

Interim Results 7 August 2018



ZOTEFOAMS

AZOTE®

ZOTEK®

T-FIT®

MuCell®

**Pioneers
in cellular
materials
technology**

David Stirling Group CEO
Gary McGrath Group CFO

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ZOTEFOAMS

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ZOTEFOAMS

Introduction

AZOTE® / ZOTEK® / T-FIT® / MuCell®

Business Overview



ZOTEFOAMS

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 / Sports & leisure

Key Market Drivers

Light weighting
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
Product protection

Key Market Drivers

Light weighting
Personal safety
High technology insulation
Durability
Fire safety
Health and leisure

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 cleanrooms

Key Market Drivers

Ageing population
Demographic changes
Reduced toxicity

MEL

MuCell®

Innovative and accessible technology for greener, lower-cost plastic products

This pioneering technology, licensed to customers producing plastic parts, injects gas into plastics during manufacture to create microbubbles. The end product uses 15 - 20% less material.

Key Markets

Automotive
Consumer packaging

Key Market Drivers

Environmental benefit
Legislation
Cost reduction

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

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



Continuing strong organic sales growth

Group Revenue
**up 12% to
£37.89m**
(17% in constant currency)

Adjusted Profit
before Tax¹
**up 20% to
£4.75m**

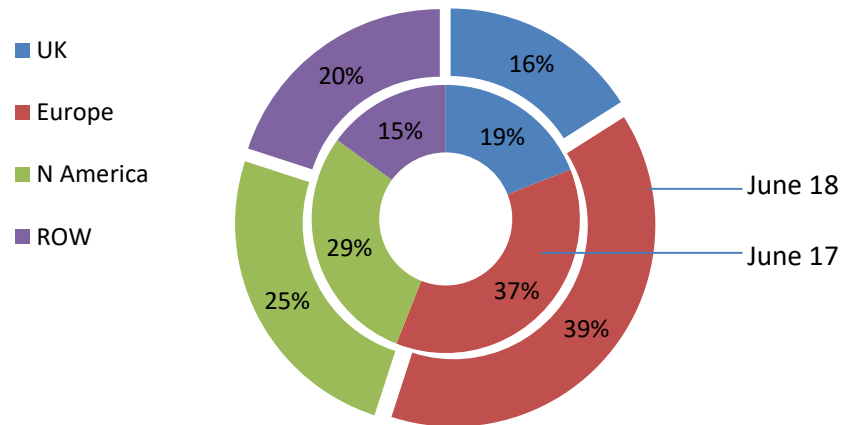
Adjusted EPS¹
**up 14% to
8.34p**

Interim dividend
increased by
**over 3%
to 1.97p**

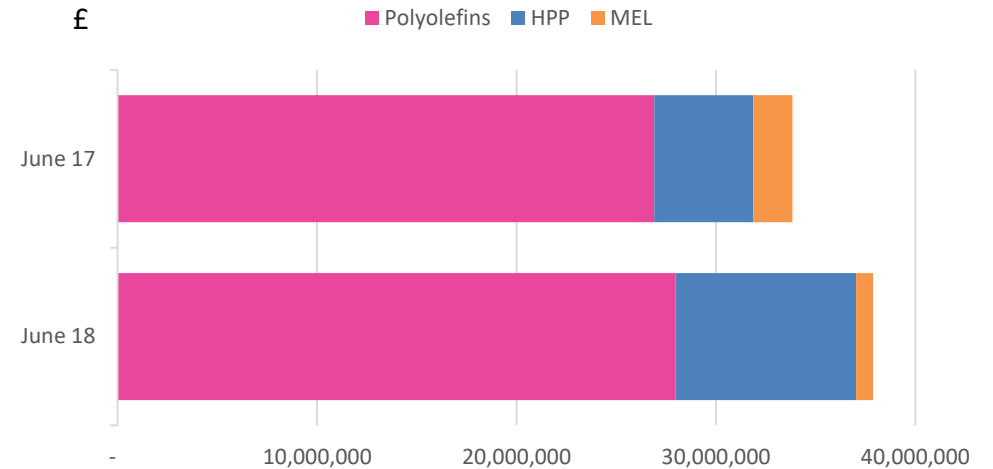
- **Capacity investment projects on track**
- **High Performance Products 24% (15%) of Gross Sales**
- **US capacity on line since March 2018**

Segment Overview

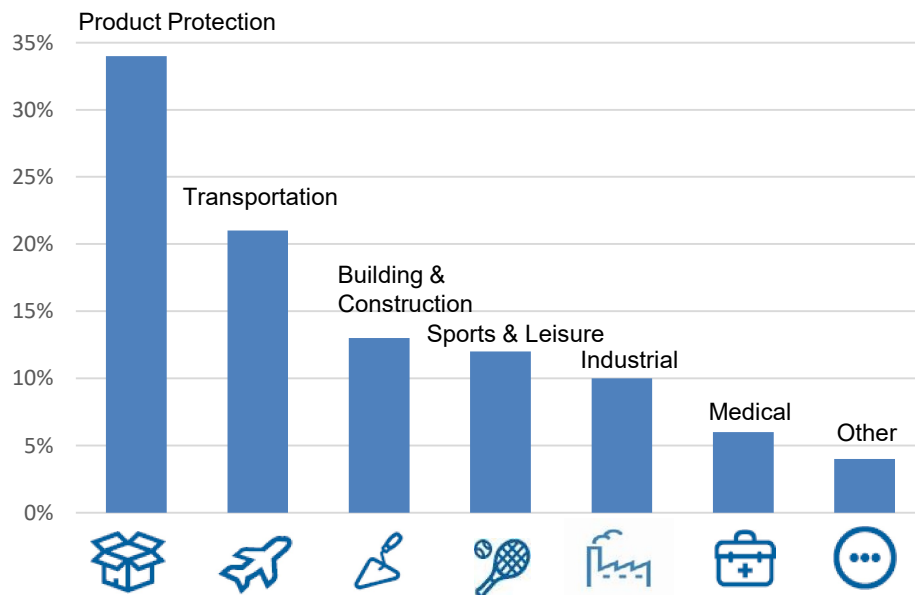
Revenue by geography



Revenue by business unit



Revenue by industry*



A well balanced geographical and industrial spread

Improving mix of higher-value HPP business

** disclosed as at 31 December 2017*



ZOTEFOAMS

Financial Review



AZOTE® / ZOTEK® / T-FIT® / MuCell®

Financial Highlights



ZOTEFOAMS

**Group
Revenue up
17% in
constant
currency**

**Adjusted
Operating
Profit up 21%,
Adjusted PBT
up 20%**

**Operating Cash
Flow before
working capital
movements up
25% to £7.5m**

**Bank
facilities
increased
approx. 64%
to £57.5m**

**Oversubscribed
equity raise of
£20.6m before
fees**

Financial Highlights



£million		Jun-18	Jun-17	% Change Reported
Group Revenue		37.89	33.84	12.0%
Gross Profit		12.92	12.02	7.5%
Gross Profit Margin		34.1%	35.5%	
Adjusted Operating Profit	¹	5.17	4.27	21.3%
Adjusted Profit before Tax	¹	4.75	3.97	19.6%
Tax Charge	¹	0.98	0.72	36.5%
Adjusted Profit after Tax	¹	3.77	3.25	15.9%
Effective Tax Rate		21.4%	18.1%	
Adjusted EPS (p)	¹	8.34	7.34	13.6%
Final Proposed DPS (p)		1.97	1.91	3.1%
Exceptional item		0.00	1.00	

