



**Fiberweb plc**  
**Preliminary Results 2009**

[www.fiberweb.com](http://www.fiberweb.com)

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**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 2009.

**Financial Highlights**

**£ millions (unless otherwise stated)** **2009** **2008**

**Results from underlying<sup>(1)</sup> operations:**

Revenue	<b>454.2</b>	512.8
Underlying <sup>(1)</sup> Operating Profit	<b>23.1</b>	18.8
Underlying <sup>(1)</sup> Profit before Tax	<b>11.1</b>	9.0
Adjusted <sup>(2)</sup> Earnings per Share	<b>9.7p</b>	7.4p

**Results after restructuring and other non-recurring items:**

Operating Profit/(Loss)	<b>5.9</b>	(15.4)
Basic Earnings/(Loss) per share	<b>0.4p</b>	(18.0)p
Net Debt	<b>136.6</b>	149.9

**Highlights**

- **Fifth consecutive half-year of improvement** in underlying operating margin: H2 09 5.8%; H1 09 4.4% (FY09: 5.1%; FY08: 3.7%)
- **23% increase in underlying operating profit** to £23.1 million (2008: £18.8 million)
- **31% increase in adjusted earnings per share** of 9.7p (2008: 7.4p)
- **First full year of profitability from continuing operations since 2005 at £5.9 million**, marking the successful conclusion of major restructuring
- **Second consecutive year of substantial working capital reduction**: inflow of £15.3 million (2008: £17.7 million)
- **Completion of the \$200 million sales 50/50 FitesaFiberweb Joint Venture** bringing expansion to higher-growth South America and reinvestment in North America
- **Final dividend maintained** at 2.5p, making a full year payment of 4.2p

(1) Underlying profit measures are before restructuring charges and other non-recurring items, as set out in the Consolidated Income Statement and note 4

(2) Adjusted to exclude restructuring charges and other non-recurring items as described in note 4

**Commenting on the results, Malcolm Coster, Chairman, said:**

“The success of the restructuring actions of the past three years is apparent in these strong 2009 results and the Board believes that this marks the end of the turnaround phase for the Company. Fiberweb is very well positioned to make further progress in today’s challenging markets and, through innovation and investment, to capitalise on the eventual upturn in construction and industrial markets.”

**Daniel Dayan, Chief Executive Officer, added:**

“We delivered strategic and operational progress in both the industrial and hygiene divisions in 2009, enabling further steady margin progression during the year. Hygiene demonstrated its defensive characteristics, benefiting from recent investment and a strong first five month’s trading from the FitesaFiberweb JV with especially good volumes in Brazil and Mexico. Industrial suffered from weak volumes, as expected, but saw margin expansion from innovation and improved efficiencies.

The economic outlook remains uncertain, but we have taken significant measures over the past three years to build a robust business that can deliver growth and increased profitability.”

**-ENDS-**

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The presentation of this Preliminary Results Announcement will be broadcast and made available later today on the Group’s website: [www.fiberweb.com](http://www.fiberweb.com)

### **Chairman's Statement**

2009 was another year of solid recovery for Fiberweb, despite steady increases in raw material prices from the low levels seen at the start of the year and the impact of severe recessions in many markets during the period. Financially, Fiberweb saw further progress during the year and brought the major restructuring programme begun at demerger in 2006 to a successful conclusion. The Company has improved its competitiveness and productivity through investment in leading technology as well as through cost reductions in many areas. The launch of an exciting joint venture in the Americas, FitesaFiberweb, has given Fiberweb access to growing hygiene markets in South America and allows investment in the USA without further straining our balance sheet. Finally, a number of important new products and initiatives were developed and launched that will reinforce the Company's progress in the future.

### **Financial Results**

The financial results for 2009 overall are very encouraging in the context of the severe recessions in many of the Group's markets and the high degree of uncertainty prevailing for much of the year. Continuing sales of £454.2 million, decreased by £132.4 million (23%) at constant currency, impacted both by the impact of lower raw material costs on sales prices and market declines in almost all sectors in the first half of the year, followed by a strong recovery in hygiene and some non-construction related markets during the second half. Continuing underlying operating profit of £23.1 million increased by 23% (+4% at constant currency), which was impressive in a year when volumes declined by 10%, impacted by both restructuring and recession.

Net cash flow from operating activities was strong for the second year running at £50.6 million (2008: £55.9 million) as a result of improved margins and another significant and sustained reduction in working capital. Capital investment of £27.0 million (2008: £33.6 million) was maintained at a high level to secure the right asset mix for the future. The return on invested capital of 7.5% (2008: 5.4%), while substantially improved, remains below Fiberweb's cost of capital and further improvement is a key objective for the years ahead. Net debt of £136.6 million (2008: £149.9 million) reduced by £13.3 million as reported, while on a constant currency basis, net debt was stable.

### **Key Events**

During the year, Fiberweb continued to make significant progress in implementing the turnaround strategy laid out at the time of demerger, to the point that the major restructuring programme can now be regarded as complete. The portfolio of the Group changed markedly during the year with the creation in July 2009 of the FitesaFiberweb 50/50 joint venture with Petropar of Brazil. This venture accomplished several strategic goals. Firstly, Fiberweb is now active in the growing markets of South America from a very competitive site in Southern Brazil. Secondly, Fitesa's independent plan to invest in the USA will now be implemented together with Fiberweb on a Fiberweb site, reducing risk and cost. Finally, the JV enjoys very strong relationships with both major global branded customers as well as regional branded and private-label customers. In addition, Fiberweb acquired the outstanding 50% of the successful Coronor JV from Nordenia, focused on producing medical laminates at a Fiberweb site in Germany.

The relative stability of the Hygiene business, comprising Airlaid and Consumer Fabrics, provided the Group with a degree of resilience during a period of almost unprecedented volatility. Volumes of these products, which are consumed overwhelmingly in the production of consumer staples such as baby diapers and sanitary towels, remained stable overall, with a fall of around 10% in the first half

countered by a similar recovery in the second half as destocking by producers and retailers was reversed. Our production lines continued to be well-utilised overall. Despite fairly stable demand, over-capacity in Europe for consumer fabrics emerged as a number of new investments came on-line and many fabrics were further lightened, creating some price pressure. Thanks to recent investments by the Group, management was able to react firmly with the announcement in January 2009 of detailed plans to remove uncompetitive lines at Fiberweb sites in Sweden, Germany and France, coordinated with the commissioning of the new Italian spunbond line in mid-2009. These initiatives were all completed as planned during the year with the desired effect on margins and competitiveness.

The Industrial business was impacted to a much greater extent than Hygiene by the turmoil in many markets during the year, especially those serving the construction industry. The precipitate decline in house-building in the USA continued and similar issues were experienced in Western European markets. In these challenging circumstances the performance of the Company's Typar™ housewrap products in both US and Canadian markets demonstrated strong resilience, with market share held in both countries even while volumes fell dramatically. In Europe, roofing products produced strong margins thanks to new product innovation and cost reduction. Filtration products had a strong year, demonstrating the resilience of a business largely based on replacement sales and benefiting from strong sales of specialist meltblown fabrics for face-mask applications in response to the swine flu epidemic during the year. New products for air filtration applications were developed for both European and North American markets. In the UK, Terram continued the recovery apparent since 2007, with record output from its remaining production line in South Wales and progress in developing sales in the Middle East and Russia in particular.

The heavy restructuring undertaken since 2006 continued to bear fruit during 2009 and management implemented further cost reduction actions to improve the Company's competitiveness. Investments were made in new technologies and production assets to improve product performance and to reduce waste and energy consumption, and programmes were launched to improve the information systems infrastructure of the Company. In line with its strategy, the Company has recently been evaluating a significant acquisition opportunity. The Company is no longer pursuing this opportunity.

### **Refinancing**

On 25 February, your Board was pleased to announce that it had completed a refinancing of the Company's primary debt instrument, a revolving credit facility, which has been in place since demerger and which was due to expire at the end of its five-year term in October 2011. In view of the difficult conditions in capital markets in recent times, the Company embarked on refinancing discussions with its banks well in advance of the latest practical date for refinancing, which would have been at the end of 2010. The new, smaller facility, which comprises revolving credit facilities of \$170 million and €110 million reflects the successful reduction of debt within the Group since demerger, and matures on 31 July 2013, giving a term of nearly 3½ years.

Interest costs for the new facility are significantly more expensive but are in line with prevailing market conditions, while the major covenants have been set at levels of 3.0x EBITDA gearing and 5.0x interest cover for the majority of the term of the facility with more relaxed covenants during the initial period. This refinancing removes a significant uncertainty for the Group, provides a secure medium-term funding base

and reflects the confidence of the Group's bankers in our much-improved performance.

### **Dividends**

Subject to approval by shareholders at the Annual General meeting to be held on 29 April 2010, the directors recommend a final dividend of 2.50 pence per share (2008: 2.50 pence). If approved, the dividend will be payable on 27 May 2010 to shareholders on the register on 23 April 2010.

### **The Board and Management**

The Board has remained largely stable during the year, with the only change being the recruitment of an able and experienced non-executive director in Steve Dryden to replace Peter Hickman who retired at the end of the AGM in April. Steve is already contributing well and further strengthens both the commercial and financial expertise of the Board. Executive management of the Group has remained unchanged throughout the year.

### **Prospects**

Fiberweb is continuing to follow the strategy laid out at its launch as an independent company in 2006. The continuing improvement in underlying operating margin and cash flow seen throughout 2009, in difficult markets, is strong evidence that Fiberweb is on the right track.

The defensive nature of our Hygiene businesses, opportunities for consolidation and targeted investment as evidenced in the FitesaFiberweb joint venture and opportunities for further share gains in our Industrial businesses through product and channel innovation and through targeted acquisitions provide a strong platform for further progress. The increased credibility of the Group, based on its steadily improving financial performance, will allow us to continue addressing these opportunities in the months and years to come.

