

JAMES CROPPER ^{PLC}

ESTABLISHED 1845



**TECHNICAL
FIBRE PRODUCTS**

JAMES
CROPPER

3D
PRODUCTS

JAMES
CROPPER

EST. 1845



Financial Headlines



| Summary of Results | Half Year 29-Sep-18 £'000 | Half Year 30-Sep-17 £'000 | Full Year 31-Mar-18 £'000 |
|---|---------------------------------|---------------------------------|---------------------------------|
| Revenue | 50,300 | 47,446 | 96,312 |
| Adjusted operating profit (excluding IAS 19 Impact) | 2,054 | 2,973 | 6,133 |
| Adjusted profit before tax (excluding IAS 19 Impact) | 1,956 | 2,837 | 5,825 |
| Impact of IAS 19 | (542) | (536) | (1,284) |
| Profit before tax | 1,414 | 2,301 | 4,541 |
| Earnings per share – diluted | 12.9p | 22.9p | 43.0p |

Balance Sheet Highlights



| Balance Sheet | Half Year 29-Sep-18 £'000 | Half Year 30-Sep-17 £'000 | Full Year 31-Mar-18 £'000 |
|---|---------------------------------|---------------------------------|---------------------------------|
| Non-pension assets - excluding cash | 61,820 | 63,412 | 59,899 |
| Non-pension liabilities - excluding borrowings | (15,709) | (20,600) | (15,585) |
| | 46,111 | 42,812 | 44,314 |
| Net IAS 19 pension deficit (after deferred tax) | (16,447) | (18,102) | (16,162) |
| | 29,664 | 24,710 | 28,152 |
| Net borrowings | (6,626) | (4,685) | (4,806) |
| Equity shareholders' funds | 23,038 | 20,225 | 23,346 |
| Gearing % - before IAS 19 deficit | 17% | 12% | 12% |
| Gearing % - after IAS 19 deficit | 29% | 23% | 21% |
| Capital Expenditure | 1,944 | 1,272 | 1,935 |

Technical Fibre Products



Growth across all targeted global market sectors

A number of new contracts with aerospace, defence and automotive fuel cell customers are close to sign off

Further investment in our USA facilities providing increased capabilities

Preparations are in place for a further non-woven line to provide an additional 50% capacity by the end of 2020



Paper Products

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Focused on value growth and portfolio rationalisation

New high-value contracts won

Pulp prices continued to rise through 2018 - a further £3.5m on prior year

Traction on CupCycling™ - additional customers promoting its use in their products

Investments to increase alternatives to virgin pulp are under review

3D Products



Sales gaining traction with more of the pipeline converted to commercialised contracts

Pipeline remains healthy with committed activities for paid product prototyping and tooling

Interest from broader applications beyond initial targeted markets

High production utilisation predicted by early 2019

Investment in production capacity to increase by a further 50% in 2019

COLOURFORM™
PLASTIC-FREE PACKAGING

Strategic Investments



Installation of an additional non-woven line for Technical Fibre Products in the UK to increase production capacity by a further 50% by 2020, to meet projected demand

Increasing 3DP production capacity by a further 50% in the UK by early 2019, to meet projected demand

A number of strategic investments under evaluation to increase virgin pulp independence and enable sustainable value growth in Paper

Outlook



TFP sales and profit continue to grow year on year
Preparations for an additional TFP line will start

Pulp prices are expected to level out and fall slightly into 2019
Paper sales to grow year on year, with an improved mix
Investments under evaluation for Paper business

Continued commercialisation for 3DP business
Further 3DP lines to be added by early 2019

Expectations for the full year are in-line with previous announcement
Expectations for successful profitable growth beyond this remain high

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Supplementary Information:

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Group Revenues

| Group £'m | Sept 2018 | % Sales | Sept 2017 | % Change |
|----------------------|--------------|---------------|--------------|-------------|
| UK | 23.1 | 45.9% | 21.5 | 7% |
| Europe | 10.7 | 21.3% | 9.6 | 12% |
| Americas | 12.1 | 24.1% | 11.7 | 4% |
| Asia | 3.7 | 7.4% | 3.6 | 3% |
| Other | 0.7 | 1.4% | 1.0 | (32%) |
| Total | 50.3 | 100.0% | 47.4 | 6% |

