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of all our lives**

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# Adrian Whitfield

## Chief Executive



# Highlights

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- A period of significant progress
- Underlying Group sales up 15.5% to £312.3m
- Underlying profit before taxation up 14.4% to £18.3m
- Earnings per share up 1.0p to 8.7p
- Interim dividend 4.0p (2007 3.9p)
- Continued good profit growth in Polymers
- Reduced profitability in Pharma as previously indicated
- Ongoing improvement in the profitability of Impact Chemicals
- Disposal of James Robinson companies and Holliday Pigments companies realises £50m



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# David Blackwood

## Finance Director



# Consolidated Income Statement

	2008 H1			2007 H1		
	Und'lying	Special items	IFRS	Und'lying	Special items	IFRS
Total Sales	312,336	23,089	335,425	270,397	23,784	294,181
Operating Profit	24,518	6,429	30,947	21,712	(5,760)	15,952
Finance Cost	(6,194)	5,229	(965)	(5,725)	2,237	(3,488)
Profit before tax	18,324	11,658	29,982	15,987	(3,523)	12,464
Tax	(4,764)	(1,216)	(5,980)	(3,986)	(442)	(4,428)
Minorities	(880)	-	(880)	(757)	-	(757)
Attributable to equity holders of parent	12,680	10,442	23,122	11,244	(3,965)	7,279
EPS	8.7p	7.2p	15.9p	7.7p	(2.7)p	5.0p



# Segment Results

	H1 2008	H1 2007
	£'m	£'m
Polymers	22.5	19.8
Pharma	3.4	4.4
Impact	1.4	0.4
Unallocated Corporate Expenses	(2.8)	(2.9)
	24.5	21.7



# Segment Results – 2007 restated

	H1 2007	H2 2007	FY 2007
	£'m	£'m	£'m
Polymers	19,844	21,313	41,157
Pharma	4,380	2,971	7,351
Impact	358	356	714
Unallocated Corporate Expenses	(2,870)	(2,721)	(5,591)
Operating profit	21,712	21,919	43,631
Finance Costs	(5,725)	(5,772)	(11,497)
PBT	15,987	16,147	32,134



# Currency Rates

	Average		Spot	
	H1 2008	H1 2007	2008	2007
US \$	1.99	1.98	2.00	2.00
Euro	1.29	1.48	1.26	1.49
Malaysian ringgit	6.39	6.84	6.50	6.93
South African rand	15.26	14.20	15.89	14.18



# Balance Sheet – borrowings

	H1 2008 £'000	H1 2007 £'000	Y/E 2007 £'000
Cash	118,942	84,755	108,352
Current borrowings (< 1yr)	(141,814)	(74,563)	(133,585)
Non current borrowings (> 1yr)	(124,468)	(154,652)	(125,108)
	(147,340)	(144,460)	(150,341)
Movement in \$ cross currency swaps	(21,476)	(19,823)	(20,490)
Underlying borrowings	(168,816)	(164,283)	(170,831)

Proforma Estimate	H1 2008	£168.8m
	Less: HPL (net)	£35.5m
		<u>£133.3m</u>



# Cash Flow Statement – underlying performance

	H1 2008 £'m	H1 2007 £'m	FY 2007 £'m
Operating profit (before JV)	26.0	22.3	44.9
Movement in working capital	(11.1)	(6.2)	4.0
Depreciation	8.1	7.6	16.0
Capital expenditure (net)	(9.1)	(9.1)	(17.0)
Interest	(6.2)	(5.5)	(11.1)
Tax paid	(6.2)	(2.6)	(10.5)
Pension funding in excess of IAS19 charge	(2.4)	(2.7)	(5.6)
Other	0.7	-	(0.1)
Free cash flow	(0.2)	3.8	20.6
Cash impact of closure of business	(4.2)	(1.7)	(6.6)
Disposal proceeds/acquisitions (net)	11.8	-	-
Dividends paid	-	-	(13.7)
Exchange/other	(5.4)	(0.1)	(4.9)
Movement in borrowings	2.0	2.0	(4.6)



