News Release

AVON RUBBER p.l.c.

Issued by:

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Strictly Embargoed Until 0700am **15 May 2003**

INTERIM STATEMENT FOR THE HALF YEAR ENDED 31 MARCH 2003

	31 March 2003 £Million	30 March 2002 £Million	30 March 2002 Excluding exceptional items £Million
Turnover	**123.55**	126.38	126.38
Operating profit/(loss) before goodwill amortisation	**5.74**	(2.07)	5.08
Interest	**(1.48)**	(1.85)	(1.85)
Profit/(loss) before tax and goodwill amortisation	**4.26**	(5.12)	3.23
Earnings/(loss) per share (pence)	**9.9p**	(22.1)p	7.9p
Dividend per share (pence)	**3.5p**	3.5p	3.5p

- **Based on pre exceptional figures**
  - **Operating profit up 13%**
  - **Interest costs down 20%**
  - **Profit before tax and goodwill amortisation up 32%**
- **Year on year net borrowings down by £3.9 million at £43.4 million**

For further information please contact:
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INTERIM STATEMENT FOR THE HALF YEAR ENDED 31 MARCH 2003

Introduction

The first half of this financial year has seen a strong operational performance, particularly through our Six Sigma Breakthrough programme, which has enabled us to more than offset the expected substantial increase in both insurance and UK pension costs. Coupled with the absence of exceptional charges this has enabled us to achieve a profit before tax and goodwill amortisation of £4.3 million compared to a loss of £5.1 million last year. This represents an increase in profit before tax, exceptional items and goodwill amortisation of 32% from £3.2 million in 2002 to £4.3 million this year.

Centres of excellence are now established in both European and North American Automotive. We are seeing improving efficiency in European Automotive following the closure of Trowbridge and the transfer of work to Portugal and the Czech Republic. In North American Automotive, preparatory work continues in order to maximise the benefit of the increasing orders for coolant hose at Orizaba, Mexico, where we expect significant growth over the next eighteen months.

During April the Group was awarded the Ford Silver World Excellence Award at a ceremony in Detroit, recognising Avon as one of its top suppliers in 2002. In addition, we received a certificate of recognition from Toyota Europe acknowledging our important contribution to cost management in 2002. These achievements are a reflection of the improvement activities in our businesses being recognised by major customers.

In Technical Products we continue to deliver on time against the programme for the new US military respirator as well as increasing production of our existing defence related products.

We have continued to focus on cash generation. However, movements in exchange rates in the first half year had an adverse impact on net borrowings of £1.8 million. In addition we saw a significant increase in sales of defence products towards the end of the half-year which we estimate increased working capital by £0.6 million. As a result, net debt increased by £2.4 million in the half-year, but was £3.9 million lower than last year at £43.4 million (2002: £47.3 million).

Results

Sales at £123.5 million (2002: £126.4 million) were down £2.9 million, but increased by £0.3 million at constant exchange rates. Sales of Technical Products at constant exchange rates remained steady at £31.1 million (2002: £31.2 million) with European Automotive down £3.2 million at £51.4 million (2002: £54.6 million) and North American Automotive up from £37.4 million in 2002 to £41.0 million.

Group operating profit before goodwill amortisation was £5.7 million (2002: loss £2.1 million or profit £5.1 million before exceptional charges). At constant exchange rates, North American operating profit increased by £1.4 million to £4.4 million. Total European operating profit before goodwill amortisation and exceptional charges declined by £0.6 million to £1.3 million (2002: £1.9 million). UK operating profit on the same basis decreased by £1.0 million, but this was after an increase in pension costs of £1.4 million and increased insurance costs of £0.2 million. The rest of Europe saw an increase in profit of £0.4 million despite insurance costs increasing by £0.5 million.

Earnings per share were 9.9p (2002: 7.9p before exceptional items) based on an effective tax rate of 32% (2002: 30%).

As expected, borrowings increased in the half-year by £2.4 million but were £3.9 million lower than last year at £43.4 million (2002: £47.3 million). Capital expenditure at £3.2 million (2002: £2.1 million) remained below depreciation of £4.7 million (2002: £5.6 million) and included about £0.7 million that had originally been anticipated to have been incurred last year. Trade working capital at 13.2% of sales was higher than the very low level of 11.0% at the year-end. Part of the increase in working capital was the result of the higher level of defence sales towards the end of the half-year and adverse currency effects.

Changes in exchange rates caused an increase in net borrowings on translation of £1.8 million since the beginning of the year. Gearing now stands at 54.0% and we still have a short term target to reduce this to below 50%.

