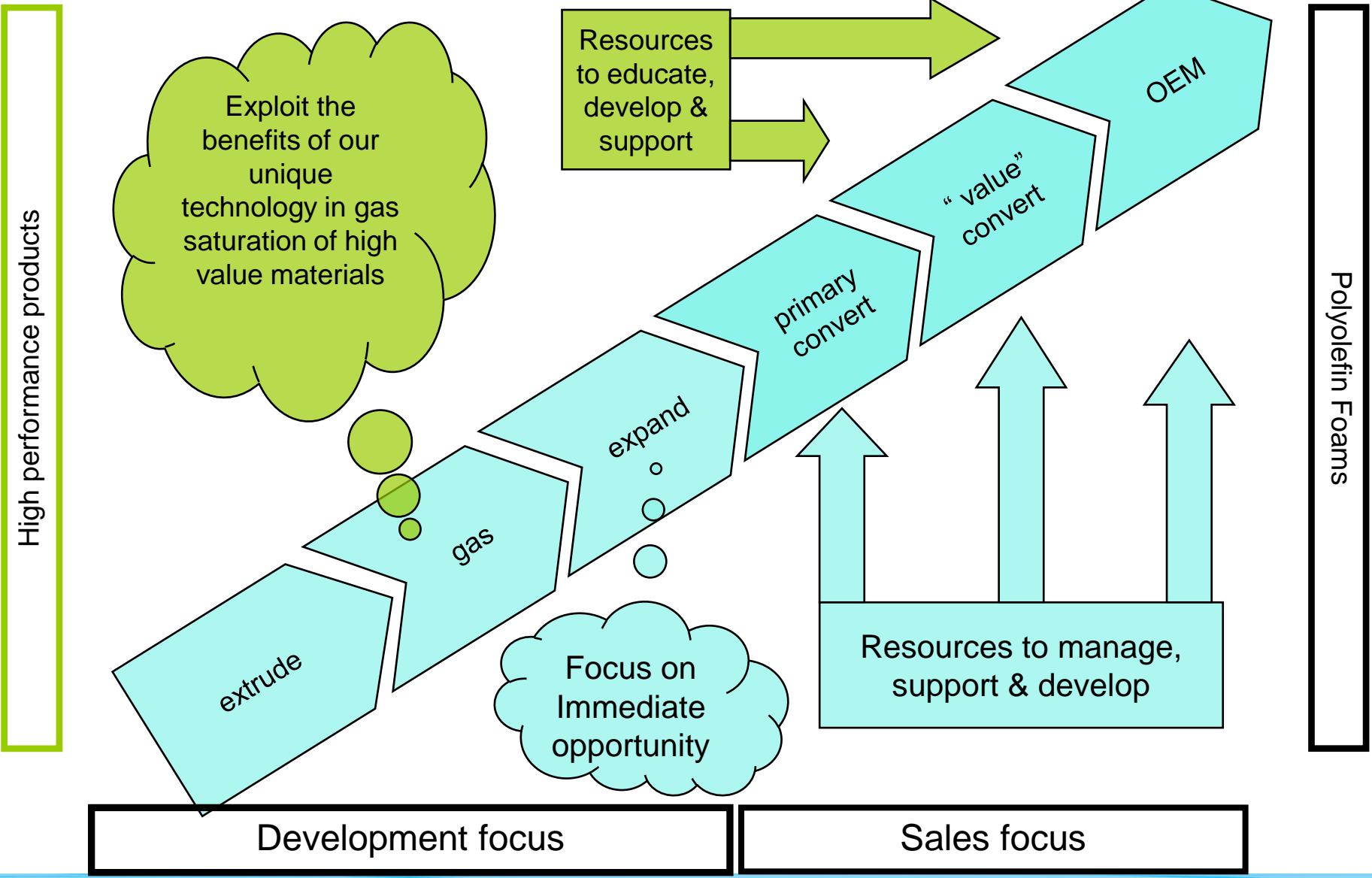
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Financial History

