



Investing in our Future

ZOTEK®

AZOTE®

MuCell®

T-FIT®

David Stirling Group CEO
Gary McGrath Group CFO



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Introduction



AZOTE® / ZOTEK® / T-FIT® / MuCell®



AUTOCLAVE TECHNOLOGY

EXTRUSION TECHNOLOGY

POLYOLEFINS

AZOTE®

Premium durable foams
Uniformly dense foam sheets with a consistent cell structure. These foam sheets and blocks are manufactured from common polymers using our unique nitrogen-expansion process.

Key Markets

Automotive / Aviation
Construction / Industrial / Marine / Military / Product Protection / Sport and leisure

Key Market Drivers

Lightweighting
Durability
Fire safety
Reduced toxicity

HPP

ZOTEK®

Lightweight technical foams
Ultra durable, highly heat and impact-resistant foam. ZOTEK® foams are manufactured from engineering polymers using our unique nitrogen-expansion process.

Key Markets

Automotive / Aviation
Athletic footwear / Construction

Key Market Drivers

Lightweighting
Personal safety
Durability
Fire safety
Energy management

T-FIT®

Technical insulation for industry
A range of bacteria-resistant insulation products manufactured from high-grade polymers using our unique nitrogen-expansion process. T-FIT® products are purpose designed to perform in demanding environments.

Key Markets

Food and personal care manufacturing
High-temperature processing environments
Pharmaceutical, biotech and semiconductor clean rooms

Key Market Drivers

Aging population
Demographic changes
Reduced toxicity

MEL

MuCell®

Innovative and accessible technology for greener, lower cost plastic products
This pioneering technology injects gas into plastics during the manufacturing process to create micro-bubbles and is licensed to customers manufacturing plastic parts. The end product uses 15 - 20% less material.

Key Markets

Automotive
Consumer packaging

Key Market Drivers

Environmental benefit
Lower cost

Strategy



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“Our ambition is to be the **world leader in cellular materials** technology in our chosen markets”

We intend to develop business **through sustained high levels of organic growth** and through partnerships or acquisitions

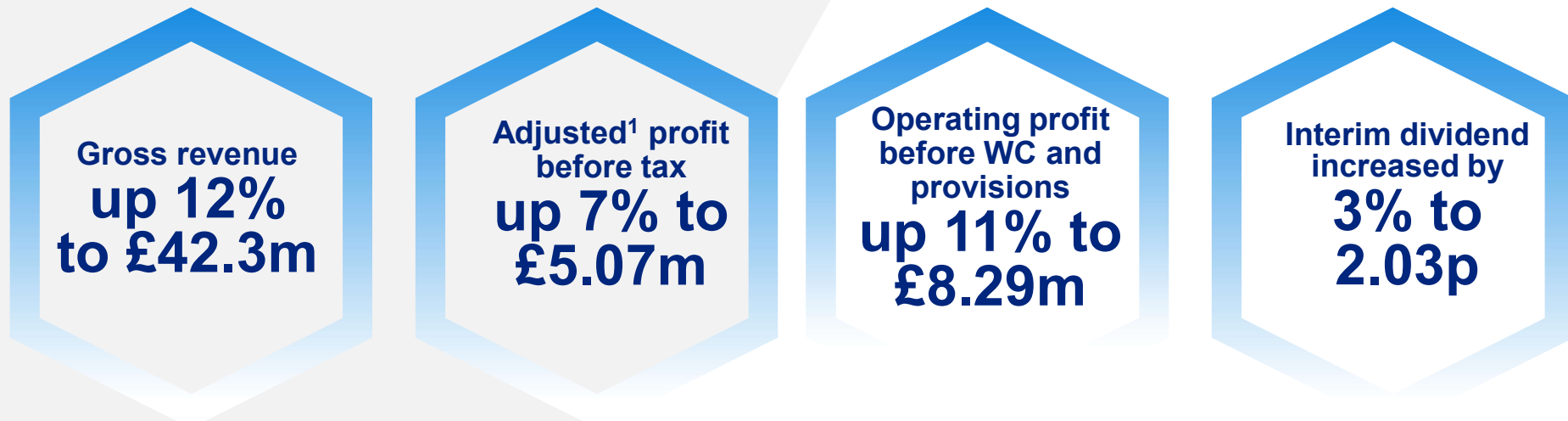
We **focus resources** primarily on markets where we are, or have the potential to be, a **market leader**

We deliver stakeholder value by using **unique technology** to create a portfolio of **differentiated products**

We believe our existing strategy continues to serve us well and continues to enable us to grow strongly



Continued financial and strategic progress



HPP sales up 40% and now represent 30% (2018: 24%) of Group revenue

Core AZOTE® foams grew by 3%, MEL grew by 3%

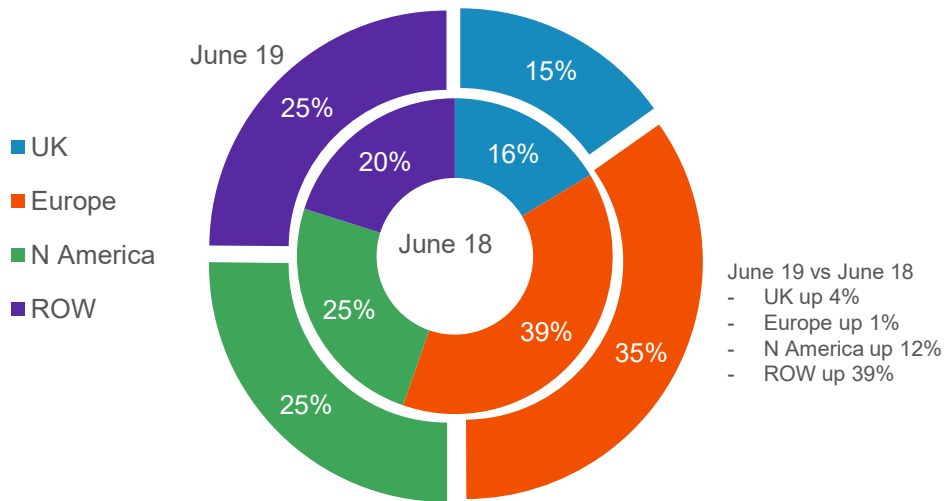
On schedule with the three major capital projects in the UK, USA and Poland to expand capacity and support growth