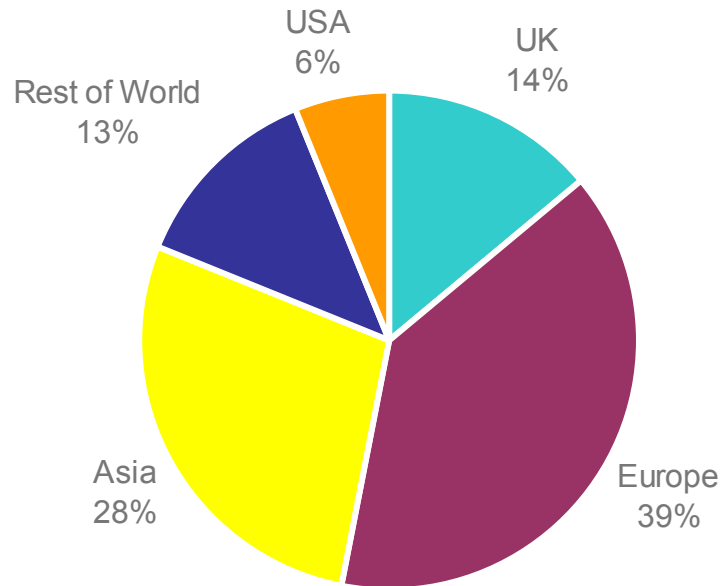
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# Operating Review



