Yule Catto
Interim Results
26 August 2011

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Structure

- Key Themes
- Highlights
- Financials
- Group Overview and Strategic Priorities
- Operational Review
  - Polymers (including synergy update)
  - Pharma
- Summary
- Outlook

Key Themes

- Continued strong progression in Group profitability
- Group clearly focused on Polymers
- The acquisition of PolymerLatex will drive medium term profitability improvement from commercial integration and cost synergies
- Significant and increasing exposure to high growth emerging markets
- Geographic balance and market leadership positions create good growth dynamics
- Strong balance sheet

Highlights

- Underlying as reported
  - PBT of £43.5M – up 81%
  - EPS of 10.0p compared to 8.1p – up 23%

- Underlying pro-forma basis*
  - Sales £700M - up 23%
  - EBIT £61.2M - up 19%
  - PBT £54.6M - up 29%
  - Asia strongly ahead

*Including Q1 and Q2 of Polymer Latex results and estimated interest charge - basis of calculation / presentation covered in financial review

Highlights

- Business integration and synergy delivery well underway
  - After first 3 months, end Q2 run rate of £4M
- Good margin management in the face of substantial raw material price increases
- Modest profit progression in Europe
- Strong volume and profit growth in Asia
- The Board has decided that Pharma is non core
- Interim dividend 1.2p: full year dividend will be at least 3.0p per share

Half Year Results

David Blackwood
Finance Director

Presentation Basis - Segmentation

- New segmentation of the business
  - Polymers is now broken down into two segments
    - Europe & USA
    - Asia & ROW
  - Pharma continues
  - WBL is included in Polymers Europe and USA

- Segmentation is by point of origin (manufacture)

Presentation Basis – Pro-forma

- To assist understanding the y-o-y performance we have produced pro-forma sales, EBIT and PBT and EPS data for 2011 with comparatives to PBT for 2010
  - Q1 2011 EBIT of PL included in H1 2011 pro-forma
  - H1 2010 EBIT of PL included in H1 2010 pro-forma
  - Estimate additional interest for the increased debt of £2.1M per quarter-
    - Q1 2011 pro-forma allows for £2.1M of interest
    - H1 2010 pro-forma allows for £4.2M of interest

Financial Highlights

- Underlying as reported
  - PBT of £43.5M – up 81%
  - EPS of 10.0p compared to 8.1p – up 23%

- Underlying pro-forma basis*
  - Sales £700M - up 23%
  - EBIT £61.2M - up 19%
  - PBT £54.6M - up 29%
  - EPS 12.3p - up over 50%
  - Asia strongly ahead

*Including Q1 and Q2 of Polymer Latex results and estimated interest charge - basis of calculation / presentation covered in financial review

Consolidated Income Statement

	2011 £'M			2010 £'M		
	Und'lying	Special items	IFRS	Und'lying	Special items	IFRS
Total Sales	547.7	-	547.7	326.6	5.7	332.3
Operating Profit	48.0	(49.6)	(1.6)	28.7	12.7	41.4
Finance Cost	(4.5)	(1.8)	(6.3)	(4.6)	4.1	(0.5)
Profit/(Loss) before tax	43.5	(51.4)	(7.9)	24.1	16.8	40.9
Discontinued Operations	-	-	-	-	-	-
Tax	(8.8)	6.0	(2.8)	(4.8)	(0.2)	(5.0)
Minorities	(0.8)	-	(0.8)	(0.9)	(4.2)	(5.1)
Attributable to equity holders of parent	33.9	(45.4)	(11.5)	18.4	12.4	30.8
EPS*	10.0p	(13.4)p	(3.4)p	8.1p	5.5p	13.6p

*adjusted for the rights issue

Special / Exceptional Items

- Operating profit
  - Cash costs
    - £4.5M restructuring expenses
    - £0.9M acquisition costs
  - Non cash costs
    - £7.3M acquired intangible amortisation
    - £36.9M Pharma goodwill impairment
- Interest
  - £1.8M normal mark to market on USPP interest rate hedges
- Taxation
  - £6.0M – notional tax on intangible amortisation and prior year provision releases

Underlying Results – Pro-forma

	2011 H1 £'M			2010 H1 £'M		
	Und'lying reported	Q1 PL adjust	PRO-FORMA	Und'lying reported	H1 PL adjust	PRO-FORMA
Total Sales	547.7	152.0	699.7	326.6	240.9	567.5
Operating Profit	48.0	13.2	61.2	28.7	22.7	51.4
Finance Cost	(4.5)	(2.1)	(6.6)	(4.6)	(4.2)	(8.8)
Profit/(Loss) before tax	43.5	11.1	54.6	24.1	18.5	42.6
Tax	(8.8)	(3.2)	(12.0)	(4.8)		
Minorities	(0.8)	-	(0.8)	(0.9)		
Attributable to equity holders of parent	33.9	7.9	41.8	18.4		
EPS*	10.0	2.3p	12.3p	8.1p		

