22 February 2012

FILTRONA PLC
("the Company")

A leading international supplier of speciality plastic, fibre and foam products

RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2011

FY 2011: A STRONG START TO VISION 2015 STRATEGY
FURTHER GROWTH TARGETED IN 2012

FY 2011 highlights:

- Revenue up 11% at constant FX (like-for-like[1] +8%), with growth across all divisions.
- Adjusted operating profit[2] up 14% (constant FX).
- Adjusted operating margin[2] expansion of 40bps (constant FX) to 15.6%, +30bps at actual FX.
- Adjusted EPS[2,3] ahead 21% (constant FX) to 25.1p.
- Adjusted operating cash flow up +24% to £93m: net working capital improvement to 13.1% of revenue, down 110bps (constant FX).
- Net debt of £145m (FY 2010: £91m), increased predominantly due to £89m acquisition spend on Reid Supply and Richco, Inc.
- 17% increase in the full year dividend to 10.5p per share.
- Successful organisational changes implemented to underpin Vision 2015 objectives.

Results at a glance:

	FY 2011	FY 2010	% change Actual FX	% change Constant FX
Revenue	£540.7m	£489.6m	+10%	+11%
Operating profit – adjusted[2]	£84.5m	£75.0m	+13%	+14%
Profit before tax – adjusted[2]	£76.2m	£64.6m	+18%	+19%
Net income – adjusted[2, 3]	£53.0m	£44.6m	+19%	+20%
Earnings per share – adjusted[2, 3]	25.1p	21.0p	+20%	+21%
Dividend per share	10.5p	9.0p	+17%	n/a
Operating profit	£72.6m	£72.0m	+1%	+2%
Net income[3]	£42.4m	£42.5m	-	+1%
Basic earnings per share[3]	20.0p	20.0p	-	+2%

[1] Adjusted to exclude the impact of acquisitions, disposals and foreign exchange
[2] Before intangible amortisation and exceptional operating items
[3] Continuing operations

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

"Filtrona delivered a strong, broad-based performance in 2011, with like-for-like revenue growth of 8% and significant margin improvement and cash flow generation. These results were supported by further improvements in our product and technical offering and continued expansion of our geographic footprint, behind a strengthened organisation and more focused go-to-market effort.

Filtrona is well-positioned to deliver further balanced growth in 2012 and to continue to make progress towards its Vision 2015 objectives of at least mid single-digit like-for-like revenue growth and double-digit adjusted EPS growth at constant exchange."

Basis of Preparation

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

The term "like-for-like" ("LFL") describes the performance of the business on a comparable basis, adjusting for the impact of acquisitions, disposals and foreign exchange. The FY 2011 results include the results of BP Labels (acquired on 26 February 2010), Stera Tape (acquired on 22 November 2010), Reid Supply ("Reid", acquired on 6 September 2011), Richco, Inc. ("Richco", acquired on 21 December 2011) and FractureCode (divested 28 July 2011).

The term "adjusted" excludes the impact of intangible amortisation and exceptional operating items, less any associated tax relief. In FY 2011, intangible amortisation was £3.7m (FY 2010: £3.0m), and there was an exceptional pre-tax charge of £8.2m (FY 2010: £nil) mainly relating to integration costs and fees arising from the acquisitions of Reid and Richco, and other net costs arising from further reconfiguration of the Company.

Operating Review

FY 2011 revenue was 10.4% ahead of the prior year (+11.1% at constant FX) to £540.7m, with LFL growth of 8.0% coming from both a product and geographic perspective. In terms of product, the Company continued to broaden its offering to reach new end-markets and stepped up innovations to customers. In terms of geography, penetration was increased in existing markets, and there was further investment with a particular focus on faster-growing economies.

The gross margin rose 80bps (at both constant and actual FX) to 35.7%, benefiting from successful pricing programmes to mitigate input cost increases, ongoing operational improvement initiatives and a positive product mix.

On an adjusted basis, operating profit was ahead 12.7% (+13.9% at constant FX) at £84.5m, equating to a 30bps uplift in the margin to 15.6% (+40 bps at constant FX). Operating profit as reported was £72.6m, 0.8% higher than last year (+2.0% at constant FX) owing to an exceptional pre-tax charge of £8.2m mainly relating to the acquisition and integration of Reid and Richco, and to further reconfiguration of the Company.

Net finance expense was lower at £8.3m (FY 2010: £10.4m), due to strong operating cash flow generation, lower fee amortisation and a higher pension credit. The effective tax rate on profit before tax (before exceptional operating items) reduced to 30% (FY 2010: 31%).

On an adjusted basis, net income was up 18.8% (+20.4% at constant FX) and earnings per share growth was 19.5% (+21.3% at constant FX) to 25.1p. On a reported basis net income was £42.4m, a decrease of -0.2% (+1.2% at constant FX), with earnings per share unchanged versus FY 2010 at 20.0p (+1.5% at constant FX).

Operating Review

Summary growth in revenue by division

% growth	LFL	Acquisitions / Disposals	Foreign Exchange	Total Reported
Protection & Finishing Products	**+16.4%**	**+11.1%**	**-1.2%**	**+26.3%**
Porous Technologies	**+5.6%**	**-**	**-1.3%**	**+4.3%**
Coated & Security Products	**+5.5%**	**+1.0%**	**+0.4%**	**+6.9%**
Filter Products	**+4.2%**	**-**	**-0.6%**	**+3.6%**
Total Company	**+8.0%**	**+3.1%**	**-0.7%**	**+10.4%**

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

Protection & Finishing Products

	FY 2011 £m	% growth Actual FX	% growth Constant FX
Revenue	163.0	+26.3%	+27.5%
Operating profit	37.8	+31.3%	+32.6%
Operating margin	23.2%	+90bps	+90bps

Revenue increased 27.5% to £163.0m, with like-for-like growth of 16.4% driven by range developments and continued improvements in marketing effectiveness. The results were boosted by the inclusion of a full year contribution from Stera Tape, as well as four months from Reid.

The Component Distribution businesses of Moss, Skiffy and Alliance each delivered record levels of revenue, and broad-based growth across geographies and key end market sectors. The move to larger distribution warehousing operations in Brazil and Poland supported the performance and presence in these emerging markets, while revenue from Moss China more than doubled during the year. Alliance Express Albany was opened in the second half of 2011, and the Duraco operations established in China and Los Angeles both performed well. The integration of Stera Tape proceeded in line with expectations, and the launch of Stera Tape products in the US has been completed.

Following a strong performance in 2010, MSI delivered another record result in 2011. The new facility build in Houston, US remains on track to be operational by the second quarter of 2012.

Continued focus on efficient marketing investment and activity, particularly the increasing use of electronic marketing media, delivered strong lead indicators versus the prior year: marketing responses were up 12.4%, and the number of live accounts at the end of 2011 increased to over 120,000 partially boosted by the acquisition of Reid and Richco. Revenue from higher margin proprietary products, as opposed to custom parts, increased to 74% (on a comparable basis, excluding Reid) from 71%. To support the future growth of the division, the focus on driving the e-commerce strategy was successfully reinforced during the year.

Adjusted operating profit grew 32.6% to £37.8m, for a 90bps uplift in the margin. This improvement reflected both operational leverage from the strong revenue growth, as well as operating and process efficiencies and a continued positive mix effect from moving the business further into higher margin standard parts, partially offset by the dilutive impact of Reid and Stera Tape.

The acquisition of Reid was completed on 6 September, since when the trading performance and the integration of the business have both progressed in line with expectations. On 21 December, the acquisition of Richco was completed for a sum of US$110m: there was no impact from Richco on the trading result of the division in FY 2011.

