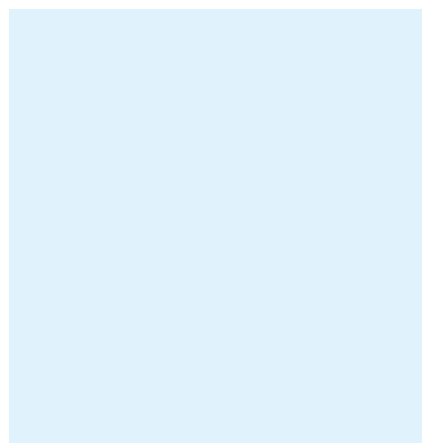
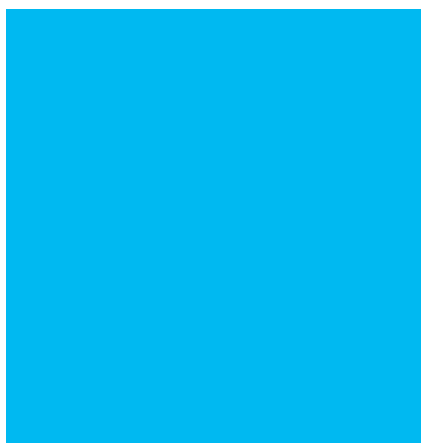
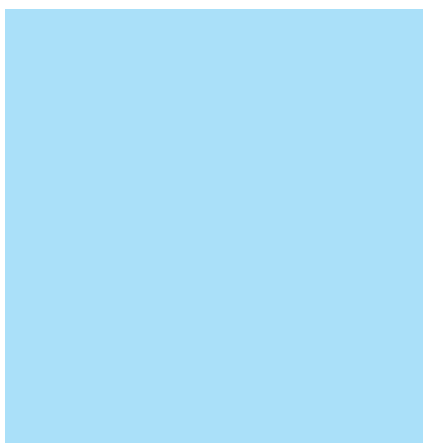
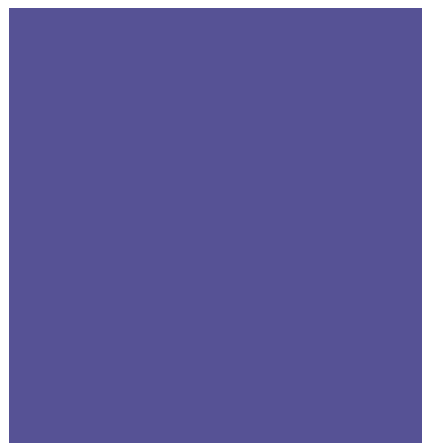
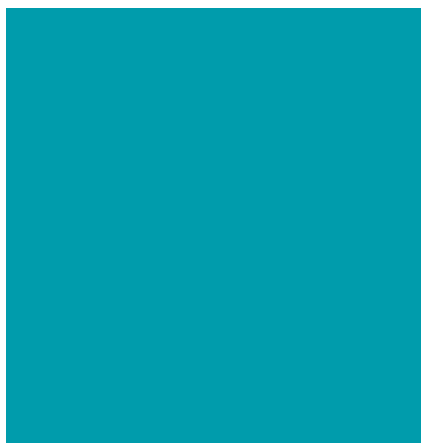
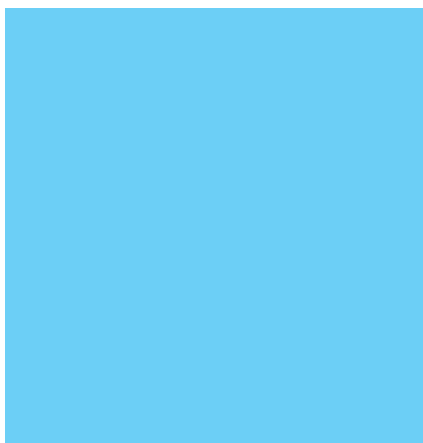


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Yule Catto & Co plc
Interim Report

for the six months
ended 30 June 2002

Leadership in
speciality chemicals



YULE
CATTO

Polymer Chemicals

...a world leader
in water-based
polymers

Pharma and Fine Chemicals

...solutions for
the dynamic life
science sector

Performance Chemicals

...a wide range of
specialist industrial
chemicals

Leadership in speciality
chemicals, serving
customers worldwide.

