AZOTE® ZOTEK® T-FIT® MUCELL®

Preliminary Results 2015

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ZOTEFOAMS

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2015 Summary

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- Total Revenue[1] growth of 11% to £54.44m (2014: £49.08m)
- Adjusted profit before tax and exceptional items increased by 14% to £6.36m (2014: £5.60m), with reported profit before tax up 50%
- Polyolefin foams
  - Total Revenue growth of 8% to £43.61m (2014: £40.44)
  - Continued investment in manufacturing facilities at Croydon, UK and Kentucky, USA sites to support global growth opportunity
- High-Performance Products ('HPP')
  - Total Revenue growth of 25% to £8.27m (2014: £6.61m)
  - Represents 15% of Total Revenue (2014: 13%)
- MuCell Extrusion LLC ('MEL')
  - Increased sales by 25% to £2.62m (2014: £2.09m), mainly driven by a 47% increase in equipment and engineering sales and more favourable US dollar exchange rates
- Gross margins increased 1.4% to 27.6% (2014 before exceptional item: 26.2%)
- 41% improvement in cash generated from operations of £8.41m (2014: £5.98), driven by better profitability and increased working capital efficiency
- Increase in proposed final dividend to 3.8p per share (2014: 3.7p) taking the full year dividend for 2015 to 5.6p per share (2014: 5.45p)

[1] Total Revenue consolidates all external sales made by joint-ventures as well as those made by Zotefoams plc and its subsidiaries

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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-FIT® advanced insulation.

Group Overview

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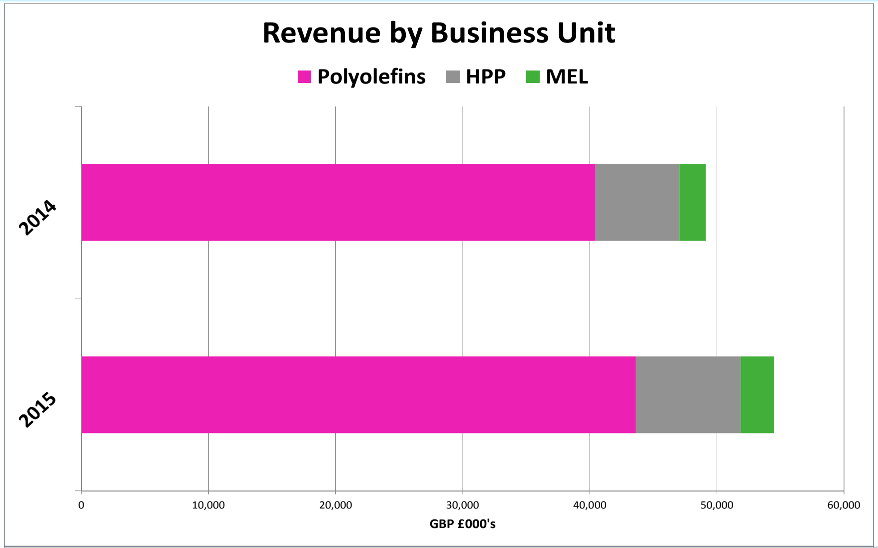


Segments

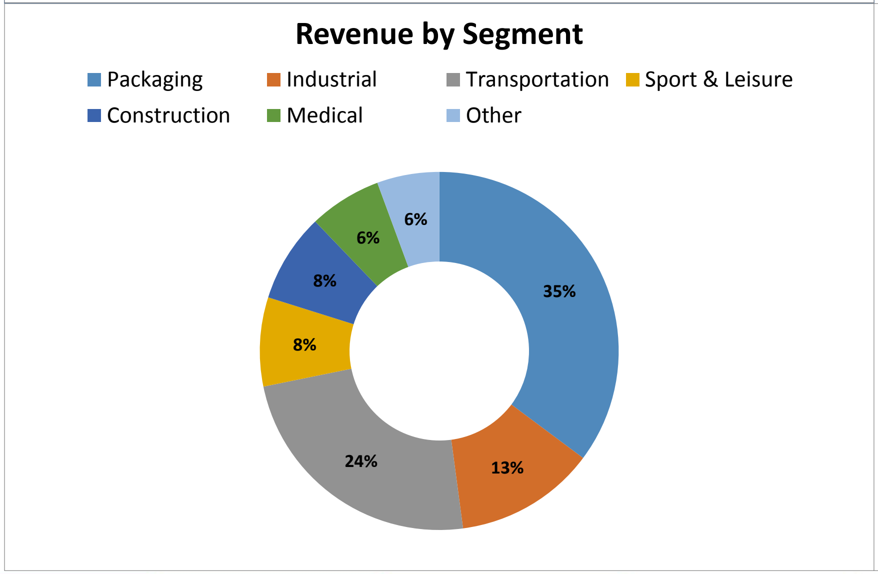
- Azote Polyolefin Foams
- HPP : High Performance Products
- MEL : MuCell Extrusion LLC technology licensing

