

Low & Bonar

Low & Bonar PLC

Preliminary Results for the year ended 30 November 2009

RESILIENT PERFORMANCE, STRENGTHENED FINANCIAL POSITION AND RESUMED DIVIDEND PAYMENTS

Low & Bonar PLC (“Low & Bonar” or “the Group”), the international performance materials group, today announces its preliminary results for the year ended 30 November 2009.

Highlights:

Continuing operations	2009	2008
Revenue	£304.8m	£335.2m
Operating profit*	£ 22.1m	£ 26.7m
Operating margin*	7.3%	8.0%
Interest*	£ 6.3m	£ 10.7m
Profit before tax*	£ 15.8m	£ 16.0m
Statutory Profit before tax	£0.7m	£2.2m
EPS*	4.35p	7.37p
Net debt	£67.4m	£104.5m

* before amortisation and non-recurring items

- Underlying sales down 22%, after adjusting for exchange movements.
- Resilient performance, reflecting wide-ranging and decisive cost actions taken early in the year to achieve annualised cost savings of more than £10m.
- Strengthened financial position following c. £30m Placing in February 2009 and strong cash management actions, reducing net debt to £67.4m (2008: £104.5m).
- Resumed dividend payment. Interim dividend (in lieu of final for 2009) of 0.8p per share.
- Underlying sales, after adjusting for exchange movement, improved across all end markets during H2, albeit still down 14% against H2 for the prior year.
- Performance Technical Textiles proved resilient, helped by improved H2 demand in particular from the civil engineering and transport sectors.
- Technical Coated Fabrics delivered a creditable margin performance against a more substantial decline in volumes.
- Clear strategy and measurable targets set in place to deliver shareholder value through organic revenue and margin growth, led by new Chief Executive Steve Good.

Duncan Clegg, Chairman of Low & Bonar, said:

“Our strategy of focusing on attractive niche markets for performance materials, primarily in technical textiles, has created a strong business that has performed creditably in difficult circumstances. We believe that we now have a solid foundation to deliver shareholder value through profitable, cash generative, organic growth. Medium term targets have been set for organic sales growth, operating margin, asset efficiency improvements and capital structure.

“The Group is confident of making progress towards these financial targets during 2010. This progress will come from our own management initiatives and is not dependent on a sustained economic recovery, the timing and pace of which remains difficult to predict.

“The Group’s balance of early and late cycle activities leaves us well positioned to benefit when a sustained recovery begins. The impact of global stimulus packages should help to counter possible weakness in late cycle activities in our civil engineering market and positively impact demand in 2010. There is no shortage of ideas, determination and actions across the Group, the benefits of which should show through in the year ahead.”

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CHAIRMAN'S STATEMENT

I am pleased that the Group's business has proved so resilient in such testing economic times.

At the end of 2008, in common with most businesses, we saw a sharp reduction in demand in all of our end markets following the onset of the global economic crisis. The uncertainty and significant de-stocking which ensued resulted in a sharp decline in our sales volumes during the year. Underlying sales (after adjusting for exchange movements and the extra month's sales in Technical Coated Fabrics) improved during the second quarter but still ended the first half some 29% lower than last year. Further improvements in all end markets saw underlying sales improve during the second half to be 14% below last year. The Group Executive anticipated these trends and rapidly implemented pre-planned contingency actions to adapt costs to a lower level of demand. The annualised cost savings from all these actions are estimated to be in excess of £10m.

This has been our first full financial year as a Group solely focused on the opportunities and long term growth dynamics of the technical textiles market. I am pleased to report that the Group's profit before tax, amortisation and non-recurring items has been maintained at almost the same level as last year, assisted by the swift and decisive actions we have taken to improve efficiencies and cash flows across the Group as well as by favourable foreign exchange movements.

Results highlights

The financial highlights of the year display a creditable performance and can be summarised as follows:

Continuing Operations	2009	2008
Revenue	£304.8m	£335.2m
Operating profit*	£ 22.1m	£ 26.7m
Operating margin*	7.3%	8.0%
Profit before tax*	£ 15.8m	£ 16.0m
Statutory Profit before tax	£ 0.7m	£ 2.2m
EPS*	4.35p	7.37p
Net debt	£ 67.4m	£104.5m

* before amortisation and non-recurring items

Further commentary on these results and the divisional performances are contained in the Business Review.

Strengthened financial position

In February 2009 we were pleased to have support from both existing and new shareholders to generate proceeds of c. £30m, net of expenses, from a successful Placing. The funds raised improved significantly the financial position and the future prospects of the Group. The additional flexibility that this financing provides will allow the Group to invest in the organic development of our businesses and build on our leading positions in attractive segments of the technical textiles industry.

At the time of the Placing the shareholders also approved a capital reorganisation which resulted in the nominal value of each ordinary share being reduced to 5p.

Resumed Dividend payment

The Board now believes that trading and cash flow performance has improved sufficiently to be able to resume dividend payments. Therefore, the Board has decided to resume dividend payments and for 2009 has declared an interim dividend (in lieu of a final dividend for 2009) of 0.8p per share. This will be paid on 31 March 2010 to shareholders on the register at 12 March 2010.

It is our intention broadly to maintain the ratio of final to interim dividends at 2:1 in the future and to establish a progressive dividend policy with a cover of at least 2x (before amortisation and non-recurring items) over the medium term.

People

On 3 September 2009, I was delighted to be able to invite Steve Good to join the Board as our new Group Chief Executive. Steve had previously been the Managing Director of our Technical Textiles division and, prior to that, Director for New Business Development and so has been intimately involved in setting and executing the strategy for the Group since he joined Low & Bonar in 2003.