* 2010 as restated

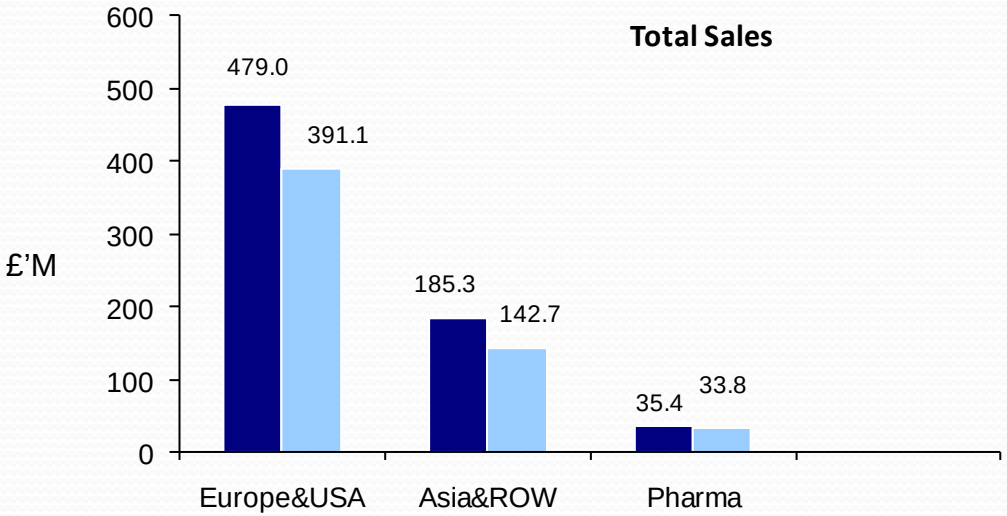
P&L – Pro-forma Highlights

	2011(£'M) Underlying	2010 (£'M) Underlying	Variance
Total Sales	699.7	567.5	+23%
Operating Profit/(Loss)	61.2	51.4	+19%
Finance Cost	(6.6)	(8.8)	Lower fixed element and new debt structure
Profit/(Loss) Before Tax	54.6	42.6	+29%
Tax	- (12.0)		Circa 22% rate
Minorities	(0.8)		
Attributable to equity holders of parent	41.8		Pro-forma
EPS *	12.3p		Pro-forma

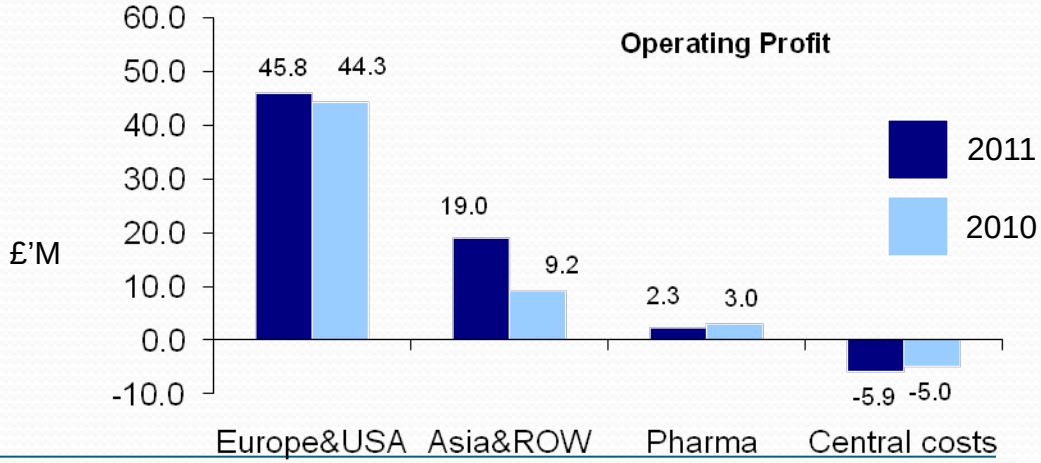
*adjusted for the rights issue

Segmental Analysis – Pro-forma

- Sales ahead 23% - mainly input price driven
- Polymer overall sales volumes up by 3%



- Group EBIT up 19%
- Modest improvement in Europe as raw material prices passed through
- Asia – good volume growth as PL plant capacity is filled versus prior year
- Pharma – some order delays in June – but strong July – ahead YTD July



Cash Flow Statement

	2011 H1 £'M	2010 H1 £'M	2010 FY £'M
Underlying Operating profit (before JV)	45.8	28.2	52.8
Movement in working capital	(30.6)	(13.1)	(11.6)
Depreciation	9.3	7.4	14.6
Capital expenditure (net)	(10.1)	(4.6)	(10.5)
Interest	(6.3)	(4.6)	(9.2)
Tax paid	(10.5)	(5.6)	(8.7)
Pension funding in excess of IAS19 charge	(3.8)	(5.7)	(12.2)
Other (MI / JV Dividend)	0.8	(5.5)	(3.8)
Free cash flow	(5.4)	(3.5)	11.4
Cash impact of closure of business	(3.0)	(1.1)	(1.5)
Disposal proceeds/acquisitions (net)	(382.9)	16.2	16.1
Acquisition costs	(3.8)	-	(0.4)
Dividends paid	-	-	(2.9)
Net proceeds from rights issue	216.9	-	-
Exchange /other	1.1	(0.1)	1.9
Movement in borrowings	(177.1)	11.5	24.6
Closing debt	240.5	76.5	63.4

Cash Flow and Debt Comments

- Substantial working capital outflow driven by raw material prices
  - Working capital outflow of £31M
  - PL had a trade working capital outflow of £13M in Q1 – reflected in the final purchase price

- PL has an off balance sheet receivables factoring agreement (sold without recourse) of €35M
  - treated as part of net debt in the cash flow presentation
  - terminates end 2012