Remain confident in our strategy with continued investment to realise potential

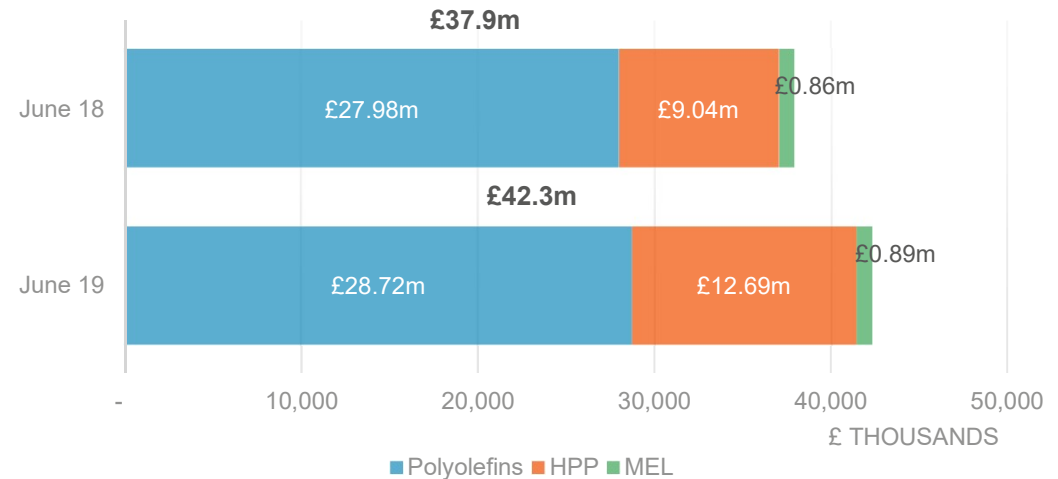
Segment overview



Revenue by geography (6/19 vs 6/18)



Revenue by business unit (6/19 vs 6/18)



Revenue by industry (at 12/18)



A well-balanced geographical and industry spread

Improving mix with higher value HPP business



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Financial Review



Abbreviated income statement



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£million	Jun-19	Jun-18	% Change Reported
Group revenue	42.30	37.89	11.6%
Gross profit	15.03	12.92	16.4%
Gross profit margin	35.5%	34.1%	
SGA	(9.94)	(7.89)	26.0%
Adjusted operating profit	5.23	5.17	1.0%
Adjusted profit before tax	5.07	4.75	6.7%
Tax charge	0.83	0.98	-15.7%
Adjusted profit after tax	4.24	3.77	12.5%
Effective tax rate	16.8%	21.4%	
Adjusted EPS (p)	8.78	8.41	4.4%
Interim proposed DPS (p)	2.03	1.97	3.0%

- Revenue up 9% in constant currency
- Gross profit margin up to 35.5% from 34.1%
- SGA includes £1.14m swing in FX hedges/translation
- Amortisation of intangibles £0.14m (2018: £0.15m)

Adjusted: before amortisation of acquired intangibles

Abbreviated statement of financial position



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£million	Jun-19	Jun-18	% Change Reported
Intangible Assets	6.50	6.58	(1%)
Tangible Assets	80.16	59.06	36%
Inventories	18.88	16.52	14%
Receivables	27.70	25.63	8%
Payables	(13.99)	(12.58)	11%
Net Working Capital	32.59	29.57	10%
Post-employment benefits	(7.80)	(5.99)	30%
Net debt	(23.36)	(7.14)	227%
Other	(0.41)	(0.83)	
Total Net Assets	87.69	81.25	8%

Issued Share Capital	2.42	2.42	0%
Share Premium	44.18	44.18	0%
Translation Reserve	4.05	2.98	36%
Retained Earnings	37.16	31.90	17%
Other	(0.12)	(0.22)	
Total Equity	87.69	81.25	8%

- Net additions to tangible assets of £21.1m, mostly reflecting assets under construction in the UK, USA and Poland
- Includes £1.4m right-of use assets as per IFRS16. Prior year restatement not made, as permitted under the IFRS
- Working capital build reflects business growth and HPP mix enrichment
- Net debt in current period includes £1.4m of IFRS adjustment

Free cash flow and net debt



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£million	Jun-19	Jun-18
Profit before tax	4.10	3.62
Depreciation	2.87	2.29
Tax	0.83	0.98
Other	0.49	0.61
Operating profit before movements in W/C	8.29	7.50
Movement in receivables	(0.87)	(6.05)
Movement in inventory	(0.94)	(1.94)
Movement in payables	(0.90)	0.17
Pension contributions	(0.38)	(0.31)
Cash generated/used from operations	5.20	(0.63)
Interest & Income tax paid	(1.47)	(1.05)
Net cash flows from/used in operating activities	3.73	(1.68)

£million	Jun-19	Jun-18
Net cash used in investing activities	(10.92)	(5.75)
Proceeds of share issue	0.00	20.08
Repayment of borrowings	(0.75)	(43.29)
Proceeds from borrowings	9.44	36.48
Dividend paid	(2.00)	(1.76)
Other	(0.07)	0.03
Cash flows from financing activities	6.62	11.53
Net movement in cash and equivalents	(0.57)	4.10
Cash and cash equivalents at period start	7.07	1.81
FX	0.01	(0.11)
Cash and cash equivalents at period end	6.51	5.80

- Improvements in cash flow from operating activities
- Prior period working capital build reflects step up in HPP sales
- £10.9m capex spend mainly in announced capacity investments

