



Titan Europe Plc
Interim Report for the six months ended 30 June 2004

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Chief Executive's Statement

I am pleased to present the unaudited interim results for Titan Europe Plc ("Titan Europe") for the six months ended 30 June 2004, our first trading statement since our admission to AIM on 7 April 2004.

Trading results have been better than expected with sales up 20.53% compared to the half year to 30 June 2003. This is reflected in the profit before tax and flotation costs of £4,474k compared to £2,572k for the same period last year. This has been achieved against a background of strong upward pressure on steel prices as well as difficulties in maintaining regular supply lines for certain steel specifications, where market shortages have been common. At the same time we have had to meet increasing demand for our products.

We are grateful to our customers who have generally adopted a responsible attitude towards the unwelcome increase in steel prices and recognised our efforts and the actions that have been necessary to maintain supply. The Group's future performance is dependent on our ability to maintain an appropriate balance between steel supply prices and selling prices.

Titan Europe's unaudited first half 2003 and 2004 results expressed in UK GAAP are as follows:

	Unaudited results for six months ended 30 June 2004 £'000	Unaudited results for six months ended 30 June 2003 £'000
Sales	54,642	45,336
Operating profit	4,218	2,630
Profit before tax & flotation costs	4,474	2,572
Flotation costs	(877)	–
Tax	(1,963)	(362)
Profit after tax	1,634	2,210

Chief Executive's Statement

continued

Following discussion with our auditors, PricewaterhouseCoopers, advice which we understood to have been given by PricewaterhouseCoopers, that the costs of flotation should be offset against the share premium account has been changed and we have now been advised to show these costs as an exceptional charge against the profit and loss account. This advice was confirmed after the provisional release of figures on 29 July 2004.

On 29 July 2004, Titan Europe announced that it had entered into a conditional agreement to acquire the entire share capital of an Australasian manufacturer and distributor of wheels and of underbody equipment and other parts for agricultural vehicles and machinery. At the time of writing, although progress is being made, the conditions, subject to which the agreement was entered into, have not been satisfied. It is anticipated that a further announcement will be made when the conditions are satisfied and the agreement completed.

On flotation, the Company indicated its policy would be to pay a dividend of around 4%, split one third and two thirds between interim and final. For the nine months of trading that will have elapsed for 2004, (7 April to 31 December), the Directors therefore anticipated a pro-rata 3% total dividend based on the issue price of £1.25 per share and have decided to pay an interim dividend of 1.25p per share. This interim dividend will be paid on Friday 8 October 2004 to those shareholders on the register at the close of business on Friday 10 September 2004.

Mike Akers

24 August 2004

Consolidated Profit and Loss Account

	Note	Six months ended 30 June 2004 Unaudited £'000	Six months ended 30 June 2003 Unaudited £'000	Year ended 31 December 2003 Audited £'000
Turnover				
Continuing operations		54,644	45,341	87,937
Acquisitions		–	–	1,032
Total Turnover		54,644	45,341	88,969
Cost of sales		(44,518)	(38,370)	(75,460)
Gross Profit		10,126	6,971	13,509
Distribution costs		(2,022)	(1,664)	(3,216)
Administrative expenses excluding exceptional costs		(3,849)	(2,495)	(6,013)
Exceptional costs	3	(991)	–	–
Administrative expenses		(4,840)	(3,963)	(6,013)
Other operating (expenses)/income		77	(182)	46
Operating Profit				
Continuing operations		3,341	2,630	4,284
Acquisitions		–	–	42
Total operating profit		3,341	2,630	4,326
Share of operating profit of associates		717	317	1,344
Total operating profit including share of associates		4,058	2,947	5,670
Net interest payable and similar charges		(461)	(375)	(668)
Profit on ordinary activities before taxation		3,597	2,572	5,002
Tax on profit on ordinary activities	4	(1,963)	(362)	(1,554)
Profit on ordinary activities after taxation		1,634	2,210	3,448
Retained profit for the period		1,634	2,210	3,448
Earnings per 40p ordinary share				
Basic and diluted	2	4.27p	5.78p	9.01p
Basic excluding goodwill amortisation	2	4.89p	5.24p	9.10p
Earnings per 40p ordinary share (before Flotation Costs)				
Basic and diluted		6.56p	5.78p	9.01p
Basic excluding goodwill amortisation		7.18p	5.24p	9.10p

Consolidated Balance Sheets

	30 June 2004 Unaudited £'000	30 June 2003 Unaudited £'000	31 December 2003 Audited £'000
Fixed assets			
Intangible assets			
Goodwill	3,896	2,933	4,054
Negative goodwill	(64)	(109)	(87)
	3,832	2,824	3,967
Other intangible assets	202	243	252
	4,034	3,067	4,219
Tangible fixed assets	30,844	30,930	32,714
Investments			
Other investments	165	26	26
Share of net assets of associated undertaking	4,464	3,762	4,292
Goodwill arising on the acquisition of associated undertaking	3,122	3,328	3,225
Total share of associated undertaking	7,586	7,090	7,543
	42,629	41,113	44,476
Current assets			
Stock	19,620	20,705	20,678
Debtors	32,039	32,263	29,529
Cash at bank and in hand	7,032	2,492	2,531
	58,691	55,460	52,738
Creditors: amounts falling due within one year	(30,450)	(32,696)	(31,116)
Net current assets	28,241	22,764	21,622
Total assets less current liabilities	70,870	63,877	66,098
Creditors: amounts falling due after more than one year	(15,838)	(10,789)	(11,425)
Provisions for liabilities and charges	(4,761)	(4,764)	(4,942)
Net assets	50,271	48,324	49,731
Capital and reserves			
Called up share capital	15,300	15,300	15,300
Share premium account	10,000	10,000	10,000
Profit and loss account	18,513	16,566	17,973
Other reserves	6,458	6,458	6,458
Equity shareholders' funds	50,271	48,324	49,731