### **Malcolm Coster**

Chairman  
4 March 2010

### Chief Executive's Review

2009 marked the last year of the major restructuring programme we have been driving over the last three years. The steady recovery in our financial performance, with the second half of 2009 being the fifth consecutive half-year of stable improvement in reported underlying operating profit and operating margin, was especially welcome and notable in a year of considerable mayhem in the financial sector and deep recessionary conditions in many of our important markets.

The most important objective for the year was to continue building on the growth in underlying operating margin seen during 2008. The 4.4% achieved in the first half was followed by 5.8% in the strong second half, adding momentum to our efforts to improve pricing, reduce costs and most importantly in the longer-term, to launch attractive and differentiated new products at improved margins.

### Financial Performance

Following the sales declines seen in recent years as a result of significant restructuring, 2009 saw a further decline. However, this was caused largely by the significant reduction in average raw material prices, which feeds through to sales with a lag of around 3 months, and the dramatic market conditions. The sales outturn of £454.2 million in 2009 represents a decline of 10% in volumes and 16% in sales on a constant currency basis after adjusting for the impact of business disposals and the creation of the FitesaFiberweb joint venture at the end of July, which removed the sales of two facilities from our reported turnover. 2009 full year underlying operating profits from continuing operations before restructuring costs and non-recurring items at £23.1 million represents growth overall in both reported currency and at constant currency. A solid first half was followed by a strong second half as pricing and restructuring actions demonstrated their effect and the first significant impact of new product sales from our revitalised sales and marketing programmes began to demonstrate a positive impact.

The loss before tax of £6.1 million (2008: loss of £25.2 million) reflects the much reduced restructuring charges associated with ongoing efforts to remove unviable assets and to improve productivity, regrettably involving job losses. The 2009 restructuring charge of £15.8 million (2008: £43.2 million) comprises £13.4 million of fixed asset write-downs and impairments, £0.3 million of other asset write-downs, £6.0 million in cash expenses, largely for redundancy payments, offset by £3.9 million of gains on disposals of previously written-down production equipment at Terram, Simpsonville and AQF.

We saw further volatility in oil prices during 2009, with the very low levels reached at the end of 2008 feeding through into low raw material prices in early 2009. However, steady increases in both oil and polymers characterised the remainder of the year. We succeeded in designing a hedging programme that effectively mitigated a significant proportion of this volatility in the second half of the year, with hedges equivalent to the majority of the polypropylene demand of the European Industrial division. This programme helped us maintain more stable prices for our customers and stable margins, and we will be seeking to replicate and possibly extend these arrangements in the future.

Operating cash flow of £59.3 million (2008: £62.7 million) before non-recurring cash costs of £8.7 million (2008: £6.8 million) and asset divestment proceeds of £4.5 million (2008: £17.2 million) funded capital investment of £27.0 million (2008: £33.6 million), net interest payments of £9.3 million (2008: £9.6 million) and shareholder dividends of £5.1 million (2008: £5.1 million). Excellent improvement in the control of working capital produced another net inflow of £15.3 million (2008: £17.7 million),

continuing the trend seen in 2008. Working capital as a percentage of sales, a metric management believes is crucial to the business, stabilised at 15.4% (2008: 17.1%), reflecting tight controls and management focus.

### Divisional Review

The simpler organisational structure of the Group, implemented in mid-2008, was validated by the strong performance seen in 2009 in a difficult market environment. In addition, the creation of a global purchasing function in late-2008 allowed improved control and risk management of the Group's largest single cost.

The major organisational development initiative in 2009 was the completion of a strategic marketing training programme, developed together with Cranfield University, for a group of fifty senior sales, marketing and product development staff from across Fiberweb. The purpose of the programme was to improve our capabilities in identifying and analysing markets and customer needs and in translating these insights into improved processes for product development, sales and planning.

### Industrial

All three regional industrial businesses, in the Americas, in Europe and Terram, saw weak markets, currency turmoil impacting their competitiveness and significant reductions in inventory through their customer supply chains. Despite these impacts and very significant market declines in many market segments related to the construction industry on both sides of the Atlantic, we managed to raise margins, launch new products and gain market share in many areas.

In the Americas Industrial division, 2009 was a year of stable margins while battling continued depressed construction markets but with excellent performance in terms of working capital reduction. Sales of \$128.4 million were down by 23% with operating margins of 5.7%, slightly up on prior year. Working capital was a particular focus, with inventory reduced by \$3.4 million to \$35.1 million, as strenuous efforts were made to improve responsiveness and cash flow. Also notable during the year were:

- Further efficiency gains in manufacturing and logistics;
- The successful launch of a new range of roofing underlays – based on the very successful Typar™ housewrap product – to compete with traditional roofing felt. The new products perform better, are longer-lasting and are significantly quicker and easier to lay, with lighter rolls, reducing the risks for roofers carrying materials up ladders to their workplace;
- The successful first major DefenCell™ production and sales, with enormous productivity gains as production was ramped-up; and
- The successful migration to new polyester polymers as the recession forced existing suppliers to reduce or halt production.

In the European Industrial division, 2009 was a recovery year following a weak 2008, faced with extremely difficult markets, especially in house building and hence roofing. Although sales decreased to €77.2 million (excluding the acquired Coronor sales), down 7%, margins almost doubled to 12.6%, up from 6.7% in 2008, in response to cost reductions, new product launches and improved sales and marketing initiatives resulting in:

- Strong growth in Linopore UV Plus – the leading polypropylene-based roofing underlay component with enhanced UV stability;

- Strong growth in polyethylene nonwovens sales to the medical industry, based on the successful qualification of a novel polyethylene compound, developed together with a partner supplier; and
- Launch of several new roofing underlay products aimed at niche markets for renovation; a market segment which, as predicted, remained more stable than new-build as the recession gathered force.

## **Hygiene**

2009 was an eventful year for both Fiberweb's hygiene businesses:

In Consumer Fabrics, North America continued the strong recovery seen in 2008 with very high levels of utilisation for much of the year, despite an unexpected fall in volumes for premium branded products in the first quarter. Europe also suffered from over-capacity during the first half, but a combination of recovering markets, difficulties suffered by some weakly-capitalised competitors and the initial benefits of the major restructuring programme outlined early in 2009 and implemented during the year saw a marked improvement in margins. Overall in Consumer Fabrics, like-for-like volumes fell by 9% with sales down 20% to £217.6 million. Margins also fell from 4.9% to 4.0%, largely due to the impact of raw materials and price pressure in Europe. Very low raw material prices at the start of the year supported margins initially, but then rose steadily from February onwards until the fourth quarter, putting pressure on margins. Strenuous efforts were made to improve efficiencies and to implement the closure of three less efficient spunbond lines in Europe with limited disruption to customers, as the new Italian spunbond line was commissioned around mid-year.

The major event of 2009 though was the creation of the FitesaFiberweb joint venture in the Americas. This exciting initiative brought together two of Fiberweb's facilities – in Washougal, WA in the North-Western USA and in Queretaro, in central Mexico – with Fitesa's modern and well-invested facility at Gravatai, near Porto Alegre in Southern Brazil, to create a business with sales of around \$200 million from three sites and around 200 employees. FitesaFiberweb's position will be further enhanced by the major new spunbond investment currently under construction at Fiberweb's site in Simpsonville, SC in the South-Eastern USA. The formation of this JV is a major step forward in the necessary consolidation of the spunbond industry and gives Fiberweb excellent access to the fast-growing and attractive South American market as well as reducing the financial strain and risk of financing a new investment, required to service new products under development with major hygiene customers for the North American market. Similarly, Fitesa gains access to the North American market, sharing the risk of a new investment, and will benefit from Fiberweb's deep and long-standing relationships with major global hygiene customers.

In the Airlaid business, now only present in China, 2009 was a disappointing year. Significant volume weakness was apparent right from the start of the year and only began to improve in the fourth quarter. As a result, sales fell by 13.7% to RMB294 million and margins halved to 4.8%. Faced with these difficult market conditions, caused by consumers choosing to trade down to less-premium feminine care products, launching new products from our relatively new second line was extremely challenging. Success was only seen late in the year, and we have better expectations for the coming year based on the customer acceptance now slowly becoming apparent.

On the Industrial side of our Chinese business, managed by the same management team as Airlaid, differences with our partner in the small polyester nonwoven JV, Hengguan, that we entered into during 2008, led us to acquire 100% control and to

begin the relocation of the line to our main facility in Tianjin, north-eastern China. The successful upgrade of the Hengguan line has now largely been completed and we look forward to establishing a stable business once the relocation is complete in late 2010.

### **Our People**

During these challenging times, it demands a great deal of commitment and loyalty from our employees to focus on serving customers and optimising performance. I am always impressed by the loyalty and determination shown by Fiberweb people around the globe. We benefited during 2009 from targeted recruitment in several important areas, notably in technical and marketing functions. We have also continued to invest in training and development for both existing and new staff as we turn our attention increasingly to growth through innovation.

As ever, I would like to thank all Fiberweb employees for their commitment and creativity as we begin to emerge from the turnaround into a period of more normal growth and development in challenging markets.

### **Outlook**

We expect Fiberweb's performance to be resilient, despite the continuing challenges of the economic environment. Results will be impacted by continued high levels of volatility in both commodity pricing and exchange rates.

The Hygiene businesses are expected to continue to benefit from fairly stable end-user demand, from the heavy restructuring completed in Europe during 2009 and from the major investments made in recent years. The FitesaFiberweb joint venture is also expected to make a material contribution to our improving performance during 2010.

The Industrial businesses will benefit from new products launched in filtration, roofing and specialist geo-textiles as well as in additional capacity for meltblown and agricultural fabrics. Cost reduction actions will benefit 2010 as will the investment in marketing skills and resources. However the outlook in construction especially, remains uncertain.

