24 August 2011

FILTRONA PLC
('the Company')

The leading international supplier of speciality plastic and fibre products

RESULTS FOR THE HALF YEAR (HY) ENDED 30 JUNE 2011

STRONG, BALANCED GROWTH ACHIEVED IN HY 2011
WELL POSITIONED FOR CONTINUED DEVELOPMENT

HY 2011 highlights:

- Revenue up 10% (constant FX), with strong performances from all divisions.
- Operating profit[1] up 12% (constant FX).
- Operating margin[1] up 30bps (constant FX) to 16.2%, level at actual FX.
- Adjusted EPS up 18% (constant FX) to 13.0p.
- Working capital improvement: 14.9% of revenue, down 210bps.
- Strong operating cash flow of £43.1m, up 72%, with net debt reduced to £81.5m (FY 2010: £90.8m).
- 10% increase in the interim dividend, to 3.3p per share.

Results at a glance:

	HY 2011	HY 2010	% growth Actual FX	% growth Constant FX
Revenue	£268.6m	£247.6m	+8%	+10%
Operating profit – adjusted[1]	£43.6m	£40.0m	+9%	+12%
Profit before tax – adjusted[1]	£39.5m	£34.6m	+14%	+17%
Net income – adjusted[1,2]	£27.5m	£23.9m	+15%	+19%
Earnings per share – adjusted[1,2]	13.0p	11.3p	+15%	+18%
Interim dividend per share	3.3p	3.0p	+10%	N/A
Operating profit	£41.9m	£38.5m	+9%	+12%
Net income[2]	£26.3m	£22.9m	+15%	+18%
Basic earnings per share[2]	12.5p	10.8p	+16%	+20%

[1] *Before intangible amortisation*
[2] *Continuing operations*

Commenting on today's results, Colin Day, Chief Executive said:

"The Company delivered strong half year results, reflecting the quality of its market positions and the cash generative business models in all divisions. The results have been further supported by ongoing investment in the business and by new developments, underscoring the commitment to be an innovation-leading supplier to our customers.

Whilst mindful of the current economic uncertainty, given the current platform and momentum in the business, combined with an accelerated drive on balanced growth across all divisions, the Company is well positioned for continued positive development through the second half of 2011 and into the next financial year."

Basis of Preparation

Where appropriate, the term "constant FX" describes the performance of the business on a comparable basis after adjusting for the impact of foreign exchange.

Where appropriate, the term "like-for-like" ("LFL") describes the performance of the business on a comparable basis, adjusting for the impact of acquisitions and foreign exchange. The HY 2011 results include the results of BP Labels (acquired on 26 February 2010) and Stera Tape (acquired on 22 November 2010).

Where appropriate, the term "adjusted" excludes the impact of intangible amortisation and/or any associated tax relief. In HY 2011, intangible amortisation was £1.7m (HY 2010: £1.5m).

Operating Review

Revenue for the period was 8.5% up on prior year (up 9.7% at constant FX) at £268.6m, with LFL growth up 8.0%.

The gross margin rose 90bps (at both constant and actual FX) to 36.2%, benefiting from a positive product mix, successful pricing programmes to mitigate input cost increases and ongoing operational improvement initiatives.

Adjusted operating profit of £43.6m was 11.8% ahead of the prior year (at constant FX), which equated to a +30bps uplift in the margin (at constant FX) to 16.2%. On a reported basis, the adjusted operating margin was unchanged versus the prior year.

Net finance expense was down to £4.1m (HY 2010: £5.4m) and the tax rate reduced to 30.4% (HY 2010: 30.8%).

As a result, adjusted earnings per share of 13.0p was 18.2% ahead of prior year at constant FX (15.0% ahead on a reported basis); fully diluted adjusted earnings per share of 12.6p was 16.7% ahead at constant FX (13.5% ahead on a reported basis).

Business Review

Summary growth in revenue by division

% growth	LFL	Acquisitions	Foreign Exchange	Total reported
Protection & Finishing Products	17.7%	5.9%	(2.1%)	21.5%
Porous Technologies	7.1%	-	(3.0%)	4.1%
Coated & Security Products	6.7%	1.3%	0.2%	8.2%
Filter Products	0.7%	-	(0.5%)	0.2%
Total Company	**8.0%**	**1.7%**	**(1.2%)**	**8.5%**

The following Business Review is given at constant exchange rates and on an adjusted basis, unless otherwise stated.

Protection & Finishing Products

	HY 2011 £m	% growth Actual FX	% growth Constant FX
Revenue	78.5	+21.5%	+23.6%
Operating profit	19.2	+33.3%	+36.2%
Operating margin	24.5%	+220bps	+230bps

Revenue increased 23.6% to £78.5m, with each of the divisional operating units performing well-ahead of prior year performance. Growth was boosted by the inclusion of a full period contribution from the Stera Tape business, acquired in November 2010. LFL revenue growth was 17.7%.

