19 July 2005

Press Release/Stock Exchange Announcement

LOW & BONAR PLC 2005 INTERIM RESULTS

Low & Bonar PLC today reports interim results for the half year ended 31 May 2005.

	2005	**2004**	**%**
Turnover	£110.5m	£94.7m	16.7
Operating profit pre exceptionals	£ 4.2m	£ 6.2m	-32.5
Profit before tax pre exceptionals and amortisation	£ 4.8m	£ 6.5m	-25.8
Profit before tax	£ 3.9m	£ 5.7m	-31.9
Earnings per share pre exceptionals and amortisation	3.26p	4.09p	-20.3
Earnings per share	2.61p	3.80p	-31.3
Dividends per share	1.70p	1.60p	6.2

Highlights

- Strong revenue growth with turnover up 16.7% to £110.5m
- Revenue growth offset, as predicted, by increased raw material costs, additional operating costs relating to major new product introductions and upgrades of manufacturing capability
- Operating profit after exceptionals of £4.2m (2004: £6.0m)
- Strong sales performance from Floors driven by full impact of MoD contract but with profit affected by almost £2m of raw material costs and increased sales and marketing
- Robust performance in Yarns & Fabrics, having grown sales significantly and absorbing over £2m of additional raw material costs
- Successful integration of two recent acquisitions in Yarns & Fabrics and significantly upgraded Belgian manufacturing capacity
- Acquisition of Xirion, announced last week, further strengthens Yarns & Fabrics position as a global leader in the attractive artificial grass yarn market
- Sale of Plastics gives enhanced strategic focus on the higher margin Floors and Yarns & Fabrics Divisions. Proceeds to finance further value-adding and strategically appropriate acquisitions
- Dividend will be increased to 1.7p following capital restructuring (2004: 1.6p)

Commenting on the results, Paul Forman, Group Chief Executive, said:

"This is a satisfactory performance against a backdrop of high raw material prices, combined with a difficult trading environment and anticipated additional costs. Our recent actions on cost reduction and product introductions, particularly in Floors, linked to the recent reductions in raw material costs give us confidence for an improved second half.

The disposal of our Plastics Division will allow us to focus more fully on our two core Divisions and creates additional funds to support yet further growth. Our two acquisitions since the start of the current financial year are a clear indication of our commitment to this strategy."

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Chairman's statement

The first half of 2005 has seen us deliver good revenue growth, both organically and by acquisition, and has seen the successful integration of our two acquisitions made in 2004. The positive impact of this revenue growth was more than offset by three foreseen factors which we highlighted at the preliminary results in February and at the AGM in April. These factors are over £4m of increased raw material costs, £0.7m of additional operating costs relating to new product introductions in our Floors Division and also upgrades of our manufacturing capability in the Yarns & Fabrics Division.

Accordingly Group pre-exceptional operating profit moved from £6.2m to £4.2m for the 6 months ended 31 May 2005 with Bonar Floors particularly impacted by the costs of the required reinvigoration of our product ranges. Yarns & Fabrics and Plastics produced commendable performances in holding and marginally increasing operating profit despite the very significant adverse raw material movements. The Board today announced the proposed disposal of Bonar Plastics to Promens hf, a wholly owned subsidiary of Atorka Group hf, for a consideration of £25.75m in cash, subject to adjustments on completion. The disposal of Plastics gives us enhanced strategic focus and additional funds for building our two core Divisions. The recent acquisition of Xirion is a clear illustration of our commitment to this strategy.

Turnover was £110.5m (2004: £94.7m). Profit before tax was £3.9m (2004: £5.7m) after an interest expense of £0.5m (2004: £0.3m). Earnings per share were 2.61p (2004: 3.80p) with a tax rate of 29.8% (2004: 33.5%). As at 31 May 2005, the Group had net debt of £7.9m (2004: net cash £5.8m). The acquisition of Adfil in December 2004 represents the major movement in overall net debt against the net cash position at the same time last year.

Dividend policy

Following the disposal of Plastics, the Board has announced a proposal to restructure our share capital. Provided that this becomes effective and in the absence of unforeseen circumstances, the Directors intend to declare and pay an interim dividend of 1.7p per ordinary share which is expected to be paid to shareholders before the year end date of 30 November 2005. The Directors' recommendation regarding the final dividend will be made in the ordinary course of business and will be considered at the Company's Annual General Meeting in 2006.