54.1% of revenues came from exports in period April – Sept 2018 compared to 54.6% in the comparative period

| Paper £'m | Sept 2018 | % Sales | Sept 2017 | % Change |
|----------------------|--------------|---------------|--------------|-------------|
| UK | 21.3 | 57.3% | 20.1 | 6% |
| Europe | 7.8 | 21.0% | 7.2 | 8% |
| Americas | 4.2 | 11.3% | 4.0 | 5% |
| Asia | 3.3 | 8.9% | 3.3 | 0% |
| Other | 0.6 | 1.6% | 0.7 | (14%) |
| Total | 37.2 | 100.0% | 35.3 | 5% |

| TFP £'m | Sept 2018 | % Sales | Sept 2017 | % change |
|--------------------|--------------|---------------|--------------|-------------|
| UK | 1.7 | 13.1% | 1.4 | 21% |
| Europe | 2.9 | 22.3% | 2.4 | 21% |
| Americas | 7.9 | 60.9% | 7.7 | 3% |
| Asia | 0.4 | 3.1% | 0.3 | 33% |
| Other | 0.1 | 0.6% | 0.3 | (73%) |
| Total | 13.0 | 100.0% | 12.1 | 7% |

Balance Sheet

| Balance Sheet | Half Year 29-Sep-18 £'m | Half Year 30-Sep-17 £'m | Full Year 31-Mar-18 £'m |
|---|-------------------------------|-------------------------------|-------------------------------|
| Non-pension assets - excluding cash | 61.8 | 63.4 | 59.9 |
| Non-pension liabilities - excluding borrowings | (15.7) | (20.6) | (15.6) |
| | 46.1 | 42.8 | 44.3 |
| Net IAS 19 pension deficit (after deferred tax) | (16.4) | (18.1) | (16.2) |
| | 29.7 | 24.7 | 28.2 |
| Net borrowings | (6.6) | (4.7) | (4.8) |
| Equity shareholders' funds | 23.0 | 20.2 | 23.3 |
| Gearing % - before IAS 19 deficit | 17% | 12% | 12% |
| Gearing % - after IAS 19 deficit | 29% | 23% | 21% |
| Capital Expenditure | 1.9 | 1.3 | 1.9 |

Cash Flow

| Cash | Half Year 29-Sep-18 £'m | Half Year 30-Sep-17 £'m | Full Year 31-Mar-18 £'m |
|---|-------------------------------|-------------------------------|-------------------------------|
| EBITDA (excluding IAS 19 impact) | 3.4 | 4.3 | 8.8 |
| Pension deficit payments | (0.7) | (0.7) | (1.4) |
| Decrease/ (increase) in working capital | (1.1) | 1.4 | (0.4) |
| Other | (0.1) | (0.3) | (1.4) |
| Net cash generated from operations | 1.6 | 4.7 | 5.5 |
| Capital expenditure | (1.9) | (1.3) | (1.9) |
| Dividends | (1.0) | (0.9) | (1.1) |
| Increase/(decrease) in loans | 0.3 | 1.6 | 1.7 |
| Other | (0.2) | (0.2) | (0.5) |
| Increase/(decrease) in cash | (1.2) | 4.0 | 3.6 |
| Opening cash | 5.6 | 1.9 | 1.9 |
| Closing cash | 4.4 | 5.9 | 5.6 |

Facility Profile

| | Sept 2018 £'m | Sept 2017 £'m | March 2018 £'m |
|---------------------------------------|---------------------|---------------------|----------------------|
| Cash and cash equivalents | 4.4 | 5.9 | 5.6 |
| Borrowings: repayable within one year | (1.7) | (1.0) | (1.6) |
| Borrowings: non-current | (9.3) | (9.6) | (8.8) |
| Net debt | (6.6) | (4.7) | (4.8) |
| Borrowings: repayable within one year | 1.7 | 1.0 | 1.6 |
| Borrowings: non-current | 9.3 | 9.6 | 8.8 |
| Facilities drawn down | 11.0 | 10.6 | 10.4 |
| Undrawn facilities | 8.1 | 5.7 | 8.9 |
| Facilities | 19.2 | 16.3 | 19.3 |
| Cash and cash equivalents | 4.4 | 5.9 | 5.6 |
| Undrawn facilities | 8.1 | 5.7 | 8.9 |
| Funds available at year end | 12.5 | 11.6 | 14.5 |
| Borrowings: repayable within one year | (1.7) | (1.0) | (1.6) |
| Funds available in excess of one year | 10.9 | 10.6 | 12.9 |

The Pension Deficit

The IAS 19 pension valuation 2018

| | Staff Scheme Sep-18 | Works Scheme Sep-18 | Both schemes 2018 Sep-18 | 2018 Mar-18 | Change % |
|-------------------|---------------------------|---------------------------|--------------------------------|----------------|-------------|
| Discount rate | 2.90% | 2.90% | 2.90% | 2.80% | |
| | £'m | £'m | £'m | £'m | |
| Assets | 51 | 54 | 105 | 107 | (2%) |
| Liabilities | (58) | (67) | (125) | (126) | (1%) |
| Deficit | (6) | (13) | (20) | (19) | 2% |
| Funding level - % | 89% | 80% | 84% | 85% | (1%) |

IAS 19 Valuation

The discount rate based on AA rated corporate bonds moved from 2.8% to 2.9% since the prior year end position.

