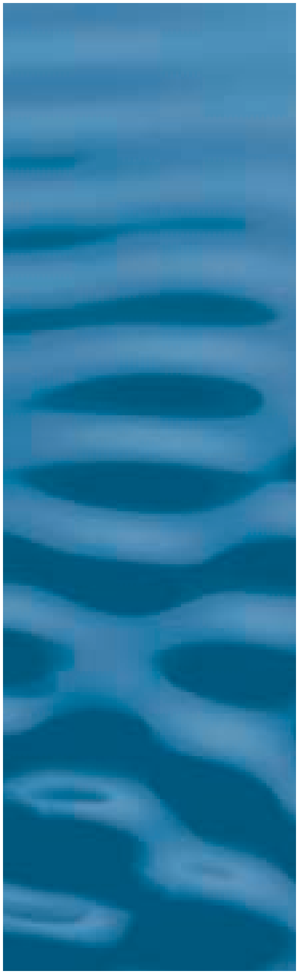

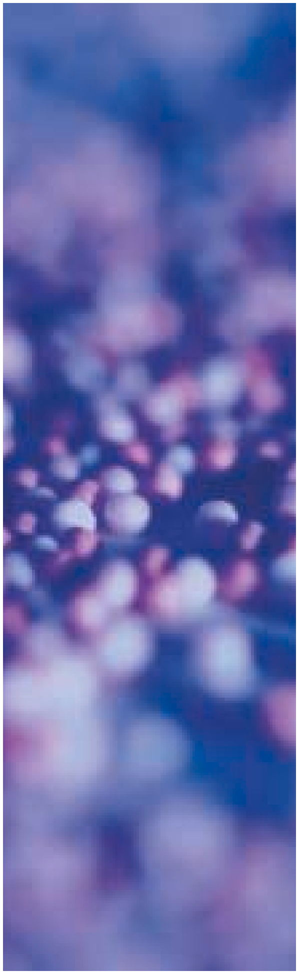

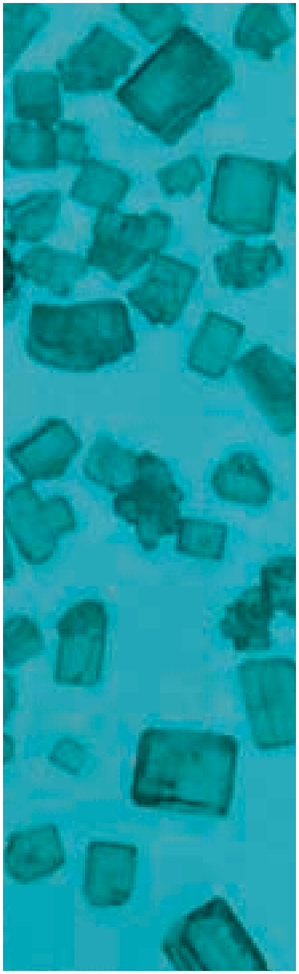

Yule Catto & Co plc
Interim Report
for the six months
ended 30 June 2003

Leadership in speciality chemicals

YULE
CATTO

Polymer Chemicals

Divisional profit of 10% on sales is a noteworthy performance in a marketplace exhibiting lower demand due to weakness in the major global economies, combined with margin pressure arising from higher raw material costs. This has been achieved by maintaining our strategy of focussing on more technically demanding applications, whilst benefiting from previous strategic investments.

Pharma and Fine Chemicals

The success of generic omeprazole sales to the USA was a key feature in the positive development of profits in the division, but growth was also experienced in other generics and the portfolio of ethical contracts continues to expand.

Performance Chemicals

Good progress has been made in recovering from several difficulties experienced in the second half of 2002. Profits have advanced 6% over the corresponding period of last year and might have been better but for production restrictions arising from a fire at our ultramarine factory in France last September.

A substantial rise in earnings, supported by record levels of free cash flow and a further increase in the dividend.