Automotive Components

Sales at constant exchange rates were up £0.4 million to £92.4 million (2002: £92.0 million). In North America sales increased by £3.6 million to £41.0 million (2002: £37.4 million). This increase was principally as a result of a short term project to support one of our major customers. This short term project and the continuing focus on cost improvements contributed to an increase in North American Automotive operating profits at constant exchange rates of 65% to £2.8 million (2002: £1.7 million).

In Europe we saw some reduction in demand coupled with severe pricing pressures. As a result, European Automotive sales reduced to £51.4 million (2002: £54.6 million). With the increases in UK pension costs, increased insurance costs and lower sales, the operating loss before goodwill amortisation in European Automotive was £0.1 million compared to a profit of £1.0 million in 2002. The focus on operational improvements and the benefits resulting from the closure of Trowbridge and the resulting transfer of business to Portugal and the Czech Republic, partially offset the increases in pension and insurance costs of £2.1 million.

Technical Products

Sales of continuing businesses at constant exchange rates reduced slightly to £31.1 million (2002: £31.2 million), but operating profit on a similar basis improved by 36% to £3.0 million (2002: £2.2 million). There was a significant increase in sales of military related products, principally respirators, but also hovercraft skirts and fluid storage tanks. Demand in the second quarter was higher than in the first quarter and required an increase in working capital. These increases in sales were partially offset by an anticipated reduction at our French facility and continuing weak performance from Avon-Ames in the UK reflecting low demand at its principal customer.

Our dairy businesses continue to perform strongly with Hi-Life, in North America, able to generate substantial profits through its advanced product technology and its market position.

The UK operations at Hampton Park West have continued to improve their performance helped by increased defence sales. Whilst it has scope for further expansion, we are beginning to see the returns we expected at the time of the investment in this facility.

Dividend

The Directors announce an interim dividend maintained at 3.5p per share (2002: 3.5p) payable on 27 June 2003 to holders of ordinary shares on the register at 6 June 2003.

Outlook

We are confident about our strategic direction. We have strong positions in low pressure automotive hoses for fuel, air and water in both Europe and North America. We have a technically advanced niche business in automotive vibration management. Our world leading position in dairy rubberware will continue to provide opportunities and our expertise in military respirators has provided us with the opportunity to develop new products for both the United States and the British military as well as potential non-military applications.

Our coolant hose facility in Orizaba, Mexico, is growing faster than our earlier expectations and we anticipate significant growth over the next eighteen months. In addition, we are on plan to achieve the benefits from the US military respirator, where supply of production quantities starts in 2005.

We see these two areas as exciting future growth opportunities. Whilst the automotive markets in both North America and Europe will remain challenging for at least the rest of our financial year, with sales in North America expected to be lower than in the first half, defence related sales will remain strong. We will maintain our focus on cash management and will continue to work to improve our operational efficiency enabling us to keep our costs aligned with market demand.

We remain confident our strategy will continue to enhance shareholder value.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Note	**Half year to 31 March 03**	Half year to 30 March 02 (Restated see note 3)	Year to 30 Sept 02
		£'000	£'000	£'000
Turnover	**2**	**123,548**	126,379	250,509
Operating Profit				
Before exceptional items				
(after charging £312,000 (2002: £299,000)				
in respect of goodwill amortisation)		**5,424**	4,784	10,442
Exceptional operating expenses		**-**	(7,151)	(6,701)
Total operating profit/(loss)	**2**	**5,424**	(2,367)	3,741
Loss on disposal of fixed assets		**-**	(1,200)	(1,205)
Loss on disposal of operations		**-**	-	(568)
Profit/(loss) before interest		**5,424**	(3,567)	1,968
Interest		**(1,476)**	(1,847)	(3,423)
Profit/(loss) before taxation		**3,948**	(5,414)	(1,455)
Taxation	**4**	**(1,266)**	(895)	(310)
Profit/(loss) after taxation		**2,682**	(6,309)	(1,765)
Minority interests		**(13)**	153	194
Profit/(loss) attributable to Avon shareholders		**2,669**	(6,156)	(1,571)
Dividends	**6**	**(936)**	(954)	(2,031)
Profit/(loss) for the period		**1,733**	(7,110)	(3,602)
Rate of dividends		**3.5p**	3.5p	7.5p
Earnings/(loss) per ordinary share	**7**			
Basic		**9.9p**	(22.1)p	(5.7)p
Before exceptional items		**9.9p**	7.9p	16.0p
Before exceptional items and goodwill amortisation		**11.1p**	9.0p	18.3p
Diluted		**9.4p**	(22.1)p	(5.7)p

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	Half year to 31 March 03 £'000	Half year to 30 March 02 £'000	Year to 30 Sept 02 £'000
Profit/(loss) for the period	**2,669**	(6,156)	(1,571)
Net exchange differences on overseas investments	**1,188**	900	768
Total gains and losses for the period	**3,857**	(5,256)	(803)
Prior year adjustment	**-**	-	(2,688)
Total gains and losses since last annual report	**3,857**	(5,256)	(3,491)