Porous Technologies

	FY 2011 £m	**% growth Actual FX**	**% growth Constant FX**
Revenue	77.9	+4.3%	+5.6%
Operating profit	18.4	+4.0%	+5.7%
Operating margin	23.6%	-10bps	Unchanged

Revenue increased 5.6% to £77.9m and operating profit rose 5.7% to £18.4m, with the operating margin unchanged.

Revenue growth of 40% in printer systems (c.30% of divisional revenue) was driven by next generation platform launches by global OEM accounts. Healthcare (c.20% of divisional revenue) was up 3%, with an underlying improvement of 8% being partially offset by the strong prior year comparative relating to the H1N1 'flu epidemic.

The writing instruments business (c.30% of divisional revenue) was down 8% as result of lower consumption of branded products. Household products and personal care (together c.10% of divisional revenue) declined by 3% compared to prior year, largely due to inventory de-stocking by a key customer.

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 7%.

Higher raw materials costs were successfully offset through waste reduction, efficiency projects and process / automation conversions.

In 2011, the division continued its successful track record of converting its intellectual property and manufacturing know-how into commercial success. A number of technologies were introduced during the year across end markets, and the commercial expansion of products using porous plastics is ahead of expectations.

A number of operational initiatives were successfully completed during the year, including initiating a new commercial site in Singapore and the transfer of production capacity and equipment for pregnancy test wicks to China. There was also further capacity expansion at the St. Charles, Michigan foam site for Medical Woundcare products, at Reinbek to enable European manufacture of Printer Systems products for the global customer base, and at Richmond for porous plastics.

Coated & Security Products

	FY 2011 £m	% growth Actual FX	% growth Constant FX
Revenue	98.2	+6.9%	+6.5%
Operating profit	15.4	+4.8%	+5.5%
Operating margin	15.7%	-30bps	-10bps

Revenue increased 6.5% to £98.2m. Adjusting for the contribution from the BP Labels business acquired in February 2010 and the divestment of FractureCode in July 2011, LFL growth was 5.5%. Operating profit increased 5.5% to £15.4m.

Tear tape revenue increased 8%, driven by a strong performance from wide-width message tapes and a new opening solution in the US food market. Growth in Labels (+23%) came particularly in tobacco, and included the incremental impact of the BP Labels business (now known as Payne Cardiff).

Revenue from the Payne authentication system was ahead 29%, and the business gained the Queen's Award for Enterprise in the Innovation category for the successful development and commercialisation of this proprietary technology.

Enitor delivered an improved result boosted by successful new business development, with revenue growth and operating margin expansion.

A continued focus on efficiency improvements helped to mitigate the margin impact of the loss of the UK Passport contract.

Driven by investment in machinery and capability for volume badge production, the division succeeded in securing the opportunity to provide the next generation Blue Badge in the UK. As part of the new scheme, a secure card is printed and mailed to registered disabled users, to evidence their entitlement to free parking. In addition, further investments were made at the Banbury site during 2011, expanding the authentication technologies' manufacturing capability.

Following a strategic review of the division's track and trace activities, the FractureCode business was divested.

Filter Products

	FY 2011 £m	% growth Actual FX	% growth Constant FX
Revenue	208.0	+3.6%	+4.2%
Operating profit	24.5	+3.4%	+3.8%
Operating margin	11.8%	Unchanged	Unchanged

Revenue increased 4.2% to £208.0m and operating profit was up 3.8% to £24.5m, with the operating margin unchanged at 11.8%. Underlying volumes increased 2% versus the prior year, with growth coming particularly in Asia and Europe, and with both the multinational and independent customers.

Revenue growth was supported by an increased number of successful new product launches, development initiatives and wider service offerings versus 2010. In filters, a number of premium variants were introduced including flavour capsules and super slim combinations, as well as three new roll your own ("RYO") products. There was also a strong increase in the level of sample and joint development activities and intellectual property commercialisation, with a positive contribution from all three development sites. Overall, the division performed well, increasing its customers and doubling the number of accreditations during the year, as well as further extending packaging services for the RYO market.

Higher raw material and other input costs were successfully mitigated by continued productivity improvements, quality enhancement, and cost reduction initiatives implemented in 2010.

In order to be better-positioned to service the growing Asian market and to take advantage of new business opportunities, the Filter Products' head office was relocated to Singapore and the Filthai operation in Thailand moved to a new, custom-built facility in Bangkok. In FY 2011, Asia accounted for 54% of volumes (FY 2010: 48%). In addition, the site at Greensboro, North Carolina was expanded, increasing both capacity and operational capability. As a result of this expansion in North America, the facility in Monterrey, Mexico was closed. During the year, there was a fire at the Paraguay facility, but no disruption in the supply to customers was incurred.

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 FY 2011 were:

	Average		Closing	
	FY 2011	FY 2010	FY 2011	FY 2010
US$:£	1.60	1.55	1.55	1.57
€:£	1.15	1.17	1.20	1.17

Re-translating at FY 2011 average exchange rates reduces the prior year revenue and adjusted operating profit by £2.9m and £0.8m respectively.

Net finance expense. Net finance expense was £8.3m, a £2.1m decrease versus FY 2010, which is broken down as follows:

£m	**FY 2011**	FY 2010
Net interest charge on net debt	8.6	9.1
Amortisation of bank fees	0.8	2.5
IAS 19 (Revised) pension finance credit	(1.2)	(0.6)
Other	0.1	(0.6)
Total net interest	**8.3**	**10.4**

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

Tax. The effective tax rate on profit before tax (before exceptional operating items) was 30.4% (FY 2010: 31.0%).

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

£m	**FY 2011**	FY 2010
Inventories	66.4	59.1
Trade & other receivables	85.4	76.0
Trade & other payables	(91.2)	(63.6)
Adjustments	10.5	(1.5)
Net working capital	**71.1**	**70.0**

The net working capital/revenue ratio was 13.1% (FY 2010: 14.2%, at constant FX).

Cash flow. Operating cash flow increased 23.8% to £92.7m. Free cash flow of £53.7m was up 32.6%.

£m	**FY 2011**	FY 2010	Change
Operating profit – adjusted	**84.5**	**75.0**	**+12.7%**
Depreciation	20.7	20.4	
Share option expense/other movements	6.4	3.4	
Change in working capital	7.9	(5.1)	
Net capital expenditure	(26.8)	(18.8)	
Operating cash flow - adjusted	**92.7**	**74.9**	**+23.8%**
Tax	(21.6)	(16.3)	
Net interest paid	(9.1)	(8.0)	
Pension obligations	(8.3)	(10.1)	
Free cash flow	**53.7**	**40.5**	**+32.6%**

Net debt. Net debt at the end of the period was £144.9m, an increase of £54.1m from 1 January 2011, with strong cash flow generation being offset by higher dividend payments and the acquisitions of Reid and Richco during the year.

	£m
Net debt as at 1 January 2011	90.8
Free cash flow	(53.7)
Dividends	19.1
Acquisitions/disposals	86.6
Foreign exchange	1.0
Other	1.1
Net debt as at 31 December 2011	**144.9**

The Company's financial ratios remain strong. The ratio of net debt to EBITDA as at 31 December 2011 was 1.4x (31 December 2010: 0.9x) and interest cover was 9.3x (31 December 2010: 7.1x).

Balance sheet. At the end of 2011, the Company had shareholders' funds of £207.0m (2010: £187.8m), an increase of 10.2%. Net debt was £144.9m (2010: £90.8m) and total capital employed in the business was £358.3m (2010: £288.2m).

