

Fiberweb plc Interim Results - 2011

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Fiberweb plc – Interim Results 2011

Business Review	Daniel Dayan
Financial Review	Dan Abrams
Outlook	Daniel Dayan

Highlights

- **Revenues up 10%** to £255.5 million; like-for-like up 6.3%
- **Volumes 2.4% ahead**; Industrial up 6.6%, Hygiene up 0.6%
- **Resilient divisional margins after £6 million net raw materials impact**
- **Temporary constraints at Terram impacted H1 by £2 million** with weak output and pricing
- **Group underlying⁽¹⁾ operating margin 4.7%**; operating profit down £1.6 million to £12.0 million
- **Trade working capital reduced to 14.3%** of annualised sales
- **ROCE stable** at 8.2% after March 2011 rights issue and acquisitions
- **Net debt** reduced by £21.6 million to £129.6 million, after £10 million acquisition spend
- **Adjusted⁽¹⁾ earnings per share: 3.1p**, 3.1x cover for the 1.0p interim dividend

⁽¹⁾ Before restructuring costs, amortisation of acquired intangibles and non-recurring items

Industrial

Volumes up 7% (H1/H1), margins down slightly after absorbing raw material impact

Americas Industrial

- Volumes down 9%; revenues down 9%
- Continued difficulty in construction offset by strong performance in filtration and technical nonwovens
- Underlying operating margin improvement due to mix and cost reductions offsetting raw material prices

European Industrial

- Volumes ahead 6%; revenues ahead 8%
- Strong volumes in construction, agriculture and medical
- Closure of Königswinter site and transfer to Berlin on-track

Geosynthetics

- Creation of new business incorporating Terram and two first half acquisitions: Boddingtons and Tubex
- Boddingtons trading well ahead of last year, especially in grass protection and in on-line sales
- Weak output and pricing at Terram have impacted sales and margin in H1 by £2 million

Geosynthetics

- Acquisitions of Boddingtons and Tubex completed in H1
- Challenging first half as new management team implement integration
- Integration ahead of schedule; on-target for annual cost savings of more than £1.5m
- Boddingtons trading well, with sales 22.5% ahead
- Operational issues in Terram business adversely impacted H1 by £2 million
- Tree shelter site at Loddon, UK to be closed before year end with activity transferred to Tubex site at Aberdare, UK
- Transfer of production equipment from Pontypool to Maldon by year-end
- Transfer of some production equipment from Aberdare to Old Hickory, TN by year-end

Volumes up 1% with stable margins

Consumer Fabrics

- Overall sales up 14% reflecting some contractual pass-through
- Improved margins from operational efficiencies