The component distribution businesses of Moss, Skiffy and Alliance have each seen broad-based revenue growth across all of their key end market sectors and geographies. The expansion of distribution warehousing operations in Brazil and Poland in 2010 supported the growth and presence in these emerging markets. The Duraco operation in China, which was established in 2010 is starting to realise the benefits of the opportunity available within its market. Moss China continues to grow rapidly and be a significant business opportunity.

At MSI, revenue has continued to grow, with record levels of monthly orders and sales. The new facility build in Houston, US, remains on track to be operational by the second quarter 2012.

Continued focus on efficient marketing investment and activity, particularly the increasing use of electronic marketing media, has again delivered strong lead indicators versus the prior year: catalogue and sample requests were up 15% and the number of live accounts at the end of the period was 11% up on the prior year to over 88,000 (new accounts opened up 12%). Revenue from higher margin proprietary products, as opposed to custom, increased to 73% (HY 2010: 69%). The focus on driving the e-commerce strategy of the division has been reinforced and this will further support the divisional growth plans going forward.

Operating profit increased 36.2% to £19.2m, with 230bps improvement in the margin to 24.5% demonstrating the strength of the business model and the operational leverage. This was achieved against a backdrop of continued raw material cost increases, offset by a programme of sales price increases which were successfully implemented in late 2010 and throughout the half year period.

Porous Technologies

	HY 2011 £m	**% growth Actual FX**	**% growth Constant FX**
Revenue	40.5	+4.1%	+7.1%
Operating profit	10.4	+3.0%	+7.2%
Operating margin	25.7%	-30bps	Unchanged

Revenue increased 7.1% to £40.5m and operating profit increased 7.2% to £10.4m, with margin unchanged versus prior year.

Printer Systems has continued to see strong growth, with revenue up 63%, supported by the next generation platform launch with a key account. Revenue to this important market sector now accounts for c.30% of divisional revenue.

Medical Diagnostics (c.20% of divisional revenue), was down 3% as a result of a strong prior year comparative relating to the H1N1 flu epidemic (up 7% when adjusting for this impact). The Writing Instruments business (c.30% of divisional revenue) levelled out in the half year, with minimal revenue benefit from the normal seasonal “back to school” period. Household Products and Personal Care (together c.10% of divisional revenue) grew by 13% compared to prior year.

The remaining c.10% of divisional revenue comprises a number of other markets, plus the supply of a sophisticated filter product, manufactured at the Porous Technologies Reinbek, Germany facility and sold internally to the Filter Products division. Excluding revenue from this line of business, revenue from the core technologies, products and markets of the Porous Technologies division was up 12.6%.

Ongoing technology development and operational expansion projects underpin the growth of the division going forward. The period saw the completion of further capacity expansion at the Lendell foam site for Medical Woundcare products, and at Reinbek, to enable European manufacture of Printer Systems products for the global customer base. The completion of an important technology development, supersoft woundcare foam, and the commercial launch of products using “porous plastics” technology, provide a sound platform for future business growth.

Coated & Security Products

	HY 2011 £m	**% growth Actual FX**	**% growth Constant FX**
Revenue	50.1	+8.2%	+8.0%
Operating profit	8.0	Unchanged	+1.3%
Operating margin	16.0%	-130bps	-100bps

Revenue increased 8.0% to £50.1m, including a full period contribution from the BP Labels business, acquired in February 2010. LFL revenue growth was 6.7%. Operating profit increased 1.3% to £8.0m, with margin down by 100bps at 16.0%.

Tape revenue grew 6% over the prior period, driven by growth in wider width tapes for consumer communication and promotion. Labels revenue increased 17%, including the incremental impact of the BP Labels business. During the period, the BP Labels business was successfully rebranded to Payne and the prospects for this business in existing and new categories remain encouraging.

Revenue from the Payne authentication system again grew strongly, up 48%, and the business gained a Queen's Award for Enterprise in the Innovation category for the successful development and commercialisation of this proprietary technology.

The Enitor plastic extrusion business in The Netherlands has continued to see increased demand, however higher raw material prices have moderated margins.

Ongoing efficiency improvements and successful sales pricing programmes have enabled the division to cushion the margin impact of both the loss of the UK Passport contract by the division's customer in 2010, and the higher raw material prices at Enitor.

Subsequent to the period end, the FractureCode Track & Trace business was sold back to the previous joint venture partner, ITO Technologies ApS, for a nominal sum. Revenue in the first half was approximately £0.8m. No material impact on the Company result for the year is anticipated.

Filter Products

	HY 2011 £m	**% growth Actual FX**	**% growth Constant FX**
Revenue	101.7	+0.2%	+0.7%
Operating profit	11.9	-0.8%	+0.8%
Operating margin	11.7%	-10bps	Unchanged

Underlying volumes were level with prior year. Revenue increased 0.7% to £101.7m whilst operating profit was up by 0.8% at £11.9m, with the operating margin unchanged versus the prior year.

