



YULE  
CATTO

Interim Report for the six months ended

30 June 2001

## Financial Highlights

Six months to 30 June	Notes	Continuing operations		Total	
		2001 £000	2000 £000	2001 £000	2000 £000
Total turnover	1	236,431	238,654	239,348	282,925
Ebitda	1, 2	33,187	40,869	32,944	42,483
Total operating profit	1, 3	24,136	32,349	23,893	32,397
Profit before taxation	3	18,283	24,959	18,040	25,007
Net borrowings				165,132	152,376
Free cash flow before dividends				1,208	4,704
Adjusted earnings per share	3	8.7p	11.3p	8.6p	11.3p
Earnings per share - FRS3		4.2p	7.3p	(5.2)p	20.8p
Dividends per share				4.9p	4.7p

### 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.

## Chairman's Statement

### Overview

Following the particularly difficult market conditions experienced last year, we are pleased to report that reducing raw material prices, a recovery in production levels at our Dutch facility and the benefits of the restructuring undertaken last year, have contributed towards a profit before taxation of £18.0 million. Whilst this is 28% lower than the equivalent period for 2000, it provides a significant improvement upon the £11.1 million reported for the second half of last year. We have in place a focused capital expenditure programme directed towards new marketing opportunities and that, coupled with the benefits of the recent acquisition of full control of Harlow Chemical Company, provides your Board with the confidence to increase the interim dividend to 4.9p (+4.3%).

### Review of Operations

#### *Polymer chemicals*

The rapid rise of raw material prices, the dominant theme of last year, has reversed and that, assisted by increases in selling prices, has produced an improving profitability through the first six months of 2001 over that achieved in the second half of last year. Volumes have been robust and, with further monomer price erosion, margins should maintain their recovery closer to levels achieved at the start of 2000.

The construction of our synthetic latex plant in Malaysia is progressing in line with the original timescale and is scheduled for full commissioning in early 2002. The facility, primarily targeted at the nitrile latex market for dipped gloves, will use state of the art technology to satisfy our expanding South East Asian customer base from local production. The capacity released in Europe will be directed towards satisfying the more technically demanding markets for speciality latex, where impressive growth has been seen this year. Greater penetration of the market for carpet latex is also being achieved utilising our well located compounding facilities.

Emulsion resins have enjoyed positive volume development across all geographical regions, but the strength of vinyl acetate prices in the first quarter inhibited margin recovery. A quiet global market for PVC has inevitably resulted in reduced volume for our auxiliary polymers. However, margins are returning to customary levels.

#### *Pharma & fine chemicals*

Our fragrance facility in Holland has steadily re-established production levels against a background of occasionally erratic raw material supply. Demand is ahead of the corresponding period last year and we look forward to profits returning to more normal levels. An increased requirement for natural products in the USA has reflected positively on our flavours business which, supported by further new product initiatives, augurs well for the future.

Sales of Omeprazole have risen to become the most significant product within our generic pharmaceutical portfolio, following the successful penetration of the limited number of countries where patent protection has expired. Patent expiry in other territories will progressively deliver further growth and the major market of the USA should open up for generic Omeprazole during the course of next year. Sales of other generics are good, in particular Ranitidine where volume growth has largely balanced the fall in sales price as the market matures. The ethical sector continues to benefit from early stage development contracts but, in common with many who supply the life science industry, we have experienced delays and disappointments during the latter stages of drug developments which has effected short term profits.

#### *Performance chemicals*

Process improvements within ultramarine pigments have enhanced our already acknowledged worldwide market leadership, creating new opportunities to build on the growth achieved in the first six months.

## Chairman's Statement continued

For Inorganic chemicals the wet start to the year caused a delay in the traditional timber treatment business which consequently reduced volumes. A recovery is evident as demand returns during the summer months. A sharp rise in the cost of caustic soda and a drying up of supplies of copper etchant from the electronics industry were further challenges effecting this business.

