

INVERESK PLC

Interim Results for 6 months to 30 June 2003

Highlights

- Recapitalisation and refinancing exercise completed by April 2003 providing the company with a strong financial base from which to develop its specialty paper businesses in St Cuthberts in Somerset and Carrongrove in Stirlingshire, Scotland.
- Continuing businesses achieved profits for the 6 months to 30 June 2003 before interest of £2.021m compared to losses of £0.016m in the corresponding period of the previous year. Retained profits for the period attributable to shareholders amount to £1.609m (2002 Loss £10.216m).
- Positive levels of cash generation from the company's operating mills is providing the impetus for focussed capital expenditure and planned maintenance programmes of the company's paper making machinery resulting in improved efficiency and expansion of available capacity.
- Development of higher value products at each mill customised to client specification on a worldwide basis.
- Planned relaunch of the "Gemini" brand in Autumn 2003 at Carrongrove Mill.
- Pulp prices have increased during the six months under review but have since declined in line with expectations.
- Export led sales at both Carrongrove and St Cuthberts have benefited from currency influences in respect of both the Euro and US dollar.

Alan Walker, Chief Executive Officer, said:

"We are very pleased to be able to confirm the company's restoration to profit. The past difficulties are well and truly behind us and our management teams at Carrongrove and St Cuthberts are now able to focus their energies on the many challenges which lie before us in further developing our niche businesses".

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Chairman's Statement

Results

Following a difficult period at the start of the year during which the recapitalisation and refinancing was completed, the company has now settled into its specific niche of providing specialty papers to a wide cross section of international customers without the disruption of reorganisations and loss making activities which have been consigned to history. Sales in the 6 months to 30 June 2003 for continuing businesses have increased overall by 6% to £21.922m from £20.662m in 2002 whereas profits before interest have advanced to £2.021m (2002 loss £0.016m).

This represents a significant turnaround in the company's trading fortunes which has turned the tide after several years of debilitating losses and significant changes within the management and organisational structure of the company.

Continuing Core Businesses

Throughout the period the Inveresk Group comprised:

- The Decorative and Artist Papers business based at the St Cuthberts Mill in Somerset.
- The Graphic Boards business based at the Carrongrove Mill, Denny, Stirlingshire in Scotland.

St Cuthberts

Despite difficult market conditions throughout Continental Europe and North America volumes of foil based decorative furniture papers held up well. There has been evidence of customer de-stocking during the second quarter of the year but order books for August and beyond are showing healthy signs of resurgence for the rest of the year during which we hope to operate at a higher capacity level than has hitherto been the case.

In artist papers volumes have remained steady whilst significant growth is evident though increased sales of inkjet papers. The mill's proven track record of technical competence provides the opportunity for expansion in a number of specialist areas where high value added papers have been developed for commercial roll-out on an international basis.

Carrongrove

The Graphic Boards business has performed extremely well throughout the period at all levels with enhanced margin contributions and increased productivity. Major initiatives have been taken to improve production efficiency through planned maintenance programmes and focussed capital expenditure. Much remains to be done in this area but significant progress has been made to date. Plans have been made to increase the available capacity within this mill over time.

Sales volumes have been steady after a buoyant start to the year. In common with most areas of the paper industry the merchant customers, both in the UK and Continental Europe, have gone through a period of de-stocking. Nevertheless, there are now signs of a strong recovery from August onwards for the remainder of the year which is traditionally the mill's "busy season". Significant expansion is anticipated in both the United States and Canada following marketing initiatives into North America.

Plans exist for the relaunch of the mill's principal brand "Gemini" later in the year designed to promote greater awareness of the extended product range on offer.

Creating Shareholder Value

As widely chronicled during the period of recapitalisation and refinancing the new management team has imposed tighter financial controls and disciplines throughout the organisation. This has led to improved control over fixed costs and avoided the erosion of profit on unnecessary Head Office costs which have been reduced to

a minimum. The availability of in excess of £20m of tax losses and the positive level of cash generation from the company's two specialised mill operations provides a backdrop for high operational gearing designed to enhance shareholders' funds and improve enterprise value.

Later this year the company anticipates a positive outcome to the application to the Court of Session in Edinburgh to "set off" the balance held at Share Premium Account against the stated deficit in the Profit & Loss Account with the ultimate objective of returning to the dividend list at the earliest possible opportunity.

Finance

Borrowings are very much under control with a multi flexible long term facility provided by Bank of Scotland. Pulp prices after a sharp rise during the period have once again declined to anticipated levels. Currency influences have been largely positive due to the company's high level of exports into Continental Europe in particular, where the euro has strengthened significantly against the £ sterling. The Balance Sheet is now soundly based thanks to the support of our new shareholder base for which we are immensely grateful. Working capital is under control with the equalisation of our creditor standstill proving invaluable. Supplier terms have now been renegotiated to standard terms on a global basis and the payment profile is returning to normal.

Outlook

The paper industry in general appears to be suffering from a pronounced lack of demand. Despite this, your company is better prepared for the challenges which lie ahead than at any time in the recent past. The specialist niche areas within which we operate offer a degree of technical sophistication and cooperation with the customers to whom we remain dedicated and your Board of Directors is confident that the significant progress which has been recorded during the past six months will be maintained throughout the remainder of the year and beyond. Indeed, we believe that, by bringing to market innovative new products and solutions, and increasing our product offering and geographic presence in both the Decorative/Artist and Graphic Boards markets, together with tight control over our cost base through strategic manufacturing initiatives, the future prospects of the newly restored Inveresk plc are viewed with considerable optimism.

Jan Bernander
Chairman

INVERESK PLC**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

	Unaudited 26 weeks to 30 June 2003	Unaudited 26 weeks to 1 June 2002		
	Continuing Activities £'000	Continuing Activities £'000	Discontinued Activities £'000	Total £'000
Turnover	21,922	20,662	26,311	46,973
Cost of sales	(17,097)	(15,985)	(25,333)	(41,318)
Gross profit	4,825	4,677	978	5,655
Distribution costs	(1,756)	(1,627)	(2,372)	(3,999)
Administrative costs	(1,112)	(1,575)	(1,331)	(2,906)
Group operating profit/(loss)	1,957	1,475	(2,725)	(1,250)
Share of operating profit in associate	-	-	72	72
Total operating profit/(loss)	1,957	1,475	(2,653)	(1,178)
Fundamental reorganisation costs	64	(1,491)	(2,179)	(3,670)
Loss on sale and termination of businesses	-	-	(7,449)	(7,449)
Attributable goodwill written off to reserves	-	-	-	-
Profit on sale of associate	-	-	804	804
<i>Profit/(loss) before interest</i>	2,021	(16)	(11,477)	(11,493)
Net Interest payable – Group	(412)			(648)
Share of associate's interest	-			(11)
Other finance income	-			85
Profit/(loss) on ordinary activities before taxation	1,609			(12,067)
Tax on profit/(loss) on ordinary activities	-			1,851
Retained profit/(loss) for the period	1,609			(10,216)
<i>Basic earnings/(loss) per share</i>	1.8p			(19.7)p
Diluted earnings/(loss) per share	1.7p			(19.7)p
Earnings/(loss) per share before exceptional items	1.7p			(3.4)p