This finances non-current assets of £362.5m (2010: £267.7m), of which £168.1m (2010: £156.1m) is tangible fixed assets, the remainder being intangible assets, deferred tax assets and other receivables. The Company has net working capital of £71.1m (2010: £70.0m), current provisions of £12.8m (2010: £2.9m) and long-term liabilities other than borrowings of £41.3m (2010: £33.3m).

Pensions. As at 31 December 2011, the Company's IAS 19 (Revised) gross pension liability was £24.0m (FY 2010: £17.6m) with a net liability of £16.6m (FY 2010: £12.4m) after accounting for a deferred tax asset of £7.4m (FY 2010: £5.2m). The deficit has been calculated after updating the asset values and certain assumptions as at 31 December 2011.

Dividends. The Board of Directors recommends a final dividend of 7.2 pence per share (2010: 6.0 pence), an increase of 20%. This takes the FY 2011 dividend to 10.5 pence per share (+16.7% versus FY 2010).

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.

Treasury policy and controls. Filtrona has a centralised treasury department to control external borrowings and manage exchange rate risk. Treasury policies are approved by the Board and cover the nature of the exposure to be hedged, the types of financial investments that may be employed and the criteria for investing and borrowing cash. The Company uses derivatives only to manage foreign currency and interest rate risk arising from underlying business activities. No transactions of a speculative nature are undertaken. The department is subject to independent reviews by the internal audit department. Underlying policy assumptions and activities are reviewed by the Executive Directors.

Controls over exposure changes and transaction authenticity are in place, and dealings are restricted to those banks with the relevant combination of geographical presence and suitable credit rating. Filtrona monitors the credit ratings of its counterparties and credit exposure to each counterparty.

Foreign exchange risk. The majority of Filtrona's net assets are in currencies other than sterling. The Company's normal policy is to limit the transaction exposure and the resulting impact on shareholders' funds by borrowing in those currencies in which the Company has significant net assets. As at 31 December 2011, Filtrona's US dollar-denominated assets were approximately 59% hedged by its US dollar-denominated borrowings, while its euro-denominated assets were approximately 92% hedged by its euro-denominated borrowings.

The Company does not hedge the translation effect of exchange rate movements on the income statement.

The majority of Filtrona's transactions are carried out in the functional currencies of its operations, and so transaction exposure is limited. However, where they do occur, the Company's policy is to hedge the exposures as soon as they are committed using forward foreign exchange contracts.

2012 Outlook

Filtrona is well-positioned to deliver further balanced growth in 2012 and to continue to make progress towards its Vision 2015 objectives of at least mid single-digit like-for-like revenue growth and double-digit adjusted EPS growth at constant exchange.

Vision 2015

Filtrona's Vision 2015 strategy seeks to maximise shareholder value through the delivery of balanced profitable growth in both its existing and future opportunity markets and technologies. The strategy also calls for strong conversion of profit into cash and a progressive dividend policy. The Company looks to complement this balanced organic growth with value-adding acquisitions.

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 09:00 (UK time) on www.filtrona.com/webcasts.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 revise or update these forward-looking statements publicly 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, fibre and foam products. Further information can be found on the website www.filtrona.com.

Protection & Finishing Products
A global market leading supplier of protection and finishing products, manufacturing and distributing plastic injection moulded, vinyl dip moulded, and metal items as well as pressure sensitive tapes. The division has 60 operating units in 21 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.

Porous Technologies
A global market leading developer and manufacturer of custom fluid handling components, engineered from a portfolio of technologies that includes bonded fibre, polyurethane foam, and porous plastic. Representing leading innovations used in healthcare, consumer and industrial applications, its enabling components are found in a wide range of products from medical diagnostics tests to advanced wound care pads, inkjet printer cartridges, writing instruments and air fresheners. Customers in 56 countries are served from four manufacturing facilities with research and development centres supporting the division globally.

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 the consumer packaging, identity and valuable documents markets. Customers in over 100 countries are served from facilities operating in six countries. The division also includes plastic profile extrusion activities in The Netherlands.

Filter Products
The only global independent cigarette filter supplier. The nine 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, packaging solutions to the roll your own sector and analytical laboratory services for ingredient measurement for the industry.

Consolidated Income Statement
for the year ended 31 December 2011

	Note	**2011 £m**	2010 £m
Revenue	2	**540.7**	489.6
Operating profit before intangible amortisation and exceptional operating items		**84.5**	75.0
Intangible amortisation		**(3.7)**	(3.0)
Exceptional operating items		**(8.2)**	-
Operating profit	2,3	**72.6**	72.0
Finance income	4	**12.2**	12.0
Finance expense	4	**(20.5)**	(22.4)
Profit before tax		**64.3**	61.6
Income tax expense		**(21.9)**	(19.1)
Profit from continuing operations		**42.4**	42.5
Profit from discontinued operations	11	**1.9**	6.8
Profit for the year		**44.3**	49.3
Attributable to:			
Equity holders of Filtrona plc		**43.1**	47.7
Non-controlling interests		**1.2**	1.6
Profit for the year		**44.3**	49.3
Earnings per share attributable to equity holders of Filtrona plc:			
Basic	5	**20.9p**	23.3p
Diluted	5	**20.2p**	22.9p
Earnings per share from continuing operations attributable to equity holders of Filtrona plc:			
Basic	5	**20.0p**	20.0p
Diluted	5	**19.3p**	19.6p

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2011

	Note	2011 £m	2010 £m
Profit for the year		**44.3**	49.3
Other comprehensive income			
Actuarial losses on defined benefit pension schemes	8	**(15.6)**	(5.0)
Deferred tax credit on actuarial losses on defined benefit pension schemes		**4.8**	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		**0.4**	0.7
Effective portion of changes in fair value of cash flow hedges		**1.3**	(0.3)
Foreign exchange translation differences:			
Attributable to equity holders of Filtrona plc:			
Arising on translation of foreign operations		**(2.2)**	2.9
Arising on effective net investment hedges		**0.2**	2.7
Income tax charge on effective net investment hedges		**(0.1)**	(1.0)
Attributable to non-controlling interests		**(0.7)**	0.9
		(11.9)	2.2
Total comprehensive income		**32.4**	51.5
Attributable to:			
Equity holders of Filtrona plc		**31.9**	49.0
Non-controlling interests		**0.5**	2.5
Total comprehensive income		**32.4**	51.5

Consolidated Balance Sheet
at 31 December 2011

	Note	**2011** **£m**	2010 £m
Assets			
Property, plant and equipment	6	**168.1**	156.1
Intangible assets	7	**185.5**	107.3
Deferred tax assets		**8.9**	1.4
Other receivables		**-**	2.9
Total non-current assets		**362.5**	267.7
Inventories		**66.4**	59.1
Income tax receivable		**7.0**	4.2
Trade and other receivables		**85.4**	73.1
Derivative assets		**1.2**	0.4
Cash and cash equivalents		**35.8**	40.0
Total current assets		**195.8**	176.8
Total assets		**558.3**	444.5
Equity			
Issued capital		**54.8**	54.8
Capital redemption reserve		**0.1**	0.1
Other reserve		**(132.8)**	(132.8)
Cash flow hedging reserve		**1.1**	(0.6)
Translation reserve		**15.5**	17.6
Retained earnings		**268.3**	248.7
Attributable to equity holders of Filtrona plc		**207.0**	187.8
Non-controlling interests		**6.4**	9.6
Total equity		**213.4**	197.4
Liabilities			
Interest bearing loans and borrowings		**177.3**	116.8
Derivative liabilities		**-**	0.5
Retirement benefit obligations	8	**24.0**	17.6
Income tax payable		**-**	4.5
Provisions		**2.2**	1.2
Deferred tax liabilities		**15.1**	9.5
Total non-current liabilities		**218.6**	150.1
Interest bearing loans and borrowings		**3.4**	14.0
Derivative liabilities		**0.5**	2.0
Income tax payable		**18.4**	14.5
Trade and other payables		**91.2**	63.6
Provisions		**12.8**	2.9
Total current liabilities		**126.3**	97.0
Total liabilities		**344.9**	247.1
Total equity and liabilities		**558.3**	444.5