The relocation of the Filter Products' head office to Singapore was completed at the beginning of the period, which has enabled the business to better serve the customer needs in the region and to be in a stronger position to take advantage of new opportunities in the surrounding Asian growth markets. Additionally in the region, the new Thailand factory is planned for completion in the second half of 2011, and this will have a larger capacity and capability for complex processes, thus ensuring the increasing Asia business is well serviced. Asia accounted for 53% of volumes (HY 2010: 49%).

In August 2011, subsequent to the period end, the division announced the expansion of its North American Greensboro facility, increasing both capacity and operational capability. The expansion involves the installation of high speed machines for complex filter products as well as expansion of its Development, Innovation and Lab Services centre. This comes at a time of growing opportunities brought about by the increasing FDA oversight of the industry in North America, and the expanded facility will provide a faster turnaround of new development samples and new product innovation and bring closer contacts with the FDA. As a result of this expansion, the closure of the Monterrey, Mexico facility has been announced. No material impact on the Company result for the year is anticipated.

Proprietary product development activity has resulted in launch of two new products to the market. Significant improvement in sample revenue has been generated, with c.50% growth albeit from a low base, confirming good progress on joint development activities with all three regional development centres. The division supported its key customers on launch of capsule filters and packaging of products for the 'roll your own' market.

Financial Review

Foreign exchange rates. Movements in exchange rates relative to sterling affect actual results as reported. The constant exchange rate basis adjusts the comparative to exclude such movements, to show the underlying growth of the Company.

The principal exchange rates for Filtrona in HY 2011 were:

	Average		**Closing**	
	HY 2011	HY 2010	**HY 2011**	HY 2010
US$:£	**1.61**	1.52	**1.61**	1.50
€:£	**1.14**	1.16	**1.11**	1.22
IDR:£	**14,100**	14,000	**13,800**	13,600

Re-translating at HY 2011 average exchange rates reduces the prior year revenue and adjusted operating profit by £2.7m and £1.0m respectively.

Net finance expense. Net finance expense was £4.1m, a £1.3m decrease versus HY 2010 which is broken down as follows:

£m	**HY 2011**	HY 2010	Change
Net interest charge on net debt	**4.4**	4.6	(0.2)
Amortisation of bank fees	**0.3**	1.4	(1.1)
IAS 19 (Revised) pension finance credit	**(0.6)**	(0.2)	(0.4)
Other	**-**	(0.4)	0.4
Total net interest	**4.1**	5.4	(1.3)

* Positive numbers represent net finance expense, negative numbers reflect net finance income

Tax. The effective tax rate on profit before tax was 30.4% (HY 2010: 30.8%).

Net working capital. "Net Working Capital" is defined as "Inventories plus Trade & Other Receivables less Trade & Other Payables, adjusted to exclude Deferred Consideration Receivable and Interest Accruals/Capital Payables ("Adjustments")".

£m	HY 2011	HY 2010
Inventories	**63.6**	60.3
Trade & Other Receivables	**94.5**	82.7
Trade & Other Payables	**(79.7)**	(63.9)
Less : Adjustments	**(2.2)**	(0.1)
Net Working Capital	**76.2**	79.0

The net working capital/revenue ratio (based upon the last 12 months revenue) at constant FX is 14.9% (HY 2010: 17.0%).

Cash flow. Operating cash flow was up 71.7% to £43.1m. Free cash flow of £23.0m was up 228.6%.

£m	HY 2011	HY 2010	% change
Operating profit – adjusted	**43.6**	40.0	+9.0%
Depreciation	**10.4**	10.3	+1.0%
Share option expense/other movements	**1.7**	1.4	+21.4%
Change in working capital	**(4.1)**	(17.3)	-76.3%
Net capital expenditure	**(8.5)**	(9.3)	-8.6%
Operating cash flow	**43.1**	25.1	+71.7%
Tax	**(12.4)**	(11.5)	+7.8%
Interest paid	**(4.3)**	(3.6)	+19.4%
Pension obligations	**(3.4)**	(3.0)	+13.3%
Free cash flow	**23.0**	7.0	+228.6%

Net debt. Net debt at the end of the period was £81.5m, a reduction of £9.3m from 1 January 2011.

	£m
Net debt as at 1 January 2011	**90.8**
Free cash flow	**(23.0)**
Dividends	**12.3**
Acquisitions/disposals	**1.5**
Foreign exchange	**(0.5)**
Other	**0.4**
Net debt as at 30 June 2011	**81.5**

The Company's financial ratios remain strong. The ratio of net debt to EBITDA as at 30 June 2011 reduced to 0.8 (31 December 2010: 0.9) and interest cover was 8.1x (31 December 2010: 7.1x).

Pensions. As at 30 June 2011, the Company's IAS 19 (Revised) gross pension liability was £12.7m (HY 2010: £36.7m) with a net liability of £8.9m (HY 2010: £25.5m) after accounting for a deferred tax asset of £3.8m (HY 2010: £11.2m). The deficit has been calculated after updating the asset values and certain assumptions as at 30 June 2011.

Dividends. The Board of Directors has approved an interim dividend of 3.3 pence per share (HY 2010: 3.0 pence), an increase of 10.0%.

