

# SSL International plc

**Interim Results** for the six months  
ended 30th September 2003



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# Overview

- Summary of Results

	6 Months Ended:	
	30/9/03 £'m	30/9/02 £'m
Sales	317.7	308.5
Operating Profit*	32.8	30.5
Operating Margin*	10.3%	9.9%
Free Cashflow	13.9	(2.4)

# Corporate Activity Update

- **Divestments**
  - Marigold Industrial Gloves
  - Medical Division
  
- **Conclusion of SFO Investigation**

# Durex – Reconfirming the strategy

Actual 30/9/03 £'m	FX Adjusted 30/9/02 £'m	Growth %
71.1	65.6	8.4%

- Simplified product range
  - Reduced SKU's
  - Consistent packaging & range
  - Easier to roll-out innovation globally
- Continued focus on youth
  - Effective advertising
  - 'Love' launched in Italy;
  - 'Fun' launched in Spain
  - Global Sex Survey



# Durex – New Products

- Recent product launches
  - Performa
  - Sensation
  - ‘Play’ lubricant



- New product launches
  - Pleasuremax
  - Comfort XL

# Scholl

	<b>Actual</b> 30/9/03 £'m	<b>FX Adjusted</b> 30/9/02 £'m	<b>Growth</b> %
Footcare	46.1	45.4	1.5%
Footwear	33.5	34.5	(2.9%)

- **Background**
  - Brand management
  - Complexity

# Scholl Brand Strategy

- How are we simplifying the current product range?
  - Reducing SKU's from c.1000 to c.500
  - Creating a consistent product range and pack design
  - Focusing on scientific benefits and the efficacy of products
- How will this benefit the Scholl brand?
  - Focused strategy
  - Supply chain efficiencies
  - Easier roll-out of new products



# Scholl Innovation

- Footcare

- Insoles

- Party Feet
    - Spring Action Inserts



- Footwear

- Encouraging uptake of S/S 2004 range

# Other Consumer Products

<b>Actual</b>	<b>FX Adjusted</b>	<b>Growth</b>
<b>30/9/03</b>	<b>30/9/02</b>	
<b>£'m</b>	<b>£'m</b>	<b>%</b>
38.3	41.1	(6.8%)

- UK OTC sales grown at 1.5% to £20.5m
  - oral analgesics is best performing category (Syndol, Cuprofen and Paramol)
- Italian OTC sales have declined by 8% to £8.3m as pharmacy de-stocking continues

# Organisational Change

- IT system implementation
- Manufacturing
  - Cambridge
  - Bootle
- Cost saving projects

# Financial Highlights

- Sales are up 3% to £318 million
- Gross margin at 59.5% of sales; 1% improvement on last year
- Operating margin improved to 10.3% from 9.9%
- Cost reduction programme is achieving results
- Free cashflow generated of £14 million

# Profit & Loss Account

	6 Months Ended:	
	30/9/03 £'m	30/9/02 £'m
<b>Sales</b>	<b>317.7</b>	<b>308.5</b>
<b>Gross Profit</b>	<b>188.8</b>	<b>180.4</b>
A&P	(42.1)	(40.9)
Variable Selling Expenses	(23.6)	(19.2)
<b>Brand Contribution</b>	<b>123.1</b>	<b>120.3</b>
R&D	(5.7)	(6.3)
SG&A	(86.9)	(85.0)
Associates	2.3	1.5
<b>Operating Profit</b>	<b>32.8</b>	<b>30.5</b>

# Total Sales

	As Reported		FX Adjusted	Growth	
	30/09/03 £'m	30/09/02 £'m	30/09/02 £'m	Reported %	FX Adjusted %
Branded Consumer	189.0	179.4	186.6	5.4%	1.3%
Medical	92.6	90.5	89.2	2.3%	3.8%
Other	21.2	22.5	23.4	(5.8%)	(9.4%)
<b>Continuing Activities</b>	<b>302.8</b>	<b>292.4</b>	<b>299.2</b>	<b>3.6%</b>	<b>1.2%</b>
Industrial Gloves	14.9	16.1	16.4	(7.5%)	(9.1%)
<b>Total</b>	<b>317.7</b>	<b>308.5</b>	<b>315.6</b>	<b>3.0%</b>	<b>0.7%</b>

