

Yule Catto & Co plc

Preliminary Results for the year ended 31 December 2009

Underlying profits strongly ahead and further substantial reduction in net debt

FINANCIAL HIGHLIGHTS

- Profit before taxation* up 27% to £41.5m (2008 £32.7m)
- Operating profit* ahead in all divisions
- Polymers operating profit ahead by 27%
- Earnings per share* up 19% at 21.3p (2008 17.9p)
- Substantial reduction in net debt* to £88m (2008 £135m)
- Dividend to recommence in 2010

* Before special items, as defined in notes 1 and 9

OPERATIONAL HIGHLIGHTS

- 44% of Group revenue now generated in Asia and other high growth developing countries
- Solid new product development pipeline underpins Polymers robust market positions
- Polymer joint venture established in Egypt to produce floor covering products for the Middle East
- Pharma division registered six new Drug Master Files in the year and completed manufacturing transfer to Mexico and Spain
- Continued focus on geographic growth opportunities, particularly in emerging markets

Adrian Whitfield, Chief Executive, comments:

"2009 was an extremely good year for Yule Catto, with all businesses reporting increased profits, underlying Group profit before tax ahead 27% and net debt reduced to £88 million."

"We have comfortably beaten our debt reduction target twelve months ahead of plan, and I am delighted that we will therefore be recommencing dividend payments in 2010. The Board has already determined that the full year dividend for 2010 will be no less than 5p per ordinary share."

"Looking forward we expect western economies to grow slowly for several years with global growth generally driven from emerging markets. Our business model is well adapted to this scenario, with approaching half of our Group revenues generated in Asia and other high growth developing economies, and with our European business now better focused and more efficient. We have robust positions within our chosen market sectors, a healthy new product pipeline, and a significantly strengthened balance sheet. Against this background 2010 has made a solid start and we are confident about the prospects for the Group in the years ahead."

10 March 2010

ENQUIRIES:

Yule Catto & Co plc

Adrian Whitfield, Chief Executive
David Blackwood, Finance Director

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RESULTS SUMMARY

	Underlying performance ^(a)		IFRS	
	2009 £'000 audited	2008 £'000 audited	2009 £'000 audited	2008 £'000 audited
Continuing Operations				
Total sales (b)	543,398	602,153	543,398	602,153
EBITDA (c)	66,082	58,630	66,082	58,630
Operating profit	51,406	43,192	21,406	40,786
Profit before taxation	41,537	32,690	7,136	38,899
Earnings per share	21.3p	17.9p	4.1p	22.2p
Dividend per share (d)	-	4.0p	-	4.0p
Net borrowings (e)	88,038	135,482	97,646	161,448
Cash generated from operations	64,499	44,299	64,499	44,299
Free cash flow before dividends (f)	39,001	7,781	39,001	7,781

Notes:

The above table represents the results of Yule Catto & Co plc, its subsidiaries and its share of joint ventures.

(a) Underlying performance excludes special items as shown on the Consolidated Income Statement.

(b) As defined in the glossary of terms at note 9.

(c) As defined in the glossary of terms at note 9 and reconciled at note 6.

(d) See note 7.

(e) The Group has term debt raised in US dollars and swapped into sterling using derivatives. Underlying net debt (net borrowings) includes the mark to market on these derivatives, as shown on the Consolidated Balance Sheet on page 14.

(f) As shown within the Consolidated Cash Flow Statement on page 15.

Cautionary statement

The purpose of this report is to provide information to the members of the Company. It contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this report and the company undertakes no obligation to update these forward-looking statements. Nothing in this report should be construed as a profit forecast.

Underlying performance

Underlying performance excludes special items as detailed in note 9 of this report. Unless stated otherwise all comments in the narrative section of this report refer to the underlying performance.

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BUSINESS REVIEW

CHAIRMAN'S STATEMENT

2009 was an extremely good year for Yule Catto, with operating profit in all three Divisions ahead of the prior year despite the environment with a strong increase in Group pre-tax profit, and a substantial reduction in net debt considerably ahead of schedule.

Group profit before tax increased by 27% to £41.5 million, and earnings rose by 19% to 21.3 pence per share.

We entered 2009 with concerns about how the year would develop given the substantial global economic contraction in late 2008 and the ongoing financial crisis. However, we took decisive action on costs which helped underpin a resilient underlying performance across the Group. We also benefitted from the recent work done both to restructure the balance sheet and to improve the profile of the Group's business portfolio. The geographic balance of the Group has changed markedly in recent years with 44% of Group revenues now generated in Asia and other high growth developing economies, and this is standing us in very good stead.

Our core business of Polymers accounted for 84% of Group revenue in 2009 and 88% of divisional operating profits. Volumes were inevitably down on 2008 as a result of the global economic slowdown. However, margin management and tight cost control, together with the benefit of the weaker pound, resulted in a strong performance throughout the year.

Our strategy in Polymers remains focused on geographical expansion around existing business hubs, further increasing our presence in emerging markets particularly in Asia, and in developing market sectors where our technology, new product development and manufacturing capabilities give us real competitive advantage. With the global contraction in the chemicals sector in 2009, our focus was on cost control, process efficiency and product development. However, as we move forward we expect to invest in further manufacturing capacity in Asia during 2010 in order to meet the rising demand.