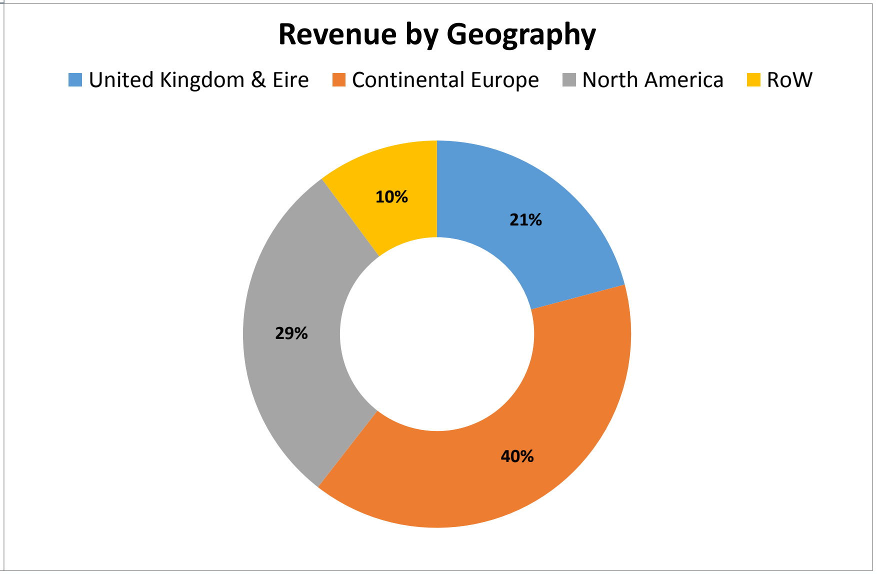
Locations (wholly owned)

- Croydon, UK : main manufacturing site
- Walton, KY, USA : foam expansion
- Woburn, MA, USA : MuCell Extrusion HQ
- Tulsa, OK, USA : foam cutting & finishing (from 2016)
- Phuket, Thailand : sales office

Locations (JV)

- Hong Kong x2 : sales and investment
- Kunshan, PRC : sales and foam conversion (from 2016)





AZOTE® ZOTEK® T-FIT® MUCELL®

Zotefoams’ strategy

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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 global GDP growth.

Outcome: Total Revenue from polyolefin foams grew by 8%

HPP & MEL

Objective: Develop a HPP portfolio and MEL customer base to deliver enhanced margins.

Outcome: HPP sales grew by 25% and MEL sales grew by 25%. We continue to invest further in resources to deliver growth, with a clear understanding of the inherent profit potential being higher than the current Group operating margins. These business units now account for 20% of Total Revenue, up from 18% in 2014

GROUP MARGIN

Objective: Improve our operating margins.

Outcome: Group operating margins increased to 11.6% (2014 : 11.4%) before exceptional items

GROUP ROCE

Objective: Improve our return on capital employed.

Outcome: Pre-tax return on average capital employed decreased to 14.4% (2014: 14.7%). Levels of capital employed will increase with the investment in our Kentucky USA, site, planned to commission in 2017. We expect the return on capital to reflect this until the benefit of this investment can be realised

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Income Statement
(excluding 2014 exceptional item)

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£ million	2015	2014	Change
Total Revenue	54.44	49.08	11%
Group Revenue	53.87	48.95	10%
Gross margin	*27.6%*	*26.2%*	
Operating profit	6.33	5.57	14%
Net interest/joint venture loss	(0.32)	(0.30)	
Profit before tax	6.01	5.27	14%
Tax	(1.21)	(0.93)	31%
Effective tax rate	*20.2%*	*17.6%*	
Profit after tax	4.80	4.35	10%
Earnings per share (p)	11.1	10.7	4%
Adjusted profit before tax[1]	6.36	5.60	14%

[1] Excludes amortisation costs of acquired intangible assets

- Gross margin percentage increase of 1.4% to 27.6%
- Effective tax rate trends to statutory rate