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Half year to 31 March 03 £'000	Half year to 30 March 02 £'000	Year to 30 Sept 02 £'000
Opening shareholders' funds	**76,083**	81,605	81,605
Prior year adjustment	**-**	-	(2,688)
Opening shareholders' funds restated	**76,083**	81,605	78,917
Profit/(loss) for the period	**2,669**	(6,156)	(1,571)
Dividends	**(936)**	(954)	(2,031)
Net exchange differences on overseas investments	**1,188**	900	768
Closing shareholders' funds	**79,004**	75,395	76,083

CONSOLIDATED BALANCE SHEET

	As at 31 March 03 £'000	As at 30 March 02 £'000	As at 30 Sept 02 £'000
Fixed assets			
Intangible assets	**13,827**	13,155	13,107
Tangible assets	**92,691**	97,198	93,306
Investments	**671**	1,035	914
	107,189	111,388	107,327
Current assets			
Stocks	**20,102**	20,796	19,210
Debtors - amounts falling due within one year	**48,653**	49,001	42,200
Debtors - amounts falling due after more than one year	**4,586**	6,437	5,378
Investments	**3,349**	2,800	3,536
Cash at bank and in hand	**6,133**	12,828	8,042
	82,823	91,862	78,366
Creditors - amounts falling due within one year			
Short term borrowings and current instalments of loans	**21,761**	25,098	22,571
Other creditors	**50,398**	49,050	48,204
	72,159	74,148	70,775
Net current assets	**10,664**	17,714	7,591
Total assets less current liabilities	**117,853**	129,102	114,918
Creditors - amounts falling due after more than one year			
Borrowings	**31,141**	37,851	30,028
Other creditors	**533**	2,875	882
	31,674	40,726	30,910
Provisions for liabilities and charges	**5,701**	11,419	6,458
Net assets	**80,478**	76,957	77,550
Capital and reserves			
Equity shareholders' funds	**79,004**	75,395	76,083
Minority interests	**1,474**	1,562	1,467
	80,478	76,957	77,550

CONSOLIDATED CASH FLOW STATEMENT

	Note	**Half year to 31 March 03**	Half year to 30 March 02 (Restated see note 3)	Year to 30 Sept 02
		£'000	£'000	£'000
Operating activities				
Operating profit/(loss)		**5,424**	(2,367)	3,741
Goodwill amortisation		**312**	299	626
Depreciation		**4,730**	5,614	10,446
Movement in working capital		**(4,517)**	1,141	5,800
(Decrease)/increase in provisions		**(1,028)**	6,521	1,570
Other movements		**644**	947	1,080
Net cash inflow from operating activities		**5,565**	12,155	23,263
Returns on investments and servicing of finance		**(795)**	(1,857)	(3,359)
Corporation tax paid		**(1,304)**	(585)	(1,726)
Net capital expenditure		**(2,483)**	(1,885)	(4,146)
Capitalised development expenditure		**(400)**	(250)	(625)
Purchase of fixed asset investments		**(333)**	-	(1,120)
Sale of fixed asset investments		**199**	-	-
Sale of operations		**-**	-	904
Equity dividends paid		**(1,077)**	(969)	(1,923)
Net cash (outflow)/inflow before management of liquid resources and financing		**(628)**	6,609	11,268
Management of liquid resources				
Decrease/(increase) in investments treated as liquid resources		**187**	(2,800)	(3,536)
Financing				
Movements in loans and finance leases		**(2,146)**	(2,286)	(8,446)
(Decrease)/increase in cash		**(2,587)**	1,523	(714)
Reconciliation of net cash flow to movement in net debt				
(Decrease)/increase in cash		**(2,587)**	1,523	(714)
Movements in loans and finance leases		**2,146**	2,286	8,446
Movement in liquid resources		**(187)**	2,800	3,536
Amortisation of loan costs		**(19)**	(86)	(44)
Exchange differences		**(1,752)**	(877)	722
Movement in net debt in the period		**(2,399)**	5,646	11,946
Net debt at the beginning of the period		**(41,021)**	(52,967)	(52,967)
Net debt at the end of the period	**8**	**(43,420)**	(47,321)	(41,021)

NOTES TO THE INTERIM STATEMENT

1) The results for the half years to 31 March 2003 and 30 March 2002 are unaudited and have been prepared using accounting policies consistent with those set out in the 2002 Annual Report and Accounts. The figures for the financial period ended 30 September 2002 are taken from the statutory accounts for that period which have been delivered to the Registrar of Companies and upon which an unqualified audit report was given. These interim financial statements were approved by the board of directors on 14 May 2003.