¹ Before amortisation costs of acquired intangible assets and exceptional item

Financial Highlights



£million	Jun-18	Jun-17	% Change Reported
Intangible Assets	6.58	7.08	(7%)
Tangible Assets	58.53	50.98	15%
Net Working Capital	31.51	20.36	55%
Retirement Benefit Obligations	(5.99)	(8.31)	(28%)
Net debt	(7.14)	(13.69)	(48%)
Other	(2.24)	(0.90)	
Total net assets	81.25	55.51	46%
Issued Share Capital	2.42	2.22	9%
Share Premium	44.18	24.34	82%
Translation Reserve	2.98	3.87	(23%)
Retained Earnings	31.90	25.01	28%
Other	(0.22)	0.07	
Total Equity	81.25	55.51	46%

Free Cash Flow and Net Debt



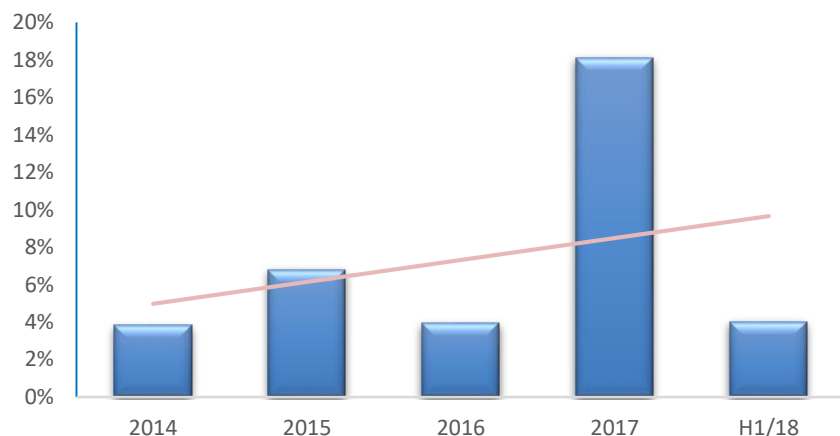
£million	Jun-18	Jun-17
Profit for the period	3.62	2.28
Depreciation	2.29	1.65
Other	1.59	2.06
Operating profit before movements in W/C	7.50	5.99
Movement in receivables	(6.05)	(0.33)
Movement in inventory	(1.94)	(0.34)
Movement in payables	0.17	0.80
Pension contributions	(0.31)	(0.32)
Cash (used)/generated from operations	(0.63)	5.80
Interest & Income tax paid	(1.05)	(0.32)
Net cash flows from operating activities	(1.68)	5.48

£million	Jun-18	Jun-17
Net cash used in investing activities	(5.75)	(4.96)
Proceeds of share issue	20.08	-
Repayment of borrowings	(43.29)	(0.65)
Proceeds from borrowings	36.48	1.50
Dividend paid	(1.76)	(1.71)
Other	0.03	
Cash flows from financing activities	11.53	(0.86)
Net movement in cash and equivalents	4.10	(0.34)
Cash and cash equivalents at period start	1.81	2.06
FX	(0.11)	(0.30)
Cash and cash equivalents at period end	5.80	1.43