Our Pharma business now represents just 12% of Group revenue, and 9% of divisional operating profit. It was not immune from the global economic problems in 2009 and volumes were adversely affected. However, it continued to grow its range of products with the registration of six further Drug Master Files in the year. During the year we concluded the exit of our Italian site as planned and the movement of product manufacture to other sites in Mexico and Spain, which should create further benefit to the business during 2010.

The strategy of restructuring and divesting our Impact portfolio was largely completed during 2008 with the sale of four of our five Impact businesses. During 2009 profitability in the remaining business, William Blythe, improved and we expect it will continue to show further improvement over the course of 2010.

As we entered 2009, the Board made the decision to suspend the dividend whilst the Group completed its balance sheet restructuring, and set a target to reduce net debt below £100 million within 24 months. I am delighted that we have already comfortably exceeded this target, some 12 months ahead of schedule, with net debt now at £88 million. As a result, we are in a position to recommence interim and final dividend payments in 2010. Whilst the dividend suspension was made reluctantly it has proved to be the right decision and we are now a much stronger Group financially.

Whilst the Board will not conclude on the final level of the dividend payout for 2010 until the year is complete, it has already determined that the total dividend for the year will be not less than 5 pence per ordinary share.

As a further measure to improve the financial strength of the Group, we took the decision to close the UK defined benefit pension scheme to further accrual. Most active members left the scheme at the end of 2009, and the scheme will be fully closed by September 2010, after which time no new liabilities will accrue to the scheme.

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The Group is absolutely committed to the continuous improvement of its performance in respect of Safety, Health and the Environment. The Group again showed further annual improvement across a range of performance measures in this area, and has substantially bettered the ten year targets it published and has reported against since 2000.

I would like to thank all of our employees for their support during what has been a challenging year. Without their contribution, support and understanding of some of the difficult decisions that were taken during the year, the company could not have delivered such substantial improvements in performance. During the year we slimmed down the Board, which now comprises two executive and six non-executive members. Richard Hunting and Dato' Seri Lee Oi Hian stepped down as non-executive Directors at the last AGM and I would like to thank them for their support and contribution during their long service to the Group.

Looking forward, we expect western economies to grow slowly for several years with global growth generally driven from emerging markets. Our business model is well adapted to this scenario, with approaching half of our Group revenues generated in Asia and other high growth developing economies, and with our European business now better focused and more efficient. We have robust positions within our chosen market sectors, a healthy new product pipeline, and a significantly strengthened balance sheet. Against this background 2010 has made a solid start and we are confident about the prospects for the Group in the years ahead.

PETER WOOD
Chairman

10 March 2010

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CHIEF EXECUTIVE'S REPORT

The Group delivered a 27% improvement in underlying profit before tax, and achieved a substantial reduction in its debt over the course of the year. This must be seen as an exceptional achievement given the global recession and financial crisis.

Polymers (84% of sales) saw volumes decline by 8.6% whilst increasing its operating profit by 27% to £53.7 million. Much of our effort in 2009 was focussed on cost control, efficiency and product development. This should stand us in good stead for the years ahead as global volumes start to recover. Volumes reduced over the course of the year after a slow start, and whilst full year volumes were down, fourth quarter volumes were ahead of prior year. Volumes in nitrile latex in particular recovered strongly and we anticipate a further expansion of our Malaysian capacity during the course of 2010 to meet the rising demand.

Pharmaceuticals (12% of sales) saw a modest increase in profits, with volumes affected by the global economic environment. We completed the closure of the Italian plant and the associated product transfers to other sites around the middle of 2009. A further six Drug Master Files (DMF's) were filed in the year as we continued to develop our generic pipeline.

The API manufacturing industry remains challenging with competition from cheaper manufacturing economies in Asia continuing to develop. In light of these strategic shifts, and recent experience, the Board has written down the carrying value of the goodwill in the Pharma business in the Group's balance sheet by £30 million. The value of the assets of the business including goodwill after this writedown at the year end was £80 million.

We completed most of the restructuring of the Impact Division with the sale of four of the five operating units over the course of 2008. During 2009 the remaining business, William Blythe, further improved, delivering operating profits of some £2 million – a good result given the business was loss-making in 2007. We expect the business to improve further during 2010. Whilst we have stated our intention to sell the business at some time, we fully intend to extract maximum value from it for our shareholders.

Polymer Division

The Polymer Division, Yule Catto's core business, develops and manufactures products used in a wide range of industries and applications including coatings, adhesives and construction, where they deliver a number of performance benefits from enhanced waterproofing to scratch resistance. It is also a major supplier to the medical industry where its natural rubber and synthetic nitrile latex polymers are used in the manufacture of condoms, catheters and surgical and examination gloves where it holds a world leading position. It manufactures from 13 sites within four geographical regions – Europe, South East Asia, Middle East and South Africa.

The core products of Polymer Division are water-based emulsion polymers, based on vinyl acetate and acrylic dispersions, styrene and nitrile butadiene rubber, as well as polyvinyl alcohol/acetate, and a number of smaller specialist products.