01

| Six months to 30 June | Notes | Total | |
|---------------------------------|-------|--------------|--------------|
| | | 2002 £000 | 2001 £000 |
| Total turnover | 1 | 254,512 | 239,348 |
| Ebitda | 1, 2 | 43,542 | 32,944 |
| Total operating profit | 1, 3 | 33,449 | 23,893 |
| Profit before taxation | 3 | 26,455 | 18,040 |
| Net borrowings | | 220,055 | 165,132 |
| Free cash flow before dividends | | 2,889 | 1,208 |
| Adjusted earnings per share | 3 | 12.1p | 8.5p |
| Earnings per share – FRS3 | | 6.8p | (5.3)p |
| Dividends per share | | 5.1p | 4.9p |

Notes:

1. Including attributable share of joint ventures.
2. Earnings before interest, tax, depreciation and amortisation.
3. Before amortisation of goodwill and sale and termination of businesses.

12.1p
Earnings per share up
42% to 12.1 pence

Overview

Against the current backcloth of uncertain macro-economic conditions, we are pleased to report a healthy increase in earnings, dividend and cash flow. The recently created global water-based polymer group, under the Synthomer banner, has made a strong debut and good growth continues for Omeprazole as it progressively becomes generic in more territories. Consequently, profit before taxation and amortisation of goodwill of £26.5 million has been achieved, an advance of 47% over the corresponding period. Turnover for continuing activities increased by 7.6% to £254.5 million. The benefits of our recent strategic acquisition and investment programme continue to flow through giving your Board the confidence to increase the interim dividend to 5.1p (2001: 4.9p) per ordinary share.

Review of Operations

Polymer Chemicals

With the first time inclusion of full ownership of Harlow Chemical Company Limited, operating profit was nearly double the level achieved in the first half of 2001, with excellent progression in all geographic regions in which we operate. Lower raw material costs have been a feature, but good volume development across the

Our strategic acquisition and investment programme continues to deliver benefits.

majority of our business sectors, coupled with an enhanced mix as we drive towards more technically demanding applications, have combined to return margins to previously achieved levels.

At the beginning of the year Yule Catto announced a major restructuring of its polymer chemicals business. The new entity, Synthomer, can claim to be a world leader in both technology and the breadth of product range offered for speciality applications. There has been a rapid integration of a number of operating sites under one management structure and the new organisation has been well received in the marketplace. Further rewards will accrue as we expand our European capacity, including de-bottlenecking critical processes in the UK and the construction of a new plant in Belgium.

The new state of the art nitrile latex facility in Malaysia has been successfully commissioned and customer trials with product from this plant are well advanced. Following approval, the logistical advantage afforded by our location should ensure a rapid take up of available capacity, generating a positive contribution in the near term.

Pharma & Fine Chemicals

In the limited number of territories where the patent has expired, generic Omeprazole has gained significant market share from branded product. As a result, sales of our active ingredient have enjoyed substantial growth in Germany and Spain, whilst sales continue to increase in traditional markets. In the UK, the patent has recently expired offering further market opportunities. Our customers in the USA, where minimal quantities have been ordered to date, await the imminent outcome of protracted litigation over the Omeprazole patent. Considerable volumes are anticipated once clarification on patent expiry is achieved.

Other generics have also delivered growth and further focus placed on reducing the cost of manufacture has been reflected in a positive movement in margin. We are on course with our stated strategy to develop three to six new generic products each year.

The new pilot plant in Spain is operational and fully loaded with development projects for many months ahead. This bodes well for the medium-term expansion of our ethical range, which in

the past has been impacted by regulatory delays and product withdrawal.

Growth in our flavour and fragrance businesses has been held back following consolidation within the industry, causing customers to focus initially on integration programmes. We continue to introduce novel products, which are targeted at major global companies, and we are well placed to recover quickly our growth momentum.

Performance Chemicals

A combination of factors contributed towards a dip in profits during the second half of 2001, many of which have reversed, leading to a progressively improving result during the first six months.

The price of caustic soda has reduced which, together with the introduction of a new copper digestion plant, has delivered a robust performance within our inorganic salts business. Our systematic investment in new kilns for ultramarine pigment manufacture has continued, achieving greater product consistency, higher quality and much needed additional capacity. We are very encouraged by the reception of ultramarine in potential new application areas, some of which are seeking the environmental benefits offered by this blue pigment.

Growth in our organics business has been slower to recover but we are pleased to confirm that our facility in India is now manufacturing photographic products to the highest global standards. This has contributed to the attainment of a number of customer approvals and a rapidly growing order book. Sales of hair dyes have been impacted by the timing of customer requirements, with a greater bias towards the second half.

