AVON
AVON RUBBER p.l.c.

News Release

Issued by:

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Strictly embargoed until
07.00 4 December 2003

Avon Rubber p.l.c.
Preliminary results for the year ended 30 September 2003

	2003 £Million	2002 £Million
TURNOVER	**248.5**	250.5
TOTAL OPERATING PROFIT - before goodwill amortisation and exceptionals	**11.2**	11.1
TOTAL OPERATING PROFIT	**10.5**	3.7
PROFIT / (LOSS) BEFORE TAX & GOODWILL AMORTISATION (PBTA)		
- before exceptionals	**8.4**	7.6
- after exceptionals	**8.4**	(0.8)
PROFIT / (LOSS) BEFORE TAX	**7.7**	(1.5)
EARNINGS / (LOSS) PER SHARE		
Basic	**20.3p**	(5.7)p
Before exceptional items	**20.3p**	16.0p
Before exceptional items and goodwill amortisation	**22.9p**	18.3p
Diluted	**19.2p**	(5.7)p
DIVIDEND PER SHARE	**8.0p**	7.5p

NOTE: Management believes that reporting results before goodwill amortisation and exceptional items provides a better comparison of underlying business performance for the year.

- **PBTA before exceptionals increased by 9.2%**
- **EPS before exceptionals increased by 26.9%**
- **Final dividend increased by 12.5% to 4.5p**
- **Gearing reduced to 46.2%**

Commenting on the results, Steve Willcox, Chief Executive said: "We have continued to develop the two exciting growth areas we highlighted at the time of our interim statement in May, our water hose facility in Orizaba, Mexico and the new generation respirators. We expect to see progressive benefits from the Orizaba operation this financial year and from new generation respirators from 2005 onwards.

We face some uncertainties with exchange rate movements, particularly in respect of the US dollar. However, we are well positioned for any economic improvement being reflected in higher demand in the automotive market, although the timing of this remains uncertain.

We expect the strong demand for our military related products to continue into 2004 and look to benefit progressively from our repositioning in the European dairy market.

We will continue to pursue our strategic direction and to focus on operational efficiency and cash generation to deliver enhanced shareholder value."

For further enquiries, please contact:

Avon Rubber p.l.c	
Steve Willcox, Chief Executive	020 7067 0700
Terry Stead, Finance Director	(until 3:30pm)
	From 5 December 01225 861100
(Local/Trade Press)	
Jayne Hunt	01225 861100
Weber Shandwick Square Mile	
Richard Hews	020 7067 0700
Rachel Taylor	

An analyst meeting will be held at 09.30 this morning at the offices of Weber Shandwick Square Mile, Fox Court, 14 Gray's Inn Road, London, WC1X 8WS.

High resolution images are available for the media to download free of charge from www.vismedia.co.uk.

NOTES TO EDITORS: Avon Rubber p.l.c. is an international polymer engineering group adding value through material, manufacturing and industry sector expertise. The Group is currently capitalised at approximately £60 million.

Avon is a significant supplier to the world's automotive, engineering, dairy and defence markets – manufacturing high performance elastomer products. The business is split into two divisions: Automotive Components and Technical Products.

Avon Rubber p.l.c.
Preliminary results for the year ended 30 September 2003

Introduction

We have seen continued operational improvement in the second half of the year underpinned by the benefits of our Six Sigma Breakthrough programme and the relocation of business following the closure of Trowbridge. Despite increases in insurance and UK pension costs and some market weakness in automotive, profit before tax for the year was £7.7 million compared to a loss of £1.5 million (after exceptional charges) last year. This represents an increase in profit before tax, exceptional items and goodwill amortisation of 9.2% from £7.6 million in 2002 to £8.4 million this year.

The market in North American Automotive, particularly for the "big 3" domestic producers, showed some weakening from the previous year. In the first half of the year this was mitigated by a short-term project to support one of our major customers. Whilst we are increasing our efforts to supply the "new domestics", this has only partially offset the weakness with traditional domestic customers. We have seen encouraging progress at our water hose facility in Orizaba, Mexico, where sales in the second half of the year were more than double those of the same period last year.

In European Automotive we saw the expected benefits from the closure of Trowbridge being reflected in performance. However, these did not fully compensate for a softening market and the impact of increases in insurance and UK pension costs.

In Technical Products we achieved a significant improvement in performance largely as a result of higher demand for our military related products. Progress with the new US military respirator has continued to plan and we have now started our investment for prototype production in North America.