Principal risks and uncertainties. The Board of Directors consider that the principal risks and uncertainties specifically affecting the business activities of the Company for the remaining six months of the 2011 financial year are those detailed in the analysis entitled 'Management of Principal Risks' set out on pages 12 to 15 inclusive of the Filtrona plc Annual Report 2010. These risks comprise disruption to operational sites / loss of critical assets, competitive pressures, relationship with the tobacco industry, customer concentration, raw material supply, intellectual property development and protection, the challenges of business development, loss of key executives and certain employees and pension funding.

Board appointment. Colin Day was appointed to the Board as Chief Executive, with effect from 1 April 2011. Mark Harper stood down from the Board on 14 April 2011 and retired from the Company in May 2011.

2011 Outlook

Whilst mindful of the current economic uncertainty, given the current platform and momentum in the business, combined with an accelerated drive on balanced growth across all divisions, the Company is well positioned for continued positive development through the second half of 2011 and into the next financial year.

Enquiries

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Presentation

1. A copy of these results is available on www.filtrona.com.
2. A live webcast of today's presentation of these results to investors and analysts will start at 09.00am on www.filtrona.com/investor-centre.aspx.

Cautionary forward-looking statement

These results contain forward-looking statements based on current expectations and assumptions. Various known and unknown risks, uncertainties and other factors may cause actual results to differ from any future results or developments expressed or implied from the forward-looking statements. Each forward-looking statement speaks only as of the date of this document. The Company accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

Notes to Editors

Filtrona plc is a leading international supplier of speciality plastic and fibre products. Further information can be found on the website www.filtrona.com.

Protection & Finishing Products
A global market leading provider of product protection and finishing solutions, manufacturing and distributing plastic injection moulded, vinyl dip moulded, adhesive-coated foam and metal products. The division has 41 operating units in 14 countries serving a very broad industrial base of customers with a rapid supply of primarily plastic products for protection and finishing applications in industries such as hydraulics, pneumatics, oil and gas, electrical controls, point of purchase and tubular metal products.

Filter Products
This division is the only global independent cigarette filter supplier. The 10 worldwide locations, including a UK-based research facility and three regional development centres provide a flexible infrastructure strategically positioned to serve the tobacco industry. The division supplies a wide range of value adding high quality innovative filters from monoacetate to multi-segment speciality filters with sophisticated adsorbent materials.

Porous Technologies
The leading global technology developer and manufacturer of custom bonded fibre and hydrophilic foam components. Its components handle fluid and vapour and deliver high value and precision performance to many of the most well-known healthcare, consumer and industrial brand owners in the world. These components are used in a wide range of product applications including medical diagnostics and wound care, inkjet printer cartridges, writing instruments and air fresheners.

Coated & Security Products
The global market leading producer of high quality self-adhesive tear tape and a growing supplier of labels, products and technologies for brand protection, document authentication and personal identification. Customers in over 100 countries are served from facilities operating in seven countries. The division also includes plastic profile extrusion activities in The Netherlands.

Condensed consolidated income statement

	Note	**Six months ended 30 Jun 2011 £m**	Six months ended 30 Jun 2010 £m	Year ended 31 Dec 2010 £m
Revenue	2	**268.6**	247.6	489.6
Operating profit before intangible amortisation		**43.6**	40.0	75.0
Intangible amortisation		**(1.7)**	(1.5)	(3.0)
Operating profit	2	**41.9**	38.5	72.0
Finance income		**6.0**	6.1	12.0
Finance expense		**(10.1)**	(11.5)	(22.4)
Profit before tax		**37.8**	33.1	61.6
Income tax expense		**(11.5)**	(10.2)	(19.1)
Profit from continuing operations		**26.3**	22.9	42.5
Profit from discontinued operations		**-**	5.0	6.8
Profit for the period		**26.3**	27.9	49.3
Attributable to:				
Equity holders of Filtrona plc		**25.6**	27.1	47.7
Non-controlling interests		**0.7**	0.8	1.6
Profit for the period		**26.3**	27.9	49.3
Earnings per share from continuing operations attributable to equity holders of Filtrona plc:				
Basic	3	**12.5p**	10.8p	20.0p
Diluted	3	**12.1p**	10.6p	19.6p
Earnings per share attributable to equity holders of Filtrona plc:				
Basic	3	**12.5p**	13.2p	23.3p
Diluted	3	**12.1p**	13.0p	22.9p