Chief Executive's review of operations

Floors

Divisional sales grew 16% to £44.6m, from £38.4m. The majority of the increase was a result of the full impact of the MoD contract although other areas did experience some growth.

As outlined above, a number of foreseen additional expenditures linked to business growth were incurred. These factors, combined with selected market pricing pressures and a £1m increase in raw material costs, meant operating profit was reduced to £3.5m from £5.6m in 2004. As a result of these additional costs we announced in June a cost restructuring programme that will deliver over £1m in savings per annum. This will help the Division to return to its full margin potential.

To ensure we continue to drive organic growth, we have undertaken range launches in four of our major ranges in 2005, namely Flotex, Chocflex, Tessera and Coral. The range changes are major events for the Division, with this level of activity being unprecedented, and have negatively impacted manufacturing efficiencies in the first half as they increased our short term operational complexity significantly. The stock-build needed to cope with the range changes has also seen an anticipated working capital outflow which is expected to improve in the second half.

We have seen continuing subdued demand in our markets, particularly in Continental Europe, and in some cases this is allied to price pressure driven by competition. We are confident that the cost actions being taken, the return to more stable operational processes and the reception of our new ranges, especially Flotex, in the second half, will rebuild the margins to the historic levels we have enjoyed in recent years.

Yarns & Fabrics

Divisional sales grew 27% to £33.5m, from £26.3m. Operating profits were £2.2m (2004: £2.3m) despite a negative year-on-year impact of over £2m arising from the increase in raw material prices.

Our Belgian business, as indicated previously, undertook a major investment in its non-woven capacity which reduced available capacity in the first half and hence temporarily reduced profit. This upgrade programme went well and is improving both product cost and quality. Our Dundee operation continues to enjoy significant growth. The outlook for this product remains very positive globally and we are actively exploring the development of related market segments. We have introduced part of the grass manufacturing process into our Chinese operation, Yihua Bonar, and expect to scale up to full manufacturing capability in 2006. Overall trading in our Chinese operation remains in line with our expectations. The relationship with Sinopec through this venture is proving a positive asset for us as we seek to expand further in China. The acquisition of Adfil in December 2004 has contributed positively to the Division’s operating results in the first half. The recently announced acquisition of Xirion will further strengthen our position as a global leader in the very attractive artificial grass yarn market.

Plastics

The continued focus on operational improvement and selective investment to support growth saw the Division increase sales to £32.3m from £30.0m in 2004. Operating profits grew to £0.6m from £0.4m. As with Yarns & Fabrics, the outcome was all the more pleasing as about £1m of raw material increases had to be absorbed in the period. This period's results continued the encouraging trend of sustained improvement since 2003 and we believe that this improvement in financial performance has been important in achieving a successful sale. We also believe that the change of ownership will prove beneficial for the Division itself as it will be more central to its new Group.

Outlook

Our recent actions on cost reduction and product introductions, particularly in Floors, linked to the recent reductions in raw material costs give us confidence for an improved second half. Our Floors business has started the second half well and we are confident that both it and the Yarns & Fabrics businesses will move ahead in the second half. We are not anticipating market conditions to change materially, nor a further easing of raw material prices, but we believe our underlying business strength and market share positions will continue to improve.

Furthermore the successful disposal of our Plastics Division will ensure greater management focus and hence continued progress in our remaining two Divisions. We will continue to pursue our acquisition programme vigorously to take advantage of the strategic benefits from increased scale in these markets. Our acquisition of Xirion reflects this strategy and is an extremely positive development for the Group.

LOW & BONAR PLC

Unaudited Consolidated Profit and Loss Account for the half year ended 31 May 2005

	Six months ended 31/5/05 £000	Six months ended 31/5/04 £000	Year ended 30/11/04 £000

