carclo plc

Results for full year ending 31 March 2011

Presentation to Analysts

7 June 2011

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Highlights

- Profit before tax increased by 46.5% to £6.8 million
- Earnings per share increased by 62.7% to 9.6 pence
- Underlying operating profits increased to £5.9 million
- The focus at Conductive Inkjet Technology ("CIT") has been almost entirely on the fine line touch screen project and CIT is set to scale up manufacture of fine line touch sensors for smartphones
- Carclo Diagnostic Solutions ("CDS") has been formed to hold and exploit the IPR developed in support of Platform Diagnostics
- We are in discussions with Ford to exit our volume automotive communications business over the next 12 to 18 months
- Increasing focus on CIT, medical diagnostics and LED lighting

Technical Plastics

£million	2010/11 Revenue	2010/11 Operating profit	2010/11 Margin	2009/10 Revenue	2009/10 Operating profit	2009/10 Margin
CTP Europe	**30.7**	**2.3**	**7.5%**	30.7	3.1	10.1%
CTP USA and Asia	**25.1**	**2.7**	**10.8%**	20.4	1.3	6.4%
Continuing Operations	**55.8**	**5.0**	**9.0%**	51.1	4.4	8.6%

CTP Europe

- UK volumes benefited from LED optics growth and initial volumes on a new medical inhaler contract
- A Scottish facility was re-commissioned as a new clean room facility for large optics
- Czech operation won its first medical/optical contract

CTP USA and Asia

- US demand was strong with good growth in medical diagnostics
- Our Chinese business had a good year but we now expect new business to come from the local market
- Our new operation in Bangalore delivered an excellent result

Precision Products

£million	2010/11 Revenue	2010/11 Operating profit	2010/11 Margin	2009/10 Revenue	2009/10 Operating profit	2009/10 Margin
Wipac	**26.4**	**1.2**	**4.5%**	24.0	1.9	7.9%
Precision Engineering	**6.7**	**1.0**	**14.9%**	6.5	0.7	10.8%
Continuing Operations	**33.1**	**2.2**	**6.7%**	30.5	2.6	8.7%

Wipac

- A year of transition for our fast growing supercar LED lighting business
- Start-up costs affected the first half but second half profitability recovered strongly
- Lighting product sales in the fourth quarter ran at four times the level of the equivalent period last year
- We expect to withdraw from supply of cables and antennas to Ford over the next 12 to 18 months
- Growth in Wipac will be focused on supercar lighting and LED niche applications

Precision Engineering

- Our aerospace business saw an increase in profitability on level sales
- We expect this business to continue to grow modestly

Income Statement Comparative

	2010/11 £million	2009/10 £million
Revenue	**88.6**	81.2
Operating profit		
Divisional operating profit	**7.2**	7.0
Central costs	**(1.3)**	(1.3)
Underlying operating profit from continuing operations	**5.9**	5.7
Exceptional Items	**0.2**	(0.3)
Operating profit	**6.1**	5.4
Net financing credit / (charge)	**0.7**	(0.8)
Profit before tax	**6.8**	4.6
Income tax expense	**(0.8)**	(0.9)
Loss on discontinued operations, net of tax	**(0.1)**	(0.2)
Profit for the period	**5.9**	3.5

- Group turnover from continuing operations increased to £88.6 million
- Divisional operating profit was £7.2 million
- Rationalisation costs of £0.3 million were more than offset by a £0.5 million pensions credit
- Finance costs of £0.3 million and IAS 19 financing credit of £1.0 million
- Profit before tax of £6.8 million
- Tax charge of 11.4% benefiting from prior period losses and the impact of the reduction in the UK corporation tax rate on deferred tax liabilities
- Underlying earnings per share increased to 9.6 pence
- Final dividend increased to 1.5 pence per share

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Financial Position – Cash Flow

	£million	£million
Net debt at start of period		(14.6)
Cash from operations	9.3	
Working capital	(0.4)	
Interest and tax	(0.8)	
Capital expenditure	(7.0)	
Free cash flow	**1.1**	
Additional pension contributions	(1.6)	
Non recurring cash flows	(0.5)	
Performance share plan awards	(0.4)	
Proceeds from exercise of share options	0.2	
Equity dividends	(1.2)	
Cash flow from corporate activities	**(2.4)**	
Development expenditure	(2.1)	
Acquisitions and disposals	(0.2)	
Exchange movement	0.2	
Movement in net debt		**(4.5)**
Net debt at end of period		**(19.1)**