2009 was a year where all business units faced unprecedented economic challenges in their markets. Volume declines in the first quarter were in the region of 15% compared to prior year, however, this recovered to some 8.6% down for the full year. In such uncertain times, cost elimination and containment became a key focus resulting in the implementation of a number of restructuring projects across the Division. We reduced full time positions in all our operations around the world as well as utilising government schemes in continental Europe that allow for temporary layoffs. In addition, many recruitment decisions were deferred and as a consequence overall headcount declined by 6% in comparison to 2008.

Polymer Division's expansion strategy slowed in 2009 as the business focussed on its cost reduction plans, however, the search for geographic and technological growth opportunities continued throughout the year. As part of the continued development of our leadership position in Floor Coverings a joint venture, Synthomer Egypt, was established between Synthomer BV and the Arab Company for Artificial Polymers and Varnishes (ACAPV) to produce latex compounds for the carpet and rug industries in Egypt and the Middle East. The new plant is anticipated to be operational by the end of 2010 and will consolidate our leadership position in this market.

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Synthetic Latex

Polymer Division's Synthetic Latex dispersions business consists of two product families, Styrene Butadiene Rubber (SBR) manufactured in Germany and the UK and Nitrile Butadiene Rubber (NBR) manufactured in the UK and Malaysia.

SBR latex is sold to the speciality segments of the construction, textile and floor coverings markets. In construction, sales held up as major customer projects which were started continued to completion, however, sales in floor coverings continued to be under significant pressure as the UK and continental European Carpet Market felt the full force of the recession. Sales into the former segments experienced single digit percentage volume declines, while floor covering volumes dropped by a little over 10%.

In the early part of the year, the NBR latex market continued to experience customer supply chain destocking which began in the final quarter of 2008. The first quarter therefore saw a substantial volume decline, which was recovered over the course of the year. The resurgence of the H1N1 virus and concerns over a global pandemic, coupled to very low stock levels in the customer supply chain, raised demand significantly in the second half, and this continued through the year-end. In addition, rising monomer prices required several price increases during the latter part of the year in order to protect margins. During the year the new pilot plant was commissioned at the Kluang site, and this gave further positive momentum to New Product Development programmes. Sales of new NBR products launched in the last two years now account for approximately half of all NBR sales. Looking forward continued strong growth in this market is expected and further capacity expansions of Nitrile latex in Kluang are currently being planned to meet the rising customer demand in the high growth synthetic glove market.

Dispersions

The global Coatings and Adhesives markets, the major segments served by our Dispersions business, experienced sluggish demand during the year. The European, South African and Middle East regions recorded significant volume declines. However, the Asian operations fared better with South East Asia flat while Vietnam grew by a resounding 25%, resulting from solid sales progress in the coating sector. Against the background of falling volumes, our raw material position was favourable and helped margins recover in most markets and compensate for the volume declines, except in the Middle East where very aggressive competition placed margins under severe pressure. In R&D the drive to improve our low VOC offering to the coatings market continued with the launch of a number of new products which were well received in the market.

Specialities

Polyvinyl Alcohol

The PVC market was a challenging environment globally with many customers forced to reduce or idle their capacity during the first half of the year. The severe downturn created extremely poor trading conditions for the Alcotex business, which resulted in a difficult but necessary decision to carry out a restructuring at the Harlow site. In the market, Synthomer continued to maintain its leadership position in the supply of low hydrolysis polyvinyl alcohol to the PVC industry and volumes did improve in the second half of the year. In addition investments made in plant maintenance and process control started to deliver benefits. Overall, volume for the primary and secondary Alcotex stabilisers were modestly down on 2008, however, good control of margins, as well as the benefits of strong cost control assisted the business to deliver a significant improvement in full year performance.

Liquid Polybutadiene

During 2009 our intensified technical approach to developing the Lithene business continued to gain momentum. However, the collapse of sales to the automotive industry led to a decision to idle the plant for much of the first half. However, a more positive trading environment in the second half saw sales pick up strongly and while full year volume was substantially lower, the continuation of cost control and margin management work started in late 2008 resulted in full year Operating Profit ahead of prior year.

Alkyds and Polyester

The Malaysian based Resin business experienced two very different results in 2009. The Alkyd business had a difficult time throughout the year resulting from significantly weaker demand in South East Asia and strong customer destocking in the run up to year-end. In contrast, Polyester enjoyed a strong year, with sales mainly driven by the launch of government infrastructure projects in many South East Asian countries.

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Pharma Chemicals

Pharma Chemicals produces a range of over 75 Active Pharmaceutical Ingredients (APIs) for the generic and ethical pharmaceutical industries from its manufacturing plants in Spain and Mexico. These products are sold to formulators who produce and distribute the drug in its final physical form. APIs produced range from anti-bacterial, anti-ulcer and anti-parasitic to heart drugs.

The Pharma Chemicals business continued to be challenged by the market conditions and the regulatory environment for pharmaceuticals, and a number of its customers did not gain Ministry of Health final approvals for new products. Consequently although margins held up volumes were behind for the year. A programme of cost reduction helped compensate for the reduced volumes.

The volume reductions were felt the most acutely in the Spanish plants, but a well implemented cost improvement plan was successful in offsetting the lower volumes. A number of customers did not get approvals for their registrations and the newly implemented German Insurers generic tender process changed significantly the order patterns of some major customers. Our ability to continue to strategically source from Asia helped our margins and the successful outsourcing of key intermediates bodes well for 2010.