Polymer (LDPE) prices

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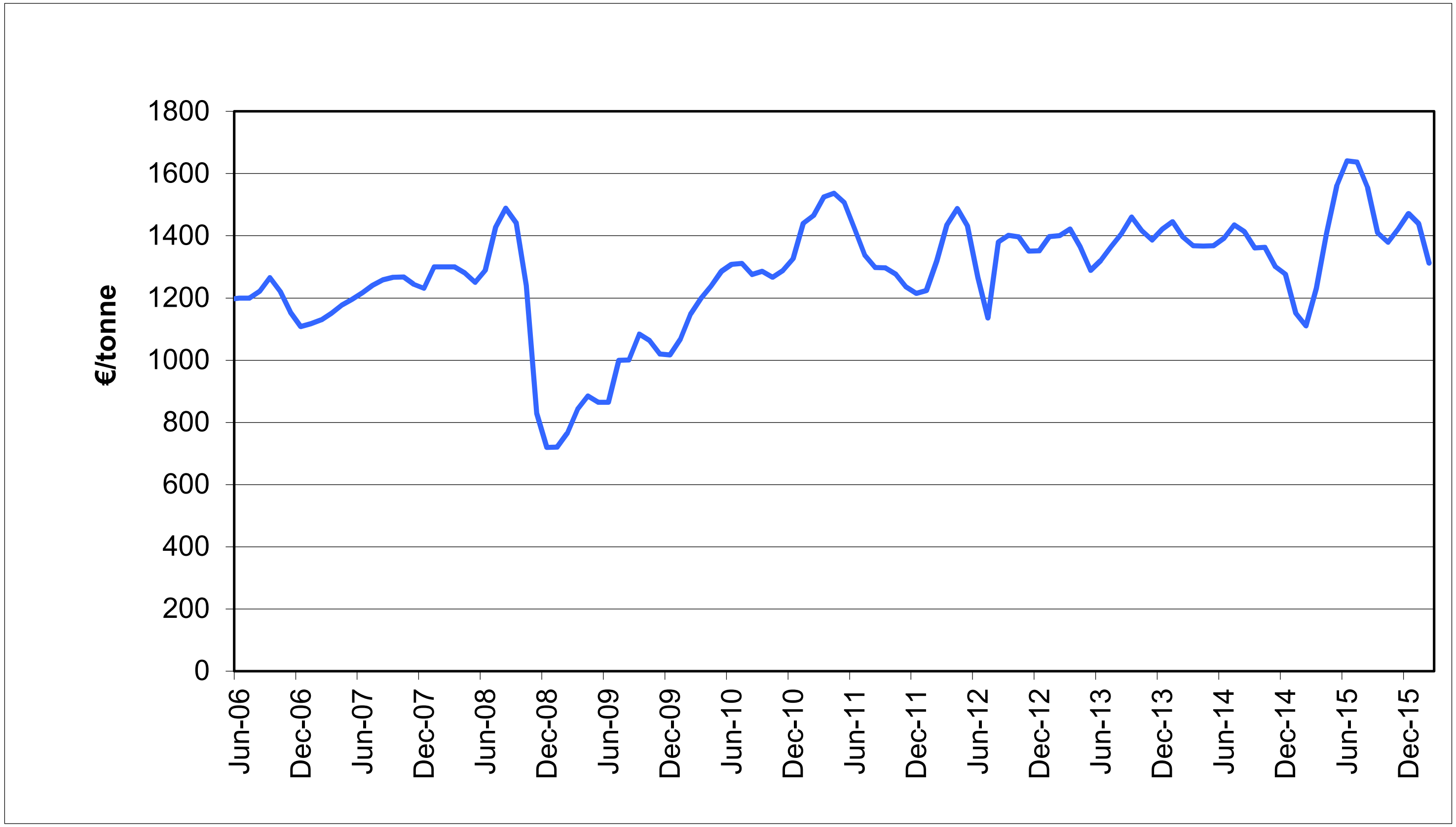

- LDPE prices remain high, but steady, de-coupled from recent oil price

Free Cash Flow

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£ million	2015	2014
Operating profit (after exceptional items)	6.33	4.31
Depreciation, impairment & amortisation	3.48	4.67
Working capital	(0.95)	(2.48)
Pension contributions	(0.66)	(0.66)
Share options charge	0.22	0.14
Cash generated from operations	**8.41**	**5.98**
Tax and interest paid	(0.88)	(0.92)
Net capital expenditure	(9.11)	(7.57)
Free cash flow	**(1.57)**	**(2.52)**

- Strong cash generation from operations, up 41%, due to profit improvement and working capital efficiency
- Capital expenditure driven by US expansion and Croydon factory expansion

Cash Flow and Net Debt

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£ million	2015	2014
Free cash flow	**(1.57)**	**(2.52)**
Share capital issue (net)	(0.00)	8.43
Repayment of borrowings	(0.74)	(0.87)
Proceeds from borrowings	5.36	0.00
Dividends	(2.40)	(2.11)
Other	0.16	(0.24)
Net cash generated	**0.80**	**2.70**
Net cash at 1st January	4.63	1.96
Exchange adjustments/roundings	(0.16)	(0.03)
Net cash at 31st December	**5.27**	**4.63**

£ million	2015	2014
Net cash	**5.27**	**4.63**
Borrowings	**(6.86)**	**(2.21)**
Net debt	**(1.59)**	**2.42**

- Post year end, an £8m multi-currency RCF facility has been secured

Balance Sheet

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£ million	2015	2014
Investments in joint ventures	0.16	0.17
Intangible assets	6.87	6.85
Tangible assets	35.37	28.56
Net working capital	16.64	15.94
Retirement benefit obligations	(5.24)	(6.13)
Deferred tax, net	(0.36)	(0.20)
Tax payable	(0.73)	(0.39)
Net debt	(1.59)	2.42
Total shareholders' equity	**51.12**	**47.23**