Key performance metrics

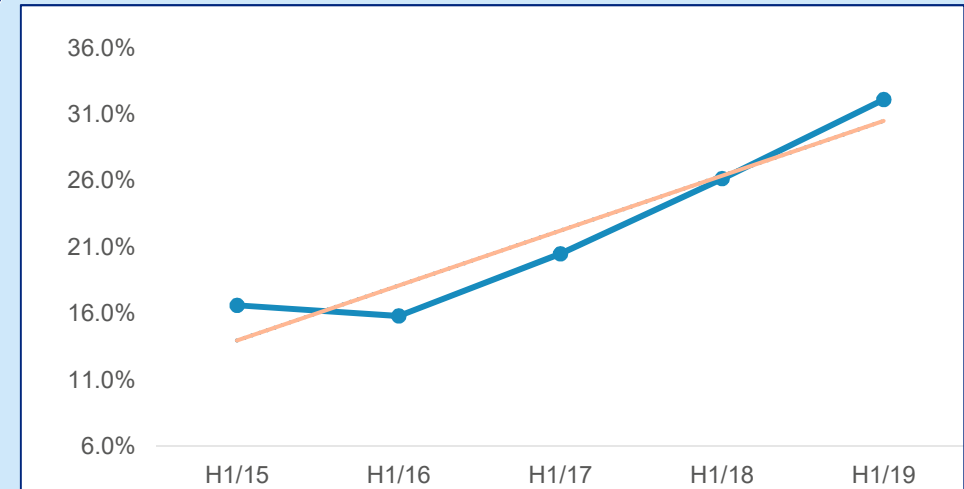


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Polyolefin Foams Growth %



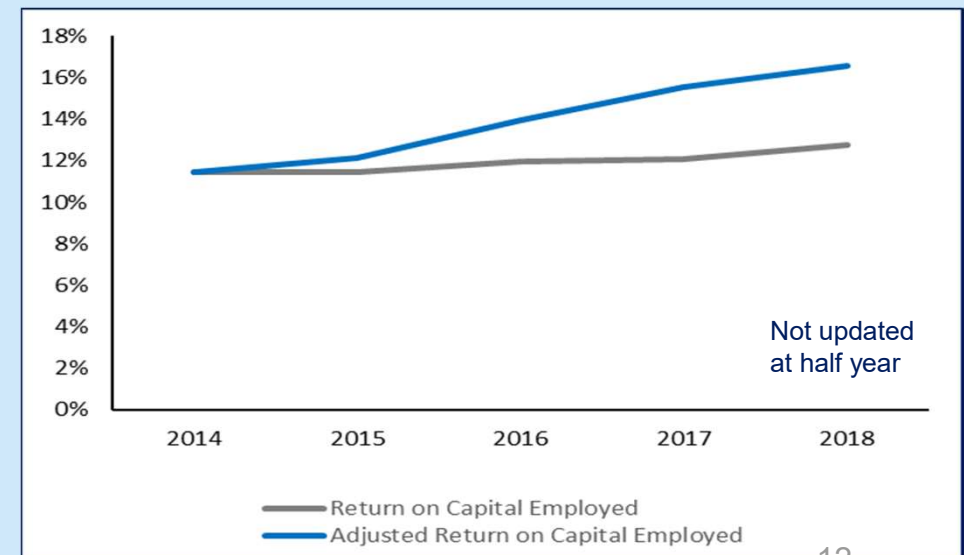
HPP and MEL Share of Gross Revenue



Group Operating Margin %



Return on Capital Employed



AZOTE® / ZOTEK® / T-FIT® / MuCell®

Segment headlines



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High-Performance
Products sales up
40%. Growth in all
product lines and
margin
enhancement

Polyolefin Foams
sales up 3%, in
mixed market
conditions. Margins
stable

MuCell Extrusion
sales up 3%, with
operations
improvements of
2018 beginning to
benefit



ZOTEK®

ZOTEK® foams: retaining the attributes of high-performance polymers with the added benefits of consistent foaming

T-FIT®

T-FIT® technical insulation

Revenue

- 40% sales growth (34% constant currency)
- All product lines delivering growth
 - Strong H1 in footwear +47%
 - ZOTEK® F (mainly aviation) growth of +33%
 - T-FIT® approx. 50% growth with strong momentum

Costs and Margin

- 67% increase in profit. HPP remains an aggregation of products and markets at different stages of development
- Strong ZOTEK® F & PEBA sales drive margin growth
- Investment in sales and development of T-FIT® insulation (China & India) with good potential to support long-term ambition

HPP	June 19 £m	June 18 £m	Change
Segment revenue	12.69	9.04	40%
Segment profit pre amortisation	2.80	1.68	67%
Segment profit post amortisation	2.80	1.68	67%
Segment profit margin	22%	19%	

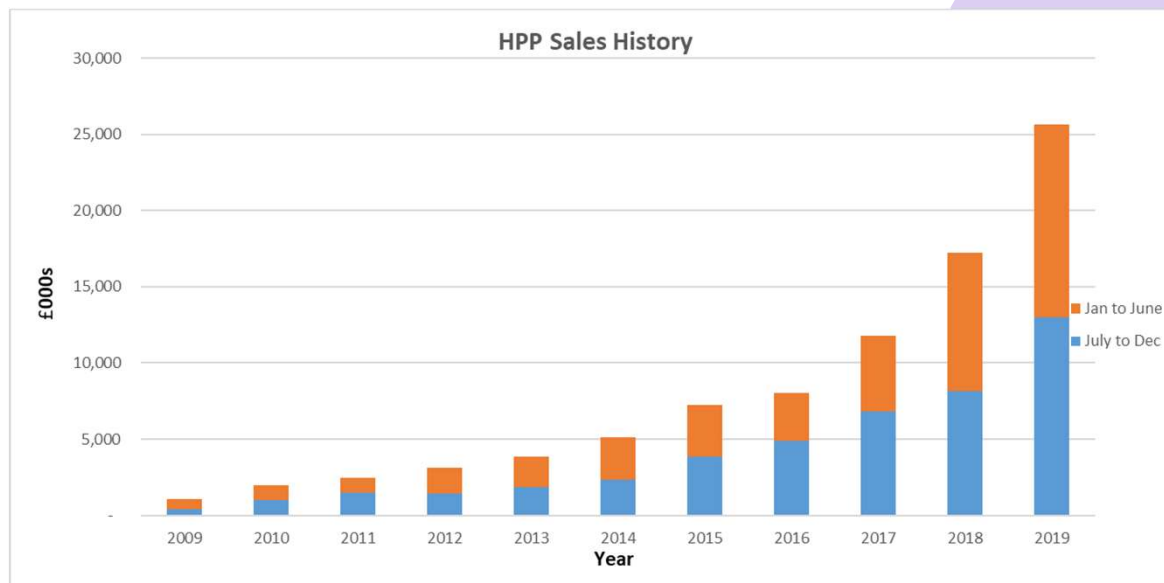
- ZOTEK® F fluoropolymer foams: fire, smoke, chemical resistance
- ZOTEK® N nylon foams: high temperature performance
- ZOTEK® PEBA foams: excellent kinetic energy return
- T-FIT® technical insulation products



ZOTEK® T-FIT®

Investment in UK plant to deliver significant uplift on HPP capacity during 2019

HPP Sales History (12 month trailing)



Footwear

- Significant strategic partnership announced December 2017 with Nike, exclusive supply
- Materials performance extremely well received in certain Nike product lines
- Strong performance in the period with second half expected to be relatively flat as we transition to 2020 product cycle
- Developments to maintain growth

T-FIT® technical insulation

- Range of products across market segments
- Strong H1 performance with continued momentum expected into H2
- Near-term focus on Europe, China and India
- T-FIT® developed as a “go to” brand for technical insulation in clean-room, food and dairy processing and niche industrial applications

Polyolefin Foams results



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AZOTE® Common polymers made extraordinary by Zotefoams' unique process, creating premium, durable, consistent materials

Revenue

- AZOTE® foams' broad geographic and market spread links to GDP trends – a regional business
- 3% sales value growth (1% constant currency)
 - North America : +12% growth with positive outlook
 - Continental EU strong Q1, declining Q2 continuing into Q3
 - UK : relatively flat

Costs and Margin

- Margin stable with:
 - Higher fixed costs with Kentucky, USA facility, largely expected at this point in the investment cycle
 - Efficiency gains and lower LDPE costs

Polyolefin Foams	June 19 £m	June 18 £m	Change
Segment revenue	28.72	27.98	3%
Segment profit pre amortisation	4.68	4.55	0%
Segment profit post amortisation	4.68	4.55	0%
Segment profit margin	16%	16%	