Sales of hair dye intermediates and photochromic products have advanced strongly, producing good results. Our position in the photographic market has also been strengthened by the commissioning of the facility in India and customer approvals are well advanced.

### Discontinued Operations

In May we completed the final part of our withdrawal from the building products sector through a management buyout of Unilock Limited, a loss making operation, for a nominal consideration. The disposal creates an exceptional charge of £13.5 million in the profit and loss account relating substantially to the reintroduction of goodwill previously written-off. The cash impact of the transaction is anticipated to be positive.

### Cash Flow

Net borrowings of £165.1 million are similar to December 2000 and have been achieved by vigilant cash management, as we increase expenditure on the important capital investment programme directed at the expansion of our global facilities. To offset this short term demand we have held the seasonal increases in working capital below their historic levels.

### Post Balance Sheet Event

On 6 August we acquired 100% control of Harlow Chemical Company Limited for £54.6 million, through the purchase of the remaining 50% shareholding from our joint venture partner. This is an important step in the development of a global capability in water-based polymers and, along with our

strong SBR Latex specialities, provides the opportunity to serve customers worldwide with a unique portfolio of products.

### Dividend

The interim dividend of 4.9 pence per ordinary share will be paid on 21 November 2001 to members on the register at close of business on 2 November 2001.

### Health & Safety


During the Annual General Meeting on 23 May I told shareholders of the serious accident that occurred the previous day at our manufacturing facility in Milan, Italy. It is with great regret that I have to inform you that the injuries sustained by the three employees involved have proved fatal. On behalf of the Directors may I offer our sympathy to the families and friends who lost loved ones as a result of this incident. Investigations are ongoing as to the causes of this accident in full co-operation with the relevant authorities.

### Outlook

At the macro-economic level there is much publicity surrounding recessionary pressures, making the current outlook far from certain. However, we are benefiting from declining raw material prices and volume is holding up well in our particular markets, giving us cautious optimism for the short term. Looking further ahead, the Harlow Chemical Company acquisition and the completion of the Malaysian synthetic latex plant will provide substantial benefit.

### Lord Catto

It is with sadness that we record the death on 3 September of Lord Catto, previously chairman of Yule Catto for over 40 years.