- Cash from operations of £9.3 million
- Increase in working capital mainly due to higher levels of inventory in Technical Plastics
- Capex of £7.0 million reflects substantial spend on CIT fine line production facility and increased investment in medical business
- £1.6 million additional payments to pensions schemes
- Non recurring costs of £0.5 million mainly relate to run off costs at Slough facility
- £0.4 million cash costs of satisfying vesting of shares under Performance Share Plan
- £2.1 million development expenditure includes £1.4 million in respect of CIT

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Financial Position – Balance Sheet

- Group debt of £19.1 million at 31 March 2011 representing gearing of 31.3%, excluding the net pension deficit
- Increase in debt due mainly to high level of Capex at CIT and in medical and optical businesses
- The group has total bank facilities of £31.6 million including committed facilities of £20.0 million which expire on 29 June 2012
- The group has a comfortable level of headroom on its two main covenants – interest cover and net debt/EBITDA
- We have commenced discussions to renew these facilities with our two banks and expect to announce an agreement in due course

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Financial Position – Pensions

Pension - accounting

- At 31 March 2011 the IAS 19 pension deficit was £6.7 million (2010 - £14.5 million) net of deferred tax
- £6.5 million increase in the value of scheme assets and £4.5 million reduction in defined benefit pension obligation
- IAS19 impact on the income statement -
  - Current service cost of £0.2 million
  - IAS19 financing credit of £1.0 million (2010 – a charge of £0.4 million) – we expect a broadly similar level of credit in year ending 31 March 2012
  - £0.5 million exceptional pensions credit mainly resulting from the group's pension liability management programme
- An actuarial gain of £1.4 million was booked directly to reserves in respect of the statutory change to CPI for the revaluation of certain pensions in deferment

Pension - cash

- The cash cost of employer pension contributions was £0.2 million
- The group also made a recovery plan payment of £0.9 million & paid £0.7 million of scheme costs

Conductive Inkjet Technology ("CIT")

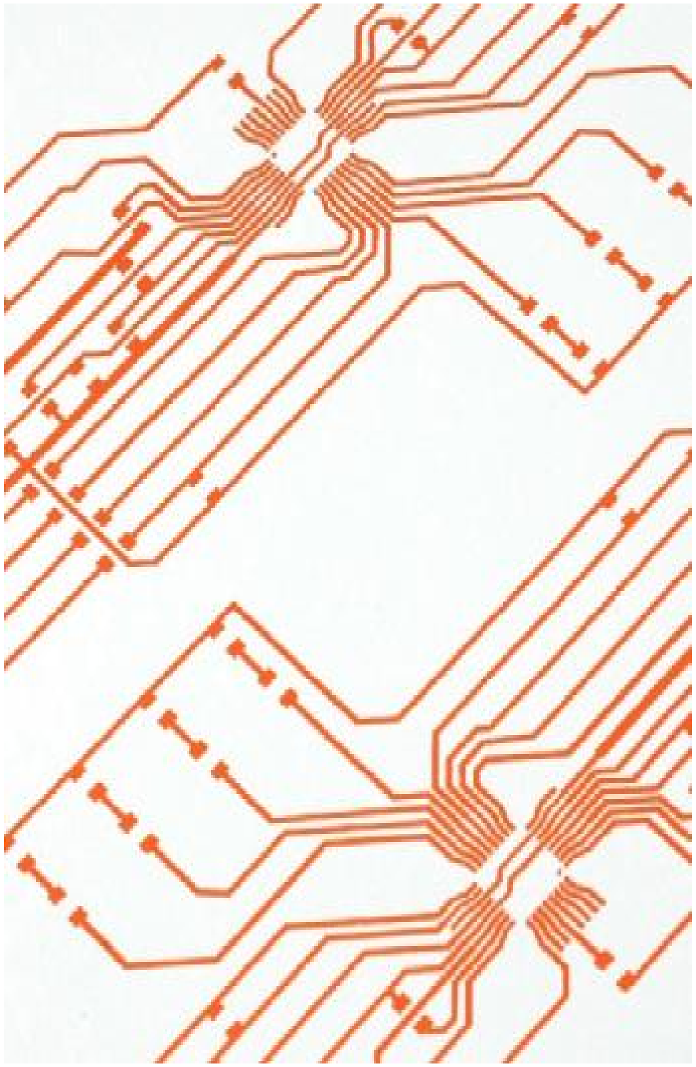
CIT's technology enables high speed printing or patterning of pure metallic circuits on plastic film