Our focus on cash generation has continued. As a result, net borrowings at £38.0 million (2002: £41.0 million) were £3.0 million lower than last year and £5.4 million lower than at the half-year. Gearing has now been reduced to 46.2%. The impact of this and lower interest rates can be seen in the reduced net interest charge of £2.8 million compared with £3.4 million last year, a reduction of £0.6 million. Annual interest charges have now fallen by £2.5 million over the past two years.

On 20 November 2003, we completed the disposal of Avon Spencer Moulton, our French crawler track and railway components business, for a total consideration of £3.3 million. In the year to 30 September 2003 Avon Spencer Moulton had external sales of £8.2 million and an operating profit of £0.4 million.

Results

Sales at £248.5 million (2002: £250.5 million) were down by £2.0 million, but increased by £1.0 million when translating 2002 results at 2003 exchange rates ("constant exchange rates"). Sales in Technical Products at constant exchange rates increased significantly to £68.3 million (2002: £62.7 million) with European Automotive down £6.6 million at £103.9 million (2002: £110.5 million) and North American Automotive up from £74.3 million in 2002 to £76.3 million.

Group operating profit before goodwill amortisation was £11.2 million (2002: £4.4 million or £11.1 million before exceptional charges). At constant exchange rates, Group operating profit before goodwill amortisation of £11.2 million increased by £0.7 million from £10.5 million. North American operating profit increased by £0.4 million to £8.1 million and European operating profit before goodwill amortisation of £0.7 million (2002: £0.6 million) and exceptional charges increased by £0.3 million to £3.1 million (2002: £2.8 million) despite increases in insurance and UK pension costs of £2.0 million. Interest charges were reduced by £0.6 million to £2.8 million (2002: £3.4 million) resulting in Group profit before tax and goodwill amortisation of £8.4 million (2002: £7.6 million or a loss of £0.8 million after exceptional charges).

Basic earnings per share were 20.3p (2002: 16.0p before exceptional items) based on an effective tax rate of 27.6% (2002: 40.0%). Earnings per share before exceptional items and goodwill amortisation were 22.9p (2002: 18.3p).

As expected, net borrowings decreased by £3.0 million to £38.0 million (2002: £41.0 million), a reduction of £5.4 million in the second half. Capital expenditure at £8.3 million (2002: £5.1 million) remained below depreciation of £9.5 million (2002: £10.4 million). Trade working capital at 13% of sales was higher than the very low level of 11% achieved last year. Part of the increase in working capital was the result of the timing of the planned increase in sales of our military related products.

UK operations have become a progressively smaller part of total Group activities, particularly following the closure of operations in Croydon and Trowbridge in recent years. Accordingly, in order to reflect our internal management structure, we no longer analyse the UK activities separately in our segmental analysis.

Automotive Components

Sales at constant exchange rates were down £4.6 million at £180.2 million (2002: £184.8 million) reflecting the overall softening of the automotive market. In North America, sales were up by £2.0 million to £76.3 million (2002: £74.3 million) primarily as a result of the short-term project to support one of our major customers in the first half of the year.

Towards the end of the year we saw the expected rapid growth at Orizaba, Mexico where sales in the second half were more than double those of the same period last year. We expect a similar step change in the second half of 2004. There has been significant investment and development cost to achieve this growth as well as the new CADbar products to meet LEV II regulations. As a result operating profit at constant exchange rates in North American Automotive was down by £0.4 million at £3.3 million (2002: £3.7 million).

In Europe, sales at £103.9 million (2002: £110.5 million) were down by £6.6 million resulting from lower demand and severe pricing pressures. We can identify that the planned benefits from the closure of our Trowbridge facility in 2002 are being achieved. However, these have been largely offset by increases in pension and insurance costs of £2.0 million in the period. Despite the focus on operational improvement this resulted in a breakeven performance (2002: profit £0.5 million).

Technical Products

Sales at constant exchange rates were up by £5.6 million at £68.3 million (2002: £62.7 million) with operating profit before exceptional charges on a similar basis up 28.6% at £7.2 million (2002: £5.6 million).

The higher sales of military related products, noted in our interim statement, continued in the second half and enabled the UK operation at Hampton Park West to continue its improvement. We are now achieving the level of returns that were planned at the time of our investment in this facility. In addition to increased sales of respirators, we also saw strong demand in our military fabrications joint venture business in Picayune, Mississippi.

Our Hi-Life dairy business in North America continued to perform strongly by providing advanced technology products under the Milk-Rite brand to the aftermarket as well as supplying original equipment customers. In September we launched the Milk-Rite brand in Europe supplying customers closer to the end user. The costs of this launch were taken in the year.