Further debt reduction remains a priority. The medium-term target of net debt at 2x EBITDA announced in 2008 remains in place, and we will strive to make progress in this direction while continuing the necessary programme of investment to improve Fiberweb's competitiveness further. I believe we are in a robust position as we enter the Group's next stage of development.

**Daniel Dayan**  
Chief Executive  
4 March 2010

## Financial Review

### Revenue

Revenue from continuing operations decreased by 11.4% to £454.2 million (2008: £512.8 million). On a like-for-like basis (adjusting for business disposals and the impact of the disposal of the Group's US Consumer Fabrics operation into the FitesaFiberweb joint venture) and at constant currency, sales of £426.1 million were 16% down against prior year.

The Industrial division experienced an overall volume decline of 20%, primarily in the US as a result of the significant macro-economic influences. Total European Industrial volumes fell by only 4% year on year. In revenue terms, total division sales fell by 15% overall to £182.7 million on a constant currency basis.

The Hygiene division includes the Group's global Consumer Fabrics businesses and Airlaid, which, following the closure of our site in Italy last year, is now only present in China. Overall Hygiene volumes fell by 8% compared to 2008 after adjusting for the impact of the FitesaFiberweb JV, with sales down 9%. Year on year volume and revenue trends in the Consumer Fabrics operation are impacted negatively by the disposal of our Consumer Fabrics operations at Washougal, US and Queretaro, Mexico to the FitesaFiberweb JV. Like-for-like Consumer Fabrics sales of £217.6 million were 20% down year on year on a constant currency basis, although volumes fell by only 9%. Airlaid volumes were 23% down year on year as a result of the closure of our Italian Airlaid facility in 2008, but only 3% down in China. China Airlaid sales were 14% down in constant currency. The absolute fall in Hygiene sales revenues is disproportionate to the relative volume decreases as a result of the impact of the pass-through of raw material price changes. 2008 sales prices were inflated as we passed on the increasing oil prices during the year, whilst 2009 sales prices for the early part of the year reflected the low raw material price from the fourth quarter of 2008.

### Underlying Operating Profit

Underlying operating profit increased by 23% from £18.8 million to £23.1 million, while at constant currency, growth in underlying operating profit was 4%. Despite the pressures on absolute profits, the Group is pleased to deliver its fifth consecutive half-year period of growth in underlying operating margins, with second half return on sales of 5.8%, up from 4.4% in the first half. Full year underlying operating margin of 5.1% is an improvement of 140 basis points over the 3.7% for the year ended 31 December 2008.

Despite bearing the brunt of the Group's exposure to the global slowdown, Industrial margins strengthened by 270 basis points to 8.1% overall. US margins were slightly ahead of 2008 at 5.7%, whilst strategic initiatives and a strengthened management team in the Group's European Industrial division saw margins improve significantly from 6.7% in 2008 to 12.6% in the current year. Hygiene margins strengthened by 140 basis points to 5.7%, although on a like-for-like basis, the Consumer Fabrics margin was down 90 basis points to 4.0%, with a positive performance in the US, partially offsetting the impact of the over-capacity and pricing pressure in Europe. Margins in China Airlaid halved to 4.8%, affected by volume weakness.

### **Raw Materials**

Raw material costs are a significant cost component representing approximately 50% of Group revenues. They are largely dictated by external factors including the oil price, from which propylene and polypropylene are derived, as well as demand and capacity issues. We started the year with low prices from the falls in the fourth quarter of 2008, which helped mitigate the impact of the volume decreases in the first quarter as the global crisis took hold. Since then, prices have steadily increased. The Group enjoyed an estimated net benefit from the lower prices in the first half of £6.8 million, which went some way to mitigate the fall in volumes. As prices rose during the second half, this benefit has been eroded. The Group derived some protection from the adverse movement in the second half from hedging arrangements such that the overall net impact on the year was a net benefit of £3.1 million compared to the average prices in the fourth quarter of last year. Approximately 50% of revenues are subject to contractual pass-through arrangements, which provide a limited cash flow benefit in a period of falling raw material prices. The Group seeks to hedge against significant variances in the price of its key raw materials on volumes that are not protected by contractual pass-through arrangements through a combination of fixed price contracts, global purchasing negotiations to leverage volume and hedging through appropriate commodity derivatives.

### **Profit Before Tax**

After net finance costs of £12.0 million (2008: £11.5 million), Fiberweb generated underlying profit before tax from continuing operations of £11.1 million (2008: £9.0 million), an increase of 23%.

### **Tax**

The Group recorded a net tax credit for the year on underlying profits of £0.8 million (2008: £nil). Excluding the credit of £4.0 million (2008: £2.9 million) in respect of the partial recognition of a deferred tax asset in respect of US tax losses and other timing differences, the underlying tax charge was £3.2 million, representing an underlying effective tax rate of 29% (2008: 32%). The lower effective rate reflects the inclusion of the Group's share of post-tax profits from the FitesaFiberweb joint venture, a benefit which is reflected in the Group's reported earnings per share.

### **Restructuring Costs and Other Non-Recurring Items**

Restructuring costs and non-recurring items fell to £17.2 million (2008: £34.2 million), reflecting the completion of the post-demerger restructuring activity. Within the £17.2 million, the Group has recognised asset write-downs of £13.7 million and redundancy costs of £6.0 million, primarily in respect of the rationalisation of the Group's production activities across its European Consumer Fabrics plants, which targeted a 30% reduction in the number of lines within the division, whilst securing a 50% increase in line capacity.

The Group recognised profits of £0.8 million and £2.1 million respectively on its sale of a previously impaired production line in Terram to the Group's new Indian joint venture partner and the sale of written-down production equipment from the Group's site in Simpsonville, US. In addition, we recorded a gain of £1.0 million to write-up previously impaired equipment at AQF to its net realisable value, having secured the sale of this equipment in January 2010.

In connection with the creation of the FitesaFiberweb joint venture in the second half, the Group has recognised a net loss of £1.4 million, comprising essentially the net difference between the Group's share of the Washougal and Mexican assets contributed by Fiberweb into the new venture offset by the Group's share of the fair

value of assets contributed by its partner, Petropar, in respect of its Brazilian and US operations.

We disposed of the Group's 25.1% investment in CoraTech GmbH in June, for net cash proceeds of £0.7 million, recognising a small gain on the disposal of £0.1 million. In April, effective 1 January 2009, we acquired the remaining 50% of Coronor Composites GmbH for a net cash cost of £1.1 million. Coronor contributed £10.4 million to the Group's Industrial sales in the year and operating profit of £0.2 million.

### **Earnings per Share**

After excluding restructuring costs and other non-recurring items, adjusted earnings per share on continuing operations were 9.7 pence (2008: 7.4 pence), an increase of 31%. Excluding the deferred tax credit of £4.0 million (2008: £2.9 million) in respect of US temporary differences, adjusted earnings per share were 6.5 pence (2008: 5.0 pence).

### **Cash Flow**

The Group's cash inflow from operations was £50.6 million (2008: £55.9 million). This favourable performance was attributable to both the improvements in operating margins and the significant reduction in working capital, which has generated around 30% of the cash inflow from operations in both years.

Working capital, expressed as the ratio of trading working capital to revenue, improved to 15.4% (2008: 17.1%), delivering a further cash inflow of £15.3 million in the year (2008: £17.7 million). A reduction in this crucial performance indicator of 380 basis points has now been achieved since the end of 2005 when the ratio was 19.2%.

Significant improvements in working capital management have been made across all divisions in the Group and this has been achieved through a combination of better inventory management as well as a tighter control of payment terms. Historically the Group has not experienced significant bad debts due to the policy of taking out credit insurance for all but the largest customers.

### **Investment**

Fixed asset additions of £27.0 million (2008: £33.6 million) include £10.7 million in respect of the new R4 spunbond line in Italy, which was completed and successfully commissioned as planned in the first half of 2009. With a total capacity of 18,000 tonnes, this new spunbond line materially advances our objective of increasing average line capacity by 50% in European Hygiene to improve our competitive position.

### **Net Debt**

Net debt at the year end was £136.6 million (2008: £149.9 million). Restated in constant currency, net debt at 31 December 2008 was £136.7 million. During the year, the Group benefited from £12.7 million of foreign exchange gains on net debt, as Sterling rallied against both the US Dollar and the Euro from the lows of the fourth quarter of 2008.

The Group has set a target of reducing net debt to a maximum of two times EBITDA over the medium term. We intend to achieve this through improvements in operating cash flow as well as tight control of capital expenditure.

During the year the Group drew down £4.2 million (2008: repaid £17.4 million) of the debt advanced under the Group's Revolving Credit Facility. In the years since

demerger, the Group has utilised the proceeds from divestment of businesses to pay down debt. 2009 marks the end of the major post-demerger restructuring programmes initiated in 2006. The Group has drawn down against the facility to fund reinvestment in new assets and business ventures. We will seek to continue to reduce borrowings where possible and without damaging the long term growth plans for the business.

### Covenant Compliance and Going Concern

The Group's borrowings were mainly under the Revolving Credit Facility ("the original RCF") provided by nine relationship banks under a five year loan facility which ends in October 2011. The Group complied with the financial and non-financial covenants at the end of 2009 and continues to monitor actual and forecast compliance carefully. The two key financial covenants comprise a gearing covenant expressed as a ratio of continuing EBITDA to net debt and an interest cover covenant expressed as EBITDA to interest. The applicable covenants are a maximum of 2.75x for the gearing ratio and a minimum of 5.0x for the interest cover ratio as at 31 December 2009.