There are four very large emerging markets for our technology -

- Printed electronics - especially roll-to-roll production of very low cost electronic circuits
- Touch sensors – replacing expensive Indium Tin Oxide ("ITO") sensors used in smartphones
- Organic LED lighting devices – as a low cost high efficiency transparent electrode (again replacing ITO)
- Organic photovoltaic devices – also as a high efficiency transparent electrode

CIT - Printed electronics

- CIT becoming established in market for copper based interconnect technology
- Developed unique digital equipment for roll-to-roll processing
- Initial customers for RFID, sensors and other antenna and interconnects
- Unique offering of additive copper flex -
  - Can run through standard SMT equipment
  - Higher performance than other “printed” materials
- Ideal platform on which to print passive components
- In the last year we have produced over 20km of printed product and shipped over 4 million RFID tags and devices
- An RFID customer intends to install an in-house MetalJet 6000 in 2012



CIT – Touch Sensors

- This month CIT will have a validated production process for the Gen 3 fine line touch screen technology
- CIT has been supplying large quantities of samples for the last six months to assemblers and smartphone producers and feedback has been excellent
- We can now consistently produce and test touch sensors, at speed and at high yield, on a roll-to-roll web-based process
- Gen 3 is capable of delivering very narrow line widths using patented processes, which substantially eliminate reflectivity
- The product is performing better in terms of appearance, transmissibility and conductivity than conventional ITO based sensors
- We have received an early nomination for a new concept smartphone and expect to achieve first production before the end of 2011

CIT – Touch Sensors

- Revenues expected to grow rapidly in 2012
- Additional manufacturing capacity now being commissioned – key equipment already on order
- CIT is responsible for manufacturing photo-sensitive film. Current capacity limited to approximately 100 million smart phone screens
- Planning new facility in UK with much increased film capacity. Target date for completion is mid 2012

CIT – Other applications

Organic LED Lighting

- Partnership with Cambridge Display Technology (Sumitomo)
- Initial development agreements completed
- Final stage customer focused project underway
- This programme uses CIT technology to produce fine lines on glass for the front electrodes of OLED displays and lighting panels
- Technology also being developed for display backplanes and signage
- Significant cost and performance advantages over ITO

Organic photovoltaics

- Working on a 2 year programme with Eight19
- Focused on roll-to-roll production on flexible substrates
- CIT developing optimised ITO alternative front electrode
- Strategy is to sell to photovoltaic industry

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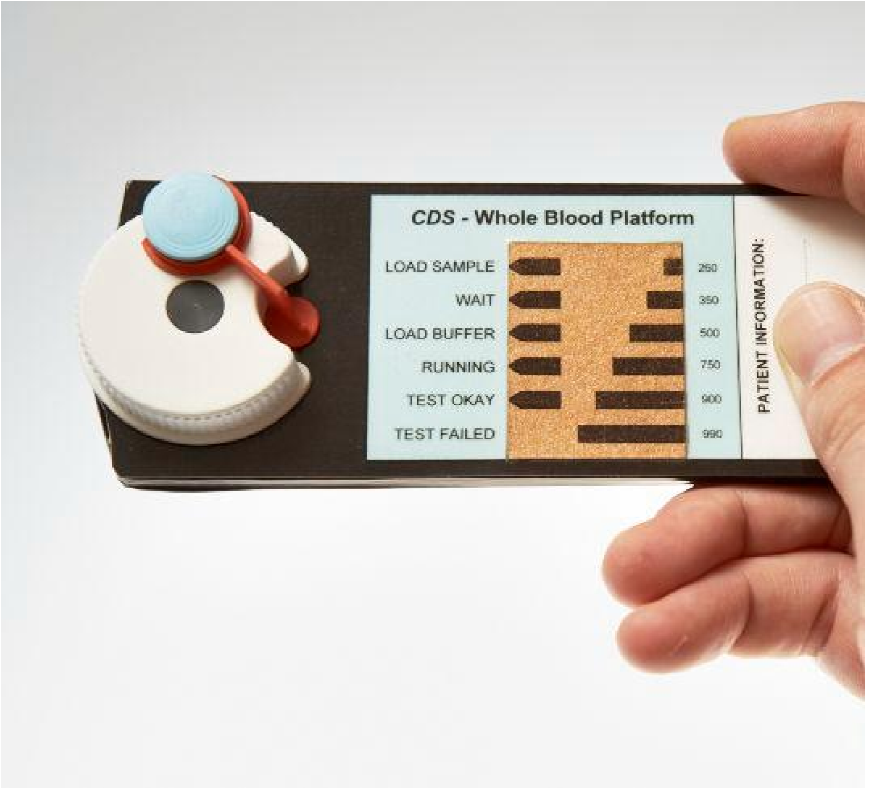
Platform Diagnostics Limited ("PDL")

