FILTRONA

Filtrona plc Half Year Results

6 months ended 30 June 2009

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Financial Review - Steve Crummett, Group Finance Director

Result highlights

Resilient business delivering a strong cash flow performance

Adjusted earnings per share[1]

H1 07	7.9p
H1 08	8.6p
H1 09	8.1p

EPS
8.1p
down 6%

Free cash flow per share[2]

H1 07	5.2p
H1 08	4.1p
H1 09	9.2p

CPS
9.2p
up 124%

Dividend per share

H1 07	2.52p
H1 08	2.70p
H1 09	2.70p

DPS
2.70p
maintained

[1] Continuing operations, before intangible amortisation and major restructuring costs

[2] Continuing operations: Operating profit before depreciation, amortisation, share option expense and major restructuring costs, less (movements in working capital, net capital expenditure, tax, interest and pension obligations), divided by the weighted average number of shares during period (2009 – 204.2m).

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Income statement

6 months ended 30 June Continuing operations	2009 £m	2008 £m	Growth %	CER[2] Growth %
Revenue	**227.7**	**216.1**	**5.4**	**(7.3)**
Adjusted operating profit[1]	**29.6**	**29.6**	**-**	**(15.7)**
Net finance expense	(4.3)	(3.2)		
Adjusted profit before tax[1]	**25.3**	**26.4**		
Intangible amortisation	(1.7)	(0.9)		
Major restructuring costs	(5.1)	-		
Profit before tax	**18.5**	**25.5**		
Income tax	(7.3)	(8.1)		
Profit from continuing operations	**11.2**	**17.4**		
Discontinued operations	(7.6)	2.4		
Minority interests	(1.0)	(0.5)		
Earnings	**2.6**	**19.3**		

