



# Filtrona plc Half Year Results 6 months ended 30 June 2008





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➤ **Highlights - Jeff Harris, Chairman**

➤ **Financial review - Steve Crummett, Group Finance Director**

➤ **Operating review - Mark Harper, Chief Executive**



## Highlights

- Robust operating profit performance with sustainable margins
- Continued growth in earnings per share – adjusted eps up 6.5%
- 7.1% increase in interim dividend



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6 months ended 30 June Continuing operations	2008 £m	2007 £m	Growth %
Revenue	264.6	257.2	2.9
Adjusted operating profit <sup>1</sup>	34.2	34.7	(1.4)
Adjusted profit before tax <sup>1</sup>	31.0	31.5	(1.6)
Adjusted eps <sup>1</sup>	9.9p	9.3p	6.5
Basic eps	9.7p	7.8p	24.4
Operating cash flow	26.3	28.7	(8.4)
Dividend per share	2.70p	2.52p	7.1

<sup>1</sup> before intangible amortisation and 2007 restructuring costs

- **Impact of exchange rate movements: Revenue + £8.2m, operating profit + £1.6m**

## Segmental summary

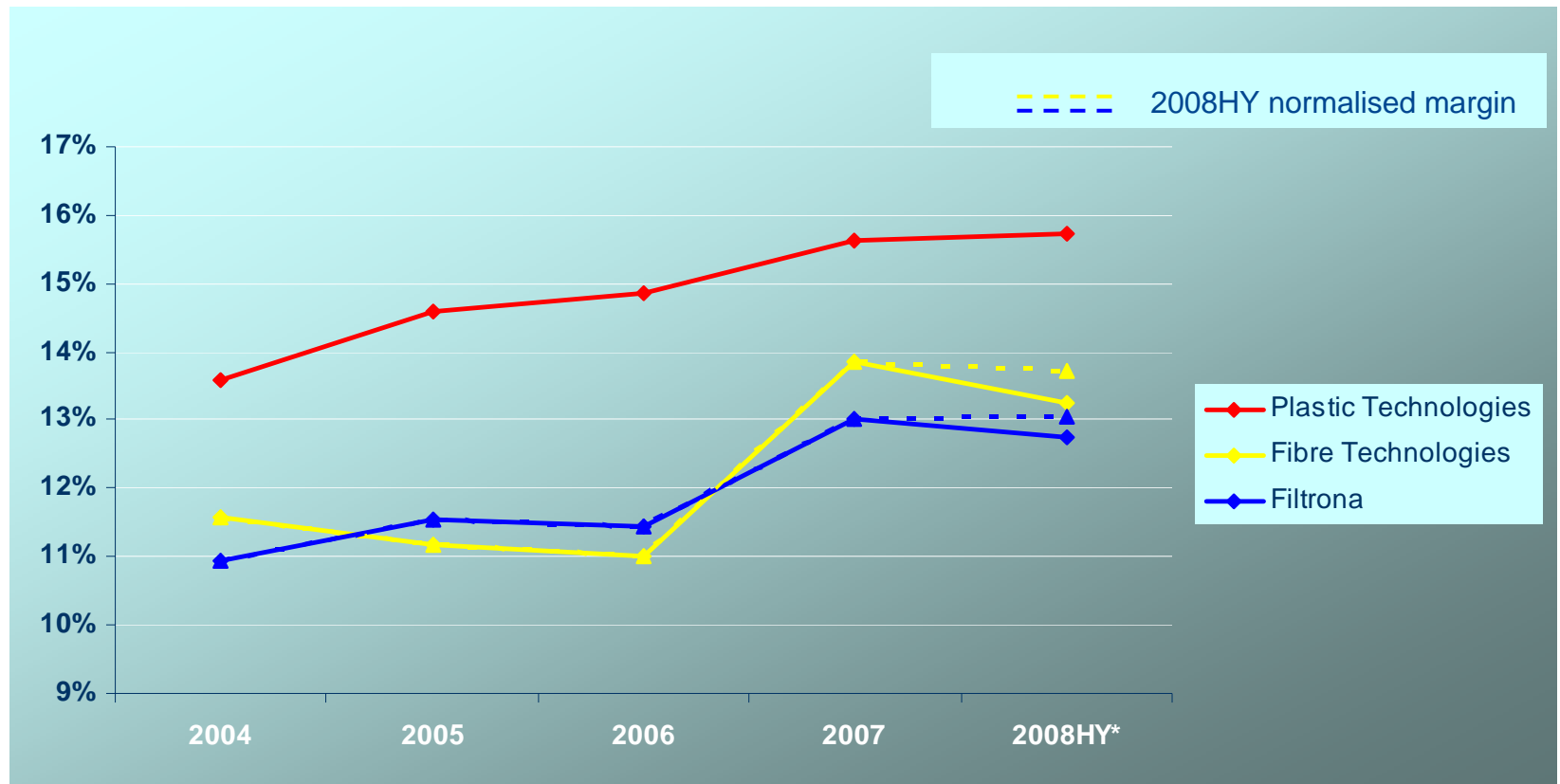
6 months ended 30 June	Revenue		Operating profit <sup>1</sup>		Operating margin <sup>1</sup>		Normalised margin*
	2008 £m	2007 £m	2008 £m	2007 £m	2008 %	2007 %	2008 %
Plastic Technologies <i>Growth %</i>	150.4 10.0	136.7	24.1 11.1	21.7	16.0	15.9	16.0
Fibre Technologies <i>Growth %</i>	114.2 (5.2)	120.5	14.9 (12.4)	17.0	13.0	14.1	13.9
Central Services			(4.8)	(4.0)			
Group <i>Growth %</i>	264.6 2.9	257.2	34.2 (1.4)	34.7	12.9	13.5	13.5