A new loan facility was entered into on 24 February 2010, which has a term of 3½ years until July 2013 for an amount of £205.0 million comprising multi-currency facilities of €110 million and US\$170 million ("the new RCF"). Interest rates are at prevailing market rates and are more expensive than under the original RCF which was in place during 2009 and which was established at the time of the demerger in 2006. Similar covenants have been agreed which include an EBITDA/net debt gearing covenant of 3.0x and an interest cover covenant of 5.0x for the majority of the term of the new facility, with more relaxed covenants during the initial period. The new arrangement requires quarterly covenant testing, compared with six-monthly tests under the original RCF.

The Group prepares regular business forecasts and monitors its projected compliance with its banking covenants under both the original and new RCF agreements, which is reviewed by the Board. Forecasts are then adjusted for sensitivities which address the principal risks to which the Group is exposed, such as fluctuations in raw material prices, exchange rates and best estimates of the possible impact of the macroeconomic environment on the Group's underlying trading results. Consideration is then given to the potential actions available to management to mitigate the impact of one or more of the sensitivities. The Group's central and sensitised forecasts, after applying reasonably possible adverse variations in trading performance, show that the Group should be able to operate within the level of the new RCF and remain covenant compliant.

After making enquires, the directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

### Table of Exchange Rates

		2009	2008
USD	Average	1.55	1.85
	Year end	1.62	1.44
Euro	Average	1.12	1.26
	Year end	1.13	1.03

## Principal Risks & Uncertainties

The following are the most significant risks identified by the Board and management:

### **1. Raw material costs**

Raw materials represent the single most important input for the Group's production, representing approximately 50% of sales. Although there are a variety of raw materials used by the Group, the key raw materials are polypropylene and polyester. The prices of polypropylene and polyester are volatile and depend primarily on the price of crude oil and monomer and polymer manufacturing capacity and demand.

Historically, increases in the price of polypropylene in particular have put pressure on the Group's margins. The Group is subject to contractual pass-through arrangements on approximately 50% of revenues whereby polypropylene price increases or decreases are passed on to its customers. These pass-through arrangements are generally subject to a time lag of up to three months. There is therefore a material exposure to movements in raw material prices. Significant increases in raw material prices that cannot be passed on to customers could have a material adverse effect on the Group's results and financial condition.

The Group can mitigate some of this risk through pass-through arrangements with some customers for polypropylene cost changes, selective hedging of polypropylene purchases and strategic alliances with polypropylene producers.

### **2. Customer and supplier dependency**

Across certain markets in which the Group operates there is a high degree of dependency on maintaining good relationships with a relatively small number of key customers. The failure of the Group and its key customers to renew contracts could result in a significant reduction in the demand for its products. This is particularly the case for Procter & Gamble which, through a large number of different contracts and purchasing arrangements of varying durations, accounted for approximately 23% of sales in 2009. In terms of overall concentration, the Group's top ten customers accounted for 42% of sales in 2009. The failure of one or more of these key customers could therefore have a material adverse effect on the Group's reputation, business, results of operations and overall financial condition.

The Group has procedures in place to monitor and mitigate this risk and, historically, has been generally successful in agreeing new contracts with key customers or extending existing contracts. The Group continues to manage the Procter & Gamble relationship very closely.

Similar dependency arises in respect of maintaining regular supplies of polypropylene and other resins and fibres. The Group is reliant on a small number of critical suppliers in the global market and several of these have been adversely impacted by a combination of rapidly falling raw material prices and demand during 2008 and 2009, as well as the incidence of increased capacity coming on stream in the Middle East and Asia. Given the limited alternative suppliers, a disruption in the supply chain could lead to the Group being unable to satisfy the needs of its customers. The failure of one or more of the Group's key suppliers could therefore have a material adverse effect on the Group's reputation, business, results of operations and overall financial condition. The Group seeks to mitigate this risk through diversity of supply and by negotiating Group wide contracts.

The Group is also reliant on one specialist supplier, Reifenhäuser Reicofil GmbH & Co. KG ("Reifenhäuser"), for their manufacturing lines. The manufacturing lines are typically made to order and components would not be easily replaced should the

supplier fail to deliver the products. The bankruptcy of, or a dispute with, Reifenhäuser could therefore lead to a significant disruption to the Group's business.

### **3. Economics, market and trading conditions**

Group sales, expenses and operating results could vary significantly from period to period as a result of a variety of factors, some of which are outside the Group's control. These factors include general economic conditions, conditions specific to the market and conditions specific to the Group. A negative change in economic conditions in the Group's customer markets, including, for example, a downturn in the Canadian housing market, deterioration in consumer confidence or new products and processes entering the Group's market place, could adversely impact the Group's business.

In addition, significant increases in energy costs, the cost of transport and distribution and employment costs in the locations where the Group's manufacturing sites are based could adversely impact the profitability of the Group.

Significant fluctuations in foreign currency exchange rates can have a material impact on the Group's business, results of operations and overall financial position. The Group operates globally, with the majority of its revenues earned outside the UK and with significant investments around the world. As a result, the Group is subject to currency translation risk due to movements between various currencies (mainly the US Dollar and the Euro) and its reporting currency, Sterling. In addition, the majority of the revenues of one of the FitesaFiberweb joint venture companies, Fitesa Brazil, is in Brazilian Reals and a significant proportion of its debt is denominated in US Dollars. The Real has over many years displayed significant volatility against both the US Dollar and Sterling. In order to reduce the effect of foreign exchange movements on its reported earnings, the Group borrows, where commercially appropriate, in the currencies of its operations, thus creating a natural hedge for a proportion of its balance sheet. The Group also enters into derivative financial instruments in currencies that partially hedge its net investment values. The Group does not undertake speculative treasury transactions.

### **4. Financial covenants**

The Group has financial covenants relating to its main source of long-term funding. The Group expects to comply with these covenants. In the event that forecast profitability is not achieved, the continued need to comply with these covenants could restrict the operational flexibility and management decisions of the Group. There is also a risk that the Group's long-term funding would need to be renegotiated with its debt-providers to ensure the continued operations of the Group and there could be no guarantee that such a renegotiation would be possible on commercially acceptable terms or that the Group would be able to successfully re-finance the relevant debt.

The Group manages compliance with these covenants through careful monitoring of operating performance and cash flows, regular forecasts of future performance and tight management of capital expenditure.

### **5. Competition**

The Group faces competition from global competitors that provide similar products to those offered by the Group. Competition in the industry is based upon: range and quality of products offered; the ability to deliver new products; geographical reach; reputation; price; and customer relationships. The hygiene market is characterised by large customers and some production over-capacity with the result that there is strong competition to secure contracts with these large customers. While these risks

have not changed in nature over recent periods, prices and demand in the Group's markets could be negatively affected if existing competitors increase their supply, or if new competitors enter the market with new products and/or favourable cost structures, or if important customers reduce demand or request significantly reduced prices. In response to a changing competitive environment, the Group may need from time to time to make certain pricing, service or marketing decisions that could have an adverse effect on its sales, results of operations and overall financial condition.

**CONSOLIDATED INCOME STATEMENT**  
For the year ended 31 December 2009

	Note	2009 Underlying* £'m	2009 Note i £'m	2009 Total £'m	2008 Underlying* £'m	2008 Note i £'m	2008 Total £'m
<b>Continuing operations</b>							
Revenue	2	454.2	-	454.2	512.8	-	512.8
Cost of sales		(355.8)	(9.8)	(365.6)	(415.6)	(20.2)	(435.8)
<b>Gross profit</b>		<b>98.4</b>	<b>(9.8)</b>	<b>88.6</b>	<b>97.2</b>	<b>(20.2)</b>	<b>77.0</b>
Distribution costs		(39.3)	-	(39.3)	(42.2)	-	(42.2)
Administrative expenses		(40.3)	-	(40.3)	(37.9)	(0.6)	(38.5)
Other operating income	3	1.5	-	1.5	1.5	-	1.5
Share of results of associates and joint ventures		2.8	(0.1)	2.7	0.2	-	0.2
Profit on disposal of investment	4	-	0.1	0.1	-	3.0	3.0
(Loss)/profit on disposal of businesses	4	-	(1.4)	(1.4)	-	6.6	6.6
Restructuring costs		-	(6.0)	(6.0)	-	(23.0)	(23.0)
<b>Operating profit/(loss) from continuing operations</b>	2	<b>23.1</b>	<b>(17.2)</b>	<b>5.9</b>	<b>18.8</b>	<b>(34.2)</b>	<b>(15.4)</b>
Investment income		-	-	-	0.9	-	0.9
Other gains and losses	5	-	-	-	0.8	-	0.8
Finance costs		(12.0)	-	(12.0)	(11.5)	-	(11.5)
<b>Profit/(loss) before tax</b>		<b>11.1</b>	<b>(17.2)</b>	<b>(6.1)</b>	<b>9.0</b>	<b>(34.2)</b>	<b>(25.2)</b>
Income tax on operations	6	(3.2)	5.8	2.6	(2.9)	3.2	0.3
Recognition of deferred tax	6	4.0	-	4.0	2.9	-	2.9
Tax		0.8	5.8	6.6	-	3.2	3.2
<b>Profit/(loss) for the year from continuing operations</b>		<b>11.9</b>	<b>(11.4)</b>	<b>0.5</b>	<b>9.0</b>	<b>(31.0)</b>	<b>(22.0)</b>
<b>Attributable to:</b>							
Equity holders of the parent		11.9	(11.4)	0.5	9.0	(31.0)	(22.0)

\*Underlying trading results before items described in note i below  
Note i: Restructuring costs and non-recurring items as set out in note 4

**Earnings/(loss) per share, attributable to the ordinary equity holders of the parent**

From continuing operations:

Basic	8		0.4p	(18.0)p
Diluted	8		0.4p	(18.0)p

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

From continuing operations:

Basic	8		9.7p	7.4p
Diluted	8		9.5p	7.3p

<sup>(1)</sup> Adjusted earnings per share are shown calculated on earnings before restructuring costs and non-recurring items because the directors regard this as providing additional useful information on trends in underlying performance. Before recognition of deferred tax assets at £4.0 million (2008: £2.9 million), adjusted earnings per share are 6.5p (2008: 5.0p).