Consolidated Statement of Changes in Equity
for the year ended 31 December 2011

	Issued capital £m	**Capital redemption reserve £m**	**Other reserve £m**	**Cash flow hedging reserve £m**	**Translation reserve £m**	**Retained earnings £m**	**Non-controlling interests £m**	**Total equity £m**
								2011
At 1 January 2011	**54.8**	**0.1**	**(132.8)**	**(0.6)**	**17.6**	**248.7**	**9.6**	**197.4**
Profit for the year						43.1	1.2	**44.3**
Other comprehensive income/(loss) for the year				1.7	(2.1)	(10.8)	(0.7)	**(11.9)**
Acquisition of non-controlling interests						(0.4)	(0.7)	**(1.1)**
Purchase of employee trust shares						(8.2)		**(8.2)**
Share options exercised						7.1		**7.1**
Share option expense						3.0		**3.0**
Tax relating to share-based incentives						4.9		**4.9**
Dividends paid						(19.1)	(3.0)	**(22.1)**
At 31 December 2011	**54.8**	**0.1**	**(132.8)**	**1.1**	**15.5**	**268.3**	**6.4**	**213.4**

	Issued capital £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
								2010
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
Purchase 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

Consolidated Statement of Cash Flows
for the year ended 31 December 2011

	Note	**2011 £m**	2010 £m
Operating activities			
Profit for the year from continuing operations		**42.4**	42.5
Adjustments for:			
Income tax expense		**21.9**	19.1
Net finance expense	4	**8.3**	10.4
Intangible amortisation		**3.7**	3.0
Exceptional operating items	3	**8.2**	-
Depreciation		**20.7**	20.4
Share option expense		**3.0**	2.8
Other movements		**3.4**	0.6
Increase in inventories		**(2.0)**	(5.5)
Increase in trade and other receivables		**(2.7)**	(3.9)
Increase in trade and other payables		**12.6**	4.3
Cash inflow/(outflow) in respect of exceptional operating items		**4.9**	(1.3)
Purchase of employee trust shares		**(8.2)**	(1.1)
Additional pension contributions		**(8.3)**	(10.1)
Other provisions utilised in the year		**-**	(0.5)
Cash inflow from operating activities		**107.9**	80.7
Income tax paid		**(21.6)**	(16.3)
Net cash inflow from operating activities		**86.3**	64.4
Investing activities			
Interest received		**0.2**	0.2
Acquisition of property, plant and equipment		**(27.0)**	(20.1)
Proceeds from sale of property, plant and equipment		**0.2**	1.3
Acquisition of businesses net of cash acquired	10	**(89.0)**	(12.0)
Proceeds from sale of businesses		**2.6**	10.9
Income tax paid on sale of businesses		**(0.2)**	(3.2)
Net cash outflow from investing activities		**(113.2)**	(22.9)
Financing activities			
Interest paid		**(9.3)**	(8.2)
Dividends paid to equity holders		**(19.1)**	(16.6)
Dividends paid to non-controlling interests		**(3.0)**	(0.3)
Acquisition of non-controlling interests		**(1.1)**	-
Repayments of short-term loans		**(14.4)**	-
Proceeds from short-term loans		**3.2**	0.2
Repayment of long-term loans		**(16.6)**	(117.2)
Proceeds from long-term loans		**76.8**	104.3
Proceeds from sale of employee trust shares		**7.1**	-
Net cash inflow/(outflow) from financing activities		**23.6**	(37.8)
Net (decrease)/increase in cash and cash equivalents	9	**(3.3)**	3.7
Net cash and cash equivalents at the beginning of the year		**40.0**	32.0
Net(decrease)/increase in cash and cash equivalents		**(3.3)**	3.7
Net effect of currency translation on cash and cash equivalents		**(0.9)**	4.3
Net cash and cash equivalents at the end of the year	9	**35.8**	40.0

1. Accounting Policies

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ('EU') in accordance with EU law (IAS Regulation EC 1606/2002) ('adopted IFRS') and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are prepared under the historical cost convention except for derivatives which are stated at fair value and retirement benefit obligations which are valued in accordance with IAS 19 (Revised): *Employee benefits*.

The 2011 Annual Report will be despatched to shareholders during March 2012. The financial information set out herein does not constitute the Company's statutory accounts for the year ended 31 December 2011 but is derived from those accounts and the accompanying Directors' report. Statutory accounts for 2011 will be delivered to the Registrar of Companies following the Company's Annual General Meeting which will be held on 24 April 2012. The auditors have reported on those accounts and their report was unqualified.

2. Segment analysis

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

Protection & Finishing Products is a global market leading supplier of protection and finishing products, manufacturing and distributing plastic injection moulded, vinyl dip moulded, and metal items as well as pressure sensitive tapes. The division has 60 operating units in 21 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.

Porous Technologies is a global market leading developer and manufacturer of custom fluid handling components, engineered from a portfolio of technologies that includes bonded fibre, polyurethane foam, and porous plastic. Representing leading innovations used in healthcare, consumer and industrial applications, its enabling components are found in a wide range of products from medical diagnostics tests to advanced wound care pads, inkjet printer cartridges, writing instruments and air fresheners. Customers in 56 countries are served from four manufacturing facilities with research and development centres supporting the division globally.

Coated & Security Products is the global market leading producer of high quality self-adhesive tear tape and a growing supplier of labels, products and technologies for the consumer packaging, identity and valuable documents markets. Customers in over 100 countries are served from facilities operating in six countries. The division also includes plastic profile extrusion activities in The Netherlands.

Filter Products is the only global independent cigarette filter supplier. The nine 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, packaging solutions to the roll your own sector and analytical laboratory services for ingredient measurement for the industry.

2. Segment analysis continued

	Protection & Finishing Products £m	Porous Techno-logies £m	Coated & Security Products £m	Filter Products £m	Elimin-ations £m	Central Services[1] £m	Continuing operations £m	Discontinued operations £m	Total £m
									2011
External revenue	163.0	71.5	98.2	208.0	-	-	540.7	-	540.7
Intersegment revenue	-	6.4	-	-	(6.4)	-	-	-	-
Total revenue	**163.0**	**77.9**	**98.2**	**208.0**	**(6.4)**	**-**	**540.7**	**-**	**540.7**
Operating profit/(loss) before intangible amortisation and exceptional operating items	37.8	18.4	15.4	24.5	-	(11.6)	84.5	-	84.5
Intangible amortisation	(2.7)	(0.8)	(0.2)	-	-	-	(3.7)	-	(3.7)
Exceptional operating items	(6.3)	(1.2)	(1.9)	1.2	-	-	(8.2)	-	(8.2)
Operating profit/(loss)	**28.8**	**16.4**	**13.3**	**25.7**	**-**	**(11.6)**	**72.6**	**-**	**72.6**
Segment assets	118.0	50.0	53.3	95.3	-	3.5	320.1	-	320.1
Intangible assets	149.5	18.5	17.5	-	-	-	185.5	-	185.5
Unallocated items						52.7	52.7		52.7
Total assets	**267.5**	**68.5**	**70.8**	**95.3**	**-**	**56.2**	**558.3**	**-**	**558.3**
Segment liabilities	41.9	9.1	9.9	32.9	-	10.0	103.8	2.4	106.2
Unallocated items						238.7	238.7		238.7
Total liabilities	**41.9**	**9.1**	**9.9**	**32.9**	**-**	**248.7**	**342.5**	**2.4**	**344.9**
Other segment items									
Capital expenditure	12.5	2.3	2.8	9.1	-	0.3	27.0	-	27.0
Impairment to property, plant and equipment	1.7	-	-	4.1	-	-	5.8	-	5.8
Depreciation	5.8	2.9	4.6	7.3	-	0.1	20.7	-	20.7
Average number of employees	1,020	458	575	1,261	-	28	3,342	-	3,342