One of Steve Good's early initiatives has been to bring together a new executive team with a flatter structure and a centre which is strongly focused on and connected with the operating businesses. We have also set in place clear performance targets of organic growth, improved margins and increased asset efficiency for this team to be measured against, with a particular focus on accelerating our organic growth performance and achieving geographic expansion outside our heartland of Western Europe and North America into Central and Eastern Europe, the Middle East and China.

Steve Good's appointment followed the decision by Paul Forman, our former Chief Executive, to resign from the Board to pursue a career outside of the Group. The Board would like to express its thanks to him for his outstanding contribution to the Group's development over the seven years he was with us. We are grateful to him and wish him every success in his new post.

I have also decided that now is the right time for me to announce my retirement as Chairman. Our strategy remains clear and the appointment from within of Steve Good has allowed him to settle in to his new role quickly and effectively.

I have been Chairman for approaching nine years. Early in that period an experienced, challenging and supportive Board was created and has been strengthened over time. At the same time a strong executive team was built and other senior management similarly improved

to give the very strong position we have today. In these nine years the Group has been transformed completely. It is no longer the disparate collection of underperforming businesses it was but is focused on our chosen area for growth, performance materials. It is a measure of the transformation that performance materials constituted no more than a minor part of Group activity in 2001 but was identified early on as having substantial opportunities for profitable growth.

I am very pleased to announce that Martin Flower, who has been a non executive member of the Board for three years, has accepted the Board's invitation to succeed me as Chairman with effect from 30 June this year. He is an experienced previous Chief Executive and then Chairman of Coats plc, a business with similarities to our own, and is Chairman of Croda International Plc and a non executive director of The Morgan Crucible Company plc. I have every confidence that he is an excellent choice to take the Group through its next stage of development and, because of his existing knowledge of the Group, provides valuable continuity

I would also like to record my gratitude to all of our employees for their positive contribution and for their dedicated hard work during a very difficult year.

Outlook

Our strategy of focusing on attractive niche markets for performance materials, primarily in technical textiles, has created a strong business that has performed creditably in difficult circumstances. We believe that we now have a solid foundation to deliver shareholder value through profitable, cash generative, organic growth. Medium term targets have been set for organic sales growth, operating margin, asset efficiency improvements and capital structure.

The Group is confident of making progress towards these financial targets during 2010. This progress will come from our own management initiatives and is not dependent on a sustained economic recovery, the timing and pace of which remains difficult to predict.

The Group's balance of early and late cycle activities leaves us well positioned to benefit when a sustained recovery begins. The impact of global stimulus packages should help to counter possible weakness in late cycle activities in our civil engineering market and positively impact demand in 2010. There is no shortage of ideas, determination and actions across the Group, the benefits of which should show through in the year ahead.

Duncan Clegg, Chairman

16 February 2010

BUSINESS REVIEW
STEVE GOOD AND KEVIN HIGGINSON

Our Strategy

“We intend to become a global leader in the manufacture and supply of performance materials, based primarily on technical textiles, for strategically attractive industrial markets. We will do this by providing products and services which offer distinct and sustained added value to our customers’ businesses”

Review of 2009 Group trading and results

Continuing operations	2009	2008
Revenue	£304.8m	£335.2m
Operating profit*	£ 22.1m	£ 26.7m
Operating margin*	7.3%	8.0%
Interest*	£ 6.3m	£ 10.7m
Profit before tax*	£ 15.8m	£ 16.0m
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EPS*	4.35p	7.37p
Net debt	£ 67.4m	£104.5m

* before amortisation and non-recurring items

Group revenue fell 9% to £304.8m (2008 £335.2m). However, underlying sales fell 22% when the impact of an extra month of trading for MTX (acquired on 1 January 2008), and the impact of favourable foreign exchange movements are removed. Underlying sales were down 29% in the first half but recovered in all market segments to be down 14% during the second half.

This reduction in revenue has had a significant impact on the business. Swift and decisive actions on costs and cash flows have substantially mitigated the impact. These actions, allied to effective sales price management in weaker raw material markets, have ensured that profit before tax, amortisation and non-recurring items was broadly flat at £15.8m (2008: £16.0m).

Non-recurring costs of £7.8m were incurred during the year in adjusting the cost base to the new level of sales and in loan break fees allowing the Group to access lower levels of LIBOR. This compares to non-recurring costs in 2008 of £7.6m.

Overall EPS before amortisation and non-recurring items was 4.35p (2008: 7.37p). Statutory EPS (from continuing operations) was a loss of 0.41p (2008: loss of 0.20p).

The results for the year have been impacted by four principal factors:

- Sales demand

At the end of 2008, in common with most businesses, we saw a sharp reduction in demand in all of our end markets following the onset of the global economic crisis. The uncertainty and significant de-stocking which ensued resulted in a sharp decline in our sales volumes. Underlying sales improved during the second quarter but still ended the first half some 29% lower than last year. Further improvements in all end markets saw underlying sales improve to be 14% below last year, during the second half. After de-stocking early in the year our activities in civil engineering improved markedly as a result of deliveries to projects which had commenced before the economic downturn started and an increased focus on high growth Middle Eastern and Asian markets. Sales into the transport sector also improved significantly in the second half as de-stocking abated and market share was improved following the launch of a new backing product for automotive moulded carpets.

- Decisive cost actions

Our early review of the proposed 2009 budget identified that a significant downward shift in volumes was imminent and therefore the Group rapidly implemented its pre-planned contingency actions to adapt cost structures to the lower level of demand. A number of initiatives across all businesses and the corporate head office resulted in the workforce being reduced by 12% by May 2009 compared to a year previously.