Condensed consolidated statement of comprehensive income

	Six months ended 30 Jun 2011 £m	Six months ended 30 Jun 2010 £m	Year ended 31 Dec 2010 £m
Profit for the period	**26.3**	27.9	49.3
Other comprehensive income			
Actuarial gains/(losses) on defined benefit pension schemes	**0.8**	(16.4)	(5.0)
Deferred tax (expense)/credit on actuarial gains/(losses) on defined benefit pension schemes	**(0.2)**	5.0	1.3
Effective portion of changes in fair value of cash flow hedges:			
Net change in fair value of cash flow hedges transferred to the income statement	**0.2**	0.2	0.7
Effective portion of changes in fair value of cash flow hedges	**(0.8)**	1.3	(0.3)
Foreign exchange translation differences:			
Attributable to equity holders of Filtrona plc:			
Arising on translation of foreign operations	**3.1**	0.2	2.9
Arising on effective net investment hedges	**0.9**	5.1	2.7
Income tax (expense)/credit on effective net investment hedges	**(0.2)**	(1.0)	(1.0)
Attributable to non-controlling interests	**(0.3)**	0.7	0.9
	3.5	(4.9)	2.2
Total comprehensive income	**29.8**	23.0	51.5
Attributable to:			
Equity holders of Filtrona plc	**29.4**	21.5	49.0
Non-controlling interests	**0.4**	1.5	2.5
	29.8	23.0	51.5

Condensed consolidated balance sheet

	Note	**30 Jun 2011**	30 Jun 2010	31 Dec 2010
		£m	£m	£m
Assets				
Property, plant and equipment	4	**152.7**	157.4	156.1
Intangible assets		**107.0**	101.0	107.3
Deferred tax assets		**4.0**	5.8	1.4
Other receivables		**-**	2.9	2.9
Total non-current assets		**263.7**	267.1	267.7
Inventories		**63.6**	60.3	59.1
Income tax receivable		**4.5**	3.0	4.2
Trade and other receivables		**94.5**	82.7	73.1
Derivative assets		**0.1**	1.8	0.4
Cash and cash equivalents	6	**45.8**	56.4	40.0
Total current assets		**208.5**	204.2	176.8
Total assets		**472.2**	471.3	444.5
Equity				
Issued capital		**54.8**	54.8	54.8
Capital redemption reserve		**0.1**	0.1	0.1
Other reserve		**(132.8)**	(132.8)	(132.8)
Cash flow hedging reserve		**(1.2)**	0.5	(0.6)
Translation reserve		**21.4**	17.3	17.6
Retained earnings		**269.4**	226.6	248.7
Attributable to equity holders of Filtrona plc		**211.7**	166.5	187.8
Non-controlling interests		**6.3**	8.6	9.6
Total equity		**218.0**	175.1	197.4
Liabilities				
Interest bearing loans and borrowings	6	**98.3**	155.4	116.8
Derivative liabilities		**0.1**	1.7	0.5
Retirement benefit obligations	5	**12.7**	36.7	17.6
Income tax payable		**-**	4.4	4.5
Provisions		**1.2**	1.6	1.2
Deferred tax liabilities		**10.8**	7.5	9.5
Total non-current liabilities		**123.1**	207.3	150.1
Bank overdrafts	6	**-**	0.1	-
Interest bearing loans and borrowings	6	**29.0**	6.9	14.0
Derivative liabilities		**2.1**	0.7	2.0
Income tax payable		**17.5**	14.1	14.5
Trade and other payables		**79.7**	63.9	63.6
Provisions		**2.8**	3.2	2.9
Total current liabilities		**131.1**	88.9	97.0
Total liabilities		**254.2**	296.2	247.1
Total equity and liabilities		**472.2**	471.3	444.5

Condensed consolidated statement of changes in equity

	Issued capital	Capital redemption reserve	Other reserve	Cash flow hedging reserve	Translation reserve	Retained earnings	Non-controlling interests	Total equity
Six months ended 30 June 2011								
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 January 2011	**54.8**	**0.1**	**(132.8)**	**(0.6)**	**17.6**	**248.7**	**9.6**	**197.4**
Profit for the period						25.6	0.7	**26.3**
Other comprehensive income/(loss) for the period				(0.6)	3.8	0.6	(0.3)	**3.5**
Acquisition of non-controlling interests						(0.4)	(0.7)	**(1.1)**
Acquisition of employee trust shares						(2.8)		**(2.8)**
Shares options exercised						5.7		**5.7**
Share option expense						1.6		**1.6**
Tax relating to share-based incentives						2.7		**2.7**
Dividends paid						(12.3)	(3.0)	**(15.3)**
At 30 June 2011	**54.8**	**0.1**	**(132.8)**	**(1.2)**	**21.4**	**269.4**	**6.3**	**218.0**

	Issued capital	Capital redemption reserve	Other reserve	Cash flow hedging reserve	Translation reserve	Retained earnings	Non-controlling interests	Total equity
Six months ended 30 June 2010								
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2010	54.8	0.1	(132.8)	(1.0)	13.0	219.6	7.4	161.1
Profit for the period						27.1	0.8	27.9
Other comprehensive income/(loss) for the period				1.5	4.3	(11.4)	0.7	(4.9)
Shares options exercised						0.1		0.1
Share option expense						1.6		1.6
Dividends paid						(10.4)	(0.3)	(10.7)
At 30 June 2010	54.8	0.1	(132.8)	0.5	17.3	226.6	8.6	175.1

