Filtrona plc Full Year Results

Year ended 31 December 2009

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Financial Review - Steve Crummett, Group Finance Director

Results Highlights

Resilient portfolio

- Revenue up 2.8% (down 5.8% at CER*). Adjusted[1] operating profit down 1.1% (down 12.2% at CER*)
- Adjusted[1] operating profit up (at CER*) in three of four divisions
- Adjusted[1] eps down 8%

Strong cash generation & returns

- 129% cash conversion of operating profit into operating cash
- Free cash flow per share up 62%
- Return on assets[2] in all divisions > 20%
- Strong balance sheet. 1.4x net debt/EBITDA

Dividend maintained

*Constant exchange rates
[1] Continuing operations, before intangible amortisation, major restructuring costs and exceptional acquisition fees (2008: before intangible amortisation and exceptional acquisition fees)
[2] Adjusted operating profit for the last 12 months divided by the average invested capital (excluding intangibles) for last 12 months

Income statement

Year ended 31 December Continuing operations	2009 £m	2008 £m	Growth %	CER[2] Growth %
Revenue	**444.0**	**431.7**	**2.8**	**(5.8)**
Adjusted[1] operating profit	**56.2**	**56.8**	**(1.1)**	**(12.2)**
Net finance expense	(10.0)	(6.8)		
Adjusted[1] profit before tax	**46.2**	**50.0**		
Intangible amortisation	(3.1)	(2.0)		
Major restructuring costs	(8.9)	-		
Exceptional acquisition fees	(1.9)	(1.3)		
Profit before tax	**32.3**	**46.7**		
Income tax	(12.1)	(15.3)		
Profit from continuing operations	**20.2**	**31.4**		
Discontinued operations	(6.7)	4.7		
Minority interests	(1.7)	(1.1)		
Earnings	**11.8**	**35.0**		

2009 underlying[3] tax charge of 31% (2008: 32%)

[1] before intangible amortisation, major restructuring costs and exceptional acquisition fees (2008: before intangible amortisation and exceptional acquisition fees)
[2] at Constant Exchange Rates
[3] Underlying = % of (adjusted PBT less intangible amortisation). 2009 actual charge is net of a credit of £1.3m for tax relief on major restructuring costs