Borrowings

Net borrowings have reduced marginally from their 2001 year end position to £220.1 million: this was achieved despite the normal seasonal rise in working capital being affected by a particularly active second quarter. The higher level of operating profit, coupled with a reduced level of expenditure on fixed assets, have contributed to our improved free cash flow of £2.9 million. An anticipated lower level of capital expenditure, in conjunction with a reversal of the growth in working capital, should provide the customary strong free cash flow performance in the second half.

Dividend

The interim dividend of 5.1 pence per ordinary share will be paid on 21 November 2002 to members on the register at close of business on 1 November 2002.

Outlook

The global economy displays little sign of the emergence of a sustained recovery. Within our industry the cost of monomers, our major raw materials, have risen in recent months causing margins to fall from the levels achieved in the first half. Demand continues to hold up and that, plus a concerted effort to increase selling prices, should substantially reduce the impact of the cost increases.

Over the long term, the realignment of our Polymer business, coupled with the expansion opportunity created by our investment in new capacity, will deliver significant benefit. The strong pipeline developing within our pharmaceutical active ingredient range offers much potential, whilst the niche nature and spread of our Performance sector provides a solid platform. With our traditional focus on profit and cash generation, overall we remain cautiously optimistic regarding the near and medium term outlook.

A E Richmond-Watson

12 September 2002

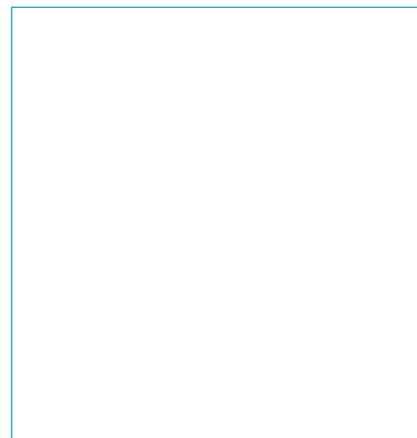
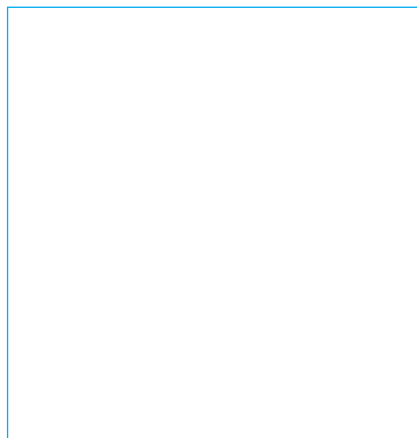
£26.5m

Profit before tax up
47% at £26.5m

Yule Catto & Co plc
Interim Report
Consolidated Profit
and Loss Account

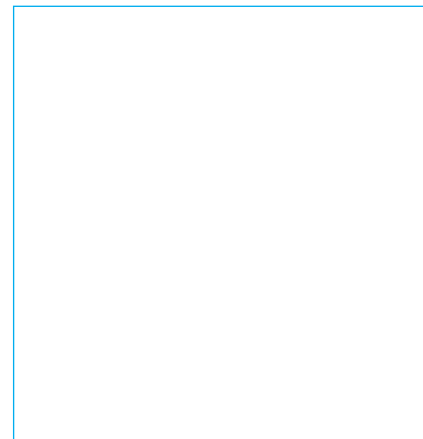
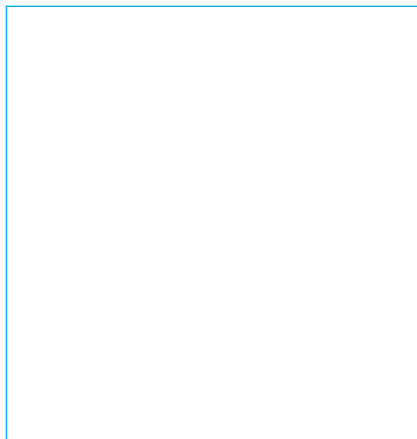
for the six months ended 30 June 2002