RPI inflation moved from 3.25% to 3.35% since the prior year end position.

CPI inflation moved from 2.15% to 2.25% since the prior year end.

Under IAS 19 the pension deficit is likely to be volatile and may in the future be very different from this current half year position.

The 2016 Ongoing Valuation

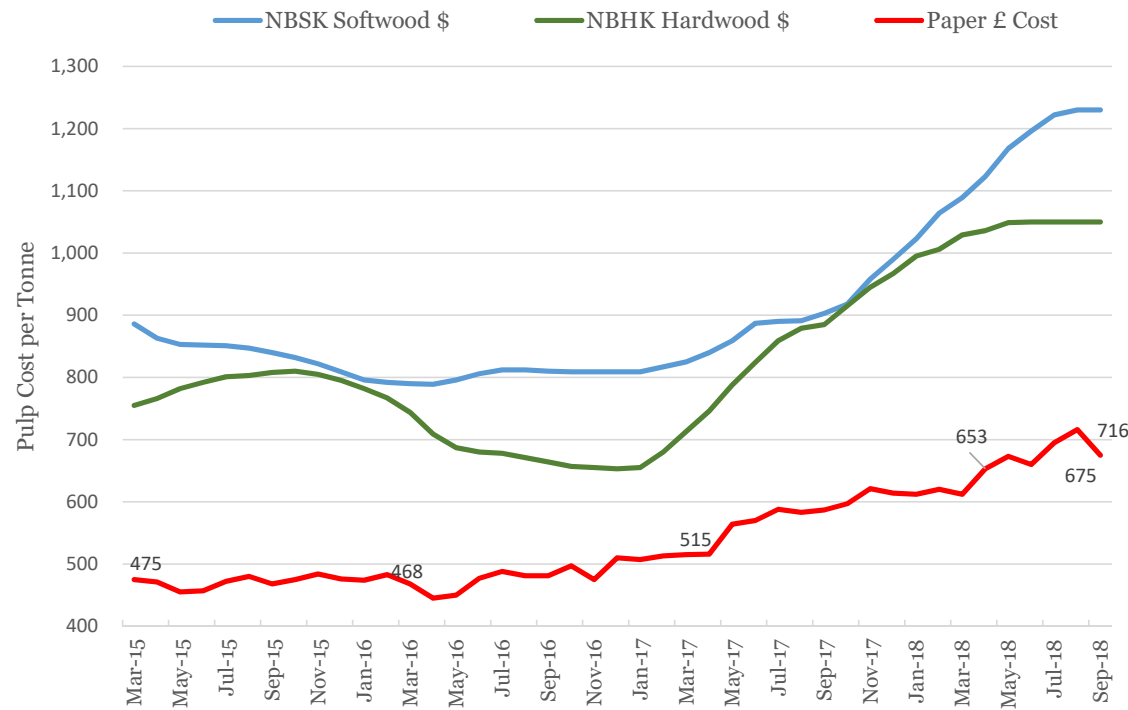
| | Staff Scheme | Works Scheme | Both schemes |
|-------------------|-----------------|-----------------|--------------|
| Discount rate | 3.55% | 3.55% | 3.55% |
| | £'m | £'m | £'m |
| Assets | 44.4 | 47.9 | 92.3 |
| Liabilities | (48.1) | (60.0) | (108.1) |
| Deficit | (3.7) | (12.1) | (15.8) |
| Funding level - % | 92% | 80% | 85% |

It is the on-going triennial valuations which Group monitors in order to manage pensions, not the annual IAS 19 valuations.

The 2016 on-going valuations concluded with a combined deficit of £15.8m using a discount rate of 3.55% (2013: £12.7m with a discount rate of 4.45%). The next on-going valuation will be based on April 2019.

The 2016 valuation resulted in the implementation on the staff scheme of a reduction in future pensionable accruals and for both schemes the application of CPI to increases in pension once in payment. A new payment plan is agreed with the Company making annual combined contributions of £1.4m per year (previously £1.3m).

Pulp price



Severe headwinds from the Pulp price

The cost of Northern Bleached Softwood Kraft (“NBSK”) wood-pulp opened at \$1,123/tonne in April 18 and steadily rose to \$1,230/tonne in Sep 18, we are experiencing new highs.

Northern Bleached Hardwood Kraft (“NBHK”) wood-pulp opened at \$1,036/tonne in April 2018 and hit \$1,050/tonne in Sept 18.

The average sterling cost per tonne was £679/tonne this half year, this is £192/tonne greater than 2 years ago in the year end 2017.

The pressure is being mitigated through normal actions of deferred expenditure, price increases, mix improvements. More importantly the company is evaluating investments to safeguard fibre supplies at competitive prices.