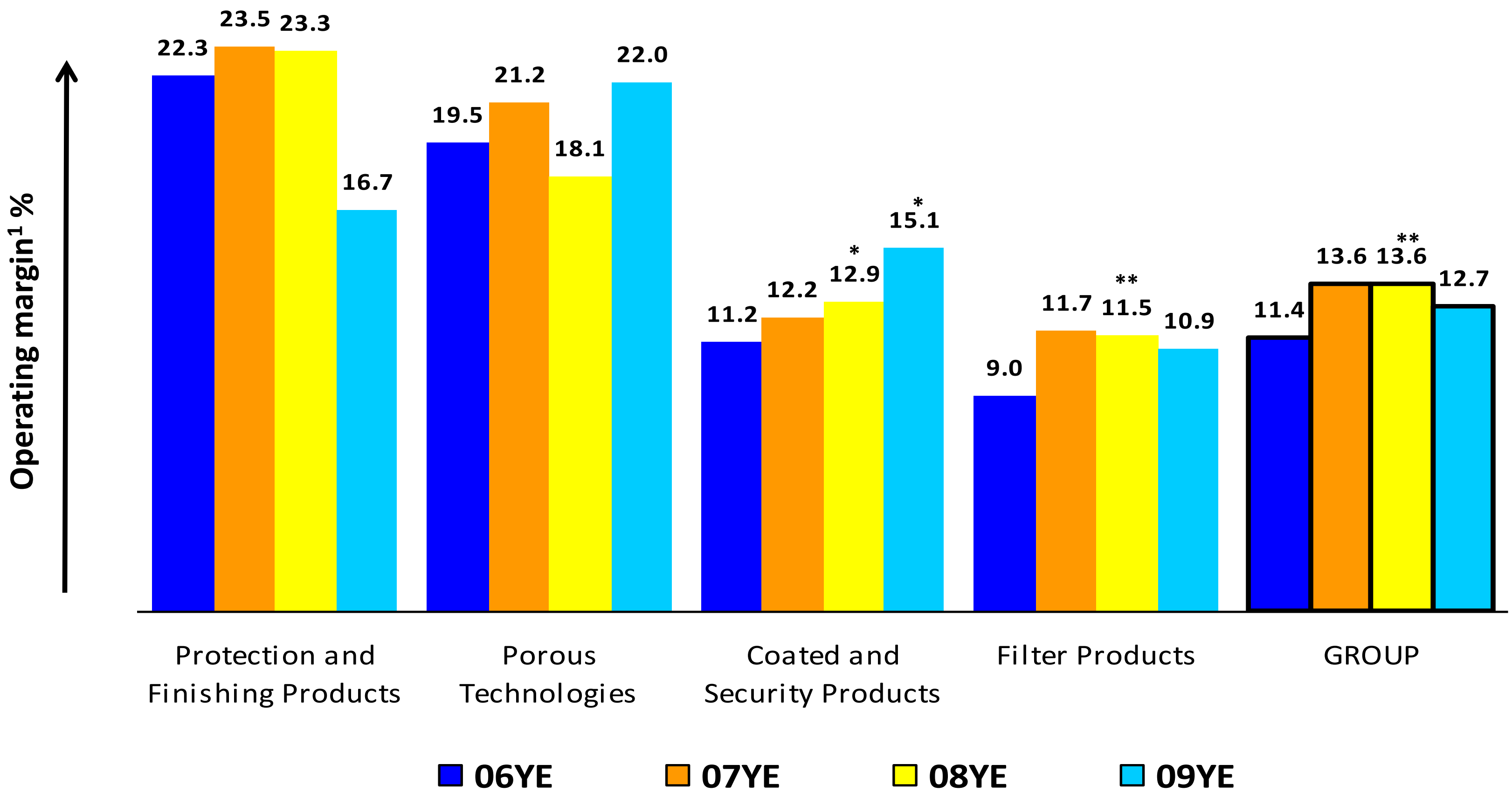
Segmental summary

Year ended 31 December Continuing operations	Revenue 2009 £m	2008 £m	Growth %	CER[2] Growth %	Adjusted[1] operating profit 2009 £m	2008 £m	Growth %	CER[2] Growth %
Protection and Finishing	95.3	114.6	(16.8)	(25.3)	15.9	26.7	(40.4)	(46.8)
Porous Technologies	66.0	49.7	32.8	15.0	14.5	9.0	61.1	39.4
Coated and Security	87.3	86.1	1.4	(4.5)	12.2	10.0	22.0	17.3
Filter Products	202.9	187.5	8.2	0.4	22.1	19.8	11.6	0.9
Central Services/Elims	(7.5)	(6.2)			(8.5)	(8.7)		
Group	444.0	431.7	2.8	(5.8)	56.2	56.8	(1.1)	(12.2)

[1] before intangible amortisation, major restructuring costs and exceptional acquisition fees (2008: before intangible amortisation and exceptional acquisition fees)

[2] at Constant Exchange Rates

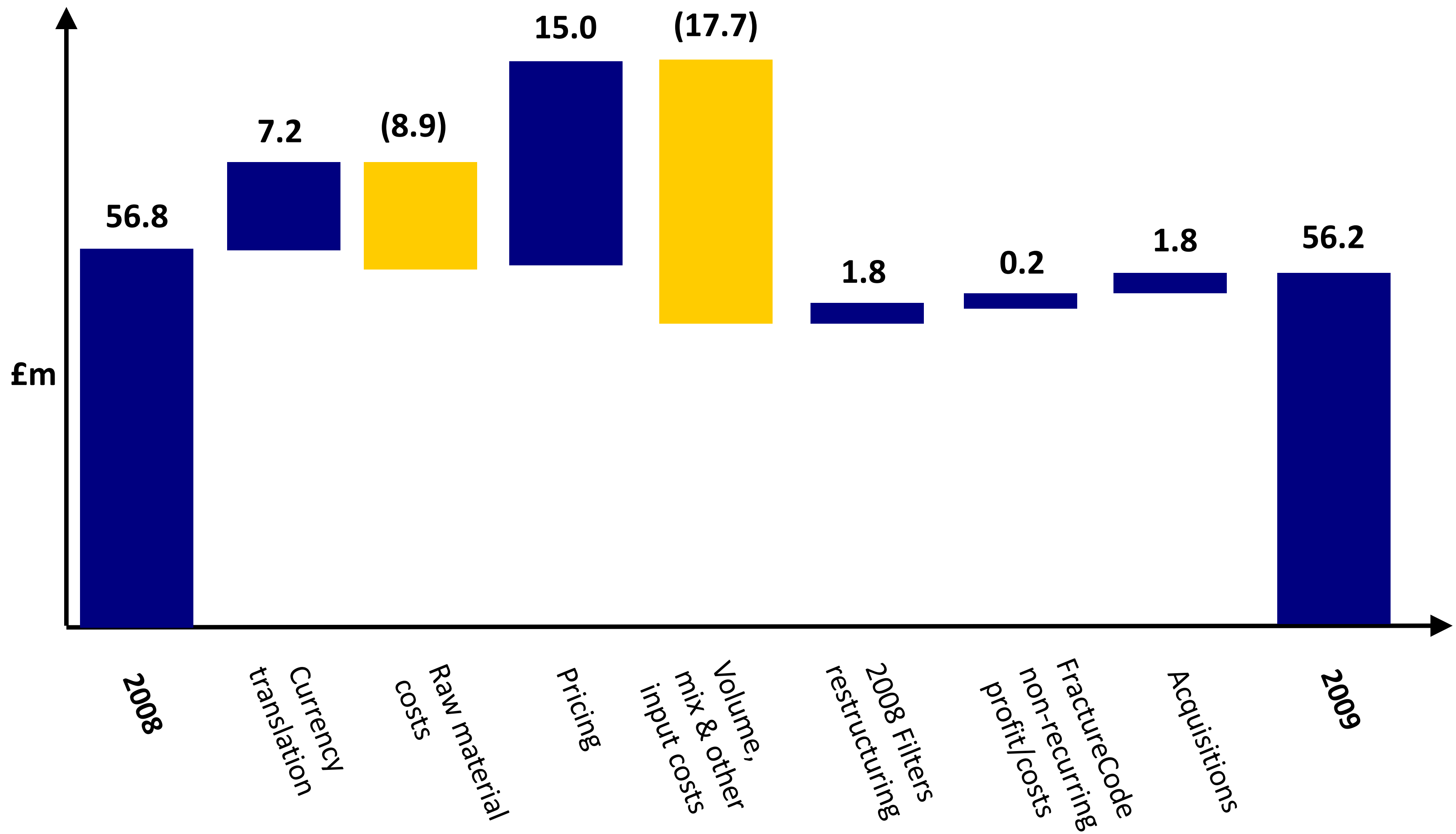
Operating margin[1] by segment



Consistent and strong margins reflect the high quality of Filtrona businesses

[1]before intangible amortisation, major restructuring costs and exceptional acquisition fees
*normalised to eliminate impact of non-recurring income and profit of £0.7m in 2009 and FractureCode legal costs of £1.6m (2008: costs of £1.1m)
**excludes £1.8m Filter Products' restructuring in 2008