<sup>1</sup>before intangible amortisation and 2007 restructuring costs

\*normalised margin is calculated by excluding Fibre Technologies restructuring costs of £1.0m and exceptional Central Services legal costs of £0.5m.



## Segmental operating margins – 2004 - 2008HY



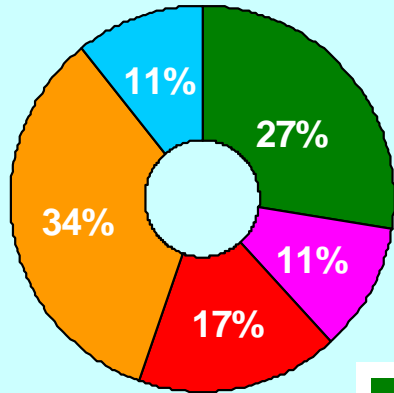
\*last twelve months

**Consistent and sustainable margin performance**

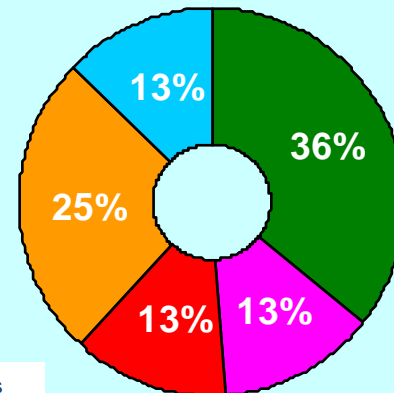


## Operating profit by division

2005 Half Year



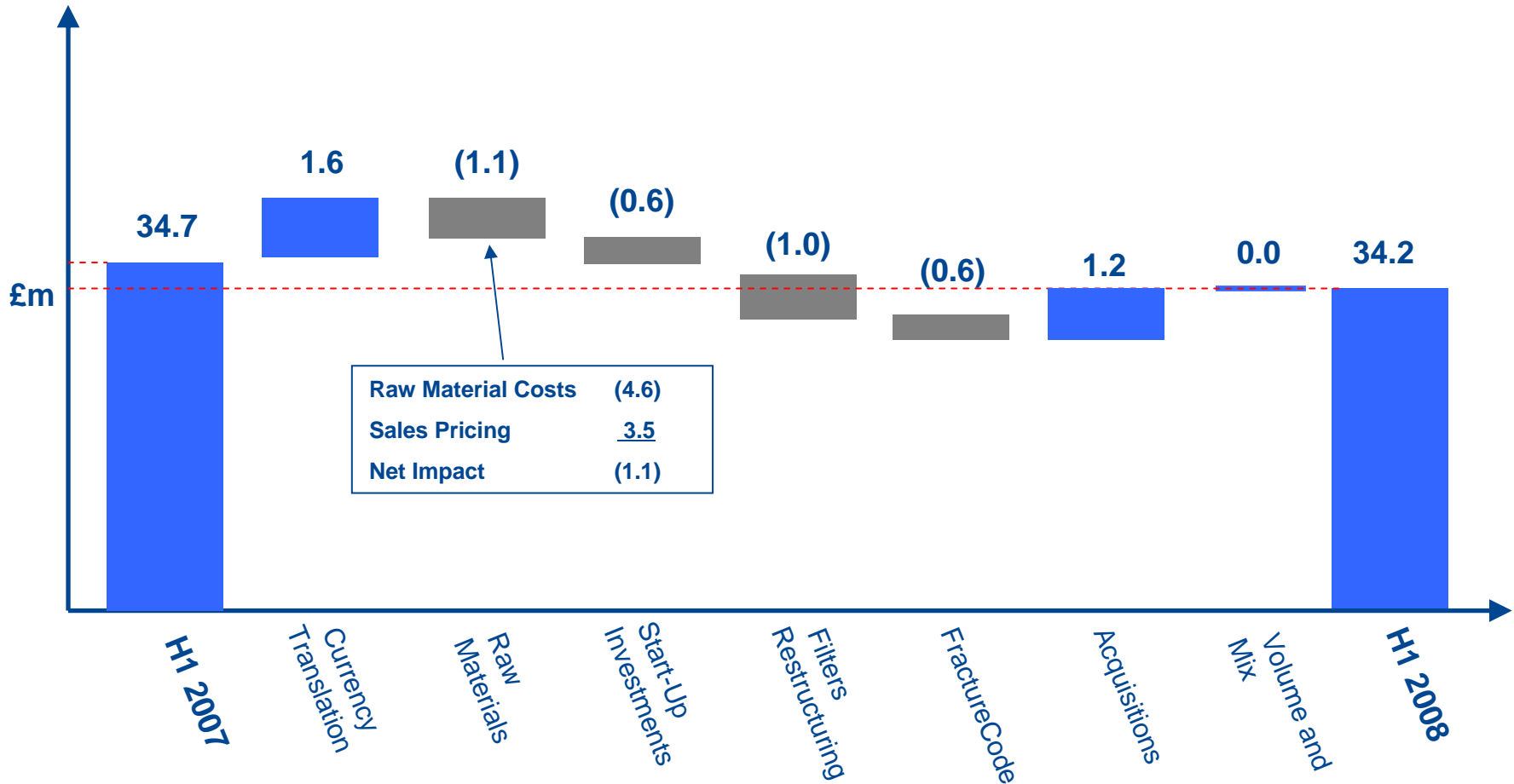
2008 Half Year



Note: Percentages are based upon total operating profit excluding Central Services



# Operating profit<sup>1</sup> – key movements



<sup>1</sup> before intangible amortisation and 2007 restructuring costs

## Income statement

6 months ended 30 June	2008 £m	2007 £m	Growth %
<b>Revenue</b>	<b>264.6</b>	<b>257.2</b>	<b>2.9</b>
<b>Adjusted operating profit<sup>1</sup></b>	<b>34.2</b>	<b>34.7</b>	<b>(1.4)</b>
Intangible amortisation	(0.9)	(0.6)	
Restructuring costs	-	(4.2)	
Net finance expense	(3.2)	(3.2)	
<b>Profit before tax</b>	<b>30.1</b>	<b>26.7</b>	<b>12.7</b>
Income tax	(9.9)	(9.1)	
<b>Profit from continuing operations</b>	<b>20.2</b>	<b>17.6</b>	<b>14.8</b>
Discontinued operations	-	2.0	
Minority interests	(0.5)	(1.5)	
<b>Earnings</b>	<b>19.7</b>	<b>18.1</b>	<b>8.8</b>
<b>Effective tax rate</b>	<b>33%</b>	<b>34%</b>	

<sup>1</sup> before intangible amortisation and 2007 restructuring costs

## Earnings per share/Dividend per share

6 months ended 30 June	2008	2007	Growth %
Weighted average number of shares	204.1m	218.0m	
Basic eps (continuing activities)	9.7p	7.8p	24.4
Adjusted eps (continuing activities)	9.9p	9.3p	6.5
Dividend per share	2.70p	2.52p	7.1