Acquisition Accounting

- Intangible valuation complete – resulting in an annualised amortisation charge of £29M – will be processed in the middle column (special item)
- Fixed asset valuation still work in progress
- Other positions generally agreed
- H2 will therefore see adjustments between goodwill and tangible fixed assets and limited other minor adjustments

Group Overview and Strategic Priorities

Yule Catto – Dominated by Polymer Chemicals

Polymer Chemicals

Europe & North America
56% of Group turnover
13 manufacturing plants

Asia & ROW
39% of Group turnover
8 manufacturing plants

- **Water based polymers used in a diverse range of applications including:**
  - **Protective gloves**
  - **Adhesives**
  - **Paints**
  - **Carpets**
  - **Varnishes and lacquers**
  - **Paper**

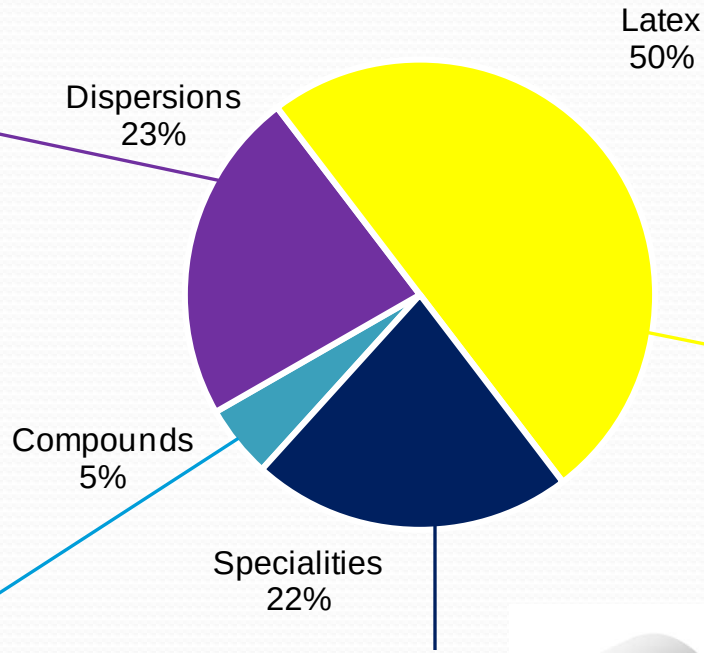
- **Speciality chemicals including Lithenes, Polyvinyl Alcohol and Poly Chloroprene for applications such as:**
  - **Regulation of PVC manufacture**
  - **Motor industry sealants**

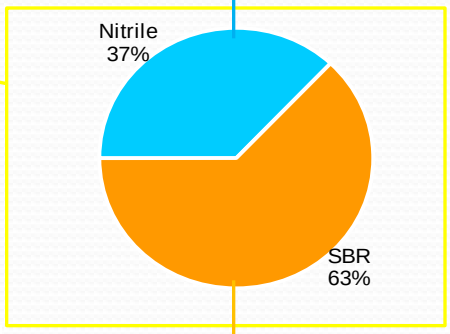
Pharma Chemicals

5% of Group turnover

- Manufacture of Active Pharmaceutical Ingredients for both generic and ethical drug manufacture