# Branded Consumer Sales

	As Reported		FX Adjusted	Growth	
	30/09/03 £'m	30/09/02 £'m	30/09/02 £'m	Reported %	FX Adjusted %
Family Planning	71.1	63.7	65.6	11.6%	8.4%
Footcare	46.1	43.0	45.4	7.2%	1.5%
Footwear	33.5	32.8	34.5	2.1%	(2.9%)
Other Consumer	38.3	39.9	41.1	(4.0%)	(6.8%)
<b>Total</b>	<b>189.0</b>	<b>179.4</b>	<b>186.6</b>	<b>5.4%</b>	<b>1.3%</b>

# Medical Sales

	As Reported		FX Adjusted	Growth	
	30/09/03 £'m	30/09/02 £'m	30/09/02 £'m	Reported %	FX Adjusted %
Surgical Gloves	51.3	49.8	48.5	3.0%	5.8%
Hibi	10.7	11.6	11.8	(7.8%)	(9.3%)
Wound Management	23.1	22.2	22.5	4.1%	2.7%
Silipos	7.5	6.9	6.4	8.7%	17.2%
<b>Total</b>	<b>92.6</b>	<b>90.5</b>	<b>89.2</b>	<b>2.3%</b>	<b>3.8%</b>

# Margin Analysis

	6 Months Ended:	
	30/9/03	30/9/02
Gross Margin	59.5%	58.5%
Brand Contribution	38.7%	39.0%
Operating Profit	10.3%	9.9%

# Cost Analysis

	6 Months Ended:	
	30/9/03 £'m	30/9/02 <sup>(1)</sup> £'m
<b>Sales</b>	<b>317.7</b>	<b>315.6</b>
<b>Costs:</b>		
Cost of Goods	128.9	131.1
Advertising & Promotion	42.1	41.9
Variable Selling Costs	23.6	19.9
R&D	5.7	6.3
Divisional Operating Expenses	61.9	62.0
Central Operating Expenses	27.6	23.6
Other Income & Expense <sup>(2)</sup>	(2.6)	0.9
<b>Total Costs</b>	<b>287.2</b>	<b>285.7</b>
<b>Operating Profit Pre Associates</b>	<b>30.5</b>	<b>29.9</b>

# Impact of Cost Reduction Initiatives

	Cost of Sales £'m	Operating Expenses £'m	Total £'m
<b>Base costs @ 30/9/02</b>	<b>131.1</b>	<b>91.9</b>	<b>223.0</b>
Labour Inflation Effect (est. @ 4%)	5.2	1.7	6.9
IT		3.0	3.0
Pension/Legal		2.0	2.0
<b>"Expected" Costs</b>	<b>136.3</b>	<b>98.6</b>	<b>234.9</b>
Costs @ 30/9/03	128.9	95.2	224.1
<b>"Saving"</b>	<b>7.4</b>	<b>3.4</b>	<b>10.8</b>

# Exceptional Costs

	Cash £'m	Non-Cash £'m	Total £'m
Manufacturing Restructuring	1.2	2.2	3.4
Commercial Restructuring	0.5	-	0.5
European Logistics & IT	5.1	-	5.1
Other	3.0	-	3.0
<b>Total</b>	<b>9.8</b>	<b>2.2</b>	<b>12.0</b>

# Exceptional Cost Payback

	12 Months To 31/3/03 £'m	6 Months To 30/9/03 £'m	Total £'m
<b>Exceptional Costs:</b>			
Reported Exceptional Costs	20.0	12.0	32.0
Less: Non-Recurring Charges	(9.0)	(4.0)	(13.0)
<b>Performance Improvement Initiatives</b>	<b>11.0</b>	<b>8.0</b>	<b>19.0</b>
<b>Benefits:</b>			
Cost of Sales	8.8	7.4	16.2
Operating Expenses	3.7	3.4	7.1
<b>Total Benefits</b>	<b>12.5</b>	<b>10.8</b>	<b>23.3</b>
<b>Payback</b>		<b>15 months</b>	