Generics remains the major part of the business sourced from Spain within which the anti-ulcer franchises were important both in the USA and Europe. In the middle of the year, destocking and the uncertainty around tenders for anti-ulcer drugs in Europe softened our order book, but this reversed later in the year with our US franchises continuing to perform well. The launch of a new Omeprazole formulation in the USA did not gain approval in 2009 as expected and although the approval has now been gained, the launch will not happen until the second quarter of 2010.

The rest of our generic portfolio manufactured in Spain showed a mixed year and although we saw our Pantoperazole and Quetiapine franchises building in volume, late approvals in Europe and price erosion occurred during the later part of the year. We still await approvals for a new formulation of Ketorolac which is expected by the middle of 2010. The dossier business helped us especially in the European market and we are now looking to widen the formulation registration dossiers we have.

After a disappointing 2008, sales from our Mexican plant bounced back strongly with ethical customer orders increasing significantly throughout the year. The new Albendazole plant came on stream in the first half of the year and boosted significantly our capacity which was used to satisfy a range of ethical and generic customers around the world. New drying capacity will come on stream in the first quarter to meet our capacity requirements in 2010. Volumes remained strong during the year with both generic and ethical products improving the performance.

Custom synthesis remained flat in the year as a consequence of reduced funding especially in the biotech sector where we saw Research and Development programmes cut dramatically.

Our commitment to continuous improvement of processes and our cost base helped us underpin our results for the year, with good progress made in leveraging our Asian suppliers throughout the period.

The transfer of products from Italy to Spain and Mexico is complete although customer regulatory approvals are taking time from a number of customers and health authorities, and we will see improved volumes as these approvals come on stream.

Development and selection of new API's is still key to our strategy and we filed 6 Drug Master File's in the year in a number of countries. Esomeprazole (Nexium, API) remains very interesting to a number of our key customers and establishes us for when patent expiries begin in Europe and the US. A number of our newly filed products have received keen interest from our customer base and we see this continuing in 2010.

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Impact Chemicals

Impact Chemicals originally comprised five businesses, four of which were sold during 2008. The remaining business, William Blythe, is a worldwide supplier of inorganic specialities based on copper, iodine and tin from its UK manufacturing facility. Products are used in a range of applications such as semiconductor manufacture, pharmaceutical actives, non-toxic flame retardant, safety glass coatings and catalysts.

During the period, William Blythe traded ahead of 2008 albeit on generally weaker volumes.

ADRIAN WHITFIELD
Chief Executive

10 March 2010

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FINANCIAL REVIEW

Income Statement – Underlying Performance

Total sales decreased by 10% driven in the main by the volume declines seen across the polymer business. Translation increased turnover by 8% offset by lower pricing and mix. Turnover remains predominantly within Europe with some 50% of sales (2008 50%), with sales outside Europe heavily skewed towards Asia and other developing economies, which accounted for 44% of turnover.

With the international nature of the business, movements in foreign currency exchange rates can affect the value of transactions made by the Group where pricing of our products is in non-domestic currency, and in the translation of results from overseas subsidiaries. With regard to the former of these two effects, the Group generally hedges transactions once entered into and in addition, where exchange rates continue to be adverse, we look to increase sale prices or price in domestic currency to mitigate the impact where this is commercially possible. The weakness of sterling against the euro and the Malaysian ringgit, delivered some £4 million improvement to operating profit from translation.

The underlying tax rate of 20% reflects the benefits of pioneer status on our investment in Malaysia and the settlement of some prior year tax positions. The comparable rate for 2008 of 15% was abnormally low reflecting adjustments relating to prior year tax provisions.

Profit attributable to minority interests was £2.2 million (2008 £1.7 million).

The resultant underlying earnings per share of 21.3 pence is a year-on-year increase of 19%. The Group announced in December 2008 that given the prevailing financial crisis, and to strengthen the Group's balance sheet the Group would suspend its dividend until it had reduced net debt below £100 million. Year end net debt fell to £88 million, and the Group will therefore be declaring a dividend for 2010.

Income Statement – Special Items

To provide a clearer indication of the Group's underlying performance, a number of special items are shown in a separate column of the consolidated income statement. Special items include:

- Profit on the sale of Oxford Chemicals Limited of £3.7 million. The sale was announced in 2008, but completed in January 2009.
- We utilise various cross currency and interest rate swaps for hedging purposes, which involve maturities of up to 7 years. IFRS requires that where the strict requirements of IAS 39 are not met, changes in the market value should be recognised annually in the income statement. However, such financial instruments are maintained by the Group for the length of the contract and over their lifetime have a fair value of nil. Hence the notional annual adjustment of £(4.4 million) (2008 gain £8.6 million) is segregated from the underlying performance.
- Impairment of goodwill in the Pharma business of £30 million.
- Release of tax provisions relating to prior year issues that were closed during the course of 2009 of £9.3 million.

The impairment of goodwill in the Pharma business is a result of lower projected earnings growth for the business based on recent experience. Post the impairment, the book value of the assets of the business, including goodwill was £80 million.

Pensions

In the main UK defined benefit pension scheme the majority of investments are in equities. Equity markets having declined substantially in 2008, recovered somewhat over the course of 2009, and overall the fund delivered a return of 24%. The yield on high-quality corporate bonds decreased significantly during the year, which has increased liabilities. Over and above the company's agreed £5.8 million per annum deficit remediation funding of the UK scheme, the company contributed, on a voluntary basis, a further £4 million in November 2009. The overall effect of these changes was that there was little movement in the overall deficit of the scheme, which stood at £70 million at the end of 2009.