Operating profit[1] – key movements



[1] Continuing operations, before intangible amortisation, major restructuring costs and exceptional acquisition fees (2008: before intangible amortisation and exceptional acquisition fees)

Net finance charge

Year ended 31 December	2009 £m	2008 £m	Δ £m
Finance charge			
Net interest charge on debt	7.0	7.8	(0.8)
Amortisation of bank fees	1.7	-	1.7
IAS 19 pension charge/(credit)	1.9	(0.3)	2.2
Deferred consideration	(0.6)	(0.7)	0.1
Net finance charge	10.0	6.8	3.2

- Net finance charge is expected to increase in 2010 due to the full year impact of amortisation of bank fees arising from the refinancing in April 2009, offset only in part by lower average debt levels.

Earnings per share/dividend per share

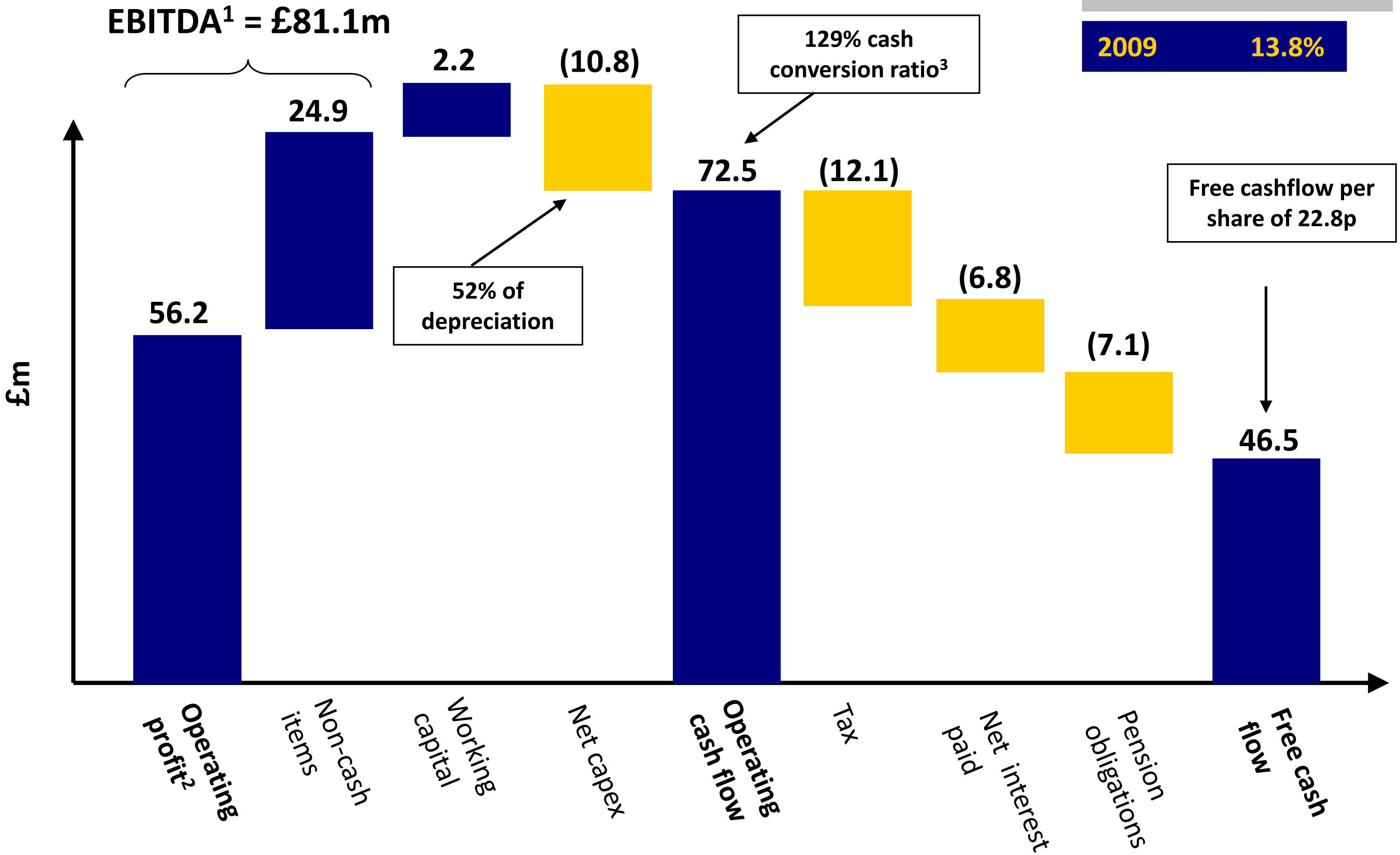
Year ended 31 December	2009	2008	Growth %
Weighted average number of shares	204.2m	204.1m	
Adjusted eps (continuing activities)	14.8p	16.1p	(8.1)
Final dividend per share	5.08p	5.08p	-
Full year dividend per share	7.78p	7.78p	-

