

CHLORIDE INTERIM REPORT 2004

POWER PROTECTION

TOTAL SOLUTIONS

WIDE REACH

LEADING TECHNOLOGY



CONTENTS

- 1 HIGHLIGHTS
- 3 CHAIRMAN'S STATEMENT
- 6 SUMMARISED CONSOLIDATED PROFIT AND LOSS ACCOUNT
- 7 SUMMARISED CONSOLIDATED BALANCE SHEET
- 8 SUMMARISED CONSOLIDATED CASH FLOW STATEMENT
- 9 STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS
- 10 NOTES TO THE INTERIM FINANCIAL STATEMENTS

POWER

CHLORIDE

THROUGH RIGOROUS FOCUS ON INNOVATION, FLEXIBILITY AND RELIABILITY, CHLORIDE IS THE SUPPLIER OF CHOICE FOR POWER PROTECTION SOLUTIONS. ITS STRENGTHS DERIVE FROM APPLYING INNOVATIVE TECHNOLOGIES AND INDUSTRY-LEADING CUSTOMER SERVICE TO THE PROTECTION OF CRITICAL APPLICATIONS WORLDWIDE.

PROTECTION

HIGHLIGHTS

- > Sales up 3% to £77.7 million (2003: £75.1 million) – 9% growth at constant exchange rates
- > Total Solutions approach leads to further good growth in service revenues in excess of 12%
- > Operating profit before goodwill amortisation up 30% to £4.4 million (2003: £3.4 million)
- > Adjusted earnings per share before goodwill amortisation up 30% at 1.23p (2003: 0.95p). Basic EPS up 89% at 0.72p (2003: 0.38p)
- > Order intake up 9% at £83.6 million (2003: £76.8 million) compared to an estimated global growth rate of c.5%
- > Interim dividend up 6.25% at 0.85p (2003: 0.80p), reflecting the Board's continued confidence in future performance



CHAIRMAN'S STATEMENT

OVERVIEW Chloride has demonstrated good sales and profit growth in the first half of the year. It is encouraging to note that, despite continuing pricing pressure, our order book is significantly ahead of that at the last year-end in March and that Chloride continues to outperform the market. We are now realising good opportunities in the oil and gas, energy, health, retail, telecom-related and government sectors.

Businesses throughout the world are demanding higher levels of power quality for their mission-critical applications. Increasing failings in power quality and reliability pose serious and growing risks both to business and critical public infrastructure, and the demand for constant, clean power will continue to drive the market for power protection in developed and developing countries.

FINANCIALS Total sales were increased by 3% to £77.7 million (2003: £75.1 million) representing growth of 9% at constant exchange rates. Operating profit before goodwill amortisation was up an encouraging 30% to £4.4 million (2003: £3.4 million), after absorbing the adverse impact of pricing pressures in

the DC telecom business in France and a disappointing performance in China. Product margins overall have been maintained and once again double-digit growth in service revenues benefited the bottom line. Fixed overhead costs continued to be tightly managed.

Profit before tax and goodwill amortisation increased by 29% to £3.9 million (2003: £3.0 million), delivering adjusted earnings per share before goodwill amortisation of 1.23p – an increase of 30%.

Net debt increased to £16.6 million (31 March 2004: £14.4 million), mainly due to strategic investments in the business, including updating and expanding our Lyon facility, which is experiencing good growth in the oil and gas and energy sectors, and a major investment in IT to improve business processes and operating efficiency.

DIVIDEND Given our growing confidence in the prospects for the market and Chloride's ability to deliver further improvements in performance, the Board is pleased to announce an increase of 6.25% in the interim dividend to 0.85p (2003: £0.80p).

CHAIRMAN'S STATEMENT *continued*

Payment will be made on 7 December 2004 to shareholders on the register at the close of business on 5 November 2004.

TRADING Over the first half of the year, despite ongoing challenging market conditions, sales were up 9% at constant exchange rates, with particularly good growth being achieved in the oil and gas, energy, health, retail, government and telecom-related sectors.

Increased investment in the oil and gas and energy sectors continues to open up opportunities for us, with important projects in the North Sea and Middle East countries. The telecom-related sector is also displaying encouraging signs of growth particularly in the call centre- and data centre-related areas.

Government projects have proved to be an area of strong growth. Chloride now has more than 200 UPS systems installed at NHS and private healthcare sites in the UK, and provides solutions for a broad range of applications in local government and the emergency services across the country.

Service is a critical element of our Total Solutions approach and a key criterion in the selection of power protection suppliers by blue-chip customers. Service sales continued to grow strongly during the first half of the year, with sales growth in excess of 12%. Service now accounts for 29% of total revenues.

At constant exchange rates we achieved double digit sales growth in our largest market, Europe, reflecting improved market conditions and indicating an increase in market share.

Sales were also up in the USA, where we took advantage of the growth in demand for power conditioned UPS in the retail sector and power conditioners in the semiconductor sector.