The commercial focus of our AZOTE® business is to grow revenues through closer collaboration with end users and channel members, to continually enhance our product range and deliver capacity and efficiency improvements from production



Licensing of microcellular foam technology

Revenue

- Revenue £0.9m (2018 £0.9m)
- Expectations of much stronger H2 due to timing of projects and ability to deliver following internal operational improvements in 2018

Costs and Margin

- Additional cost base from new technology development and to support future growth (business restructured in mid 2018)
- MEL remains below critical mass and business administration and development costs are not yet carried by gross profit

MEL	June 19 £m	June 18 £m	Change
Segment revenue	0.89	0.86	3%
Segment loss pre amortisation	(1.11)	(0.78)	(42%)
Amortisation	(0.14)	(0.15)	
Segment loss post amortisation	(0.97)	(0.63)	(54%)

- Exciting patent applications offer potential new opportunities which will begin marketing in early Q4 :2019

Capacity expansion projects



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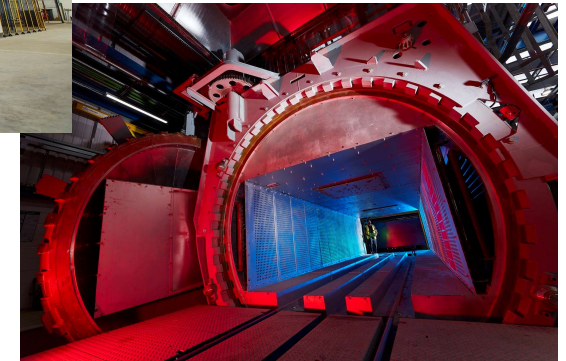
UK - £12m project

- High-temperature low-pressure autoclaves to increase HPP expanding capacity
- Building completed and autoclaves installed
- Commissioning going well
- Available Q3 2019



USA - \$10m project

- 2nd high-pressure autoclave to increase global capacity by approx. 20%*
- Infrastructure in place from HP1
- Most equipment now on site
- Targeted start-up end of 2019



Poland - £23m project

- Autoclave and infrastructure to increase global capacity by approx. 20%*
- Land purchased 11/18
- Tax incentives secured 2/19
- On target for planned start-up mid-2020



AZOTE® / ZOTEK® / T-FIT® / MuCell®

* When compared to 2017 exit rate



KEY MESSAGES

Organic growth based on unique technology delivers record revenue and profits

Growth in all HPP product lines

All three major capital projects to expand capacity on schedule

AZOTE® / ZOTEK® / T-FIT® / MuCell®

OUTLOOK

Expect to deliver further growth in 2019 and meet market expectations, however we are mindful of a difficult current trading environment in European polyolefin foams markets and the less stable political and macroeconomic environment

Zotefoams well positioned for further growth following recent investments in products, people and productive capacity

Clear opportunities to grow revenues to £100m and beyond



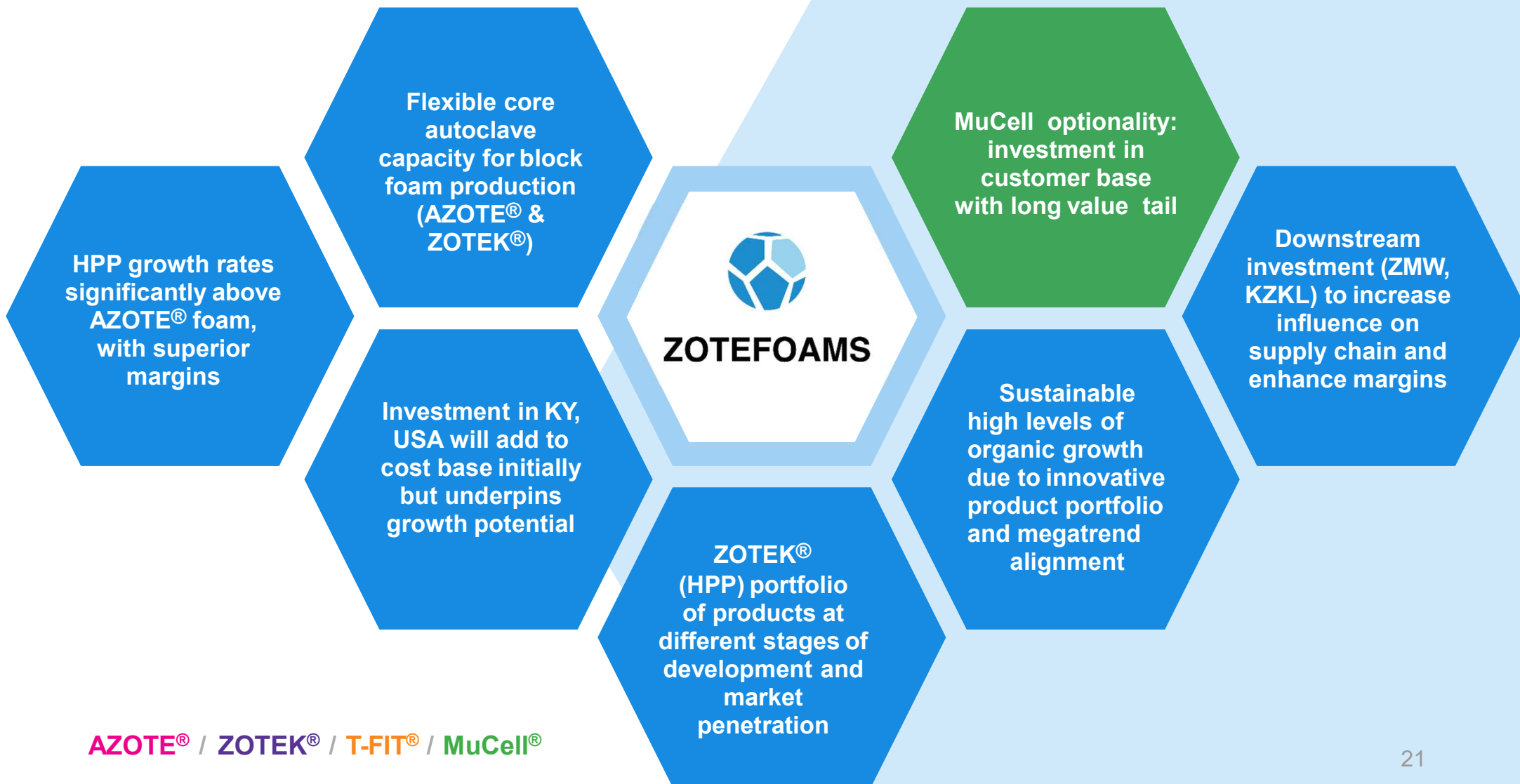
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Appendices





