

Wednesday, 27 February 2008



**Fiberweb plc**  
**("Fiberweb", "the Group" or "the Company")**

**Preliminary Results**

Fiberweb plc, the international nonwoven fabrics producer, announces its preliminary results for the year ended 31 December 2007.

**Financial Highlights**

<b>£ millions (unless stated otherwise)</b>	<b>2007</b>	<b>2006<sup>(1)</sup></b>
<b>Results from continuing underlying<sup>(2)</sup> operations:</b>		
Revenue	473.6	499.9
Underlying <sup>(2)</sup> Operating Profit	13.8	27.1
Underlying <sup>(2)</sup> Profit before Tax	3.0	12.6
Adjusted Earnings per Share <sup>(3)</sup>	2.6p	5.1p
<b>Results after restructuring and other non-recurring items:</b>		
Operating Loss from Continuing Operations	(89.3)	(35.3)
Basic Loss per Share from Continuing Operations	(76.3p)	(35.3p)
Proposed Final Dividend	2.50p	3.95p
Net Debt	137.6	165.3

<sup>(1)</sup> 2006 restated to reflect Discontinued Operations

<sup>(2)</sup> Underlying profit measures are before restructuring charges and other non-recurring items, as set out in the Consolidated Income Statement

<sup>(3)</sup> Adjusted to exclude restructuring charges and other non-recurring items as described in note 4

**Operational Highlights**

- Turnaround programme continued throughout a challenging year, establishing sound foundations for progress in 2008
- Underlying gross margin and operating margin recovery in the second half driven by Industrial with Hygiene under pressure from raw materials
- Portfolio simplified – 2 hygiene business disposals, 1 industrial site closure
- Industrial growth maintained with revenue growth of 4.6% at constant currency. Industrial now accounts for 42% of Group revenue, up from 32% in 2005
- Trade working capital as a percentage of sales reduced by 1.0% to 17.9%
- Debt reduction of £33.1 million at constant currency from disposals and working capital reduction
- Impairments and write-downs of £95 million

**Commenting on the results, Daniel Dayan, Chief Executive Officer, said:**

“2007 was a challenging first year as a public company. We continued to pursue the turnaround programme outlined at demerger and have made progress in maintaining growth in our differentiated industrial businesses and simplifying the hygiene portfolio.

The significant inventory and margin management issues identified in April were a major disappointment. In response, we rapidly strengthened management and systems and saw some recovery during the second half. We continued to invest in our most attractive businesses to improve competitiveness, to increase value for customers by tailoring products more precisely to their needs and to increase profitable capacity.

Despite the overall margin decline during the year, the restructuring and investment actions undertaken during 2007 have created a sound foundation for progress in 2008.

Following our statement of 21 January 2008 regarding a possible offer by Avgol, we are enabling a due diligence process. We will keep shareholders informed as to the progress of any possible offer for the Company. ”

**-ENDS-**

Contacts

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### **Chairman's Statement**

2007 was a difficult year for the Group. Despite initial success in delivering a number of objectives laid out at the demerger of the Company from BBA Group in November 2006, the business struggled to meet several internal and external challenges.

During the year, the Group continued to implement the turnaround strategy laid out at the time of demerger. The portfolio was further simplified with the successful sale of the international Hygiene Wipes business and the small cotton bleaching business based in Griswoldville, Massachusetts. The rationalisation of uncompetitive assets continued with the closure of the polyester fabric production site at Gray Court, South Carolina, and further reductions in headcount amounting to around 6% of the workforce excluding divestments.

The restructuring undertaken from the end of March following the announcement of the Hygiene Wipes sale exposed problems in the Industrial business in the US. These concerned primarily margin management and manufacturing performance and had a material impact on performance during the rest of the year, offsetting continuing progress in Fiberweb's Industrial businesses outside the US. Changes in management were swiftly introduced, and, towards the end of the year, steady margin recovery was achieved.

In general, the Hygiene businesses suffered during 2007 from a continuation of the difficult trading environment that has prevailed for several years, with high and increasing raw material prices and additional competitive pressures, especially in Europe. We have responded to these challenges with the investment programme outlined at the time of the demerger, efficiency improvements and through a continued focus on our higher margin speciality products.

The major new spunbond contract signed with our largest customer, Procter & Gamble, at the end of 2006, was implemented during the year. Despite this, unexpected volume shortfalls in several areas undermined plans to optimise asset utilisation, and negatively impacted margins.

Despite these setbacks, the actions put in place during 2006 and 2007 are expected to lead to an improvement in Fiberweb's competitive position in the long term and we have sought to strengthen management at all levels to deliver on the promise to turnaround the recent history of declining margins and profitability.

Your Board continues to believe that Fiberweb's best prospects lie in exploiting its strong brand and market positions in important segments of the large and growing market for industrial nonwoven fabrics, particularly in filtration and speciality construction segments. We are confident that a solid foundation is now in place for progress in 2008.

### **Dividends**

Subject to approval by shareholders at the Annual General Meeting to be held on 2 May 2008, the directors recommend a final dividend of 2.50 pence per share. If approved, the dividend will be payable on 27 May 2008 to shareholders on the register at 25 April 2008.

### **The Board and Management**

The departure of Simon Bowles as Chief Financial Officer was announced in early December and he was replaced on 1 February 2008 by Daniel Abrams, who brings a broad range of operational, financial and public company expertise to your Board. We now have in place a strong executive team with considerable experience in the nonwovens sector and international manufacturing.

### **Possible Offer by Avgol**

On 21 January 2008 the Company announced that it is in discussions with Avgol Industries 1953 Limited ("Avgol") regarding a possible offer for Fiberweb. The proposed offer price is 100p per Fiberweb share in cash, plus the right to receive and retain a further dividend for the year ended 31 December 2007 of 2.50p per share. Depending on the timing of any Avgol offer, a 2.50p per share dividend will either be recommended by the directors as a final dividend for 2007 as mentioned above or will be paid as a further dividend for 2007 as part of any offer, in which case no final dividend should be expected. Due diligence is proceeding and we will keep shareholders informed as to the progress of any possible offer. For the avoidance of doubt there can be no certainty that any offer will be made for the Company.

### **Malcolm Coster**

Chairman  
26 February 2008

## Chief Executive's Review

### Summary

2007 was a year of highs and lows. Following successes in delivering a major P&G contract shortly after demerger, the sale of Hygiene Wipes, and encouraging sales and profit growth in our non-US industrial businesses, the emergence of significant shortcomings in the large Americas Industrial business was a major disappointment. These issues combined with volume shortfalls in certain hygiene plants and further raw material cost increases, led us to make two profit warnings during the year in April and September. We responded by strengthening management and processes, increasing efficiency and productivity and reducing headcount and costs within the Group, including Head Office. 2007's poor margins led to a reduction in expectations of future performance, which have led to a £95 million charge for impairment and asset write-downs.