	Issued capital	Capital redemption reserve	Other reserve	Cash flow hedging reserve	Translation reserve	Retained earnings	Non-controlling interests	Total equity
Year ended 31 December 2010								
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2010	54.8	0.1	(132.8)	(1.0)	13.0	219.6	7.4	161.1
Profit for the year						47.7	1.6	49.3
Other comprehensive income/(loss) for the year				0.4	4.6	(3.7)	0.9	2.2
Acquisition of employee trust shares						(1.1)		(1.1)
Share option expense						2.8		2.8
Dividends paid						(16.6)	(0.3)	(16.9)
At 31 December 2010	54.8	0.1	(132.8)	(0.6)	17.6	248.7	9.6	197.4

Condensed consolidated statement of cash flows

	Note	**Six months ended 30 Jun 2011 £m**	Six months ended 30 Jun 2010 £m	Year ended 31 Dec 2010 £m
Operating activities				
Profit for the period from continuing operations		**26.3**	22.9	42.5
Adjustments for:				
Income tax expense		**11.5**	10.2	19.1
Net finance expense		**4.1**	5.4	10.4
Intangible amortisation		**1.7**	1.5	3.0
Depreciation		**10.4**	10.3	20.4
Share option expense		**1.6**	1.6	2.8
Other movements		**0.1**	(0.2)	0.6
Increase in inventories		**(4.0)**	(7.1)	(5.5)
Increase in trade and other receivables		**(16.0)**	(16.5)	(3.9)
Increase in trade and other payables		**15.9**	6.3	4.3
Major restructuring costs paid		**-**	(1.3)	(1.3)
Employee trust shares		**(2.8)**	-	(1.1)
Additional pension contributions		**(3.4)**	(3.0)	(10.1)
Other provisions utilised in the year		**-**	-	(0.5)
Cash inflow from operating activities		**45.4**	30.1	80.7
Income tax paid		**(12.4)**	(11.5)	(16.3)
Net cash inflow from operating activities		**33.0**	18.6	64.4
Investing activities				
Interest received		**0.1**	0.1	0.2
Acquisition of property, plant and equipment		**(8.5)**	(9.4)	(20.1)
Proceeds from sale of property, plant and equipment		**-**	0.1	1.3
Acquisition of businesses net of cash acquired	7	**(1.1)**	(3.9)	(12.0)
(Costs of)/proceeds from sale of businesses		**(0.4)**	11.4	10.9
Income tax paid on sale of businesses		**-**	(1.3)	(3.2)
Net cash outflow from investing activities		**(9.9)**	(3.0)	(22.9)
Financing activities				
Interest paid		**(4.4)**	(3.7)	(8.2)
Dividends paid to equity holders		**(12.3)**	(10.4)	(16.6)
Dividends paid to non-controlling interests		**(3.0)**	(0.3)	(0.3)
Proceeds from short-term loans		**4.5**	0.2	0.2
Repayments of short-term loans		**(7.4)**	-	-
Repayments of long-term loans		**-**	(86.7)	(117.2)
Proceeds from long-term loans		**-**	104.8	104.3
Proceeds from sale of employee trust shares		**5.7**	0.1	-
Net cash (outflow)/inflow from financing activities		**(16.9)**	4.0	(37.8)
Net increase in cash and cash equivalents		**6.2**	19.6	3.7
Net cash and cash equivalents at the beginning of the period		**40.0**	32.0	32.0
Net increase in cash and cash equivalents		**6.2**	19.6	3.7
Net effect of currency translation on cash and cash equivalents		**(0.4)**	4.7	4.3
Net cash and cash equivalents at the end of the period	6	**45.8**	56.3	40.0

Notes

1. Basis of preparation

The condensed set of financial statements has been prepared in accordance with the accounting policies set out in the 2010 Annual Report (except as stated below) which comply with International Financial Reporting Standards as adopted by the EU and also in accordance with IAS 34: *Interim Financial Reporting* as adopted by the EU and the Disclosure and Transparency Rules ('DTR') of the Financial Services Authority. The preparation of the condensed set of financial statements requires management to make estimates and assumptions that affect the reporting amounts of revenues, expenses, assets and liabilities at 30 June 2011. If in future such estimates and assumptions, which are based on management's best judgement at the date of the condensed set of financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the period in which the circumstances change.

The Directors continue to believe that the Group has adequate resources to continue its activities for the foreseeable future and, therefore that it is appropriate to continue to adopt the going concern basis in the preparation of the condensed set of financial statements.

The comparative figures for the financial year ended 31 December 2010 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's Auditor and delivered to the Registrar of Companies. The report of the Auditor was (i) unqualified, (ii) did not include a reference to any matters to which the Auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

For the purpose of the condensed set of financial statements 'Filtrona' or 'the Group' means Filtrona plc ('the Company') and its subsidiaries.

The Group operates in industries where there are no significant seasonal or cyclical variations in revenue.

Income tax expense is recognised based upon the best estimate of the weighted average income tax rate on profit before tax expected for the full financial year of 30.4% (2010: 31.0%).