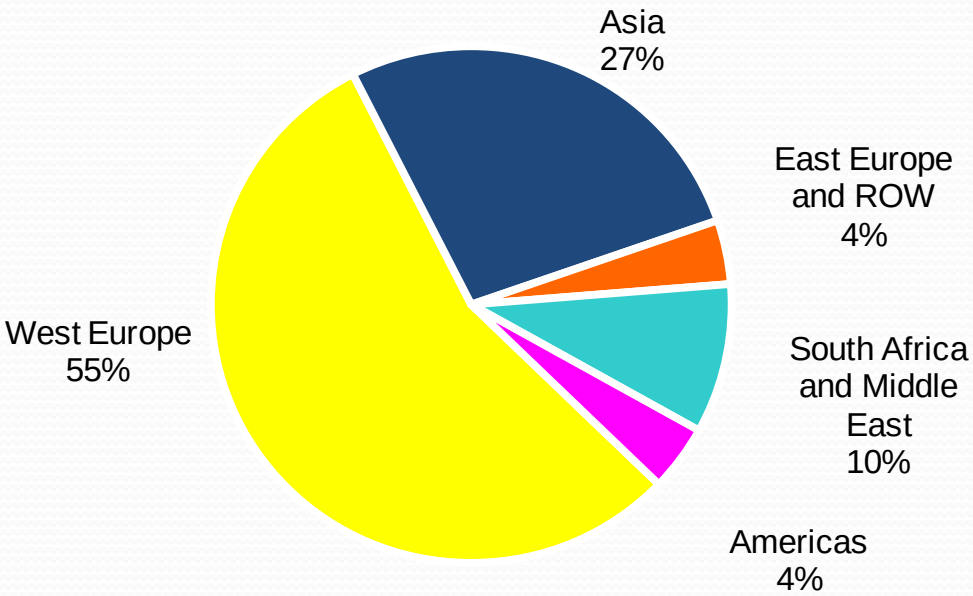
Polymers – Sales by Product



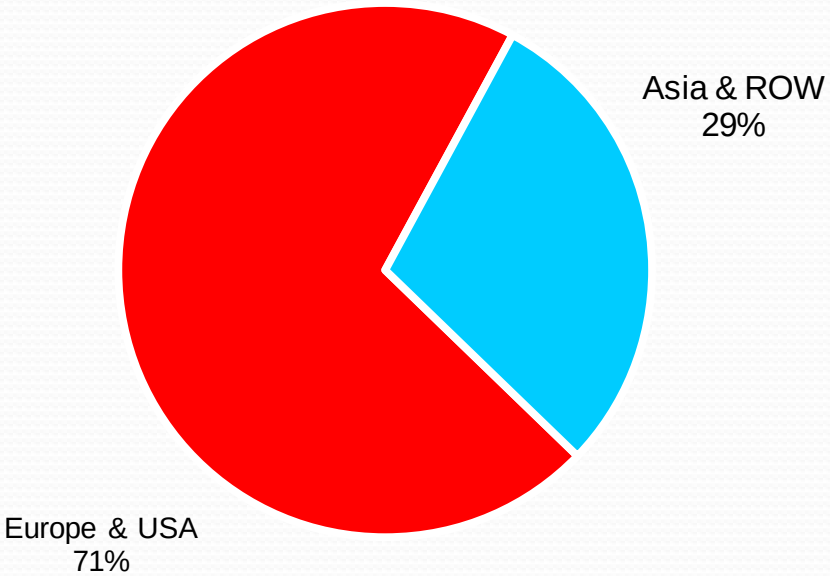


Polymers – Sales and EBIT by segment

H1 2011 sales £664.3M
By destination



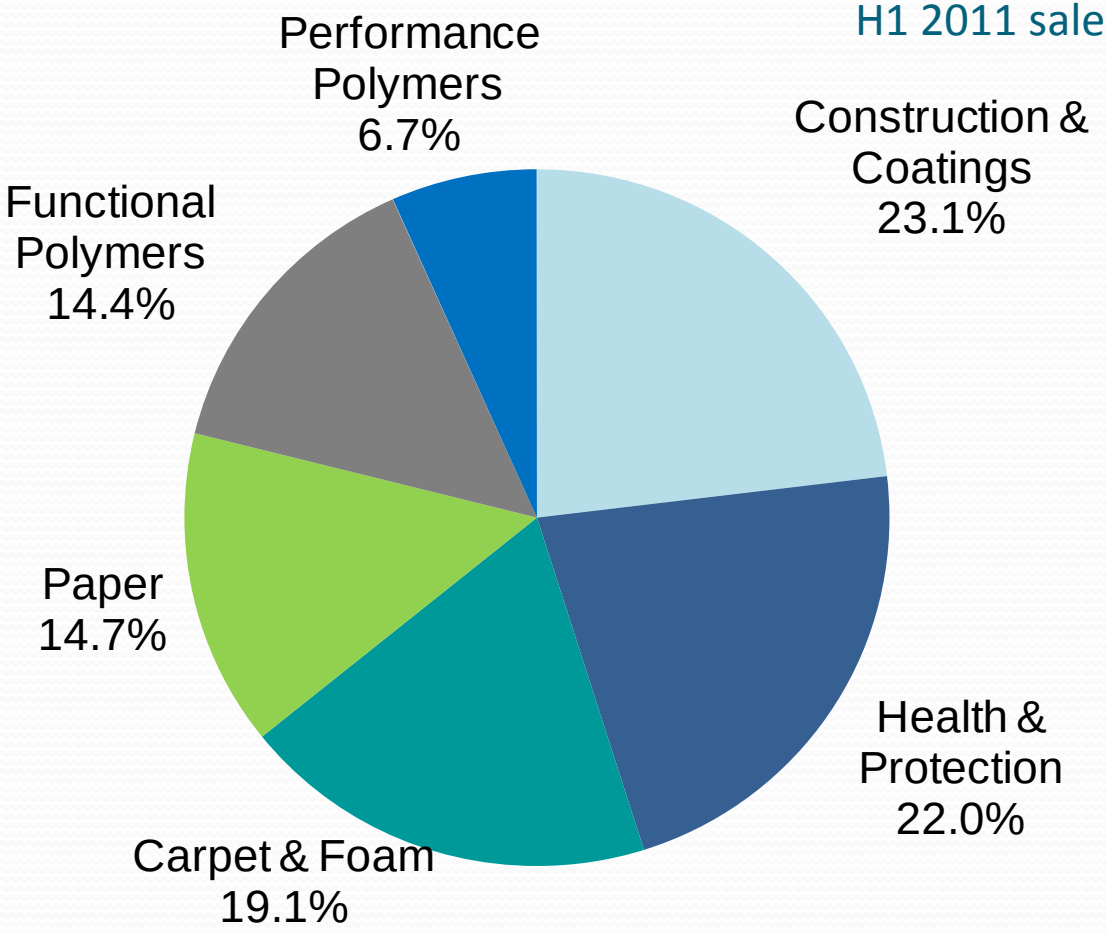
H1 2011 EBIT £64.8M
By origination



(Underlying Pro-forma Basis)