### Industrial

In North America, the Industrial business faced a demanding year against a backdrop of challenging external markets and internal issues, including inadequate inventory costing and weak margin management. Reported continuing revenues of £123.2 million in North America declined by 8.6% year on year, although in constant currency terms, sales were in line with 2006 at £134.2 million. Continuing underlying operating margins declined significantly over the year although the second half saw a marked improvement that has created a solid position from which to build in 2008.

The US residential construction market, accounting for around 8% of Fiberweb sales, was notably weak, with a greater than 30% reduction in new house starts compared with 2006, and there were significant increases in raw material costs, not all of which could be passed on to customers. Despite this, housewrap volumes grew and revenues remained strong thanks to continued market share gain and a strong business in Canada, which benefits from continued strong demand and a strong Canadian dollar enabling more robust pricing than in the US.

We continue to accelerate our drive to expand our geographic presence in this market and to broaden our product range. During the year we launched MetroWrap, a new product tailored to the needs of commercial buildings and StormWrap, a product for use in hurricane-prone areas, both of which further differentiate our offering and which have received positive customer reactions.

Sales of filtration media under the Reemay™ brand for pool and spa applications were generally strong, though the weakness in housing markets began to impact the pool and spa market towards the end of the year. Other filtration areas also demonstrated some growth, and successful product development during 2007 is expected to support further growth.

We made significant progress in reducing overall SG&A costs in the Americas' following the disposal of Hygiene Wipes and in response to underperformance in the Industrial business. We also closed the under-performing facility at Gray Court following the failure of a manufacturing improvement project to achieve sufficient benefits. At the same time, we are dedicating significant effort to improving the business management and control structure in the Americas' Industrial business. We believe significant progress has been achieved as evidenced by margin recovery in the second half.

Other important areas of the Americas Industrial business performed well. Sales of fabric softener sheet remained strong and the recovery in sales of graphic arts products continued with improved sales focus, despite disruption associated with the relocation of this business to Old Hickory.

The successful commissioning of the polyester recycling plant at our largest site at Old Hickory enables us to recycle almost 100% of our polyester fabric waste, reducing both the financial and environmental costs of our operations. Despite lower than expected margins during the year, due to delays in obtaining customer qualifications for products containing recycled polymer, qualifications had been obtained by the end of October, allowing the recycling plant to operate at full throughput.

In Brazil, Bidim™ grew sales by 15% and profit by 3%, with particular strength in geotextiles. The strength of the Brazilian Real against the US Dollar reduced shoe production volumes, making rival products from China more attractive and also stimulating increased imports of European roofing materials, which Bidim mitigated through improved production efficiencies and process improvements.

In Europe, sales grew in roofing as the 2006 acquisition of Blowitex continued to be successful and we saw limited growth in specialty polyethylene based nonwovens products from our Berlin facility. New product development in roofing, which seeks to improve the resistance of under-tile products to UV radiation, was successful, with new polyethylene based products expected to be launched during 2008.

Terram™, our UK geotextiles and geosynthetics™ business, progressed well following significant restructuring last year, which closed one line. The business returned to profit and significant progress was made in commercialising innovative products in the defence and rail sectors.

## Hygiene

Substantial restructuring of the Hygiene business included the divestment of the Hygiene Wipes business and the US cotton bleaching business, following the line closures of 2006. As a result, despite rising raw material costs, the US Hygiene business returned to profit during the year. The European business saw significantly reduced margins due to increased input costs, some volume weakness from a major customer and the delayed start-up of the Italian airlaid line.

Overall, continuing Hygiene revenue fell 8.3% from £297.2 million in 2006 to £272.4 million in 2007, including a £6.7 million reduction from currency translation from the weakening of the US Dollar. Underlying operating profit from continuing activities fell to £10.1 million (2006: £14.0 million). Underlying operating margins of 4.3% in the first half declined further to 3.1% in the second half largely due to the delays in the contractual pass-through of increasing raw material costs.

In North America, we saw the benefit of previous restructuring actions, although revenues declined significantly, as expected, and margins were also affected by higher raw material costs and price concessions. Additionally, in Mexico, volumes from a major customer lagged behind agreed levels.

In Europe, revenue from continuing operations benefited from the successful start up of the new spunbond line in Sweden. A good performance was seen in France with growing hygiene and agriculture volumes. To establish the appropriate cost base to compete in the volume hygiene market, restructuring programmes have been

initiated in Germany, Italy and Sweden. We expect to see the benefits of these programmes in our 2008 performance. In addition, we are focusing on further improving our manufacturing and energy efficiencies. We also continue to invest to support future growth in our spunbond business, and announced in August 2007 that we will invest around Euro 40 million in a speciality spunbond line in northern Italy. This 18,000 tonne capacity line will be dedicated to the hygiene and agriculture business and is expected to deliver benefits from the second half of 2009.

#### Airlaid

In Asia, revenue fell as the Tianjin plant shut down for a productivity improvement project in the first quarter of 2007 and demand from a major customer was below forecast in the first half of the year. We also suffered from increasing materials costs and reduced VAT refunds on exports sales as a result of a change in local government policy. Despite this, performance in the second half of the year was much improved and productivity achieved a record high in October.

Construction of the second airlaid line in Tianjin is nearing completion and will commence commercial operation in the second quarter of 2008 as planned. This will provide additional annual capacity of 10,000 tonnes. The new line will target hygiene customers in Asia by producing competitive products for mid-tier markets.

In Europe, the commissioning of a new 10,000 tonne airlaid line at the Korma site was delayed due to technical problems which are in the course of resolution. We have negotiated recovery of some of the resulting lost profit from the equipment vendor. The business is expected to be fully commercial during the second quarter of 2008.

I would like to take this opportunity to thank Fiberweb's customers and suppliers for their continued support. I would especially like to thank all Fiberweb employees for their commitment, loyalty and unstinting efforts to serve customers better during what has been a testing and challenging year.

#### Outlook

We expect Industrial to benefit from continued recovery in the Americas, building on the stronger second half of 2007 and expect our non-US businesses to continue to benefit from new products and enhanced capacity. Hygiene remains subject to a highly competitive market and to raw material pressures. However, the continued focus on profitable product lines combined with continuing reduction in our cost base, should ensure a steady improvement in competitiveness.