£36.2m
profit before tax, amortisation of goodwill and exceptional items

16.5p
adjusted earnings per share

5.3p
dividends per share

Six months to 30 June	Notes	Total 2003 £000	Total 2002 £000
Total turnover	1	284,549	254,512
Ebitda	1, 2, 3	54,754	43,542
Total operating profit	1, 3	43,173	33,449
Profit before taxation	3	36,233	26,455
Net borrowings		181,029	220,055
Free cash flow before dividends		33,486	2,889
Adjusted earnings per share	3	16.5p	12.1p
Earnings per share – FRS3		16.3p	6.8p
Dividends per share		5.3p	5.1p

Notes:
1. Including attributable share of joint ventures.
2. Earnings before interest, tax, depreciation and amortisation.
3. Before amortisation of goodwill, sale and termination of businesses, and profit/loss on disposal of fixed assets.

The resultant profit before taxation, amortisation of goodwill and exceptional items of £36.2 million is a creditable 37% increase over the first half of 2002.

Overview

We are delighted to report on a half year that saw a substantial rise in earnings, supported by record levels of free cash flow and a further increase in the dividend. In the water-based polymer division, good volume growth has been achieved, the benefits of which have been masked by high raw material costs. The long-term focus on being a low-cost manufacturer of generic active pharmaceutical ingredients has delivered outstanding rewards, whilst the anticipated improvement in Performance Chemicals has begun to materialise.

The resultant profit before taxation, amortisation of goodwill and exceptional items of £36.2 million is a creditable 37% increase over the first half of 2002. Your Board has increased the interim dividend to 5.3 pence (2002: 5.1 pence) per ordinary share, a growth of 4%.

Review of Operations

Polymer Chemicals

Divisional profit of 10% on sales is a noteworthy performance in a marketplace exhibiting lower demand due to weakness in the major global economies, combined with margin pressure arising from higher raw material costs. This has been achieved by maintaining our strategy of focussing on more technically demanding applications, whilst benefiting from previous strategic investments.

The recently created Synthomer business has made excellent progress in extending our product portfolio to an ever larger customer base. The expansion of dispersion capacity in Europe is progressing in line with expectation and will provide the platform for future growth. In Malaysia, the levels of production in the new nitrile facility have progressively increased as more customers take up the benefits of local production: capacity utilisation is currently 65%. The acquisition of Ditar in early 2003 has established a market leading position for the supply of compound to the carpet industry and in addition, through the supply of latex from Synthomer's facilities, operating efficiencies have been improved and overall returns enhanced.

The rising cost of raw materials experienced towards the end of last year persisted relentlessly throughout the current period, primarily due to the uncertainty surrounding Iraq. Following the cessation of major hostilities the price of oil weakened, alleviating the upward pressure on the cost of monomers. In the third quarter of the year there has been some softening in raw material pricing.

Pharma & Fine Chemicals

The success of generic omeprazole sales to the USA was a key feature in the positive development of profits in the division, but growth was also experienced in other generics and the portfolio of ethical contracts continues to expand.

...we continue to expect to deliver a new record level of profits for the full year.

Sales of ranitidine maintained their advance and with the prospect of further contracts additional manufacturing capacity has been approved. We have enjoyed growth in the veterinary sector, achieved sales into anti-diabetes and anti-arthritis applications, whilst the new pilot plant is fully loaded with early phase development contracts. Following the withdrawal from cephalosporins, a major facility in Italy has been successfully decontaminated and is already being put to good use manufacturing products for newly secured contracts.

Omeprazole sales have performed extremely well, with the USA territory being particularly buoyant as the generic product established a high share of the Prilosec® market. In an unprecedented move ahead of the completion of an ongoing court process, new entrants have recently announced their intention to begin sales of generic omeprazole to the USA market. This inevitably will create a substantially more competitive commercial environment for our active ingredient and affect margins. However, with lower pricing, generic omeprazole may, more rapidly, penetrate the large and expanding wider proton pump inhibitor market, providing the opportunity for increased volume sales. We have ample capacity installed to support growth and are developing processes to optimise operating efficiencies further.

Our fragrance business continues to recover from the disruption to its supply of raw materials three years ago, with both volume and margins advancing. In flavours, difficult market conditions have been widely reported and this has been reflected in our performance.

Performance Chemicals
Good progress has been made in recovering from several difficulties experienced in the second half of 2002. Profits have advanced 6% over the corresponding period of last year and might have been better but for production restrictions arising from a fire at our ultramarine factory in France last September.

The metal salts business benefited from strong demand for tin applications in glass as did SO_2 derivatives, particularly in carbonated drinks. The transition from CCA to alternative timber treatment technologies is gathering pace and we should benefit as a major supplier of the new generation products.