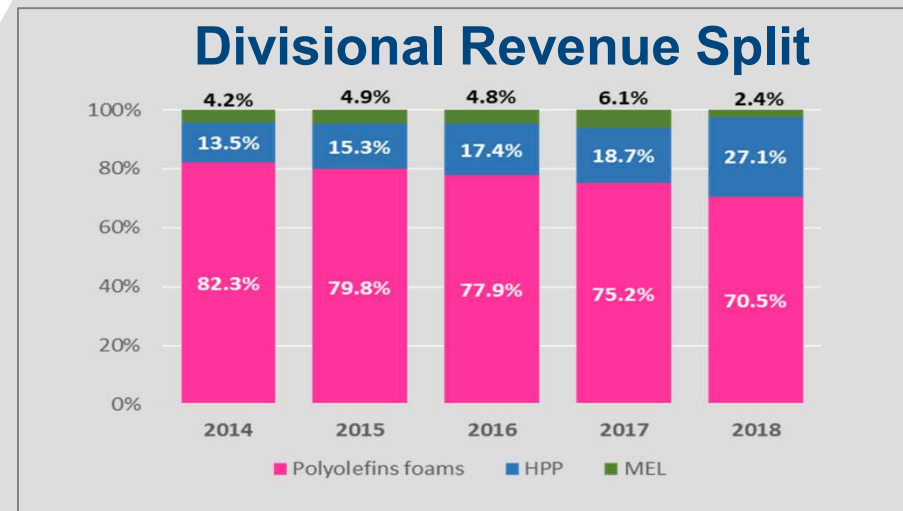
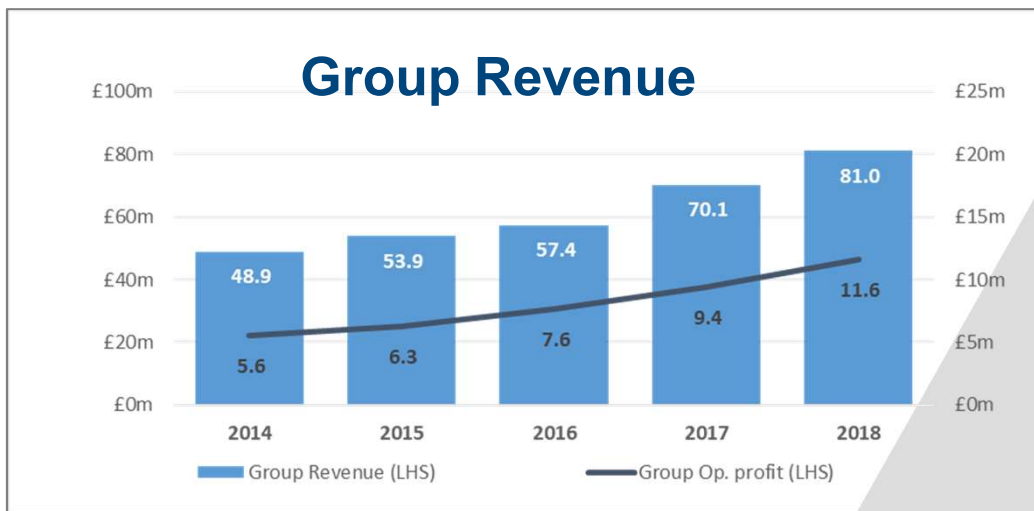
Sustained high levels of organic growth with margin enhancement through product mix and operational gearing