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The UK scheme was closed to future accrual during 2009. At the end of the year less than twenty active members remained, and there will be no active members as at the end of September 2010, after which date no further liabilities will accrue to the scheme.

IFRS

On an unadjusted IFRS basis, Group revenue decreased by £56.5 million to £527.9 million. Profit before taxation at £7.1 million was £31.8 million lower than the previous period reflecting the change between the years in the mark to market of the Group's currency swaps, the profit on disposal of businesses and goodwill impairment.

Borrowings

Underlying net debt reduced significantly during the year.

In 2008 we reported a year of increased capital expenditure, having invested in further expansion of the Malaysia nitrile facility over 2007 and 2008 and in the relocation of some manufacturing from our Italian Pharma site. Capital expenditure slowed substantially in 2009 with the global recession with capex of only £8.7 million (2008 £17.7 million).

Investment in the cash costs of running the Italian Pharma site came to some £3.5 million, whilst net proceeds from divestments totalled £8.8 million, predominantly the sale of Oxford Chemicals.

Working capital inflow for the year was £15.2 million. Control of working capital is a core focus of the business management.

The combination of stronger EBITDA, lower capex, divestment proceeds and the substantial working capital inflow resulted in underlying net debt reducing to £88 million from £135 million at the end of 2008.

Refinancing and liquidity

The Group has a further £33 million of US private placement debt to repay in September 2010. Thereafter, the next large repayment of term debt is £24 million of US private placement debt due in 2012. At the year end the Group had £30 million of cash available to it under an undrawn three year revolving loan maturing December 2011 and £42 million of cash which together, in aggregate is some £39 million more than the September 2010 £33 million repayment.

Net Debt to EBITDA, the Group's key leverage metric fell to under 1.3 at the end of the year from 2.3 at the end of 2008.

DAVID BLACKWOOD
Finance Director

10 March 2010

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CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009			2008		
		Underlying performance	Special items	IFRS	Underlying performance	Special items	IFRS
		£'000 audited	£'000 audited	£'000 audited	£'000 audited	£'000 audited	£'000 audited
Continuing operations							
Group revenue		527,948	-	527,948	584,373	-	584,373
Share of joint ventures' revenue		15,450	-	15,450	17,780	-	17,780
Total sales	2	543,398	-	543,398	602,153	-	602,153
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Group revenue		527,948	-	527,948	584,373	-	584,373
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Company and subsidiaries before special items		50,164	-	50,164	41,577	-	41,577
Impairment of goodwill		-	(30,000)	(30,000)	-	-	-
Operations sold or closed during the year		-	-	-	-	(2,406)	(2,406)
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Company and subsidiaries		50,164	(30,000)	20,164	41,577	(2,406)	39,171
Share of joint ventures		1,242	-	1,242	1,615	-	1,615
Operating profit/(loss)	2	51,406	(30,000)	21,406	43,192	(2,406)	40,786
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Interest payable		(10,308)	-	(10,308)	(15,983)	-	(15,983)
Interest receivable		439	-	439	5,481	-	5,481
		(9,869)	-	(9,869)	(10,502)	-	(10,502)
Fair value adjustment		-	(4,401)	(4,401)	-	8,615	8,615
Finance costs	4	(9,869)	(4,401)	(14,270)	(10,502)	8,615	(1,887)
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Profit/(loss) before taxation		41,537	(34,401)	7,136	32,690	6,209	38,899
Taxation		(8,261)	9,345	1,084	(4,904)	-	(4,904)
Profit/(loss) for the year from continuing operations		33,276	(25,056)	8,220	27,786	6,209	33,995
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Discontinued operations							
Profit for the year from discontinued operations		-	3,668	3,668	-	22,568	22,568
Profit/(loss) for the year		33,276	(21,388)	11,888	27,786	28,777	56,563
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Profit attributable to minority interests		2,202	-	2,202	1,718	-	1,718
Profit/(loss) attributable to equity holders of the parent		31,074	(21,388)	9,686	26,068	28,777	54,845
		33,276	(21,388)	11,888	27,786	28,777	56,563
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Earnings per share							
From continuing operations							
Basic		21.3p	(17.2)p	4.1p	17.9p	4.3p	22.2p
Diluted		20.8p	(16.8)p	4.0p	17.8p	4.2p	22.0p
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From continuing and discontinued operations							
Basic		21.3p	(14.7)p	6.6p	17.9p	19.8p	37.7p
Diluted		20.8p	(14.3)p	6.5p	17.8p	19.6p	37.4p