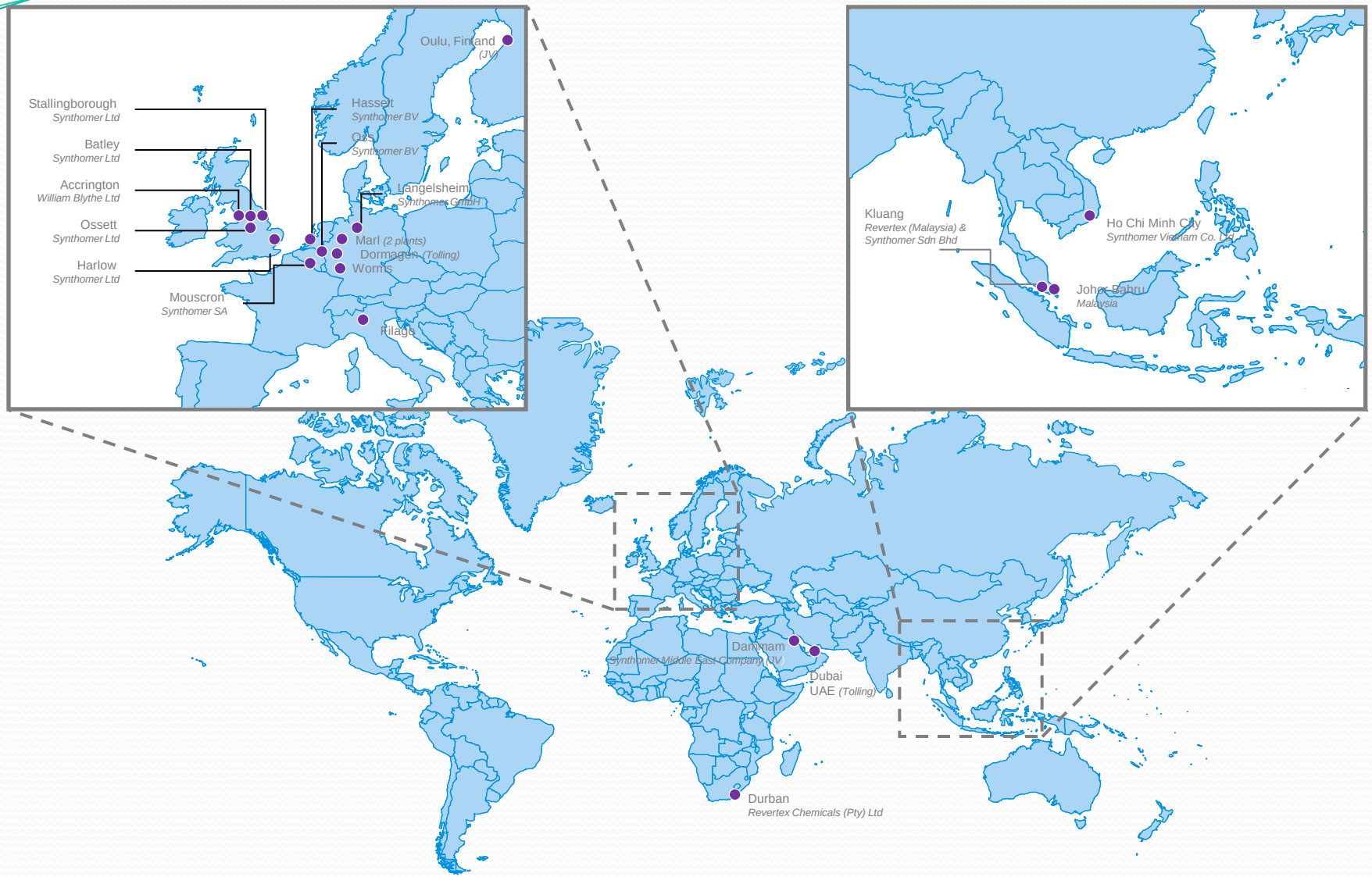
New Polymers Business – H1 2011

H1 2011 sales - £664.3M



(Underlying Pro-forma Basis)