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

2. Segment analysis continued

	Protection & Finishing Products £m	Porous Techno-logies £m	Coated & Security Products £m	Filter Products £m	Elimin-ations £m	Central Services[1] £m	Continuing operations £m	Discontinued operations £m	2010 Total £m
External revenue	129.1	67.9	91.9	200.7	-	-	489.6	-	489.6
Intersegment revenue	-	6.8	-	-	(6.8)	-	-	-	-
Total revenue	129.1	74.7	91.9	200.7	(6.8)	-	489.6	-	489.6
Operating profit/(loss) before intangible amortisation	28.8	17.7	14.7	23.7	-	(9.9)	75.0	-	75.0
Intangible amortisation	(1.9)	(0.9)	(0.1)	(0.1)	-	-	(3.0)	-	(3.0)
Operating profit/(loss)	26.9	16.8	14.6	23.6	-	(9.9)	72.0	-	72.0
Segment assets	77.7	51.1	56.2	99.1	-	7.1	291.2	-	291.2
Intangible assets	70.1	19.2	18.0	-	-	-	107.3	-	107.3
Unallocated items						46.0	46.0		46.0
Total assets	147.8	70.3	74.2	99.1	-	53.1	444.5	-	444.5
Segment liabilities	18.3	7.0	8.2	22.9	-	8.6	65.0	2.7	67.7
Unallocated items						179.4	179.4		179.4
Total liabilities	18.3	7.0	8.2	22.9	-	188.0	244.4	2.7	247.1
Other segment items									
Capital expenditure	6.8	3.8	2.1	7.4	-	-	20.1	-	20.1
Impairment to property, plant and equipment	-	-	-	1.5	-	-	1.5	-	1.5
Depreciation	5.3	3.0	4.7	7.3	-	0.1	20.4	-	20.4
Average number of employees	800	455	577	1,355	-	26	3,213	-	3,213

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

3. Exceptional operating items

	2011 £m
Acquisition fees[1]	2.8
Integration costs[2]	2.4
Other[3]	3.0
	8.2

1 Transaction costs incurred during the year in respect of the acquisition of Richco and Reid Supply
2 Integration costs in respect of Richco and Reid Supply incurred in the period
3 Includes profit arising on insurance proceeds received net of associated costs of £4.6m, the loss on disposal of the Group's shares in FractureCode Corporation ApS of £1.9m and reorganisation costs within certain of the Group's segments

4. Net finance expense

	2011 £m	2010 £m
Finance income		
Bank deposits	**0.1**	0.1
Other finance income	**0.1**	0.6
Expected return on pension scheme assets	**12.0**	11.3
	12.2	12.0
Finance expense		
Interest on loans and overdrafts	**(8.7)**	(9.2)
Amortisation of bank facility fees	**(0.8)**	(2.5)
Other finance expense	**(0.2)**	-
Interest on pension scheme liabilities	**(10.8)**	(10.7)
	(20.5)	(22.4)
Net finance expense	**(8.3)**	(10.4)

5. Earnings per share

	2011 £m	2010 £m
Continuing operations		
Earnings attributable to equity holders of Filtrona plc	**41.2**	40.9
Adjustments		
Intangible amortisation	**3.7**	3.0
Exceptional operating items	**8.2**	-
	11.9	3.0
Tax relief on adjustments	**(1.3)**	(0.9)
Adjusted earnings	**51.8**	43.0
Discontinued operations		
Earnings attributable to equity holders of Filtrona plc	**1.9**	6.8
Basic weighted average ordinary shares in issue (m)	**206.3**	204.9
Dilutive effect of employee share option plans (m)	**7.0**	4.2
Diluted weighted average ordinary shares (m)	**213.3**	209.1
Continuing operations		
Basic earnings per share	**20.0p**	20.0p
Adjustment	**5.1p**	1.0p
Adjusted earnings per share	**25.1p**	21.0p
Diluted basic earnings per share	**19.3p**	19.6p
Diluted adjusted earnings per share	**24.3p**	20.6p
Discontinued operations		
Basic earnings per share	**0.9p**	3.3p
Diluted basic earnings per share	**0.9p**	3.3p

The basic weighted average number of ordinary shares in issue excludes shares held in treasury and shares held by an employee benefit trust.

6. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	2011 Total £m
Cost				
Beginning of year	72.4	270.3	43.7	**386.4**
Acquisitions	2.5	4.0	1.2	**7.7**
Additions	9.1	19.5	4.1	**32.7**
Disposals	(1.4)	(27.0)	(6.4)	**(34.8)**
Currency translation	0.2	(4.1)	(0.4)	**(4.3)**
End of year	**82.8**	**262.7**	**42.2**	**387.7**
Depreciation				
Beginning of year	19.8	177.2	33.3	**230.3**
Expense in year	2.1	15.4	3.2	**20.7**
Disposals	(1.0)	(26.8)	(6.3)	**(34.1)**
Impairments	3.0	1.9	0.9	**5.8**
Reclassification	-	1.3	(1.3)	**-**
Currency translation	(0.1)	(2.7)	(0.3)	**(3.1)**
End of year	**23.8**	**166.3**	**29.5**	**219.6**
Net book value at end of year	**59.0**	**96.4**	**12.7**	**168.1**

The impairments during 2011 and 2010 related to plant and machinery and land and buildings that have been assessed as non-recoverable through on-going use in the Group and are expected to have no value on disposal. The impairment charge of £5.8m made during 2011 has been recognised within exceptional operating items and relates to the integration of acquisitions and reorganisation within certain of the Group's segments.

7. Intangible assets

Goodwill	**2011 £m**	2010 £m
Beginning of year	**58.9**	53.0
Acquisitions	**27.4**	5.8
Currency translation	**0.1**	0.1
End of year	**86.4**	58.9
Customer relationships		
Cost		
Beginning of year	**54.8**	49.2
Acquisitions	**48.8**	5.9
Currency translation	**0.4**	(0.3)
End of year	**104.0**	54.8
Amortisation		
Beginning of year	**11.7**	9.3
Expense in year	**2.9**	2.4
Currency translation	**(0.1)**	-
End of year	**14.5**	11.7
Net book value at end of year	**89.5**	43.1
Net book value at beginning of year	**43.1**	39.9
Other		
Cost		
Beginning of year	**6.6**	5.9
Acquisitions	**4.9**	0.5
Currency translation	**0.2**	0.2
End of year	**11.7**	6.6
Amortisation		
Beginning of year	**1.3**	0.7
Expense in year	**0.8**	0.6
Currency translation	**-**	-
End of year	**2.1**	1.3
Net book value at end of year	**9.6**	5.3
Net book value at beginning of year	**5.3**	5.2
Total net book value of intangible assets at end of year	**185.5**	107.3

Other intangible assets principally comprise trade names acquired with Richco and Reid Supply and developed technology acquired with Lendell.