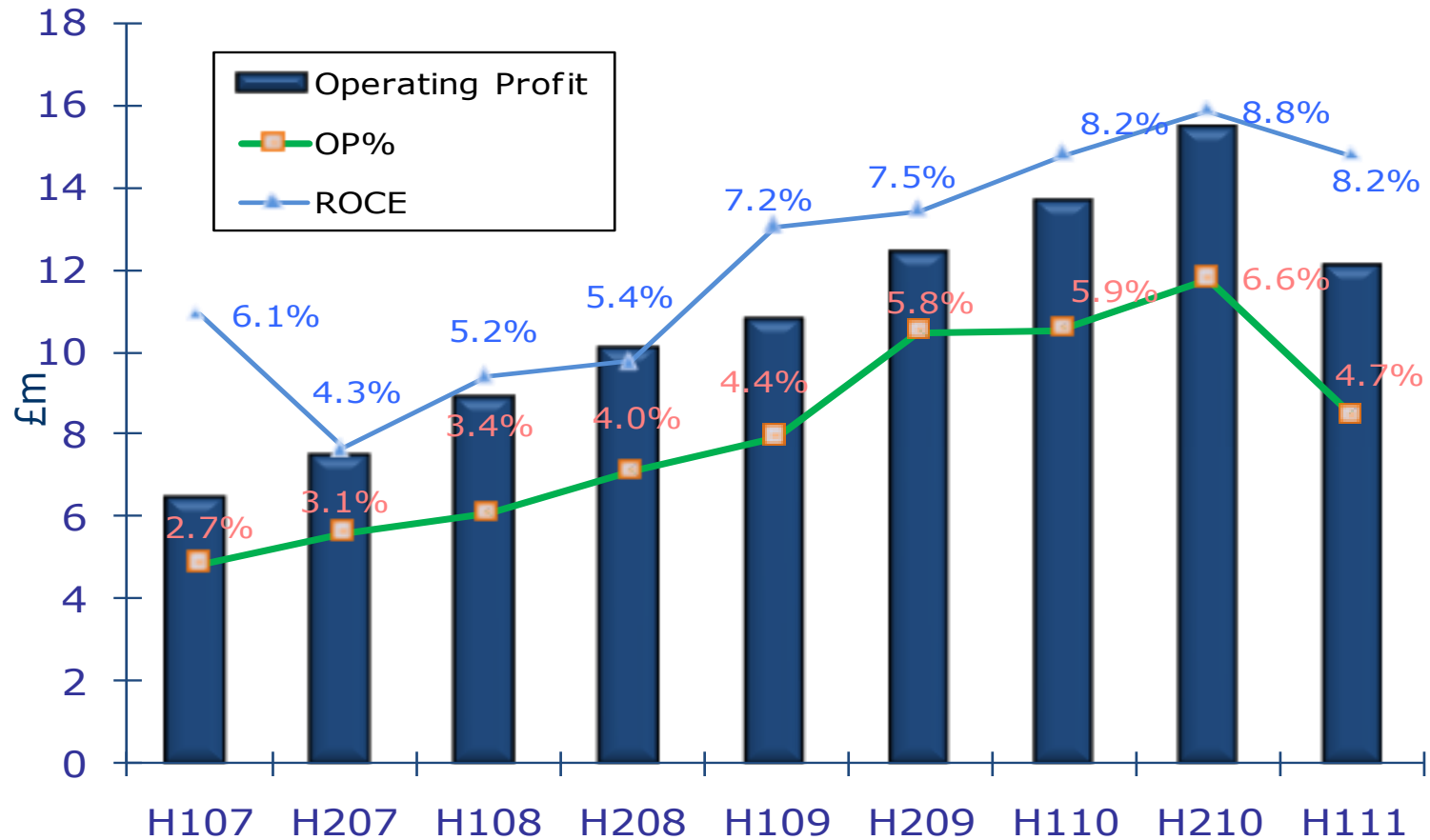
Airlaid

- Volumes down 9% as a result of volume volatility at a major customer and delays in filling Line 2

FitesaFiberweb

- Strong trading with high volumes in Mexico and Brazil
- Simpsonville line successfully commissioned, with adverse H1 impact from start up
- New Lima, Peru site under construction

Encouraging long-term performance trends





Financial Review

Daniel Abrams

CFO

Financial overview

Continuing Business (£m)	H111	H110	Change	FY 2010
Revenue	255.5	231.7	10.3%	463.2
EBITDA	25.4	26.5	(4.3)%	55.0
EBITDA margin	9.9%	11.4%	(152)bps	11.9%
Operating Profit	12.0	13.6	(11.8)%	29.0
Operating Profit Margin	4.7%	5.9%	(119)bps	6.3%
Profit before tax	3.0	6.9		13.6
ROCE	8.2%	8.2%		8.8%
EPS (Adjusted) (p)	3.1	5.1	(39)%	9.9
EPS (p)	(1.6)	2.1	(176)%	5.4
Dividends (p)	1.0	1.7		
Net Debt	129.6	141.8	£21.6m vs YE	151.2
Trade working capital / sales %	14.3%	12.8%	30bps vs YE	14.6%

Segmental analysis - Industrial

Continuing Financials (£m)	H1 2011	H1 2010	FY 2010
Revenue	106.2	98.7	188.7
Operating Profit	6.1	10.4	19.8
Profit Margin	5.7%	10.6%	10.5%
Profit Margin (excluding Geosynthetics)	9.1%	11.1%	11.5%
EBITDA	10.8	14.2	29.6
EBITDA Margin	10.1%	14.4%	15.7%
ROCE	14.6%	18.4%	19.1%

- Overall volumes up 7%
- US market volumes down 9%; European volumes up 6%
- Successful acquisitions of Boddingtons and Tubex with integration ahead of plan
- Margins impacted by delays in passing through raw material price increases and output and pricing issues at Terram during H1
- Margins excluding Geosynthetics were 9%.

