

**Half Year Results for the six months to 31 May 2010****STRONG TRADING PERFORMANCE,  
GOOD PROGRESS TOWARDS MEDIUM TERM FINANCIAL TARGETS**

Low & Bonar PLC (“Low & Bonar” or “the Group”), the international performance materials group, today announces its half year results for the six months ended 31 May 2010.

**Highlights:**

Continuing operations	6 months <u>May 10</u>	6 months <u>May 09</u>	12 months <u>Nov 09</u>
Revenue	£155.8m	£139.5m	£304.8m
Statutory profit/(loss) before tax	£7.9m	£(5.8)m	£0.7m
Normalised profit before tax*	£6.7m	£5.1m	£15.8m
EPS*	1.67p	1.75p	4.35p
Net debt	£67.4m	£98.7m	£67.4m
Dividend per share	0.5p	0.0p	0.8p

\* Before amortisation and non-recurring items.

- Strong and broadly based sales growth up 11.7% (14.1% on a constant currency basis)
- Normalised profit before tax up 31.4% (33.9% on a constant currency basis)
- £31.3m year-on-year improvement in net debt level
- Interim dividend of 0.5p per share (2009: nil) reflects confidence
- Performance Technical Textiles sales improved by 13.6%, at constant currency, with an impressive contribution from Colbond
- Technical Coated Fabrics performed well, with sales up 15.2%, at constant currency, and a significant uplift in margins
- Joint venture grass yarn production facility in Abu Dhabi now in commercial production

**Steve Good, Chief Executive of Low & Bonar, said:**

*“The Group has moved firmly forward on its organic growth agenda during the first half, and delivered solid progress towards its medium term financial targets which were set in February this year.*

*The much improved sales pattern established throughout the second quarter has continued into the start of the second half and our joint venture grass yarn production facility in Abu Dhabi is now in commercial production.*

*The declared interim dividend reflects the Group’s strengthened financial position and much improved trading performance, as well as our confidence in the trading outlook. In our trading update of 4 June 2010 we indicated that trading was better than our original expectations for the full year, and our view remains unchanged.”*

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## Chairman's Statement

In the first half of 2010, I am very pleased to report that the Group has moved firmly forward and delivered solid progress towards the medium term financial targets which we set in February this year.

In the first half, sales increased by 11.7%, or 14.1% on a constant currency basis, compared to the same period last year, with profit before tax, amortisation and non-recurring items improving by 31.4%, or 33.9% on a constant currency basis.

### Results Highlights

Continuing Operations	6 months <u>May 10</u>	6 months <u>May 09</u>	12 months <u>Nov 09</u>
Revenue	£155.8m	£139.5m	£304.8m
Statutory profit / (loss) before tax	£7.9m	£(5.8)m	£0.7m
Normalised profit before tax*	£6.7m	£5.1m	£15.8m
EPS* °	1.67p	1.75p	4.35p
Net debt	£67.4m	£98.7m	£67.4m
Dividend per share	0.5p	0.0p	0.8p

\* Before amortisation and non-recurring items

° Weighted average  
number of shares in issue

	287.9m	212.6m	250.4m
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Further commentary on the results and cash flows for the period can be found in the Chief Executive's Review of Operations.

### Dividends

The Board has declared an interim dividend, in line with our progressive dividend policy, of 0.5p per share (2009: nil) payable on 30 September 2010 to ordinary shareholders on the register of members on 3 September 2010. This reflects the Group's strengthened financial position and much improved trading performance as well as the Board's confidence in the trading outlook.

### Pensions equalisation

A provision was created in the 2008 accounts for the costs associated with a possible failure to properly equalise the retirement ages of men and women in relation to the Group's main UK pension scheme following the "Barber decision" of 1990. In April 2010, the Scottish Court of Session determined that equalisation had been effective and so the provision totalling £5.5m, net of costs, has been credited to the Income Statement.

## **Board changes**

This is my first statement as Chairman of Low & Bonar following my appointment on 30 June this year, and I am delighted to have the opportunity to lead the Group into the next phase of its development. I would also like to pay tribute to Duncan Clegg, who preceded me as Chairman, for his role in guiding the Group through a period of significant change. The Group is now well positioned to take advantage of future opportunities in the performance materials market.

Kevin Higginson resigned as Group Finance Director on 27 April 2010, to join a private company. I would like to thank Kevin for his invaluable contribution since he joined the Group in 2006. The search for his successor is well advanced.

