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Press Release / Stock Exchange Announcement

Low & Bonar PLC 2006 Interim Results

Low & Bonar PLC, the specialist materials group, today reports its results for the half year ended 31 May 2006.

	2006	2005	%
Turnover	£89.7m	£78.2m	14.7%
Turnover – continuing businesses	£86.2m	£78.2m	10.3%
Operating profit (before amortisation and non-recurring items)	£5.1m	£4.6m	9.8%
Profit before tax (before amortisation and non-recurring items)	£4.5m	£3.8m	20.9%
Earnings per share (before amortisation and non-recurring items)	3.09p	2.74p	12.8%
Dividend per share	1.8p	1.7p	5.9%
Operating profit (after amortisation and non-recurring items)	£3.5m	£4.4m	(21.9)%
Profit before tax (after amortisation and non-recurring items)	£2.9m	£3.5m	(18.2)%
Basic earnings per share	1.95p	2.95p	(33.9)%

Highlights

- Turnover up 15% to £89.7m with continuing turnover up 10% to £86.2m
- Solid progress in Floors Division with revenues up 7% to £47.8m driven by successful range launches
- Yarns & Fabrics Divisional revenues up 25% to £41.8m of which organic revenues were up 14%
- Increase in operating profit before amortisation and non-recurring items of 10% to £5.1m despite the negative impact of higher raw material prices and energy costs
- Recent acquisitions – Xirion, Threshold and Geotiptex – successfully integrated and performing as planned
- Proposed acquisition of Colbond, announced on 7 July 2006, will provide a step change for the Group and create exciting new strategic opportunities within the technical textiles market

Commenting on the results, Paul Forman, Group Chief Executive, said:

“This has been another strong performance with revenue growth in both our Divisions and profit growth in spite of further increases in raw material costs. We have also seen good performances from our recent acquisitions. The proposed acquisition of Colbond provides exciting new strategic opportunities for us within the technical textiles market and further enhances the Group’s long-term growth potential.”

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Chairman's Statement

The first half of 2006 has been highly significant for the Group, as we have continued to implement successfully our strategy of both organic and acquisitive growth in our chosen markets of contract flooring and technical textiles.

Encouraging levels of organic growth have been achieved in both Divisions and I am pleased to report that the three acquisitions made within the last 12 months – Xirion, Threshold and Geotiptex – are all performing as planned. Furthermore, the proposed acquisition of Colbond (which is subject to shareholder approval at an extraordinary general meeting to be held on 24 July 2006) will provide a step-change in size for the Group and create exciting new strategic opportunities within the technical textiles market. As the acquisition of Geotiptex and the proposed acquisition of Colbond demonstrate, I am pleased to report that we have pursued our strategy effectively, notwithstanding the distraction of the approach, in December 2005, from a third party in relation to a possible offer being made for the Company.

A further positive development occurred on 29 June 2006 when the Company announced the appointment of Kevin Higginson as Group Finance Director with effect from 5 September 2006.

Financial Review

In our first results published under IFRS, revenue has grown by 15% and profit before tax, amortisation and non-recurring items, has been improved by 21%. Bonar Floors has continued to benefit from the investment made in new product launches and cost restructuring 12 months ago. Bonar Yarns & Fabrics has held operating profit broadly in line with last year as revenue growth and a small first half contribution from Geotiptex have offset yet another significant increase in raw material and energy costs.

Revenue was £89.7m compared with £78.2m for the same period last year. Profit before tax, amortisation and non-recurring items was £4.5m (2005: £3.8m) after net financing costs of £0.6m (2005: £0.9m). Earnings per share before amortisation and non-recurring items⁽¹⁾ were 3.09p (2005: 2.74p), an increase of 13%, with a tax rate of 28% (2005: 24%).

As at 31 May 2006, the Group had net debt of £23.0m (2005: net debt of £7.9m). The key reasons for this movement were the payment of £8.4m in respect of the EU fine⁽²⁾, and additional pension contributions of £9.3m. The cost of the acquisitions of Xirion, Threshold and Geotiptex was offset by the proceeds from the sale of the Plastics Division.

Dividend

In line with the Board's policy of the last three years and consistent with that stated in the recent Prospectus and Circular, the Board has declared an interim ordinary dividend of 1.8p per share payable on 4 October 2006 to ordinary shareholders on the register on 11 August 2006 (2005: 1.7p per share). Shareholders should note that as detailed in the Company's Prospectus dated 7 July 2006 the new ordinary shares proposed to be issued pursuant to the proposed rights issue will not qualify for this interim ordinary dividend.

(1) See Note 5.