Approvals for the use of ultramarine pigment in automotive paints are progressing; this sector offers excellent opportunities in the future. Unfortunately, short-term results have been affected by limitations on output caused by the fire in France. However, rectification work is well advanced and a resumption of normal production is anticipated early next year.

Improved contribution came from further penetration of the hair dye market, combined with a good mix. Our speciality dyes for the petroleum industry have recently become the standard across Europe for fuel identification, thereby doubling sales, and growth was recorded for photographic developers as major customer approvals were secured.

Exceptional Items
In 2000 we announced the withdrawal from the textile dye market. Following the sale of the surplus land in June this year, the liabilities have been successfully closed out more quickly and favourably than originally expected. The cash proceeds were £2.4 million, generating an exceptional credit to the profit and loss account of £7.4 million.

Borrowings
Net borrowings have reduced significantly from the position at 31 December 2002 to £181.0 million. The higher level of operating profit, combined with a reduced level of capital expenditure, was boosted by the proceeds from the sale of fixed assets. In addition, the normal seasonal increase in working capital was not as significant as in previous years. All of this has resulted in an exceptionally strong free cash flow of £33.5 million.

Dividend
The interim dividend of 5.3 pence per ordinary share will be paid on 20 November 2003 to members on the register at close of business on 24 October 2003.

Outlook
Whilst there is a good order book across the range of pharmaceutical active ingredients, the extent of the impact on our results of new entrants into the USA generic omeprazole market is uncertain. Demand in our Polymer business continues to be strong and margins should be restored if the softening trend in raw material pricing is maintained. Additionally, a solid contribution from Performance Chemicals is expected. Taking account of the results already achieved this year, we continue to expect to deliver a new record level of profits for the full year.

A E Richmond-Watson
9 September 2003

Consolidated Profit and Loss Account
for the six months ended 30 June 2003

	6 months ended 30 June 2003 Unaudited £000	6 months ended 30 June 2002 Unaudited £000	12 months ended 31 December 2002 Audited £000
Turnover of company and subsidiaries	279,833	249,935	501,562
Share of turnover of joint ventures	4,716	4,577	9,216
Total turnover	284,549	254,512	510,778
Operating profit			
Existing operations	42,305	32,743	65,252
Amortisation of goodwill	(7,701)	(7,621)	(15,244)
Operating profit of company and subsidiaries	34,604	25,122	50,008
Share of operating profit of joint ventures	868	706	1,437
Total operating profit	35,472	25,828	51,445
Sale and termination of businesses	4,775	–	–
Profit/(loss) on disposal of fixed assets	2,651	–	(1,825)
Interest payable (net)	(6,940)	(6,994)	(14,127)
Profit on ordinary activities before taxation	35,958	18,834	35,493
Taxation on profit on ordinary activities	(11,812)	(7,963)	(16,293)
Profit on ordinary activities after taxation	24,146	10,871	19,200
Minority interests	(596)	(999)	(1,852)
Profit attributable to shareholders	23,550	9,872	17,348
Ordinary dividends	(7,675)	(7,411)	(18,095)
Retained profit/(loss) for the financial period	15,875	2,461	(747)
Operating profit before amortisation	43,173	33,449	66,689
Profit before taxation (excluding amortisation, sale and termination of businesses and profit/(loss) on sale of fixed assets)	36,233	26,455	52,562
Earnings per share – Adjusted	16.5p	12.1p	23.9p
– FRS3	16.3p	6.8p	12.0p
Dividends per ordinary share	5.3p	5.1p	12.5p

Consolidated Balance Sheet
as at 30 June 2003

	30 June 2003 Unaudited £000	30 June 2002 Unaudited £000	31 December 2002 Audited £000
Fixed assets			
Goodwill	239,145	250,347	242,724
Tangible fixed assets	174,767	175,083	173,291
Investment in joint ventures	3,116	3,418	3,014
Investments	45	57	51
	417,073	428,905	419,080
Current assets			
Stocks	66,422	62,803	60,740
Debtors	105,894	106,977	111,403
Bank and cash balances	11,149	3,989	6,553
	183,465	173,769	178,696
Creditors – due within one year			
Borrowings	(31,894)	(63,811)	(57,527)
Dividends	(18,390)	(17,629)	(10,715)
Other creditors	(157,155)	(146,098)	(158,959)
Net current liabilities	(23,974)	(53,769)	(48,505)
Total assets less current liabilities	393,099	375,136	370,575
Creditors – due after one year			
Borrowings	(160,284)	(160,233)	(160,217)
Other creditors	(66)	(297)	(71)
Provisions for liabilities and charges	(25,564)	(24,737)	(25,059)
Net assets	207,185	189,869	185,228
Capital and reserves			
Called up share capital	14,480	14,480	14,480
Reserves	187,212	170,444	165,834
Shareholders' funds	201,692	184,924	180,314
Minority interests	5,493	4,945	4,914
Capital employed	207,185	189,869	185,228

