



**23 April 2009**

**Filtrona plc**

## **Interim Management Statement**

Filtrona plc ('Filtrona' or the 'Company'), the international, market leading speciality plastic and fibre products supplier today issues its interim management statement for the period from 1 January 2009 in accordance with the UK Listing Authority's Disclosure and Transparency Rules. All statistics and qualitative statements made below relate to continuing operations and therefore exclude the North American Plastic Profile and Sheet business, the disposal of which completed on 27 March 2009.

At its Annual General Meeting to be held at 12 noon today, Jeff Harris, Chairman, will make the following statement.

### **Company Financial Performance**

During the first quarter of 2009, the Company's overall performance was in line with the Board's expectations.

Company revenue was up 16.1% versus the first quarter last year ("comparable period") and up 0.2% at constant exchange rates.

Company operating profit (before amortisation and exceptional restructuring costs) was ahead of the comparable period by 19.9% (down 0.6% at constant exchange rates).

### **Plastic Technologies**

Plastic Technologies' revenue was up 4.3% versus the comparable period (down 10.0% at constant exchange rates).

### ***Protection and Finishing Products***

Revenue within the Protection and Finishing Products division was down 2.9% versus the comparable period (down 19.5% at constant exchange rates).

After a satisfactory start to the year, order inputs have slowed in general industrial markets in recent weeks and, as previously advised, MSI, the oil country tubular goods thread protector business, is being affected by a deterioration in drilling activity in the US onshore oil and gas market.

The division is implementing a series of cost saving programmes. The manufacturing operations of the Skiffy business in Amsterdam have been transferred to the Moss facility in Kidlington near Oxford and headcount has been reduced within the division by 18% since the end of November 2008.

### ***Coated and Security Products***

Positive momentum within the Coated and Security Products division has continued with revenue up 15.6% versus the comparable period (up 8.2% at constant exchange rates).

The Payne tear tape business is benefitting from the resilience of the global tobacco industry. Sales within the Payne security business are being assisted by new sales in the security labels market and the new business won last year for the Payne proprietary authentication system.

To further enhance performance, the division has announced the proposed closure of the Payne Security personal ID business at Mold, with the transfer of operations to the existing Payne Security facility at Banbury.

### **Fibre Technologies**

Fibre Technologies' revenue was up 26.7% versus the comparable period (up 9.2% at constant exchange rates).

### **Filter Products**

The Filter Products division has started the year well with revenue up by 24.9% versus the comparable period (up 11.2% at constant exchange rates).

Revenue in both Asia and Europe was encouraging, with the European region benefiting from the previously announced new volumes with an important customer. Volumes were 4.4% down for the division as a whole, reflecting volume reductions in the Americas.

On 2 April, the division announced a major proposed restructuring at the UK Filter Products facility at Jarrow on Tyneside which is anticipated to lead to a workforce reduction to 132 from 365 over the next 15 months. In addition, the Filter Products distribution operation in Sao Paulo, Brazil has been closed. The costs of the UK restructuring form the major part of the restructuring charges announced in the Company's trading update of 14 January 2009.

### **Porous Technologies**

Revenue within the Porous Technologies division was up 28.0% versus the comparable period (down 0.6% at constant exchange rates). Adjusting for the benefit

of the Lendell acquisition, revenue was up 11.9% versus the comparable period (down 10.6% at constant exchange rates).

Growth in medical products was outweighed by reductions in writing instruments, household products and printer systems. These markets have been impacted by reductions in consumer spending and, additionally, printer system revenues have been affected by some customer inventory adjustments. The Lendell integration continues to progress well.

It is anticipated that trading performance in the division will improve as two important new projects, in medical products and printer systems, are due to come on stream in the second quarter.

## **Financial Position**

### ***Restructuring, Disposal and Refinancing***

As announced on 14 January 2009, the Company is implementing a restructuring plan for 2009 and 2010 to drive efficiency and reduce the Company's cost base. The cash costs of restructuring are estimated to be £5m in 2009 and £2m in 2010 with savings generated of £2.5m in 2009 and £6.5m from 2010 onwards.

On 27 March 2009, the Company announced the completion of the sale of the North American Plastic Profile and Sheet business to Sawmill Capital LLC for an initial cash consideration of \$77.5m.

As announced on 17 April 2009, the Company has successfully completed the refinancing of its banking facilities. Taking account of the higher margin and fees payable under the new facilities, together with the anticipated increase in net pension

interest and lower debt levels following the disposal of the North American Plastic Profile and Sheet business, it is estimated that the total net finance expense for the Company will increase in line with expectations by approximately £4m - £5m in 2009, compared to 2008.

Other than the net cash proceeds received from the disposal, there has been no significant change in the financial position of the Company. The Company's net debt as at 4 April 2009 was £140m.

### **Outlook**

The Board expects the Coated and Security Products and Filter Products divisions to continue to trade well, reflecting the resilience of their served markets, and that the Protection and Finishing Products and Porous Technologies divisions will continue to trade in line with current business trends.

The Company's focus on cash generation, cost control and reinforcement of its strong market positions, allied to the relatively defensive nature of a number of its key served markets, give the Board comfort in its outlook for the year and confidence that Filtrona is well positioned to deliver growth as demand recovers.

### **Enquiries:**

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### Note to Editors:

**Filtrona plc** is an international, market leading, speciality plastic and fibre products supplier. Further information can be found on the website [www.filtrona.com](http://www.filtrona.com)

### **Protection and Finishing Products**

A global market leading provider of product protection and finishing solutions, manufacturing and supplying plastic injection moulded, dip moulded vinyl and adhesive-coated foam products. 41 operating units in 14 countries serve a broad industrial base of 81,000 customers with a rapid supply of primarily plastic products for protection, and finishing applications in industries such as hydraulics and pneumatics, oil and gas, electrical controls and tubular metal products.

### **Coated and Security Products**

The global market leading producer of high quality self-adhesive tear tape and an emerging supplier of products and technologies for brand protection, document authentication, personal identification and track and trace. Customers in over 100 countries are served from facilities operating in six countries.

### **Plastic Profile and Sheet**

Extruder of plastic profiles based in The Netherlands.

### **Filter Products**

The only global independent cigarette filter supplier. The 12 worldwide locations, including a UK based research facility provide a flexible infrastructure strategically positioned to serve the cigarette industry. The division supplies a wide range of value adding high quality innovative filters from monoacetate to multi-segment speciality filters with sophisticated adsorbent materials.

### **Porous Technologies**

With locations in the US, Germany and China, the leading manufacturer of custom fluid and vapour handling components delivering high value and precision performance to many of the most well-known consumer, industrial and medical brand owners in the world. The components are used in a wide range of product applications including writing instruments, inkjet printer cartridges, medical diagnostic devices and air fresheners.