(2) Following the conclusion of its investigation, the European Commission notified the Company and its subsidiary Bonar Technical Fabrics N.V. on 30 November 2005 of its decision that they infringed Article 81 of the European Treaty. The investigations involved an alleged cartel relating to industrial bags, a market which the Group exited in 1997 following the sale of its Belgian packaging business to British Polythene Industries PLC. The Company has lodged an appeal against the fine of £8.4m, which was paid in the period.

Group Chief Executive's Review of Operations

Floors

The Division continued to make very encouraging progress during the first half. Divisional revenue grew by over 7% to £47.8m from £44.6m. The revenue growth was largely attributable to progress in our branded manufactured products, as opposed to sales of third party products to the MoD as was the case last year.

There are two major factors that have driven this improvement. First is the continued positive impact of the range launches undertaken to an unprecedented degree in the first half of 2005. I am pleased to report that all five of our major product brands have shown year-on-year growth in revenue and our overall order book remains at a healthy level. The second factor is the benefit of the cost restructuring exercise undertaken in June 2005, which has delivered the anticipated benefits. Consequently, Divisional operating profit before amortisation and non-recurring items has grown by 18%, to £4.4m from £3.8m. This has been achieved in the face of significant escalation in the costs of energy and certain raw materials. There are some signs of sales demand in our markets in continental Europe beginning to recover, although this is not yet a consistent picture.

It is encouraging to note that the other key performance metrics by which we manage our business are also showing year-on-year progress. These include our working capital levels, operating cash flow, health and safety performance, employee absenteeism rates and customer delivery service levels. All of these are vital to ensure that Bonar Floors regains and then sustains the operating margins which we know it is capable of producing. We now have a very strong and capable Divisional management team in place.

Yarns & Fabrics

Divisional revenue grew by 25% to £41.8m (2005: £33.5m) including a maiden contribution of £3.5m from our acquisition, Geotiptex. The revenue growth from continuing businesses was 14%. Divisional operating profit before amortisation and non-recurring items was £2.0m (2005: £2.2m), including a post-acquisition contribution of £0.3m from Geotiptex. As has been the case for the last two to three years, raw material and energy costs have had a significantly negative impact, with a like-for-like cost increase in the first half of £2.0m versus the comparable period in H1 2005.

Our two woven and non-woven textiles businesses, Bonar Technical Fabrics ("BTF") in Belgium and Geotiptex in Hungary, have started the year encouragingly. BTF has progressed in both revenue and profit despite being the business most affected by rising polypropylene prices. The non-woven capacity investment made in early 2005 is performing to our expectations and revenue progress is occurring in most areas of the business. Geotiptex has performed well during our period of ownership and I am very satisfied by the progress it has made in forging a good working relationship with BTF. Our fibres business, ADFIL, has seen sales hold steady year-on-year, notwithstanding pricing and volume pressures in continental Europe. The transfer of manufacturing to BTF (at a non-recurring cost of £0.4m) is now complete and operating as envisaged.

Recent evidence indicates that sales growth from new products from ADFIL is also moving ahead. Yihua Bonar, our Chinese operation, has shown good year-on-year progress in both revenue and profit. Grass production is now operational and sales of woven textiles are up strongly versus 2005. The commencement of local grass production, as agreed, has resulted in the increase in our equity holding from 50.1% to 60% with effect from 26 April 2006.

The artificial grass yarns market, serviced by Bonar Yarns in Scotland and Xirion in Belgium, is undergoing significant structural change. This is being driven by the shift in demand towards monofilament products (made by Xirion) from fibrillated products (made by Bonar Yarns). The rate and full extent of this shift is being monitored and assessed in order to allow us to modify our balance of grass yarn capacity - both in terms of geographical balance and product – so we can best service the constantly evolving market needs. Bonar Yarns is continuing to gain new grass yarn customers, build its carpet backing business and address fully all aspects of its cost base. Xirion is experiencing good year on year growth and its profit for the period is in line with our expectations. Two new lines were installed earlier on in the year to meet a predicted significant growth in demand for their product. Overall our customer base is predicting continued strong growth in market demand for grass yarn.

Outlook

The last three financial years were focused on creating a platform for growth around two core markets that we believe to be attractive on a long term basis. This platform has been strengthened further in the first half of 2006 by the acquisition of Geotipptex and the announcement of the proposed acquisition of Colbond, the associated rights issue and increased debt facilities during July 2006.

Overall trading of the Group remains in line with the Board's expectations.

Within the Floors Division, the Board remains pleased with both revenue growth and cost control and anticipates a good result for the full year. The Yarns & Fabrics Division continues to be impacted by increases in the price of the raw materials, although there has been some evidence of a levelling off in this trend. In summary, despite these raw material pressures, the Group has made a satisfactory start to the second half of the financial year.