	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
	2014	2013	2012	2011	2010	2009	2008	2007	2006
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total Revenue	49.1	44.6	47.2	44.2	39.9	31.8	34.8	31.6	30.1
Revenue growth	10%	-5%	7%	11%	25%	-9%	10%	5%	7%
PBT (excl exceptionals)	5.3	3.9	5.8	5.5	4.7	3.2	3.9	3.4	2.7
Exceptionals	(1.3)	0.0	0.0	0.0	0.6	(0.5)	0.0	0.0	(1.1)
PBT (incl exceptionals)	4.0	3.9	5.8	5.5	5.3	2.7	3.9	3.4	1.6
Cash generated from operations	6.0	6.6	6.3	6.1	7.2	7.0	5.8	4.8	4.7
Capex (incl intangibles)	7.6	4.2	3.7	3.1	2.7	3.4	1.4	2.7	2.6
Net (funds)/debt	(2.4)	1.1	0.6	(1.9)	(1.9)	0.4	1.2	1.7	1.4
Gearing		3%	3%			2%	4%	6%	6%
Basic eps (excl exceptionals)	10.7p	8.0p	11.8p	11.8p	10.2p	6.8p	8.3p	8.0p	5.4p
Dividends (incl proposed)	5.45p	5.30p	5.20p	4.90p	4.65p	4.50p	4.50p	4.50p	4.50p

Value Chain / Strategy

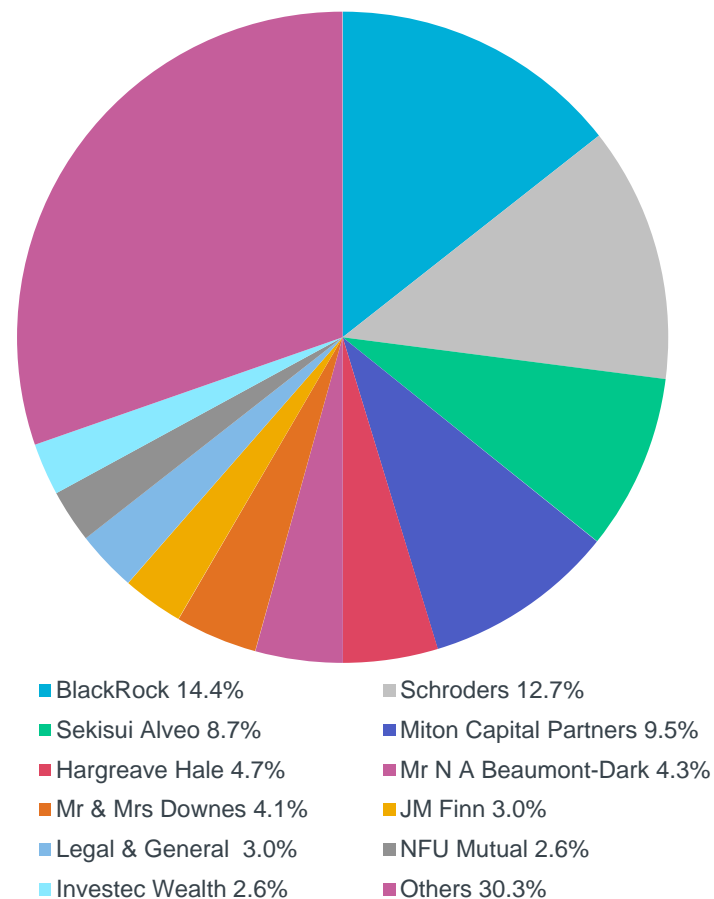


Market Information

Share price	231.5p (16/03/15)
Market	Main Market
Ticker	ZTF.L
Market cap.	£101.4m
Ord. shares in issue	43,814,440



Shareholder profile*

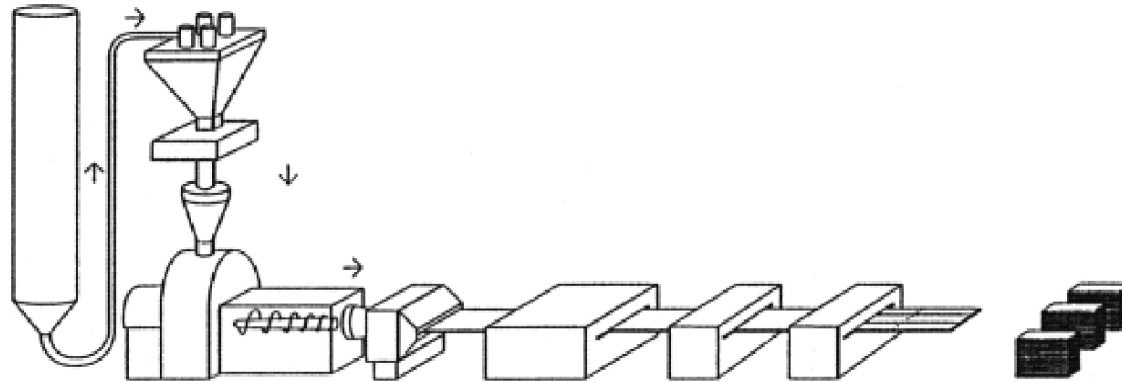


* Source: Investec Investor Relations (30/06/14)