- Return on capital employed of 14.4% (2014: 14.7%), profit increase offset by large investment in capacity for future growth
- An $8m 10-year fixed rate loan was secured in December 2015 at 3.95%, secured on ZTF Inc. assets

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Polyolefin Foams

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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 here 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 planned "final stage" Manufacturing) JV in Asia

Polyolefin Foams : Results

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- Narrative through the year
  - Backlog of shipment delays from 2014 cleared in H1:2015
  - Global underlying demand strong with 10% growth in volumes
  - FX impact negative in EU offset to some extent by USA gains
- Investment in Croydon Site Infrastructure & Capacity
  - Factory expansion complete
  - De-bottlenecking of polyolefin extrusion & high-pressure gassing
- Global Capacity planned in USA
  - Need for global capacity with growth in all major geographies
  - Now planned operational in H1:2017
  - Croydon capacity improvements expected to be sufficient to meet demand until mid 2017

POLYOLEFIN FOAMS	2015 £m	2014 £m	% Change
Total Revenue	43.61	40.44	8%
Group Revenue	43.04	40.30	7%
Segment profit pre amort	7.60	6.01	26%
Segment profit post amort	7.55	5.99	
Segment profit margin	17%	15%	

- REVENUE
  - Increase of 8% in value, 10% in volume
  - Currency impact c£1.1m adverse
  - Growth in all major geographies
- COSTS
  - LDPE, euro-denominated major raw material, pricing at similar levels to 2014
  - Efficiency programs at Croydon site
  - Operational gearing benefits improve margins

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HPP

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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 fluoroploymer 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-FIT®
  - Rebranded (was T-Tubes®) with 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
  - Energy management foams for sports with some industrial opportunities

HPP : Results

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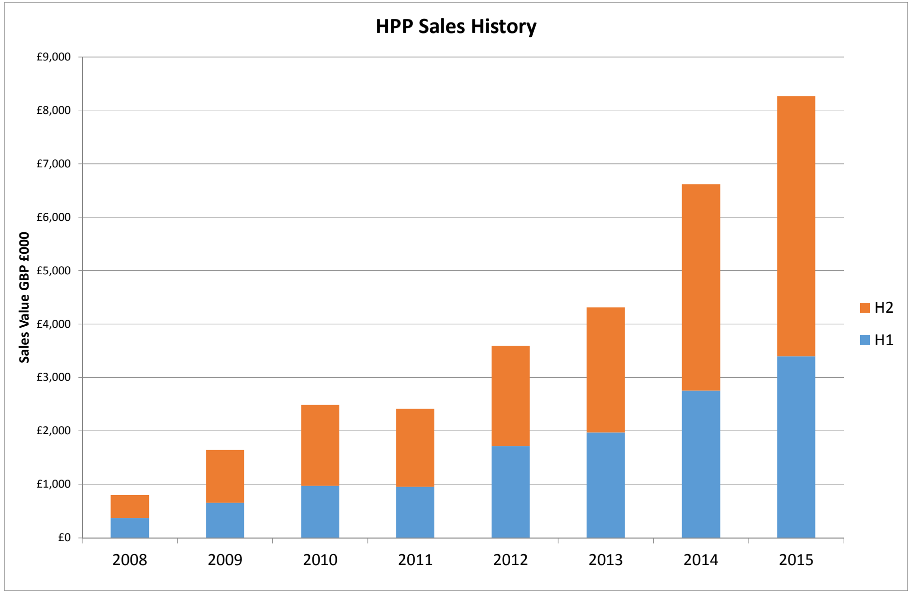
- REVENUE
  - Increase 25% (2014:53%)
  - CAGR 40% from 2008
  - Represents 15% of group sales
  - ZOTEK ®F fluoropolymer foam is the largest constituent, with growth mainly from aviation
  - Other products in this segment : T-FIT®, ZOTEK® PEBA & ZOTEK® N nylon foam
- COSTS
  - Further investment in supply chain surety, sales and development to support future opportunities
- MARGIN
  - HPP is a portfolio of products, some of which are below break-even revenue
  - we continue to invest further in resources to deliver growth, with a clear understanding of the inherent profit potential

HPP	2015 £m	2014 £m	% Change
Total and Group Revenue	8.27	6.61	25%
Segment profit pre-amort	0.82	1.02	
Segment profit	0.82	1.02	
Segment profit margin	10%	15%	



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MuCell Extrusion

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Business Model

- MEL licenses technology for continuous foaming
- Process : easy to retrofit to existing equipment. Uses CO_2 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
- Machinery sales are enabling technology
  - Further development of capability outside existing supplier base
  - Internally developed 1000barG gas unit, extender technology, MuCell mixer