Segmental analysis – Hygiene

Continuing Financials (including FFJV contribution) (£m)	H1 2011	H1 2010	Growth	FY 2010
Revenue	149.3	133.0	12.3%	274.5
Operating Profit	9.2	6.6	39.7%	17.3
Profit Margin	6.1%	4.9%		6.3%
EBITDA	17.1	15.6	9.9%	33.2
EBITDA Margin	11.4%	11.7%		12.1%
ROCE	9.2%	6.3%	290bps	7.8%

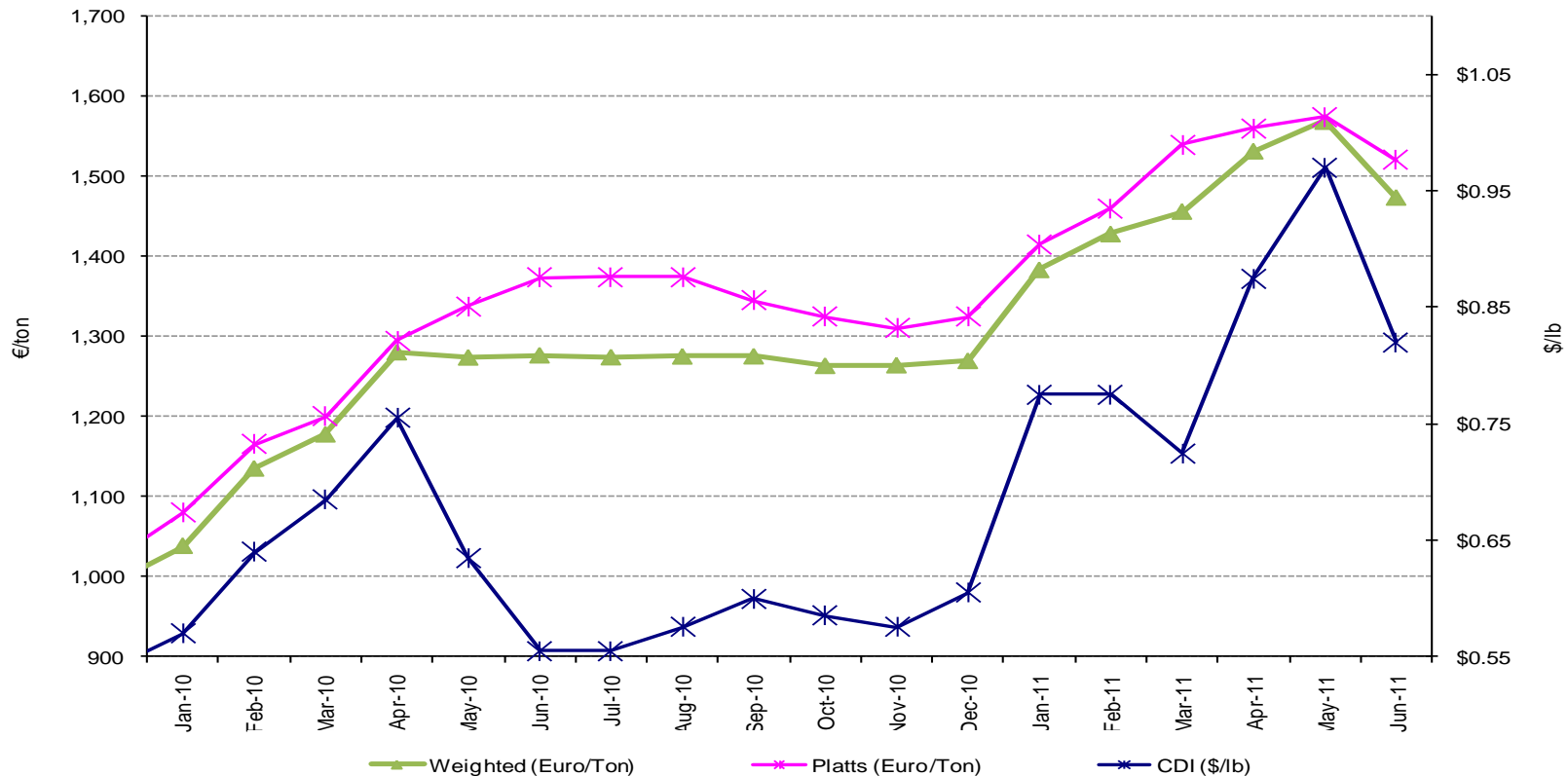
- Volumes up 1%; revenue up 12% reflecting higher raw material pricing
- Airlaid volumes down 9% negatively impacted by volume volatility at a major competitor and delays in filling Line 2
- Margins benefited from impact of operational efficiencies and cost saving measures