Additionally, the Group implemented short time working measures in many of its overseas operations. These schemes have the advantage of allowing us to flex the workforce according to demand whilst keeping the skilled workforce available for when demand improves. As certain European Union Governments cover the vast majority of the cost of these schemes the impact on an individual employee is limited and allows longer term retention. We estimate that during the year c. 40% of our workforce has been eligible for State supported short time working.

Senior management also adopted rigorous discretionary cost control, ensuring that only essential costs were incurred and that a high level of authority was required to spend. Only sales, marketing, and development expenditures were protected during this period to ensure that medium term growth initiatives were maintained.

Annualised cost savings from all these actions are estimated at in excess of £10m.

Non-recurring costs of £5.6m were incurred in achieving these reductions.

- Raw material effects and sales price management

Significant variations in the level of global demand have also had an impact on the levels of our raw material pricing (principally polymers such as polypropylene, polyethylene, polyester, nylon and PVC). From record highs in August 2008 to record lows in December 2008, the level of price volatility was unprecedented.

From a low point in December 2008, raw material pricing edged higher during the third quarter as the level of global demand improved and stabilised again during the fourth quarter. At the start of 2010 raw material prices are again under some modest upward pressure.

Throughout this period of volatility our business model, based on products with strong propositions and leading market positions in the sectors in which we operate, has meant that we have been able to manage our material margins successfully.

- Cash generation

Throughout these times of uncertainty we have considered it essential to concentrate firmly on ensuring the cash flow of the business remains healthy.

In March 2009 we received support from new and existing shareholders raising c. £30m in the Placing. In parallel with this the Group focused on a number of self help measures to reduce indebtedness further.

The actions to mitigate the impact of lower sales demand improved profits from the second quarter and this flowed through to cash flow in the second half of the year. There was an increased focus on working capital throughout the year to maximise the benefit of reduced activity levels and making structural improvements in a number of businesses. Adapting inventory levels to the lower level of demand had been largely accomplished by the end of the year. Over the year working capital was reduced by £16m with a particularly strong performance in the second half which saw levels reduce by £20m.

All non-essential capital expenditure was postponed early in the year. Maintenance capital and health, safety, and environmental investments continued to be authorised as did the strategically important grass yarns investment in Abu Dhabi (“BETY”), albeit on a delayed timetable. In total only £8.2m has been spent during the year compared with £18.2m the year before. This includes £2.9m spent on BETY. Around £2.0m originally expected to be spent on the joint venture in 2009 will now be incurred in early 2010.

This rigorous cash control, combined with the benefit of the Placing has reduced net debt from £104.5m to £67.4m at the end of the year.

Our Objectives for the future

Despite the considerable challenges of the last year, we are convinced of the significant opportunities available to the business and that we are well positioned to take advantage of them. We have set the following targets and believe them to be achievable over the medium term:

<i>Organic sales growth</i>	Annual sales growth 1.5x – 2.5x GDP Sales from products developed in last year > 17% Percentage of sales from outside Western Europe and North America > 25%
<i>Margins</i>	Operating margin > 10%
<i>Asset efficiency</i>	Return on capital employed > 17%
<i>Financial stability</i>	Net debt: EBITDA ratio between 1.5x – 2.0x

All measures use profit before amortisation and non-recurring items.

Review of divisional trading and results

Performance Technical Textiles

Our Performance Technical Textiles business (comprising Colbond, Technical Fabrics, Yarns and Yihua Bonar) supplies products such as geotextiles, artificial grass yarns, carpet tile backing and construction fibres to the civil engineering, carpet tile manufacturing, leisure and construction sectors. Its financial performance can be summarised as follows:

	2009	2008
Revenue	£212.3m	£229.9m
Operating profit*	£ 17.1m	£ 19.8m
Operating margin*	8.1%	8.6%

* before amortisation and non-recurring items

Sales were 7.7% lower than last year; however adjusting for positive foreign exchange movements underlying sales fell by 19%. The first half of the year was particularly weak with the second half improving, particularly in the civil engineering and transport segments.

The profit impact of a significant reduction in the level of demand was mitigated by effective sales price management in weaker raw material markets allied to swift and decisive actions on costs. The performance in both our Colbond and Technical Fabrics businesses was excellent, with both recording higher operating margins in 2009. Overall operating margins were, however, marginally below last year as the Yarns business has not yet returned to profitability.

Demand in the civil engineering sector was the most resilient across the Group. Early in the year sales were adversely affected by de-stocking and economic uncertainty; however sales subsequently improved significantly supported by projects which had commenced before the economic crisis hit and an increased focus on higher growth Middle Eastern and Asian markets.

Underlying sales to the commercial carpet tile and building products sectors were more than 20% lower with the second half showing some improvement over the first half. A complete range of sustainable carpet backings with virgin polyester replaced by post consumer recycled polyester was successfully launched during the year and this, together with other near launch product developments, will ensure continued leadership in the carpet tile sector. Our 'green' roofing building products made good progress this year; however traditional roofing products for commercial and residential markets suffered in very weak markets.

Underlying sales of automotive carpet backings in our transport segment were hit hard in the first half of the year but rebounded strongly thereafter. The launch and large scale adoption of our new Colback Pro product in premium car brands resulted in significant market share gain and leadership in the European market. This, together with the end of the de-stocking period in the industry, resulted in underlying sales in the second half being higher than last year.

A significant reduction in investment activity in the capital intensive professional horticulture market saw underlying sales of greenhouse screens and groundcovers fall during 2009.

Sales in the artificial grass segment were disappointing as demand fell sharply in both Europe and North America resulting in increased price pressure. The new joint venture manufacturing facility in Abu Dhabi is expected to start up during Q1 2010 following delays in completing the building. In the light of the lower level of demand and changes to the competitive landscape we are continuing to evaluate the most appropriate manufacturing footprint to support the business going forward. Colbond management took over the responsibility for the Yarns business in the middle of the year and are leveraging their considerable strength and depth of management with the objective of ensuring the successful completion of the Abu Dhabi project and to accelerate the turnaround in business performance.