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31
DECEMBER 2009**

	2009			2008		
	Minority interests	Equity holders of the parent	Total	Minority interests	Equity holders of the parent	Total
	£'000 audited	£'000 audited	£'000 audited	£'000 audited	£'000 audited	£'000 audited
Profit for the year	2,202	9,686	11,888	1,718	54,845	56,563
Actuarial gains and losses	-	(12,619)	(12,619)	-	(39,111)	(39,111)
Losses on a hedge of a net investment taken to equity	-	(253)	(253)	-	(24,617)	(24,617)
(Losses)/gains on cash flow hedges arising during the period	-	(678)	(678)	-	678	678
Exchange differences on translation of foreign operations	(825)	(6,933)	(7,758)	2,055	39,956	42,011
Tax relating to components of other comprehensive income	-	306	306	-	(48)	(48)
Other comprehensive income for the period	(825)	(20,177)	(21,002)	2,055	(23,142)	(21,087)
Total comprehensive income for the period	1,377	(10,491)	(9,114)	3,773	31,703	35,476

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Capital redemption reserve	Own shares	Hedging and translation reserve	Cash flow hedging reserve
	audited £'000	audited £'000	audited £'000	audited £'000	audited £'000	audited £'000
At 1 January 2009	14,566	33,034	949	-	6,252	678
Profit for the year	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	(7,186)	(678)
Total comprehensive income for the period	-	-	-	-	(7,186)	(678)
Dividends paid	-	-	-	-	-	-
Shares purchased by ESOP trust	-	-	-	47	-	-
Share-based payments	-	-	-	(47)	-	-
At 31 December 2009	14,566	33,034	949	-	(934)	-

	Minority interest	Retained earnings	Total
	audited £'000	audited £'000	audited £'000
At 1 January 2009	9,157	2,056	66,692
Profit for the year	2,202	9,686	11,888
Other comprehensive income for the period	(825)	(12,313)	(21,002)
Total comprehensive income for the period	1,377	(2,627)	(9,114)
Dividends paid	(3,631)	-	(3,631)
Shares purchased by ESOP trust	-	-	47
Share-based payments	-	590	543
At 31 December 2009	6,903	19	54,537

	Share capital	Share premium	Capital redemption reserve	Own shares	Hedging and translation reserve	Cash flow hedging reserve
	audited £'000	audited £'000	audited £'000	audited £'000	audited £'000	audited £'000
At 1 January 2008	14,566	33,034	949	-	(9,087)	-
Profit for the year	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	15,339	678
Total comprehensive income for the period	-	-	-	-	15,339	678
Dividends paid	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
At 31 December 2008	14,566	33,034	949	-	6,252	678

	Minority interest	Retained earnings	Total
	audited £'000	audited £'000	audited £'000
At 1 January 2008	5,725	416	45,603
Profit for the year	1,718	54,845	56,563
Other comprehensive income for the period	2,055	(39,159)	(21,087)
Total comprehensive income for the period	3,773	15,686	35,476
Dividends paid	(341)	(14,129)	(14,470)
Share-based payments	-	83	83
At 31 December 2008	9,157	2,056	66,692

YULE CATTO & COMPANY PLC
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CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2009

	<u>2009</u>	<u>2008</u>
	£'000	£'000
	audited	audited
Non-current assets		
Goodwill	124,027	154,027
Other intangible assets	604	869
Property, plant and equipment	103,815	118,106
Deferred tax assets	1,139	457
Investment in joint ventures	3,798	4,948
	<u>233,383</u>	<u>278,407</u>
Current assets		
Inventories	56,145	63,507
Trade and other receivables	99,006	126,136
Cash and cash equivalents	42,384	26,576
Derivatives at fair value	11,763	33,887
	<u>209,298</u>	<u>250,106</u>
Assets held for sale	-	7,377
Total current assets	<u>209,298</u>	<u>257,483</u>
Current liabilities		
Borrowings	(38,924)	(57,972)
Trade and other payables	(125,609)	(152,621)
Current tax liability	(34,556)	(44,528)
	<u>(199,089)</u>	<u>(255,121)</u>
Liabilities directly associated with assets classified as held for sale	-	(1,400)
Total current liabilities	<u>(199,089)</u>	<u>(256,521)</u>
Non-current liabilities		
Borrowings	(101,106)	(130,052)
Trade and other payables	(216)	(167)
Deferred tax liability	(9,044)	(6,899)
Post retirement benefit obligations	(78,689)	(75,559)
	<u>(189,055)</u>	<u>(212,677)</u>
Net assets	<u>54,537</u>	<u>66,692</u>
Equity		
Called up share capital	14,566	14,566
Share premium	33,034	33,034
Capital redemption reserve	949	949
Hedging and translation reserve	(934)	6,252
Cash flow hedging reserve	-	678
Retained earnings	19	2,056
Equity attributable to equity holders of the parent	<u>47,634</u>	<u>57,535</u>
Minority interests	6,903	9,157
Total equity	<u>54,537</u>	<u>66,692</u>
Analysis of net borrowing		
Cash and cash equivalents	42,384	26,576
Current borrowings	(38,924)	(57,972)
Non-current borrowings	(101,106)	(130,052)
Net borrowings	<u>(97,646)</u>	<u>(161,448)</u>
Deduct: special items	9,608	25,966
Net borrowings (underlying performance)	<u>(88,038)</u>	<u>(135,482)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 10 March 2010.