Cashflow and debt reduction remain a priority for management. We will continue to review our portfolio of nonwovens businesses to ensure we can maximise their value for shareholders.

Whilst we are still implementing our turnaround programme and despite a difficult macro-economic outlook, the actions taken during 2007 have created a solid foundation for progress in 2008.

**Daniel Dayan**  
Chief Executive  
26 February 2008

## Financial Review

2007 full year operating profits from continuing operations before restructuring costs and non-recurring items at £13.8 million represent a significant decline. A particularly weak first half was followed by a degree of recovery in the second half as restructuring and investment actions started to demonstrate an impact, resulting in underlying operating margins improving in the second half compared to the first half by approximately 0.4 percentage points. This was achieved despite steadily increasing raw material costs during the second half. We continued to restructure the business, resulting in non-recurring charges on continuing operations of £103.1 million (2006: £62.4 million), including cash costs of £6.3 million.

Revenue from continuing operations fell by 5.3% to £473.6 million (2006: £499.9 million). This reduction is largely in the Hygiene business, and results from the full year effect of the significant restructuring we carried out in 2006, and further changes in 2007 such as the disposal of the cotton bleaching business. The continuing sales numbers exclude Hygiene Wipes, which represented £31.5 million of sales in 2007 (2006: £84.8 million).

Underlying operating profit on a continuing basis fell significantly from £27.1 million to £13.8 million, an operating margin of 2.9% (2006: 5.4%). £5.4 million of the fall was due to a full year of central/PLC costs post-demerger. Other key factors contributing to the decline included increased raw material costs across the Group, and reduced profitability in the non-US Hygiene businesses and in the US Industrial business. The US Hygiene business showed improved performance compared with 2006. In the second half of the year, operating margins rose in the Industrial businesses, both in the US and elsewhere, and also in the US Hygiene business.

After net finance costs of £10.8 million (2006: £14.5 million), Fiberweb produced underlying profit before tax from continuing operations of £3.0 million (2006: £12.6 million). Adjusted earnings per share on continuing operations were 2.6 pence (2006: 5.1 pence) after excluding restructuring costs and non-recurring items.

Despite a significant fall in the US Dollar exchange rate from an average of 1.83 in 2006 to 2.00 in 2007, the adverse effect of this on the Group's reported underlying operating profit from continuing operations was limited to £0.4 million. The Euro's average value against the pound was largely unchanged at 1.46.

Restructuring costs and non-recurring items on continuing operations of £103.1 million before tax included asset impairments of £43.5 million, goodwill impairments of £46.7 million, inventory write-downs of £5.8 million and other restructuring costs of £7.4 million. These were partially offset by a gain on sale of an associate of £0.3 million. In 2006, non-recurring items of £62.4 million comprised £49.0 million of asset write-downs and impairment, £11.8 million of other restructuring costs and a £1.6 million loss on the disposal of an associate, CNC. These resulted in operating losses from continuing operations of £89.3 million (2006: £35.3 million).

We disposed of the Hygiene Wipes business in May, for gross proceeds of Euro 65 million. At the end of June we sold the small cotton bleaching business based in Griswoldville, Massachusetts. We recognised losses on disposal of Hygiene Wipes and the cotton bleaching sale of £20.9 million and £0.8 million respectively. Both disposals contribute to the simplification of Fiberweb's business in line with our published strategy.

Debt was cut during the year by £27.7 million to £137.6 million. A trading cash inflow of £43.8 million before non-recurring cash costs of £6.9 million and divestment proceeds of £42.0 million funded capital investment of £32.6 million, net interest payments of £10.4 million and dividends of £7.0 million. Tight control of working capital was maintained, with a net inflow of £2.4 million (2006: outflow of £3.1 million).

Net finance costs of £10.8 million were significantly reduced from the £14.5 million charge in 2006, reflecting the debt reduction mentioned above and the full year effect of the Group's new capital structure post demerger.

The Group's borrowings are mainly under the Revolving Credit Facility (RCF) provided by nine relationship banks. As a result of our relatively high financial gearing and our reduced profit expectation for 2007 following the previously announced issues in the US Industrial business, our bankers agreed the relaxation of the Group's original covenants. The Group remains compliant with its covenants and continues to monitor actual and forecast compliance carefully.

The reported underlying taxation credit of £0.1 million (2006: tax charge of £6.3 million) benefited from significant credits of £1.1 million due to over provision of taxes in respect of prior years, most notably in Germany. After adjusting for this credit, the underlying tax charge of £1.0 million is at an effective rate of 33.3%, which is in line with our previous expectations. This rate is a blend of different rates of taxation in the countries in which Fiberweb operates. The Group's rate of taxation is highest in the US and Germany, while it benefits from low rates of taxation in China.

As noted above, the operating loss from continuing businesses of £89.3 million was larger than the loss of £35.3 million in 2006. Net cash from operating activities of £36.9 million (2006: £44.0 million) is after a cash outflow in respect of non-recurring restructuring costs of £6.9 million (2006: £7.5 million). The net cash outflow in the year was £27.5 million (2006: an inflow of £10.5 million), after £32.6 million of capital expenditure (2006: £48.4 million), £10.4 million of net interest payments (2006: £7.6 million) and shareholder dividends of £7.0 million (2006: dividends paid to former parent company £5.5 million). The net cash inflow on the sale of businesses was £42.0 million (2006: £3.1 million). Cash from operating activities benefited from an inflow of £2.4 million in respect of reduced working capital (2006: an outflow of £3.1 million).

During the year we set up cash pooling and cash management processes which allowed us to reduce cash and cash equivalents at year end to £8.2 million, compared with £35.2 million last year, shortly after demerger. This was done without imposing unnecessary constraints on business operating liquidity.

Capital expenditure of £32.6 million was significantly lower than the previous year (2006 £48.4 million). Major elements of the 2007 investment plan were the completion of the Sweden spunbond line and the second airlaid line in China, the Old Hickory polyester recycling facility and the first stage payments in respect of the new spunbond investment in Italy.

Fixed assets fell substantially from £330.6 million to £266.4 million as a result of the disposal of the Hygiene Wipes business (£29.6 million), and the impairment of assets as set out in note 4. Goodwill also reduced significantly from £93.0 million to £28.0 million. £18.9 million of the decrease is attributed to the Hygiene Wipes sale, with the balance having been impaired. The Group has recognised significant non-current asset impairments during 2007 as set out in note 4. Impairments have been driven by

a combination of ongoing restructuring (Gray Court closure), revised forecasts and higher discount rates to reflect an increased execution risk in the light of the delayed turnaround. The Group's net asset carrying value now stands at £185.3 million (2006: £297.0 million).