The continuing focus on improving operating efficiencies continued alongside the actions necessary to adjust cost bases to lower levels of demand. Discretionary costs were kept to an absolute minimum throughout the year with only sales, marketing and development 'ring fenced' to support our organic growth capability. At our Arnhem facility we successfully implemented a move from a 5 to a 4 shift working pattern enabling lower unit costs of production consistent with the highest possible asset utilisation. Activity based reductions in labour costs were also made and maximum advantage was taken from short term working arrangements in Belgium, Germany, and the USA.

There was a strong focus on cash generation throughout the year. The decisive actions on costs and positive margin management flowed through to higher profits and improved cash generation during the year. Discretionary capital expenditure was minimised with only £6.4m incurred, of which Abu Dhabi represented £2.9m. Working capital was reduced by £11.8m at constant exchange rates with some progress on a structural reduction in Yarns, although more is targeted.

Technical Coated Fabrics

Our Technical Coated Fabrics business, essentially consisting of Mehler Technologies (MTX) acquired in January 2008, supplies products such as side curtains for lorry trailers, advertising banners, tensioned structures, awnings, marquees and tarpaulins to the print, architectural and transport markets. Its financial performance can be summarised as follows:

	2009	2008
Revenue	£92.5m	£105.3m
Operating profit*	£ 8.0m	£ 12.3m
Operating margin*	8.6%	11.7%

* before amortisation and non-recurring items

Sales were down 12.2% in the year. However, adjusting for foreign exchange and one month's extra trading, underlying sales declined 27%. The sales pattern improved in the second half to be 22% behind last year as de-stocking activities abated.

In the light of this substantial decline in sales it has been a creditable performance to achieve operating margins of 8.6% during the year compared to 11.7% in the previous year.

Sales into the transport sector were one of the first to decline and one of the hardest hit as high inventories in the supply chain led to significant de-stocking throughout the year to cope with lower levels of overall demand. Volumes in this sector fell by some 40%. All other end segments including architecture, print media, industrial and leisure ended the year approximately 20% lower than the previous year on an underlying basis and all of these segments showed improved performance in the second half of the year.

Progress has been made in our product offerings in both the architecture and print segments with some notable project wins for stadium roofs for both the 2012 European Football Championships and the 2010 Commonwealth Games in India.

Good progress was made in our geographic expansion programmes with a new office in Moscow to support sales into Russia opening during the year and further growth being achieved in the Middle East with sun shading and architectural fabrics.

Selling prices remained largely stable during the year reflecting the strength of our product and service proposition. Average raw material prices were lower than last year. However, due to the relatively high inventory level required to support the rapid service business model, the benefits took longer to feed through to profits than in other parts of the Group.

There has been a strong focus on improving operating and asset efficiencies since the business was acquired in 2008. This continued at an increased pace throughout this year. Structural reductions to headcount of over 120 positions (>15%) have been achieved since the acquisition. Projects to improve yield, and reduce wastage and energy consumption are also producing positive results. Working capital has been reduced by £9.5m at constant exchange rates during the year with new planning processes supporting a 22% reduction in inventories and tighter controls being exerted on terms and collection of receivables. Further reductions are targeted for 2010.

In addition, we have made extensive use of short time working (“Kurzarbeit”) throughout our German operations which has been a very effective measure in adjusting our cost base to the lower level of demand. The business also successfully transferred part of its weaving production from Germany to the Czech Republic where unit production costs are lower.

In a year in which the economic backdrop was so dramatically different, it has been important to ensure that the business, only acquired in 2008, has been fully integrated into the Group. To strengthen the management team, new finance and commercial directors have been recruited as well as two new plant managers.

Financial Review

Consolidated Income Statement

The key items in the Consolidated Income Statement are further highlighted in the sections below.

Revenue

Revenues for the year were significantly impacted by both economic conditions and changes in foreign exchange rates, leading to a decline in underlying sales of some £84.0m as can be seen below.

2008	£ 335.2m
MTX extra month	£ 8.8m
Foreign exchange movements	£ 44.8m
Decline in underlying sales	£ (84.0)m
2009	£ 304.8m

Operating profit (before amortisation and non-recurring items)

Operating profit has declined during the year from £26.7m to £22.1m. The impact of foreign exchange movements on the translation of profit is quite marked during the year.

2008	£ 26.7m
MTX extra month	£ 0.2m
Foreign exchange movements	£ 4.4m
Underlying change	£ (9.2)m
2009	£ 22.1m

Interest charges

Interest charges before non-recurring items have fallen significantly during the year from £10.7m to £6.3m. There are a number of effects within this change. Interest charges for 2008 included the cost of financing the Floors division (disposed of in September 2008) for almost all of the year. The net proceeds of £123m from the disposal, and the c. £30m proceeds from the Placing have reduced interest charges. However, the margin paid to our banks also increased to 150 basis points.

The first part of 2009 saw higher interest rates but we were able to break these loan drawings and access the lower LIBOR rates available during March 2009.

Notional pension interest (under IAS19) increased from £0.4m to £1.5m during the year.

Non-recurring items

Non-recurring costs have been incurred during the year to reduce the cost base in line with current demand patterns. Around £5.6m of restructuring costs have been incurred, including the cost of redundancies, asset impairments and similar costs.

We will continue to ensure the cost base of the Group is appropriate for the level of demand and further one off costs may be incurred to achieve this if necessary.

A further £2.2m was incurred in loan break costs to allow the business to access lower ongoing levels of LIBOR, and to use the Placing proceeds to maximum effect.