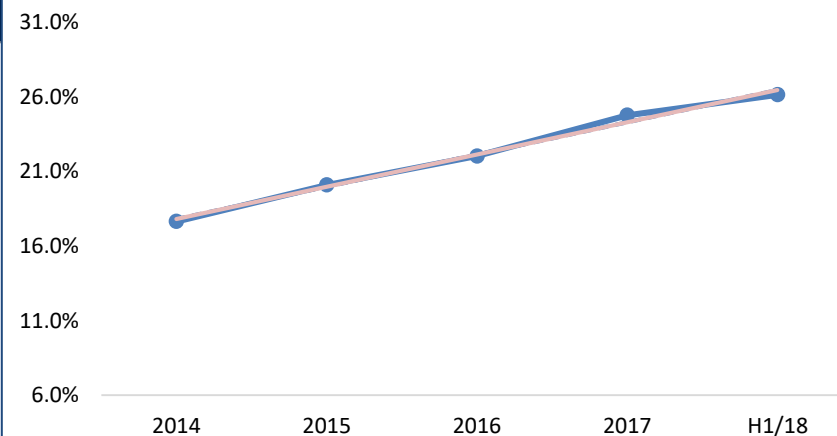
Key Performance Metrics



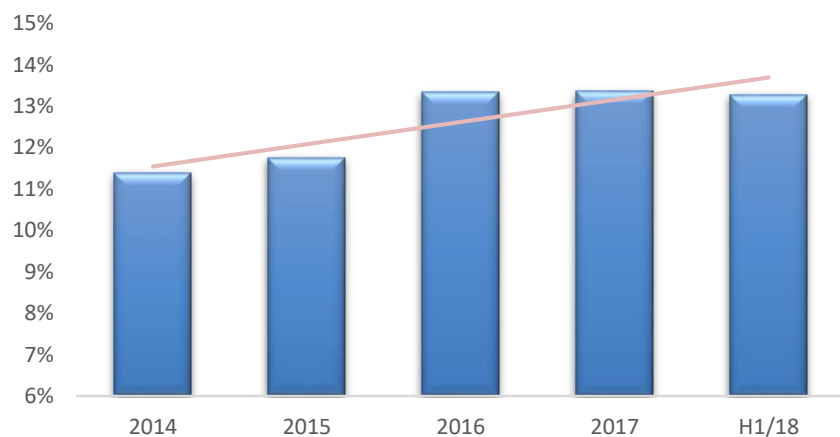
Polyolefin Foams Growth %



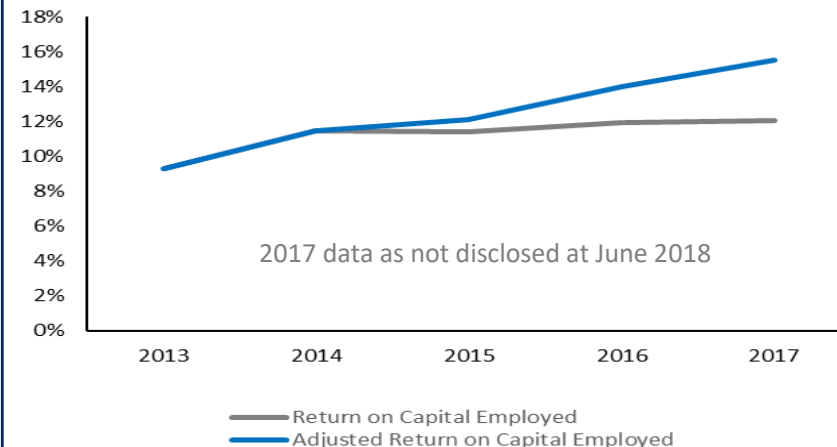
HPP and MEL Share of Gross Revenue



Group Operating Margin %



Return on Capital Employed



Segment Highlights



ZOTEFOAMS

High Performance
Products sales up
82%, driven by
ZOTEK® PEBA
elastomeric foams

MuCell Extrusion
sales **up 20%**,
excluding the one-off
capital equipment
sale in 2017

Polyolefin Foams
sales **up 4%**,
supported by new
USA capacity

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

T-FIT® T-FIT® high-performance insulation

Revenue

- 82% sales growth (95% constant currency)
- Footwear now the largest market of the HPP business segment, following deal with Nike in 2017
- ZOTEK® F growth after two years of aviation customer destocking

Costs and Margin

- HPP remains an aggregation of products and markets at different stages of development
- Development investment still under way to position all product ranges to meet their expected potential
- ZOTEK® F & PEBA of sufficient scale that they are profitable. T-FIT result reflects planned investment in new products/markets

HPP	June 18 £m	June 17 £m	Change
Segment revenue	9.04	4.98	82%
Segment profit pre-amortisation	1.68	0.65	158%
Segment profit post amortisation	1.68	0.65	158%
Segment profit margin	19%	13%	

- 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

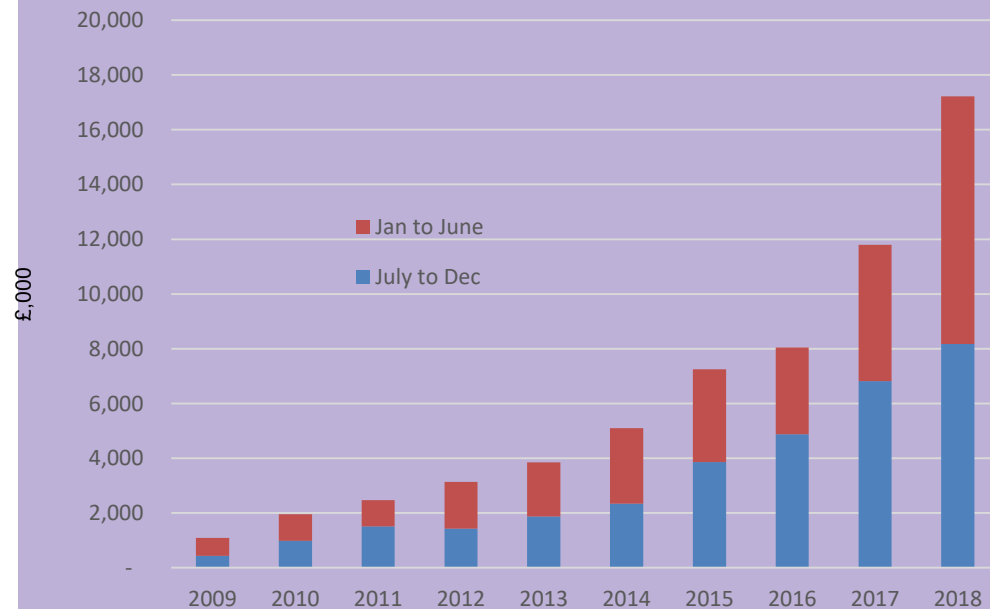
HPP: high-margin growth portfolio



ZOTEK® T-FIT®

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

HPP Sales History



Footwear

- Foam becoming established in more shoe models, further development ongoing
- Focusing on cycle time and material efficiency

T-FIT® technical insulation

- A mixture of profitable lines and earlier stage products
- Investment in operational capability in China and sales teams globally
- Good potential to support our long-term ambition

Polyolefin Foams Results



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

Revenue

- 4% sales value growth (7% constant currency)
- US capacity came on stream in March 2018, helping global volumes up 3%
- Continental Europe strongest growth, at 12%
- Operated at full capacity during the period, giving up UK capacity to HPP

Costs and Margin

- Period impacted by operational gearing effects of slower US start up, with depreciation on a capital intensive asset and US operating costs
- LDPE polymer costs lower than H1:2017

Polyolefin Foams	June-18 £m	June 17 £m	Change
Segment revenue	27.98	26.90	4%
Segment profit pre amortisation	4.55	5.73	(21%)
Segment profit post amortisation	4.55	5.73	(21%)
Segment profit margin	16%	21%	

- Sales backlog and operational efficiency improvements will define progress in H2:2018
- Allocation policies will define sales progress by geography

MuCell Extrusion: Results



MuCell®

Revenue

- Licence and royalty revenue up 20%
- Sales in 2017 benefited from the shipment of a full extrusion line to a customer in Japan. Excluding this, 2018 sales are 20% up in constant currency

Costs and Margin

- Costs under control
- Segment loss narrowed on lower revenue
- Continued investment in IP development and long-term value

MEL	June 18 £m	June 17 £m	Change
Segment revenue	0.86	1.96	(56%)
Segment loss pre amortisation	(0.63)	(0.71)	-
Amortisation	(0.15)	(0.16)	-
Segment loss post amortisation	(0.78)	(0.87)	10%

- MuCell remains below critical mass and business administration and development costs are not yet carried by gross profit
- Restructuring / refocus of engineering and sales staff and simplification and investment in administration to leverage key skills
- Good progress in technology development