8. Employee benefits

Post-retirement benefits

The amounts included in the consolidated financial statements are as follows:

	2011	2010
	£m	£m
Amounts expensed against operating profit		
Defined contribution schemes	**2.2**	1.8
Defined benefit schemes	**1.9**	1.8
Total operating expense	**4.1**	3.6
Amounts included as finance (income)/expense		
Expected return on scheme assets	**(12.0)**	(11.3)
Interest on scheme liabilities	**10.8**	10.7
Net financial income	**(1.2)**	(0.6)
Amounts recognised in the consolidated statement of comprehensive income		
Actual return less expected return on scheme assets	**(3.5)**	5.7
Impact of changes in assumptions relating to the present value of scheme liabilities	**(12.1)**	(10.7)
Actuarial loss	**(15.6)**	(5.0)

The principal assumptions used by the independent qualified actuaries for the purposes of IAS 19 (Revised) were:

		2011		2010
	Europe	**US**	Europe	US
Increase in salaries (pre-2010) [1]	3.50%	3.00%	4.20%	3.00%
Increase in salaries (post-2010) [1]	3.00%	3.00%	3.00%	3.00%
Increase in pensions (pre-2010) [1]	3.20%	n/a[2]	3.60%	n/a[2]
Increase in pensions (post-2010) [1]	2.00%	n/a[2]	2.95%	n/a[2]
Discount rate	4.70%	4.60%	5.40%	5.30%
Inflation rate	2.50%	n/a[2]	3.60%	n/a[2]
Expected return on scheme assets	5.00%	7.10%	6.20%	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

The assumptions used by the actuaries are the estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not be borne out in practice.

The life expectancy assumptions used to estimate defined benefit obligations at the year end are:

		2011		2010
	Europe	**US**	Europe	US
Male retiring today at age 65	**20.8**	**19.1**	20.8	18.5
Female retiring today at age 65	**23.5**	**21.0**	23.5	20.7
Male retiring in 20 years at age 65	**22.8**	**19.1**	22.8	18.5
Female retiring in 20 years at age 65	**25.5**	**21.0**	25.5	20.7

8. Employee benefits continued

Movement in fair value of scheme assets/ (liabilities) during the year

	2011			2010		
	Scheme assets £m	**Scheme liabilities £m**	**Total £m**	Scheme assets £m	Scheme liabilities £m	Total £m
Beginning of year	**187.2**	**(204.8)**	**(17.6)**	158.7	(181.3)	(22.6)
Service cost	**-**	**(1.9)**	**(1.9)**	-	(1.8)	(1.8)
Employer contributions	**10.2**	**-**	**10.2**	11.9	-	11.9
Employee contributions	**0.5**	**(0.5)**	**-**	0.6	(0.6)	-
Actuarial gains/(losses)	**(3.5)**	**(12.1)**	**(15.6)**	5.7	(10.7)	(5.0)
Finance income/(expense)	**12.0**	**(10.8)**	**1.2**	11.3	(10.7)	0.6
Benefits paid	**(7.4)**	**7.4**	**-**	(8.6)	8.6	-
Currency translation and other	**(0.2)**	**(0.1)**	**(0.3)**	7.6	(8.3)	(0.7)
End of year	**198.8**	**(222.8)**	**(24.0)**	187.2	(204.8)	(17.6)

	2011		2010	
	% of scheme assets/ liabilities	**£m**	% of scheme assets/ liabilities	£m
Experience gains and losses				
Difference between actual and expected return on scheme assets	**(1.9)**	**(3.5)**	3.6	5.7
Net actuarial losses recognised in the statement of comprehensive income	**7.6**	**(15.6)**	2.8	(5.0)

Sensitivity
For the significant assumptions used in determining post-retirement costs and liabilities, the following sensitivity analysis gives the estimate of the impact on the income statement and balance sheet for the year ended 31 December 2011.

	Scheme liabilities			**Annual service cost**		
	Europe £m	US £m	**Total £m**	Europe £m	US £m	**Total £m**
0.5% decrease in the discount rate	13.4	3.9	**17.3**	0.3	0.1	**0.4**
1.0% increase in the rate of inflation	11.9	n/a	**11.9**	-	-	**-**
1 year increase in life expectancy	2.9	1.3	**4.2**	-	-	**-**
0.5% increase in the discount rate	(11.7)	(3.5)	**(15.2)**	(0.1)	(0.1)	**(0.2)**
1.0% decrease in the rate of inflation	(9.5)	n/a	**(9.5)**	-	-	**-**

9. Analysis of net debt

	1 Jan 2011 £m	Cash flow £m	Exchange movements £m	Non-cash movements £m	**31 Dec 2011 £m**
Cash at bank and in hand	31.7	-	(0.7)	-	**31.0**
Short-term bank deposits and investments	8.3	(3.3)	(0.2)	-	**4.8**
Cash and cash equivalents in the statement of cash flows	40.0	(3.3)	(0.9)	-	**35.8**
Debt due within one year	(14.0)	11.2	(0.4)	(0.2)	**(3.4)**
Debt due after one year	(116.8)	(60.2)	0.3	(0.6)	**(177.3)**
Net debt	(90.8)	(52.3)	(1.0)	(0.8)	**(144.9)**

The non-cash movement is the amortisation of prepaid bank facility fees and movement of debt due after one year to debt due within one year.

10. Acquisitions

On 6 September 2011, Filtrona acquired the assets and business of Reid Supply Company ("Reid Supply"). Reid Supply, based in Michigan, US, is a leading distributor of standard industrial components, including hardware, handles, clamps and fasteners, to a vast range of markets and customers via a catalogue. The business is highly complementary to Filtrona's Protection & Finishing Products division.

Reid Supply contributed £7.7m to revenue and £0.5m to operating profit before intangible amortisation in the period from acquisition to 31 December 2011. Related acquisition expenses of £0.7m were recognised in the income statement in exceptional operating items.

On 21 December 2011, Filtrona acquired the entire issued share capital of Richco, Inc. ("Richco") from family and employee shareholders of the acquired company. Richco, based in Illinois, US, is a leading international designer, manufacturer and distributor of engineered plastic and elastomeric solutions for fastening and cable management applications in diverse and growing end markets and will be reported within Filtrona's Protection & Finishing Products division.

Richco has been incorporated into Filtrona's results based upon its balance sheet as at 21 December 2011 and accordingly contributed £nil to revenue and an operating profit of £nil in the period from acquisition to 31 December 2011. Related acquisition expenses of £2.1m were recognised in the income statement in exceptional operating items.

On acquisition the assets and liabilities of both businesses were adjusted to reflect their fair values to Filtrona. The fair value adjustments are provisional and subject to finalisation for up to one year from the date of acquisition.

A summary of the acquisition of Reid Supply is detailed below:

	Book value at acquisition £m	Revaluation £m	Fair value of assets acquired £m
Deferred tax	-	0.2	0.2
Property, plant and equipment	0.7	(0.2)	0.5
Inventories	3.9	(0.1)	3.8
Receivables	2.9	(0.1)	2.8
Cash and cash equivalents	(0.1)	-	(0.1)
Provisions	-	(0.1)	(0.1)
Payables	(1.4)	(0.2)	(1.6)
	6.0	(0.5)	5.5
Customer relationships			9.4
Other intangible assets			1.8
Goodwill			2.7
Consideration			19.4
Satisfied by:			
Initial cash consideration			18.2
Deferred contingent consideration			1.2
Cash consideration			18.2
Cash and cash equivalents acquired			0.1
Net cash outflow in respect of the acquisitions			**18.3**

Property, plant and equipment, inventories, receivables, provisions and payables were all reassessed to their fair value.

The adjustment to deferred tax is the tax effect of the fair value adjustments above.

Deferred contingent consideration of £1.2m is payable by the Group if Reid Supply exceeds a target revenue during the 12 months to 31 December 2012.

The book value of trade receivables acquired is stated net of impairment losses of £0.1m.