Revenue and profit momentum – Full year 2014 - 2018

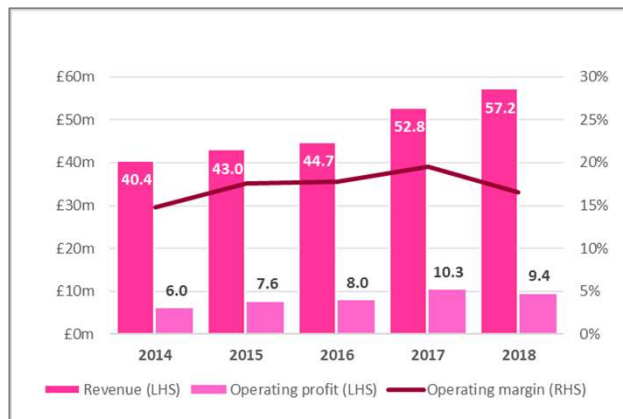


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Autoclave technology

POLYOLEFINS

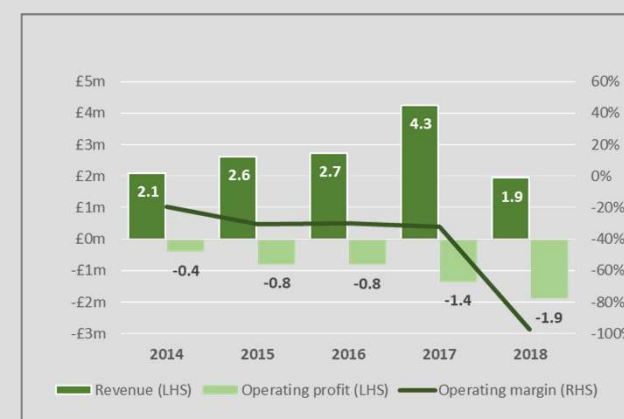


HPP



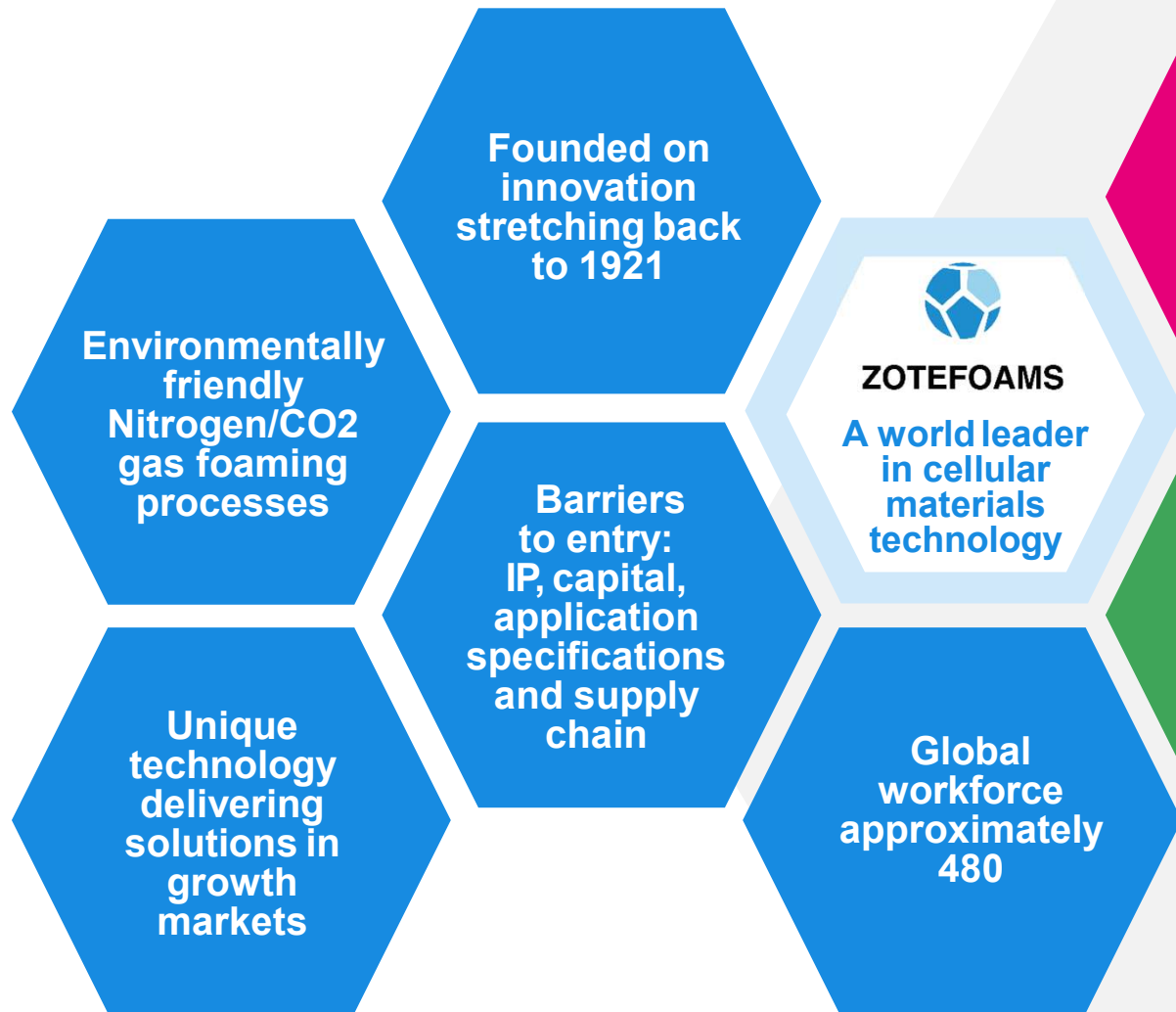
Extrusion technology

MEL

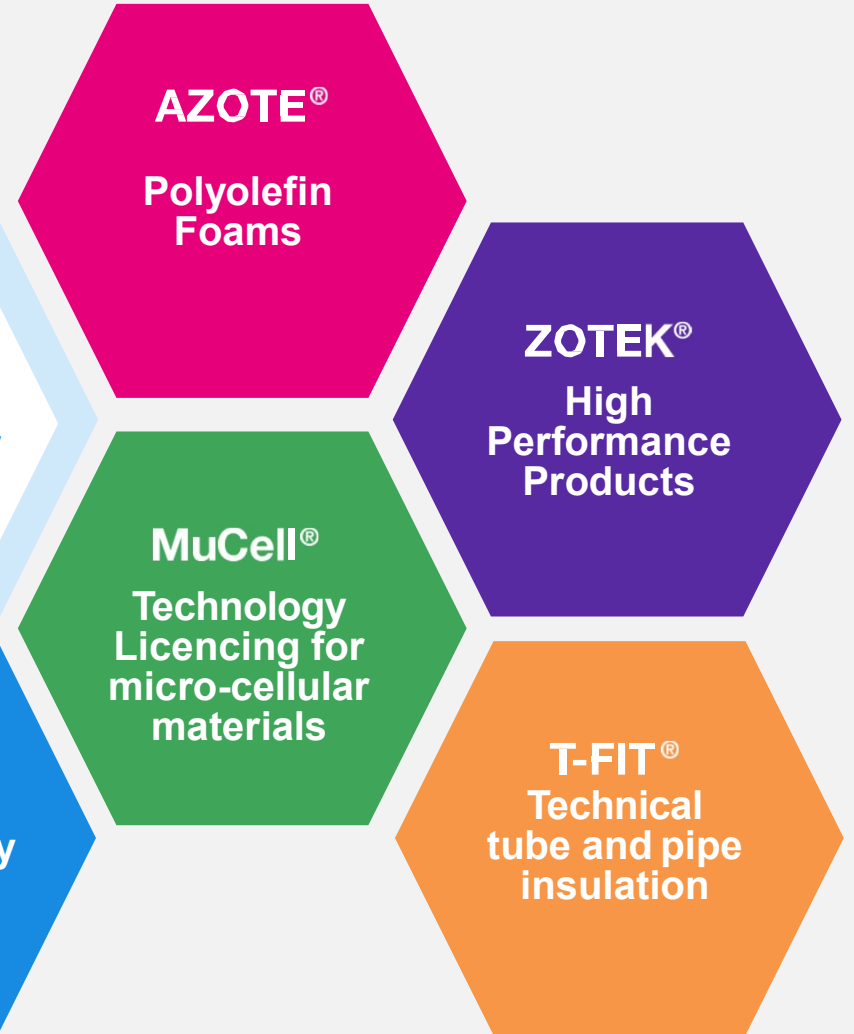




Organisation



Products



Group overview - locations



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MuCell Extrusion HQ
Woburn, MA, USA
licenses MuCell®
technology to end
users

Zotefoams plc
Croydon UK
Block foam main
manufacturing site

Zotefoams T-FIT
Material Technology
(Kunshan) Co. Ltd,
China
T-FIT® products
manufacture

Zotefoams Inc,
Walton, KY, USA
AZOTE® block foam
manufacture

Zotefoams Poland,
SP z.o.o., Brzeg
Foam manufacture
(from 2020)

Zotefoams Midwest,
Tulsa, OK, USA
Foam cutting

T-FIT Insulation
Solutions Pvt Ltd.
Ahmedabad, India
T-FIT® sales
operation

AZOTE® Asia Limited
Hong Kong
Sales joint venture

Main markets & typical applications



Product Protection



AZOTE® ZOTEK® MuCell®
Luxury, fine art and museum
Industrial protective and transit
Aviation & aerospace
Electronics
Space station transit pods
Consumer (food and household)

Transport



AZOTE® ZOTEK® MuCell®
Aircraft seats, seals
Automotive seals, gaskets
Galley areas / window seals
ECS (air ducting)
Soft touch trim / close outs
Composites panels
Automotive airducts

Industrial



AZOTE® ZOTEK® T-FIT®
Seals and gaskets
Marine hoses and fenders
Clean room environments
High heat up to 205°C including
food processing & personal care
plants

Sports & leisure



AZOTE® ZOTEK®
Impact protection padding
Life jackets, swim floats,
Paddle boards, sports turf
underlay
Athletic shoes, impact pads