04 05



| | 6 months ended 30 June 2002 | 6 months ended 30 June 2001 (Restated) | 12 months ended December 2001 (Restated) |
|---|--------------------------------|--|--|
| | Unaudited £000 | Unaudited £000 | Unaudited £000 |
| Turnover of company and subsidiaries | 249,935 | 216,457 | 443,930 |
| Share of turnover of joint ventures | 4,577 | 22,891 | 30,891 |
| Total turnover | 254,512 | 239,348 | 474,821 |
| Operating profit | | | |
| Existing operations | 32,743 | 21,119 | 48,989 |
| Amortisation of goodwill | (7,621) | (6,466) | (13,893) |
| Operating profit of company and subsidiaries | 25,122 | 14,653 | 35,096 |
| Share of operating profit of joint ventures | 706 | 2,774 | 3,881 |
| Total operating profit | 25,828 | 17,427 | 38,977 |
| Sale and termination of businesses | – | (13,498) | (13,498) |
| Interest payable (net) | (6,994) | (5,853) | (12,590) |
| Profit/(loss) on ordinary activities before taxation | 18,834 | (1,924) | 12,889 |
| Taxation on profit on ordinary activities | (7,963) | (5,274) | (12,003) |
| Profit/(loss) on ordinary activities after taxation | 10,871 | (7,198) | 886 |
| Minority interests | (999) | (464) | (1,316) |
| Profit/(loss) attributable to shareholders | 9,872 | (7,662) | (430) |
| Ordinary dividends | (7,411) | (7,095) | (17,245) |
| Retained profit/(loss) for the financial period | 2,461 | (14,757) | (17,675) |
| Operating profit before amortisation | 33,449 | 23,893 | 52,870 |
| Profit before taxation (excluding amortisation and sale and termination of businesses) | 26,455 | 18,040 | 40,280 |
| Earnings per share – Adjusted | 12.1p | 8.5p | 18.6p |
| – FRS3 | 6.8p | (5.3)p | (0.3)p |
| Dividends per ordinary share | 5.1p | 4.9p | 12.0p |

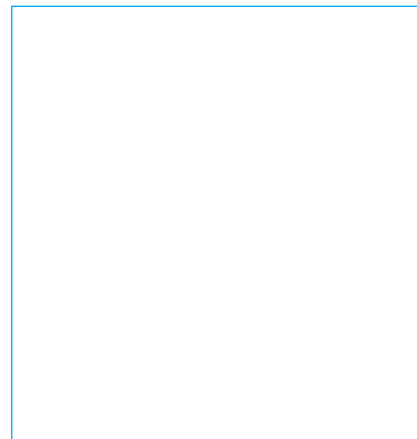
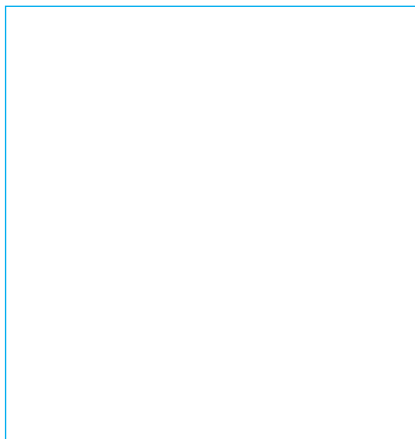
Yule Catto & Co plc
Interim Report
Consolidated
Balance Sheet
as at 30 June 2002



| | 30 June 2002 | 30 June 2001 | 31 December 2001 |
|---|-----------------|-----------------|------------------|
| | Unaudited | (Restated) | (Restated) |
| | £000 | £000 | £000 |
| Fixed assets | | | |
| Goodwill | 250,347 | 219,214 | 257,968 |
| Tangible fixed assets | 175,083 | 142,654 | 172,535 |
| Investment in joint ventures | 3,418 | 8,674 | 3,309 |
| Investments | 57 | 70 | 64 |
| | 428,905 | 370,612 | 433,876 |
| Current assets | | | |
| Stocks | 62,803 | 50,115 | 59,872 |
| Debtors | 106,977 | 94,617 | 98,145 |
| Bank and cash balances | 3,989 | 3,150 | 8,728 |
| | 173,769 | 147,882 | 166,745 |
| Creditors – due within one year | | | |
| Borrowings | (63,811) | (60,236) | (71,483) |
| Dividends | (17,629) | (17,086) | (10,218) |
| Other creditors | (146,098) | (113,939) | (148,392) |
| Net current liabilities | (53,769) | (43,379) | (63,348) |
| Total assets less current liabilities | 375,136 | 327,233 | 370,528 |
| Creditors – due after one year | | | |
| Borrowings | (160,233) | (108,046) | (160,410) |
| Other creditors | (297) | (320) | (81) |
| Provisions for liabilities and charges | (24,737) | (25,973) | (24,806) |
| Net assets | 189,869 | 192,894 | 185,231 |
| Capital and reserves | | | |
| Called up share capital | 14,480 | 14,480 | 14,480 |
| Reserves | 170,444 | 174,090 | 166,551 |
| Shareholders' funds | 184,924 | 188,570 | 181,031 |
| Minority interests | 4,945 | 4,324 | 4,200 |
| Capital employed | 189,869 | 192,894 | 185,231 |