Inventories were significantly reduced at £62.7 million, in large part due to the Hygiene Wipes disposal which accounted for a reduction of £10.2 million and the £5.8 million of non-recurring write-downs in our US Industrial businesses, but also due to improved manufacturing and demand management practices in our US Industrial business. The cash inflow in respect of inventory reduction in the ordinary course of business was £4.3 million. Trade and other receivables were also reduced.

After allowing for the Hygiene Wipes disposal and non-recurring inventory write downs, trade working capital improved during the period to 17.9% of sales (2006: 18.9%), despite the adverse effect of foreign exchange which increased the reported year end value of working capital.

#### Table of exchange rates

		<b>2007</b>	2006
USD	Average	<b>2.00</b>	1.83
	Year end	<b>1.99</b>	1.96
Euro	Average	<b>1.46</b>	1.47
	Year end	<b>1.36</b>	1.48

**CONSOLIDATED INCOME STATEMENT**  
For the year ended 31<sup>st</sup> December 2007

	Note	2007 Underlying* £m	2007 Note i £m	2007 Total £m	2006+ Underlying* £m	2006+ Note i £m	2006+ Total £m
<b>Continuing operations</b>							
Revenue	2	473.6	-	473.6	499.9	-	499.9
Cost of sales	4	(380.9)	(31.8)	(412.7)	(399.5)	(15.3)	(414.8)
<b>Gross profit</b>		<b>92.7</b>	<b>(31.8)</b>	<b>60.9</b>	100.4	(15.3)	85.1
Distribution costs		(44.0)	-	(44.0)	(41.4)	-	(41.4)
Administrative expenses	4	(37.3)	(46.7)	(84.0)	(33.7)	-	(33.7)
Other operating income	3	2.2	-	2.2	1.2	-	1.2
Share of profit of associates		0.2	-	0.2	0.6	-	0.6
Gain/(loss) on disposal of associated undertaking	4	-	0.3	0.3	-	(1.6)	(1.6)
Restructuring costs	4	-	(24.9)	(24.9)	-	(45.5)	(45.5)
<b>Operating profit/ (loss) from continuing operations</b>	2,4	<b>13.8</b>	<b>(103.1)</b>	<b>(89.3)</b>	27.1	(62.4)	(35.3)
Investment income		0.8	-	0.8	0.4	-	0.4
Finance costs		(11.6)	-	(11.6)	(14.9)	-	(14.9)
<b>Profit/ (loss) before tax</b>		<b>3.0</b>	<b>(103.1)</b>	<b>(100.1)</b>	12.6	(62.4)	(49.8)
Income tax	5	0.1	6.6	6.7	(6.3)	12.9	6.6
<b>Profit/ (loss) for the period from continuing operations</b>		<b>3.1</b>	<b>(96.5)</b>	<b>(93.4)</b>	6.3	(49.5)	(43.2)
Profit/ (loss) for the period from discontinued operations	6	0.2	(19.3)	(19.1)	0.3	(26.4)	(26.1)
<b>Profit/ (loss) for the period</b>		<b>3.3</b>	<b>(115.8)</b>	<b>(112.5)</b>	6.6	(75.9)	(69.3)
<b>Attributable to:</b>							
Equity holders of the parent		3.3	(115.8)	(112.5)	6.6	(75.9)	(69.3)

\*Underlying trading results before items described in note i below

Note i: Restructuring costs and non-recurring items as set out in note 3 to the Consolidated Financial Statements  
+2006 results have been restated to reflect the Discontinued Operations (see note 6)

**Loss per share, attributable to the ordinary equity holders of the parent**

From continuing operations:

Basic	8			(76.3)p			(35.3)p
Diluted	8			(76.3)p			(35.3)p

From continuing and discontinued operations:

Basic	8			(91.9)p			(56.5)p
Diluted	8			(91.9)p			(56.5)p

**Adjusted earnings<sup>(1)</sup> per share, attributable to the ordinary equity holders of the parent**

From continuing operations:

Basic	8			2.6p			5.1p
Diluted	8			2.6p			5.1p

<sup>(1)</sup> Adjusted earnings per share are shown calculated on earnings before restructuring costs and non-recurring items because the directors consider this gives a better indication of underlying performance.

**CONSOLIDATED BALANCE SHEET**  
**As at 31<sup>st</sup> December 2007**

	2007 £m	2006 £m
<b>Non-current assets</b>		
Intangible assets:		
Goodwill	28.0	93.0
Other	2.5	3.4
Property, plant and equipment	266.4	330.6
Investments in associates	1.5	1.4
Other investments	0.8	-
Trade and other receivables	-	0.3
Deferred tax assets	0.5	-
	<b>299.7</b>	<b>428.7</b>
<b>Current assets</b>		
Inventories	62.7	82.1
Trade and other receivables	92.1	97.4
Cash and cash equivalents	17.1	35.2
Corporation tax recoverable	1.4	2.0
	<b>173.3</b>	<b>216.7</b>
<b>TOTAL ASSETS</b>	<b>473.0</b>	<b>645.4</b>
<b>Current liabilities</b>		
Trade and other payables	(76.9)	(77.3)
Tax liabilities	(3.3)	(3.4)
Obligations under finance leases	(2.3)	(2.3)
Bank overdrafts and loans	(18.1)	(10.3)
Provisions	(4.2)	(2.6)
	<b>(104.8)</b>	<b>(95.9)</b>
<b>Net current assets</b>	<b>68.5</b>	<b>120.8</b>
<b>Non-current liabilities</b>		
Bank loans	(131.9)	(183.5)
Other payables due after one year	-	(2.5)
Retirement benefit obligations	(21.8)	(23.2)
Obligations under finance leases	(2.4)	(4.4)
Deferred tax liabilities	(24.3)	(35.3)
Provisions	(2.5)	(3.6)
	<b>(182.9)</b>	<b>(252.5)</b>
<b>TOTAL LIABILITIES</b>	<b>(287.7)</b>	<b>(348.4)</b>
<b>NET ASSETS</b>	<b>185.3</b>	<b>297.0</b>
<b>Equity attributable to equity holders of the parent</b>		
Share capital	6.1	6.1
Share premium account	84.5	84.5
Merger reserve	93.5	93.5
Other reserve	93.1	93.1
Capital reserve	0.6	0.1
Translation reserve	8.1	(1.3)
Hedging reserve	(1.5)	0.5
Retained earnings	(99.1)	20.5
<b>TOTAL EQUITY</b>	<b>185.3</b>	<b>297.0</b>