MuCell Extrusion: Results

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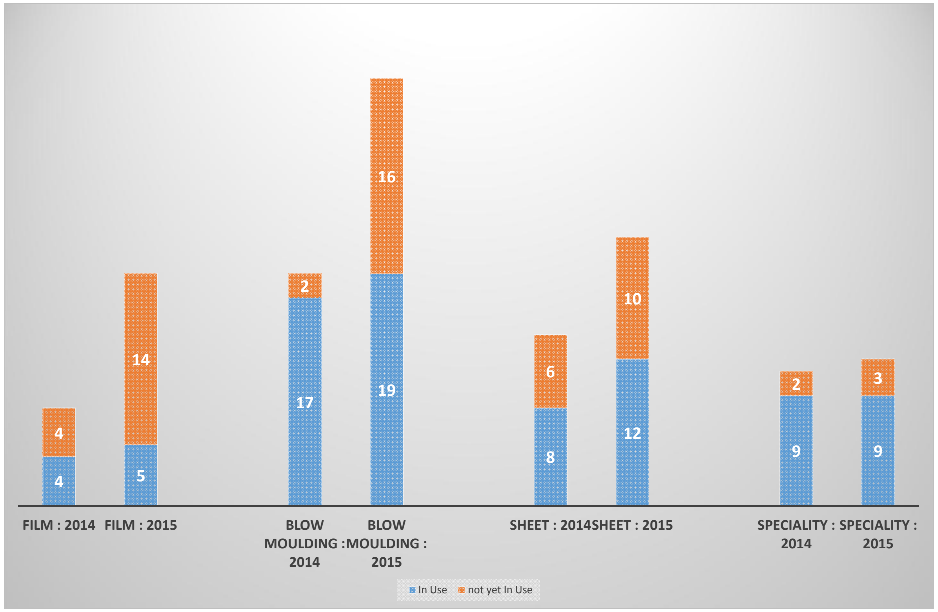
- REVENUE
  - 25% increase driven by Equipment and favourable FX
  - Most licences not yet mature / generating royalties
  - Very strong final quarter, with equipment shipments scheduled for install 2016
- COSTS
  - Maintain investment to support growth
  - Higher level of equipment sales
- GROWTH POTENTIAL function of
  - Number of Lines
  - Category
  - Timing
  - Utilisation factor

MEL	2015 £m	2014 £m	% Change
Total and Group Revenue	2.62	2.09	25%
Segment profit pre-amort	-0.50	-0.10	
Amort of acquired intangibles	-0.30	-0.30	
Segment loss	-0.80	-0.41	



Investment

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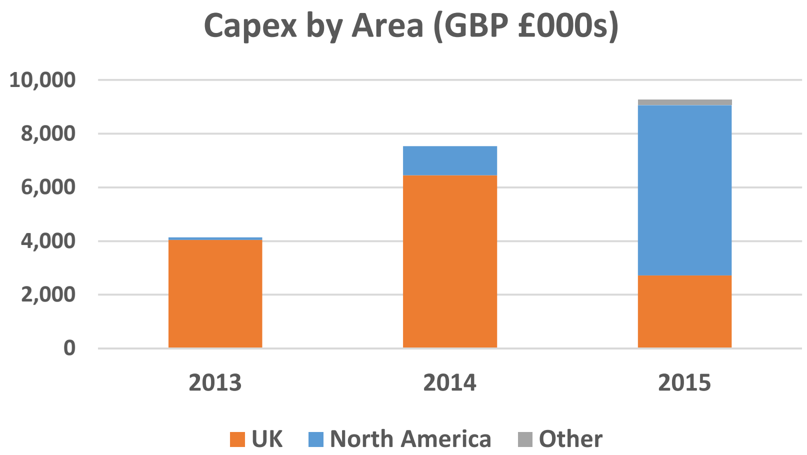
- **Developing an international, multi-site business through organic growth and leveraging our unique technology**

- Autoclave technology used for both AZOTE® and ZOTEK® foams
  - Need to increase capacity based on demand expectations
  - Significant investment in Kentucky, USA approved in 2014 and expected to begin production in H1:2017 (see photo)
- Planned further specific investment in Croydon, UK, linked to expected growth in ZOTEK® foams
- New sites in Kunshan, PRC and Oklahoma, USA expected to be operational from H1:2016
- Further investment in technology, people & process to deliver growth and enhance our future prospects



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Current trading and prospects

Sales for the first two months of 2016 have been higher than those of the comparative period in 2015. Sales in AZOTE® polyolefin foams have grown in line with our long-term target of twice the rate of global GDP growth, while our HPP business has also experienced a strong start to the year. MEL is currently experiencing high activity levels in machinery commissioning, following a particularly strong fourth quarter in 2015. The majority of Zotefoams' costs are sterling denominated, while approximately 80% of sales are outside the UK, mainly invoiced in US dollars or euros. The recent relative weakness of sterling will, therefore, have a positive impact on our Group, although this is unlikely to be significant this year, as the majority of expected foreign exchange exposure during 2016 has been hedged, in accordance with our policy, at rates prevailing before the recent sterling weakness. The price of our major raw material, low-density polyethylene, remains high but at a similar level to last year's average price.