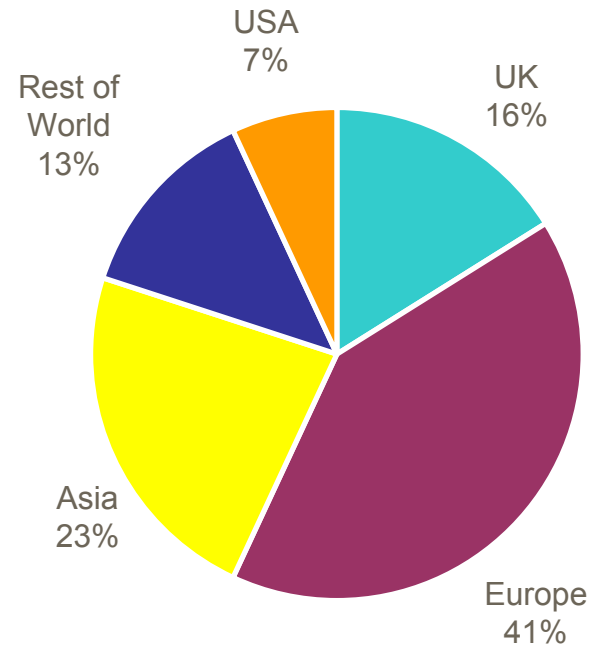
# Total Sales by Territory

2008



£312.3m

FY 2006

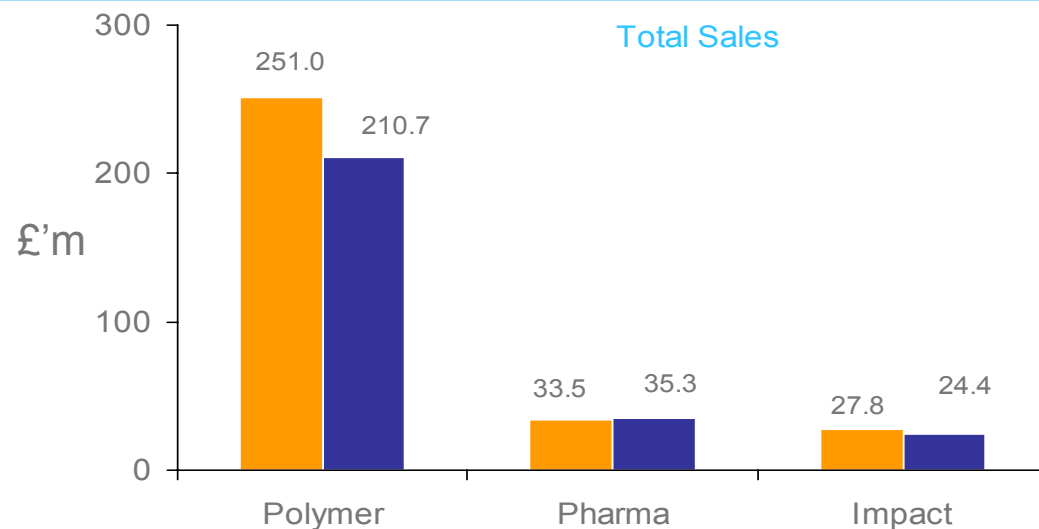


£557.4m

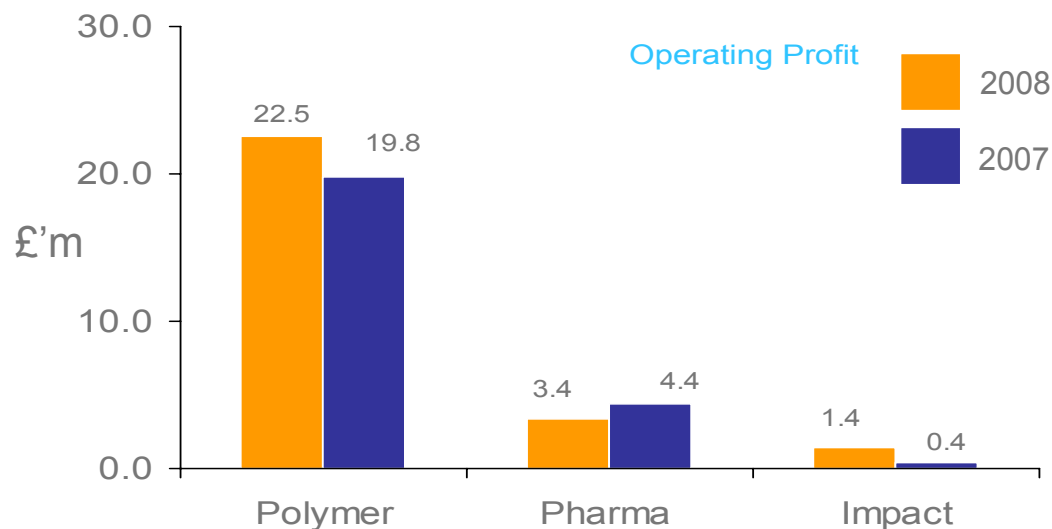


# Year on Year Divisional Performance

- Underlying group sales up 15.5%
- 6.8% due to exchange rate effects



- Polymer operating profit up 13.6%
- Ongoing profit improvement in Impact
- Lower Pharma profits, as anticipated



# Polymer Chemicals – Detailed Discussion

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- Operating profit increased 13.6% to £22.5m
  - 3% volume growth
  - Operating margin reduced to 9.0%
- Ongoing/increased volatility in Raw Materials
  - RM increases passed on
  - Price/availability of some monomers remains extremely difficult, e.g. Butadiene SE Asia \$750 → \$3,000+ in 12 months
  - Anticipate monomer availability improving late 2008 onwards



# Polymer Chemicals – Detailed Discussion

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- 3% Volume growth
  - Overall European volumes slight decline ( $\approx 2\%$ )
  - Good progression in the Middle and Far East
  - Signs of ongoing slowdown in Europe
- Market growth for nitrile latex remains strong (12% y-o-y)
  - Prices increased to recover raw material costs
  - Ongoing concern over potential side effects of Natural Rubber
  - Plant expansion started up successfully