## **Outlook**

The Group now has a clear focus on delivering profitable, cash generative, organic growth. The results achieved in the first half of this year are a solid step towards delivering both our medium term financial targets and building further shareholder value. We are firmly committed to achieving both objectives.

The much improved sales pattern established throughout the second quarter, has continued into the start of the second half and our joint venture grass yarn production facility in Abu Dhabi is now in commercial production.

In our trading update of 4 June 2010 we indicated that trading was better than our original expectations for the full year, and our view remains unchanged.

Martin Flower  
Chairman  
13 July 2010

## **Chief Executive's Review of Operations**

Following the Group's resilient performance in 2009, in what were very challenging economic conditions, the Group has increased significantly its focus during the period on delivering profitable, cash generative growth from the existing businesses.

I am pleased to report that good progress has been made in the first half of the year. In comparison to the same period last year, sales have grown by 11.7% (14.1% on a constant currency basis), profit before tax, amortisation and non-recurring items has improved by 31.4 %, or 33.9% on a constant currency basis, to £6.7m (2009: £5.1m), and net debt is £67.4m, some £31.3m lower than in May 2009.

There have been three noteworthy features during the first half of the financial year: strong and broadly based sales growth; improved asset efficiency and net debt management; and the start up of our new manufacturing facility in Abu Dhabi.

### **Strong and broadly based sales growth**

Like for like sales, at constant currency rates, increased 14.1% compared to the first half of last year. This was achieved despite a sluggish first quarter when volumes in civil engineering and building products markets were adversely affected by the severe winter in the Northern hemisphere. As the weather improved towards the end of the first quarter sales improved significantly, with all segments performing ahead of last year in the second quarter. In particular, excellent growth was achieved in the transport, leisure, and carpet manufacturing sectors.

The investments the Group has made to improve its new product pipeline and to grow sales outside its historic 'heartland' (of Western Europe and North America) have been major contributors. Recently launched products have improved market shares in transport, carpet manufacturing and niche building product sectors. Sales outside of this 'heartland' have improved from 17% to 23% of total sales in the period, with China and Central and Eastern Europe developing very well.

Successful management initiatives have been augmented by an improvement in the external economic environment compared to a weak first half last year when demand uncertainty led to significant de-stocking in some of the Group's end markets. It has been particularly encouraging to see all sectors, including both early and late cycle activities, improving half year on half year.

### **Improved asset efficiency and net debt management**

Further improvements have been made compared to the same period last year in working our assets harder and lowering the average level of debt. The Group's return on capital employed has improved from 11.7 % at the end of May 2009 to 12.1 % at the end of May 2010. Working capital reduction programmes have delivered structural benefits across the Group.

Good progress has been made in reducing our net debt from £98.7m a year ago to £67.4m at the end of this half year.

Capital expenditure in the first half of the year was £3.1m. Second half expenditure is planned to be higher to support increased trading opportunities but is still expected to be around 80% of depreciation for the year.

Since the half year end, we have taken the opportunity provided by the improved debt position and foreign exchange rates to cash settle 40% of the euro element of the net derivative liability for £9.3m.

## **Start up of Abu Dhabi production facility**

The Abu Dhabi joint venture investment to produce artificial grass yarns for the European and North American markets has completed pre production trials and is now in commercial production. Non-recurring costs of £0.7m were incurred in starting up the facility.

This is an important milestone in the transformation of our loss making Technical Yarns business.

## **Operational performance**

### ***Performance Technical Textiles***

*(Woven and non-woven fabrics and yarns for use in the civil engineering, carpet tile manufacturing, leisure, construction and industrial sectors).*

Sales in the division improved by 13.6% on a constant currency basis. However margins declined to 6.6% (2009: 8.1%) and the results of the businesses within the division were mixed.

Colbond performed impressively with a strong performance in both sales and margin terms. As anticipated, the Technical Yarns business remained loss making in its transition year.

The Fabrics business has suffered from temporarily lower margins as a consequence of the significant increases in the cost of polypropylene over the first half of the year and the timing lag in adjusting selling prices to restore margins. With selling prices now adjusted, margins are expected to improve in second half of the year.

Divisional sales grew sharply in the transport and carpet manufacturing sectors, with new industrial applications in composites and filtration also contributing. These sectors have benefitted from new product launches which have grown market share, delivered strong growth in Asia, and shown a modest recovery in European and North American markets from the lows of the first half of last year.

Civil engineering sales, after a slow start to the year, have picked up strongly to be ahead of last year. Building product sales into commercial and residential applications have yet to show any meaningful recovery.