Global investment strategy



**North America 25%
of Revenue**

**Europe 55%
of Revenue**

**ROW 20%
of Revenue**

North America capacity development

1. Infrastructure & first high-pressure line in place
2. 2nd high-pressure line due end 2019

European capacity development

1. Two low pressure vessels on UK site due mid 2019
2. Poland facility first phase due 2020

ROW capacity development

- Growing capacity at T-FIT® factory in China

KEY MESSAGES

Record organic sales growth

HPP now 24% of Group sales

All three major capital projects to expand capacity on schedule

OUTLOOK

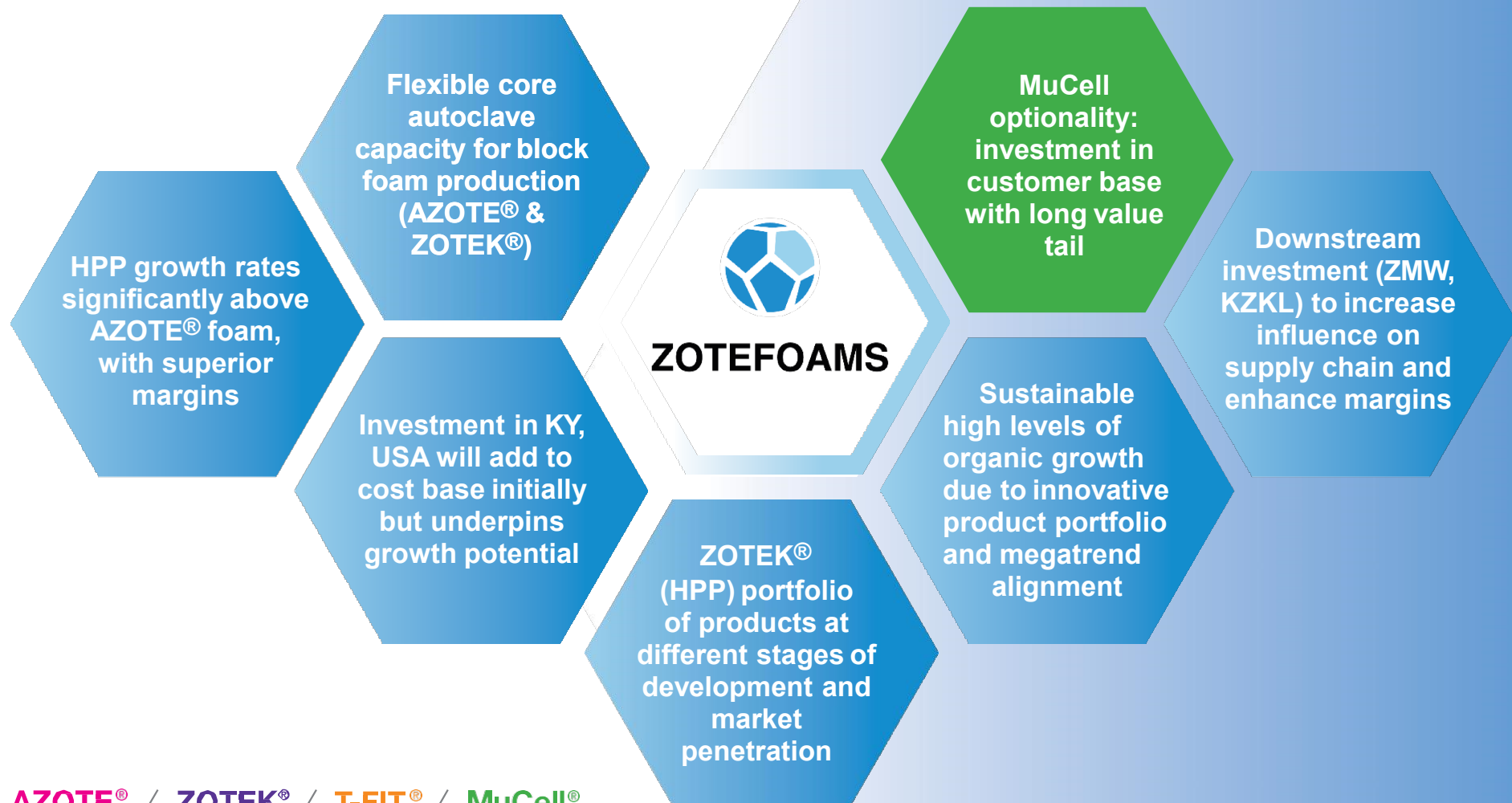
Additional US capacity allowing to deliver against strong order book H2 2018

Continued good growth expectations across all business units

Appendices



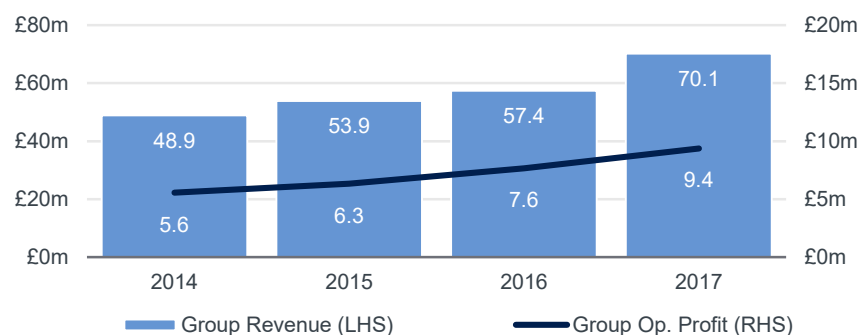
Sustained high levels of organic growth with margin enhancement through product mix and operational gearing