These financial statements were approved by the Board of Directors on 26<sup>th</sup> February 2008 and signed on its behalf by  
**D Dayan** Chief Executive      **D Abrams** Chief Financial Officer

**CONSOLIDATED CASH FLOW STATEMENT**  
For the year ended 31<sup>st</sup> December 2007

	Note	2007 £m	2006 £m
<b>Operating activities</b>			
Net cash flows from operating activities	10	36.9	44.0
<b>Investing activities</b>			
Interest received		0.8	0.4
Purchase of property plant and equipment		(32.4)	(47.8)
Purchase of intangible assets		(0.2)	(0.6)
Proceeds from disposal of property, plant and equipment		0.6	0.8
Net proceeds on disposal of businesses		42.0	-
Dividends received from associated undertakings		0.1	0.2
Proceeds on sale of associate		-	5.4
Acquisition of subsidiaries		-	(2.3)
<b>Net cash inflow/ (outflow) from investing activities</b>		<b>10.9</b>	<b>(43.9)</b>
<b>Financing activities</b>			
Interest paid		(11.1)	(1.8)
Interest paid to related parties (net)		-	(5.9)
Interest element of finance leases paid		(0.1)	(0.3)
Bank facility fees paid		-	(1.2)
Dividends paid to related parties		-	(5.5)
Dividends paid to shareholders		(7.0)	-
Repayment of related party loans		-	(150.7)
(Repayment)/ drawdown of external loans		(54.1)	177.7
Overdrafts reclassified to cash and cash equivalents		(0.6)	-
Decrease in finance leases		(2.4)	(2.3)
Increase in overdrafts		-	0.4
<b>Net cash (outflow)/ inflow from financing activities</b>		<b>(75.3)</b>	<b>10.4</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(27.5)</b>	<b>10.5</b>
Foreign exchange differences		0.5	(1.1)
Cash and cash equivalents at 1 <sup>st</sup> January		35.2	25.8
<b>Cash and cash equivalents at 31<sup>st</sup> December</b>		<b>8.2</b>	<b>35.2</b>
Net debt at beginning of year		(165.3)	(242.3)
(Decrease)/ increase in cash and cash equivalents		(27.5)	10.5
Decrease/ (increase) in external loans		54.1	(177.3)
Bank loans disposed of/ (acquired)		2.9	(0.4)
Facility fees paid		-	1.2
Facility fees amortised		(0.2)	(0.1)
Decrease in finance leases		2.4	2.3
Repayment of loans from former parent company		-	150.7
(Increase)/decrease in overdrafts		-	(0.4)
Overdrafts reclassified to cash and cash equivalents		0.6	-
Loans waived by former parent company		-	90.0
Loans capitalised by former parent company		-	87.4
Non-cash transfer of subsidiary investments		-	(101.5)
Foreign exchange differences		(4.6)	14.6
<b>Net debt at end of year</b>		<b>(137.6)</b>	<b>(165.3)</b>
Comprising:			
Overdrafts		-	(0.6)
Bank loans		(142.0)	(194.3)
Less: unamortised prepaid facility fees		0.9	1.1
Bank overdrafts and loans		(141.1)	(193.8)
Finance leases		(4.7)	(6.7)
Cash and cash equivalents		8.2	35.2
<b>Net debt at end of year</b>		<b>(137.6)</b>	<b>(165.3)</b>

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE**  
For the year ended 31<sup>st</sup> December 2007

	2007 £m	2006 £m
Exchange gains/ (losses) on translation of foreign operations	9.4	(20.0)
(Loss)/ gain on interest rate cash flow hedges	(1.7)	0.5
Capital contribution through waiver of net debt by former parent company	-	90.0
Actuarial losses on defined benefit pension schemes	(0.7)	(0.3)
Tax on items recognised directly in equity	0.6	-
Net income recognised directly in equity	7.6	70.2
Transferred to profit or loss on interest rate cash flow hedges	(0.3)	-
Loss for the year	(112.5)	(69.3)
Total recognised (expense)/ income for the year	(105.2)	0.9

**Reconciliation of movements in total shareholders' equity**

	2007 £m	2006 £m
Total recognised (expense)/ income for the period	(105.2)	0.9
Equity dividends paid to former parent company	-	(5.5)
Equity dividends paid to shareholders	(7.0)	-
Movement on reserve for share option costs	0.5	0.1
Revaluation gain recycled to profit for the period	-	(1.8)
Capitalisation of subsidiary loans prior to demerger	-	6.8
Net movement in total shareholders' equity for the period	(111.7)	0.5
Total shareholders' equity at beginning of period	297.0	296.5
Total shareholders' equity at end of period	185.3	297.0

£6.8 million credited to the other reserve during the year ended 31<sup>st</sup> December 2006 comprises the capitalisation of loans from the former parent company to Fiberweb subsidiaries in 2006.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31<sup>st</sup> December 2007**

**1. Basis of preparation**

The financial information set out above does not constitute the Company's statutory financial statements for 2007 or 2006 under section 240 of the Companies Act 1985. Statutory accounts for 2006, together with an unqualified audit report, have been filed with the Registrar of Companies and did not contain a report under section 237 (2) and (3) of the Companies Act 1985. Those for 2007 will be delivered to the Registrar following the Company's annual general meeting.

Whilst the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards (IFRSs) adopted by the European Union ("EU") and in accordance with the Group's IFRS accounting policies, this announcement does not itself contain sufficient information to comply with IFRSs. The same accounting policies and methods of computation are followed in the audited results for the year ended 31<sup>st</sup> December 2007. Fiberweb's accounting policies under IFRS are as reported in the annual financial statements for the year ended 31<sup>st</sup> December 2006, as published by the Company on 30<sup>th</sup> March 2007.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31<sup>st</sup> December 2007 - continued**

**2. Segmental information**

The Group's primary segments are geographic on the basis of the underlying operational management structure and reporting hierarchy. The geographic segments then comprise businesses supplying the Hygiene and Industrial nonwovens markets. All segments include operations consisting of the manufacture and sale of nonwoven materials.

In the following analysis, inter-segment sales represent goods sold at arm's length transfer prices between Group entities. Global Research & Development and Health & Safety costs have been allocated to Group entities on the basis of their share of the Group's continuing external revenue. Central head office costs are not allocated to Group entities for the purpose of the segmental analysis and central costs of £7.1 million (2006: £1.7 million) are shown below within Europe in the Geographical Segment analysis and as Unallocated Corporate within the Business Segment analysis.