Turnover			
Continuing	**106,698**	94,679	201,651
Acquisitions	**3,786**	-	-
	110,484	94,679	201,651
Operating profit before amortisation and exceptional costs			
Continuing	**4,220**	6,474	12,697
Acquisitions	**586**	-	-
Amortisation of goodwill	**4,806**	6,474	12,697
Continuing	**(297)**	(251)	(583)
Acquisitions	**(311)**	-	-
Operating profit before exceptional costs	**4,198**	6,223	12,114
Exceptional operating costs (note 5)			
Continuing	**-**	(175)	(423)
Operating profit			
Continuing	**3,923**	6,048	11,691
Acquisitions	**275**	-	-
	4,198	6,048	11,691
Net interest payable	**(495)**	(348)	(743)
Exceptional non operating gain (note 5)			
Gain on sale of fixed assets	**179**	-	-
Profit on ordinary activities before taxation	**3,882**	5,700	10,948
Taxation	**(1,155)**	(1,912)	(3,422)
Profit on ordinary activities after taxation	**2,727**	3,788	7,526
Minority interest	**(109)**	-	(109)
	2,618	3,788	7,417
Dividends			
Preference	**(11)**	(11)	(23)
Ordinary	**-**	(1,592)	(4,486)
Transfer to reserves	**2,607**	2,185	2,908
Dividend per ordinary share	**-**	1.60p	4.50p
Earnings per ordinary share before exceptional items and amortisation of goodwill	**3.26p**	4.09p	8.13p
Earnings per ordinary share before exceptional items	**2.73p**	3.91p	7.72p
Basic earnings per ordinary share	**2.61p**	3.80p	7.43p
Fully diluted earnings per ordinary share	**2.56p**	3.77p	7.27p

LOW & BONAR PLC

Summary Unaudited Group Balance Sheet at 31 May 2005

	31/5/05 £000	31/5/04 £000	30/11/04 £000
Fixed assets			
Tangible assets	**58,937**	55,471	58,423
Intangible assets	**22,778**	9,595	10,824
	81,715	65,066	69,247
Working capital			
Stocks	**37,806**	34,277	33,681
Debtors	**57,144**	49,880	51,518
Creditors	**(47,594)**	(44,553)	(51,714)
	47,356	39,604	33,485
Net (debt) / cash	**(7,915)**	5,796	14,953
Tax, dividends and other liabilities	**(12,208)**	(9,818)	(11,564)
	108,948	100,648	106,121
Capital and reserves			
Share capital	**50,352**	50,139	50,291
Reserves	**56,230**	50,509	53,681
	106,582	100,648	103,972
Minority interest – equity	**2,366**	-	2,149
	108,948	100,648	106,121

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Summary Unaudited Consolidated Cash Flow Statement for the half year ended 31 May 2005

	Six months ended 31/5/05 £000	Six months ended 31/5/04 £000	Year ended 30/11/04 £000
Net cash (outflow)/inflow from operating activities (note 6)	**(4,364)**	4,020	21,407
Net interest paid	**(622)**	(529)	(830)
Non-equity dividends paid	**(11)**	(11)	(23)
Returns on investment and servicing of finance	**(633)**	(540)	(853)
Tax paid	**(512)**	(2,106)	(3,699)
Purchase of tangible fixed assets	**(4,446)**	(3,019)	(6,871)
Sale of tangible fixed assets	**413**	518	614
Receipt of government grants	**60**	-	-
Capital expenditure	**(3,973)**	(2,501)	(6,257)
Acquisitions and disposals (note 7)	**(10,373)**	24	(1,731)
Equity dividends paid	**(2,895)**	(2,687)	(4,278)
Net cash (outflow)/inflow before management of liquid resources and financing	**(22,750)**	(3,790)	4,589
Management of liquid resources			
Decrease in short term deposits	**4,571**	2,272	2,200
Financing			
Proceeds of share issues	**63**	3	183
Purchase of own shares	**(83)**	-	-
Additional/(repayment of) loans	**8,450**	(2,226)	(3,466)
(Decrease)/increase in cash	**(9,749)**	(3,741)	3,506

Reconciliation of net cash

Opening net cash	**14,953**	10,386	10,386
Exchange	**(98)**	(803)	(205)
Net cash (outflow)/inflow	**(22,770)**	(3,787)	4,772
Closing net (debt)/cash	**(7,915)**	5,796	14,953

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Consolidated Statement of Total Recognised Gains and Losses
for the half year ended 31 May 2005

	Six months ended 31/5/05 £000	Six months ended 31/5/04 £000	Year ended 30/11/04 £000
Profit for the period	**2,618**	3,788	7,417
Currency translation differences on overseas net investments and related borrowings	**(107)**	(4,055)	(1,609)
Total recognised gains and losses for the financial period	**2,511**	(267)	5,808

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Reconciliation of Movements in Consolidated Shareholders' Funds
for the half year ended 31 May 2005