### ***Technical Coated Fabrics***

*(Technical coated fabrics for use in the print, architecture, transport, leisure and industrial sectors).*

Our Technical Coated Fabrics Division performed well in the first half of the year. Sales grew by 15.2% on a constant currency basis, with operating margins improving to 8.9% (2009: 6.4%).

Sales developed well in building products, on the back of new projects for architectural membranes and sunshading fabrics which, together with a modest recovery in early cycle leisure and trailer side curtain markets, delivered good year on year growth. Operating margins benefited both from improving manufacturing efficiencies and increased volumes through a tightly controlled cost base.

## Summary

We have made good progress during the first half and are on track to deliver our medium term targets for sales growth, operating margin, and asset efficiency.

Steve Good  
Group Chief Executive  
13 July 2010

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## Forward looking statements

This announcement includes statements that are, or may be deemed to be, "forward looking statements". These forward looking statements can be identified by the use of forward looking terminology, including, but not limited to, the terms "believes", "estimates", "anticipates", "expects", "may", "will", "would", "could" or "should" or, in each case, their negative or other variations or comparable terminology. These forward looking statements include matters that are not historical facts.

By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward looking statements are not guarantees of future performance. The Group's actual results of operations, financial condition and liquidity may differ materially from the impression created by the forward looking statements contained in this announcement. In addition, even if the results of operations, financial condition, and liquidity are consistent with the forward looking statements contained in this announcement, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to: changes in the competitive framework in which the Group operates and its ability to retain market share; the Group's ability to generate growth or profitable growth; the Group's ability to generate sufficient cash to service its debt; the Group's ability to control its capital expenditure and other costs; significant changes in exchange rates, interest rates and tax rates; significant technological and market changes; future business combinations or dispositions; and general local and global economic, political, business, and market conditions. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this announcement may not occur.

Other than in accordance with their legal or regulatory obligations, the Group does not undertake any obligation to update or revise publicly any forward looking statement, whether as a result of new information, future events or otherwise.

**LOW & BONAR PLC**  
**Consolidated Income Statement**

	Six months ended 31 May 2010 Unaudited			Six months ended 31 May 2009 Unaudited			Year ended 30 November 2009		
	Before amortisation and non- recurring items	Amortisation and non- recurring items	Total	Before amortisation and non- recurring items	Amortisation and non- recurring items	Total	Before amortisation and non- recurring items	Amortisation and non- recurring items	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue	<b>155.8</b>	-	<b>155.8</b>	139.5	-	139.5	304.8	-	304.8
Operating profit	<b>10.1</b>	<b>(4.3)</b>	<b>5.8</b>	9.1	(8.7)	0.4	22.1	(12.9)	9.2
Non-operating income	-	<b>5.5</b>	<b>5.5</b>	-	-	-	-	-	-
Financial income	<b>5.2</b>	-	<b>5.2</b>	7.3	-	7.3	14.6	-	14.6
Financial expense	<b>(8.6)</b>	-	<b>(8.6)</b>	(11.3)	(2.2)	(13.5)	(20.9)	(2.2)	(23.1)
Net financing costs	<b>(3.4)</b>	-	<b>(3.4)</b>	(4.0)	(2.2)	(6.2)	(6.3)	(2.2)	(8.5)
<b>Profit/(loss) before taxation</b>	<b>6.7</b>	<b>1.2</b>	<b>7.9</b>	5.1	(10.9)	(5.8)	15.8	(15.1)	0.7
Taxation	<b>(2.1)</b>	<b>1.0</b>	<b>(1.1)</b>	(1.4)	3.0	1.6	(5.0)	3.1	(1.9)
<b>Profit/(loss) after taxation</b>	<b>4.6</b>	<b>2.2</b>	<b>6.8</b>	3.7	(7.9)	(4.2)	10.8	(12.0)	(1.2)
Profit/(loss) for the period from continuing operations	<b>4.6</b>	<b>2.2</b>	<b>6.8</b>	3.7	(7.9)	(4.2)	10.8	(12.0)	(1.2)
Profit for the period from discontinued operations	-	-	-	-	0.4	0.4	-	0.4	0.4
<b>Profit/(loss) for the period</b>	<b>4.6</b>	<b>2.2</b>	<b>6.8</b>	3.7	(7.5)	(3.8)	10.8	(11.6)	(0.8)
<b>Attributable to</b>									
Equity holders of the Company	<b>4.5</b>	<b>2.3</b>	<b>6.8</b>	3.8	(7.5)	(3.7)	11.0	(11.6)	(0.6)
Minority interest	<b>0.1</b>	<b>(0.1)</b>	-	(0.1)	-	(0.1)	(0.2)	-	(0.2)
	<b>4.6</b>	<b>2.2</b>	<b>6.8</b>	3.7	(7.5)	(3.8)	10.8	(11.6)	(0.8)