Financing

Net debt at the year-end stood at £38.0 million (2002: £41.0 million) a reduction of £3.0 million in the year and £5.4 million in the second half. This resulted in year-end gearing of 46.2% (2002: 53%) which met our previously stated short term goal of achieving gearing of less than 50%.

As a result of this continued debt reduction coupled with lower worldwide interest rates we have reduced our net interest charge in the year by £0.6 million to £2.8 million (2002: £3.4 million). Annual net interest charges have now been reduced by £2.5 million over the past two years.

Total capital expenditure is not expected to exceed depreciation over the next few years. We will require some investment in our growth areas of respirators in North America and water hose in Orizaba, Mexico, which in time will require some increase in working capital. We shall continue our focus on cash management.

Dividend

The Board is pleased to recommend an increased final dividend of 4.5p per share (2002: 4.0p per share) which will be paid on 30 January 2004 to ordinary shareholders on the register on 16 January 2004. When added to the interim dividend of 3.5p per share (2002: 3.5p per share) the total dividend is 8.0p per share (2002: 7.5p per share), an increase of 6.7%.

Outlook

We have continued to develop the two exciting growth areas we highlighted at the time of our interim statement in May, our water hose facility in Orizaba, Mexico and the new generation respirators. We expect to see progressive benefits from the Orizaba operation this financial year and from new generation respirators from 2005 onwards.

We face some uncertainties with exchange rate movements, particularly in respect of the US dollar. However, we are well positioned for any economic improvement being reflected in higher demand in the automotive market, although the timing of this remains uncertain.

We expect the strong demand for our military related products to continue into 2004 and look to benefit progressively from our repositioning in the European dairy market.

We will continue to pursue our strategic direction and to focus on operational efficiency and cash generation to deliver enhanced shareholder value.

CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 30 September 2003

	Note	**2003** **Total** **£'000**	2002 Before Exceptional Items £'000	2002 Exceptional Items £'000	2002 Total £'000
Turnover	**2**	**248,507**	250,509	-	250,509
Cost of sales	**3**	**(203,922)**	(209,739)	-	(209,739)
Gross profit		**44,585**	40,770	-	40,770
Net operating expenses (including £681,000 (2002: £626,000) goodwill amortisation)	**3**	**(34,138)**	(30,349)	(6,701)	(37,050)
Operating profit		**10,447**	10,421	(6,701)	3,720
Share of profits of joint venture and associate		**45**	21	-	21
Total operating profit including joint venture and associate	**2**	**10,492**	10,442	(6,701)	3,741
Loss on disposal of fixed assets		**-**	-	(1,205)	(1,205)
Loss on disposal of operations		**-**	-	(568)	(568)
Profit on ordinary activities before interest		**10,492**	10,442	(8,474)	1,968
Interest receivable		**181**	609	-	609
Interest payable		**(3,003)**	(4,032)	-	(4,032)
Profit/(loss) on ordinary activities before taxation		**7,670**	7,019	(8,474)	(1,455)
Taxation	**4**	**(2,116)**	(2,810)	2,500	(310)
Profit/(loss) on ordinary activities after taxation		**5,554**	4,209	(5,974)	(1,765)
Minority interests		**(108)**	194	-	194
Profit/(loss) for the financial year		**5,446**	4,403	(5,974)	(1,571)
Dividends	**6**	**(2,131)**	(2,031)	-	(2,031)
Retained profit/(loss) for the financial year		**3,315**	2,372	(5,974)	(3,602)

Rate of dividend					
Ordinary		**8.0p**			7.5p
Earnings/(loss) per ordinary share	**7**				
Basic		**20.3p**			(5.7)p
Before exceptional items		**20.3p**	16.0p		
Before goodwill amortisation and exceptional items		**22.9p**	18.3p		
Diluted		**19.2p**			(5.7)p

All of the Group's turnover and operating profit was generated from continuing activities.

There is no material difference between the profit/(loss) as stated above and that calculated on an historical cost basis.

CONSOLIDATED STATEMENT
OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 30 September 2003

	2003	2002
	£'000	£'000
Profit/(loss) for the year	**5,446**	(1,571)
Net exchange difference on overseas investments	**1,330**	768
Total gains/(losses) for the year	**6,776**	(803)
Prior year adjustment	**-**	(2,688)
Total gains/(losses) since last annual report	**6,776**	(3,491)

The prior year adjustment relates to the adoption of FRS 19 (Deferred Tax) in 2002.