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Outlook

Zotefoams sells globally into a variety of industries and we are therefore influenced by, and mindful of, worldwide economic conditions. Our strategy of organic development for materials based on our proprietary technology offers higher growth potential, but is accompanied by timelines which can be difficult to predict as we enter new applications or markets. We believe certain of our longer term developments are now reaching the point where market success is much more likely and we plan to further increase resources to support these opportunities. While being mindful of market and macro-economic conditions, the Board anticipates 2016 being another year of growth and remains confident about the long-term prospects for our business.

Appendices

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Value Chain / Strategy

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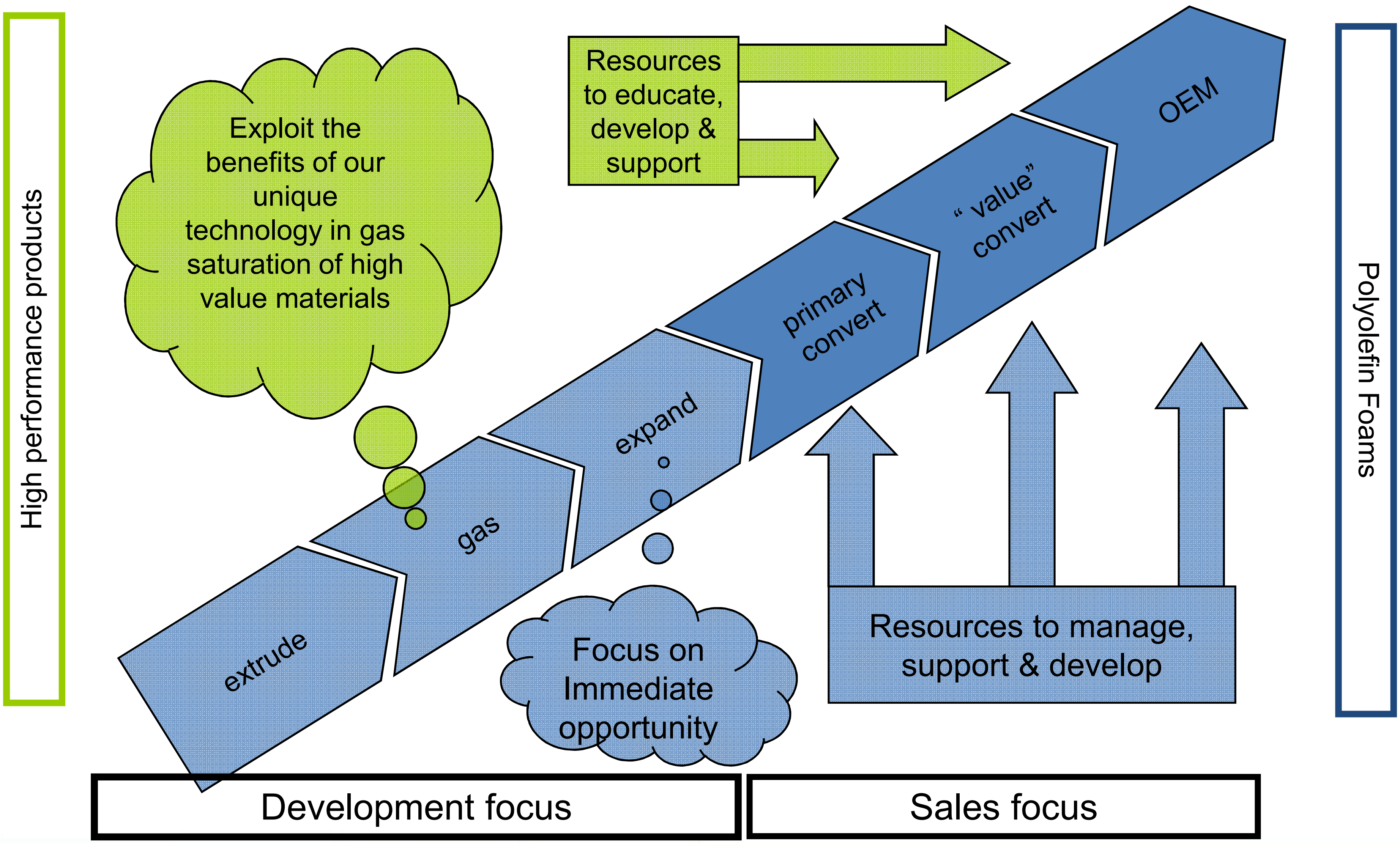