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Preliminary Results for the year ended 31 December 2009

CONSOLIDATED CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009		2008	
		£'000 audited	£'000 audited	£'000 audited	£'000 audited
Operating					
Cash generated from operations	5		64,499		44,299
Interest received		439		5,481	
Interest paid		(10,959)		(16,835)	
Net interest paid			(10,520)		(11,354)
UK corporation tax (paid)/received		(139)		207	
Overseas corporate tax paid		(6,673)		(10,421)	
Total tax paid			(6,812)		(10,214)
Net cash inflow from operating activities			47,167		22,731
Investing					
Dividends received from joint ventures			1,899		816
Purchase of property, plant and equipment		(8,687)		(17,707)	
Sale of property, plant and equipment		2,253		2,282	
Net capital expenditure and financial investment			(6,434)		(15,425)
Purchase of businesses		-		(468)	
Sale of businesses		8,760		50,676	
Net cash impact of acquisitions and disposals			8,760		50,208
Net cash inflow from investing activities			4,225		35,599
Financing					
Equity dividends paid			-		(14,129)
Dividends paid to minority interests			(3,631)		(341)
Purchase of own shares			(47)		-
Repayment of borrowings			(33,472)		(33,512)
Proceeds of non-current borrowings			19,740		166
Net cash outflow from financing activities			(17,410)		(47,816)
Increase in cash and bank overdrafts during the year			33,982		10,514
Comprised of:					
Cash and cash equivalents			20,157		(64,475)
Bank overdrafts			13,825		74,989
			33,982		10,514
Reconciliation of net cash flow from operating activities to movement in net borrowings					
Net cash inflow from operating activities			47,167		22,731
Add back: dividends received from joint ventures			1,899		816
Less: net capital expenditure and financial investment			(6,434)		(15,425)
Less: dividends paid to minority interests			(3,631)		(341)
Free cash flow before dividends			39,001		7,781
Net cash impact of acquisitions and disposals			8,760		50,208
Purchase of own shares			(47)		-
Equity dividends paid			-		(14,129)
Exchange movements			(270)		(8,511)
Movement in net borrowings (underlying performance)			47,444		35,349

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2009

1 Special items

The special items disclosed are made up as follows:

	2009	2008
Note	Special items £'000 audited	Special items £'000 audited
Continuing operations		
Operating Loss		
	(30,000)	-
	-	(2,406)
	<u>(30,000)</u>	<u>(2,406)</u>
Finance costs		
4	<u>(4,401)</u>	<u>8,615</u>
	(34,401)	6,209
	9,345	-
	<u>(25,056)</u>	<u>6,209</u>
Discontinued operations		
Total sales		
	<u>772</u>	<u>52,900</u>
Operating profit of discontinued operations		
	22	4,113
	3,652	20,067
	<u>3,674</u>	<u>24,180</u>
Taxation		
	(6)	(884)
	-	(728)
	<u>3,668</u>	<u>22,568</u>

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2009

2 Segmental analysis

	2009			2008		
	Underlying performance	Special items	IFRS	Underlying performance	Special items	IFRS
	£'000 audited	£'000 audited	£'000 audited	£'000 audited	£'000 audited	£'000 audited
Total sales by activity						
Polymer Chemicals	454,548	-	454,548	507,130	-	507,130
Pharma Chemicals	65,296	-	65,296	63,891	-	63,891
Impact Chemicals	23,554	-	23,554	31,132	-	31,132
	<u>543,398</u>	<u>-</u>	<u>543,398</u>	<u>602,153</u>	<u>-</u>	<u>602,153</u>
Operating profit by activity						
Polymer Chemicals	53,752	-	53,752	42,444	-	42,444
Pharma Chemicals	5,571	(30,000)	(24,429)	5,265	(1,756)	3,509
Impact Chemicals	1,967	-	1,967	1,634	(650)	984
Unallocated corporate expenses	(9,884)	-	(9,884)	(6,151)	-	(6,151)
	<u>51,406</u>	<u>(30,000)</u>	<u>21,406</u>	<u>43,192</u>	<u>(2,406)</u>	<u>40,786</u>

	2009	2008
	£'000 audited	£'000 audited
Total sales by destination		
United Kingdom	71,753	84,132
Other Europe	198,053	217,680
Asia	160,123	181,451
Africa and Middle East	63,654	68,898
Rest of World	49,815	49,992
	<u>543,398</u>	<u>602,153</u>

3 Profit/(loss) arising from the sale or closure of an operation

	2009	2008
	£'000 audited	£'000 audited
Continuing operations		
Closure of Uquifa's Italian manufacturing site	-	(1,756)
Restructuring of William Blythe Limited	-	(650)
	<u>-</u>	<u>(2,406)</u>
Discontinued operations		
Sale of Oxford Chemicals Limited	3,944	-
Write back of excess provision of Holliday Encre SA	371	-
Costs associated with prior year disposals	(663)	-
Closure of Holliday Pigments UK manufacturing site	-	450
Closure of James Robinson's German manufacturing site	-	4,523
Sale of James Robinson Limited and James Robinson GmbH	-	5,637
Sale of James Robinson India Pvt Ltd	-	(362)
Sale of Holliday Pigments SA and Holliday France SA	-	8,265
Sale of Holliday Chemical Espana SA	-	409
Sale of PFW Aroma Chemicals BV	-	(774)
Sale of Hull site	-	1,351
Sale of Dieburg site	-	568
	<u>3,652</u>	<u>20,067</u>
	<u>3,652</u>	<u>17,661</u>

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2009

4 Finance costs

The fair value adjustment is the mark to market adjustment in respect of cross currency and interest rate derivatives used for hedging purposes where IAS 39 hedge accounting is not applied.

