



14 January 2009

Filtrona plc

Trading Update

Filtrona plc ("Filtrona" or the "Company"), the international, market leading, speciality plastic and fibre products supplier, today issues a trading update ahead of its results for the year ended 31 December 2008, which will be announced on 26 February 2009.

GROUP FINANCIAL PERFORMANCE

During the period since the interim management statement of 21 October 2008, the Company has continued to trade in line with the Board's expectations.

In addition, the translation impact of significant movements in foreign currency exchange rates against sterling had an increasing benefit to the revenue and earnings of the Company in the latter part of the year.

On a Group basis, provisional 2008 reported revenue was up 6.5% versus the prior year (0.9% lower at constant exchange rates).

PLASTIC TECHNOLOGIES

Provisional reported revenues of Plastic Technologies for 2008 increased by 11.1% compared to the prior year (3.0% higher at constant exchange rates).

The **Protection and Finishing Products** division had another year of growth, although it experienced reduced orders in the last two months of the year resulting from the general weakness in industrial activity in both the US and Europe.

During the final quarter, the **Coated and Security Products** division sustained the positive momentum which prevailed throughout the year with a good performance in the tear tape business.

The **Plastic Profile and Sheet** division experienced tough trading conditions throughout the year in the US and at the end of the year saw some weakening in European

markets. The industrial action at Boeing was settled in November and activity levels with this customer are now recovering.

FIBRE TECHNOLOGIES

Provisional reported revenues of Fibre Technologies for 2008 increased by 1.1% compared to the prior year (5.5% lower at constant exchange rates).

The **Filter Products** division delivered a robust trading performance in line with 2007, before restructuring costs. Whilst the Americas volumes continued at a depressed level, Europe experienced a last quarter benefit from previously announced new volumes and the Asia region had a strong year.

Within the **Porous Technologies** division, performance in the year was lower than the prior year, weakened by subdued demand in the writing instrument market.

NET DEBT & FINANCING

Net debt has increased during the period, impacted significantly by foreign exchange translation movements and by the acquisition of Lendell in October 2008. At the year end, net debt was £182m.

The Company's long-term funding arrangements comprise a sterling denominated multi-currency syndicated facility totalling £215m, which matures in May 2010, together with other uncommitted and overdraft facilities to provide short-term flexibility. Additionally, the Company has committed bilateral facilities of US\$40m, which expire in November 2009.

STRATEGIC DEVELOPMENT AND COST MANAGEMENT

The Company has continued to pursue its strategy of optimising its portfolio of businesses, including progressing acquisition opportunities in its higher growth, higher margin divisions. During the fourth quarter of 2008, because of the deterioration in global economic and business conditions, the Company withdrew from a significant potential acquisition at an advanced stage. Accordingly, the Company will report £1.3m of transaction costs incurred on this strategic development activity in 2008, which will be presented separately by virtue of their size and incidence.

As previously announced, the Company has been taking actions to drive efficiencies and reduce its cost base and, given overall macroeconomic conditions, the Company retains an intense focus on cost optimisation both to protect short-term results and to secure strategic cost competitiveness. As a result, the Company will undertake a restructuring programme in 2009 and 2010, with the focus on the Filter Products division.

It is estimated that the cash costs of this restructuring will be circa £5m in 2009 and £2m in 2010 (with additional non-cash costs of £3m over the two year period), which are expected to deliver savings of circa £2.5m in 2009 and £6.5m from 2010 onwards.

Commenting, Filtrona's Chief Executive, Mark Harper said,

"Filtrona has continued to trade in line with expectations and we remain firmly focused on customer service, cost competitiveness and cash generation."

Enquiries

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