



RPC Group Plc

Interim Management Statement

Revenue in the period 1 October - 31 December 2008 was up 9% compared with the corresponding period in the previous financial year. Excluding the impact of acquisitions, the growth at 8% was principally due to the strengthening of the Euro (benefiting the third quarter sales when translated into sterling) and price increases. Underlying sales volumes in the period were down compared with expectations and with the same period last year as destocking at our customers impacted activity levels. Despite the impact of negative raw material stock revaluations, gross margins improved compared to the previous quarter, due to a combination of sale price increases and reducing polymer costs.

Whilst the short term outlook for demand remains uncertain, volumes are improving as the destocking effect unwinds. Combined with enhanced margins this leads to a positive outlook for the final quarter of the financial year after a difficult third quarter. The total second half year adjusted profit before tax * is expected to be ahead of that of the first half year.

The financial position at the end of December was impacted by the translation effect of the depreciation of the £ versus the €. The underlying net debt position has however improved in January and this is expected to continue throughout the fourth quarter of the financial year.

RPC 2010

Good progress is being made with the RPC 2010 improvement programme. The two main work streams within this programme are plant optimisation and performance enhancement.

The steady state improvement in operating profit from plant optimisation is projected to be £8m with the full benefits being realised in the financial year 2011/12. The Group has now announced that it intends to close five sites namely As (Czech Republic), Raunds (UK), Ravenstein (the Netherlands), Halfweg (the Netherlands) and Mozzate (Italy). Production activities at Mozzate ceased in January - ahead of the original timetable.

Furthermore the Group intends to sell the distribution business located at Offenburg (Germany) together with its satellite operations in Romania and Poland. M&A advisors have been appointed to assist with the sale process. The distribution business had a turnover in the last financial year of approximately £13m.

The steady state improvement in operating profit from performance enhancement is projected to be £4m with the full benefits being realised in the financial year 2011/12. Several elements of this work stream are still in their early stages



although good progress is already being made with the cost optimisation programme at several sites.

Commenting, Ron Marsh, RPC's Chief Executive Officer said:

"The environment in which we operate has become extremely volatile with volumes, input costs, currencies and interest rates moving with unprecedented speed. Nonetheless, most of these factors have recently been moving in our favour. This, together with the defensive nature of many of our end markets and the progress being made with the self-help plan RPC 2010, gives us confidence in our medium term prospects".

* adjusted profit before tax is operating profit before restructuring, disruption and impairment charges less net interest

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6 February 2009