Building & construction



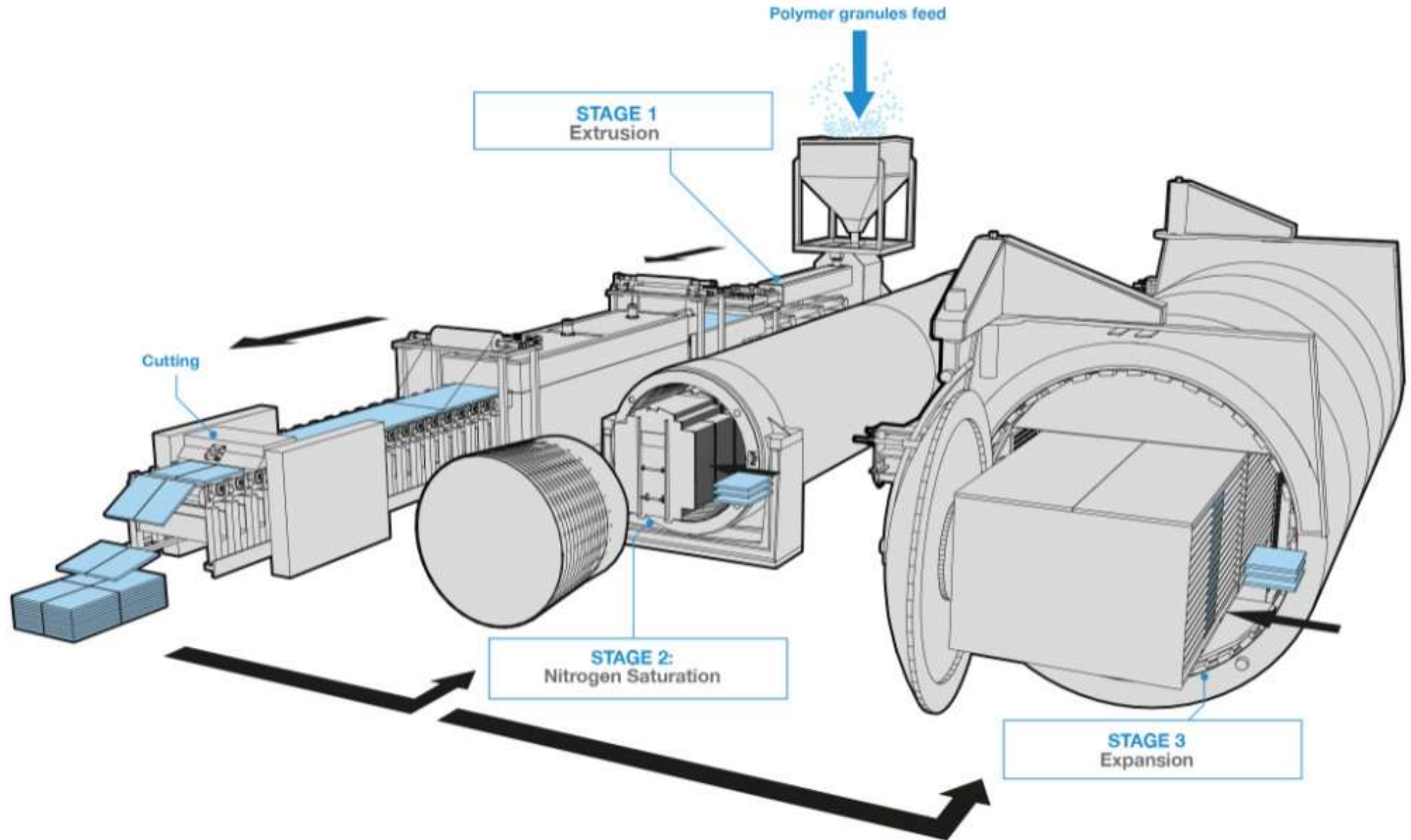
AZOTE® ZOTEK® MuCell®
Roof & wall insulation
District heating pipe spacers
Seals and gaskets, acoustic
dampening
Piping, signage and insulation

Medical



AZOTE®
Product protection
Buoyancy aids
Prosthetics / orthoses
Pads, seats and cushions

Three stage process

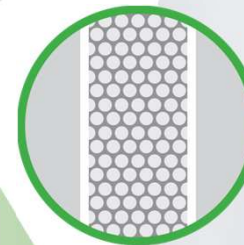
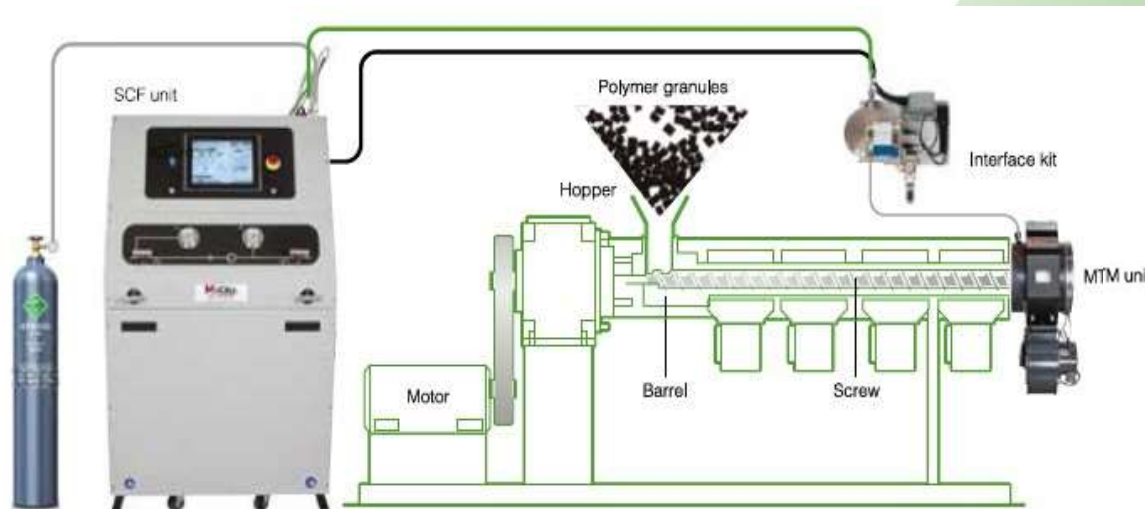


MuCell® process technology



MuCell® technology produces foam that performs like solid plastic. It creates microbubbles in the centre of plastic extrusions by injecting gas into the melt during manufacture.

Lighter · Greener · Lower cost





Pure Performance

Our AZOTE® and ZOTEK® foams are expanded using pure nitrogen only. The air we breathe is 78% nitrogen



Supply chain savings

MuCell® technology enables manufacturers to use 15-20% less raw material. Some 22,000 tonnes of plastic have been saved by just 10 customers – that's the equivalent of 4 billion plastic bags!

Lighter from the outset

Our foams are typically 15-20% less dense than any competing foam for comparable applications.