[1] before intangible amortisation and major restructuring costs

[2] at Constant Exchange Rates

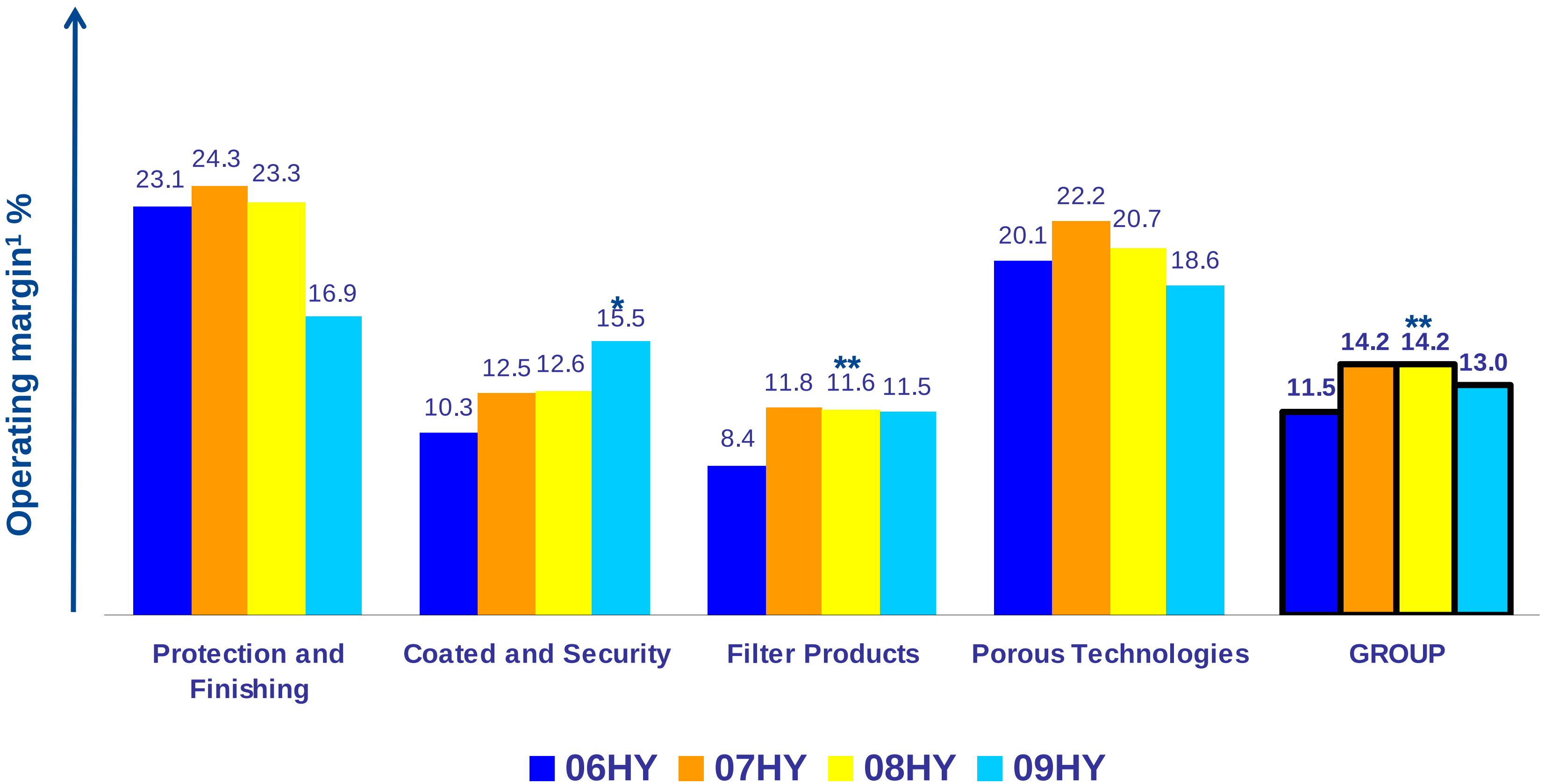
Segmental summary

6 months ended 30 June Continuing operations	Revenue 2009 £m	Revenue 2008 £m	Revenue Growth %	Revenue CER[2] Growth %	Operating profit[1] 2009 £m	Operating profit[1] 2008 £m	Operating profit[1] Growth %	Operating profit[1] CER[2] Growth %
Protection and Finishing	49.1	57.5	(14.6)	(27.2)	8.3	13.4	(38.1)	(47.5)
Coated and Security	46.0	44.4	3.6	(4.4)	7.7	5.6	37.5	26.2
Filter Products	104.6	92.0	13.7	2.3	12.0	9.7	23.7	8.1
Porous Technologies	31.2	25.1	24.3	-	5.8	5.2	11.5	(10.8)
Central Services/Elims	(3.2)	(2.9)			(4.2)	(4.3)		
Group	227.7	216.1	5.4	(7.3)	29.6	29.6	-	(15.7)

[1] before intangible amortisation and major restructuring costs
[2] at Constant Exchange Rates