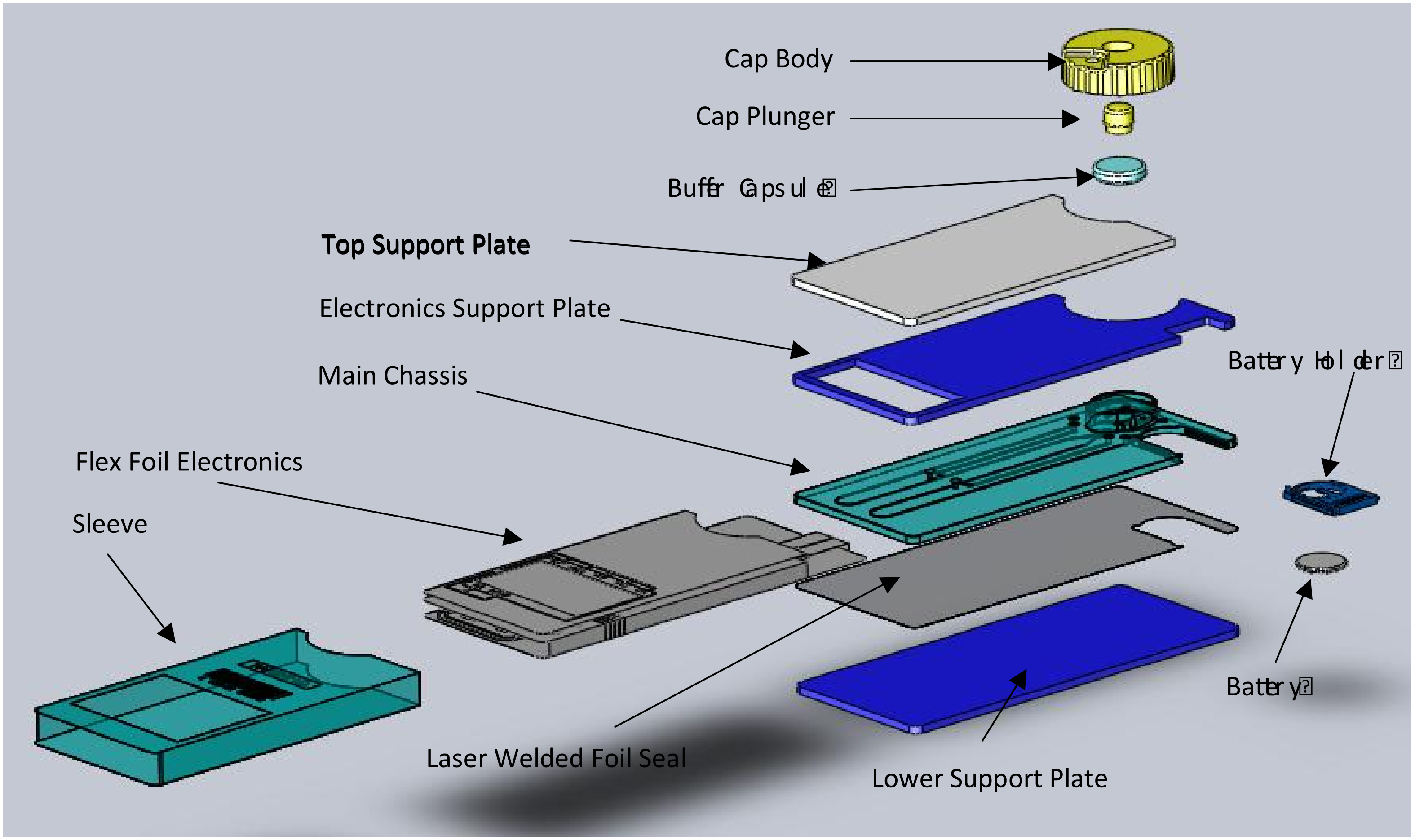
- Three years ago a joint project was started with BBI Holdings plc ("BBI") to develop a low cost immuno-assay
- Assay was based on Capillary Agglutination Technology, developed by a venture capital backed company, Platform Diagnostics Limited
- BBI contributed the assay chemistry which was initially aimed at a test for D-dimer, an indicator of deep vein thrombosis
- Carclo contributed the hardware development: precision moulded microfluidics, mechanical design and an innovative low cost reader based on the CIT technology.
- This development was completed at the end of 2010. Carclo's investment over the life of the project was £0.7 million
- The joint project successfully demonstrated a low cost, single use, Point-of-Care quantitative test for D-dimer

Carclo Diagnostic Solutions ("CDS")