Taxation

Our tax charge for the year was £5.0m, representing some 32% of pre tax profits on a pre goodwill amortisation and non-recurring items basis. We expect the tax charge to be around 31% in 2010 as previously indicated.

Headline corporate tax rates in our major operating territories were:-

UK	28%
Germany	30%
Czech Republic	20%
Netherlands	25.5%
USA	36.5%

Balance sheet and cash flow

Placing and Open Offer

During the year we strengthened our balance sheet by raising c. £30m (net of expenses) by issuing 132.485m in shares on a 6 for 7 basis at an issue price of 25p per share. At the same time, a capital reorganisation took place which reduced the nominal value of each ordinary share to 5p. The average number of shares in issue was 250.4m (2008: 153.7m). If no further changes were to be made to the issued share capital the average number of shares in issue for 2010 would be 287.9m.

Net debt and bank covenants

Significant progress has been made during the year in reducing net debt. In addition to the Placing proceeds, capital expenditure was kept under tight control being some £5.0m less than depreciation. Working capital was closely managed and at the year end was some £16m less than the prior year. No dividends were paid.

At the end of the year our bank covenant positions were as follows:-

	Actual as at 30 November	Covenant
Net debt: EBITDA	1.9x	<3.25x
Interest cover	4.6x	>3.00x

The net debt: EBITDA covenant reduces to <3.0x in May 2010.

Our bank facilities are committed until December 2011, which means that for prudence and security, it is likely that these facilities will be renewed during 2010. We continue to maintain a close dialogue with our group of relationship banks, and others.

We currently have £144.9m of committed banking facilities available to us. Repayment of £4.5m is due in July 2010.

Pensions

The pensions deficit has increased during the year from £11.9m to £27.2m as a result of declining bond yields which influence the level of discounting applied to the liabilities, offset by rises in asset values. We reached agreement with the Trustee during the year, following the 2008 triennial actuarial valuation, to maintain the level of additional contribution at £3m p.a., in excess of the ongoing service cost.

The provision of £6.2m established during last year in respect of a possible failure to properly equalise the retirement ages for certain members of our main defined benefit scheme during the early 1990's remains our best estimate including professional costs. Our claim against the scheme's former advisor is still subject to court proceedings.

Acquisitions

There have been no acquisitions or disposals in the period although we have paid £3.0m as the final earn out payment in relation to the acquisition of Colbond. There are no further earn out payments.

Derivative liability

There is a derivative liability of some £36.2m as at 30 November 2009. During the early part of the year, the Group changed its policy to only hedge a proportion of net assets to better align its hedging of earnings and cash flows against the impacts of foreign exchange. This was achieved by the use of cross currency swaps to hedge the impact of Euro and US dollar earnings and cash flows. The derivative liability represents the estimated cost to the Group were the swaps to be settled as at 30 November 2009. The cross currency swaps mature in November 2011.

Foreign exchange rates

The key foreign exchange rates used by the Group are:

	Year end		Average	
	2009	2008	2009	2008
Euro	1.09	1.21	1.12	1.28
US \$	1.64	1.54	1.55	1.90

Steve Good
16 February 2010

Kevin Higginson
16 February 2010

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.

Consolidated Income Statement
for the year ended 30 November

		2009			2008		
	Note	Before amortisation and non- recurring items £m	Amortisation and non- recurring items (note 6) £m	Total £m	Before amortisation and non- recurring items £m	Amortisation and non- recurring items (note 6) £m	Total £m
Revenue	2	304.8	-	304.8	335.2	-	335.2
Operating profit	2	22.1	(12.9)	9.2	26.7	(7.6)	19.1
Non-operating expenses		-	-	-	-	(6.2)	(6.2)
Financial income		14.6	-	14.6	10.6	-	10.6
Financial expenses		(20.9)	(2.2)	(23.1)	(21.3)	-	(21.3)
Net financing costs	3	(6.3)	(2.2)	(8.5)	(10.7)	-	(10.7)
Profit/(loss) before taxation		15.8	(15.1)	0.7	16.0	(13.8)	2.2
Taxation	4	(5.0)	3.1	(1.9)	(4.7)	2.1	(2.6)
Profit/(loss) after taxation		10.8	(12.0)	(1.2)	11.3	(11.7)	(0.4)
Profit/(loss) for the year from continuing operations		10.8	(12.0)	(1.2)	11.3	(11.7)	(0.4)
Profit for the year from discontinued operations	10	-	0.4	0.4	6.3	54.5	60.8
Profit/(loss) for the year		10.8	(11.6)	(0.8)	17.6	42.8	60.4
Attributable to							
Equity holders of the Company		11.0	(11.6)	(0.6)	17.7	42.8	60.5
Minority interest	8	(0.2)	-	(0.2)	(0.1)	-	(0.1)
		10.8	(11.6)	(0.8)	17.6	42.8	60.4
Earnings/(loss) per share	7						
Continuing operations							
Basic		4.35p		(0.41)p	7.37p		(0.20)p
Diluted		4.33p		(0.41)p	7.19p		(0.20)p
Discontinued operations							
Basic		-		0.16p	4.10p		39.65p
Diluted		-		0.16p	4.00p		38.70p
Total							
Basic		4.35p		(0.25)p	11.47p		39.45p
Diluted		4.33p		(0.25)p	11.19p		38.50p