**Earnings/(loss) per share*****Continuing operations***

Basic	<b>1.67p</b>	<b>2.38p</b>	1.75p	(1.95)p	4.35p	(0.41)p
Diluted	<b>1.66p</b>	<b>2.37p</b>	1.74p	(1.95)p	4.33p	(0.41)p

***Discontinued operations***

Basic	-	-	-	0.18p	-	0.16p
Diluted	-	-	-	0.18p	-	0.16p

***Total***

Basic	<b>1.67p</b>	<b>2.38p</b>	1.75p	(1.77)p	4.35p	(0.25)p
Diluted	<b>1.66p</b>	<b>2.37p</b>	1.74p	(1.77)p	4.33p	(0.25)p

**LOW & BONAR PLC**  
**Condensed Consolidated Group Balance Sheet**

	<b>31 May 2010 Unaudited £m</b>	31 May 2009 Unaudited £m	30 November 2009 £m
<b>Non-current assets</b>			
Goodwill	84.5	86.6	90.5
Intangible assets	48.2	56.0	55.2
Property, plant and equipment	119.9	126.8	127.5
Investment in associate	0.4	0.4	0.4
Deferred tax assets	3.9	3.9	3.5
	<b>256.9</b>	273.7	277.1
<b>Current assets</b>			
Inventories	62.6	69.9	61.4
Trade and other receivables	67.1	66.0	61.5
Derivative assets	-	0.4	-
Cash and cash equivalents	15.7	18.0	16.2
	<b>145.4</b>	154.3	139.1
<b>Current liabilities</b>			
Interest bearing loans and borrowings	6.6	9.2	9.0
Current tax liabilities	6.5	4.9	7.1
Trade and other payables	63.6	52.0	60.6
Provisions	0.3	2.8	-
Derivative liabilities	28.3	30.3	36.2
	<b>105.3</b>	99.2	112.9
<b>Net current assets</b>	<b>40.1</b>	55.1	26.2
<b>Total assets less current liabilities</b>	<b>297.0</b>	328.8	303.3
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	76.5	107.5	74.6
Deferred tax liabilities	28.7	28.5	29.3
Post employment benefits	26.8	27.1	27.2
Provisions	-	5.8	5.8
Other payables	0.5	0.2	0.4
	<b>132.5</b>	169.1	137.3
<b>Net assets</b>	<b>164.5</b>	159.7	166.0
<b>Equity attributable to equity holders of the parent</b>			
Share capital	45.3	45.3	45.3
Reserves	113.8	109.2	115.8
<b>Total equity attributable to</b>			
Equity holders of the parent	<b>159.1</b>	154.5	161.1
Minority interests	5.4	5.2	4.9
<b>Total equity</b>	<b>164.5</b>	159.7	166.0

**LOW & BONAR PLC**  
**Condensed Consolidated Cash Flow Statement**

	<b>Six months ended 31 May 2010 Unaudited £m</b>	Six months ended 31 May 2009 Unaudited £m	Year Ended 30 November 2009 £m
<b>Profit/(loss) for the period from continuing operations</b>	<b>6.8</b>	(4.2)	(1.2)
<b>Profit for the period from discontinued operations</b>	<b>-</b>	0.4	0.4
<b>Profit/(loss) for the period</b>	<b>6.8</b>	(3.8)	(0.8)
Adjustments for:			
Depreciation and impairment	6.7	7.3	13.8
Amortisation	3.6	3.7	7.3
Income tax expense/(credit)	1.1	(1.6)	1.9
Net financing costs	3.4	6.2	8.5
(Increase)/decrease in working capital	(6.0)	(4.0)	17.1
Decrease in provisions	(5.8)	-	(2.5)
Loss on disposal of property, plant and equipment	-	-	0.2
Equity-settled share-based payment	0.4	0.4	0.5
<b>Cash inflow from operations</b>	<b>10.2</b>	8.2	46.0
Net financing costs paid	(2.6)	(6.6)	(7.9)
Tax paid	(2.0)	(3.1)	(5.4)
Pension cash contributions in excess of operating charge	-	-	(3.5)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>5.6</b>	(1.5)	29.2
Acquisition of subsidiaries, net of cash acquired	-	(2.8)	(2.8)
Acquisition of property, plant and equipment	(2.9)	(5.3)	(7.4)
Intangible assets purchased	(0.2)	(0.5)	(0.8)
Disposal of discontinued operations, net of cash disposed of	-	(0.5)	(0.6)
<b>Net cash outflow from investing activities</b>	<b>(3.1)</b>	(9.1)	(11.6)
Proceeds of share issues	-	30.1	30.2
Drawdown/(repayment) of borrowings	0.6	(19.0)	(50.1)
Finance lease capital repayments	(0.1)	(0.1)	(0.2)
Movement in cash flow hedges	-	(10.6)	(10.6)
Equity dividends paid	(2.3)	-	-
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(1.8)</b>	0.4	(30.7)
<b>Net cash inflow/(outflow)</b>	<b>0.7</b>	(10.2)	(13.1)
<b>Cash and cash equivalents at start of period</b>	<b>16.2</b>	27.5	27.5
Foreign exchange differences	(1.2)	0.7	1.8
<b>Cash and cash equivalents at end of period</b>	<b>15.7</b>	18.0	16.2