2. Segment analysis

In accordance with IFRS 8, Filtrona has determined its operating segments based upon the information reported to the Group Leadership Team. These segments are as follows:

Protection & Finishing Products provides product protection and finishing solutions, manufacturing and supplying plastic injection moulded, dip moulded vinyl and adhesive-coated foam products.

Porous Technologies manufactures custom bonded fibre and hydrophilic foam fluid and vapour handling components used in a wide range of product applications including medical diagnostic and wound care, inkjet printer cartridges, writing instruments and air fresheners.

Coated & Security Products is a producer of high quality self-adhesive tear tape, a supplier of labels, products and technologies for brand protection, document authentication, personal identification and a manufacturer of proprietary and customised thermoplastic profiles.

Filter Products is an independent cigarette filter manufacturer supplying a wide range of value adding high quality innovative filters from monoacetate to multi-segment speciality filters.

2. Segment analysis *(continued)*

	Revenue			Operating profit		
	Six months ended 30 Jun 2011 £m	Six months ended 30 Jun 2010 £m	Year ended 31 Dec 2010 £m	**Six months ended 30 Jun 2011 £m**	Six months ended 30 Jun 2010 £m	Year ended 31 Dec 2010 £m
Protection & Finishing Products	**78.5**	64.6	129.1	**19.2**	14.4	28.8
Porous Technologies	**40.5**	38.9	74.7	**10.4**	10.1	17.7
Coated & Security Products	**50.1**	46.3	91.9	**8.0**	8.0	14.7
Filter Products	**101.7**	101.5	200.7	**11.9**	12.0	23.7
Central Services[†]	**-**	-	-	**(5.9)**	(4.5)	(9.9)
Elimination of intersegment[Δ]	**(2.2)**	(3.7)	(6.8)			
	268.6	247.6	489.6	**43.6**	40.0	75.0
Intangible amortisation				**(1.7)**	(1.5)	(3.0)
Total	**268.6**	247.6	489.6	**41.9**	38.5	72.0
Adjusted operating margin*				**16.2%**	16.2%	15.3%

[†] Central Services includes group finance, tax, treasury, legal, internal audit, human resources, information technology, corporate development and other services provided centrally to support the operating segments

[Δ] Intersegment revenue is all attributable to Porous Technologies

* Adjusted operating margin is defined as operating profit before intangible amortisation divided by revenue

3. Earnings per share

	Six months ended 30 Jun 2011 £m	Six months ended 30 Jun 2010 £m	Year ended 31 Dec 2010 £m
Continuing operations			
Earnings attributable to equity holders of Filtrona plc	**25.6**	22.1	40.9
Adjustments			
Intangible amortisation	**1.7**	1.5	3.0
Tax relief on intangible amortisation	**(0.5)**	(0.5)	(0.9)
Adjusted earnings	**26.8**	23.1	43.0
Discontinued operations			
Earnings attributable to equity holders of Filtrona plc	**-**	5.0	6.8
Basic weighted average ordinary shares in issue (million)	**205.6**	204.8	204.9
Dilutive effect of employee share option plans (million)	**6.8**	3.6	4.2
Diluted weighted average ordinary shares (million)	**212.4**	208.4	209.1
Continuing operations			
Basic earnings per share	**12.5p**	10.8p	20.0p
Adjustment	**0.5p**	0.5p	1.0p
Adjusted earnings per share	**13.0p**	11.3p	21.0p
Diluted basic earnings per share	**12.1p**	10.6p	19.6p
Diluted adjusted earnings per share	**12.6p**	11.1p	20.6p
Discontinued operations			
Basic earnings per share	**-**	2.4p	3.3p
Diluted basic earnings per share	**-**	2.4p	3.3p

Adjusted earnings per share is provided to reflect the underlying earnings performance of Filtrona.

4. Property, plant and equipment

During the period Filtrona's operations spent £8.5m (six months ended 30 Jun 2010: £9.4m; year ended 31 Dec 2010: £20.1m) on land and buildings, plant and machinery and fixtures, fittings and equipment.

Land and buildings, plant and machinery and fixtures, fittings and equipment with a net book value of £0.3m (six months ended 30 Jun 2010: £0.1m; year ended 31 Dec 2010: £0.2m) were disposed of for proceeds of £nil (six months ended 30 Jun 2010: £0.1m; year ended 31 Dec 2010: £1.3m).