Consolidated Balance Sheet
as at 30 November

	Note	2009 £m	2008 £m
Non-current assets			
Goodwill		90.5	82.3
Intangible assets		55.2	56.5
Property, plant and equipment		127.5	125.8
Investment in associate		0.4	0.3
Deferred tax assets		3.5	2.7
		<u>277.1</u>	<u>267.6</u>
Current assets			
Inventories		61.4	73.8
Trade and other receivables		61.5	72.2
Derivative assets		-	2.0
Cash and cash equivalents		16.2	27.5
		<u>139.1</u>	<u>175.5</u>
Current liabilities			
Interest bearing loans and borrowings		9.0	16.0
Current tax liabilities		7.1	8.4
Trade and other payables		60.6	74.4
Provisions		-	2.3
Derivative liabilities		36.2	15.2
		<u>112.9</u>	<u>116.3</u>
Net current assets		<u>26.2</u>	59.2
Total assets less current liabilities		303.3	326.8
Non-current liabilities			
Interest bearing loans and borrowings		74.6	116.0
Deferred tax liabilities		29.3	28.3
Post employment benefits		27.2	11.9
Provisions		5.8	6.0
Other payables		0.4	0.1
		<u>137.3</u>	<u>162.3</u>
Net assets		<u><u>166.0</u></u>	<u>164.5</u>
Equity attributable to equity holders of the parent			
Share capital		45.3	38.6
Share premium account		54.1	30.6
Translation reserve		(21.0)	(9.5)
Retained earnings		82.7	100.1
		<u>161.1</u>	<u>159.8</u>
Total equity attributable to			
Equity holders of the parent		161.1	159.8
Minority interest	8	<u>4.9</u>	<u>4.7</u>
Total equity		<u><u>166.0</u></u>	<u>164.5</u>

Consolidated Cash Flow Statement
for the year ended 30 November

	2009	2008
	£m	£m
Loss for the year from continuing operations	(1.2)	(0.4)
Profit for the year from discontinued operations	0.4	60.8
(Loss)/profit for the year	(0.8)	60.4
Adjustments for:		
Depreciation and impairment	13.8	13.6
Amortisation	7.3	7.0
Income tax expense	1.9	6.6
Net financing costs	8.5	10.8
Decrease/(increase) in inventories	16.9	(7.5)
Decrease in trade and other receivables	15.1	3.6
(Decrease)/increase in trade and other payables	(14.9)	3.1
(Decrease)/increase in provisions	(2.5)	8.3
Loss/(gain) on disposal of property, plant and equipment	0.2	(0.7)
Gain on disposal of discontinued operation	-	(55.9)
Equity settled share-based payment	0.5	1.4
Cash inflow from operations	46.0	50.7
Interest received	7.1	2.6
Interest paid	(15.0)	(11.3)
Tax paid	(5.4)	(5.0)
Pension cash contributions in excess of operating charge	(3.5)	(12.1)
Net cash inflow from operating activities	29.2	24.9
Acquisition of subsidiaries, net of cash acquired	(2.8)	(132.9)
Acquisition of property, plant and equipment	(7.4)	(16.8)
Intangible assets purchased	(0.8)	(1.4)
Disposal of discontinued operations, net of cash disposed of	(0.6)	114.7
Disposal of property, plant and equipment	-	2.2
Net cash outflow from investing activities	(11.6)	(34.2)
Proceeds of share issues	30.2	0.1
(Repayment)/ drawdown of borrowings	(50.1)	68.2
External debt disposed with subsidiaries	-	1.8
Finance lease capital repayments	(0.2)	(0.3)
Movement in cash flow hedges	(10.6)	(33.5)
Equity dividends paid	-	(7.7)
Net cash (outflow)/inflow from financing activities	(30.7)	28.6
Net cash (outflow)/ inflow	(13.1)	19.3
Cash and cash equivalents at start of year	27.5	5.8
Foreign exchange differences	1.8	2.4
Cash and cash equivalents at end of year	16.2	27.5

Statement of Recognised Income and Expense

for the year ended 30 November

	2009 £m	2008 £m
	Note	
Foreign exchange translation differences	(11.6)	(4.0)
Deferred tax on share-based payment	-	(0.2)
Actuarial loss on defined benefit pension scheme	(17.0)	(15.7)
Deferred tax on defined benefit pension scheme	(0.1)	0.5
Net expenses recognised directly in equity	(28.7)	(19.4)
Loss for the year from continuing operations	(1.2)	(0.4)
Profit for the year from discontinued operations	0.4	60.8
Total recognised (expenses)/ income for the year	(29.5)	41.0
Attributable to		
Equity holders of the parent	(29.2)	39.8
Minority interest	8 (0.3)	1.2
	(29.5)	41.0

Reconciliation of changes in Shareholders' Equity

for the year ended 30 November

	2009 £m	2008 £m
Shareholders' Equity at start of period	159.8	128.0
Total recognised (expense)/income for the period	(29.2)	39.8
Foreign exchange translation differences recycled from reserves	-	(2.3)
Dividends paid to ordinary shareholders	-	(7.7)
Ordinary shares issued	30.2	-
Share-based payment	0.3	2.0
Net increase in shareholders' funds	1.3	31.8
Shareholders' Equity at end of period	161.1	159.8

Notes

1. Basis of preparation

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 revaluation to fair value of certain financial instruments.

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU (adopted IFRS). During the year, the Group has adopted:

- IFRIC 12 Service concession arrangements – this has no impact on the results or net assets of the Group
- IFRIC 13 Customer loyalty programmes – this has no impact on the results or net assets of the Group
- IFRIC 14 The limits on a defined benefit asset – this has no impact on the results or financial position of the Group
- IFRIC 16 Hedges of a net investment in a foreign operation – this has no impact on the results or net assets of the Group
- IAS 23 Borrowing costs (revised 2008) – this requires capitalisation of borrowing costs that relate to assets that take a significant period of time to prepare for use. The Group has adopted this amendment for capital expenditure incurred on significant projects that commenced after 1 January 2009. In the year ended 30 November 2009, the amount of borrowing costs capitalised was £0.1 million.