Operating margin[1] by segment

"Portfolio effect" benefits Group margin through the cycle

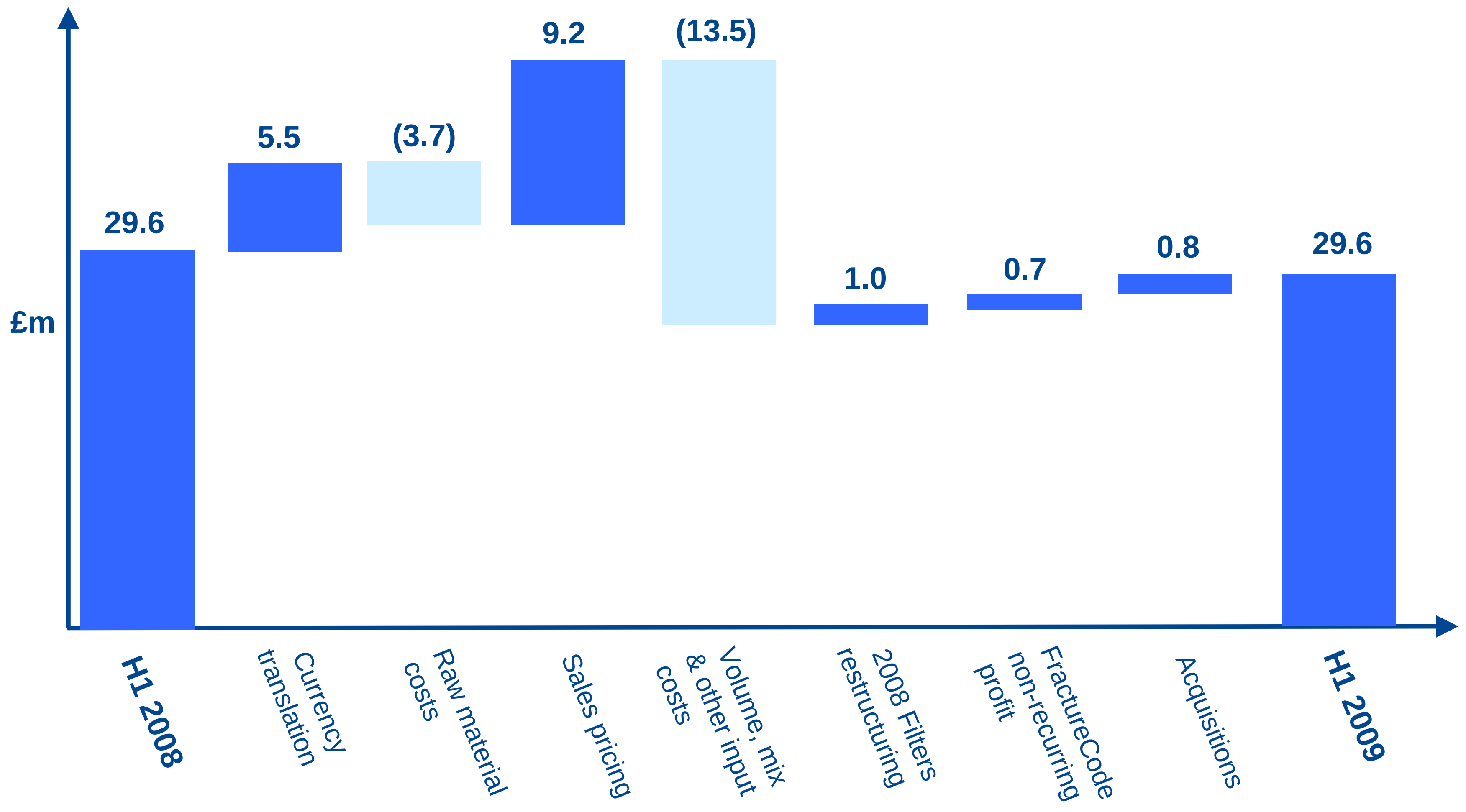


[1]before intangible amortisation and major restructuring costs

*normalised to eliminate impact of non-recurring income and profit of £0.7m

**excludes £1.0m Filter Products' restructuring in H1 2008

Operating profit[1] – key movements



[1] Continuing operations, before intangible amortisation and major restructuring costs

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Net finance charge

6 months ended 30 June	2009 £m	2008 £m
Finance charge		
Net interest charge on debt	3.4	3.7
Amortisation of bank fees	0.4	-
IAS 19 pension charge/(credit)	1.0	(0.1)
Deferred consideration	(0.5)	(0.4)
Net finance charge	**4.3**	3.2

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Earnings per share/dividend per share

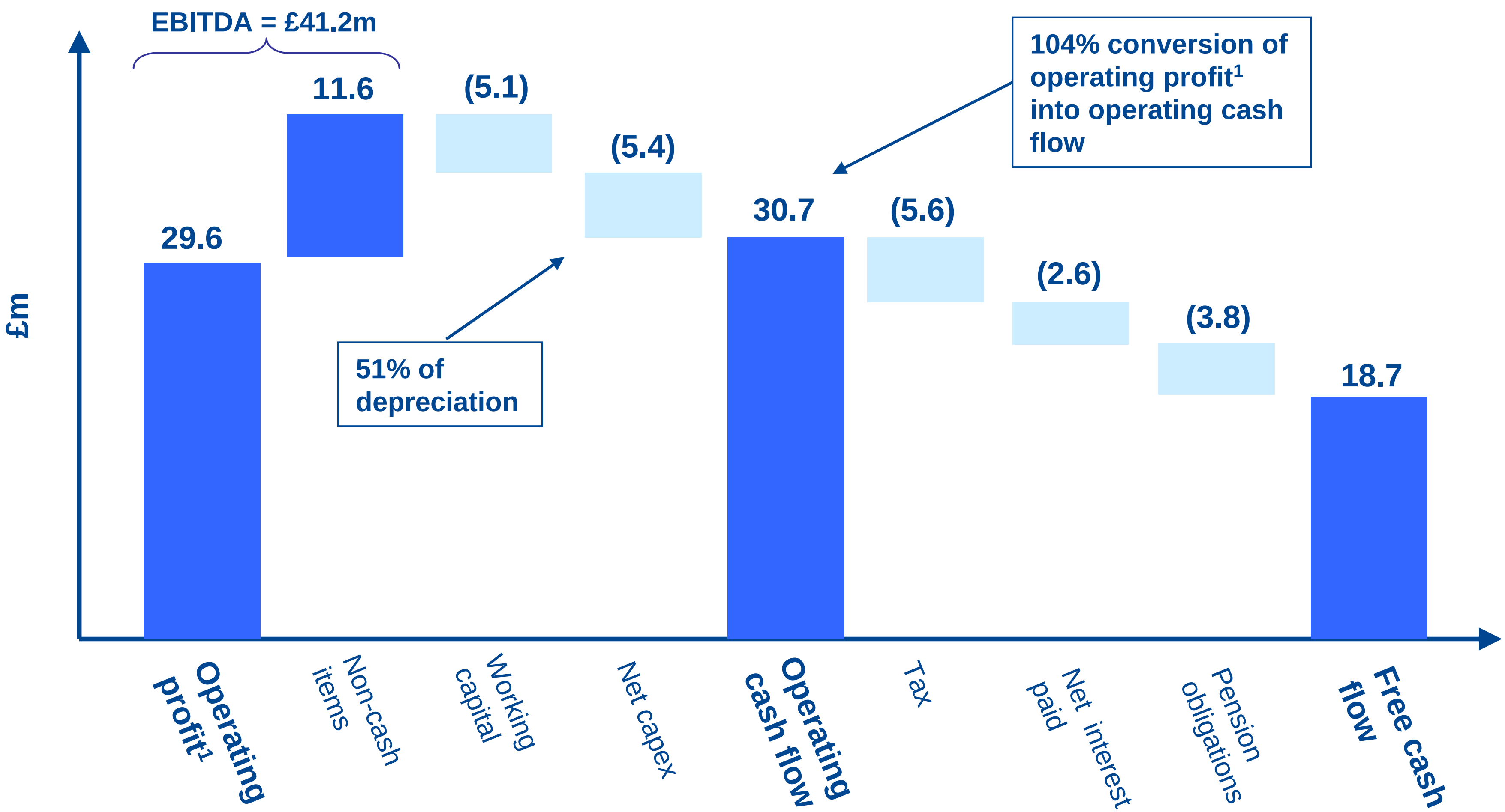
6 months ended 30 June	2009	2008	Growth %
Weighted average number of shares	204.2m	204.1m	
Adjusted eps (continuing activities)	8.1p	8.6p	(5.8)
Basic eps (continuing activities)	5.0p	8.3p	(39.8)
Half year dividend	2.70p	2.70p	