Included in the £2.7m of goodwill recognised above is the value of the unique revenue and cost synergies and an assembled workforce. Due to its nature this asset cannot be individually identified or measured. It is expected that most of the goodwill and other intangible assets acquired will be allowable for tax deduction in future years.

It is estimated that if the acquisition of Reid Supply had been completed on 1 January 2011 the contribution to 2011 Group revenue would have been £24.1m and to Group operating profit before intangible amortisation would have been £2.2m.

10. Acquisitions continued

A summary of the acquisition of Richco is detailed below:

	Book value at acquisition £m	Revaluation £m	Fair value of assets acquired £m
Property, plant and equipment	8.7	(1.5)	7.2
Inventories	4.4	(0.6)	3.8
Receivables	9.6	(0.2)	9.4
Cash and cash equivalents	7.5	-	7.5
Deferred tax	0.2	(6.6)	(6.4)
Provisions	(0.5)	(4.4)	(4.9)
Income tax payable	(0.2)	-	(0.2)
Payables	(4.9)	-	(4.9)
	24.8	(13.3)	11.5
Customer relationships			39.4
Other intangible assets			3.1
Goodwill			24.2
Consideration			78.2
Satisfied by:			
Cash consideration			78.2

Cash consideration	78.2
Cash and cash equivalents acquired	(7.5)
Net cash outflow in respect of the acquisitions	**70.7**

The adjustment to deferred tax is the tax effect of recognising customer relationships and other intangibles and the tax effect of the fair value adjustments below.

Property, plant and equipment, inventories, receivables, provisions and payables were all reassessed to their fair value.

The book value of trade receivables acquired is stated net of impairment losses of £0.3m.

Included in the £24.2m of goodwill recognised above is the value of the unique revenue and cost synergies including entry into new geographic and end markets where previously Protection & Finishing Products was not present and an assembled workforce. Due to its nature this asset cannot be individually identified or measured. It is expected that approximately 35% of the goodwill and other acquired intangible assets will be allowable for tax deduction in future years.

It is estimated that if the acquisition of Richco had been completed on 1 January 2011 the contribution to 2011 Group revenue would have been £47.2m and to Group operating profit before intangible amortisation would have been £6.3m.

During 2011, Filtrona reassessed the fair value adjustments made in respect of Stera Tape which was acquired in 2010, and increased certain accruals by £0.5m. Goodwill was increased accordingly.

The revenue and gross profit margin targets set in 2010 in respect of the acquisition of BP Labels were not met and as a result £0.3m was released to the income statement during the year.

11. Disposals and discontinued operations

In July 2011, Filtrona disposed of its shares in FractureCode Corporation ApS (‘FractureCode’) to ITO Technologies ApS for consideration of £0.3m payable in two instalments in January and July 2012. The disposal resulted in a loss after tax of £1.9m and has been treated as an exceptional operating item. Cash disposed and disposal expenses were in total £0.1m.

In September 2011, Filtrona received £2.7m (2010: £2.7m) from the Itavema Group which represented a further instalment due in relation to the deferred consideration for the disposal on 29 June 2007 of Globalpack, its Brazilian consumer packaging business. During 2011, Filtrona released tax warranty provisions of £1.9m in respect of Globalpack and this was recognised as discontinued operations in the income statement.

12. Dividends

	Per share		**Total**	
	2011	2010	**2011**	2010
	p	p	**£m**	£m
2010 interim: paid 29 October 2010		3.0		6.2
2010 final: paid 28 April 2011		6.0		12.3
2011 interim: paid 28 October 2011	**3.3**		**6.8**	
2011 proposed final: payable 30 April 2012	**7.2**		**14.9**	
	10.5	9.0	**21.7**	18.5

13. Transactions with related parties

Other than the disposal of FractureCode, the acquisition of further shares in Filthai (see below) and the compensation of key management, Filtrona has not entered into any material transactions with related parties. Furthermore, throughout 2011 and 2010, no Director had a personal interest in any significant transaction of Filtrona.

On 18 January 2011, Filtrona acquired 9.9% of the share capital of Filthai Company Limited (‘Filthai’) 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.

14. Post balance sheet events

On 17 February 2012, Filtrona acquired 100% of the share capital of Securit World Ltd (“Securit”) for a cash consideration of £6.0m. Securit distributes desktop personal identification (“ID”) card systems, providing printers, software and associated accessories. The acquisition of UK-based Securit will add to the existing capabilities of Filtrona’s Payne Security personal ID products business.

15. Non-GAAP measures

Management reviews the adjusted operating profit and operating cash flow as measures of the performance of the business. Adjusted operating profit is stated before intangible amortisation and exceptional operating items which are considered not relevant to measuring the performance of the business. Operating cash flow is adjusted operating profit before depreciation, share option expense and other non-cash items, less working capital movements and net capital expenditure as shown below:

	2011	2010
	£m	£m
Operating profit	**72.6**	72.0
Intangible amortisation	3.7	3.0
Exceptional operating items	8.2	-
Adjusted operating profit	**84.5**	75.0
Depreciation and other amounts written off property, plant and equipment	20.7	21.9
Share option expense	3.0	2.8
Other non-cash items	3.4	(0.9)
Working capital movements	7.9	(5.1)
Net capital expenditure	(26.8)	(18.8)
Operating cash inflow	**92.7**	74.9

16. Cautionary forward-looking statements

This Report contains 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 statement. 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.

17. Directors' responsibilities statement

We confirm that to the best of our knowledge

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities and financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

- This announcement includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Colin Day	Steve Crummett
Chief Executive	Group Finance Director

22 February 2012

Principal risks

Effective management of risk and opportunity is essential to the protection of Filtrona's reputation and the achievement of sustainable shareholder value.

The management of risk underpins the Company's strategy and underpins its Vision 2015, focusing on the challenges which arise in the international environment in which Filtrona conducts business and reflecting the Company's appetite for risk in the delivery of its business objectives. The underlying principles are that risks are continuously monitored, associated action plans reviewed, appropriate contingencies are provisioned and that information is reported through established management control procedures.

The Company seeks to continuously improve its risk management processes and has developed new systems during 2011 which serve to enhance the Company's response to the risks inherent in its international business activities.

Filtrona recognises that the ability to monitor, assess and respond to business risks can often provide competitive advantage. Reporting within the Group is structured so that key issues are escalated through the management team, ultimately to the Board if appropriate. Each area of the business is required to formally and regularly review its principal areas of risk and uncertainty so that major risks are reviewed at all levels across the Group. This is an ongoing process, ensuring that there are clear consistent procedures for monitoring, updating and implementing appropriate controls to manage identified risks.

Filtrona's short and long-term performance can be impacted by any number of risks and uncertainties not all of which are within the Company's control.

The Company is subject to the general risks and uncertainties which impact on any other international business, including political instability in the countries in which the Company operates and sources raw materials, the impact of natural disasters and changes in general economic conditions, including currency and interest rate fluctuations, tax regimes and raw material costs.

Detailed below are the principal risks and uncertainties which the Board believes are specific to Filtrona together with the associated risk management response. The details provided are not exhaustive and do not purport to be a complete explanation of all potentially relevant issues. There may be other risks and uncertainties which are unknown to the Board or which may not be deemed by the Board to be material at present but which could prove to be so in the future.