TOTAL SOLUTIONS The objective of our total solutions approach is to provide an industry-leading combination of high-quality, innovative products and services with the flexibility and reliability to meet our customers' power protection needs on a global basis. This total package differentiates Chloride from its competitors and provides competitive advantage with blue-chip customers who demand leading-edge products and lifetime support for their mission-critical applications.

Our product development programme keeps Chloride at the forefront of power protection technology, with projects in the first half year including new high power UPS products in the 70-net and 90-net ranges, a new tower and rack mounted range of low power UPS systems, and an upgrade to our industry-leading remote monitoring system, LIFE.net, which will make this key part of our solution available to our low power range of UPS systems.

At our Lyon facility, the modular Apodyc range of products based on vector digital control technology that was introduced towards the end of the last financial year has proved successful with our customers in the oil and gas and energy sectors. During the current year we will be launching Aposyc, an important software tool which will enable us to improve our response and service to customers.

OUTLOOK Chloride continues to make good progress in growing markets despite intense competition. As we enter the second half, we are encouraged by the improving order trends in our key market sectors, which indicate that we are building market share, particularly in Europe, our largest geographic market.

The upturn in the trading environment, together with our continuing initiatives to increase competitive advantage and align our Total Solutions approach with our customers' needs, give us confidence that we can deliver further improvements in performance in the second half year.

NORMAN BROADHURST
Chairman

SUMMARISED CONSOLIDATED PROFIT AND LOSS ACCOUNT

(UNAUDITED)

Year to 31 March 2004 £000		Six months to 30 September 2004 £000	Six months to 30 September 2003 £000
153,171	Turnover	77,698	75,115
8,394	Operating profit before goodwill amortisation	4,372	3,369
(2,654)	Goodwill amortisation	(1,225)	(1,342)
5,740	Operating profit	3,147	2,027
(835)	Net interest payable	(495)	(360)
4,905	Profit on ordinary activities before taxation	2,652	1,667
(2,281)	Tax on profit on ordinary activities	(1,147)	(933)
2,624	Profit on ordinary activities after taxation	1,505	734
353	Minority interests	195	174
2,977	Profit for the period	1,700	908
(3,916)	Dividends	(2,019)	(1,897)
(939)	Loss retained	(319)	(989)
	Earnings per share		
2.37p	Adjusted	1.23p	0.95p
1.26p	Basic	0.72p	0.38p
1.25p	Diluted	0.72p	0.38p

SUMMARISED CONSOLIDATED BALANCE SHEET

(UNAUDITED)

At 31 March 2004 £000		At 30 September 2004 £000	At 30 September 2003 as restated (see note 6) £000
	Fixed assets		
35,547	Goodwill	34,891	39,572
18,168	Tangible assets	19,247	13,871
53,715		54,138	53,443
	Current assets		
26,077	Stocks	28,619	27,432
53,437	Debtors	52,980	48,840
9,992	Cash at bank and in hand	10,212	10,407
89,506		91,811	86,679
64,274	Creditors: amounts falling due within one year	63,017	68,464
25,232	Net current assets	28,794	18,215
78,947	Total assets less current liabilities	82,932	71,658
15,438	Creditors: amounts falling due after more than one year	19,991	5,081
13,031	Provisions for liabilities and charges	12,425	13,077
50,478	Net assets	50,516	53,500
50,946	Equity shareholders' funds	51,179	53,887
(468)	Minority interests	(663)	(387)
50,478	Total capital employed	50,516	53,500

SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

(UNAUDITED)

Year to 31 March 2004 £000		Six months to 30 September 2004 £000	Six months to 30 September 2003 £000
10,308	Cash inflow from operating activities	3,986	2,970
(835)	Returns on investments and servicing of finance	(495)	(360)
(2,537)	Taxation	(200)	(263)
(8,083)	Capital expenditure	(2,898)	(1,839)
(444)	Acquisitions and disposals	–	(90)
(3,791)	Equity dividends paid	(2,018)	(1,895)
	Cash outflow before use of liquid resources and financing	(1,625)	(1,477)
(5,382)	Management of liquid resources		
10,111	Net decrease in short-term deposits	307	9,883
	Financing		
(5,293)	Net cash inflow/(outflow) from financing	3,503	(9,244)
(564)	Increase/(decrease) in cash	2,185	(838)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

(UNAUDITED)

Year to 31 March 2004 £000		Six months to 30 September 2004 £000	Six months to 30 September 2003 £000
2,977	Profit for the period	1,700	908
(3,702)	Currency translation differences on foreign currency net investments	499	(586)
(725)	Total recognised gains for the period	2,199	322

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

(UNAUDITED)

Year to 31 March 2004 £000		Six months to 30 September 2004 £000	Six months to 30 September 2003 as restated (see note 6) £000
2,977	Profit for the period	1,700	908
(3,916)	Dividends	(2,019)	(1,897)
(3,702)	Exchange adjustments	499	(586)
88	New share capital issued	45	–
37	Share premium thereon	8	–
19	Movement in respect of own shares	–	19
(4,497)	Net increase/(decrease) in equity shareholders' funds	233	(1,556)
55,443	Opening equity shareholders' funds	50,946	55,443
50,946	Closing equity shareholders' funds	51,179	53,887