	Six months Ended 31/5/05 £000	Six months ended 31/5/04 £000	Year ended 30/11/04 £000
Profit for the period	**2,618**	3,788	7,417
Dividends	**(11)**	(1,603)	(4,509)
Result for period	**2,607**	2,185	2,908
Ordinary shares issued	**63**	3	183
Purchase of own shares	**(57)**	-	-
Other recognised gains and losses relating to the period	**(107)**	(4,055)	(1,609)
Long Term Incentive Plan	**104**	142	117
Net increase /(decrease) in shareholders' funds	**2,610**	(1,725)	1,599
Opening shareholders' funds	**103,972**	102,373	102,373
Closing shareholders' funds	**106,582**	100,648	103,972

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Segmental information for the half year ended 31 May 2005

	Turnover			Profit		
	Six mths ended 31/5/05 £000	Six mths ended 31/5/04 £000	Year ended 30/11/04 £000	**Six mths ended 31/5/05 £000**	Six mths ended 31/5/04 £000	Year ended 30/11/04 £000
CLASSES OF BUSINESS						
Floors	**44,644**	38,409	83,132	**3,481**	5,630	9,699
Yarns & Fabrics						
- continuing businesses	**29,730**	26,310	59,290	**1,881**	2,295	5,334
- acquisitions	**3,786**	-	-	**275**	-	-
Total Yarns & Fabrics	**33,516**	26,310	59,290	**2,156**	2,295	5,334
Plastics	**32,324**	29,960	59,229	**599**	403	1,246
	110,484	94,679	201,651	**6,236**	8,328	16,279
Central costs				**(2,038)**	(2,105)	(4,165)
Pre exceptional operating profit				**4,198**	6,223	12,114
Exceptional operating costs				**-**	(175)	(423)
Operating profit				**4,198**	6,048	11,691
Net interest payable				**(495)**	(348)	(743)
Exceptional non operating gain				**179**	-	-
Profit on ordinary activities before taxation				**3,882**	5,700	10,948

	Six mths ended 31/5/05 £000	Six mths ended 31/5/04 £000	Year ended 30/11/04 £000	**Six mths ended 31/5/05 £000**	Six mths ended 31/5/04 £000	Year ended 30/11/04 £000
GEOGRAPHICAL SEGMENTS						
United Kingdom	**40,410**	31,654	69,438	**3,500**	4,239	7,603
Continental Europe	**57,373**	52,655	110,233	**2,368**	4,034	7,925
North America	**10,492**	10,370	20,360	**141**	55	483
Asia	**2,209**	-	1,620	**227**	-	268
	110,484	94,679	201,651	**6,236**	8,328	16,279
Central costs				**(2,038)**	(2,105)	(4,165)
Pre exceptional operating profit				**4,198**	6,223	12,114
Exceptional operating costs				**-**	(175)	(423)
Operating profit				**4,198**	6,048	11,691
Net interest payable				**(495)**	(348)	(743)
Exceptional non operating gain				**179**	-	-
Profit on ordinary activities before taxation				**3,882**	5,700	10,948

LOW & BONAR PLC
Notes on Interim Report 2005

1. This interim report has been prepared on the basis of the accounting policies set out in the annual report for the year ended 30 November 2004.

2. This interim report was approved by the board of directors on 19 July 2005.

3. Taxation on the operating profit after interest before exceptional items has been provided at a rate of 29.8% for the six months ended 31 May 2005 (2004: 33.5%) which is the estimated rate of tax for the full year. The reduction is driven by the resolution of an ongoing enquiry in France in favour of the Group

4. Basic and pre exceptional earnings per share are based on the weighted average of ordinary shares in issue during the half year of 99,783,636 (2004: 99,476,439). The calculation of fully diluted earnings per share is based on the weighted average number of ordinary shares in issue plus the dilutive effect of outstanding share options and the 2003 Low & Bonar Long-Term Incentive Plan (the '2003 LTIP') awards (to the extent to which performance criteria had been achieved at 31 May 2005) being 2,227,123 (2004: 705,820) shares. The number of shares included in the calculation of fully diluted earnings per share was 102,010,759 (2004: 100,182,259). Other awards under the 2003 LTIP are non-dilutive as the shares concerned are accounted for on a contingent basis in accordance with the treatment prescribed by FRS 14.