Zotefoams block-foam process

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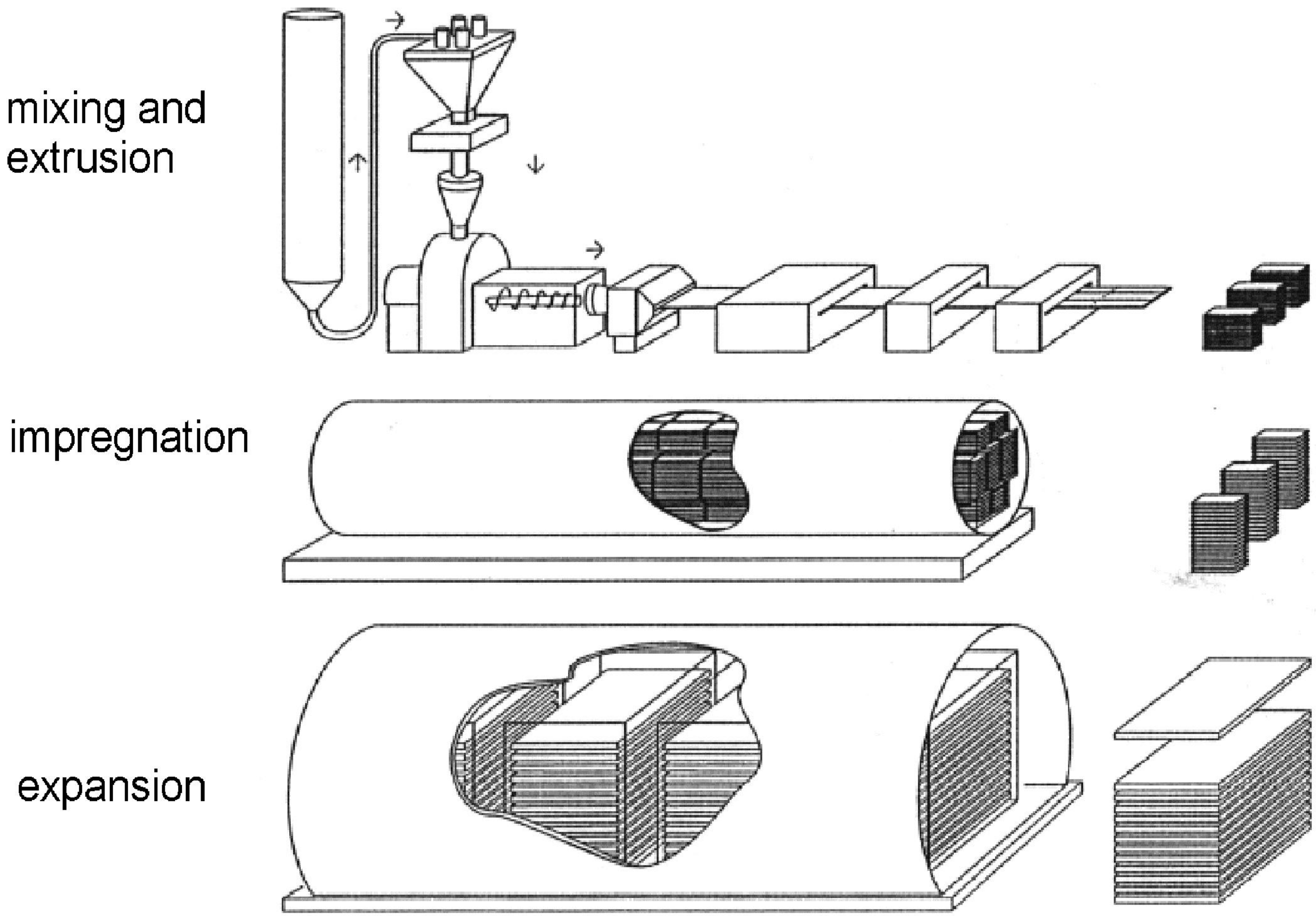
Zotefoams Plc process



MuCell Technical & Business Process

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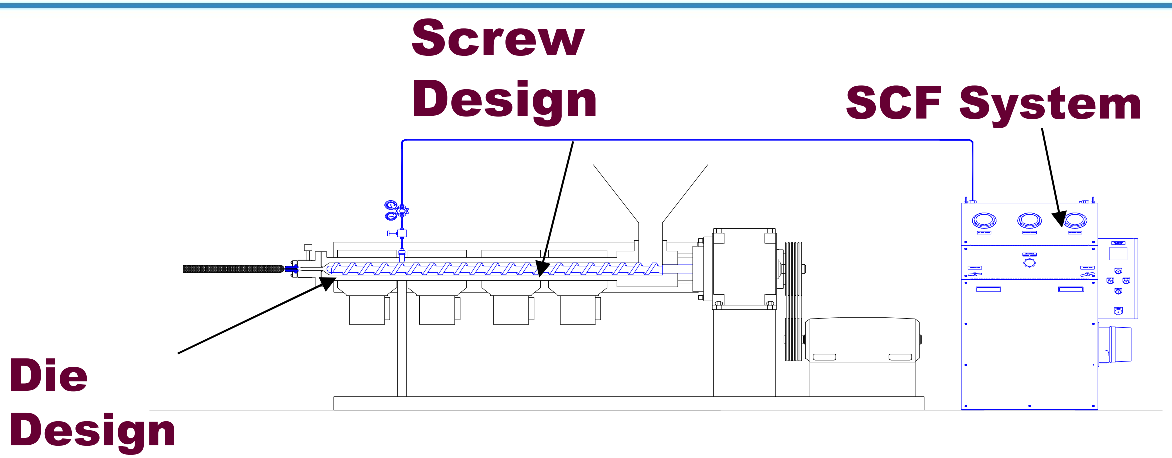