Polymers Combined Manufacturing Footprint



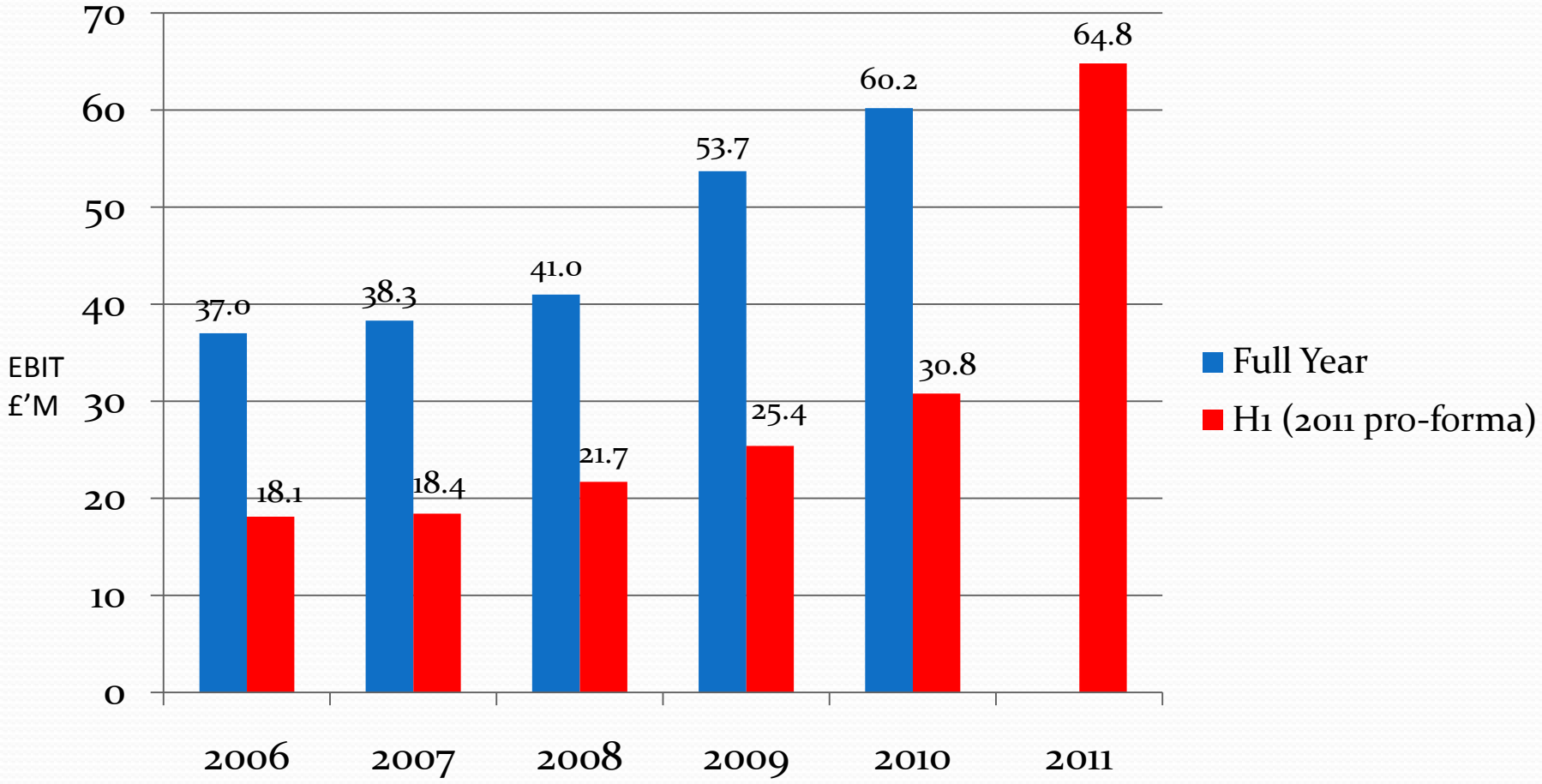
Strategic Priorities

Task	Key Actions	Status
• Achieve integration synergies of at least £20M	• Detailed implementation plans	• Annualised run rate after 3 months - £4M • Confident of achieving target
• Increase exposure to "High Growth" economies	• €25M expansion in Malaysia to provide further NBR and SBR capacity • "Bolt on" acquisitions and "Greenfield" investments	• Design stage nearing completion • Completion target of Q3 2012 • Ongoing review of options

Strategic Priorities (cont.)

Task	Key Actions	Status
• Innovation	• Global head of R+D • Centres of excellence in key markets • Prioritised list of developments by key market	• New organisation fully implemented • Resources consolidated into state of the art facilities in Marl, Harlow and Kluang
• High quality, cost effective production	• Quality focus • Continue to drive production/process efficiencies • Targeted investments in production capacity	• Global production function • Continuous improvement targets set • £20M to be invested in optimising production

Polymers Profit Development (2006-2011)



New segmentation basis. History excludes Finewaters – sold in 2010

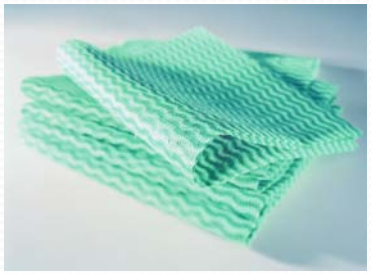
Operational Review and Synergy Update

Adrian Whitfield
Chief Executive

Operational Review - Polymers

- Operating profit increased 68% to £51.6M (Pro-forma increased 21% to £64.8M)

- 3% volume increase
  - Strong demand in Asia
  - 15,000 tonnes NBR capacity started up in June
  - Planning underway for 60,000 tonnes NBR/SBR capacity for Asia for late 2012



- Material costs have risen sharply through 2011
  - Good success in passing these increases through

Operational Review - Acquisition Drivers

- Excellent strategic fit
  - Complementary products/market positions
  - Well invested and located facilities in Europe and Asia
  - Similar but slightly stronger margins than Yule Catto's through the cycle
  - Accelerates Yule Catto's Asian expansion plans

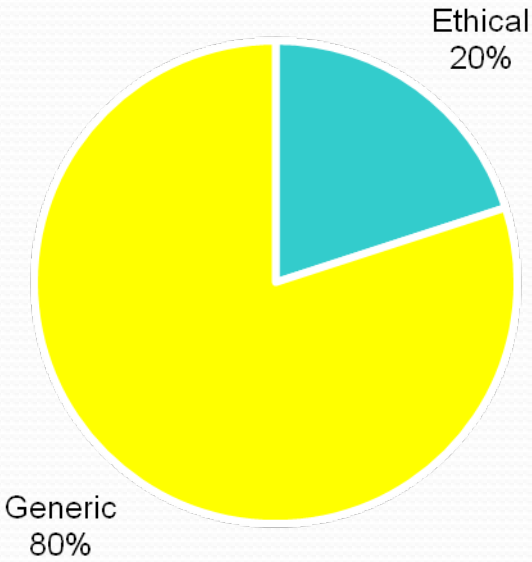
- Attractive returns and growth opportunities
  - Annual "hard" cost synergies of at least £20M
  - Earnings accretive in first 12 months of ownership
  - Improved cash flow to invest in organic growth particularly in "Developing" markets