# Polymer Chemicals – Detailed Discussion

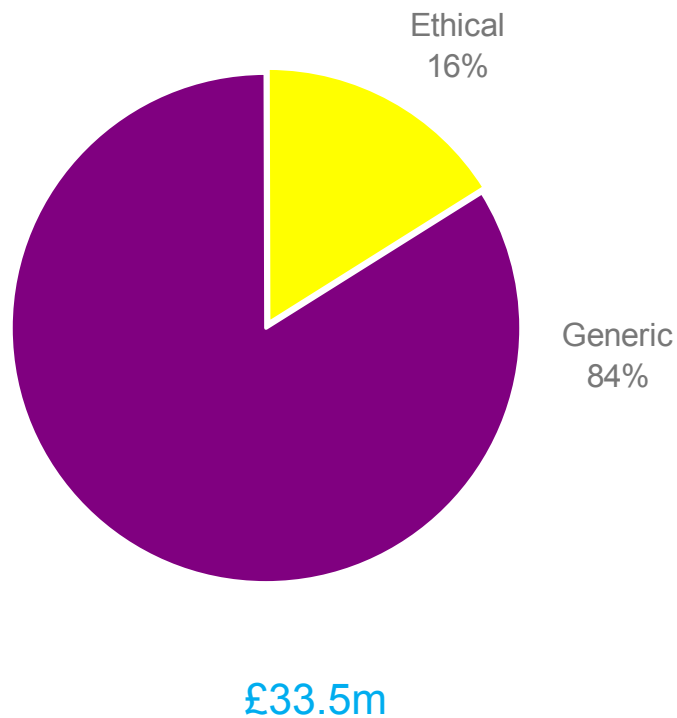
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- Rationalisation of customer base:
  - AKZO/ICI
  - PPG/Sigma Kalon
  - Henkel/National Starch
- Early signs of competitor rationalisation
  - Dow latex plants closed/mothballed
  - DRSL to close both plants and exit JV
  - Dow/Rohm and Haas merger
  - Ciba strategic review of paper business

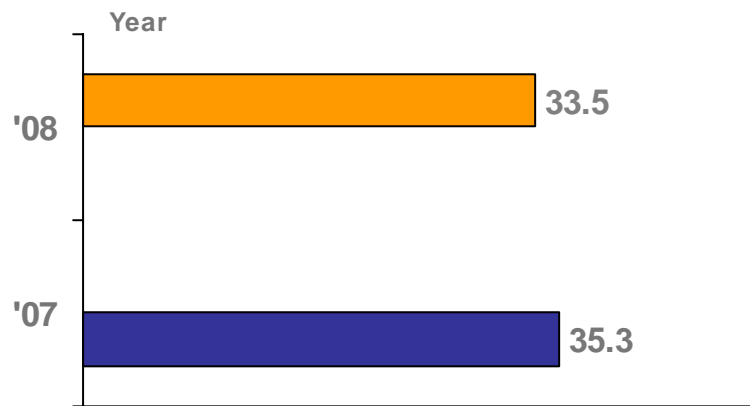


# Pharma Chemicals - Overview

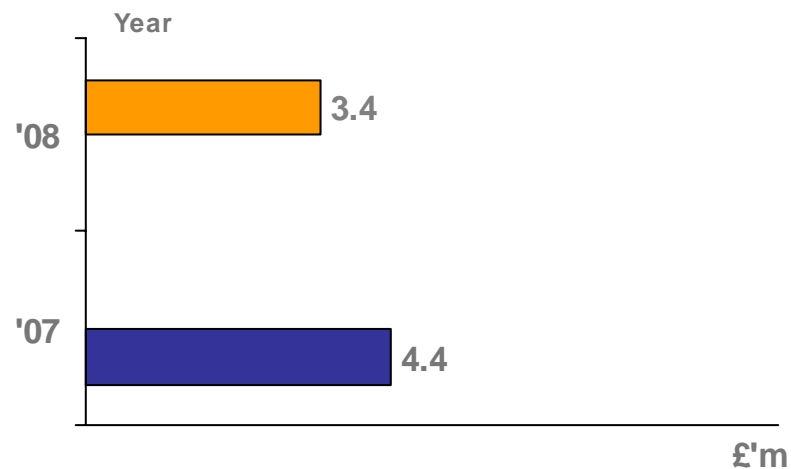
## Sales by Market



## Turnover £'m



## Operating Profit £'m



# Pharma Chemicals – Detailed Discussion

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- 23% reduction in H1 profitability
  - 2007 was exceptional as previously advised
- Anticipate a stronger H2
  - New contracts coming on stream in Mexico
  - Successful sales ramp in recently launched generics
- Plant closure/product transfer ongoing
  - Italian plant closure postponed until mid 2009 due to strong orders for transfer products
  - James Robinson Germany pharma products transfer will be complete in 2008