**Geographical segments**

**Year ended 31st December 2007**

	Europe £m	North America £m	Rest of World £m	Eliminations £m	Total £m
<b>Continuing operations</b>					
External sales by origin	238.9	198.5	36.2	-	473.6
External sales by destination	225.5	197.9	50.2	-	473.6
Inter-segment sales	9.5	9.2	0.5	(19.2)	-
Underlying operating profit	9.6	3.2	1.0	-	13.8
Restructuring costs and other non-recurring items	(12.1)	(81.4)	(9.6)	-	(103.1)
<b>Segment result from continuing operations*</b>	<b>(2.5)</b>	<b>(78.2)</b>	<b>(8.6)</b>	<b>-</b>	<b>(89.3)</b>
Investment income					0.8
Finance costs					(11.6)
Loss before tax					(100.1)
Tax					6.7
Loss for the period from discontinued operations					(19.1)
Loss after tax and discontinued operations					(112.5)

\*Segment result includes £0.2 million profit of associates within Europe (2006: £0.1 million) and £nil within Rest of World (2006: £0.5 million) respectively.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31<sup>st</sup> December 2007 - continued

**2. Segmental information continued**

**Geographical segments continued**

**Year ended 31st December 2006**

	Europe £m	North America £m	Rest of World £m	Eliminations £m	Total £m
<b>Continuing operations</b>					
External sales by origin	213.2	231.4	55.3	-	<b>499.9</b>
External sales by destination	227.6	233.1	39.2	-	<b>499.9</b>
Inter-segment sales	7.5	10.8	0.5	(18.8)	-
Underlying operating profit	14.5	8.7	3.9	-	<b>27.1</b>
Restructuring costs and other non-recurring items	(16.4)	(44.3)	(1.7)	-	<b>(62.4)</b>
Segment result from continuing operations*	(1.9)	(35.6)	2.2	-	<b>(35.3)</b>
Investment income					<b>0.4</b>
Finance costs					<b>(14.9)</b>
Loss before tax					<b>(49.8)</b>
Tax					<b>6.6</b>
Loss for the period from discontinued operations					<b>(26.1)</b>
Loss after tax and discontinued operations					<b>(69.3)</b>

\*Segment result includes £0.1 million profit of associates within Europe and £0.5 million within Rest of World.

**Business segments**

**Year ended 31<sup>st</sup> December 2007**

	Hygiene £m	Industrial £m	Unallocated Corporate £m	Continuing £m	Discontinued £m	Total £m
External sales by origin	272.4	201.2	-	473.6	31.5	505.1
Underlying operating profit	10.1	10.8	(7.1)	13.8	0.3	14.1
Restructuring costs and other non-recurring items	(58.7)	(43.4)	(1.0)	(103.1)	-	(103.1)
Segment result*	(48.6)	(32.6)	(8.1)	(89.3)	0.3	(89.0)
Underlying operating profit margin	3.7%	5.4%	-	2.9%	1.0%	2.8%
Capital additions	23.9	8.4	0.2	32.5	0.4	32.9
Assets	313.1	137.8	3.1	454.0	-	454.0
Depreciation & amortisation	23.8	7.9	0.1	31.8	1.7	33.5

\*Segment result includes £0.2 million profit of associates within Hygiene and £nil within Industrial.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31<sup>st</sup> December 2007 - continued

**2. Segmental information continued**

**Business segments continued**

Year ended 31 <sup>st</sup> December 2006	Hygiene £m	Industrial £m	Unallocated Corporate £m	Continuing £m	Discontinued £m	Total £m
External sales by origin	297.2**	202.7**	-	499.9	84.8	584.7
Underlying operating profit	14.0	14.8	(1.7)	27.1	0.5	27.6
Restructuring costs and other non-recurring items	(48.4)	(14.0)	-	(62.4)	(34.7)	(97.1)
Segment result*	(34.4)	0.8	(1.7)	(35.3)	(34.2)	(69.5)
Underlying operating profit margin	4.7%	7.3%	-	5.4%	0.5%	4.7%
Capital additions	35.8	14.2	0.5	50.5	3.2	53.7
Assets	344.9	173.0	14.9	532.8	76.2	609.0
Depreciation & amortisation	24.1	9.4	-	33.5	4.9	38.4

\*Segment result includes £0.6 million profit of associates with Hygiene and £nil within Industrial.

\*\*The allocation of prior year sales by business segment has been restated following review of discontinued sales.

**3. Other operating income**

Current year other operating income of £2.2 million includes £0.8 million compensation for loss of profit in respect of the delayed airlaid line installation in our Korma, Italy facility and £0.7 million from a third party in respect of a license fee for the right to use Hygiene nonwoven technology developed by Fiberweb. The balance of other operating income of £0.7 million (2006: £1.2 million) primarily includes government grants, rental income and other sundry items.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31<sup>st</sup> December 2007 - continued

**4. Restructuring costs and non-recurring items**

	<b>2007</b>	2006
	<b>£m</b>	£m
Cost of sales	<b>31.8</b>	15.3
Administrative expenses	<b>46.7</b>	-
(Gain)/ loss on disposal of associated undertaking	<b>(0.3)</b>	1.6
Restructuring costs	<b>24.9</b>	45.5
	<b>103.1</b>	62.4

Restructuring costs and other non-recurring items included within statutory operating profit amounted to £103.1 million (2006: £62.4 million). The main items included within this are:

- Year ended 31<sup>st</sup> December 2007
  - Non-recurring cost of sales of £31.8 million comprising:
    - (i) a £4.7 million write-down of inventory in our US Industrial nonwovens business to bring product down to its net realisable value following the restructuring in this business during the first half of the year;
    - (ii) a £5.5 million write-down of assets in relation to a specialist US Hygiene production line as raw material price increases have resulted in the contract becoming commercially unviable;
    - (iii) a £0.9 million impairment of US Industrial assets at AQF, our air quality filtration business, due to new competing technology negatively impacting future sales projections of our automotive cabin air product;
    - (iv) a £1.8 million impairment in respect of other US assets across both Hygiene and Industrial units in response to the issues above;
    - (v) a £9.4 million write down in respect of assets in our Asian Hygiene business and a £2.7 million impairment in Hygiene Mexico, due to slower than expected demand from a major customer;
    - (vi) a £6.0 million impairment of a specialist production line in Germany to reflect slower than expected adoption of elastic nonwovens, and
    - (vii) a £0.8 million impairment in respect of older Hygiene production lines in Sweden and Germany.
  - Non-recurring administrative expenses of £46.7 million comprising goodwill impairments of:
    - (i) £1.6 million in respect of a specialist production line in Germany;
    - (ii) £4.0 million in respect of our US Industrial business at our Gray Court facility, following the closure of this site;
    - (iii) A £1.4 million impairment of other goodwill attributed to the converting activity within US Industrial that is under commercial review;
    - (iv) £4.9 million in respect of AQF goodwill, and
    - (v) £34.8 million in respect of goodwill attributed to the Veratec businesses, largely in response to lower than expected demand at our Mexican Hygiene operation.
  - Non-recurring gain on the sale of intellectual property in December 2007 of £0.3 million in connection with the Group's disposal of its interest in associate Advanced Design Concepts GmbH ("ADC").