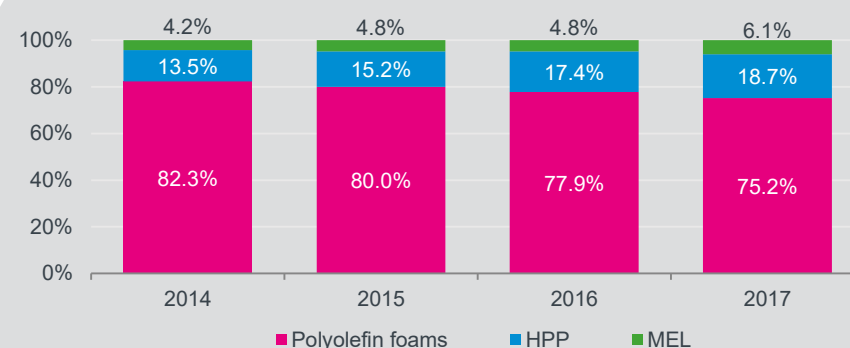
Revenue and Profit Momentum



Group Revenue

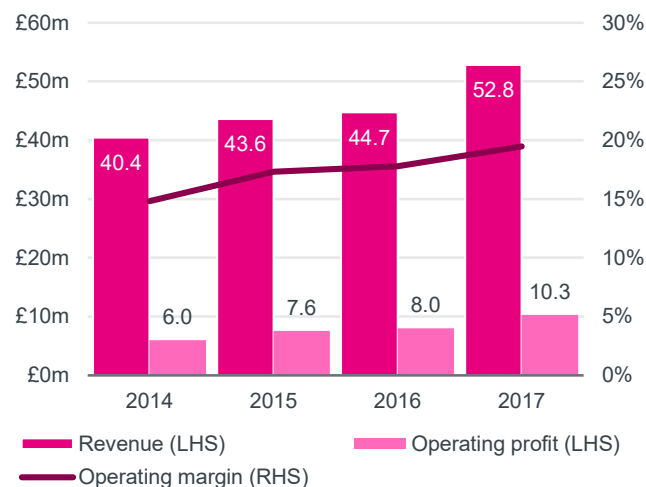


Divisional Revenue Split

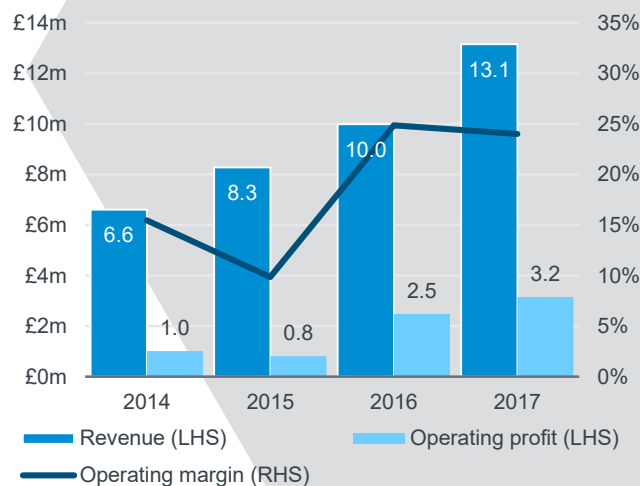


Autoclave technology

POLYOLEFINS

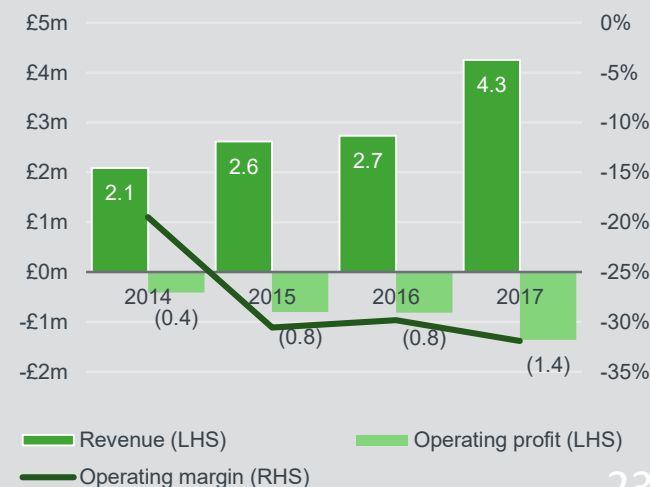


HPP



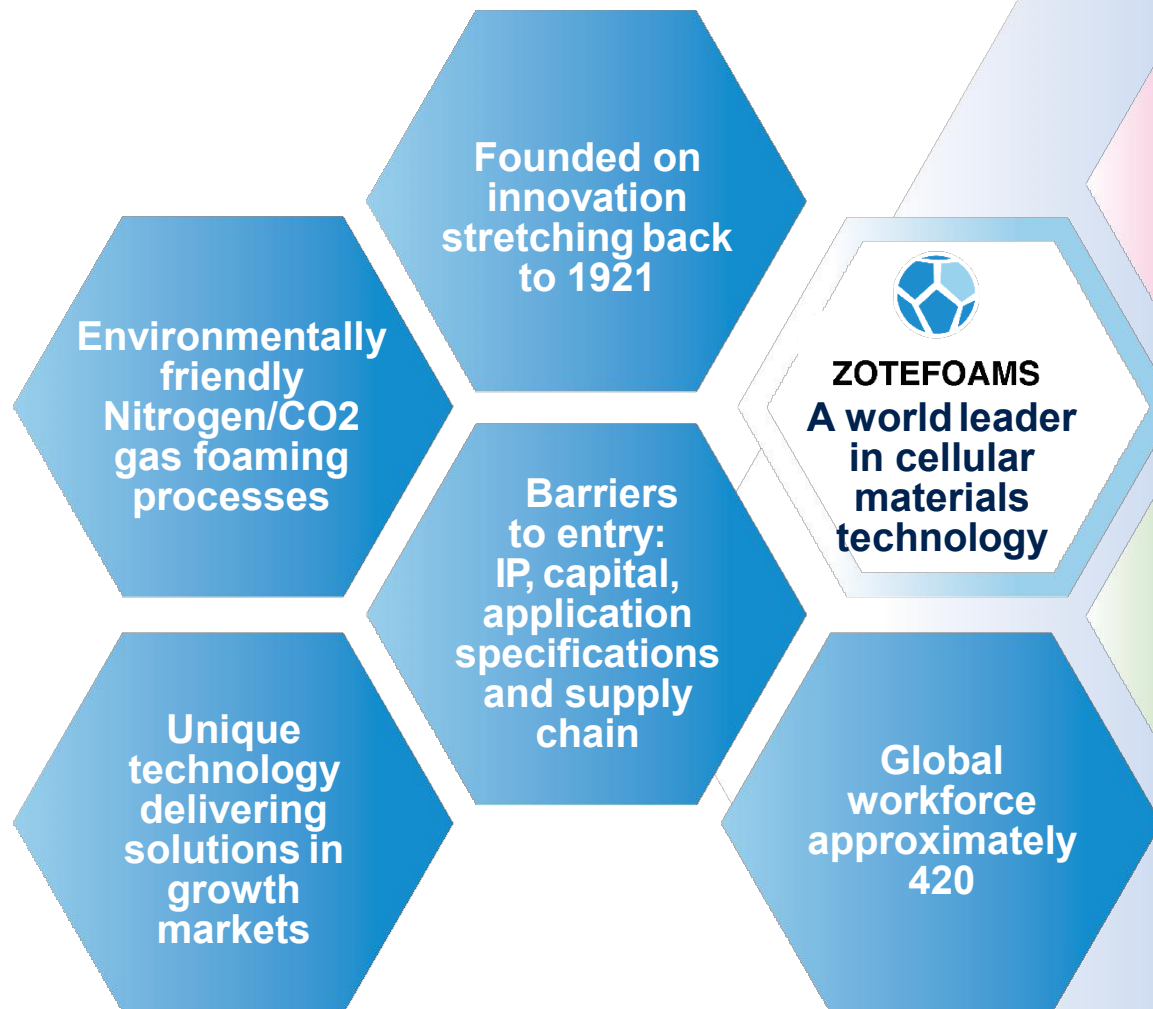
Extrusion technology

MEL

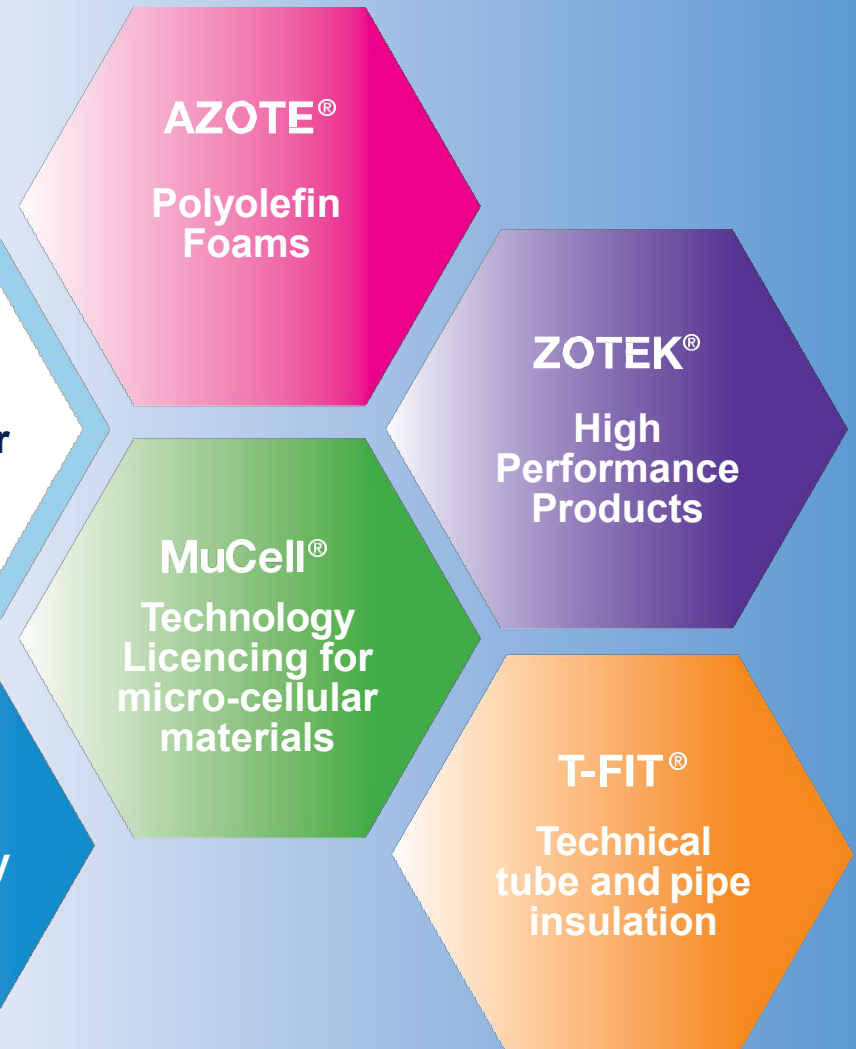




Organisation



Products



Group Overview - Locations



ZOTEFOAMS

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

Zotefoams Plc
Croydon UK
Block foam main
manufacturing site

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

Zotefoams
Midwest Tulsa,
OK, USA
foam cutting

AZOTE® Asia Limited
Hong Kong
Sales Joint Venture

Kunshan ZOTEK
KingLai Co Ltd.
Kunshan, PRC