Dividend maintained at 2.70p per share

Cash flow analysis

Net working capital*/revenue

2007	15.8%
2008	14.3%
2009	14.5%



[1] Continuing operations, before intangible amortisation and major restructuring costs
* Continuing operations, at constant exchange rates, excluding capex payables

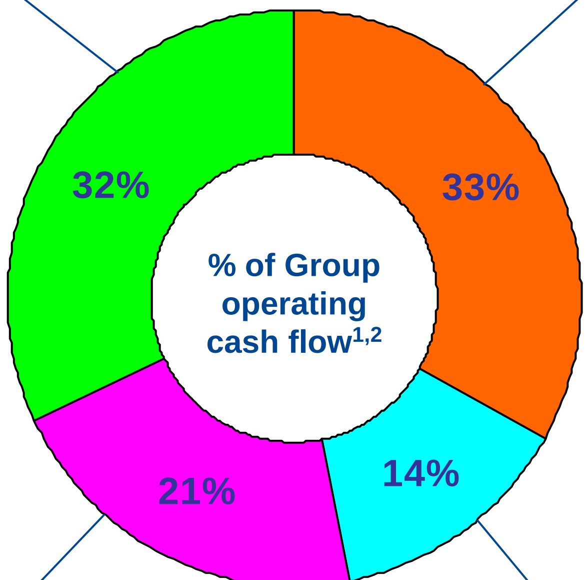
Operating cash flow[1] – by segment[2]

Protection and Finishing

- Operating margin 16.9%
- Operating cash flow £11.8m
- Conversion ratio[3] 142%
- Return on capital[4] 33.6%

Filter Products

- Operating margin 11.5%
- Operating cash flow £12.0m
- Conversion ratio[3] 100%
- Return on capital[4] 25.9%