At the date of authorisation of these financial statements, there are a number of Standards and Interpretations in issue but not yet effective and have therefore not yet been applied in these financial statements. The Directors anticipate that adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

The financial information contained in this preliminary announcement was approved by the Board on 16 February 2010. The information in this preliminary announcement does not constitute the statutory accounts of the Group within the meaning of Section 434 of the Companies Act 2006. The statutory accounts of Low & Bonar PLC for the year ended 30 November 2008 have been delivered to the Registrar of Companies. KPMG Audit Plc has reported on those accounts and on the statutory accounts for the year ended 30 November 2009. Both audit reports were (i) unqualified, (ii) did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 237 (2) or (3) of the Companies Act 1985 in respect of the accounts for the year ended 30 November 2008 nor a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for the year ended 30 November 2009.

2. Segmental information

For management purposes, during the year the Group was reorganised into two operating divisions –Performance Technical Textiles and Technical Coated Fabrics. Prior year comparatives have been restated to reflect the new presentation. Segment assets and liabilities include items directly attributable to segments as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly cash and cash equivalents, interest bearing loans, borrowings, derivative assets and liabilities, post employment benefits, taxation balances and corporate assets and expenses. Intra-segment sales are not material.

The Group's principal activities are in the international manufacturing and supply of those performance materials commonly referred to as technical textiles. The global technical textiles industry comprises, inter alia, fibres, yarns, woven fabrics and non-woven fabrics serving diverse markets such as the hygiene, automotive, construction, industrial and healthcare markets. The Group's business is focused on two areas of activity in the international technical textiles industry: the production and supply of (a) performance technical textiles; and (b) technical coated fabrics for use in the transport, print and architectural markets.

Segmental information for the year ended 30 November 2009

Primary segment – Business	Performance Technical Textiles £m	Technical Coated Fabrics £m	Unallocated Central £m	Total £m
Revenue – Continuing operations	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 – Continuing operations	6.4	1.6	-	8.0
Depreciation - Continuing operations	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 – Continuing operations	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

Segmental information for the year ended 30 November 2008

Primary segment – Business	Performance Technical Textiles £m	Technical Coated Fabrics £m	Unallocated Central £m	Total £m
Revenue - Continuing operations	229.9	105.3	-	335.2
Operating profit before amortisation and non-recurring items	19.8	12.3	(5.4)	26.7
Amortisation	(3.6)	(2.6)	-	(6.2)
Operating profit before non-recurring items	16.2	9.7	(5.4)	20.5
Non-recurring items	0.9	(2.3)	-	(1.4)
Operating profit	17.1	7.4	(5.4)	19.1
Non-operating expenses – non-recurring items				(6.2)
Net financing costs				(10.7)
Profit before taxation				2.2
Taxation				(2.6)
Loss for the year from continuing operations				(0.4)
Profit for the year from discontinued operations				60.8
				60.4

	Performance Technical Textiles £m	Technical Coated Fabrics £m	Unallocated Central £m	Total £m
Capital expenditure – Continuing operations	8.7	4.2	0.1	13.0
Capital expenditure – Discontinued operations				5.2
Capital expenditure – Total				18.2
Depreciation – Continuing operations	9.0	2.7	0.1	11.8
Depreciation – Discontinued operations				1.8
Depreciation – Total				13.6
Segment assets	246.9	162.8	-	409.7
Segment liabilities	(47.3)	(19.2)	-	(66.5)
Segment net assets – Continuing operations	199.6	143.6	-	343.2
Unallocated assets and liabilities				(74.2)
Cash and cash equivalents				27.5
Interest-bearing borrowings				(132.0)
Group net assets				164.5

3. Financial income and financial expenses

	2009 £m	2008 £m
Financial income		
Interest income	7.1	2.2
Expected return on pension plan assets	7.5	8.4
	14.6	10.6
Financial expenses		
Interest on bank overdrafts and loans	(11.6)	(11.7)
Amortisation and write-down of bank arrangement fees	(0.3)	(0.7)
Interest on finance leases	(0.1)	(0.1)
Interest on pension scheme liabilities	(9.0)	(8.8)
Amounts capitalised within property, plant and equipment	0.1	-
	(20.9)	(21.3)
Non-recurring loan break fees	(2.2)	-
	(23.1)	(21.3)

4. Taxation

	2009 £m	2008 £m
Current tax		
UK corporation tax		
Current year	-	(1.2)
Overseas tax		
Current year	4.1	4.1
Prior year	(0.1)	0.3
	4.0	4.4
Total current tax	4.0	3.2
Deferred tax	(2.1)	(0.6)

Tax charge on continuing operations	1.9	2.6
Tax from discontinued operations (excluding gain on disposal)	-	4.0
Tax on disposal of discontinued operation	-	-
Total tax charge in the income statement	1.9	6.6

5. Dividends

Amounts recognised as distributions to equity holders in the year

	2009	2008
	£m	£m
Final dividend for the year ended 30 November 2008 – nil per share (2008: 3.10p per share)	-	4.7
Interim dividend for the year ended 30 November 2009 – nil per share (2008: 1.925p per share)	-	3.0
	<u>-</u>	<u>7.7</u>

In light of the Placing and Open Offer, a final dividend was not recommended for the year ended 30 November 2008 or in the interim period to 31 May 2009.

The Directors have declared an interim dividend, in lieu of a final dividend in respect of the financial year ended 30 November 2009 of 0.8p which will absorb an estimated £2.3 million of shareholders' funds. This has not been provided for in these accounts as it was declared after the year end. It will be paid on 31 March 2010 to shareholders who are on the register of members at the close of business on 12 March 2010.