***Dividend growth in line with earnings growth***

## Balance sheet

### Net working capital/revenue\*

H1 06 13.9%

H1 07 14.0%

**H1 08 13.2%**

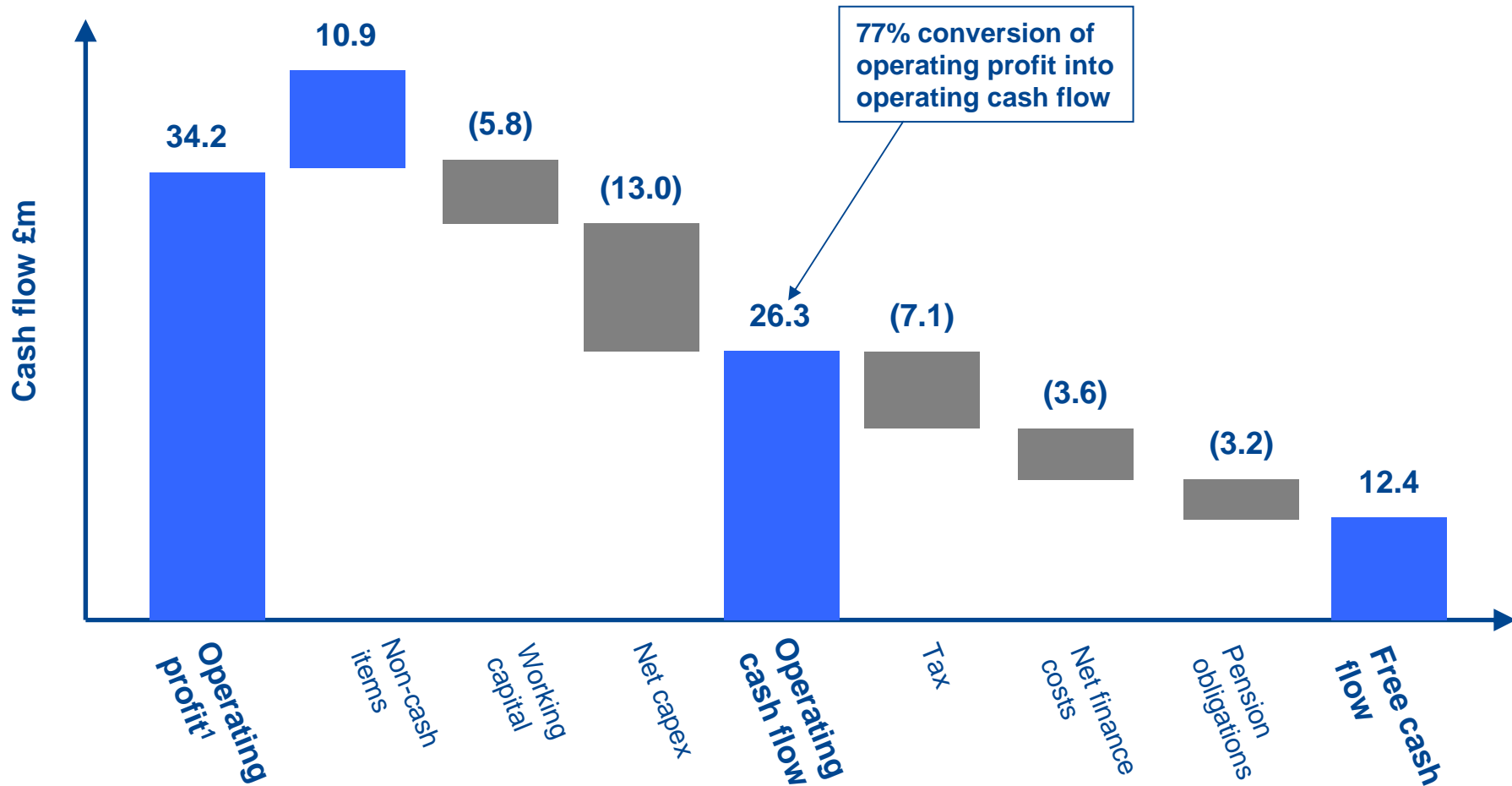
\* Last 12 months revenue

	30 Jun 2008 £m	30 Jun 2007 £m	31 Dec 2007 £m
Property, plant and equipment	176.7	166.3	170.7
Intangible assets	89.4	84.5	87.2
Net working capital	66.3	70.9	57.8
Income tax/deferred tax	(19.8)	(23.7)	(22.1)
	<b>312.6</b>	<b>298.0</b>	<b>293.6</b>
Deferred consideration	8.6	10.2	10.6
Provisions	(7.2)	(13.0)	(6.6)
Pension deficit	(30.9)	(28.9)	(22.3)
	<b>283.1</b>	<b>266.3</b>	<b>275.3</b>
Shareholders' funds	142.5	147.0	135.3