**LOW & BONAR PLC****Condensed Consolidated Statement of Other Comprehensive Income**

	<b>Six months ended 31 May 2010 Unaudited £m</b>	Six months ended 31 May 2009 Unaudited £m	Year ended 30 November 2009 £m
Foreign exchange translation differences	(7.6)	(17.3)	(11.6)
Actuarial gain/(loss) on defined benefit pension scheme	1.2	(14.3)	(17.0)
Deferred tax on defined benefit pension scheme	-	-	(0.1)
Net expense recognised directly in equity	(6.4)	(31.6)	(28.7)
Profit/(loss) for the period from continuing operations	6.8	(4.2)	(1.2)
Profit for the period from discontinued operations	-	0.4	0.4
Total other comprehensive income/(expense) for the period	<b>0.4</b>	(35.4)	(29.5)
Attributable to:			
Equity holders of the parent	(0.1)	(35.8)	(29.2)
Minority interest	0.5	0.4	(0.3)
	<b>0.4</b>	(35.4)	(29.5)

**Condensed Consolidated Statement of Changes in Equity**

	<b>Six months ended 31 May 2010 Unaudited £m</b>	Six months ended 31 May 2009 Unaudited £m	Year ended 30 November 2009 £m
Shareholders' equity at start of period	161.1	159.8	159.8
Total recognised expense for the period	(0.1)	(35.8)	(29.2)
Dividends paid to ordinary shareholders	(2.3)	-	-
Ordinary shares issued	-	30.1	30.2
Share-based payment	0.4	0.4	0.3
Net (decrease)/increase in shareholders' funds	(2.0)	(5.3)	1.3
Shareholders' equity at end of period	<b>159.1</b>	154.5	161.1

## **Notes on Interim Report 2010**

### **LOW & BONAR PLC Responsibility Statement**

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU; and
- the interim report includes a fair review of the information required by:
  - a) DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - b) DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

By order of the Board

Steve Good  
Group Chief Executive  
13 July 2010

Kevin Higginson  
Group Finance Director  
13 July 2010

## 1. Segmental information for the six months ended 31 May 2010

As a result of the adoption of IFRS 8 Operating Segments, the directors are of the opinion that the business segments, as previously reported under IAS 14 Segment Reporting, should remain unchanged. Hence the Group comprises the following main reportable segments in the international performance materials industry:

- Performance Technical Textiles – the production and supply of woven and non-woven fabrics and yarns for use in the civil engineering, carpet tile manufacturing, leisure, construction and industrial sectors.
- Technical Coated Fabrics – the production and supply of technical coated fabrics for use in the print, architecture, transport, leisure and industrial sectors.

	<b>Performance Technical Textiles £m</b>	<b>Technical Coated Fabrics £m</b>	<b>Unallocated Central £m</b>	<b>Total £m</b>
Revenue – continuing operations	104.3	51.5	-	155.8
Operating profit before amortisation and non-recurring items	6.9	4.6	(1.4)	10.1
Amortisation	(2.0)	(1.6)	-	(3.6)
Operating profit before non-recurring items	4.9	3.0	(1.4)	6.5
Non-recurring items	(0.7)	-	-	(0.7)
Operating profit	4.2	3.0	(1.4)	5.8
Non-operating expenses – non-recurring items				5.5
Net financing costs				(3.4)
Non-recurring loan break fees				-
Profit before taxation				7.9
Taxation				(1.1)
Profit for the period from continuing operations				6.8
Profit for the period from discontinued operations				-
				6.8
Capital expenditure	2.4	0.7	-	3.1
Depreciation	4.9	1.7	0.1	6.7
Segment assets	231.2	148.0	-	379.2
Segment liabilities	(42.3)	(16.1)	-	(58.4)
Segment net assets	188.9	131.9	-	320.8
Unallocated assets and liabilities				(88.9)
Cash and cash equivalents				15.7
Interest-bearing borrowings				(83.1)
Group net assets				164.5