Dividend maintained reflecting resilience and strong cash flow

Cash flow analysis

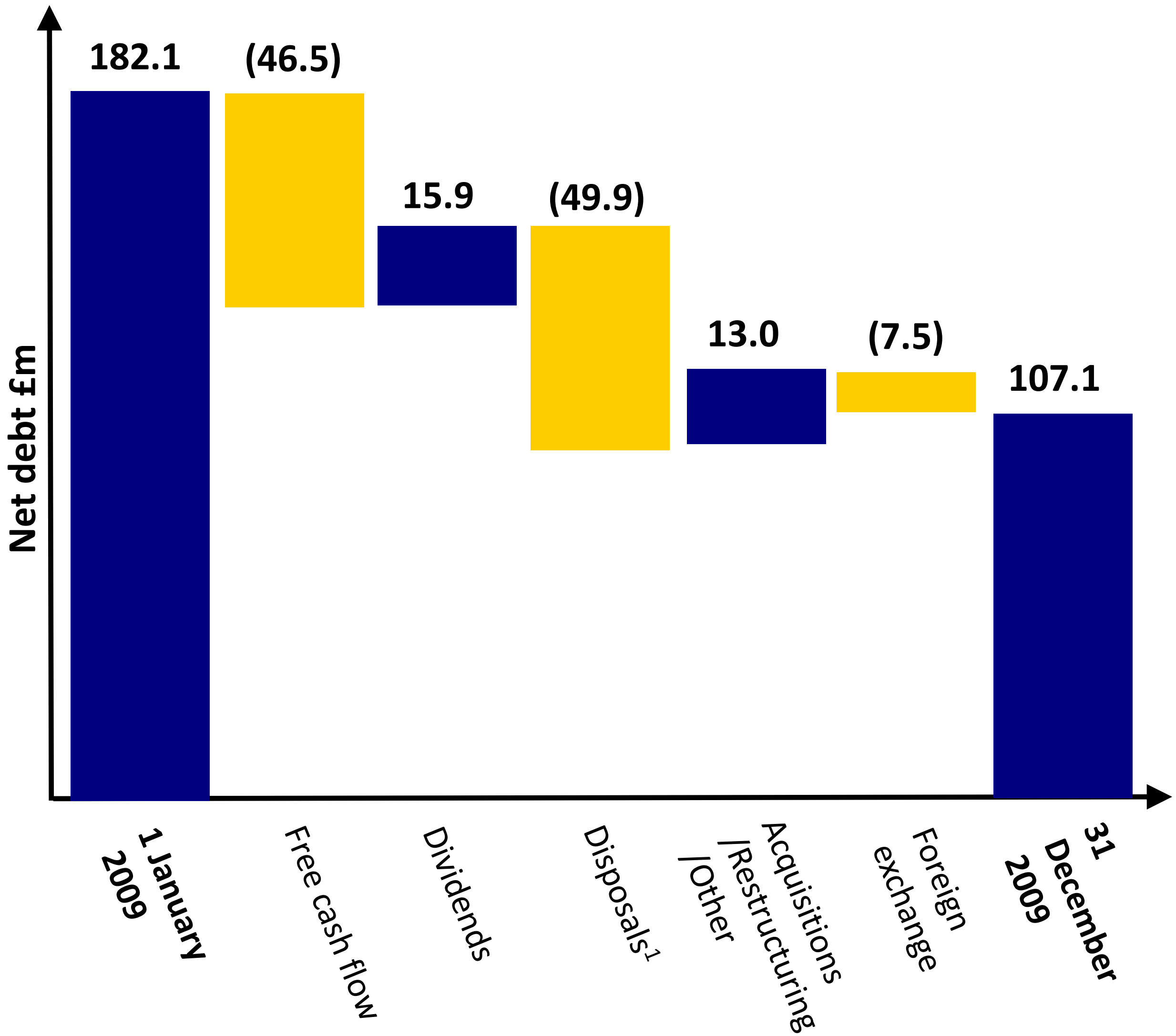
Net working capital*/revenue

2007	13.5%
2008	14.2%
2009	13.8%



[1] Continuing operations, adjusted operating profit before depreciation, share option expense and other non-cash items
[2] Continuing operations, before intangible amortisation, major restructuring costs and exceptional acquisition fees
[3] Operating cash flow divided by adjusted operating profit
* Continuing operations, at constant exchange rates, excluding capex payables (at 2009 exchange rates)

Net debt reconciliation



Refinanced debt facilities
- secure until April 2012
- total facilities £186.5m
  - €84.7m and $35.9m term loans
  - $143.7m revolving credit facility

Net debt/EBITDA: 1.4
- debt covenant : <3.0

Interest cover: 7.2x
- debt covenant: >3.5x

[1] disposal of North American Plastic Profile and Sheet business (net £47.5 m) and net receipt of deferred consideration on Globalpack (£2.4m)