5. Retirement benefit obligations

Movement in fair value of net liabilities during the period

	30 Jun 2011 **£m**	30 Jun 2010 £m	31 Dec 2010 £m
Movements			
Beginning of period	**(17.6)**	(22.6)	(22.6)
Service cost	**(1.0)**	(1.0)	(1.8)
Employer contributions	**4.4**	4.0	11.9
Actual return less expected return on scheme assets	**(1.3)**	(7.8)	5.7
Impact of changes in assumptions relating to the present value of scheme liabilities	**2.1**	(8.6)	(10.7)
Net finance income	**0.6**	0.2	0.6
Currency translation	**0.1**	(0.9)	(0.7)
End of period	**(12.7)**	(36.7)	(17.6)

The principal defined benefit schemes were reviewed by independent qualified actuaries as at 30 June 2011. The assets of the schemes have been updated to the balance sheet date to take account of the investment returns achieved by the schemes and the level of contributions. The liabilities of the schemes at the balance sheet date have been updated to reflect latest discount rates and other assumptions as well as the level of contributions. The principal assumptions used by the independent qualified actuaries were:

Europe

	30 Jun 2011 **£m**	30 Jun 2010 £m	31 Dec 2010 £m
Rate of increase in salaries (pre-2010) [1]	**4.10%**	3.90%	4.20%
Rate of increase in salaries (post-2010) [1]	**3.00%**	3.00%	3.00%
Rate of increase in pensions (pre-2010) [1]	**3.60%**	3.30%	3.60%
Rate of increase in pensions (post-2010) [1]	**2.95%**	2.95%	2.95%
Discount rate	**5.50%**	5.40%	5.40%
Inflation rate	**3.60%**	3.30%	3.60%
Expected return on scheme assets	**6.20%**	6.60%	6.20%

US

	30 Jun 2011 **£m**	30 Jun 2010 £m	31 Dec 2010 £m
Rate of increase in salaries	**3.00%**	3.50%	3.00%
Rate of increase in pensions	**n/a[2]**	n/a[2]	n/a[2]
Discount rate	**5.40%**	5.19%	5.30%
Inflation rate	**n/a[2]**	n/a[2]	n/a[2]
Expected return on scheme assets	**7.80%**	7.80%	7.80%

[1] For service prior to April 2010, pension at retirement is linked to salary at retirement. For service after April 2010, pension is linked to salary at April 2010 with annual increases capped at 3%

[2] Not applicable

6. Analysis of net debt

	30 Jun 2011	30 Jun 2010	31 Dec 2010
	£m	£m	£m
Cash at bank and in hand	**26.7**	29.9	31.7
Short-term deposits repayable on demand	**19.1**	26.5	8.3
Cash and cash equivalents	**45.8**	56.4	40.0
Overdrafts	**-**	(0.1)	-
Cash and cash equivalents in the statement of cash flows	**45.8**	56.3	40.0
Debt due within one year	**(29.0)**	(6.9)	(14.0)
Debt due after one year	**(98.3)**	(155.4)	(116.8)
Net debt	**(81.5)**	(106.0)	(90.8)

At 30 June 2011 the Group's facilities comprised US$160m US Private Placement Loan Notes, a €27.0m term loan and US$143.7m revolving credit facility.

On 19 August 2011, Filtrona signed an agreement with a syndicate of relationship banks to provide £165.6m and €187.7m of new revolving credit facilities until August 2016. These facilities replace the term loan and revolving credit facility which would have expired in April 2012.

7. Acquisitions

On 18 January 2011, Filtrona acquired 9.9% of the share capital of Filthai Company Limited from non-controlling interests. Following the purchase of the share capital, Filtrona have increased their interest in Filthai Company Limited to 70.9% of the issued share capital. The cash consideration was £1.1m which was recorded directly to equity as acquisition of non-controlling interests.

8. Dividends

			Per share			**Total**
	Six months ended 30 Jun 2011	Six months ended 30 Jun 2010	Year ended 31 Dec 2010	**Six months ended 30 Jun 2011**	Six months ended 30 Jun 2010	Year ended 31 Dec 2010
	p	p	p	**£m**	£m	£m
2010 interim: paid 29 October 2010		3.0	3.0		6.2	6.2
2010 final: paid 28 April 2011			6.0			12.3
Proposed 2011 interim: payable 28 October 2011	**3.3**			**6.8**		
	3.3	3.0	9.0	**6.8**	6.2	18.5

The proposed interim dividend for 2011 of 3.3p per 25p ordinary share will be paid on 28 October 2011 to equity holders on the share register on 30 September 2011.

9. Related party transactions

There were no significant related party transactions during the period and there have been no changes to the nature of related parties since the last Annual Report.

10. Exchange rates

The principal exchange rates for Filtrona were:

			Average			Closing
	Six months ended 30 Jun 2011	Six months ended 30 Jun 2010	Year ended 31 Dec 2010	**Six months ended 30 Jun 2011**	Six months ended 30 Jun 2010	Year ended 31 Dec 2010
US$:£	**1.61**	1.52	1.55	**1.61**	1.50	1.57
€:£	**1.14**	1.16	1.17	**1.11**	1.22	1.17
IDR:£	**14,100**	14,000	14,100	**13,800**	13,600	14,100

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

• the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

• the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so –

Colin Day	**Steve Crummett**
Chief Executive	Group Finance Director

24 August 2011

Independent review report to Filtrona plc

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated balance sheet, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

Mike Barradell
for and on behalf of KPMG Audit Plc
Chartered Accountants
24 August 2011

15 Canada Square
London E14 5GL