Technical Process : Key items

Know How
- Material Formulation
- Processing

Patent Coverage
- Method & Apparatus
- Articles

Business Process	**Revenue basis**
Trials	engineering support
Machinery rental	rental fees
Licence Negotiation	-
Licence finalisation	annual licence fee *
Machinery purchase and install	equipment sale
Application development	-
Application sales	royalty (net of annual licence fee)

Financial History

£ million	Actual 2015	Actual 2014	Actual 2013	Actual 2012	Actual 2011	Actual 2010	Actual 2009	Actual 2008	Actual 2007	Actual 2006
Total Revenue	54.4	49.1	44.6	47.2	44.2	39.9	31.8	34.8	31.6	30.1
Revenue growth	11%	10%	-5%	7%	11%	25%	-9%	10%	5%	7%
PBT (excl exceptionals)	6.0	5.3	3.9	5.8	5.5	4.7	3.2	3.9	3.4	2.7
Exceptionals	0.0	(1.3)	0.0	0.0	0.0	0.6	(0.5)	0.0	0.0	(1.1)
PBT (incl exceptionals)	6.0	4.0	3.9	5.8	5.5	5.3	2.7	3.9	3.4	1.6
Cash generated from operations	8.4	6.0	6.6	6.3	6.1	7.2	7.0	5.8	4.8	4.7
Capex (incl intangibles)	9.1	7.6	4.2	3.7	3.1	2.7	3.4	1.4	2.7	2.6
Net (funds)/debt	1.6	(2.4)	1.1	0.6	(1.9)	(1.9)	0.4	1.2	1.7	1.4
Gearing	3%		3%	3%			2%	4%	6%	6%
Basic eps (excl exceptionals)	11.1p	10.7p	8.0p	11.8p	11.8p	10.2p	6.8p	8.3p	8.0p	5.4p
Dividends (incl proposed)	5.60p	5.45p	5.30p	5.20p	4.90p	4.65p	4.50p	4.50p	4.50p	4.50p

Market Information

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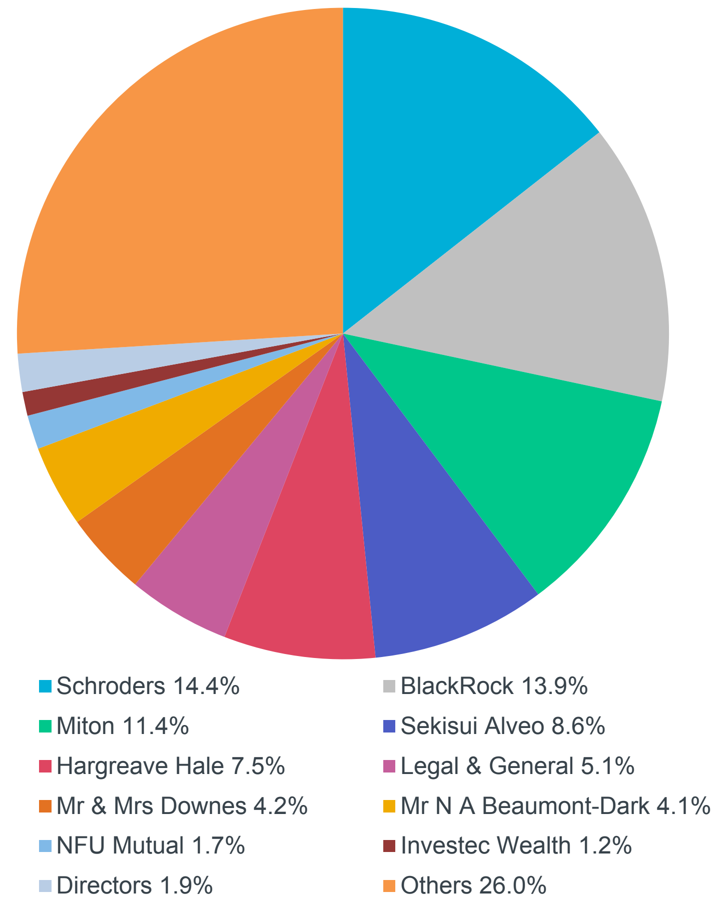
Share price	288.0p (11/03/16)
Market	Main Market
Ticker	ZTF.L
Market cap.	£127.9m
Ord. shares in issue	44,414,440

Shareholder profile*



* Source: Investec Investor Relations (31/12/15)