Synergy Update

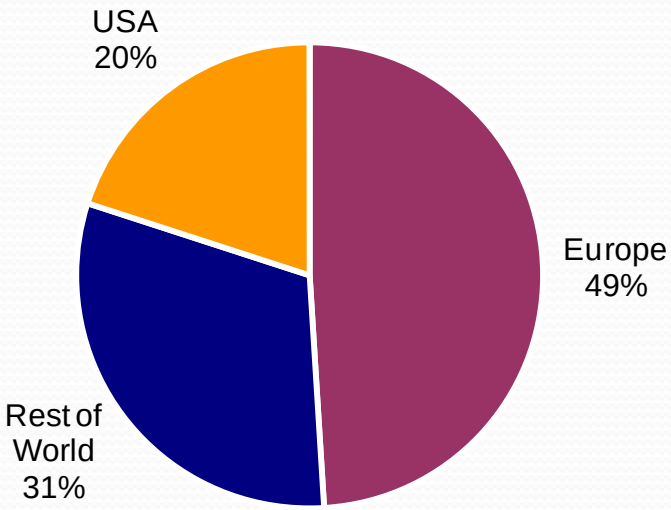
- Highly confident of at least £20M of “hard” synergies
- Anticipate £20M delivered in the second twelve months of ownership as announced at the time of the acquisition
- Good progress to date
- Annualised run rate on £4M p.a. At the end of Q2 - three months post completion
- Costs of delivery still expected to be in line with the original announcement - £20M cash costs and £23M capex

Pharma – H1 2011

Sales by Market



Sales by Territory



(“Generic” - producers of off-patent drugs)

Operational Review – Pharma Chemicals

- Profitability at half year £2.3M, behind 2010
  - Some large orders delayed to July
  - EBIT ytd end July ahead of prior year
- Weaker Q2 compared to Q1
  - Raw material prices started to rise
  - Environment remains competitive
- API industry continues to rationalise to meet the challenges of Asian competition and reduced new drug development
- Board has concluded Pharma is non core
  - Goodwill impairment of £36.9M

Summary and Outlook

Summary

- A very good start to the year
  - Solid performance in Europe
  - Strong growth in Asia
  - Underlying EPS ahead 23%
- Raw material price increases well managed
- Integration of PolymerLatex going well – synergy annual run rate of £4M p.a. at the end of the half
- Interim dividend of 1.2p per share – commitment for the year that total dividend will be at least 3.0p

Yule Catto's Key Growth Drivers

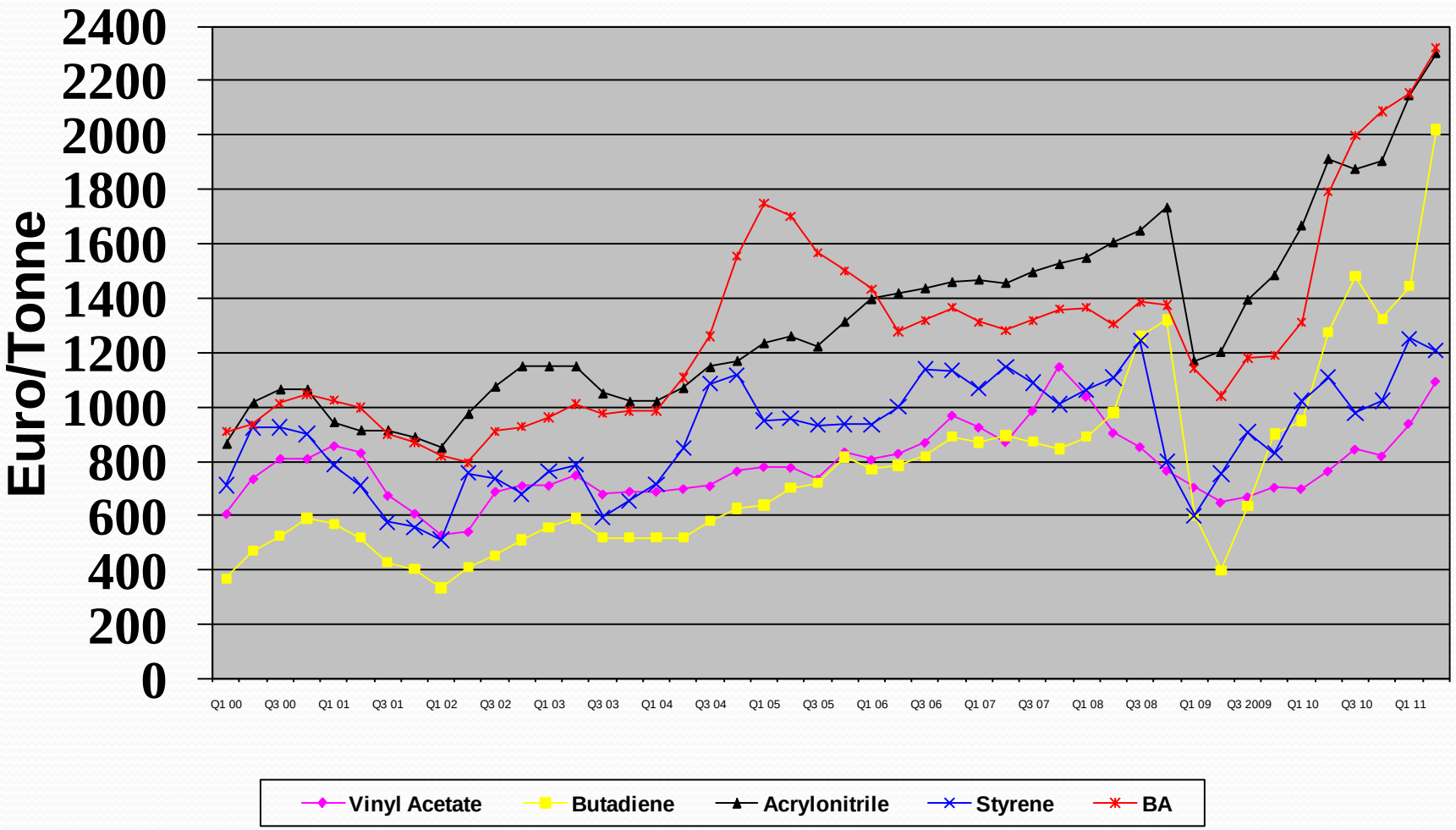
- Delivering the benefits from the PolymerLatex acquisition
- Excellent products and market positions
- High percentage of current sales to Asia and other high growth economies
- Established strategy of growing around existing hubs, particularly in developing economies
- New product development pipeline