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
for the year ended 30 September 2003

	2003	2002
	£'000	£'000
Opening shareholders' funds as previously stated	**76,083**	81,605
Prior year adjustment (deferred tax)	**-**	(2,688)
Opening shareholders' funds restated	**76,083**	78,917
Profit/(loss) for the year	**5,446**	(1,571)
Dividends	**(2,131)**	(2,031)
Net exchange difference on overseas investments	**1,330**	768
Closing equity shareholders' funds	**80,728**	76,083

The prior year adjustment relates to the adoption of FRS 19 (Deferred Tax) in 2002.

CONSOLIDATED BALANCE SHEET
At 30 September 2003

	2003	2002
	£'000	£'000
Fixed Assets		
Intangible assets	**14,375**	13,107
Tangible assets	**92,208**	93,306
Investments	**595**	914
	107,178	107,327
Current Assets		
Stocks	**20,611**	19,210
Debtors - amounts falling due within one year	**47,538**	42,200
Debtors - amounts falling due after more than one year	**4,880**	5,378
Investments	**3,986**	3,536
Cash at bank and in hand	**7,563**	8,042
	84,578	78,366
Creditors		
Amounts falling due within one year	**80,292**	70,775
Net current assets	**4,286**	7,591
Total assets less current liabilities	**111,464**	114,918
Creditors		
Amounts falling due after more than one year	**23,934**	30,910
Provisions for liabilities and charges	**5,282**	6,458
Net assets	**82,248**	77,550
Capital and reserves		
Ordinary share capital	**27,824**	27,824
Share premium account	**34,070**	34,070
Revaluation reserve	**2,518**	2,536
Capital redemption reserve	**500**	500
Profit and loss account	**15,816**	11,153
Equity shareholders' funds	**80,728**	76,083
Minority interests (equity interests)	**1,520**	1,467
Total capital employed	**82,248**	77,550

CONSOLIDATED CASH FLOW STATEMENT

	Note	**2003 £000**	2002 £000
Operating activities			
Operating profit		**10,492**	3,741
Goodwill amortisation		**681**	626
Depreciation		**9,527**	10,446
Provision for exceptional operating expenses		**-**	1,388
Movement in working capital and other provisions		**(2,782)**	5,982
Other movements		**1,693**	1,080
Net cash flow from operating activities		**19,611**	23,263
Returns on investments and servicing of finance		**(2,589)**	(3,359)
Corporation tax paid		**(1,776)**	(1,726)
Net capital expenditure		**(7,325)**	(4,146)
Capitalised development expenditure		**(1,519)**	(625)
Net fixed asset investments		**(511)**	(1,120)
Sale of operations		**-**	904
Equity dividends paid		**(2,013)**	(1,923)
Net cash inflow before management of liquid resources and financing		**3,878**	11,268
Management of liquid resources			
Increase in investments treated as liquid resources		**(544)**	(3,536)
Financing			
Net movement in loans and finance leases		**(3,183)**	(8,446)
Increase/(decrease) in cash		**151**	(714)

	Note	**2003 £000**	2002 £000
Reconciliation of net cash flow to movement in net debt			
Increase/(decrease) in cash		**151**	(714)
Net movement in loans and finance leases		**3,183**	8,446
Movement in liquid resources		**544**	3,536
Amortisation of loan costs		**(68)**	(44)
Exchange differences		**(811)**	722
Movement in net debt in the period		**2,999**	11,946
Net debt at the beginning of the period		**(41,021)**	(52,967)
Net debt at the end of the period	8	**(38,022)**	(41,021)

1. NOTES TO THE PRELIMINARY ANNOUNCEMENT

(a) The figures and financial information for the year ended 30 September 2003 do not constitute the statutory financial statements for that year. Those financial statements have not yet been delivered to the Registrar, nor have the auditors yet reported on them.

(b) The preliminary announcement has been prepared using accounting policies that are consistent with the policies detailed in the financial statements for the year ended 30 September 2002 and was approved by the Board of Directors on 3 December 2003.

2. Segmental Information
for the year ended 30 September 2003

	2003 £'000	2002 £'000
a) External sales by destination:		
Europe	**134,256**	133,163
North America	**108,150**	111,839
Rest of World	**6,101**	5,507
	248,507	250,509

b) By business sector:	**2003 External sales £'000**	**2003 Total operating profit £'000**	2002 External sales £'000	2002 Total operating profit/(loss) £'000
Before exceptional operating items				
Automotive Components	**180,240**	**3,301**	186,176	4,485
Technical Products	**68,267**	**7,191**	64,333	5,957
	248,507	**10,492**	250,509	10,442

c) After exceptional operating items	**2003 External sales £'000**	**2003 Total operating profit £'000**	2002 External sales £'000	2002 Total operating profit/(loss) £'000
Automotive Components	**180,240**	**3,301**	186,176	(1,853)
Technical Products	**68,267**	**7,191**	64,333	5,594
	248,507	**10,492**	250,509	3,741