2) **Segmental information**

		Half year to 31 March 03	Half year to 30 March 02 (Restated see note 3)	Year to 30 Sept 02
		£'000	£'000	£'000
(a)	**Turnover by destination**:			
	United Kingdom	**21,220**	25,618	49,461
	Other European	**45,071**	42,249	83,702
	North America	**53,477**	56,292	111,839
	Rest of World	**3,780**	2,220	5,507
		123,548	126,379	250,509
(b)	**Turnover by origin:**			
	United Kingdom	**29,420**	35,909	66,057
	Other European	**39,669**	33,640	71,291
	North America	**54,459**	56,830	113,161
		123,548	126,379	250,509
(c)	**Operating profit/(loss) by origin:**			
	Before exceptional operating expenses			
	United Kingdom	**373**	1,357	450
	Other European	**611**	76	1,563
	North America	**4,440**	3,351	8,429
		5,424	4,784	10,442
	Exceptional operating expenses			
	United Kingdom	**-**	(6,568)	(5,672)
	Other European	**-**	(583)	(1,029)
	North America	**-**	-	-
		5,424	(2,367)	3,741
(d)	**Turnover by product group:**			
	Automotive components	**92,390**	94,040	186,176
	Technical products	**31,158**	32,339	64,333
		123,548	126,379	250,509
(e)	**Operating profit/(loss) by product group:**			
	Before exceptional operating expenses			
	Automotive components	**2,400**	2,472	4,485
	Technical products	**3,024**	2,312	5,957
		5,424	4,784	10,442
	Exceptional operating expenses			
	Automotive components	**-**	(6,797)	(6,338)
	Technical products	**-**	(354)	(363)
		5,424	(2,367)	3,741

3) The profit and loss account and cash flow statement comparative figures for the half year to 30 March 2002 have been restated. A fixed asset impairment charge of £1,200,000 which was charged against operating profit has, following the closure of the related business in the second half of the year, been reclassified as part of the loss on disposal of fixed assets.

4) Estimated tax rates in the United Kingdom and overseas have been calculated based on the latest projections for the year ending 30 September 2003. These tax rates have been used in determining the tax charge for the six month period to 31 March 2003.

	2003	2002
	£'000	£'000
United Kingdom (200% (2002: 0%))	**578**	-
Overseas (20% (2002: 32%))	**688**	895
	1,266	895

5) Profit and loss accounts of foreign group undertakings are translated at average rates of exchange and balance sheets are translated at period end or year-end rates, as appropriate.

6) The cost of the interim dividend on the ordinary shares in issue will be approximately £936,000 (2002: £954,000). The dividend will be paid on 27 June 2003 to shareholders on the register at 6 June 2003.

7) Basic earnings/(loss) per ordinary share is based on a profit of £2,669,000 (2002: £6,156,000 loss) and 26,884,000 (2002: 27,824,000) ordinary shares, being the weighted average of the shares in issue during the period on which dividends are paid. Earnings per ordinary share before exceptional items are based on a profit of £2,669,000 (2002: £2,195,000). Earnings per ordinary share before exceptional items and goodwill amortisation are based on a profit of £2,981,000 (2002: £2,494,000).

Diluted earnings per ordinary share is based on a profit of £2,669,000 and 28,428,000 ordinary shares, being the diluted weighted average number of shares in issue during the period.

The Company has diluted potential ordinary shares in respect of the Sharesave Scheme and the Performance Share Plan.

8) Analysis of net debt

	As at 30 Sept 02 £'000	Cash flow £'000	Amortisation of loan costs £'000	Exchange movements £'000	**As at 31 March 03 £'000**
Cash at bank and in hand	8,042	(2,187)	-	278	**6,133**
Overdrafts	(1,864)	(400)	-	(87)	**(2,351)**
Debt due after more than one year	(29,992)	801	(19)	(1,908)	**(31,118)**
Debt due after less than one year	(20,676)	1,325	-	(35)	**(19,386)**
Finance leases	(67)	20	-	-	**(47)**
Current asset investments	3,536	(187)	-	-	**3,349**
	(41,021)	(628)	(19)	(1,752)	**(43,420)**

9) Copies of this announcement are being sent to shareholders.

Copies are also available from the company's registered office at Manvers House, Kingston Road, Bradford on Avon, Wiltshire, BA15 1AA (telephone 01225 861100).

Independent Review Report to Avon Rubber p.l.c.

Introduction

We have been instructed by the company to review the financial information set out on pages 5 - 10. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2003.

PricewaterhouseCoopers LLP
Chartered Accountants
Bristol
14 May 2003

Notes:

(a) The maintenance and integrity of the Avon Rubber p.l.c. website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.