Minority interests	5.1	4.2	4.8
Net debt	135.5	115.1	135.2
	<b>283.1</b>	<b>266.3</b>	<b>275.3</b>
Net debt to EBITDA	1.57	1.40	1.56

***Strong balance sheet and net debt ratios***



# Cash flow analysis



<sup>1</sup> before intangible amortisation

**Strong cash generation**



## Financial highlights

- Robust operating profit performance
- Sustainable operating margin
  - normalised margin of 13.5%
- Good growth in earnings and dividend per share
  - adjusted eps up 6.5%, dps up 7.1%
- Continued strong cash generation



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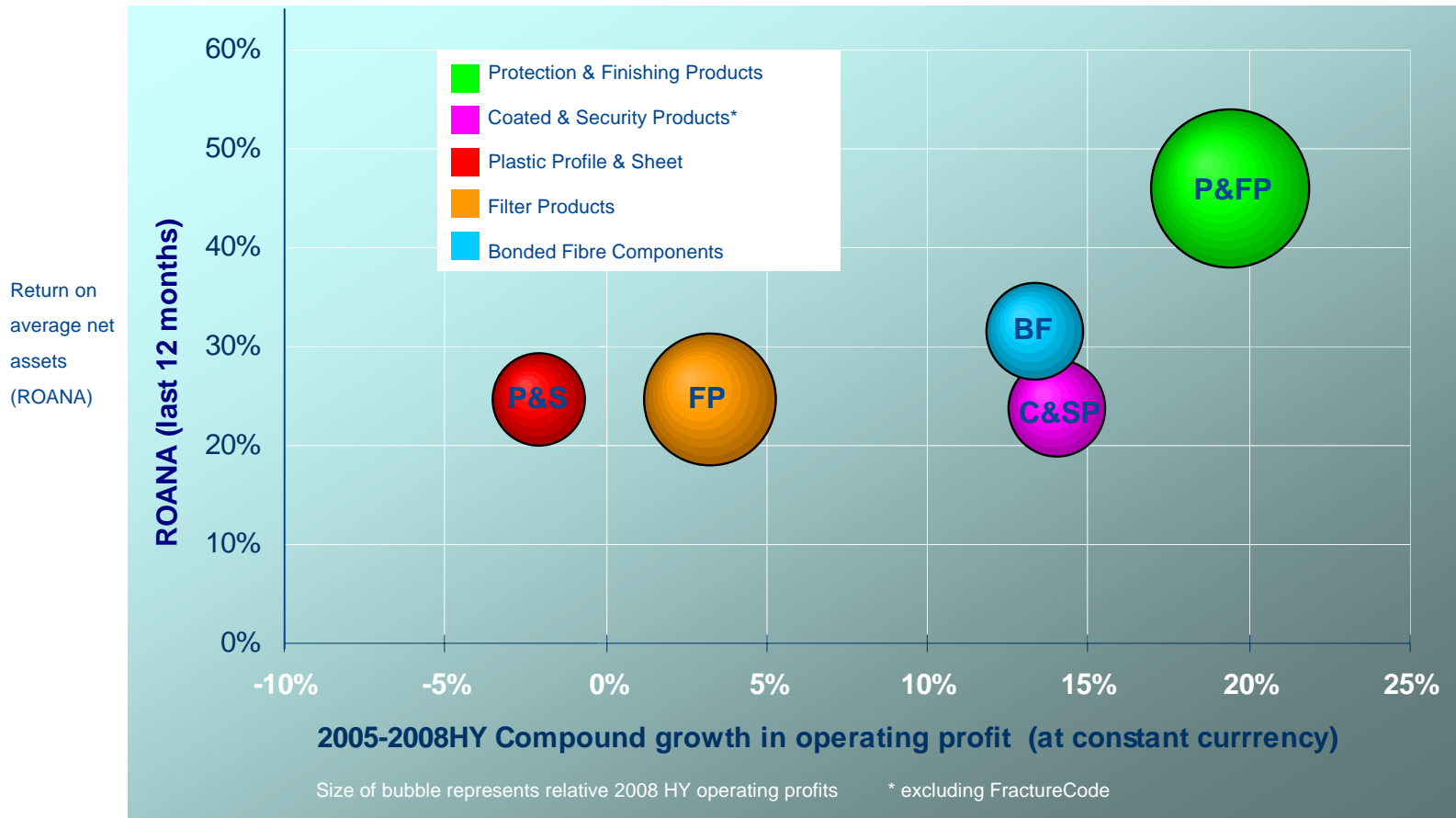
## Strategic focus