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31<sup>st</sup> December 2007 - continued**

**4. Restructuring costs and non-recurring items continued**

- Non-recurring restructuring costs of £24.9 million comprising:
  - (i) £15.0 million of fixed asset write-downs, £1.1 million of inventory write downs and £0.9 million of severance and closure costs in respect of our Gray Court facility;
  - (ii) £3.5 million and £0.2 million respectively in respect of headcount reductions in Europe and Brazil;
  - (iii) £3.1 million of severance and other restructuring costs in our US Industrial business at Old Hickory;
  - (iv) £0.3 million of abortive acquisition costs, and
  - (v) £0.8 million loss on disposal of our cotton-bleaching business at Griswoldville in June 2007.
- Year ended 31<sup>st</sup> December 2006
  - Non-recurring cost of sales of £15.3 million comprising:
    - (i) a £3.2 impairment in relation to the Group's cotton-bleaching business at Griswoldville;
    - (ii) a charge of £6.1 million in respect of surplus capacity in the US Industrial business in the face of a softening in the US construction market, and
    - (iii) a charge of £6.0 million in respect of some European Hygiene lines written down as the cost effectiveness of the older technology adversely affected the price competitiveness and therefore the future sales potential of the products.
  - Non-recurring loss on disposal of £1.6 million on the sale of our investment in associate CNC Thailand in December 2006.
  - Non-recurring restructuring costs of £45.5 million, comprising:
    - (i) line and asset write-downs of £26.7 million and severance and other closure costs of £10.9 million associated primarily with the rationalisation of our North American Hygiene business, and
    - (ii) a charge of £7.9 million in relation to the line and asset impairment and redundancy costs at Terram Limited.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31<sup>st</sup> December 2007 - continued

**5. Taxation**

	Continuing Operations		Discontinued Operations		Total	
	2007	2006	2007	2006	2007	2006
	£m	£m	£m	£m	£m	£m
<b>Current tax</b>						
Current income tax charge/ (credit) on underlying activities	4.4	4.4	0.1	-	4.5	4.4
Current income tax credit on non-recurring activities	(0.1)	(0.3)	-	-	(0.1)	(0.3)
Adjustments in respect of previous periods	(0.8)	(1.0)	-	-	(0.8)	(1.0)
<b>Deferred tax</b>						
Origination and reversal of temporary differences on underlying activities	(3.4)	3.0	-	-	(3.4)	3.0
Origination and reversal of temporary differences on non-recurring activities	(6.5)	(12.6)	(1.6)	(8.3)	(8.1)	(20.9)
Adjustments in respect of previous periods	(0.3)	(0.1)	-	-	(0.3)	(0.1)
Income tax credit for the year	(6.7)	(6.6)	(1.5)	(8.3)	(8.2)	(14.9)

The reported underlying taxation credit of £0.1 million (2006: tax charge of £6.3 million) benefited from significant credits of £1.1 million due to over provision of taxes in respect of prior years, most notably in Germany. After adjusting for this credit, the underlying tax charge of £1.0 million is at an effective rate of 33.3%, which is in line with our previous expectations. This rate is a blend of different rates of taxation in the countries in which Fiberweb operates. The Group's rate of taxation is highest in the US and Germany, while it benefits from low rates of taxation in China.

**6. Discontinued operations**

On 30<sup>th</sup> March 2007, the Group entered into a sale agreement with Ahlstrom Corporation to dispose of the shares of Fiberweb Tenotex SAU and Fiberweb Holdings SLU and the trade and assets of Fiberweb Tecnofibra Srl and the Bethune Hygiene wipes business within Fiberweb Inc. ("Hygiene Wipes"). The disposal was completed on 25<sup>th</sup> May 2007, on which date control of Hygiene Wipes passed to the acquirer. The disposal was a significant step in Fiberweb's published commitment to address issues concerning the "Weak Hygiene" businesses within the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2007 - continued

### 6. Discontinued operations continued

The results of the discontinued operations which have been included in the consolidated income statement were as follows:

£m	2007			2006		
	Underlying	Non-recurring	Total	Underlying	Non-recurring	Total
Revenue	31.5	-	31.5	84.8	-	84.8
Expenses	(31.2)	-	(31.2)	(84.3)	-	(84.3)
Underlying operating profit	0.3	-	0.3	0.5	-	0.5
Restructuring costs and other non-recurring items	-	-	-	-	(34.7)	(34.7)
Interest	-	-	-	(0.2)	-	(0.2)
Profit/(loss) before tax	0.3	-	0.3	0.3	(34.7)	(34.4)
Income tax	(0.1)	1.6	1.5	-	8.3	8.3
	0.2	1.6	1.8	0.3	(26.4)	(26.1)
Loss on disposal of discontinued operations	-	(20.9)	(20.9)	-	-	-
Profit/(loss) from discontinued operations	0.2	(19.3)	(19.1)	0.3	(26.4)	(26.1)

Restructuring costs and other non-recurring items of £20.9 million in the current period represents the loss on the disposal (refer to note 11). Prior year non-recurring costs of £34.7 million comprise impairments of the uncompetitive assets in the Hygiene Wipes business. Non-recurring taxation credits of £1.6 million (2006: £8.3 million) relate to deferred tax liabilities reversed due to the sale and impairments.

During the period the net operating cash outflow from Hygiene Wipes was £1.2 million (2006: an inflow of £4.8 million). Additionally, Hygiene Wipes paid £0.3 million (2006: £3.2 million) in respect of investing activities and paid £0.1 million (2006: received £2.6 million) in respect of financing activities.