Coated and Security

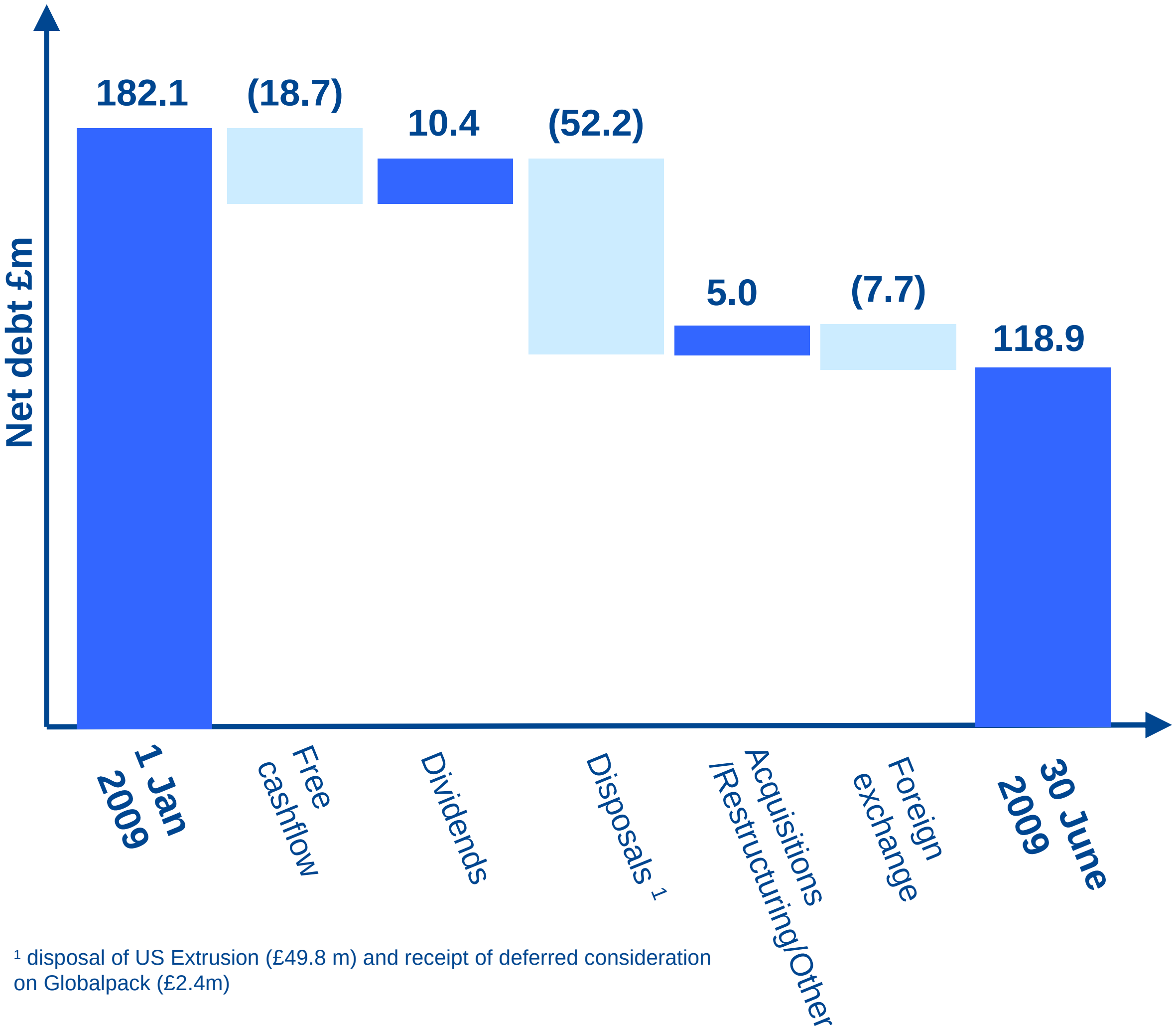
- Operating margin 15.5%*
- Operating cash flow £7.7m
- Conversion ratio[3] 100%
- Return on capital[4] 23.9%

Porous Technologies

- Operating margin 18.6%
- Operating cash flow £5.1m
- Conversion ratio[3] 88%
- Return on capital[4] 21.1%

[1] Adjusted operating profit before depreciation and share option expense less movements in working capital less net capital expenditure.
[2] Excludes Central Services.
[3] Conversion ratio = Operating cash flow divided by adjusted operating profit.
[4] Adjusted operating profit for last 12 months divided by the average invested capital excluding intangibles for last 12 months.
*Normalised to eliminate impact of non-recurring income and profit of £0.7m.

Net debt reconciliation



Refinanced debt facilities
- secure until April 2012
- total facilities £181.2m
  - €84.7m and $35.9m term loans
  - $143.7m revolving credit facility

Net debt/EBITDA*: 1.56 x
- debt covenant : <3x

Interest cover*: 8.2 x
- debt covenant: >3.5x

*based upon LTM results

[1] disposal of US Extrusion (£49.8 m) and receipt of deferred consideration on Globalpack (£2.4m)