# Pharma Chemicals – Detailed Discussion

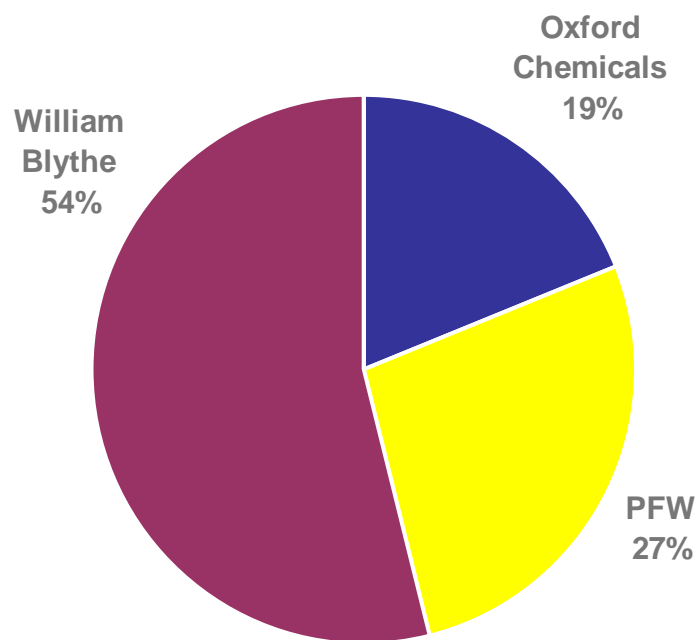
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- Strong Raw Material price increases
  - Ongoing sales price rises
- Supply/pricing of Chinese intermediates severely affected
  - Removal of export subsidy
  - Factories shut down/exports restricted during the Olympic games
- 3 DMF's registered



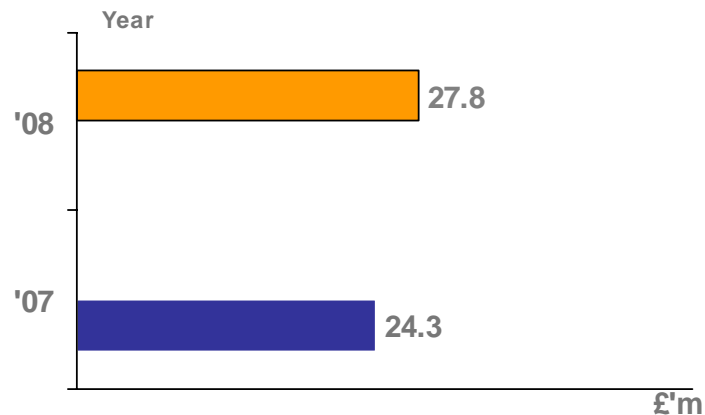
# Impact Chemicals - Overview

## % Sales by Business

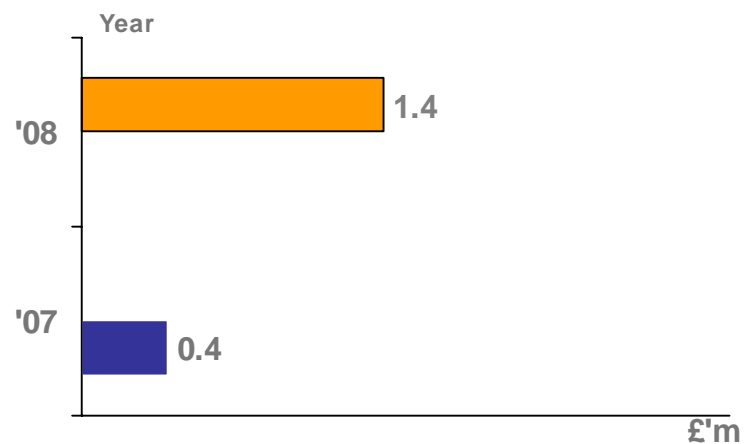


£27.8m

## Turnover £'m



## Operating Profit £'m



# Impact Chemicals – Detailed Discussion

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- Continued profit growth
  - 300%+ increase in profit
  - Operating margins now 5% (2007 1.5%)
- James Robinson and Holliday Pigments associated businesses sold for ≈ £50m
  - Price reflects market position and strong turnaround
  - Businesses sold to strategic buyers
- William Blythe successfully re-structured
  - Trading profitably YTD
- Land disposals
  - Hull site sold for £1.5m
  - Surplus Dieburg land sold for €0.8m
  - 2 other pieces of land still to be sold