	2003			2002
	External sales	**Total operating profit**	External sales	Total operating profit/(loss)
	£'000	**£'000**	£'000	£'000
d) By origin:				
Before exceptional operating items:				
Europe	**142,695**	**2,432**	137,348	2,013
North America	**105,812**	**8,060**	113,161	8,429
	248,507	**10,492**	250,509	10,442

e) After exceptional operating items:	**External sales**	**Total operating profit**	External sales	Total operating profit/(loss)
	£'000	**£'000**	£'000	£'000
Europe	**142,695**	**2,432**	137,348	(4,688)
North America	**105,812**	**8,060**	113,161	8,429
	248,507	**10,492**	250,509	3,741

The 2002 segmental information has been restated to combine the results of the United Kingdom and other European operations. In the opinion of the Directors, this better reflects the structural changes implemented in the past two years.

f) Analysis of external sales and total operating profit:	**2003** **£'000**	2002 £'000
External sales		
- First half of year	**123,548**	126,379
- Second half of year	**124,959**	124,130
	248,507	250,509
Total operating profit before exceptional items		
- First half of year	**5,424**	4,784
- Second half of year	**5,068**	5,658
	10,492	10,442

3. £4,784,000 of costs, treated as cost of sales in 2002, have been re-classified as administrative expenses, as this is considered a better classification of costs.

4. The taxation charge based on the results for the year comprises:

	2003 £'000	2002 £'000
Current tax		
UK corporation tax on profits of the year at 30% (2002: 30%)	**306**	28
Overseas taxes	**2,470**	1,802
Associated company	**-**	(13)
(Over)/under provision in previous years	**(324)**	576
	2,452	2,393
Deferred tax		
Origination and reversal of timing differences	**(336)**	(2,083)
	2,116	310

5. Profit and loss accounts of foreign group undertakings are translated at average rates of exchange and balance sheets are translated at year-end rates.

6. If approved, payment of the final dividend on the ordinary shares will be made on 30 January 2004 to shareholders on the register at the close of business on 16 January 2004. The total proposed final dividend will be £1,195,000 (2002: £1,077,000).

7. Basic earnings per share amounts to 20.3p (2002: loss 5.7p) and is based on profit after taxation and deduction of minority interests of £5,446,000 (2002: loss £1,571,000) and 26,779,000 ordinary shares (2002: 27,448,000) being the weighted average of the shares in issue during the year.

Earnings per share before exceptional items amounts to 20.3p (2002: 16.0p) and is based on profit after taxation and deduction of minority interests of £5,446,000 (2002: £4,403,000).

Earnings per share before goodwill amortisation and exceptional items amounts to 22.9p (2002: 18.3p) and is based on profit for the year (adjusted to add back goodwill amortisation and exceptional charges) of £6,127,000 (2002: £5,029,000).

The company has dilutive potential ordinary shares in respect of the Sharesave Option Scheme and Performance Share Plan. The diluted earnings per share amounts to 19.2p (2002: loss 5.7p) and is based on profit after taxation and deduction of minority interests of £5,446,000 (2002: loss £1,571,000) and 28,377,000 ordinary shares (2002: 28,007,000) being the weighted average of the shares in issue during the year adjusted to assume conversion of all dilutive potential ordinary shares.

Adjusted earnings per share figures have been calculated in addition to basic and diluted figures since, in the opinion of the directors, these provide further information for the understanding of the Group's performance.

8. Analysis of net debt

	As at 1 Oct 02 £'000	Cash flow £'000	Amortisation of loan issue costs £'000	Exchange movements £'000	As at 30 Sep 03 £'000
Cash at bank and in hand	8,042	(721)	-	242	**7,563**
Overdrafts	(1,864)	872	-	(16)	**(1,008)**
Debt due after 1 year	(29,992)	8,567	(68)	(900)	**(22,393)**
Debt due within 1 year	(20,676)	(5,425)	-	(43)	**(26,144)**
Finance leases	(67)	41	-	-	**(26)**
Current asset investments	3,536	544	-	(94)	**3,986**
	(41,021)	3,878	(68)	(811)	**(38,022)**

9. Copies of the directors' report and the audited financial statements for the year ended 30 September 2003 will be posted to shareholders by 17 December 2003 and may be obtained thereafter from the Company's registered office at Manvers House, Kingston Road, Bradford on Avon, Wiltshire, BA15 1AA (Telephone: 01225 861100)