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Balance sheet

Net working capital*/revenue

2007	15.8%
2008	14.3%
2009	14.5%

	30 June 2009 £m	30 June 2008 £m	31 Dec 2008 £m
Property, plant and equipment	158.5	176.7	210.5
Intangible assets	96.7	89.4	132.2
Net working capital	63.4	65.9	76.6
Income tax/deferred tax	(21.8)	(19.6)	(22.4)
	296.8	312.4	396.9
Deferred consideration	7.7	8.6	11.7
Provisions	(10.6)	(7.2)	(7.6)
Net derivative liabilities	(2.7)	(0.4)	(14.4)
Pension deficit	(30.5)	(30.9)	(37.4)
Net debt	(118.9)	(135.5)	(182.1)
	141.8	**147.0**	**167.1**
Shareholders' funds	135.1	141.9	160.1
Minority interests	6.7	5.1	7.0
Net equity	**141.8**	**147.0**	**167.1**

Fixed assets

- PP&E and intangibles reduced by sale of US Extrusion
- exchange rates

Net working capital

- decrease v 08 FY driven by sale of US Extrusion and exchange rates
- net working capital to revenue ratio stable

Pension deficit

- updated to reflect asset values and contributions
- no change made to actuarial assumptions at half year
- triennial valuation of UK schemes underway

* Continuing operations, at constant exchange rates, excluding capex payables

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Update on restructuring

£m	Charged to income in H1	Cash spend in H1	Gross 2009 savings[1]	Gross annual savings[1]
Protection and Finishing	1.2	0.8	1.0	1.3
Coated and Security	0.4	0.2	0.2	0.7
Filter Products	3.5	0.1	1.5	5.7
	5.1	1.1	2.7	7.7

- shown separately in H1 2009
- potentially a further £0.3m in H2 2009, in line with previous guidance
- non-cash costs of £3m likely to be taken across H2 2009 and 2010, in line with previous guidance
- further cash costs of £2m in 2010, in line with previous guidance

[1] reduction in labour cost base from associated redundancies

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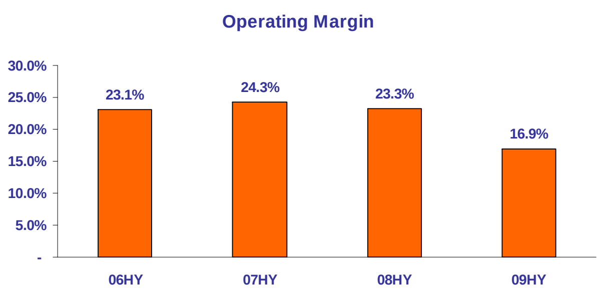
Financial summary

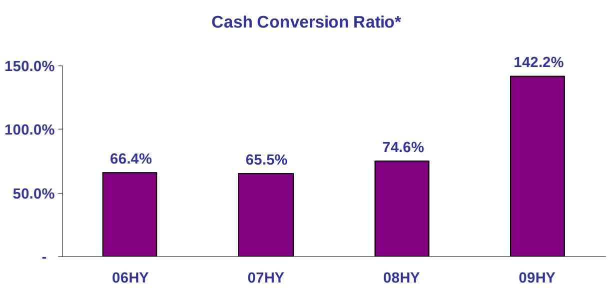
- Resilient first half
  - helped by favourable fx translation
- Portfolio effect
  - more defensive divisions offset full impact of downturn on more cyclical divisions
- Focus on cash optimisation
  - effective management of capital expenditure and working capital
- Strong cash generation
  - 104% conversion rate of operating profit into operating cash
  - free cash flow per share significantly higher than prior year
- Half year dividend maintained at 2.70p

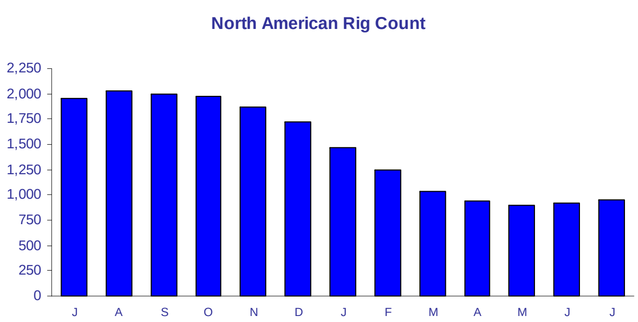
Operating Review - Mark Harper, Chief Executive

A resilient, high quality, financially strong business managing effectively through the global recession