5. **Exceptional items**

Operating costs

	Six months ended 31/5/05 £000	Six months ended 31/5/04 £000	Year ended 30/11/04 £000
EC investigation - legal costs	-	(175)	(423)

During May 2004 the Group received notification from the European Commission of an investigation into alleged anti competitive practices in the European industrial bag market, a market that the Group exited in 1997. The exceptional costs relate to the legal costs of the Group addressing this matter. The investigation is ongoing. A decision is anticipated during 2005.

Non operating exceptional gain

During the six months ended 31 May 2005 the Yarns & Fabrics business has invested in new production capacity to replace and update existing assets. The sale of the redundant equipment resulted in a gain of £179,000 and is classified as an exceptional non operating gain.

6. **Net cash (outflow)/inflow from operating activities**

	Six months ended 31/5/05 £000	Six months ended 31/5/04 £000	Year ended 30/11/04 £000
Operating profit	**4,198**	6,048	11,691
Depreciation and amortisation	**4,347**	4,046	8,136
Write back of government grants	**(33)**	(30)	(73)
(Increase)/decrease in working capital	**(12,876)**	(6,044)	1,653
	(4,364)	4,020	21,407

7. **Acquisitions**

The Group acquired LCM Construction Products Ltd. (trading as ADFIL), on 7 December 2004, for a maximum cash consideration including costs of up to £13,394,000, including the repayment of external debt of £4,885,000. The Group acquired cash balances of £204,000. Acquisition costs were £630,000. Of the total consideration, £231,000 was deferred until June 2005, a further £1,860,000 is payable in equal tranches over the period 2005 to 2007, and a further £930,000 is payable contingent upon future operating performance over the period 2005 to 2007. The previous shareholders of LCM Construction Products Ltd. were Lloyds TSB Development Capital and the existing management team who have remained with the business.

	Book Value £000	Provisional Fair Value Adjustments £000	Fair Value £000
Fixed assets	**471**	**(190)**	**281**
Stock	**411**	**30**	**441**
Debtors	**1,750**	**-**	**1,750**
Creditors	**(1,967)**	**(100)**	**(2,067)**
Net assets acquired	**665**	**(260)**	**405**

Cash consideration paid in period including costs		**5,692**
Less cash acquired with business	**(204)**	
Add external debt repaid on acquisition	**4,885**	
Net cash outflow during period	**10,373**	
Included within tax dividends and other liabilities at 31 May 2005	**3,021**	
Total consideration payable	**13,394**	
Goodwill arising on acquisition	**12,989**	

Purchased Goodwill is capitalised on the balance sheet and amortised through the profit and loss account over its estimated useful life. The Directors consider that the estimated useful life of the Goodwill arising on the acquisition of the business is 20 years.

8. **FRS 17 Disclosure**

The pension cost figures used in these accounts comply with the current pension cost accounting standard SSAP 24. Under the accounting standard FRS 17 a deficit would be recorded on the group balance sheet at both 31 May 2005 and 30 November 2004.

Included within Debtors at 31 May 2005 is a pension prepayment of £8,432,000 (30 November 2004: £7,266,000). Under FRS 17 at 31 May 2005 a net pension liability, after recognition of the related deferred tax asset, of £22,258,000 would have been recorded (30 November 2004: £22,052,000). This would have reduced net assets by £30,690,000 (30 November £29,318,000).

Had FRS 17 been used in the preparation of these accounts the reported profit for the period of £2,618,000 would have been unchanged, (30 November 2004: profit for the year of £7,417,000 would have been increased by £242,000).

An actuarial valuation of the UK defined benefit scheme at 31 March 2005 is being carried out. The results are not yet available. The Directors are aware that recent mortality studies indicate significant improvements in life expectancy and that when the 31 March 2005 actuarial valuation is completed it is probable that this will increase the value of pension fund liabilities and the overall deficit on the pension scheme.

Further disclosure about the adoption of FRS17 by the Group can be found in the annual report and accounts for the year ended 30 November 2004.

9. **International Financial Reporting Standards**

The Group has to apply IFRS in the year ending 30 November 2006. As stated in our 2004 Annual Report the biggest impact will arise from inclusion of the pension fund deficit on the balance sheet and its impact on distributable reserves. We intend to report information under IFRS for the first time after our preliminary announcement for the year ending 30 November 2005.

10. The comparative figures for the financial year ended 30 November 2004 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985.