FitesaFiberweb JV: Highlights

£m	H1 2011	H1 2010	FY 2010
Revenues	92.4	77.5	160.6
Operating profit	7.2	7.5	16.3
Operating profit margin	7.8%	9.7%	10.2%
EBITDA	15.2	14.4	30.3
EBITDA margin	16.5%	18.6%	18.9%
Share of profits due to Fiberweb	2.0	1.9	4.0

- Fiberweb recognised 50% share of post-tax profits of £2.0m in H1 2011 (H1 2010: £1.9m)
- Maiden dividend of £1.1m received in June, ahead of plan
- Simpsonville line successfully commissioned, with adverse H1 impact from start up
- New line under construction in Lima, Peru

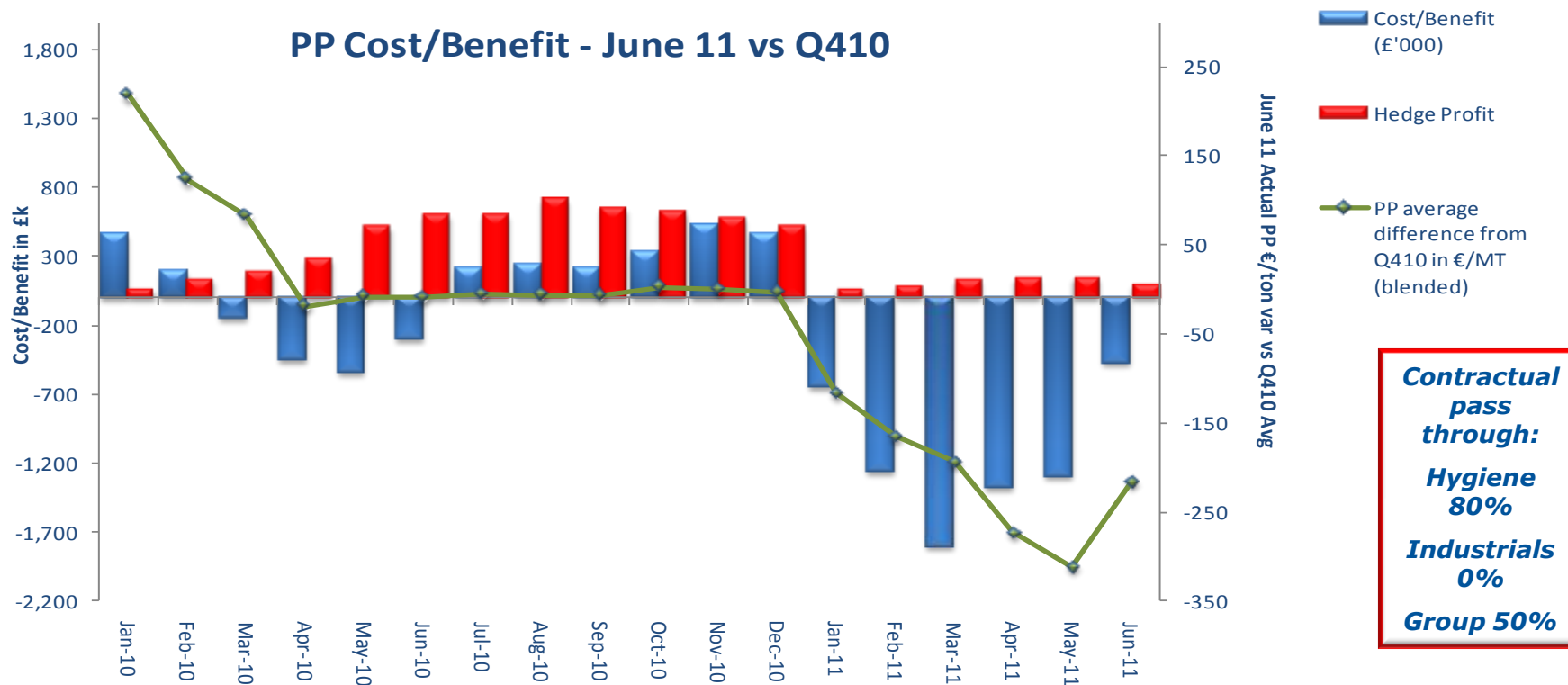
Polypropylene prices rose sharply to end-May



- Blended average is calculated based on European Platts and US CDI, weighted for volume.
- The blended average has increased by 18% since 31 December 2010.
- This is mitigated by contracts passing through increases to customers for which there is approximately a 3 month lag, and by using derivative and fixed price contracts.