# Impact Chemicals – Detailed Discussion

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- New “Natural” product range launched by Oxford Chemicals – well received by customer base
- PFW has signed a long term agreement for raw material supply ex China
- William Blythe has agreed new contracts for the long term supply of catalyst pre-cursors to one of its customers



# Concluding Remarks

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- The Group made good progress during H1 2008
- Economic environment will impact H2 results
- We expect raw material volatility to continue until the supply/demand balance becomes less stretched
- Ongoing Asia and Middle East growth is a useful counter balance to European performance
- With current trends we expect 2008 full year results to be modestly ahead of 2007



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# Appendix



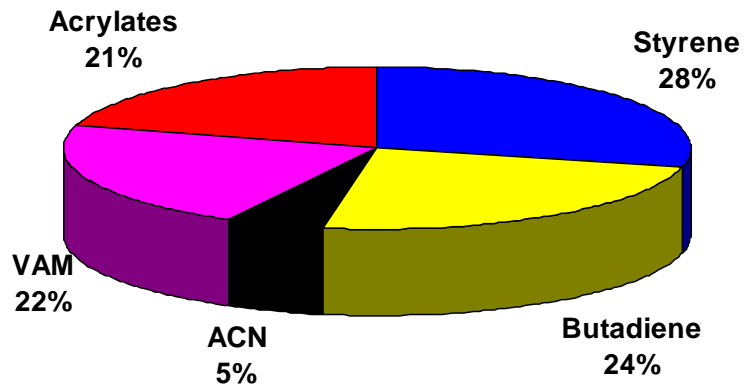
# Consolidated Balance Sheet

	2008 30 June £'000	2007 31 December £'000
Goodwill	169.2	172.4
Other non-current assets	109.3	113.0
Assets held for sale	10.4	-
Working capital	37.8	31.3
Provision for liability & tax	(54.3)	(55.4)
Derivatives at fair value	(18.4)	(24.2)
Post retirement benefits	(63.1)	(41.2)
Net borrowings	(147.3)	(150.3)
Dividends	(8.3)	-
Net assets	35.3	45.6
<b>Underlying borrowings</b>	<b>168.8</b>	<b>170.8</b>