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 31 December 2009**

	<b>2009</b>	2008
	<b>£'m</b>	£'m
Profit/(loss) for the year	<b>0.5</b>	(22.0)
Transferred to profit on disposal of businesses	<b>(1.0)</b>	(6.1)
Exchange differences on translation of foreign operations	<b>(18.2)</b>	52.7
Actuarial losses on defined benefit pension schemes	<b>(4.9)</b>	(5.9)
Cash flow hedges:		
- Losses arising during the period	<b>(1.6)</b>	(5.3)
- Less: reclassification adjustments for losses included in profit	<b>3.3</b>	0.3
Tax on items recognised directly in equity	<b>3.1</b>	2.3
<b>Total comprehensive (loss)/income for the year</b>	<b>(18.8)</b>	<b>16.0</b>
<b>Attributable to:</b>		
Equity holders of the parent	<b>(18.8)</b>	<b>16.0</b>

**CONSOLIDATED BALANCE SHEET**  
As at 31 December 2009

	Note	2009 £'m	2008 £'m
<b>Non-current assets</b>			
Intangible assets:			
Goodwill		35.1	37.4
Other		1.6	1.2
Property, plant and equipment		219.3	304.7
Investments in associates and joint ventures	10	50.4	2.2
Other investments		0.3	0.3
Deferred tax assets		15.6	8.9
		<b>322.3</b>	<b>354.7</b>
<b>Current assets</b>			
Inventories		48.9	66.8
Trade and other receivables		71.5	97.2
Cash and cash equivalents		32.4	26.4
Corporation tax recoverable		1.0	0.7
		<b>153.8</b>	<b>191.1</b>
<b>TOTAL ASSETS</b>		<b>476.1</b>	<b>545.8</b>
<b>Current liabilities</b>			
Trade and other payables		(68.4)	(96.2)
Tax liabilities		(7.1)	(7.4)
Obligations under finance leases		(1.4)	(2.8)
Bank overdrafts and loans		(11.6)	(10.5)
Provisions		(6.4)	(9.1)
		<b>(94.9)</b>	<b>(126.0)</b>
<b>Net current assets</b>		<b>58.9</b>	<b>65.1</b>
<b>Non-current liabilities</b>			
Bank loans		(156.0)	(163.0)
Retirement benefit obligations		(34.9)	(35.5)
Deferred tax liabilities		(15.1)	(21.9)
Provisions		(2.6)	(2.8)
		<b>(208.6)</b>	<b>(223.2)</b>
<b>TOTAL LIABILITIES</b>		<b>(303.5)</b>	<b>(349.2)</b>
<b>NET ASSETS</b>		<b>172.6</b>	<b>196.6</b>
<b>Equity</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		1.2	0.3
Translation reserve		35.5	54.7
Hedging reserve		(4.8)	(6.5)
Retained earnings		(136.5)	(129.7)
<b>Equity attributable to equity holders of the parent</b>		<b>172.6</b>	<b>196.0</b>
<b>Minority interest</b>		<b>-</b>	<b>0.6</b>
<b>TOTAL EQUITY</b>		<b>172.6</b>	<b>196.6</b>

These financial statements were approved by the Board of Directors on 4 March 2010 and signed on its behalf by  
**D Dayan** Chief Executive Officer      **D Abrams** Chief Financial Officer

**CONSOLIDATED CASH FLOW STATEMENT**  
For the year ended 31 December 2009

	2009 £'m	2008 £'m
<b>Operating activities</b>		
Net cash flows from operating activities	50.6	55.9
<b>Investing activities</b>		
Interest received	-	0.9
Purchase of property plant and equipment	(26.1)	(33.3)
Purchase of intangible assets	(0.9)	(0.3)
Proceeds on disposal of property, plant and equipment	3.8	0.2
Acquisition of businesses, net of cash acquired	(1.1)	-
Investment in associates and joint ventures	(12.4)	-
Net proceeds on disposal of businesses	0.7	17.2
Cash received from minority interest	-	0.1
Dividends received from associates	-	0.1
Dividends received from investments	-	0.8
<b>Net cash outflow from investing activities</b>	<b>(36.0)</b>	<b>(14.3)</b>
<b>Financing activities</b>		
Interest paid	(9.2)	(10.3)
Interest element of finance leases paid	(0.1)	(0.2)
Dividends paid to related parties	-	(0.5)
Dividends paid to shareholders	(5.1)	(5.1)
Cash received from foreign exchange forward contracts carried at fair value through profit or loss	0.6	1.6
Drawdown/ (repayment) of external loans	4.2	(17.4)
Decrease in finance leases	(1.3)	(2.7)
<b>Net cash outflow from financing activities</b>	<b>(10.9)</b>	<b>(34.6)</b>
<b>Net increase in cash and cash equivalents</b>	<b>3.7</b>	<b>7.0</b>
Foreign exchange differences	(2.1)	5.2
Cash and cash equivalents at beginning of year	20.4	8.2
<b>Cash and cash equivalents at end of year</b>	<b>22.0</b>	<b>20.4</b>
Net debt at beginning of year	(149.9)	(137.6)
Increase in cash and cash equivalents	3.7	7.0
Increase in external loans	(4.5)	(3.6)
Decrease in external loans	0.3	21.0
Facility fees amortised	(0.2)	(0.3)
Decrease in finance leases	1.3	2.7
Foreign exchange differences	12.7	(39.1)
<b>Net debt at end of year</b>	<b>(136.6)</b>	<b>(149.9)</b>
Comprising:		
Bank loans	(157.6)	(168.1)
Less: unamortised prepaid facility fees	0.4	0.6
Bank loans	(157.2)	(167.5)
Finance leases	(1.4)	(2.8)
Cash and cash equivalents (including overdrafts)	22.0	20.4
<b>Net debt at end of year</b>	<b>(136.6)</b>	<b>(149.9)</b>
Cash and cash equivalents	32.4	26.4
Less: bank overdrafts	(10.4)	(6.0)
<b>Net cash and cash equivalents for cash flow purposes</b>	<b>22.0</b>	<b>20.4</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the year ended 31 December 2009

	Equity attributable to equity holders of the parent							Retained Earnings £'m	Minority Interest £'m	Total Equity £'m
	Share Capital £'m	Share Premium £'m	Merger Reserve £'m	Other Reserve £'m	Capital Reserve £'m	Hedging Reserve £'m	Translation Reserve £'m			
<b>At 1 January 2008</b>	<b>6.1</b>	<b>84.5</b>	<b>93.5</b>	<b>93.1</b>	<b>0.6</b>	<b>(1.5)</b>	<b>8.1</b>	<b>(99.1)</b>	-	<b>185.3</b>
Loss for the year	-	-	-	-	-	-	-	(22.0)	-	(22.0)
Other comprehensive income for the year	-	-	-	-	-	(5.0)	46.6	(3.6)	-	38.0
Total comprehensive income for the year	-	-	-	-	-	(5.0)	46.6	(25.6)	-	16.0
Amount credited to equity on lapse of DSP share awards subject to TSR performance criteria	-	-	-	-	(0.6)	-	-	0.6	-	-
Transfer to income:										
Share option costs	-	-	-	-	0.3	-	-	-	-	0.3
Dividends paid	-	-	-	-	-	-	-	(5.1)	-	(5.1)
Dividends paid to former parent company	-	-	-	-	-	-	-	(0.5)	-	(0.5)
Assets received from minority	-	-	-	-	-	-	-	-	0.6	0.6
<b>At 31 December 2008</b>	<b>6.1</b>	<b>84.5</b>	<b>93.5</b>	<b>93.1</b>	<b>0.3</b>	<b>(6.5)</b>	<b>54.7</b>	<b>(129.7)</b>	<b>0.6</b>	<b>196.6</b>
Profit for the year	-	-	-	-	-	-	-	0.5	-	0.5
Other comprehensive income for the year	-	-	-	-	-	1.7	(19.2)	(1.8)	-	(19.3)
Total comprehensive income for the year	-	-	-	-	-	1.7	(19.2)	(1.3)	-	(18.8)
Elimination of minority interest	-	-	-	-	-	-	-	(0.4)	(0.6)	(1.0)
Transfer to income:										
Share option costs	-	-	-	-	0.9	-	-	-	-	0.9
Dividends paid	-	-	-	-	-	-	-	(5.1)	-	(5.1)
<b>At 31 December 2009</b>	<b>6.1</b>	<b>84.5</b>	<b>93.5</b>	<b>93.1</b>	<b>1.2</b>	<b>(4.8)</b>	<b>35.5</b>	<b>(136.5)</b>	-	<b>172.6</b>

## 1. Basis of preparation

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2009 or 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their reports were unqualified, did not draw attention to any matters by way of emphasis without qualifying their report and did not contain statements under s498(2) or (3) of the Companies Act 2006 or equivalent preceding legislation.

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 December 2009. Fiberweb's accounting policies under IFRS are as reported in the annual financial statements for the year ended 31 December 2008, as published by the Company on 25 March 2009, except that in the year ended 31 December 2009, the Company has adopted the following new and revised Standards and Interpretations:

- IFRS 8 Operating Segments – discussed fully in note 2 below;
- IAS 1 (revised 2007) Presentation of Financial Statements; and
- Improving Disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures).

## 2. Segmental information

In the current financial year, the Group has adopted International Financial Reporting Standard 8 Operating Segments (IFRS 8).

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Fiberweb Executive to allocate resources to the segments and assess their performance. In contrast, the predecessor Standard (IAS 14 "Segmental Reporting") required the Group to identify two sets of segments (business and geographical) using a risks and rewards approach, with the Group's system of internal financial reporting to key management personnel serving only as the starting point for the identification of such segments.