A E Richmond-Watson

12 September 2001

## Consolidated Profit and Loss Account

for the six months ended 30 June 2001

	6 months ended 30 June 2001			6 months ended 30 June 2000			12 months ended
	Continuing operations Unaudited £000	Discontinued operations Unaudited £000	Total Unaudited £000	Continuing operations Unaudited £000	Discontinued operations Unaudited £000	Total Unaudited £000	31 December 2000 Total Audited £000
Turnover of company and subsidiaries	213,540	2,917	216,457	217,668	40,929	258,597	470,219
Share of turnover of joint ventures	22,891	–	22,891	20,986	3,342	24,328	41,774
<b>Total turnover</b>	<b>236,431</b>	<b>2,917</b>	<b>239,348</b>	<b>238,654</b>	<b>44,271</b>	<b>282,925</b>	<b>511,993</b>
<b>Operating profit</b>	<b>21,362</b>	<b>(243)</b>	<b>21,119</b>	<b>28,756</b>	<b>(24)</b>	<b>28,732</b>	<b>41,883</b>
Existing operations	21,362	(243)	21,119	28,756	(24)	28,732	41,883
Amortisation of goodwill	(6,466)	–	(6,466)	(6,490)	–	(6,490)	(12,955)
<b>Operating profit/(loss) of company and subsidiaries</b>	<b>14,896</b>	<b>(243)</b>	<b>14,653</b>	<b>22,266</b>	<b>(24)</b>	<b>22,242</b>	<b>28,928</b>
Share of operating profit of joint ventures	2,774	–	2,774	3,593	72	3,665	6,182
<b>Total operating profit/(loss)</b>	<b>17,670</b>	<b>(243)</b>	<b>17,427</b>	<b>25,859</b>	<b>48</b>	<b>25,907</b>	<b>35,110</b>
Sale and termination of businesses	–	(13,498)	(13,498)	–	30,332	30,332	(4,884)
Cost of fundamental restructuring	–	–	–	–	–	–	(2,334)
Interest payable (net)	(5,853)	–	(5,853)	(7,390)	–	(7,390)	(11,913)
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>11,817</b>	<b>(13,741)</b>	<b>(1,924)</b>	<b>18,469</b>	<b>30,380</b>	<b>48,849</b>	<b>15,979</b>
Taxation on profit on ordinary activities	(5,310)	169	(5,141)	(6,844)	(9,954)	(16,798)	(18,195)
<b>Profit/(loss) on ordinary activities after taxation</b>	<b>6,507</b>	<b>(13,572)</b>	<b>(7,065)</b>	<b>11,625</b>	<b>20,426</b>	<b>32,051</b>	<b>(2,216)</b>
Minority interests	(448)	–	(448)	(665)	–	(665)	(629)
<b>Profit/(loss) attributable to shareholders</b>	<b>6,059</b>	<b>(13,572)</b>	<b>(7,513)</b>	<b>10,960</b>	<b>20,426</b>	<b>31,386</b>	<b>(2,845)</b>
Ordinary dividends	(7,095)	–	(7,095)	(6,879)	–	(6,879)	(16,643)
<b>Retained profit/(loss) for the financial period</b>	<b>(1,036)</b>	<b>(13,572)</b>	<b>(14,608)</b>	<b>4,081</b>	<b>20,426</b>	<b>24,507</b>	<b>(19,488)</b>
Operating profit before amortisation	24,136	(243)	23,893	32,349	48	32,397	48,065
Profit before taxation (excluding amortisation and sale and termination of businesses)	18,283	(243)	18,040	24,959	48	25,007	36,152
Earnings per share – Adjusted	8.7p	(0.1)p	8.6p	11.3p	–	11.3p	16.9p
– FRS3	4.2p	(9.4)p	(5.2)p	7.3p	13.5p	20.8p	(1.9)p
Dividends per ordinary share	4.9p	–	4.9p	4.7p	–	4.7p	11.6p

# Consolidated Balance Sheet

as at 30 June 2001

	30 June 2001 Unaudited £000	30 June 2000 Unaudited £000	31 December 2000 Audited £000
<b>Fixed assets</b>			
Goodwill	219,214	231,891	225,680
Tangible fixed assets	142,654	156,640	143,400
Investment in joint ventures	9,849	12,538	9,822
Investments	70	64	43
	<u>371,787</u>	<u>401,133</u>	<u>378,945</u>
<b>Current assets</b>			
Stocks	50,115	55,610	55,990
Debtors	94,617	111,493	98,656
Bank and cash balances	3,150	6,446	1,234
	<u>147,882</u>	<u>173,549</u>	<u>155,880</u>
<b>Creditors – due within one year</b>			
Borrowings	(60,236)	(37,662)	(50,845)
Dividends	(17,086)	(17,212)	(9,991)
Other creditors	(113,939)	(128,943)	(130,486)
	<u>(43,379)</u>	<u>(10,268)</u>	<u>(35,442)</u>
<b>Total assets less current liabilities</b>	<u>328,408</u>	<u>390,865</u>	<u>343,503</u>
<b>Creditors – due after one year</b>			
Borrowings	(108,046)	(121,160)	(115,174)
Other creditors	(320)	(576)	(580)
	<u>(13,446)</u>	<u>(8,711)</u>	<u>(14,383)</u>
<b>Provisions for liabilities and charges</b>			
	<u>(13,446)</u>	<u>(8,711)</u>	<u>(14,383)</u>
<b>Net assets</b>	<u>206,596</u>	<u>260,418</u>	<u>213,366</u>
<b>Capital and reserves</b>			
Called up share capital	14,480	14,930	14,480
Reserves	187,745	240,405	194,469
	<u>202,225</u>	<u>255,335</u>	<u>208,949</u>
<b>Shareholders' funds</b>			
Minority interests	4,371	5,083	4,417
	<u>206,596</u>	<u>260,418</u>	<u>213,366</u>
<b>Capital employed</b>	<u>206,596</u>	<u>260,418</u>	<u>213,366</u>