6. Non-recurring items

During the year the Group incurred significant non-recurring items as detailed below

	2009	2008
	£m	£m
Amounts charged/ (credited) to operating profit		
Post acquisition integration and restructuring of MTX	-	2.3
Profit on disposal of land	-	(0.9)
Restructuring costs including asset impairments	5.6	-
	<u>5.6</u>	<u>1.4</u>
Amounts charged to non-operating expenses		
Pensions equalisation costs	-	6.2
	<u>-</u>	<u>6.2</u>
Amounts charged to finance costs		
Loan break fees	2.2	-
	<u>2.2</u>	<u>-</u>

During the year, costs of £5.6 million were incurred to restructure and reduce the cost base of the business. Restructuring programmes have taken place within Technical Coated Fabrics, Performance Technical Textiles and within central head office functions. In addition, loan break fees were incurred to terminate certain of our bank drawings.

In 2008, surplus land was disposed at Colbond Inc generating a profit on disposal of £0.9 million. In addition in 2008, the Group made provision for £2.3 million of one-off integration and restructuring costs at MTX following its acquisition in January 2008.

The additional £6.2 million non-operating charge incurred last year in respect of a possible failure to properly equalise the retirement ages applicable to certain members of the Group's main UK defined benefit pension schemes during the early 1990's remains our best estimate including professional costs. Our claim against the pension scheme's former adviser is still subject to court proceedings.

7. Earnings per share

Reconciliations of the earnings and weighted average number of shares used in the calculations are set out below

	Earnings £m	2009 Weighted average number of shares (millions)	Per share amount p	Earnings £m	2008 Weighted average number of shares (millions)	Per share amount p
Statutory – continuing operations						
Basic loss per share						
Loss attributable to ordinary shareholders	(1.0)	250.383	(0.41)	(0.3)	153.740	(0.20)
Effect of dilutive items						
Share based payment		1.231		-	3.807	
Diluted loss per share	(1.0)	251.614	(0.41)	(0.3)	157.547	(0.20)
Statutory – discontinued operations						
Basic earnings per share						
Earnings attributable to ordinary shareholders	0.4	250.383	0.16	60.8	153.740	39.65
Effect of dilutive items						
Share based payment	-	1.231	-	-	3.807	
Diluted earnings per share	0.4	251.614	0.16	60.8	157.547	38.70
Statutory – total						
(Loss)/earnings per share						
Earnings attributable to ordinary shareholders	(0.6)	250.383	(0.25)	60.5	153.740	39.45
Effect of dilutive items						
Share based payment	-	1.231	-	-	3.807	
Diluted (loss)/ earnings per share	(0.6)	251.614	(0.25)	60.5	157.547	38.50
Before amortisation and non-recurring items – continuing operations						
Basic earnings per share						
Earnings attributable to ordinary shareholders	11.0	250.383	4.35	11.4	153.740	7.37
Effect of dilutive items						
Share based payment	-	1.231	-	-	3.807	
Diluted earnings per share	11.0	251.614	4.33	11.4	157.547	7.19
Before amortisation and non-recurring items – discontinued operations						
Basic earnings per share						
Earnings attributable to ordinary shareholders	-	250.383	-	6.3	153.740	4.10
Effect of dilutive items						
Share based payment	-	1.231	-	-	3.807	
Diluted earnings per share	-	251.614	-	6.3	157.547	4.00
Before amortisation and non-recurring items - total						
Basic earnings per share						
Earnings attributable to ordinary shareholders	11.0	250.383	4.35	17.7	153.740	11.47
Effect of dilutive items						
Share based payment	-	1.231	-	-	3.807	
Diluted earnings per share	11.0	251.614	4.33	17.7	157.547	11.19

8. Minority interest

	Group	
	2009	2008
	£m	£m
At 1 December	4.7	3.1
Equity participation	0.5	0.4
Share of loss after taxation	(0.2)	(0.1)
Exchange adjustment	(0.1)	1.3
At 30 November	<u>4.9</u>	<u>4.7</u>

The equity participation relates to the minority share of the investment in Bonar Emirates Technical Yarns (note 9).

9. Acquisitions

(a) Mehler Technologies (“MTX”) acquisition

On 3 January 2008 the Group acquired 100% of the share capital of the individual companies within the MTX Group for €163.0 million on a cash-free, debt-free basis from Mehler AG. MTX is a leading producer of technical coated fabrics and produces premium materials for a variety of uses, including side curtains for the transport market and fabrics for the architectural and print markets.

Fair values were finalised during the year ended 30 November 2009 within the twelve month period post acquisition. This resulted in a £0.3 million addition to goodwill as a result of final adjustments to trade receivables and costs of acquisition resulting in final goodwill of £32.6 million.

(b) Bonar Emirates Technical Yarns Industries LLC

During the year ended 30 November 2008, the Group established Bonar Emirates Technical Yarns Industries LLC (“BETY”) in conjunction with Abu Dhabi Basic Industries Corporation PJSC to manufacture artificial grass yarns and carpet backing yarns, based in Abu Dhabi. The Group has treated BETY as a subsidiary in the Group accounts as the Group holds economic control. Goodwill of £0.4 million arose on the investment during the year ended 30 November 2008.

(c) Contingent consideration

The Group paid contingent consideration of €3.6 million in respect of the acquisition of the Colbond Group during the year.

10. Discontinued operations

On 30 September 2008, the Group sold its Floors Division for a debt and cash free cash consideration of £123.0 million. During the year ended 30 November 2009, a gain of £0.4 million was recognised following the finalisation of the disposal process which has been included in the result from discontinued operations. A cash outflow of £0.6 million arose in the year primarily in respect of the payment of disposal costs.

11. The annual general meeting

The Annual General Meeting will be held on 8 April 2010 at The Cumberland Hotel, Great Cumberland Place, London, W1A 4RF.