NOTES TO THE INTERIM FINANCIAL STATEMENTS

(UNAUDITED)

I SEGMENTAL INFORMATION

Year to 31 March 2004			Six months to 30 September 2004		Six months to 30 September 2003	
Turnover £000	Profit/(loss) before interest £000		Turnover £000	Profit/(loss) before interest £000	Turnover £000	Profit/(loss) before interest £000
121,399	8,278	Europe	60,823	4,197	58,448	3,409
20,858	727	Americas	10,983	645	11,018	290
10,914	(611)	Asia and Australasia	5,892	(470)	5,649	(330)
153,171	8,394	Total	77,698	4,372	75,115	3,369
–	(2,654)	Goodwill amortisation	–	(1,225)	–	(1,342)
153,171	5,740		77,698	3,147	75,115	2,027

2 PREPARATION OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements, which are unaudited, have been prepared on the basis of the accounting policies set out in the 2004 annual report.

The comparative figures for the year ended 31 March 2004 do not comprise full financial statements and have been extracted from the 2004 statutory accounts, which have been filed with the Registrar of Companies. The auditors' opinion on those accounts was unqualified and did not include any statement under section 237 of the Companies Act 1985.

3 TAXATION

The tax charge provided at the half year is based on the estimated effective tax rate for each undertaking in the Group applicable to the year to 31 March 2005 as applied to the taxable profits for the period.

4 EARNINGS PER SHARE

Year to 31 March 2004 Million		Six months to 30 September 2004 Million	Six months to 30 September 2003 Million
237.1	Weighted average number of 25p ordinary shares – basic and adjusted	237.4	236.2
0.2	Adjustment for shares under option	0.3	0.2
237.3	Weighted average number of 25p ordinary shares – diluted	237.7	236.4
£000		£000	£000
2,977	Profit for basic and diluted earnings per share calculations	1,700	908
2,654	Goodwill amortisation	1,225	1,342
5,631	Profit for adjusted earnings per share calculation	2,925	2,250
2.37p	Earnings per share – Adjusted	1.23p	0.95p
1.26p	– Basic	0.72p	0.38p
1.25p	– Diluted	0.72p	0.38p

The weighted average number of shares excludes shares held by the Chloride Group Employee Benefit Trust.

The directors consider that the adjusted earnings per share figures more accurately reflect the underlying performance of the business.

NOTES TO THE INTERIM FINANCIAL STATEMENTS continued

(UNAUDITED)

5 CASH FLOW STATEMENT SUPPORTING INFORMATION

a) Reconciliation of net cash flow to movement in net debt

Year to 31 March 2004 £000		Six months to 30 September 2004 £000	Six months to 30 September 2003 £000
(564)	Increase/(decrease) in cash	2,185	(838)
5,437	Net cash (inflow)/outflow from movement in debt and lease financing	(3,458)	9,244
(10,111)	Cash inflow from (decrease) in liquid resources	(307)	(9,883)
(346)	Exchange rate translation differences	(587)	(356)
(5,584)	Increase in net debt	(2,167)	(1,833)
(8,845)	Net debt at 1 April	(14,429)	(8,845)
(14,429)	Net debt at 30 September	(16,596)	(10,678)

b) Reconciliation of operating profit to net cash flow

Year to 31 March 2004 £000		Six months to 30 September 2004 £000	Six months to 30 September 2003 £000
5,740	Operating profit	3,147	2,027
6,331	Depreciation and amortisation	3,088	3,003
221	Book (gain)/loss on sale of tangible assets	(25)	8
1,892	(Increase)/decrease in stocks	(2,005)	1,626
(5,002)	Decrease/(increase) in debtors	70	157
1,126	(Decrease)/increase in creditors and provisions	(289)	(3,851)
10,308	Cash inflow from operating activities	3,986	2,970

c) Analysis of net debt

Year to 31 March 2004 £000		At 30 September 2004 £000	At 30 September 2003 £000
9,614	Cash	10,288	9,859
(6,908)	Overdrafts	(5,620)	(6,996)
(1,131)	Debt due within one year	(19,700)	(8,850)
(15,034)	Debt due after more than one year	(1,180)	(4,694)
(855)	Discounted trade bills	–	(3)
(493)	Finance lease obligations	(447)	(542)
378	Liquid resources	63	548
(14,429)	Net debt	(16,596)	(10,678)

6 RE-STATEMENT OF PRIOR HALF YEAR

The company adopted UIFT Abstract 38 "Accounting for ESOP Trusts" in its year-end accounts for 31 March 2004. This Abstract requires companies to show shares owned by employee trusts as a deduction from equity. These amounts had previously been shown as investments. As a consequence we have re-stated the balance sheet at 30 September 2003 to conform to this Abstract.



**CHLORIDE
GROUP PLC**

Abford House
15 Wilton Road
London SW1V 1LT

www.chloridegroup.com