**LOW & BONAR PLC**  
**Notes on Interim Report 2010 – continued**

**Segmental information for the six months ended 31 May 2009**

	<b>Performance Technical Textiles £m</b>	<b>Technical Coated Fabrics £m</b>	<b>Unallocated Central £m</b>	<b>Total £m</b>
Revenue – continuing operations	94.1	45.4	-	139.5
Operating profit before amortisation and non-recurring items	7.6	2.9	(1.4)	9.1
Amortisation	(2.1)	(1.6)	-	(3.7)
Operating profit before non-recurring items	5.5	1.3	(1.4)	5.4
Non-recurring items	(3.2)	(1.1)	(0.7)	(5.0)
Operating profit	2.3	0.2	(2.1)	0.4
Non-operating expenses – non-recurring items				-
Net financing costs				(4.0)
Non-recurring loan break fees				(2.2)
Loss before taxation				(5.8)
Taxation				1.6
Loss for the period from continuing operations				(4.2)
Profit for the period from discontinued operations				0.4
				(3.8)
Capital expenditure	5.4	0.4	-	5.8
Depreciation	5.4	1.8	0.1	7.3
Segment assets	242.4	158.3	-	400.7
Segment liabilities	(35.2)	(15.0)	-	(50.2)
Segment net assets	207.2	143.3	-	350.5
Unallocated assets and liabilities				(92.1)
Cash and cash equivalents				18.0
Interest-bearing borrowings				(116.7)
Group net assets				159.7

**LOW & BONAR PLC****Notes on Interim Report 2010 – continued****Segmental information for the year ended 30 November 2009**

	<b>Performance Technical Textiles £m</b>	<b>Technical Coated Fabrics £m</b>	<b>Unallocated Central £m</b>	<b>Total £m</b>
Revenue	212.3	92.5	-	304.8
Operating profit before amortisation and non-recurring items	17.1	8.0	(3.0)	22.1
Amortisation	(4.1)	(3.2)	-	(7.3)
Operating profit before non-recurring items	13.0	4.8	(3.0)	14.8
Non-recurring items	(3.7)	(1.2)	(0.7)	(5.6)
Operating profit	9.3	3.6	(3.7)	9.2
Non-operating expenses – non-recurring items				-
Net financing costs				(6.3)
Non-recurring loan break fees				(2.2)
Profit before taxation				0.7
Taxation				(1.9)
Loss for the year from continuing operations				(1.2)
Profit for the year from discontinued operations				0.4
				(0.8)
Capital expenditure	6.4	1.6	-	8.0
Depreciation	9.4	3.6	0.1	13.1
Segment assets	233.1	159.4	-	392.5
Segment liabilities	(40.0)	(13.5)	-	(53.5)
Segment net assets	193.1	145.9	-	339.0
Unallocated assets and liabilities				(105.6)
Cash and cash equivalents				16.2
Interest-bearing borrowings				(83.6)
Group net assets				166.0

**LOW & BONAR PLC**  
**Notes on Interim Report 2010 – continued**

**Geographical information**

Revenue by destination	<b>Six months ended 31 May 2010 £m</b>	Six months ended 31 May 2009 £m	Year ended 30 November 2009 £m
United Kingdom	<b>8.5</b>	7.8	16.2
Germany	<b>25.9</b>	23.2	51.4
Other Western Europe	<b>62.7</b>	62.9	128.4
Central/Eastern Europe	<b>11.4</b>	9.6	21.1
North America	<b>23.1</b>	22.1	46.7
Rest of World	<b>24.2</b>	13.9	41.0
	<b>155.8</b>	139.5	304.8

**2. General information**

Low & Bonar PLC is a company domiciled in Scotland and incorporated in the United Kingdom. The interim condensed consolidated financial statements (the “interim financial statements”) of the Company as at and for the six months ended 31 May 2010 comprise the Company and its subsidiaries (together the “Group”) and the Group’s interests in its associates. The consolidated financial statements of the Group as at and for the year ended 30 November 2009 are available on request from the Company’s head office or from the Group’s website at [www.lowandbonar.com](http://www.lowandbonar.com).