Prior to the year ended 31 December 2008, the Group's primary segments were geographic on the basis of the underlying operational management structure and reporting hierarchy. During 2008, following a series of restructuring initiatives and divestments, including reorganisation of the executive management team, the Group's primary reporting segments were redefined according to markets served: Hygiene and Industrial. Segmental information for the year ended 31 December 2008 was presented on the new market basis, with comparatives restated accordingly.

The Hygiene and Industrial segmentation reported in 2008 was based on the classification of reporting entities according to the principal market served by each operational site. From 1 January 2009, Fiberweb now manages the trading results of individual reporting entities and operational sites analysed by the specific markets they serve. 2008 comparatives have been restated accordingly. Segmentation of assets and liabilities remains on the former reporting entity basis, as reported to the Fiberweb Executive.

## 2. Segmental information continued

In addition, management reviews trading results of the divisions before allocation of global Research and Development costs (R&D) and Health and Safety expenses (HSE) – shown in the tables below as underlying trading profit. Historically, the Group has published segment results after allocation of these global costs on the basis of external sales – shown in the tables below as underlying operating profit. In the interest of consistency, the tables below continue to report underlying operating profit, as well as the trading results reviewed by management in accordance with IFRS 8. The above changes did not result in any restatement of the prior year reported consolidated balance sheet.

### 2a. Segmental revenues and results

#### Year ended 31 December 2009

	Hygiene £'m	Industrial £'m	Unallocated Corporate £'m	Total £'m
<b>Continuing operations</b>				
External sales by origin	271.5	182.7	-	<b>454.2</b>
Underlying trading profit	19.5	17.5	(13.9)	<b>23.1</b>
Allocation of global R&D and HSE costs	(4.0)	(2.7)	6.7	-
Underlying operating profit	15.5	14.8	(7.2)	<b>23.1</b>
Restructuring costs and other non-recurring items	(17.6)	0.4	-	<b>(17.2)</b>
Segment result from continuing operations*	(2.1)	15.2	(7.2)	<b>5.9</b>
Finance costs				<b>(12.0)</b>
Loss before tax				<b>(6.1)</b>
Tax				<b>6.6</b>
Profit after tax				<b>0.5</b>

\*Segment result includes £2.7 million share of results from associates and joint ventures within Hygiene.

#### Other information

	Hygiene £'m	Industrial £'m	Unallocated Corporate £'m	Total £'m
Underlying operating profit margin %	5.7%	8.1%	-	<b>5.1%</b>
Capital additions	14.2	3.9	1.9	<b>20.0</b>
Depreciation and amortisation	21.5	8.3	0.2	<b>30.0</b>
Impairment losses recognised in profit or loss	-	0.3	-	<b>0.3</b>
Asset write-downs recognised in profit or loss	13.4	-	-	<b>13.4</b>

#### Year ended 31 December 2008

	Hygiene (Restated) £'m	Industrial (Restated) £'m	Unallocated Corporate (Restated) £'m	Total (Restated) £'m
<b>Continuing operations</b>				
External sales by origin	325.2	187.6	-	<b>512.8</b>
Underlying trading profit	17.1	11.8	(10.1)	<b>18.8</b>
Allocation of global R&D and HSE costs	(3.1)	(1.7)	4.8	-
Underlying operating profit	14.0	10.1	(5.3)	<b>18.8</b>
Restructuring costs and other non-recurring items	(39.7)	6.2	(0.7)	<b>(34.2)</b>
Segment result from continuing operations*	(25.7)	16.3	(6.0)	<b>(15.4)</b>
Investment revenue				<b>0.9</b>
Other gains and losses				<b>0.8</b>
Finance costs				<b>(11.5)</b>
Loss before tax				<b>(25.2)</b>
Tax				<b>3.2</b>
Loss after tax				<b>(22.0)</b>

\*Segment result includes £0.2 million share of results from associates and joint ventures within Hygiene.

## 2. Segmental information continued

### 2a. Segmental revenues and results continued

Year ended 31 December 2008

Other information

	Hygiene £'m	Industrial £'m	Unallocated Corporate £'m	Total £'m
Underlying operating profit margin %	4.3%	5.4%	-	<b>3.7%</b>
Capital additions	31.4	3.2	-	<b>34.6</b>
Depreciation and amortisation	23.2	7.7	0.2	<b>31.1</b>
Impairment losses recognised in profit or loss	14.2	-	-	<b>14.2</b>
Asset write-downs recognised in profit or loss	19.6	0.1	-	<b>19.7</b>

Note that there are no inter-segment sales made by the Group.

### 2b. Segment assets and liabilities

	31 December 2009 £'m	31 December 2008 £'m
Assets:		
Hygiene	<b>273.4</b>	363.5
Industrial	<b>100.5</b>	143.0
Consolidated total assets, excluding tax assets and cash	<b>373.9</b>	506.5
Unallocated corporate assets	<b>102.2</b>	39.3
Consolidated total assets	<b>476.1</b>	545.8
Liabilities:		
Hygiene	<b>82.9</b>	87.3
Industrial	<b>23.1</b>	44.0
Segment liabilities, excluding tax liabilities and debt	<b>106.0</b>	131.3
Unallocated corporate liabilities	<b>197.5</b>	217.9
Consolidated total liabilities	<b>303.5</b>	349.2

### 2c. Geographical information

	Year ended 31 December 2009		Year ended 31 December 2008	
	External sales by origin £'m	Non-current assets £'m	External sales by origin £'m	Non-current assets £'m
United Kingdom	<b>18.2</b>	<b>69.0</b>	17.9	20.1
United States	<b>170.2</b>	<b>45.7</b>	183.2	75.6
Sweden	<b>48.0</b>	<b>36.8</b>	61.1	40.9
Germany	<b>77.9</b>	<b>20.2</b>	77.6	35.1
Italy	<b>67.4</b>	<b>78.2</b>	70.9	83.2
Other*	<b>72.5</b>	<b>56.8</b>	102.1	90.9
	<b>454.2</b>	<b>306.7</b>	512.8	345.8

\* Other includes countries which the Group does not consider to be individually material.

As required by IFRS 8, Operating Segments, non-current assets are shown above excluding investments in associates and joint ventures, financial instruments, deferred tax assets, post employment benefit assets, and rights arising under insurance contracts.

## 2. Segmental information continued

### 2d. Information about major customers

In the year ended 31 December 2009, revenues of £85.0 million (2008: £99.9 million) and £18.0 million (2008: £18.3 million) are included within Hygiene and Industrial revenues respectively which arose from sales to the Group's single largest customer. No other customer formed greater than 10% of external revenues within the years ended 31 December 2009 and 2008.

### 3. Other operating income

Current year other operating income of £1.5 million includes £0.5 million of income from the FitesaFiberweb joint venture in accordance with a transition service agreement. The balance comprises government grants, rental income and other sundry items.

Other operating income of £1.5 million in the year ended 31 December 2008 included £0.6 million in respect of insurance claim proceeds received in connection with a fire in 2005 in one of our Hygiene plants. The balance comprises government grants, rental income and other sundry items.

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

		2009 £'m	2008 £'m
Cost of sales		(9.8)	(20.2)
Administrative expenses		-	(0.6)
Non-recurring items in respect of FitesaFiberweb JV		(0.1)	-
Profit on disposal of investment		0.1	3.0
(Loss)/profit on disposal of businesses	13	(1.4)	6.6
Restructuring costs		(6.0)	(23.0)
		<b>(17.2)</b>	<b>(34.2)</b>

Restructuring costs and other non-recurring items included within statutory operating profit before tax amounted to £17.2 million (2008: £34.2 million). The main items included within this are:

- Year ended 31 December 2009
  - Non-recurring cost of sales of £9.8 million comprising
    - (i) £13.4 million write-down of plant and equipment in Peine, Germany as we completed the rationalisation of our European production capacity;
    - (ii) £0.3 million write-down of inventory in respect of the cessation of our air quality filtration business, AQF, in the US;
    - (iii) £0.8 million gain on sale of Terram's previously mothballed production line to our associated undertaking in India;
    - (iv) £2.1 million gain on sale of previously impaired production equipment from our US Hygiene business; and
    - (v) £1.0 million gain in respect of the reversal of previously impaired assets at AQF to write-up the assets to net realisable value – the assets were sold in January 2010.

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

- £0.1 million loss in respect of the Group's share of non-recurring restructuring costs incurred in the FitesaFiberweb JV.
  - £0.1 million gain on disposal of the Group's 25.1% interest in CoraTech GmbH.
  - Non-recurring losses in respect of the Group's FitesaFiberweb joint venture of £1.4 million, comprising:
    - (i) a net charge of £2.4 million in respect of our 50% share of the Fiberweb assets contributed to the joint venture offset by our 50% share of assets contributed to the joint venture by our partner, Petropar S.A.; and
    - (ii) a credit of £1.0 million in respect of recycled exchange gains on disposal of our Mexican businesses into the joint venture.
  - Non-recurring restructuring costs of £6.0 million comprising severance costs primarily within the Group's European Hygiene operations in respect of the completion of restructuring programmes to support the rationalisation of capacity announced in January 2009.
- Year ended 31 December 2008
    - Non-recurring cost of sales of £20.2 million comprising:
      - (i) impairments and write-downs of £20.0 million in respect of Hygiene production equipment: £18.7 million in respect of Peine, Germany and £1.3 million in respect of Italy and France as we further rationalised our European capacity;
      - (ii) a credit of £0.4 million in respect of government grants relating to European Industrial equipment written down in 2007 - these grants were previously at risk of having to be repaid; and
      - (iii) losses of £0.6 million realised on disposal of written down inventory in our US Industrial nonwovens business.
    - Non-recurring administrative expenses of £0.6 million in respect of professional fees and other costs related to the aborted discussions between Fiberweb and Avgol Industries 1953 Limited in respect of a possible offer for Fiberweb.
    - £3.0 million profit on disposal of the Group's 15% equity investment in Saudi German Nonwovens Products Co. ("SGN").
    - £6.6 million profit on disposal of the Group's shares in Fiberweb Bidim Industria e Comercio de Nao-Tecidos Ltda ("Bidim"), including £6.1 million in respect of recycled exchange gains previously recognised in the Group's translation reserve.