Balance sheet

Net working capital*/revenue

2007	13.5%
2008	14.2%
2009	13.8%

As at 31 December	2009 £m	2008[1] £m
Property, plant and equipment	153.9	210.5
Intangible assets	98.1	132.2
Net working capital	60.5	76.6
Income tax/deferred tax	(21.1)	(22.4)
	291.4	396.9
Deferred consideration	8.3	11.7
Provisions	(6.4)	(7.6)
Net derivative liabilities	(2.5)	(14.4)
Pension deficit	(22.6)	(37.4)
Net debt	(107.1)	(182.1)
	161.1	**167.1**
Shareholders' funds	153.7	160.1
Minority interests	7.4	7.0
Net equity	**161.1**	**167.1**

Net working capital

- Decrease vs 08 FY driven by sale of US extrusion business and exchange rates
- Net working capital/revenue ratio shows further improvement

Pension deficit

- Actuarial assumptions updated. Increase in asset values
- Triennial valuation of UK schemes and agreement of revised recovery programme ongoing
- Consultation with membership regarding benefits underway

* Continuing operations, at constant exchange rates, excluding capex payables (at 2009 exchange rates)

[1] 2008 comparatives include North American Plastic Profile and Sheet net assets

Major restructuring costs

£m	Charged to income 2009	Cash spend in 2009	Gross 2009 savings[1]	Gross annual savings[1]
Protection and Finishing	1.2	1.1	1.1	1.7
Coated and Security	0.7	0.6	0.4	1.2
Filter Products	3.6	2.0	1.5	5.9
Total cash costs	**5.5**	3.7	3.0	8.8
Non-cash costs	**3.4**			
Total major restructuring costs	**8.9**			

No further major restructuring charges in 2010

[1] reduction in labour cost base from associated redundancies

Financial Summary

Protection and Finishing

- EBITDA[1,2] £21.9m
- Operating cash flow[3] £24.7m
- Conversion ratio[4] 155%
- Return on assets[5] 25.7%

Porous Technologies

- EBITDA[1,2] £17.7m
- Operating cash flow[3] £14.9m
- Conversion ratio[4] 103%
- Return on assets[5] 29.5%

Resilient portfolio

Strong cash generation and returns

Coated and Security

- EBITDA[1,2] £17.1m
- Operating cash flow[3] £16.7m
- Conversion ratio[4] 137%
- Return on assets[5] 25.0%

Group ROIC[6]

16.9%

Filter Products

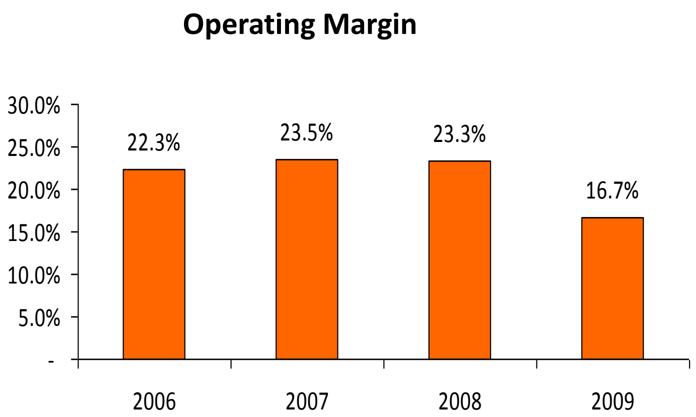
- EBITDA[1,2] £29.7m
- Operating cash flow[3] £28.3m
- Conversion ratio[4] 128%
- Return on assets[5] 27.3%

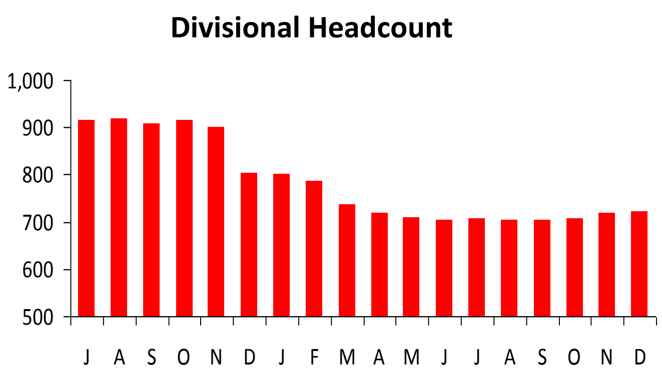
[1]Excludes Central Services
[2]Adjusted operating profit before depreciation and share option expense
[3]Adjusted operating profit before depreciation and share option expense, less movements in working capital, less net capital expenditure
[4]Operating cash flow divided by adjusted operating profit
[5]Adjusted operating profit for last 12 months divided by the average invested capital (excluding intangibles) for last 12 months
[6]Adjusted operating profit for last 12 month divided by average invested capital (including intangibles) for last 12 months

Operating Review - Mark Harper, Chief Executive

A resilient, high quality, financially strong business well positioned for growth