Consolidated Cash Flow Statement

for the six months ended 30 June 2003

	6 months ended 30 June 2003 Unaudited £000	6 months ended 30 June 2002 Unaudited £000	12 months ended 31 December 2002 Audited £000
Net cash inflow from operating activities	55,670	25,108	72,802
Dividends received from joint ventures	792	553	1,410
Returns on investments and servicing of finance:			
Net interest paid	(8,200)	(6,497)	(13,649)
Dividends paid to minority interests	(49)	(65)	(923)
Net cash outflow from returns on investments and servicing of finance	(8,249)	(6,562)	(14,572)
Taxation	(7,351)	(7,436)	(10,897)
Capital expenditure and financial investment:			
Purchase of tangible fixed assets	(10,133)	(10,446)	(20,862)
Sale of tangible fixed assets	2,757	1,672	1,910
Investments net of disposals	–	–	12
Net cash outflow from capital expenditure and financial investment	(7,376)	(8,774)	(18,940)
Free cash flow before dividends	33,486	2,889	29,803
Purchase of businesses	(4,105)	–	–
Equity dividends paid	–	–	(17,598)
Cash inflow before management of liquid resources and financing	29,381	2,889	12,205
Exchange movements	781	221	(231)
Movement in net borrowings	30,162	3,110	11,974

Notes to the Financial Statements
30 June 2003

1 Analysis of total turnover

	6 months ended 30 June 2003 Unaudited £000	6 months ended 30 June 2002 Unaudited £000
Analysis by activity		
Polymer Chemicals	148,125	132,359
Pharma & Fine Chemicals	61,020	48,641
Performance Chemicals	75,404	73,512
	284,549	254,512

2 Analysis of profit

	6 months ended 30 June 2003 Unaudited £000	6 months ended 30 June 2002 Unaudited £000
Analysis by activity		
Polymer Chemicals	14,455	21,138
Pharma & Fine Chemicals	23,664	7,786
Performance Chemicals	7,103	6,727
Holding companies	(2,049)	(2,202)
	43,173	33,449

3 Reconciliation of operating profit to net cash inflow from operating activities

	6 months ended 30 June 2003 Unaudited £000	6 months ended 30 June 2002 Unaudited £000	12 months ended 31 December 2002 Audited £000
Operating profit	35,472	25,828	51,445
Share of profits of joint ventures	(868)	(706)	(1,437)
	34,604	25,122	50,008
Depreciation charge	11,581	10,093	20,671
Cash impact of termination of business	(155)	(366)	(510)
Amortisation of goodwill	7,701	7,621	15,244
ESOP trust	–	–	(523)
Profit on sale of tangible fixed assets	–	22	–
Increase in stocks	(4,150)	(2,236)	(279)
Decrease/(increase) in debtors	9,855	(7,750)	(11,093)
Decrease in creditors and provisions	(3,766)	(7,398)	(716)
Net cash inflow from operating activities	55,670	25,108	72,802

Notes to the Financial Statements continued

4 The financial information for the year ended 31 December 2002 has been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under section 237 of the Companies Act 1985.

5 This statement will be sent to all shareholders on 9 September and can be obtained by the public from the company's registered office at Temple Fields, Harlow, Essex, CM20 2BH.

6 An interim dividend of 5.3p (5.1p) per share, totalling £7.7 million (£7.4 million) has been declared by the directors.

7 Earnings per ordinary share are based on the attributable profit for the period and the weighted average number of shares in issue during the period – 144.3 million (144.8 million).

8 Adjusted earnings per share excludes the sale and termination of businesses, profit on sale of fixed assets and the amortisation of goodwill.

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