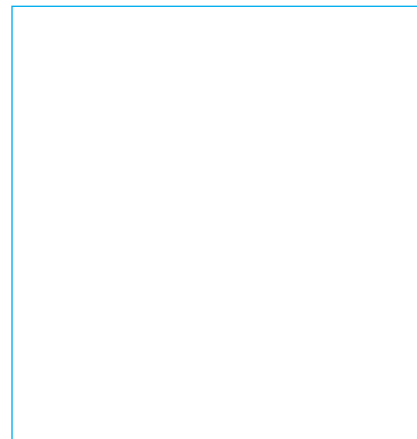
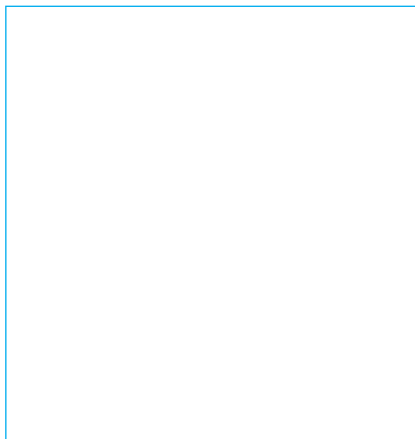
Yule Catto & Co plc
Interim Report
Consolidated
Cash Flow Statement
for the six months ended 30 June 2002

06 07



| | 6 months ended 30 June 2002 Unaudited £000 | 6 months ended 30 June 2001 Unaudited £000 | 12 months ended 31 December 2001 Audited £000 |
|--|---|---|--|
| Net cash inflow from operating activities | 25,108 | 23,753 | 79,615 |
| Dividends received from joint ventures | 553 | 1,353 | 3,885 |
| Returns on investments and servicing of finance | | | |
| Net interest paid | (6,497) | (5,667) | (12,244) |
| Dividends paid to minority interests | (65) | (730) | (1,239) |
| Net cash outflow from returns on investments and servicing of finance | (6,562) | (6,397) | (13,483) |
| Taxation | (7,436) | (7,120) | (7,186) |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | (10,446) | (12,716) | (34,088) |
| Sale of tangible fixed assets | 1,672 | 2,362 | 2,941 |
| Investments net of disposals | - | (27) | (21) |
| | (8,774) | (10,381) | (31,168) |
| Free cash flow before dividends | 2,889 | 1,208 | 31,663 |
| Sale and purchase of businesses | - | (1,264) | (70,292) |
| Equity dividends paid | - | - | (17,018) |
| Cash inflow/(outflow) before management of liquid resources and financing | 2,889 | (56) | (55,647) |
| Exchange movements | 221 | (291) | (2,733) |
| Movement in net borrowings | 3,110 | (347) | (58,380) |

Yule Catto & Co plc
Interim Report
Notes to the
Financial Statements
30 June 2002



1 Analysis of total turnover

| | 6 months ended 30 June 2002 Unaudited £000 | 6 months ended 30 June 2001 Unaudited £000 |
|-----------------------------|---|---|
| <i>Analysis by activity</i> | | |
| Polymer Chemicals | 132,359 | 112,011 |
| Pharma & Fine Chemicals | 48,641 | 44,769 |
| Performance Chemicals | 73,512 | 79,651 |
| Building Products | – | 2,917 |
| | <u>254,512</u> | <u>239,348</u> |

2 Analysis of profit

| | 6 months ended 30 June 2002 Unaudited £000 | 6 months ended 30 June 2001 Unaudited £000 |
|------------------------------------|---|---|
| <i>Analysis by activity</i> | | |
| Polymer Chemicals | 21,138 | 11,308 |
| Pharma & Fine Chemicals | 7,786 | 4,943 |
| Performance Chemicals | 6,727 | 10,095 |
| Building Products | – | (243) |
| Holding companies | (2,194) | (2,048) |
| Interest payable by joint ventures | (8) | (162) |
| | <u>33,449</u> | <u>23,893</u> |

3 These accounts have been prepared on the basis of the accounting policies set out in the group's audited accounts for the year ended 31 December 2001, except for deferred tax.

In accordance with FRS19, which is effective for accounting periods ending on or after 23 January 2002, deferred tax is accounted for on a full provision basis, recognising in total the potential future tax effects of past transactions. No discounting has been applied. A prior period adjustment of £12.8 million is the cumulative prior period effect of this change of deferred tax accounting policy and has been charged against reserves.

Comparatives have been restated accordingly for this change in accounting policy.

4 The financial information for the year ended 31 December 2001 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 12 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 5.1p (4.9p) per share, totalling £7.4 million (£7.1 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 – 144.8 million (144.8 million).

8 Adjusted earnings per share excludes the sale and termination of businesses and the amortisation of goodwill.