Disruption to operational sites/loss of critical assets

<table>
<tr><td colspan="2">Risk
A catastrophic loss of the use of all or a portion of any of Filtrona's manufacturing or distribution facilities due to accident, labour issues, fire, weather conditions, terrorist attack, natural disaster or otherwise and whether short or long-term could adversely affect the Company's ability to meet the demands of its customers. Some of the assets maintained by the Company, such as tooling and IT systems, are critical to the manufacture and delivery of particular products.</td></tr>
<tr><td>Impact
A material disruption to operational facilities or the loss of critical assets may negatively affect the Company's:
production capability and asset base
supply chain management
customer relationships
reputation
revenue
profit
financial condition</td><td>Mitigation
Filtrona seeks to manage the risk of potential disruption of the supply of its customers by:
operating within a flexible global infrastructure
installing fire and other risk prevention systems
implementing disaster recovery and business continuity plans
assessing operational risks
maintaining insurance</td></tr>
</table>

Competitive pressures

<table>
<tr><td colspan="2">Risk
Filtrona faces pressures from direct competitors as well as competition from alternative technologies. Some of the Company’s competitors may derive competitive advantage from the benefits of greater financial resources, economies of scale, additional purchasing power or lower cost bases and Filtrona may face aggressive pricing practices.</td></tr>
<tr><td>Impact
Demand for competitors’ products and the development of competing technologies may result in:
loss of market positions
erosion of margins
intellectual property challenges
decline in revenue
decline in profitability
reduction in financial condition</td><td>Mitigation
Filtrona seeks to drive its strong competitive market positions by:
sustained investment in research and development to develop the quality and breadth of its product and service offering
exploiting its innovative and manufacturing capabilities in new technologies, products and services
protecting its intellectual property rights
expanding its international distribution, sales and marketing expertise
investing in both organic and acquisition growth opportunities</td></tr>
</table>

Challenges of business development

<table>
<tr><td colspan="2">Risk
Filtrona has achieved the development of its business and growth through the benefit of acquisitions and the success of start-up operations. The rate of any future business development may in part be dependent on the success of additional acquisitions and new start-up operations. There can be no assurance that the Company will be able to successfully identify, complete and integrate suitable acquisitions and successfully develop and expand further start-up operations.</td></tr>
<tr><td>Impact
If Filtrona fails to meet the challenges of business development arising from acquisitions and start-up operations, the Company may experience:
increased costs
reduced profitability
lower growth rates
delay in the achievement of strategic objectives</td><td>Mitigation
Filtrona addresses the challenges presented by the development of its businesses on an international basis with:
experienced and skilled management
detailed due diligence and planning
project risk reviews
external expert advice</td></tr>
</table>

Customer concentration

<table>
<tr><td colspan="2">Risk
In some of Filtrona’s businesses, particularly filter products and tear tape, the customer base is relatively concentrated. Trends in certain markets, particularly within the oil and gas industry may reduce the demands for the Company’s products. Should Filtrona’s customers decide to satisfy their requirements internally or from other suppliers and if Filtrona was unable to secure new business this could result in a significant loss of business.</td></tr>
<tr><td>Impact
The loss of certain of Filtrona’s key customers exposes the Company to:
reduced revenue
restructuring costs
profit decline
deterioration in financial condition
reputational damage</td><td>Mitigation
To counteract the Company’s exposure to a number of key customers, Filtrona:
invests in innovative, high quality, value added products and services
develops long-term relationships with customers at a senior level
seeks new markets and growth opportunities to expand the customer base</td></tr>
</table>

Raw material supply

<table>
<tr><td colspan="2">Risk
The Company uses significant quantities of plastic resins which are subject to price fluctuations from supply shortages and changes in the prices of natural gas, crude oil and other petrochemical intermediaries from which resins are produced. Some of Filtrona’s businesses are dependent on the availability of specialist raw materials or components which are incorporated into the Company’s products. If there are rapid increases in resin or other raw materials prices, including energy costs, or supply shortages, the Company’s revenue and profitability may be materially and adversely affected.</td></tr>
<tr><td>Impact
If Filtrona is exposed to raw material price increases or supply shortages, the Company may suffer:
reduced revenue
increased costs
profit decline
disruption to supply</td><td>Mitigation
To counteract the Company’s exposure to increases in raw material costs or supply shortages, Filtrona seeks to:
adopt appropriate procurement practices
secure longer term supply agreements
implement cost recovery programmes
ensure the availability of alternative supply options</td></tr>
</table>

Intellectual property development and protection

<table>
<tr><td colspan="2">Risk
A key component to Filtrona’s future success is the ability to develop new and innovative products and services. In addition to seeking patent and trademark rights applied around the world, the Company relies on unpatented proprietary know-how and trade secrets. In the event that Filtrona is unable to respond to competitive technological advances or to protect its intellectual property portfolio, the future performance of the Company may be adversely affected.</td></tr>
<tr><td>Impact
Failure to develop and protect intellectual property rights exposes the Company to:
reduced revenue
profit decline
litigation
reputational damage</td><td>Mitigation
To counteract the Company’s exposure to the erosion of its intellectual property portfolio, Filtrona:
invests in R&D
secures formal registrations of patent and trademark rights
adopts appropriate confidentiality and licensing practices
monitors potential infringements and takes appropriate enforcement actions</td></tr>
</table>

Relationship with tobacco industry

<table>
<tr><td colspan="2">Risk
A significant part of Filtrona’s business relates to the supply of filter products and tear tape to manufacturers in the tobacco industry. Future performance may be affected by changes in the conditions within those sections of the tobacco industry which the Company supplies, such as changes in the consumption of filter products, self-manufacture and increasingly restrictive regulations affecting the industry. Tobacco related litigation could also adversely affect Filtrona, although there is no history of the Company being involved in such claims.</td></tr>
<tr><td>Impact
Filtrona’s relationship with the tobacco industry may lead to:
reduced revenue
restructuring costs
profit decline
reputational damage
deterioration in financial condition</td><td>Mitigation
In seeking to minimise the impact of the challenges arising out of its exposure to the tobacco industry, Filtrona:
focuses on low cost filter production
invests in the research and development of innovative value added products and services
targets growth opportunities outside the manufacture of filter products
takes internal and external legal advice to manage litigation risk</td></tr>
</table>

Loss of key executives and certain employees

<table>
<tr><td colspan="2">Risk
Filtrona’s international operations are dependent on existing key executives and certain other employees in order to sustain, develop and grow its businesses and there can be no assurances that these employees will remain with the Company. The success of the Company will reflect its ability to retain, attract and motivate highly qualified executives and other personnel equipped to deliver on Filtrona’s strategic objectives.</td></tr>
<tr><td>Impact
If Filtrona fails to retain, attract or motivate the required calibre of employees, its operational performance and financial condition may be materially impacted by the loss of:
• experience
• expertise
• commercial relationships</td><td>Mitigation
In order to manage the risk of personnel change, the Company:
• provides long-term share-based incentive plans
• conducts management development schemes and other training programmes
• reviews personal development and succession planning</td></tr>
</table>

Compliance risk – laws and regulations

<table>
<tr><td colspan="2">Risk
Risk related to regulatory and legislative changes involve the inability of the Company to comply with current, changing or new requirements. Many of Filtrona’s current business activities are subject to increasing regulation and enforcement activity by relevant authorities. As the Company moves into new markets and territories in pursuit of its strategic priorities, Filtrona is exposed to new and additional compliance risk.</td></tr>
<tr><td>Impact
Failure by the Company or its employees or others acting on its behalf to abide by the rules and regulations could result in:
• administrative, civil or criminal liability
• significant fines and penalties
• suspense or debarment of the Company from trading
• reputational damage
• loss of commercial relationships</td><td>Mitigation
Filtrona addresses these challenges by:
• establishing a clear compliance culture from the top down
• risk assessments and ongoing compliance reviews
• implementing policies and procedures
• providing behavioural guidance and training to all employees
• monitoring compliance through verification procedures</td></tr>
</table>