### 7. Dividends

The Group paid dividends of £7.0 million during the year in respect of the final dividend of 3.95 pence for the period ended 31<sup>st</sup> December 2006 and the interim dividend of 1.70 pence for the year ended 31<sup>st</sup> December 2007. Subject to approval by shareholders at the Annual General Meeting, the proposed final dividend of 2.50 pence per share (2006: 3.95 pence) will be payable on 27<sup>th</sup> May 2008 to shareholders on the register at the close of business on 25<sup>th</sup> April 2008. The proposed final dividend has not been included as a liability in these financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31<sup>st</sup> December 2007 - continued

**8. Earnings per share**

From continuing and discontinued operations

Earnings	2007 £m	2006 £m
<b>Basic and diluted:</b>		
Loss for the period – basic loss attributable to ordinary shareholders	(112.5)	(69.3)
Restructuring costs and non-recurring items	124.1	97.1
Tax on restructuring costs and non-recurring items	(8.3)	(21.2)
Adjusted earnings	3.3	6.6

**Number of shares**

**Weighted average number of 5p ordinary shares:**

For basic earnings per share	122,440,375	122,440,375
For diluted earnings per share	122,440,375	122,440,375

**Earnings/ (loss) per share**

Basic:

Adjusted	2.7p	5.4p
Unadjusted	(91.9)p	(56.5)p

Diluted:

Adjusted	2.7p	5.4p
Unadjusted	(91.9)p	(56.5)p

From continuing operations

Earnings	2007 £m	2006 £m
<b>Basic and diluted:</b>		
Loss for the period – basic loss attributable to ordinary shareholders	(93.4)	(43.2)
Total adjusted earnings for continuing and discontinued operations	3.3	6.6
Adjustments to exclude profit for the period from discontinued operations	(0.2)	(0.3)
Adjusted earnings from continuing operations	3.1	6.3

**Number of shares**

**Weighted average number of 5p ordinary shares:**

For basic earnings per share	122,440,375	122,440,375
For diluted earnings per share	122,440,375	122,440,375

**Earnings/ (loss) per share**

Basic:

Adjusted	2.6p	5.1p
Unadjusted	(76.3)p	(35.3)p

Diluted:

Adjusted	2.6p	5.1p
Unadjusted	(76.3)p	(35.3)p

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
For the year ended 31<sup>st</sup> December 2007 - continued

**8. Earnings per share continued**

Adjusted earnings per share are shown calculated on earnings before restructuring costs and non-recurring items because the directors consider this gives a better indication of underlying performance.

For 2006, the number of ordinary shares in issue immediately after the demerger was used as the weighted average number for the period prior to demerger.

**9. Employees**

	2007 Number	2006 Number
<b>Average monthly number</b> (including executive directors)		
<b>By region</b>		
Europe	1,020	1,311
North America	937	1,327
Rest of World	472	310
	<b>2,429</b>	<b>2,948</b>
<b>By market</b>		
Hygiene	1,428	1,936
Industrial	1,001	1,012
	<b>2,429</b>	<b>2,948</b>

**10. Cash flow from operating activities**

	2007 £m	2006 £m
Operating loss from continuing operations	(89.3)	(35.3)
Operating profit/(loss) from discontinued operations	0.3	(34.2)
Share of profit from associates	(0.2)	(0.6)
Loss from operations	(89.2)	(70.1)
Depreciation of property, plant and equipment	32.6	37.2
Amortisation of intangible assets	0.9	1.2
Loss/(profit) on sale of property, plant and equipment	0.6	(0.3)
Increase in provisions	0.6	4.3
Additional pension scheme contributions	(2.6)	(3.1)
Share-based payments	0.5	0.1
Loss on disposal of CNC	-	1.6
Goodwill impairment (see note 3)	46.7	14.6
Non-cash impairment and asset write downs	43.5	69.1
Non-recurring inventory write-downs	5.8	-
Other non-cash non-recurring items	(0.9)	-
Other non-cash items	(0.9)	(0.7)
Operating cash flows before movement in working capital	37.6	53.9
Decrease/(increase) in working capital	2.4	(3.1)
Cash generated by operations	40.0	50.8
Income taxes paid	(3.1)	(6.8)
Net cash from operating activities	36.9	44.0

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31<sup>st</sup> December 2007 - continued

### 11. Disposal of subsidiary undertakings

As referred to in note 6, on 25<sup>th</sup> May 2007 the Group disposed of its interests in Fiberweb Tenotex SAU and Fiberweb Holdings SLU and the trade and assets of Fiberweb Tecnofibra Srl and the Bethune hygiene wipes business within Fiberweb Inc. The results of these businesses have been classified as discontinued operations in these consolidated financial statements.

The net assets of the disposal group at the date of disposal and at 31<sup>st</sup> December 2006 were as follows:

	Note	25 May 2007 £m	31 December 2006 £m
Property, plant and equipment		29.6	31.3
Intangible assets		0.1	0.2
Inventories		10.2	11.1
Trade receivables		14.5	13.1
Other receivables		0.7	0.8
Bank balances and cash		1.0	0.8
Retirement benefit obligation		(0.6)	(0.6)
Deferred tax liability		(0.5)	(0.4)
Trade payables		(7.2)	(9.1)
Other payables		(3.1)	(2.9)
External borrowings		(2.9)	(2.9)
Attributable goodwill		18.9	18.9
Cumulative translation reserve		0.9	0.6
		<b>61.6</b>	<b>60.9</b>
Loss on disposal	6	<b>(20.9)</b>	
Total consideration (net of disposal costs)		<b>40.7</b>	
Satisfied by – Cash		<b>40.7</b>	

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31<sup>st</sup> December 2007 - continued**

**11. Disposal of subsidiary undertakings continued**

At the end of June 2007, the Group sold the fixed assets and working capital of its cotton bleaching business at Griswoldville, Massachusetts to Barnhardt Manufacturing Company. This activity was not material to the Group's operations and, accordingly, this disposal has not been classified as discontinued operations. The Group realised a loss on disposal of £0.8 million, which is included within Restructuring Costs as described in note 4. The net assets of the entity at the date of disposal and at 31<sup>st</sup> December 2006 were as follows:

	Note	30 June 2007 £m	31 December 2006 £m
Property, plant and equipment		1.3	1.3
Inventories		1.0	0.9
Other receivables		-	0.1
Trade payables		(0.2)	(0.1)
Other payables		-	(0.1)
		<b>2.1</b>	<b>2.1</b>
Loss on disposal	4	<b>(0.8)</b>	
Total consideration (net of disposal costs)		<b>1.3</b>	
Satisfied by – Cash		<b>1.3</b>	