# Interest & Tax

	6 Months Ended:	
	30/9/03 £'m	30/9/02 £'m
<b>Interest</b>		
Closing net debt	294.4	322.8
Net interest charge for the period	11.3	11.5
Interest cover (times)*	2.9	2.7
Interest cover/EBITDA*	4.9	3.7
Net Debt/EBITDA (times)*	2.7	3.4
<b>Taxation</b>		
Pre-exceptional tax charge in the period	6.5	5.7
As a % of pre-exceptional profit	30%	30%

# Earnings & Dividends Per Share

	6 Months Ended:	
	30/9/03 pence	30/9/02 pence
<b>Earnings per share</b>		
Basic and fully diluted	3.2	3.5
Basic, adjusted for amortisation	4.8	5.3
<b>Earnings per share (pre-exceptional)</b>		
Basic and fully diluted	7.9	7.0
Basic, adjusted for amortisation	9.6	8.5
<b>Dividends per share</b>	<b>3.9</b>	<b>3.9</b>

# Working Capital Ratios

	<b>As at: 30/9/03 £'m</b>	<b>As at: 30/9/02 £'m</b>
Sales	317.7	308.5
Net Working Capital	134.1	153.3
Working Capital/Sales Ratio	21.1%	24.8%

# Cash Flow Highlights

	6 Months Ended:	
	30/9/03 £'m	30/9/02 £'m
Operating inflow pre-exceptional	46.6	23.1
Exceptional cash costs	(12.2)	(8.3)
Capital investment (net)	(7.5)	(3.2) <sup>(1)</sup>
<b>Operating cash flow</b>	<b>26.9</b>	<b>11.6</b>
Interest & tax	(13.0)	(14.0)
<b>Free cash flow</b>	<b>13.9</b>	<b>(2.4)</b>

# Summary

- Strong performance from Durex
- Platform for growth for Scholl
- Marigold Industrial disposal completed
- Medical division divestment on track

# Appendix

# Underlying Sales Calculation

	Branded Consumer £'m	Medical £'m	Other £'m	Continuing Business £'m	Industrial Gloves £'m	Total £'m
<b>Reported Sales at 30/9/03</b>	<b>189.0</b>	<b>92.6</b>	<b>21.2</b>	<b>302.8</b>	<b>14.9</b>	<b>317.7</b>
Reported Sales at 30/9/02	179.4	90.5	22.5	292.4	16.1	308.5
Foreign Exchange	7.2	(1.3)	0.9	6.8	0.3	7.1
<b>Underlying Sales at 30/9/02</b>	<b>186.6</b>	<b>89.2</b>	<b>23.4</b>	<b>299.2</b>	<b>16.4</b>	<b>315.6</b>
<b>Underlying Sales Growth</b>	<b>1.3%</b>	<b>3.8%</b>	<b>(9.4%)</b>	<b>1.2%</b>	<b>(9.1%)</b>	<b>0.7%</b>

# Major Sales Territories – Durex

	Reported Sales 30/9/03 £'m	Market Growth %	SSL Market Share		FX Adjusted Sales 30/9/02 £'m
			30/09/03 %	30/09/02 %	
UK	14.9	5.4	81	79	13.2
Italy	9.2	(2.4)	59	59	10.2
France	4.1	12.6	39	33	3.3
USA	10.5	3.5	14	15	11.0
Other	32.4	*	*	*	27.9
<b>Total Durex</b>	<b>71.1</b>				<b>65.6</b>

# Major Sales Territories – Scholl Footcare

	Reported Sales 30/9/03 £'m	Market Growth %	SSL Market Share		FX Adjusted Sales 30/9/02 £'m
			30/09/03 %	30/09/02 %	
UK	11.4	6.0	39	42	11.5
Italy	4.9	4.6	31	31	4.9
France	6.2	9.9	54 <sup>(1)</sup>	53 <sup>(1)</sup>	5.9
Other	23.6	*	*	*	23.1
<b>Total Scholl Footcare</b>	<b>46.1</b>				<b>45.4</b>

# Major Sales Territories – OTC

	Reported Sales 30/9/03 £'m	Market Growth %	SSL Market Share		FX Adjusted Sales 30/9/02 £'m
			30/09/03 %	30/09/02 %	
UK	20.5	1.6	8	8	20.2
Italy	8.3	(2.4)	37	39	9.1
Other	4.9	*	*	*	6.5
<b>Total OTC</b>	<b>33.7</b>				<b>35.8</b>