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

- Non-recurring restructuring costs of £23.0 million comprising:
  - (i) £17.3 million in respect of the closure of our Korma, Italy facility, including £13.8 million of asset write-downs, £2.1 million of severance costs, £0.5 million in respect of onerous lease commitments and £0.9 million estimated costs to complete equipment dismantling and site closure;
  - (ii) £5.5 million of severance costs across both Hygiene and Industrial businesses in respect of ongoing restructuring programmes to streamline the Group's structure to better serve customers; and
  - (iii) £0.2 million of costs to relocate certain assets in connection with the further rationalisation of the Group's Hygiene site at Simpsonville, SC, USA.

#### 5. Other gains and losses

Other gains of £0.8 million in the year ended 31 December 2008 comprise dividends received from SGN prior to its disposal in May 2008.

#### 6. Taxation

	2009 £'m	2008 £'m
<b>Current tax</b>		
Current income tax charge on underlying activities	4.8	5.3
Current income tax (credit)/ charge on non-recurring activities	(0.8)	1.8
Adjustments in respect of previous periods	(2.3)	0.3
<b>Deferred tax</b>		
Origination and reversal of temporary differences on underlying activities	0.6	(2.7)
Origination and reversal of temporary differences on non-recurring activities	(5.0)	(5.0)
Adjustments in respect of previous periods	0.1	-
Income tax credit on operations	(2.6)	(0.3)
Partial recognition of temporary differences on underlying activities in respect of US operations	(4.0)	(2.9)
<b>Total income tax credit for the year</b>	<b>(6.6)</b>	<b>(3.2)</b>

The total tax credit for the year includes a charge of £0.6 million (2008: a credit of £1.2 million) in respect of UK operations. All other tax items relate to overseas operations. Domestic income tax is calculated at 28% (2008: 28.5%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

In the light of post-demerger restructuring action and strategic focus in the Group's US operations and taking into account the forecast future profitability of the US operations, including management's view of possible sensitivities to those forecasts, the Group has recognised a further asset of £5.9 million (2008: £5.7 million) in respect of US deductible temporary differences, generating a credit of £4.0 million (2008: £2.9 million) to the underlying deferred tax expense for the year and a credit of £1.9 million (2008: £1.5 million) directly in equity in relation to temporary differences on retirement benefit obligations.

## 6. Taxation continued

The difference between the actual tax credit and that expected on the loss for the year has been based on the UK rate of Corporation tax of 28% (2008: 28.5%). The comparison of actual tax is made against the UK standard rate rather than the blended rate of taxation for the Group, in order to provide a more consistent approach across the two years. The use of a blended rate would lead to a distortion year on year as the mix of profits and losses has changed considerably as have the underlying tax rates in various jurisdictions.

In addition to the income tax expense charged to profit or loss, a net £3.1 million has been credited to equity in the period, comprising a debit of £0.5 million in respect of fair value adjustments on financial instruments, and a credit of £3.6 million in respect of retirement benefit obligations (2008: a net credit of £2.3 million comprising a credit of £1.4 million in respect of fair value adjustments on financial instruments, a charge of £0.6 million in respect of exchange gains and a credit of £1.5 million in respect of retirement benefit obligations).

The effective rate of tax on underlying continuing profits in the current year of £11.1 million is -7.2%, due to the credit of £4.0 million on partial recognition of the US deferred tax assets. Excluding this credit, the effective rate of tax on underlying continuing profits was 28.8%, benefiting from the share of post-tax profits from the FitesaFiberweb joint venture of £2.7 million included within underlying profit before tax of £11.1 million.

The effective rate of tax on underlying continuing profits in the year ended 31 December 2008 of £9.0 million was nil%, due to the credit of £2.9 million on partial recognition of the US deferred tax assets. Excluding this credit, the effective rate of tax on underlying continuing profits was 32.2%.

## 7. Dividends

	2009 £'m	2008 £'m
Amounts recognised as distributions to equity holders in the year:		
Final dividend for the year ended 31 December 2008 of 2.5 pence (2007: 2.5 pence)	3.0	3.0
Interim dividend for the year ended 31 December 2009 of 1.7 pence (2008: 1.7 pence)	2.1	2.1
Dividends paid to former parent company	-	0.5
	<b>5.1</b>	<b>5.6</b>
Proposed final dividend for the period ended 31 December 2009 of 2.5 pence (2008: 2.5 pence) per share	<b>3.0</b>	3.0

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

Non-recurring dividends of £0.5 million paid to the former parent company in the year ended 31 December 2008 relate to the distribution of profits earned by the Group's German subsidiaries in the period prior to demerger in November 2006. Settlement was made in accordance with the Demerger Agreement following the filing of the local statutory accounts for the pre-demerger period.

## 8. Earnings per share

	2009 £'m	2008 £'m
<b>Earnings</b>		
<b>Basic and diluted:</b>		
Profit/(loss) for the year – attributable to ordinary shareholders	0.5	(22.0)
Restructuring costs and non-recurring items	17.2	34.2
Tax on restructuring costs and non-recurring items	(5.8)	(3.2)
<b>Adjusted earnings</b>	<b>11.9</b>	<b>9.0</b>
<b>Number of shares</b>		
<b>Weighted average number of 5p ordinary shares:</b>		
For basic earnings per share	122,440,375	122,440,375
For diluted unadjusted earnings per share	125,248,580	122,440,375
For diluted adjusted earnings per share	125,248,580	123,406,230
<b>Earnings/ (loss) per share</b>		
Basic:		
Adjusted	9.7p	7.4p
Unadjusted	0.4p	(18.0)p
Diluted:		
Adjusted	9.5p	7.3p
Unadjusted	0.4p	(18.0)p

Adjusted earnings per share are shown calculated on earnings before restructuring costs and non-recurring items because the directors consider this provides additional useful information on underlying performance trends.

Before recognition of deferred tax assets (refer to note 6) of £4.0 million (2008: £2.9 million), adjusted earnings per share for the year ended 31 December 2009 are 6.5p (2008: 5.0p).

## 9. Employees

	2009 Number	2008 Number
<b>Average monthly number (including executive directors)</b>		
<b>By region</b>		
Europe	824	907
North America	715	828
Rest of World	397	423
	<b>1,936</b>	<b>2,158</b>
<b>By market</b>		
Hygiene	1,120	1,233
Industrial	816	925
	<b>1,936</b>	<b>2,158</b>

## 10. Interests in associates and joint ventures

	<b>2009</b>	2008
	<b>£'m</b>	£'m
Cost of investment in associates and joint ventures	<b>47.9</b>	1.4
Share of post-tax profits, net of dividends received	<b>2.5</b>	0.8
	<b>50.4</b>	2.2
50% investment in FitesaFiberweb joint venture	<b>47.3</b>	-
26% investment in associate Terram Geosynthetics Private Limited	<b>0.6</b>	-
25.1% investment in associate CoraTech GmbH	-	1.4
Total cost of investment in associates and joint ventures	<b>47.9</b>	1.4
Share of results of:		
FitesaFiberweb	<b>2.5</b>	-
CoraTech GmbH	-	0.8
Total accumulated share of results	<b>2.5</b>	0.8

On 31 July 2009, the Group entered into a joint venture, FitesaFiberweb, with partner Petropar S.A. The carrying value of the cost of investment in the joint venture at 31 December 2009 was £47.3 million, as set out in note 13.

During the year ended 31 December 2009, the Group invested £0.8 million to acquire 26% of the shares in Terram Geosynthetics Private Limited. The cost of investment was reduced by £0.2 million in respect of the Group's unrealised share of the post tax gain on Terram's sale of its previously mothballed production line to the associate. The financial year end of Terram Geosynthetics Private Limited is 31 March.

During the year ended 31 December 2009, the Group disposed of its investment in associate CoraTech.

Aggregated amounts relating to associates and joint ventures:

	<b>2009</b>	2008
	<b>£'m</b>	£'m
Total assets	<b>191.4</b>	7.2
Total liabilities	<b>(92.3)</b>	(0.8)
Net assets	<b>99.1</b>	6.4
Revenue	<b>53.9</b>	14.7
Profit for the year	<b>5.5</b>	0.5
Business share of profit for the year	<b>2.7</b>	0.2
Business share of capital expenditure contracted for but not provided	<b>15.1</b>	-

### 11. Minority interest

On 26 June 2009, the Group agreed to acquire the remaining 35% minority interest in Chinese polyester spunbond fabric manufacturer, Fiberweb (Tianjin) Speciality Nonwovens Company Limited it did not already own for RMB 9,120,000 in cash. Accordingly the minority's share of assets in the company has been eliminated against the consideration within the Group's Retained Earnings.