Adverse net raw material impact of £6.1m in H1 11



- Blended PP cost line is the variation between actual prices and the average Q410 price and includes the benefit of a fixed price contract for 17.8kt in 2010 and 9.0kt in 2011
- Cost/Benefit is the net effect after contractual pass-through and inventory revaluation
- Cost due to RM prices estimated at a gross cost of £6.7m YTD; offset by hedge profit of £0.6m
- Only limited hedging in place for H1 but index-based hedging swaps in place for 12.0kt for H2

Reduced capex created cash neutrality pre rights issue

Continuing Financials (£m)	H1 11	H1 10
EBITDA	25.4	26.5
Working capital change	(0.2)	6.0
Non-recurring items – cash	(3.8)	(4.9)
Other	(6.6)	(2.4)
Cash from operations	14.8	25.2
Capex	(11.5)	(22.2)
Net interest paid	(5.0)	(5.4)
Dividends	(4.2)	(3.0)
Net proceeds on disposals	15.6	1.3
Acquisitions, net of cash acquired	(7.6)	-
Proceeds from Rights Issue	23.8	-
Dividends received from joint venture	1.1	-
Other	(2.0)	(4.5)
Total cashflow	25.0	(8.6)
Net debt b/fwd	(151.2)	(136.6)
Other	(0.8)	4.3
Exchange differences	(2.6)	(0.9)
Net debt c/fwd	(129.6)	(141.8)

Balance sheet

£m	30 Jun 2011	30 Jun 2010
Non Current Assets	341.5	342.1
Trade Working Capital	73.7	59.4
Other	(7.4)	(5.7)
Working Capital	66.3	53.7
Trade Working Capital/Sales %	14.3%	12.8%
Net Debt	129.6	141.8
Net Assets	208.5	174.5

- Trade Working Capital/Sales 14.3%
- ROCE (defined as LTM underlying PBIT / capital employed) – maintained at 8.2%
- Pension deficit reduced to £32.1 million (31 December 2010: £35.5 million). One off contribution of £0.6 million made in the US in the period

Covenant headroom remains satisfactory

Covenant Headroom

	Covenant	Actual	Headroom
Net debt / Adj continuing underlying EBITDA	< 3.00	2.41	19.7%
Total underlying EBITDA / Interest	> 5.00	5.49	9.8%

- EBITDA for covenant purposes includes 50% PAT of FFJV
- Comfortable headroom on both covenants

Earnings

	H111	H110
Underlying PBT	£3.0m	£6.9m
Underlying Tax	£(1.0)m	£(2.3)m
Rate	32.7%	45%
Underlying EPS	1.3p	3.5p
Deferred Tax	£2.8m	£2.2m
EPS	3.1p	5.1p

- Blended tax rate falls with shift of taxable profits towards Europe.
- Deferred tax credit of £2.1m recognised in respect of historic US losses and £0.8m recognised in respect of historic UK losses
- Dividend cover 3.1x, in line with targeted pay-out ratio of at least 30% of adjusted earnings

Restructuring, amortisation of acquired intangibles and non-recurring items

Restructuring, amortisation of acquired intangibles & non-recurring items £m		H1 11	H1 10
Restructuring	Hygiene	0.4	0.9
	Industrial	4.0	0.2
		4.4	1.1
Acquisition related costs		1.3	3.3
Over-effective portion of PP hedge		-	(0.2)
Impairments (non-cash)	Hygiene	(0.4)	-
	Industrial	2.9	-
Profit on disposal of PPE	Hygiene	(0.5)	3.1
Non-recurring items		8.0	4.2
Amortisation of acquired intangibles	Industrial	0.4	-
		8.4	4.2



Outlook

Daniel Dayan
CEO

Expect progress

Industrial

- Geosynthetics expected to show recovery in volumes and margins in H2 and initial cost savings from rationalisation
- US construction remains challenging, other areas stable
- Impact of price increases will benefit H2

Hygiene

- Positive impact from operational efficiencies
- Benefit from contractual pass-through in H2
- Focus on product development with several key customers

Group

- Blended tax rate expected to reduce as geographic distribution of profit develops as well as recognition of UK deferred tax asset
- Full year underlying trading performance is now expected to be slightly ahead of last year