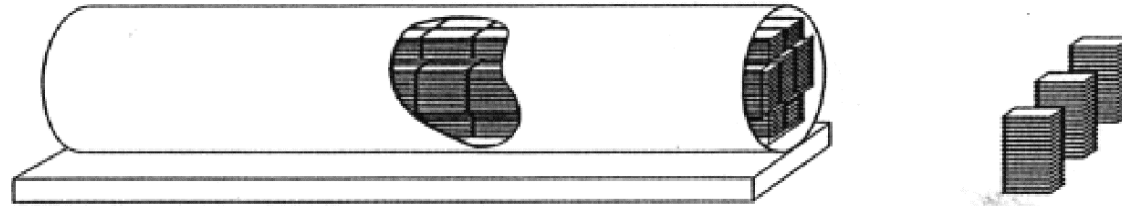
Zotefoams Process

Zotefoams Plc process

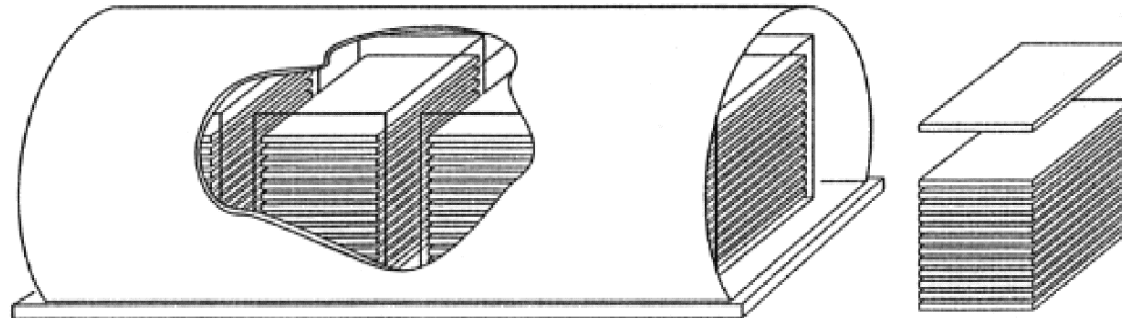
mixing and
extrusion



impregnation

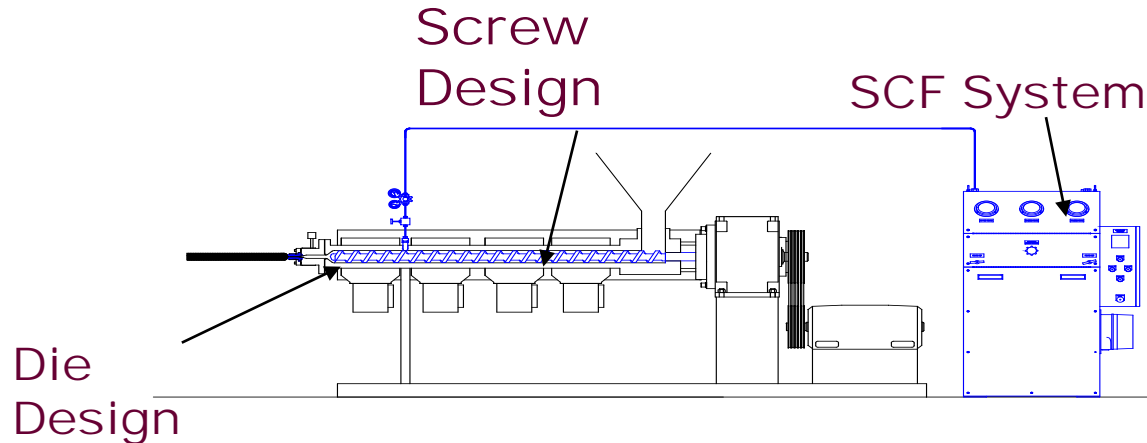


expansion





MuCell Technical & Business Process



Technical Process : Key items

Know How

- Material Formulation
- Processing

Patent Coverage

- Method & Apparatus
- Articles

Business Process

Trials

Machinery rental

Licence Negotiation

Licence finalisation

Machinery purchase and install

Application development

Application sales

Revenue basis

engineering support

rental fees

-

annual licence fee *

equipment sale

-

royalty (net of annual licence fee)

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