It all adds up

The replacement of traditional materials with lightweight fire-retardant ZOTEK® F can offer significant weight savings for aircraft operations:
window seals/ ducting = 120kg less per plane
Composite panels = 1.6kg less per seat



Durable for a decade

A decade ago, one of the largest biotech plants in the world chose T-FIT® for cleanroom insulation. With a service life that extends far beyond competing products, the original material is still in place saving time, cost and waste.



Identifying efficiencies

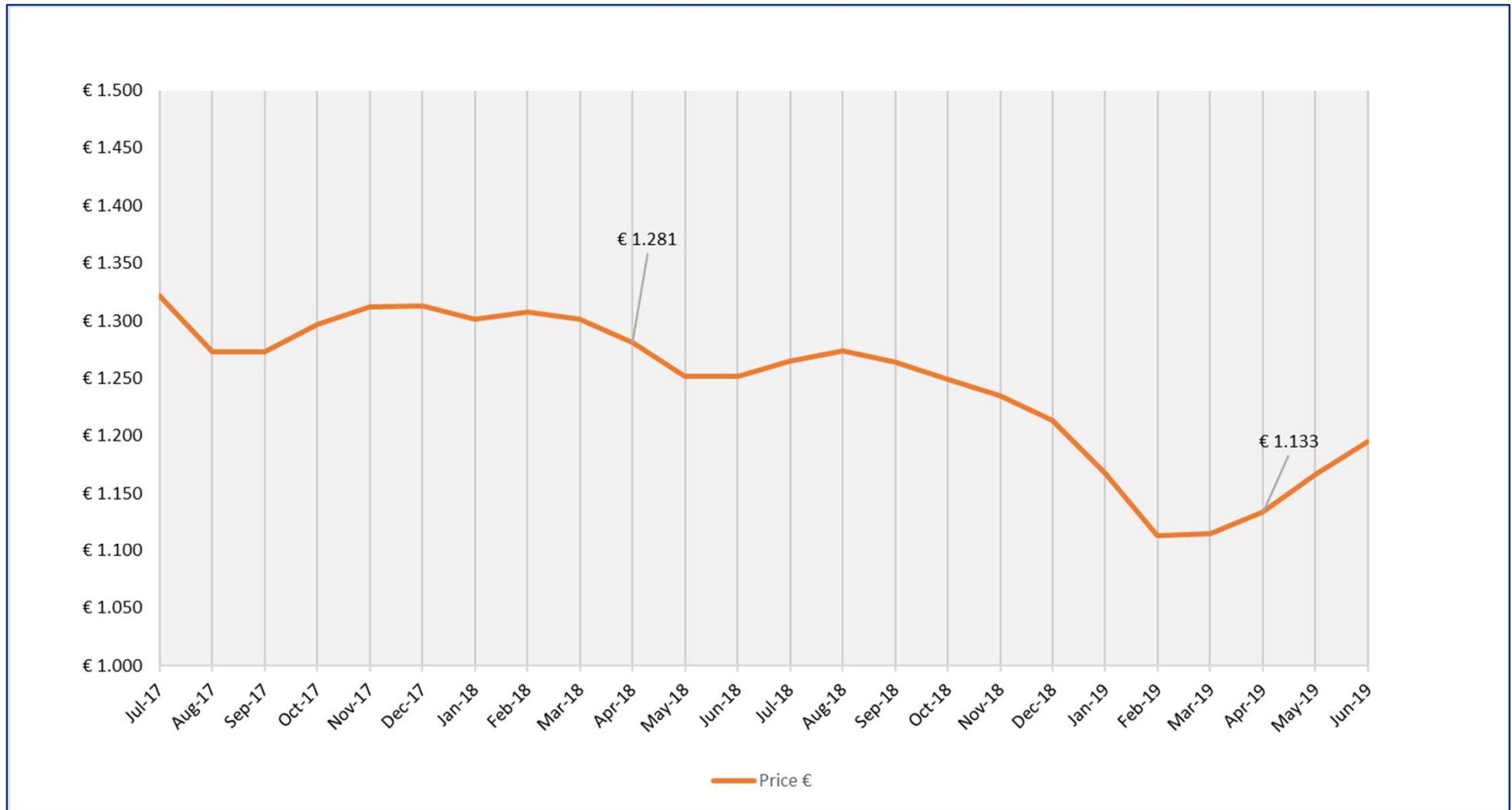
We strive for efficiency improvements in our production processes. Our newest low-pressure autoclaves are around 5% more efficient than older models



Watchful on waste

Waste from our USA plants is now collected for re-use in applications such as underlay for sports pitches. Investing in a baler to compact waste has significantly reduced transport costs through reduced volume and lower fuel usage

Polymer (LDPE) prices



Market information – at 29.7.19

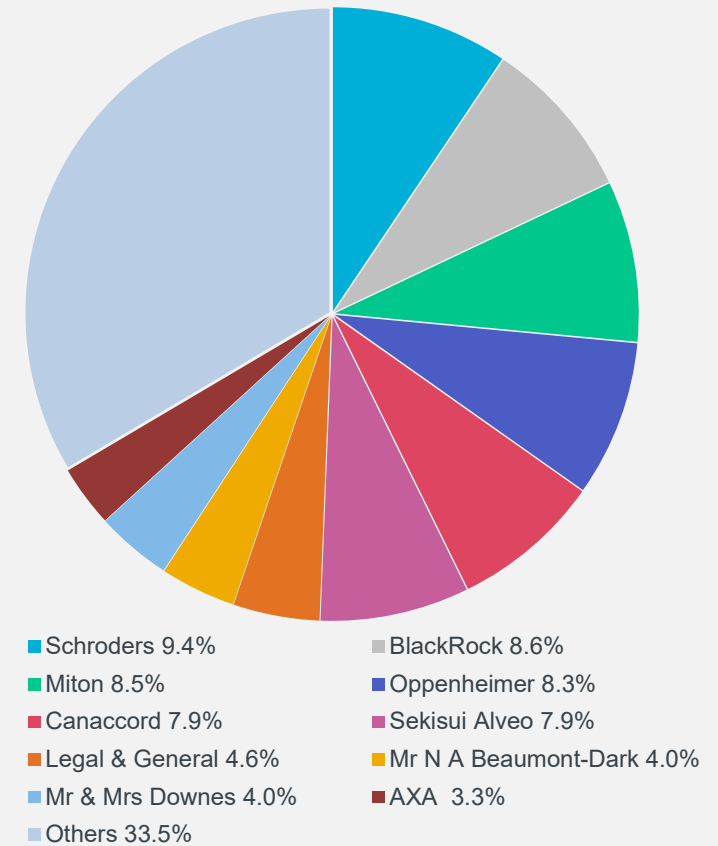


ZOTEFOAMS

Share price 594p (29/07/19)
 Market Main Market
 Ticker ZTF.L
 Market cap. £286.9m
 Ord. shares in issue 48,301,234



Shareholder Profile*



*Source: Company Share Register 28/06/2019