T-FIT® products
manufacturing site

Zotefoams Operations
Limited
Phuket, Thailand
Thai sales branch

Main markets & typical applications



ZOTEFOAMS

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



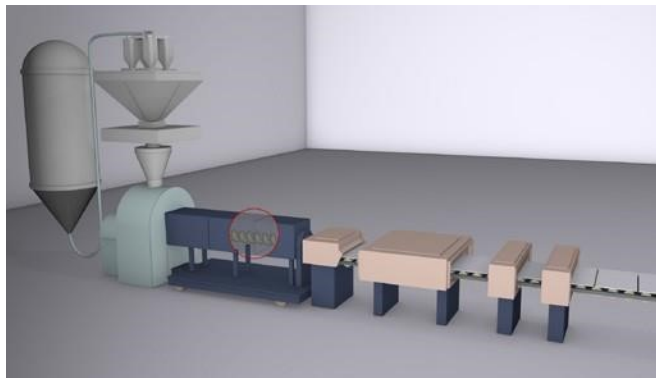
AZOTE®
Product protection
Buoyancy aids
Prosthetics / orthoses
Pads, seats and cushions

Group Overview – Our Process

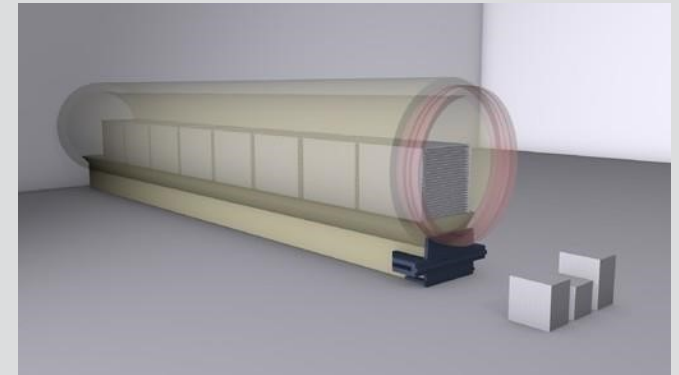


What sets us apart from competition is a unique, environmentally-friendly process that uses nitrogen gas to produce a range of uniform closed cell crosslinked foams.

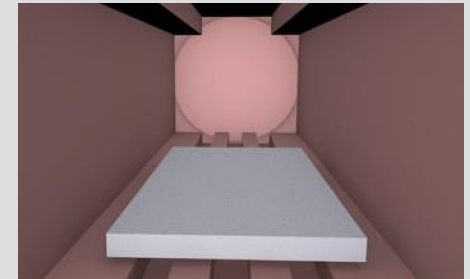
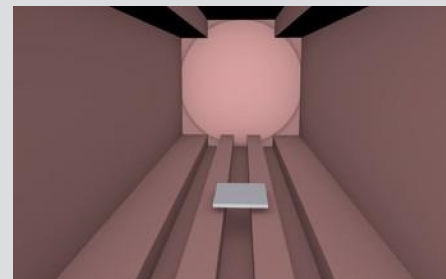
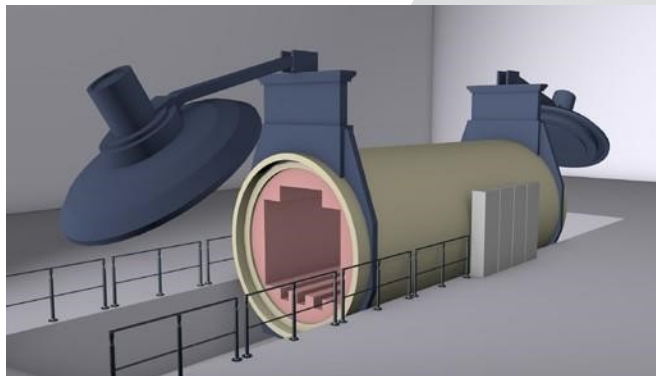
Stage 1
High quality
extrusion
and cross-
linking of solid
polymeric
sheet