- CDS, a new Carclo company, set up to hold the patents and IPR related to the hardware platform and the low cost reader
- This technology has application across a broad range of Point-of-Care diagnostic tests and is not limited to use with PDL's Capillary Agglutination Technology
- CDS has also taken an exclusive licence on PDL's technology
- It will invest £0.5 million over the next 12 months to expand the range of assays applicable to the CAT technology
- We plan to invest an additional £0.5 million directly in CDS to develop the hardware platform for use with industry standard ELISA assays
- We have a partnership with EKF to bring their Argutus Medical kidney markers to market in this innovative format
- We are exploring further partnerships with other key players in the diagnostic market
- Manufacturing rights for devices based on our IPR will be retained to underpin the continued growth of Carclo Technical Plastics



CDS - Schematics



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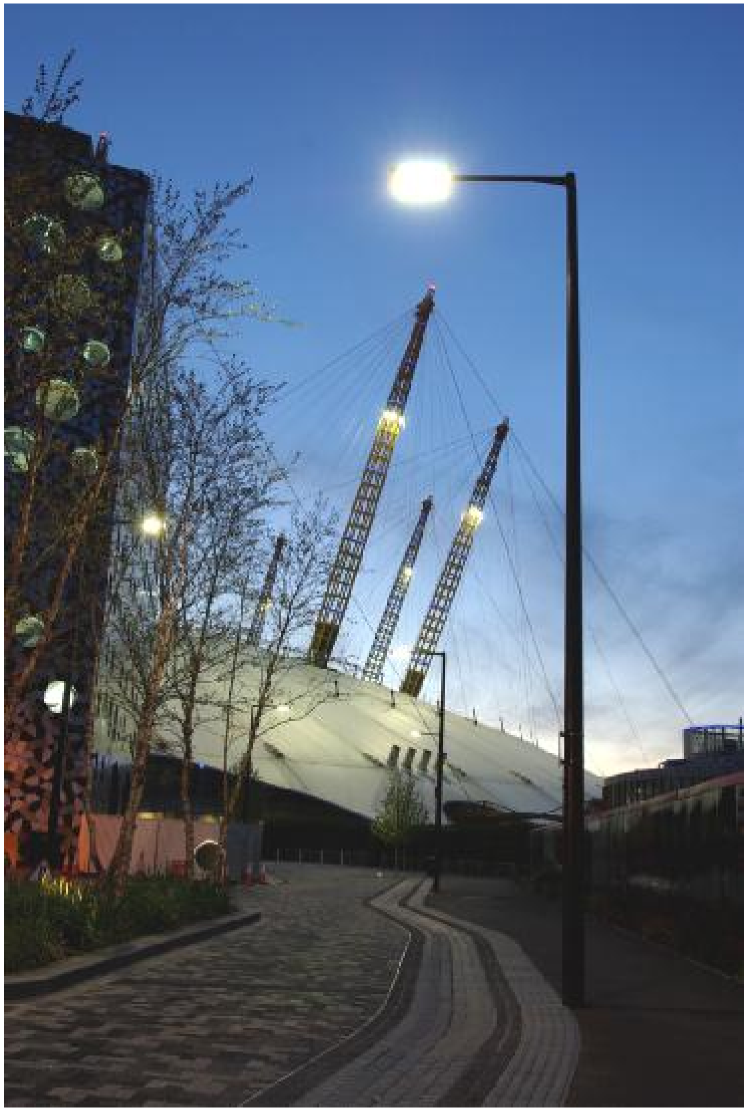
Carclo LED developments

A year of innovation:

- Strip optic
- Cree MR16
- Compound optic
- LED street light



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LED street light

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Outlook

- The year to 31 March 2011 was another period of progress for the group, and there are several initiatives under development which will further benefit the current year
- Our medical and LED optics businesses continue to identify opportunities for further growth which will support increased profitability in the Technical Plastics division
- In Precision Products, Wipac is set to benefit from improving productivity on current supercar lighting programmes and from design and development revenues on new programmes. With our planned exit from the communications programme we will be able to deploy further resources to accelerate the expansion of our specialist LED lighting business
- Trading at our aerospace businesses is stable, profitable and cash generative
- Later this year Conductive Inkjet Technology is set to scale up production of touch sensors based on its fine line technology, potentially driving significant revenue growth under its commercial agreement with Atmel
- The formation of Carclo Diagnostic Solutions and the increased investment in this technology platform provides an exciting opportunity for Carclo to grow its business in diagnostic devices
- These developments taken together give the board confidence in delivering another year of progress for shareholders