5 Reconciliation of operating profit to cash generated from operations

	<u>2009</u>	<u>2008</u>
	£'000	£'000
	audited	audited
Operating profit – continuing operations	21,406	40,786
Operating profit for the year from discontinued operations	3,674	24,180
Less: share of profits of joint ventures	(1,242)	(1,615)
	<u>23,838</u>	<u>63,351</u>
Depreciation and amortisation	14,771	16,890
Impairment of goodwill	30,000	-
Profit arising from the sale or closure of operations	(3,652)	(17,661)
(Profit)/loss on sale of fixed assets	(76)	79
Share based payments	(1,306)	470
Cash impact of termination of businesses	(3,591)	(10,283)
Pension funding in excess of IAS 19 charge	(10,678)	(6,301)
Decrease in inventories	4,690	1,070
Decrease in trade and other receivables	20,779	3,399
Decrease in trade and other payables	(10,276)	(5,931)
Unrealised exchange gains	-	(784)
Cash generated from operations	<u>64,499</u>	<u>44,299</u>

6 Reconciliation of EBITDA

	<u>2009</u>		<u>2008</u>	
	<u>Underlying</u>	<u>IFRS</u>	<u>Underlying</u>	<u>IFRS</u>
	£'000	£'000	£'000	£'000
	audited	audited	audited	audited
Operating profit	51,406	21,406	43,192	40,786
Add: Operating loss of businesses sold or closed during the year	-	-	-	2,406
Add: Impairment of goodwill	-	30,000	-	-
Add back: amortisation	331	331	102	102
Add back: depreciation	14,345	14,345	15,336	15,336
EBITDA	<u>66,082</u>	<u>66,082</u>	<u>58,630</u>	<u>58,630</u>

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Preliminary Results for the year ended 31 December 2009

7 Dividends

	<u>2009</u>	<u>2008</u>
	Pence per share audited	Pence per share audited
Interim	0.0	4.0
Final	<u>0.0</u>	<u>0.0</u>
Total	<u>0.0</u>	<u>4.0</u>

8 Further information

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2009 or 2008, but is derived from those accounts. Statutory accounts for 2008 have been delivered to the Registrar of Companies and those for 2009 will be delivered following the company's annual general meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) Companies Act 2006 or equivalent preceding legislation. While the financial information included in this preliminary announcement has been computed in accordance with International Financial Accounting Standards (IFRS), this announcement itself does not contain sufficient information to comply with IFRS. The company expects to publish full financial statements that comply with IFRS, a copy of which will be posted to the shareholders, on 8 April 2010.

The financial statements were approved by the Board of Directors on 10 March 2010.

The accounting policies used to prepare these accounts are the same as those used in the preparation of the Group's audited accounts for the year ended 31 December 2008, which has been delivered to the Registrar of Companies. Copies can be obtained by the public from the company's registered office Temple Fields, Harlow, Essex, CM20 2BH, or on the company website www.yulecatto.com.

On 29 December 2008 the Company announced the suspension of the payment of dividends and accordingly no dividend was paid in 2009 and no final dividend is recommended by the directors for 2009.

Earnings per ordinary share are based on the attributable profit for the period and the weighted average number of shares in issue during the period – 145.6 million (2008 145.6 million).

Going concern

The Directors have acknowledged the latest guidance on going concern and in reaching their conclusions have taken into account factors including:

- The required repayment of £33 million on the US loan notes in September 2010; and
- The availability of an additional £30 million of undrawn facilities negotiated in the UK.

The Directors have appropriately considered the Group's risks and uncertainties including:

- The current economic conditions and potential impact of the level of demand for the Group's products;
- Recent volatility in the currency markets and the ability of the company to hedge exposures;
- Volatility in prices of the Group's raw materials; and
- The Group's exposures to credit and liquidity risk.

After making enquiries and taking account of reasonably possible changes in trading performance, the directors have concluded that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2009

9 Glossary of terms

Total sales	Total sales represent the total of revenue from Yule Catto & Co plc, its subsidiaries, and its share of the revenue of joint ventures.
EBITDA	EBITDA is calculated as operating profit before depreciation, amortisation and non-recurring items.
Operating profit	Operating profit represents profit before finance costs and taxation.
Non-recurring items	Non-recurring items are defined as: <ul style="list-style-type: none">• <i>Profit or loss impact arising from the sale or closure of an operation;</i>• <i>Impairment of non-current assets; and</i>• <i>Other non-operating or one-off items.</i>
Special items	The following are disclosed separately as special items in order to provide a clearer indication of the Group's post-tax underlying performance: <ul style="list-style-type: none">• <i>Non-recurring items;</i>• <i>Mark to market adjustments in respect of cross currency and interest rate derivatives used for hedging purposes where IAS 39 hedge accounting is not applied;</i>• <i>Revaluation of US dollar loan notes from the rate of the related cross currency swaps to the year end rate.</i>
Free cash flow	Free cash flow represents cash flow before cash impact of acquisitions and disposals, purchase of own shares, equity dividends paid and exchange movements.
Net borrowings	Net borrowings represent cash and cash equivalents together with short and long term borrowings, as adjusted for the effect of related derivative instruments irrespective of whether they qualify for hedge accounting.