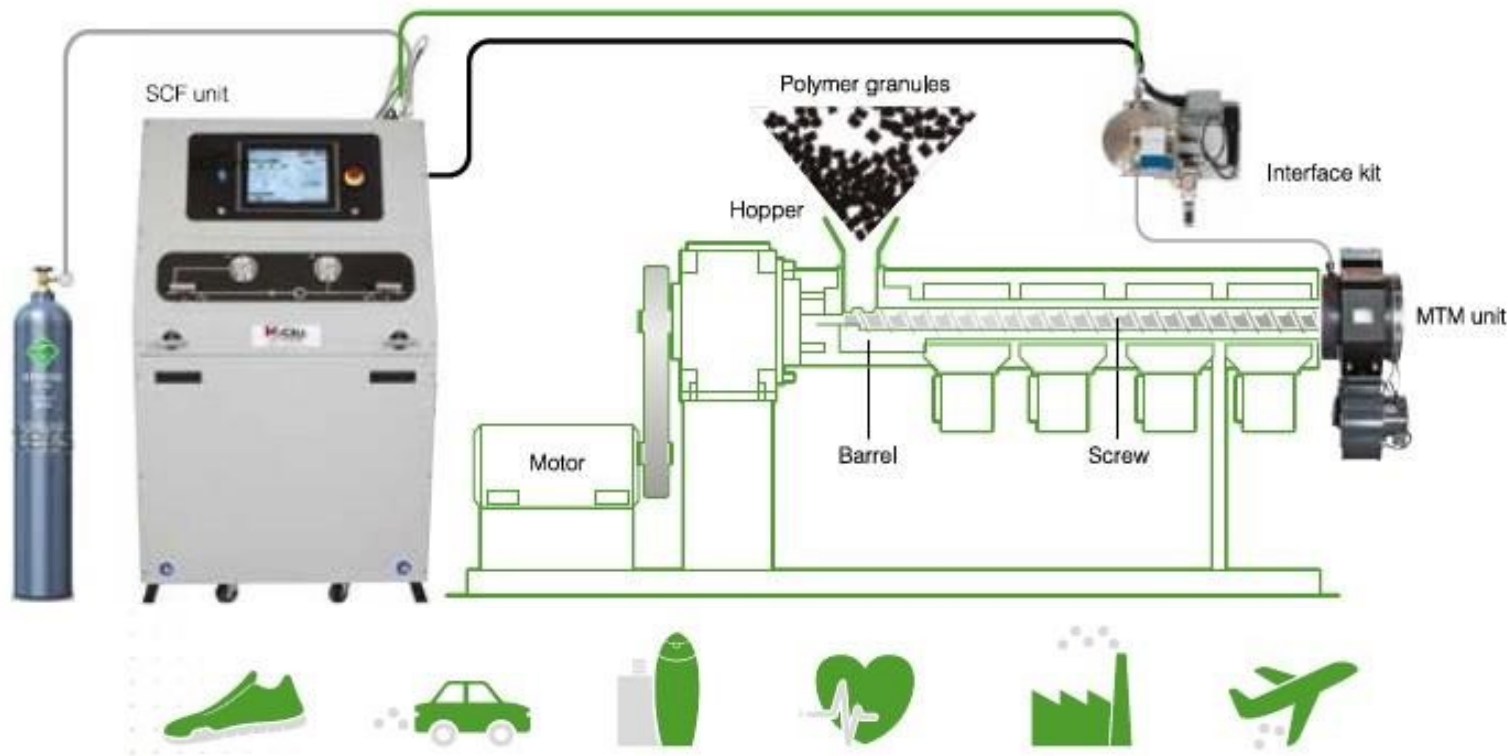
Stage 2
Impregnation
and
saturation



Stage 3
Expansion

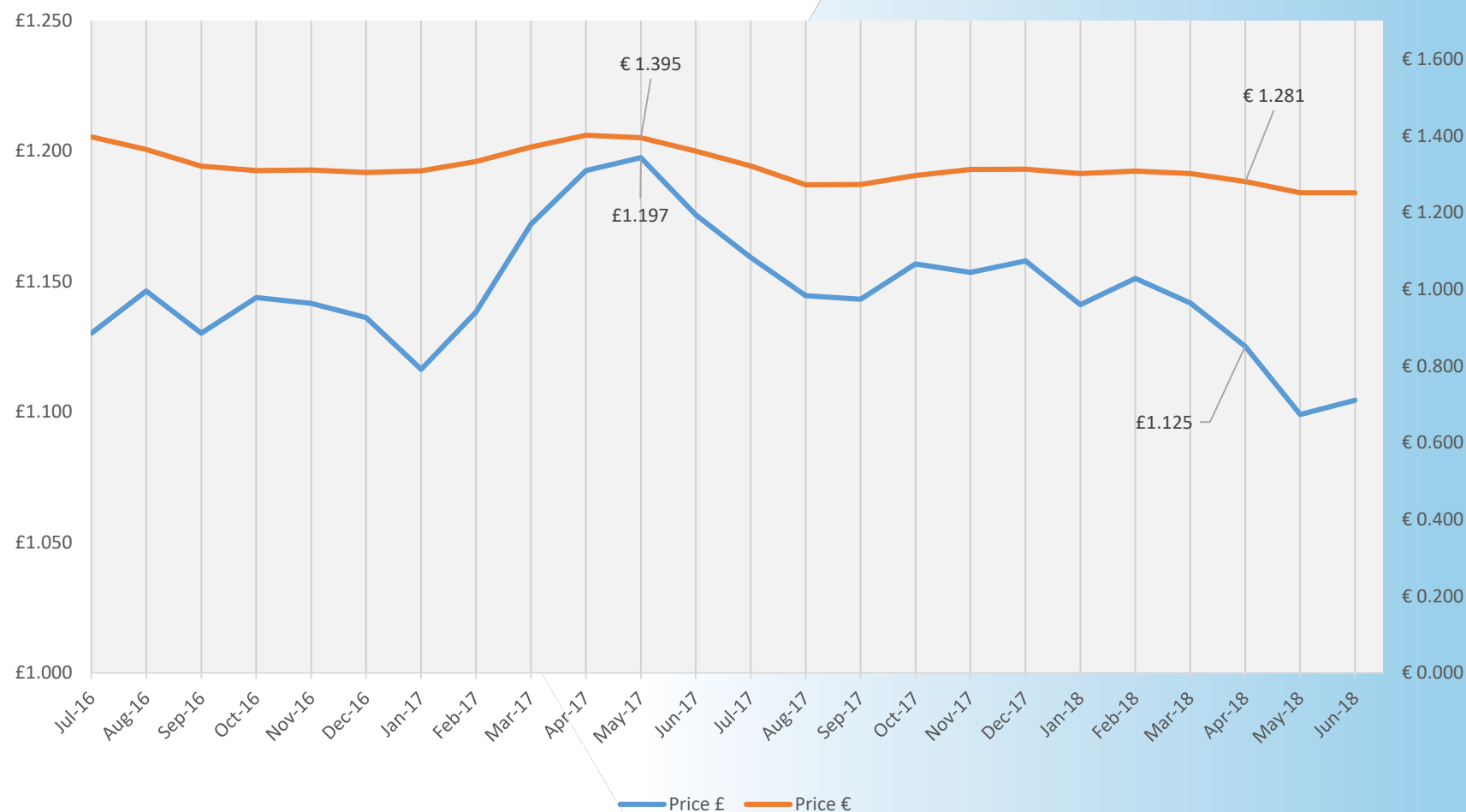


MuCell® technology produces foam that performs like solid plastic. It creates microbubbles in the centre of plastic extrusions by injecting gas into the melt during manufacture.



Lighter
Greener
Lower cost

Polymer (LDPE) Prices



Market information



ZOTEFOAMS

Share price 556p (02/08/18)

Market Main Market

Ticker ZTF.L

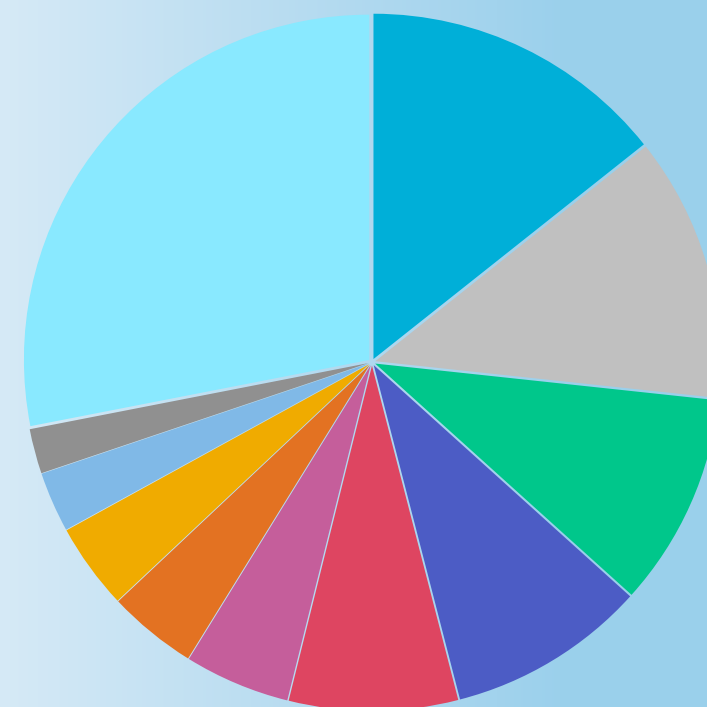
Market cap. £267.1m

Ord. shares in issue 48,301,234



AZOTE® / ZOTEK® / T-FIT® / MuCell®

Shareholder Profile*



Miton 14.3%	Schroders 12.4%
BlackRock 10.0%	Hargreave Hale 9.3%
Sekisui Alveo 7.9%	Legal & General 4.9%
Mr N A Beaumont-Dark 4.2%	Mr & Mrs Downes 4.0%
AXA Investment Mgrs. 2.8%	Charles Stanley 2.1%
Others 28.1%	

* Source: Company Share Register (29/06/18)

Board of Directors



ZOTEFOAMS



Steve Good Non-Executive Chairman

(Chair of the Nominations Committee and a member of the Remuneration Committee)

Appointed to the Board in October 2014 as a Non-Executive Director and became Chairman on 1 April 2016. Steve was Chief Executive of Low & Bonar plc between September 2009 and September 2014. Prior to that role, he was Managing Director of its technical textiles division between 2006 and 2009, Director of new business between 2005 and 2006, and Managing Director of its plastics division between 2004 and 2005. Prior to joining Low & Bonar he spent 10 years with BTP plc (now part of Clariant) in a variety of leadership positions managing international speciality chemicals businesses. He is a Chartered Accountant.



Angela Bromfield MBA Non-Executive Director

(Chair of the Remuneration Committee and member of the Audit and Nominations Committees)

Appointed to the Board in October 2014. Angela was Strategic Marketing & Communications Director at Morgan Sindall plc until 2013 and prior to that she held senior roles at the Tarmac Group, Premier Farnell plc and ICI plc. Angela was a Non-Executive Director for Mondi Paper & Packaging Limited. Angela has a degree in Chemistry from the University of Reading and an MBA from Warwick University.