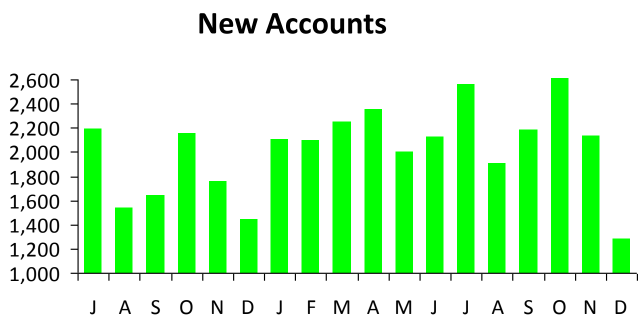
Protection and Finishing Products

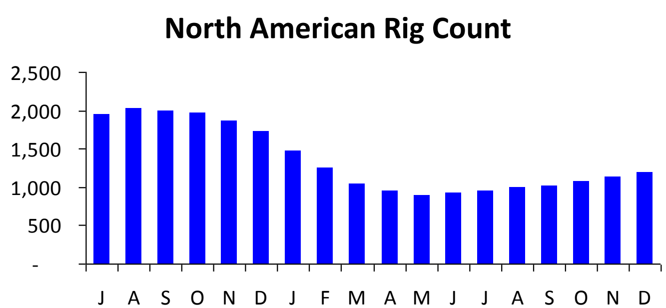


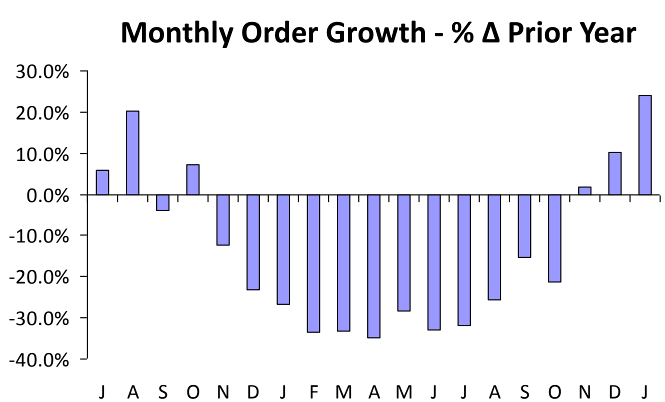


- Challenging 2009
  - Revenue and profit declines
  - MSI most severely impacted
  - Margin hit by operational leverage
  - Gross margin held up well
- Lower cost base
  - Cost base down by over £7m
  - Headcount down by 180 since November 08
  - Consolidation of European production

Protection and Finishing Products



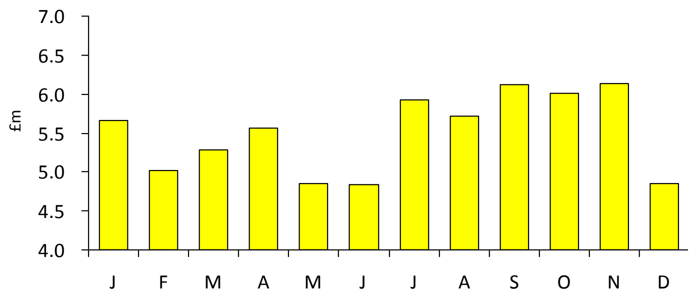




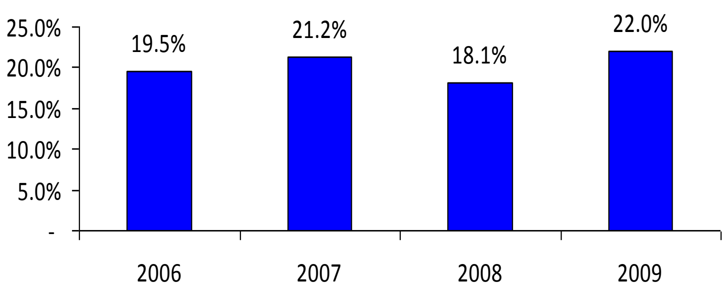
- Sustained marketing investment
  - 30% increase in catalogue/sample requests
  - 18% increase in new accounts opened
- Positive development in emerging markets
- Early signs of recovery
  - Improvements in order intake rates across the division
  - Rig count improvement reflected in better MSI trading
  - Profile of recovery unclear

Porous Technologies

2009 Monthly Sales



Operating Margin

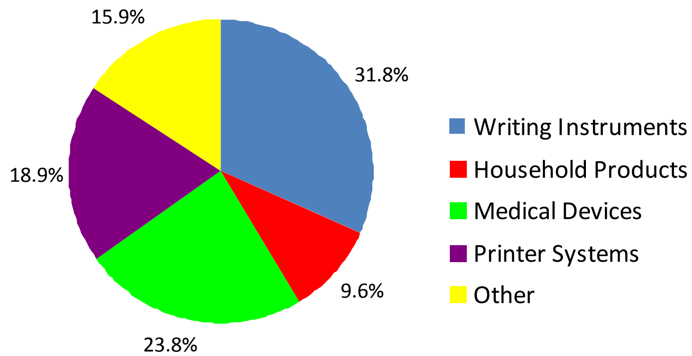


- Very strong second half trading due to new products
- Visible benefit of sustained IP development and strong proprietary know-how underpin
- Underlying* revenue up 5.1% and underlying operating profit up 18.9% at constant exchange rates.
- Excellent margins and strong cash conversion