## Consolidated Cash Flow Statement

for the six months ended 30 June 2001

	6 months ended 30 June 2001 Unaudited £000	6 months ended 30 June 2000 Unaudited £000	12 months ended 31 December 2000 Audited £000
Net cash inflow from operating activities	23,753	28,184	51,146
Dividends received from joint ventures	1,353	1,251	6,560
Returns on investments and servicing of finance			
Net interest paid	(5,667)	(8,753)	(12,220)
Dividends paid to minority interests	(730)	(824)	(1,634)
Net cash outflow from returns on investments and servicing of finance	(6,397)	(9,577)	(13,854)
Taxation	(7,120)	(4,894)	(8,856)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(12,716)	(10,439)	(25,095)
Sale of tangible fixed assets	2,362	199	349
Investments net of disposals	(27)	(20)	5
	(10,381)	(10,260)	(24,741)
Free cash flow before dividends	1,208	4,704	10,255
Acquisitions and disposals			
Sale and purchase of businesses	(1,264)	53,133	61,962
Equity dividends paid	–	–	(16,988)
Cash inflow/(outflow) before management of liquid resources and financing	(56)	57,837	55,229
Financing			
Issue of ordinary share capital	–	32	36
Purchase of own shares	–	(9,979)	(17,924)
Exchange movements	(291)	2,108	248
Movement in net borrowings	(347)	49,998	37,589

# Notes to the Financial Statements

30 June 2001

## 1 Analysis of total turnover

	6 months ended 30 June 2001			6 months ended 30 June 2000		
	Continuing operations Unaudited £000	Discontinued operations Unaudited £000	Total Unaudited £000	Continuing operations Unaudited £000	Discontinued operations Unaudited £000	Total Unaudited £000
<i>Analysis by activity</i>						
Polymer Chemicals	112,011	–	112,011	110,229	2,892	113,121
Pharma & Fine Chemicals	44,769	–	44,769	49,362	–	49,362
Performance Chemicals	79,651	–	79,651	79,063	3,635	82,698
Building Products	–	2,917	2,917	–	37,744	37,744
	<b>236,431</b>	<b>2,917</b>	<b>239,348</b>	<b>238,654</b>	<b>44,271</b>	<b>282,925</b>

## 2 Analysis of profit

	6 months ended 30 June 2001			6 months ended 30 June 2000		
	Continuing operations Unaudited £000	Discontinued operations Unaudited £000	Total Unaudited £000	Continuing operations Unaudited £000	Discontinued operations Unaudited £000	Total Unaudited £000
<i>Analysis by activity</i>						
Polymer Chemicals	11,308	–	11,308	14,235	(348)	13,887
Pharma & Fine Chemicals	4,943	–	4,943	8,668	–	8,668
Performance Chemicals	10,095	–	10,095	11,705	(1,133)	10,572
Building Products	–	(243)	(243)	–	1,529	1,529
Holding companies	(2,048)	–	(2,048)	(2,149)	–	(2,149)
Interest payable by joint ventures	(162)	–	(162)	(110)	–	(110)
	<b>24,136</b>	<b>(243)</b>	<b>23,893</b>	<b>32,349</b>	<b>48</b>	<b>32,397</b>

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 2000.

## Notes to the Financial Statements

continued

- 4 The financial information for the year ended 31 December 2000 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 4.9p (4.7p) per share, totalling £7.1 million (£7.0 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 (150.9 million).
- 8 Adjusted earnings per share excludes the sale and termination of businesses and the amortisation of goodwill.



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