David Stirling Group CEO

Joined Zotefoams plc in September 1997 as Finance Director. Appointed Group CEO in May 2000. David started his career with KPMG in Scotland where he qualified as a Chartered Accountant. He has worked for Price Waterhouse in the USA and Poland and with BICC plc. David is a graduate of Glasgow University and has an MBA from Warwick University and an MSc in Finance from London Business School.



Jonathan Carling Non-Executive Director

(Member of the Audit, Nominations and Remuneration Committees)

Appointed to the Board in January 2018. Jonathan is the CEO of Tokamak Energy, a technology business developing a faster route to fusion power. Jonathan was previously COO, Civil Large Engines at Rolls Royce plc, COO at Aston Martin Lagonda Limited, and Chief Engineer with Jaguar Landrover Limited. Jonathan has extensive engineering, operational and business experience. He was also a Non-Executive Director of Aga Rangemaster Group plc between 2011 and 2015.



Gary McGrath Group CFO

Joined Zotefoams plc in December 2015 and was appointed Group CEO on 1 February 2016. Gary is a Chartered Accountant, qualifying with Arthur Andersen. He spent 11 years with RMC Group plc before joining Koch Industries Inc, where he spent several years in various positions, including Global Finance Director of INVISTA Apparel and EMEA Vice President of Finance, Planning and Analysis at Georgia Pacific. Before joining Zotefoams, Gary was CFO of GC Aesthetics Limited. He has worked across public, private and private equity environments in the UK, Belgium, Germany, the USA and the Republic of Ireland.



Doug Robertson - Non-Executive Director

(Chair of the Audit Committee and member of the Nominations and Remuneration Committees)

Appointed to the Board in August 2017. Doug was Group Finance Director of SIG plc until his retirement in January 2017. Prior to joining SIG, Doug had been Group Finance Director of Umeco plc and Seton House Group Limited, having spent his early career with Williams plc in a variety of senior financial and business roles.