Protection and Finishing Products



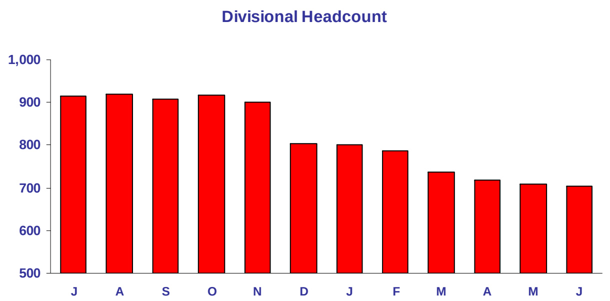


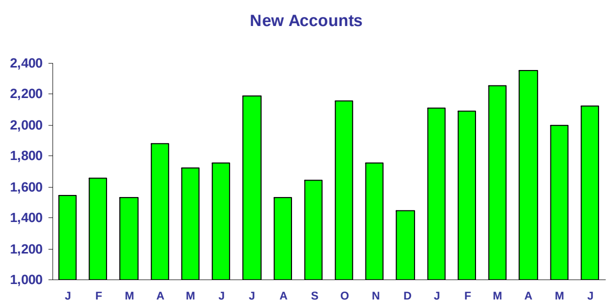


- Revenue down 14.6% and 27.2% at constant exchange rates
- Operating profit down 38.1% and 47.5% at constant exchange rates
- Significant market headwinds
  - Industrial de-stocking
  - Widespread short time working/factory shut downs
  - c.50% fall in North American rig count
- Gross margins maintained
- Strong operating margins supported by cost reductions and more favourable raw material prices
- Excellent cash conversion

*trading cash flow (operating profit plus working capital movement, depreciation and share option expense less capital expenditure) as a ratio of operating profit

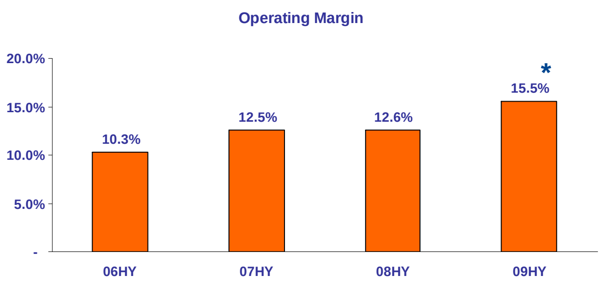
Protection and Finishing Products



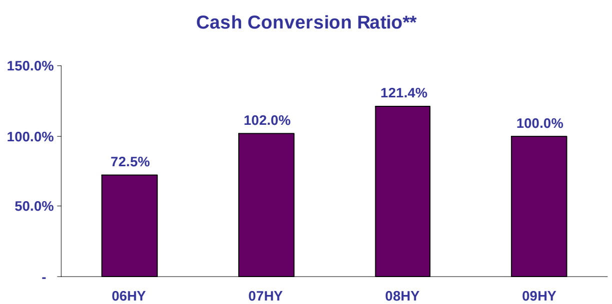


- Substantial cost reduction programme
  - Cost base reduced by £4.7m
  - Reduction of 211 heads since July 2008
  - Transfer of Skiffy production to Moss completed
- Continued marketing investment
  - Strong commercial lead indicators
  - Substantial increase in catalogue/sample requests and new accounts opened
  - 10.7% increase in active accounts
- Robust business model – well positioned for when demand recovers

Coated and Security Products



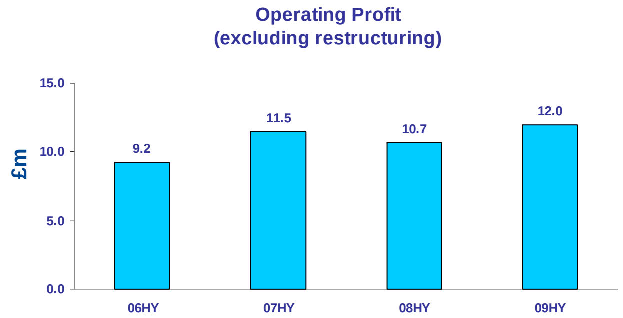
*normalised to eliminate impact of non-recurring profit of £0.7m

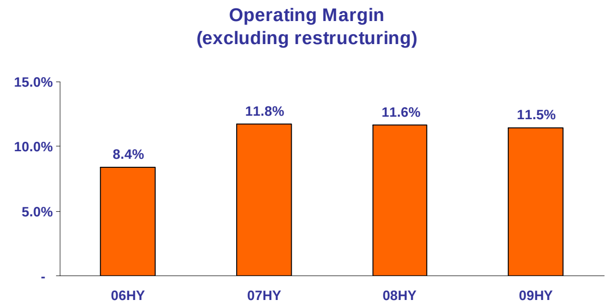


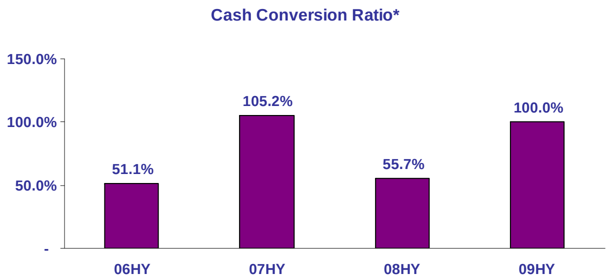
**trading cash flow (operating profit plus working capital movement, depreciation and share option expense less capital expenditure) as a ratio of operating profit