Consolidated Cash Flow Statements

	Note	Six months ended 30 June 2004 Unaudited £'000	Six months ended 30 June 2003 Unaudited £'000	Year ended 31 December 2003 Audited £'000
Net cash inflow from operating activities	6	8,123	2,678	6,405
Dividends received from interest in associated undertaking		124	131	131
Returns on investments and servicing of finance				
Interest received		169	160	206
Interest paid		(413)	(411)	(616)
Interest element of finance lease payments		(220)	(124)	(435)
Net cash outflow from returns on investments and servicing of finance		(464)	(375)	(845)
Taxation		(1,156)	(1,262)	(2,058)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(1,457)	(1,798)	(3,421)
Purchase of intangible fixed assets		(15)	(25)	(53)
Sale of tangible fixed assets		47	79	143
Sale of intangible fixed assets		–	–	6
Net cash outflow for capital expenditure & financial investment		(1,425)	(1,744)	(3,325)
Acquisitions				
Purchase of subsidiary undertakings	7	(139)	–	–
Net overdrafts acquired with subsidiary undertakings		–	–	(6)
Net cash outflow for acquisitions		(139)	–	(6)
Net cash inflow/(outflow) before financing		5,063	(572)	302
Financing				
Capital element of finance lease borrowings		(802)	7,990	7,243
Reduction in borrowings		5,397	(13,242)	(16,457)
Net cash inflow/(outflow) from financing		4,595	(5,252)	(9,214)
Increase/(decrease) in net cash		9,658	(5,824)	(8,912)

Group Reconciliation of Movements in Shareholders' Funds

	Six months ended 30 June 2004 Unaudited £'000	Six months ended 30 June 2003 Unaudited £'000	Year ended 31 December 2003 Audited £'000
Profit for the financial period	1,634	2,210	3,448
Cumulative in translation adjustment	(1,094)	907	1,076
Shareholders' funds at beginning of the period	(49,731)	45,207	45,207
Shareholders' funds at the end of the period	50,271	48,324	49,731

Group Statement of Total Recognised Gains and Losses

	Six months ended 30 June 2004 Unaudited £'000	Six months ended 30 June 2003 Unaudited £'000	Year ended 31 December 2003 Audited £'000
Profit for the financial period	1,634	2,210	3,448
Cumulative translation adjustment offset in reserves	(1,094)	907	1,076
Total gains for the period	540	3,117	4,524

Notes to the Interim Accounts

1. The interim results to 30 June 2004 have been prepared on the historical cost basis, consistent with the accounting policies adopted in the group financial statements for the year ended 31 December 2003. They are neither audited nor reviewed. The comparative information for the year ended 31 December 2003 is extracted from the group financial statements, which included an unqualified audit report. The accounts have been prepared on a going concern basis and in accordance with the Companies Act 1985 and applicable UK accounting standards.

2. During the listing process the share capital was divided by 2.5 to 1 resulting in each £1 share being divided into 2.5, 40p shares. The share capital was unaltered. The earning per ordinary share in 2003 has been adjusted accordingly. The weighted average number of shares used in each of the calculations is 38,250,000 and the earning to which this has been applied are as follows:

	Profit for the period £'000	Goodwill amortisation £'000	Profit for the period excluding goodwill amortisation £'000
6 months to 30 June 2004	1,634	237	1,871
6 months to 30 June 2003	2,210	(208)	2,002
12 months to 31 December 2003	3,448	33	3,481

3. Exceptional costs include costs related to the listing process for admission to the AIM market of the London Stock Exchange for an amount of £877,000 and French reorganisation costs for £114,000.

4. A one-off tax benefit in 2003 (tax relief on Italian dividends) of £903,000 reduced the tax charge and increased the profit after taxation for first half 2003.

Notes to the Interim Accounts

continued

5. Reconciliation to net debt

	Six months ended 30 June 2004 Unaudited £'000	Six months ended 30 June 2003 Unaudited £'000	Year ended 31 December 2003 Audited £'000
Net debt at 1 January	(19,224)	(16,879)	(16,879)
Increase/(decrease) in cash	9,658	(5,824)	(8,912)
Movements in borrowings	(4,595)	5,252	9,214
Other non-cash changes	(55)	94	(2,185)
Exchange adjustments	747	(436)	(462)
Net debt at the end of the period	(13,469)	(17,793)	(19,224)

6. Cash flow from operating activities

	Six months ended 30 June 2004 Unaudited £'000	Six months ended 30 June 2003 Unaudited £'000	Year ended 31 December 2003 Audited £'000
Operating Profit	3,341	2,630	4,326
Depreciation of tangible fixed assets	2,471	2,389	4,812
(Profit) on disposal of fixed assets	(10)	(46)	(44)
Amortisation of intangible fixed assets	190	(214)	(131)
Decrease/(increase) in stocks	237	(1,780)	(482)
(Increase) in debtors	(6,564)	(3,580)	(1,618)
Increase/(decrease) in creditors	8,444	3,297	(454)
Increase/(decrease) in provisions	14	(18)	(4)
Net cash inflow from continuing operations	8,123	2,678	6,405

7. The cash flow shows, under the item purchase of subsidiary undertakings, the costs incurred as at 30 June 2004 for the acquisition of an Australian company, which is ongoing at the half year.

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