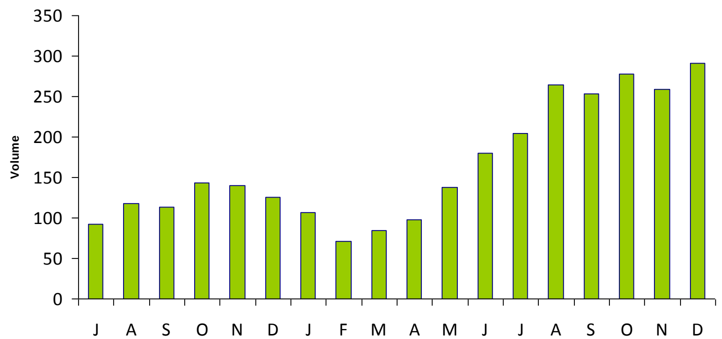
*at constant exchange rates and after adjusting for Lendell

Porous Technologies

2009 Sales by End Market



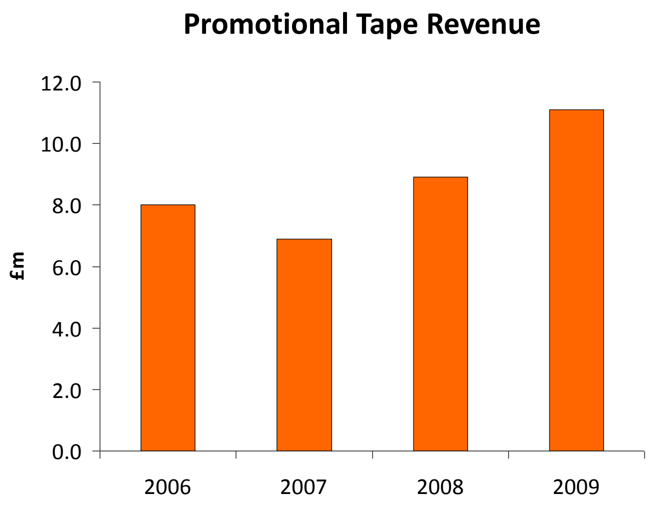
Printer System Volume
3 Month Rolling Average

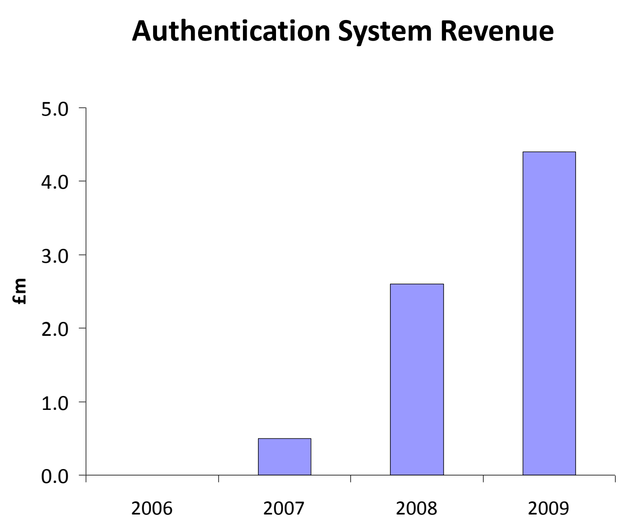


Rolling Average = current month + prior two months divided by 3

- Traditional core markets depressed by consumer expenditure – writing instruments down 12.7% and household products down 25.1% - but some improvement in second half
- 91.6% revenue growth in printer systems – major new customer
- New medical product successfully launched in Q4
- Capacity expansion investment underway
- Healthy new product pipeline
- Another growth year expected

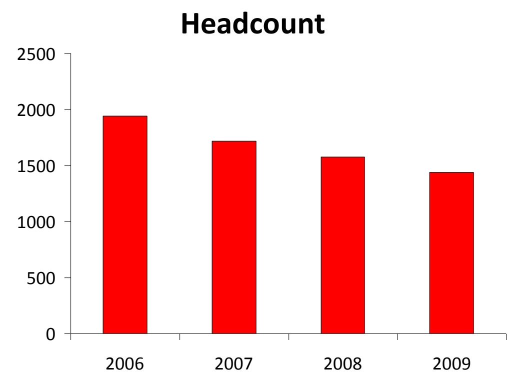
Coated and Security Products

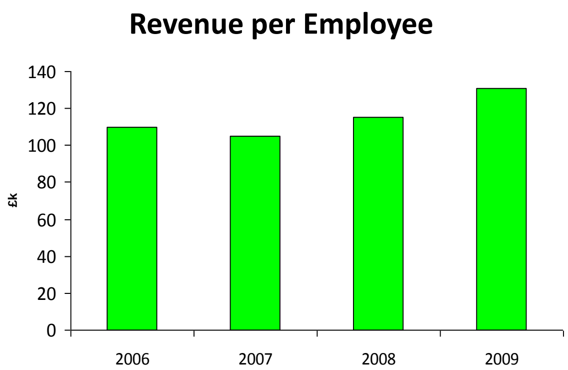


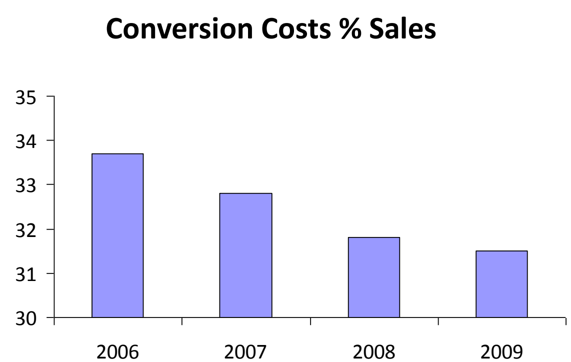


- Tear tape volume down 4% but mix benefit from promotional tape volumes up 12%
- Excellent progress with Payne authentication system and security label sales
- 2010 passport loss expected to be offset by new business
- Enitor revenues weak throughout 2009
- Positive 2010 outlook