- Revenue up 3.6% but down 4.4% at constant exchange rates
- Operating profit up 37.5% and 26.2% at constant exchange rates
- Tear tape volume marginally down primarily due to customer de-stocking
- Positive mix with strong promotional tape sales, new applications and full half year of Payne authentication system
- Weak UK passport volumes
- Encouraging security label sales for tobacco roll-your-own market
- FractureCode profit assisted by non recurring payment - income from licence to end in 2009
- Enitor soft demand

Filter Products



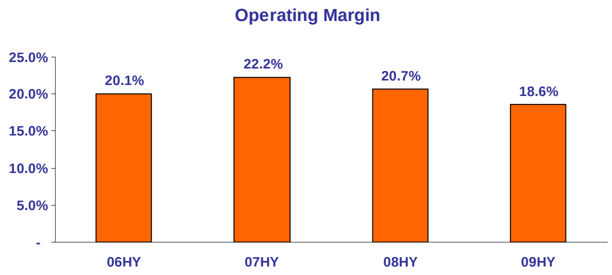


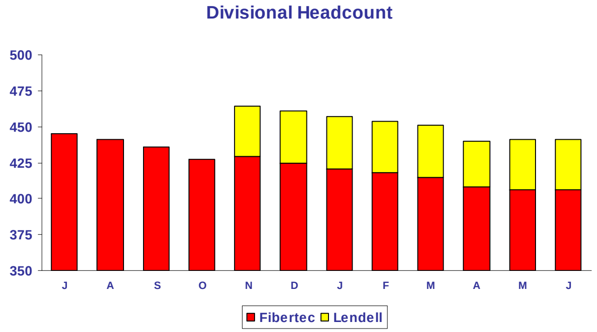


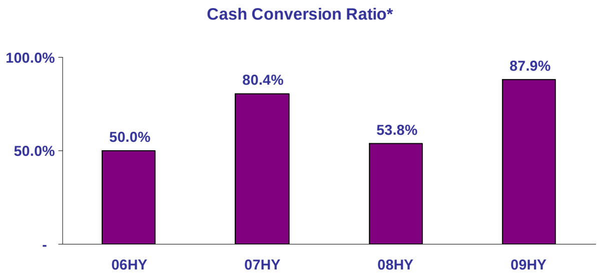
*trading cash flow (operating profit plus working capital movement, depreciation and share option expense less capital expenditure) as a ratio of operating profit

- Revenue up 13.7% and up 2.3% at constant exchange rates
- Operating profit up 23.7% and 8.1% at constant exchange rates
- Asia now 48.5% of total volume
- Total divisional volume down 10.6%
- Full recovery of 2008 raw material cost increases
- New price model for samples and small orders
- Continued operational improvement
  - Conversion cost
  - Waste
- Good progress with new product development
- Jarrow restructuring in progress

Porous Technologies







*trading cash flow (operating profit plus working capital movement, depreciation and share option expense less capital expenditure) as a ratio of operating profit

- Revenue up 24.3%, level at constant exchange rates, down 8.8% adjusting for Lendell
- Operating profit up 11.5% but down 10.8% at constant exchange rates
- Growth in medical up 5.6% and printer systems up 22.3%
- Revenues impacted by reductions in consumer expenditure – writing instruments down 20%, household down 42.5%
- Additional OEM printer system customer
- New medical project to launch in Q4 09
- Successful Lendell integration
- H2 expected to benefit from:-
  - New medical product Q4
  - Increased Lendell volumes
  - Strong printer system revenues

Summary and Outlook

- Resilient performance with strong cash flow in spite of severe recessionary impacts
- Trends indicate that markets have stabilised
- Group re-financing and sale of North American Plastic Profile and Sheet business were important milestones
- Sustained focus on cost management and delivery of benefits from restructuring
- Corporate strategy – organic development supplemented by M&A in higher margin, higher growth potential divisions
- Well positioned to take advantage of recovery when it comes

Filtrona plc Half Year Results

6 months ended 30 June 2009