**3. Basis of preparation**

The interim financial statements are prepared in accordance with IAS 34, ‘Interim Financial Reporting’ as endorsed and adopted for use in the European Union. This interim condensed consolidated financial information has not been audited or reviewed by the Group’s auditors in accordance with International Standard on Review Engagement 2410 issued by the Auditing Practices Board. The information has been prepared on the basis of accounting policies consistent with those applied in the consolidated financial statements for the year ended 30 November 2009, except as noted below.

During the period, the Group has applied IAS 1 Presentation of Financial Statements (revised 2007) which has introduced a number of terminology changes and has resulted in a number of changes in presentation and disclosure. The revised standard has had no impact on the reported results or financial position of the Group. In addition, the Group has adopted IFRS 2 Amendment regarding Vesting Conditions and Cancellations, IFRS 8 Operating Segments and Amendments to IAS 32 Financial Instruments: Presentation, none of which have had a significant effect on the reported results or financial position of the Group.

The interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements for the Group as at and for the year ended 30 November 2009.

The comparative figures for the financial year ended 30 November 2009 are not the Company’s statutory accounts for that financial year. Those accounts have been reported on by the Company’s auditors and delivered to the Registrar of Companies. The report of the auditors was i) unqualified, ii) did not include a reference to any matters to which the auditors drew attention by way of

**LOW & BONAR PLC**  
**Notes on Interim Report 2010 – continued**

emphasis without qualifying their report, and iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The financial statements are presented in pounds sterling, rounded to the nearest hundred thousand pounds. They are prepared on the historical cost basis except for the valuation to fair value of certain financial instruments.

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing these condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as at and for the year ended 30 November 2009.

There have been no related party transactions or changes in related party transactions described in the latest annual report that could have a material effect on the financial position or performance of the Group in the first six months of the financial year.

The Group's business has a slight seasonal bias towards the second half of the financial year due to higher levels of infrastructure and civil engineering spend in the Northern hemisphere summer period.

This interim report was approved by the Board of Directors on 13 July 2010.

**4. Taxation**

Taxation on the operating profit after interest has been provided at a rate of 31% for the six months ended 31 May 2010 (2009: 29%) which is the estimated rate of tax for the full year.

**5. Dividend**

The Board has declared an interim ordinary dividend of 0.5p per share payable on 30 September 2010 to ordinary shareholders on the register of members at close of business on 3 September 2010. In accordance with IAS 10 "Events after the Balance Sheet Date", this dividend has not been reflected in the interim accounts. During the period, an ordinary interim dividend (in lieu of final) of 0.8p per share in respect of the year ended 30 November 2009 was paid to ordinary shareholders.

**6. Earnings per share**

Basic earnings per share and earnings per share before amortisation and non-recurring items are based on the weighted average number of ordinary shares in issue during the half year. The calculation of fully diluted earnings per share is based on the weighted average number of ordinary shares in issue plus the dilutive effect of outstanding share options and the Low & Bonar 2003 Long-Term Incentive Plan (the '2003 LTIP') awards (to the extent to which performance criteria had been achieved at 31 May 2010).

No shares were issued during the period (2009: 132,489,559 shares were issued by means of a fully underwritten placing and open offer and 846,397 shares were issued to employees under the LTIP).

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**Notes on Interim Report 2010 – continued**

The weighted average number of ordinary shares and diluted weighted average number of ordinary shares are set out below.

	<b>31 May 2010 (millions)</b>	31 May 2009 (millions)	30 November 2009 (millions)
Weighted average number of shares	<b>287.880</b>	212.597	250.383
Effect of dilutive items	<b>0.761</b>	0.550	1.231
Diluted weighted average number of shares	<b>288.641</b>	213.147	251.614

The directors consider that the calculation of earnings per share from continuing operations before amortisation and non-recurring items gives a more meaningful indication of the Group's underlying performance. For the six months ended 31 May 2010, this figure was 1.67p per share (May 2009: 1.75p; year ended 30 November 2009: 4.35p).