Filter Products

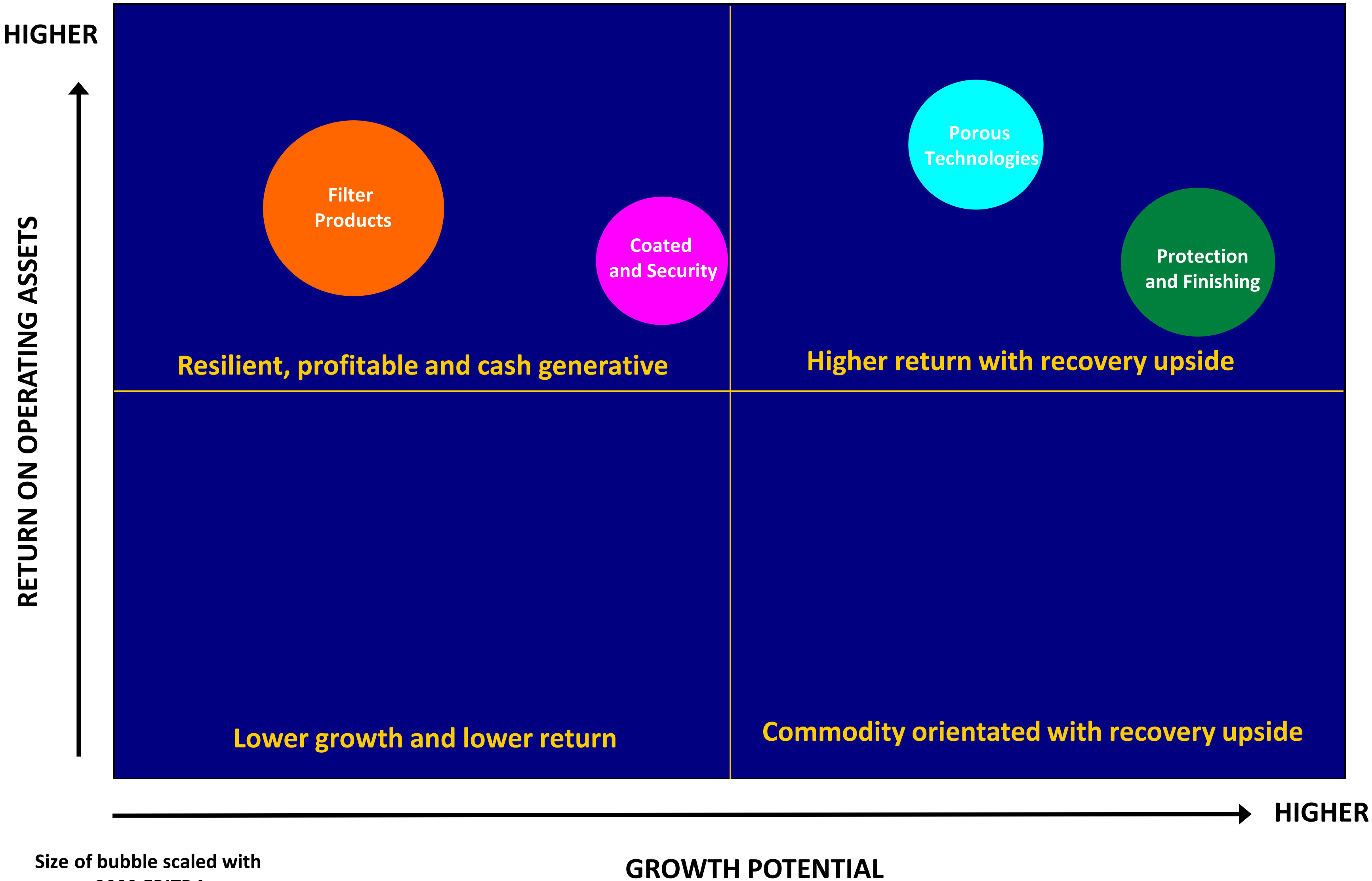






- Margins assisted by good sample activity and small order pricing revisions
- Significant operational improvement and cost reduction
  - 138 headcount reduction
  - Jarrow restructuring complete in April 2010
  - Good increase in revenue per employee
  - Conversion costs down
  - Ongoing quality improvement
- Healthy new product pipeline
- Sustained attractive returns and some growth expected

Divisional strategic position



Size of bubble scaled with 2009 EBITDA

Summary and Outlook

Resilient 2009 performance

- Three of four divisions improved profits at constant exchange rates
- Excellent cash flows and strengthened balance sheet
- Margins assisted by intense cost focus and benefits of restructuring

Development agenda intact

- Sustained revenue investment in Sales & Marketing and Research & Development
- Strategic focus remains organic development supplemented by acquisitions in higher margin, higher growth potential divisions

Outlook

- Early signs of recovery in Protection & Finishing
- Success with new products in Porous Technologies
- Resilience in Coated & Security and Filter Products
- Profile of global economic recovery unclear

Confidence in 2010

*Constant exchange rates

Filtrona plc Full Year Results

Year ended 31 December 2009