- Build on existing core competencies and strong international market positions
- Organic growth supplemented by acquisitions in higher margin and higher growth divisions
- Focus on small but essential products in industrial and consumer markets
- Strategy underpinned by well invested global infrastructure and experienced management





# Strategic metrics



**Group Return On Total Invested Capital of 13.3%**



# Plastic Technologies

## Operating margin (%)

H1 06 15.5

H1 07 15.9

H1 08 16.0

	2008 £m	2007 £m	Growth %
Revenue	150.4	136.7	10.0
Operating profit	24.1	21.7	11.1
Margin %	16.0	15.9	



- Good performance despite weakness in Plastic Profile and Sheet
- Robust margins
- Full half year contribution from Duraco



## Protection and Finishing Products

*Leading supplier of low value, non-core but essential products in fragmented global market*

- Moss sales growth and mix improvement continue to underpin strong performance
- Skiffy sales growth across the network
- Alliance flat overall but growth in Brazil
- Duraco trading well
- MSI strong trading in line with oil and gas drilling

*Growth driven by distribution expansion, product range development and sustained marketing investment*



## Coated and Security Products

*The global leader in self-adhesive tear tape market and growing security products supplier*

- Performance significantly ahead of 2007
- Increased tear tape volumes and benefit from variable data promotions
- New projects for encoded smart cards and entry passes
- Payne authentication system progressing very well

*Good growth from innovation and developing security products market*



## Plastic Profile and Sheet

*Leading producer of proprietary and customised extruded products*

- Tough North American trading conditions – volumes down 12%
- Rapid raw material cost escalation – under-recovery
- Major focus on cost and productivity
- Strong POP sales growth – three important new retail customers captured
- Division maintaining healthy returns on net operating assets

*Cost savings and growth in key product sectors*



## Fibre Technologies

### Operating margin (%)

H1 06 10.7

H1 07 14.1

H1 08 13.0

	2008 £m	2007 £m	Growth %
Revenue	114.2	120.5	(5.2)
Operating profit	14.9	17.0	(12.4)
Margin %	13.0	14.1	

- Figures include £1.0m charge for restructuring in UK Filter Products operation
- Excluding restructuring charge margin would have been 13.9%





## Filter Products

*The only global independent filter supplier*

- Brand repositioning
- Resilient performance despite an 8.7% volume decline and £1.0m restructuring charge
- Intense focus on operational improvement and cost
- Asia performing very well – encouraging developments in China
- Hungary growing efficiently – H1 start-up costs of £0.3m
- New European project commencing in September

*Expansion into emerging markets, operational improvement, product innovation and savings from restructuring*





## Bonded Fibre Components

*Leading manufacturer of bonded fibre components for fluid and vapour handling*

- Inkjet printer cartridge volumes continue to grow well – Hewlett Packard has just launched next generation family of printers with Fibertec materials
- Medical product revenues progressed strongly – new opportunities being progressed
- New business with Japanese companies
- Weaker sales in US writing instrument reservoir market

*Increased revenues from new projects and emerging markets*

- Robust performance in line with expectations despite challenging market conditions
- Active management of raw material cost increase recovery
- Intense focus on productivity and costs with associated restructuring
- Continued investment in organic development
- Committed to growth by acquisition





# Filtrona plc Half Year Results 6 months ended 30 June 2008