**7. Non-recurring items**

	<b>Six months ended 31 May 2010 £m</b>	Six months ended 31 May 2009 £m	Year ended 30 November 2009 £m
<b>Amounts charged to operating profit</b>			
Plant start up costs	<b>(0.7)</b>	-	-
Restructuring costs including asset impairments	-	(5.0)	(5.6)
	<b>(0.7)</b>	(5.0)	(5.6)
<b>Amounts credited to non-operating expenses</b>			
Pensions equalisation costs	<b>5.5</b>	-	-
<b>Amounts charged to finance costs</b>			
Loan break fees	-	(2.2)	(2.2)

During the period, a number of start up costs have been incurred as the result of the commissioning of the new plant in Abu Dhabi. As these costs are non-recurring in nature, they have been separately classified in the income statement. The plant has completed pre-production trials and is now in commercial production.

The Company and the trustee of its main UK pension scheme had taken professional advice on the implementation of measures necessary to reflect the impact of changes in normal retirement age for members of pension schemes following the "Barber decision" on 17 May 1990 by the European Court of Justice and the scheme's consequent decision in 1991 to equalise retirement ages for men and women at 65 years. The Company and the trustee had believed that it was likely that additional funding would be required in respect of at least one of the scheme's component sections due to possible defects in its implementation of the changes. In April 2010, the Court of Session in Scotland determined that the measures used had been effective and the scheme was effectively equalised on the basis that the normal retirement age for all members was 65. As a result, the remaining £5.5m balance of the provision created in the year ended 30 November 2008 has been released.

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During the period ended 31 May 2009, costs of £5.0m (year ended 30 November 2009: £5.6m) were incurred to restructure and reduce the cost base of the business. Restructuring programmes took place within Technical Coated Fabrics, Performance Technical Textiles and within central head office functions. In addition, loan break fees of £2.2m (year ended 30 November 2009: £2.2m) were incurred to terminate certain of our bank drawings.

**8. Pensions and other post employment assets and liabilities**

The Group operates a number of pension schemes in the UK and overseas. These are either defined benefit or defined contribution in nature. The assets of the schemes are held separately from those of the Group.

The movement in the Group's UK and overseas defined benefit schemes' deficits in the six months ended 31 May 2010 is summarised below.

	UK Schemes	Overseas Schemes	Six months ended 31 May 2010 Total £m	Six months ended 31 May 2009 Total £m	Year ended 30 November 2009 Total £m
<b>Net liability at start of period</b>	<b>(19.5)</b>	<b>(7.7)</b>	<b>(27.2)</b>	<b>(11.9)</b>	<b>(11.9)</b>
Current service cost	<b>(0.1)</b>	-	<b>(0.1)</b>	<b>(0.2)</b>	<b>(0.3)</b>
Expected return on plan assets	<b>3.2</b>	<b>0.2</b>	<b>3.4</b>	<b>3.7</b>	<b>7.5</b>
Interest cost	<b>(4.2)</b>	<b>(0.4)</b>	<b>(4.6)</b>	<b>(4.5)</b>	<b>(9.0)</b>
Employer contributions	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.3</b>	<b>3.8</b>
Actuarial gains/(losses)	<b>1.2</b>	-	<b>1.2</b>	<b>(14.3)</b>	<b>(17.0)</b>
Exchange adjustments	-	<b>0.3</b>	<b>0.3</b>	<b>(0.2)</b>	<b>(0.3)</b>
<b>Net liability at end of period</b>	<b>(19.3)</b>	<b>(7.5)</b>	<b>(26.8)</b>	<b>(27.1)</b>	<b>(27.2)</b>

**9. Risks and uncertainties**

The Board has considered the principal risks and uncertainties affecting the Group in the second half of the year. The Group has in place processes for identifying, evaluating and managing key risks. The principal risks and uncertainties together with the approach to their mitigation is discussed in the Business Review on pages 20 and 21 of the 2009 Annual Report, which is available on the Group's website at [www.lowandbonar.com](http://www.lowandbonar.com), remain relevant and there are no significant changes. In summary, the Group's principal risks and uncertainties are:

- Global economic activity
- Organic growth and competition
- Raw material pricing
- Growth strategy
- Laws and regulations
- Funding risks
- Treasury risks
- Employees
- Business continuity
- Pension funding

The Directors have reviewed the Group's medium term forecasts along with possible changes in trading performance arising from these uncertainties to determine whether the Group's committed banking

facilities are sufficient to support its projected liquidity requirements, and whether the forecast earnings are sufficient to meet the covenants associated with the banking facilities.

The Group's committed banking facilities are due for renewal in December 2011 and no matters have been brought to the attention of the Directors to suggest that refinancing the facilities will not be possible at or before that date.

After making enquiries, the Directors have a reasonable expectation that the Company and Group have adequate resources to continue in operational existence for the foreseeable future, and have continued to adopt the going concern basis in preparing the interim financial statements.