### 12. Cash flow from operating activities

	2009 £'m	2008 £'m
Operating profit/(loss) from continuing operations	5.9	(15.4)
Share of profit from associates	(2.7)	(0.2)
Profit/(loss) from operations	3.2	(15.6)
Depreciation of property, plant and equipment	29.7	30.6
Amortisation of intangible assets	0.3	0.5
Loss on sale of property, plant and equipment	0.5	0.1
(Decrease)/ increase in provisions	(2.5)	2.6
Excess of pension scheme contributions over charge	(2.9)	(2.4)
Share-based payments	0.9	0.3
Gain on disposal of investment	(0.1)	(3.0)
Loss/(gain) on disposal of businesses	1.4	(6.6)
Non-cash impairment and asset write-downs	13.4	33.9
Non-recurring gain on reversal of impairment	(1.0)	-
Non-recurring inventory write-downs	0.3	0.5
Non-recurring profit on sale of previously impaired equipment	(2.9)	-
Non-recurring pension curtailment gains	(0.3)	-
Other non-cash items	(1.4)	0.4
Operating cash flows before movement in working capital	38.6	41.3
Decrease in working capital	15.3	17.7
Cash generated by operations	53.9	59.0
Income taxes paid	(3.3)	(3.1)
Net cash from operating activities	50.6	55.9

### 13. Acquisitions and disposals

#### Year ended December 2009

(i) On 31 July 2009, the Group entered into an agreement with Petropar S.A. (Petropar) to establish a 50/50 joint venture (JV), FitesaFiberweb, intended to create the second largest producer of spunbond nonwoven fabrics in the Americas. Further explanation of the strategic commercial rationale for the JV is given in the Chairman's Statement and the Chief Executive's Review in the narrative section of these Preliminary Results.

Petropar contributed to the JV its existing nonwoven business in Brazil consisting of Fitesa. Fiberweb contributed its spunbond and spunmelt facilities based in Queretaro, Mexico and Washougal, US, as well as certain land and buildings at its site in Simpsonville, US. In addition, Fiberweb and Petropar contributed US\$12.3 million and US\$10 million in cash respectively, representing the cash generated by the respective operations between 31 December 2008 and 31 July 2009.

### 13. Acquisitions and disposals continued

#### Year ended December 2009 continued

Fiberweb has chosen to equity account for the JV in accordance with IAS 31. The initial cost of investment in the JV comprises:

- 50% of the assets contributed by Fiberweb; plus
- 50% of the fair value of the assets contributed by Petropar; plus
- capitalised transaction costs.

The table below sets out the assets and liabilities that were contributed to the JV by Fiberweb and reconciles the assets disposed at 31 July 2009 to both the loss on disposal of the assets into the JV and to the initial carrying cost of the investment in the JV.

	<b>31 July 2009 £'m</b>	31 December 2008 £'m
Assets contributed:		
Property, plant and equipment	<b>35.5</b>	42.4
Inventories	<b>3.7</b>	4.5
Trade & other receivables	<b>5.4</b>	8.0
Current taxation	<b>0.7</b>	-
Deferred taxation	<b>(2.1)</b>	(2.3)
Trade & other payables	<b>(5.3)</b>	(6.6)
Retirement benefit obligations	<b>(0.3)</b>	(0.3)
	<b>37.6</b>	45.7
Deferred consideration (fair value of buildings to be transferred)	<b>0.9</b>	
Cash injection on completion	<b>8.1</b>	
Total Fiberweb contribution to the JV	<b>46.6</b>	
Capitalised cost of investment in JV:		
50% of Fiberweb contribution to the JV	<b>23.3</b>	
50% of the fair value of Petropar contribution to the JV	<b>20.6</b>	
Transaction costs	<b>3.0</b>	
Cost of investment at 31 July 2009	<b>46.9</b>	
Exchange differences	<b>0.4</b>	
Cost of investment at 31 December 2009	<b>47.3</b>	
Loss on contribution of assets to the JV:		
50% of Fiberweb contribution to the JV	<b>(23.3)</b>	
50% of the fair value of Petropar contribution to the JV	<b>20.6</b>	
Loss on contribution of assets to the JV	<b>(2.7)</b>	
Gain on curtailment of pension scheme in Washougal	<b>0.3</b>	
Cumulative translation reserve – gains recycled	<b>1.0</b>	
Net loss on creation of the JV (note 4)	<b>(1.4)</b>	

### 13. Acquisitions and disposals continued

#### Year ended December 2009 continued

The fair value of the assets contributed to the JV by Petropar at 31 July 2009 is analysed as follows:

As at 31 July 2009	Book and fair value to the Group £'m
Assets contributed:	
Other intangible assets	0.6
Property, plant and equipment	79.8
Inventories	4.2
Trade & other receivables	28.2
Deferred taxation	(1.3)
Trade & other payables	(13.3)
Cash and cash equivalents	9.7
Bank loans	(66.7)
	41.2
50% of the fair value of Petropar's contribution to the JV	20.6

The book value of the Fitesa assets is considered to approximate fair value, given that:

- the Fitesa business primarily serves the industrial markets in the Mercosur region and there are no material contracts with customers to secure minimum volumes or prices;
- there are no material recognised brands within Fitesa's product portfolio, and
- the majority of the net book value of Fitesa's plant and equipment comprises two new Reicofil 4 lines installed since 2006, such that the depreciated book value is considered a reasonable approximation of the current fair value of this equipment.

The Fiberweb operations at Queretaro, Mexico and Washougal, US historically formed part of Fiberweb's North American Hygiene business and, as such, were neither a separately reportable business nor geographic segment. Consequently, the disposal has not been accounted for as a discontinued operation for the purposes of IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations". Whilst, the disposal of these operations into the JV will impact the Group's reported sales and gross margin, the Group's share of the JV's profits will be equity accounted and reported through underlying operating profits for the Hygiene and North American segments. The Group's businesses in Washougal and Mexico contributed sales of £27.9 million (in the seven months to 31 July 2009) and £51.8 million to the Group's Hygiene segment in the years ended 31 December 2009 and 2008 respectively.

### 13. Acquisitions and disposals continued

#### Year ended December 2009 continued

(ii) On 1 April 2009, the company completed the acquisition of the remaining 50% interest of its joint venture partner Nordenia International AG in Coronor Composites GmbH ("Coronor") for a cash consideration of €3.1 million (£2.8 million). The effective date of the acquisition for consolidation purposes was 1 January 2009.

Coronor manufactures unique composite materials made of nonwoven fabrics and films primarily for use in the manufacture of medical drapes and its sole manufacturing line is located within Fiberweb's site at Peine, Germany. The acquisition is consistent with Fiberweb's strategy of simplifying the Group and investing in businesses with potential for sustainable differentiation and good growth prospects.

Coronor's gross assets as at 31 December 2008 were €4.0 million (£3.7 million), including €2.0 million cash (£1.9 million) and pre-tax profit for the year ended 31 December 2008 was €0.6 million (£0.6 million). In the year ended 31 December 2009, Coronor generated sales of £10.4 million and underlying operating profit of £0.2 million, included within the Group's Industrial market segment.

The table below summarises the book and fair value to the Group of the assets and liabilities of this acquisition. The goodwill arising on the acquisition was £1.2 million.

	Book and fair value to the Group £'m
Property, plant and equipment	0.8
Inventories	0.6
Trade & other receivables	0.8
Trade & other payables	(0.5)
Current taxation	(0.1)
Deferred taxation	(0.1)
Cash and cash equivalents	1.7
<b>Total net assets</b>	<b>3.2</b>
50% net assets acquired	1.6
Goodwill	1.2
<b>Net cash consideration</b>	<b>2.8</b>

(iii) On 26 June 2009, the Group agreed to acquire the remaining 35% interest in Chinese polyester spunbond fabric manufacturer, Fiberweb (Tianjin) Speciality Nonwovens Company Limited it did not already own for a consideration of RMB 9,120,000 in cash.

(iv) On 29 June 2009, the Group disposed of its 25.1% investment in CoraTech GmbH for a consideration of €750,000 in cash. The Group recognised a gain of £0.1 million on the transaction.

(v) Also in June 2009, the Group entered into an agreement to acquire a 26% interest in associate Terram Geosynthetics Private Limited for a consideration of £819,000 in cash.

### 13. Acquisitions and disposals continued

#### Year ended December 2008

(i) On 20 June 2008 the Group sold the entire issued share capital of its subsidiary Bidim to Mexichem Amanco Holdings S.A. de C.V (“Mexichem”) for gross proceeds of BRL 55.5 million/ £17.6 million. The Group also received US\$4.8 million/ £2.7 million in consideration for its agreement not to compete with Bidim in South America for a period of 42 months, which was satisfied by the assignment to the purchaser of certain obligations of the Group to Bidim. Bidim was neither a separate segment for the Group, nor material to the Group’s consolidated results and is therefore not a discontinued operation for the purposes of IFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations”.

The net assets of Bidim at the date of disposal and at 31 December 2007 were as follows:

	Note	20 June 2008 £'m	31 December 2007 £'m
Property, plant and equipment		9.0	7.9
Intangible assets		0.1	0.1
Inventories		2.5	2.1
Trade receivables		3.0	3.3
Other receivables		2.0	1.2
Current tax liability		(0.7)	(0.4)
Deferred tax liability		(0.2)	(0.2)
Trade payables		(1.2)	(0.6)
Other payables		(1.3)	(0.7)
Cumulative translation reserve		(6.1)	(4.9)
		<u>7.1</u>	<u>7.8</u>
Gain on disposal	4	<u>6.6</u>	
Total consideration (net of disposal costs)		<u>13.7</u>	
Satisfied by – Cash		<u>13.7</u>	

The following table highlights Bidim’s contribution to the Group’s trading performance and cash flows in the period ended 20 June 2008 and in the year ended 31 December 2007:

	20 June 2008 £'m	31 December 2007 £'m
Sales	7.9	14.2
Underlying operating profit	0.4	1.3
Profit before tax	0.9	0.9
Net operating cash inflow	1.1	1.8
Cash outflow from investing activities	-	(1.2)
Cash outflow from financing activities	-	(0.1)

(ii) On 21 May 2008, the Group sold its 15% investment in SGN for US\$7.3 million/ £3.5 million. The Group recognised a gain on disposal of £3.0 million before tax of £0.7 million. Prior to the disposal, the Group received dividends of £0.8 million from SGN in respect of its share of prior period profits.