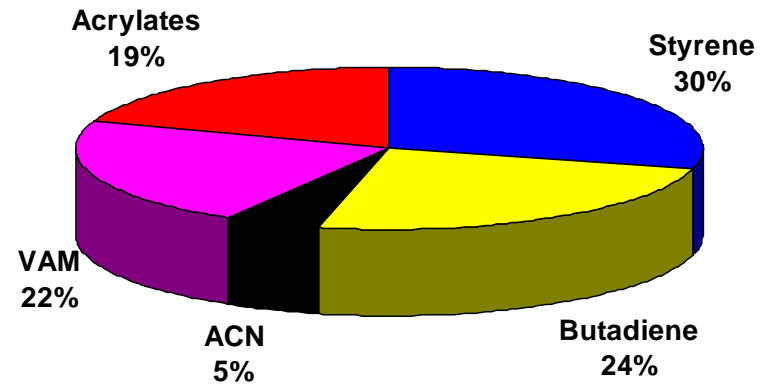


# Raw Material Usage 2008

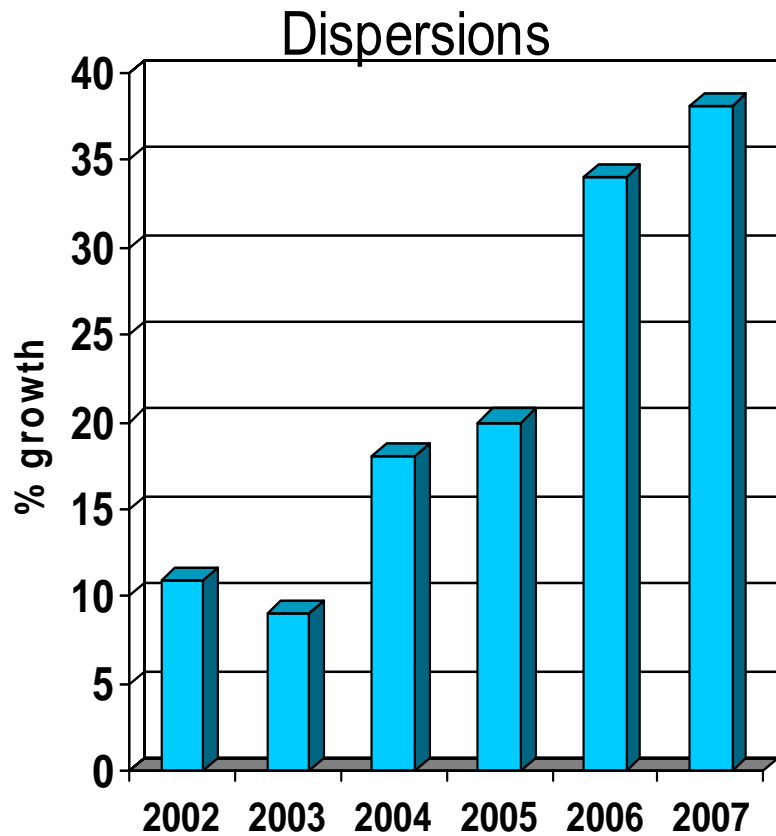
Volume (Tonnes)



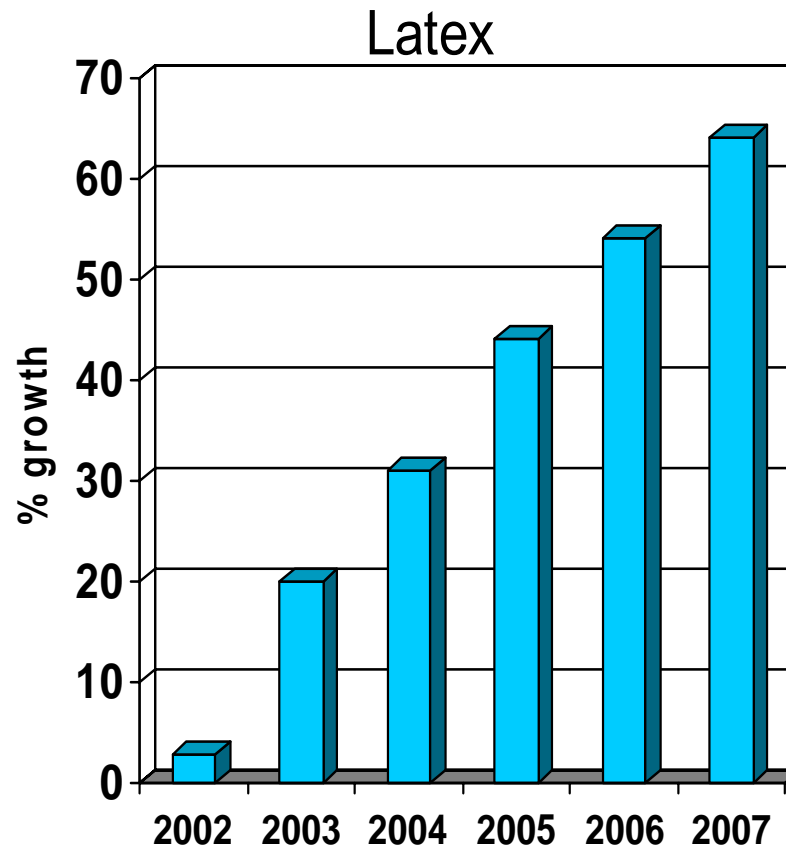
Value (%)



# Sales Volume by Product



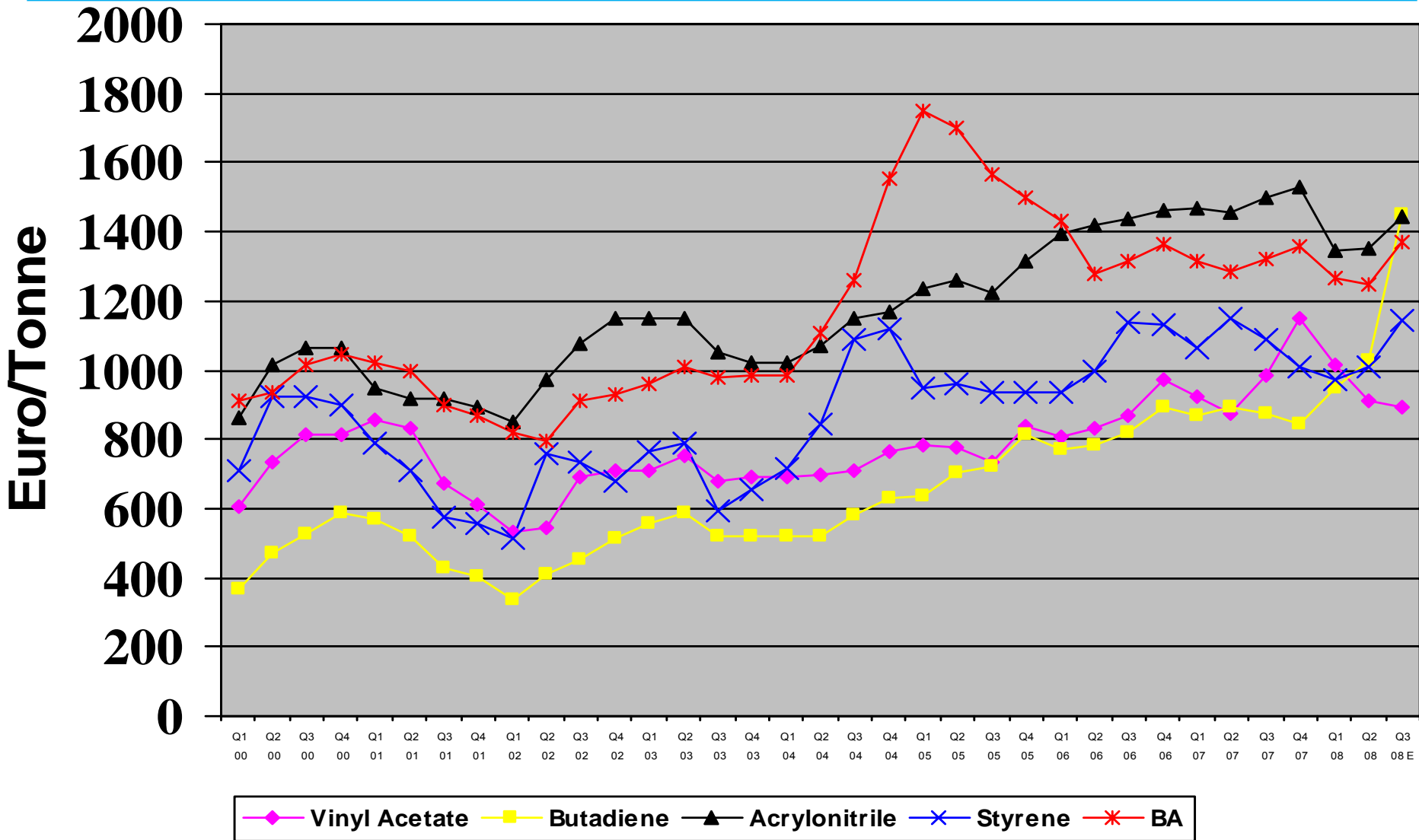
• 38% growth over 6 years



• 64% growth over 6 years



# Raw Material Prices



# UQUIFA Short Term Development Pipeline

<b>Product</b>	<b>Brand Name</b>	<b>US Patent Expiry</b>	<b>2006 US Sales \$M</b>
Zolpidem	Ambien	2007	2,700
Gatifloxacin	Tequin	2007	130
Terbinafine	Lamisil	2007	690
Venlafaxine	Effexor	2008	2,700
Lamotrigine	Lamictal	2008	1,650
Bicalutamide	Casodex	2008	290
Lansoprazole	Prevacid	2009	3,900
Pantoprazole (NI)	Protonix	2010	2,400
Quetiapine (NI)	Seroquel	2011	2,900
Valsartan (NI)	Diovan	2012	2,200
Fluvastatin	Lescol	2012	290
Sodium Risedronate	Actonel	2013	1,000