Current Trading & Outlook

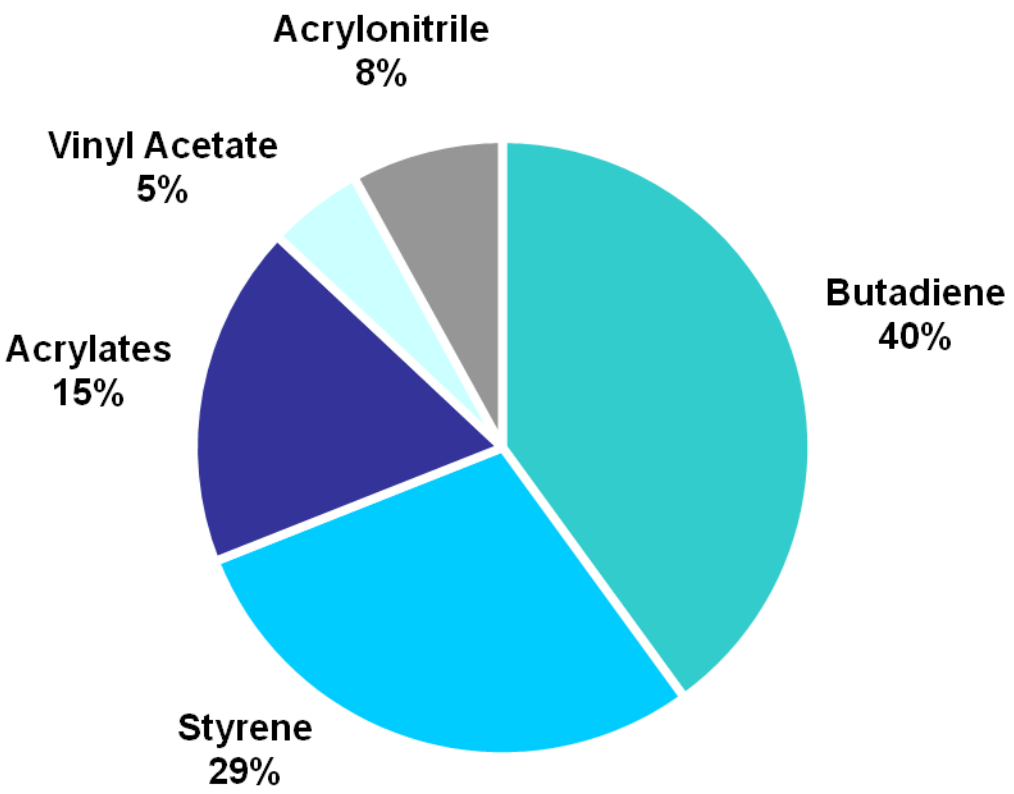
- Global growth patterns remain mixed:
  - Europe and North America subdued
  - Ongoing growth in Asia
- Macro-economic uncertainty
- Medium term driven by synergy delivery and Asian growth
- Full year now expected to be modestly ahead of previous expectations

Appendices

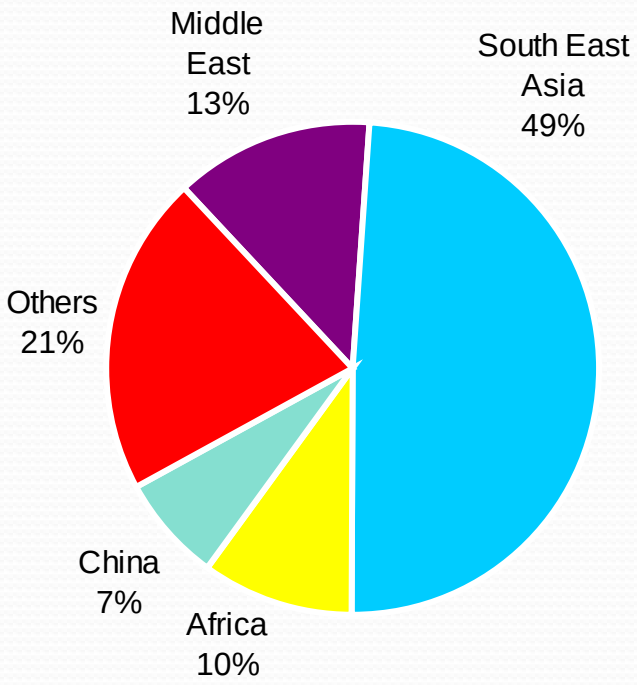
Raw Material Prices 2000-2011



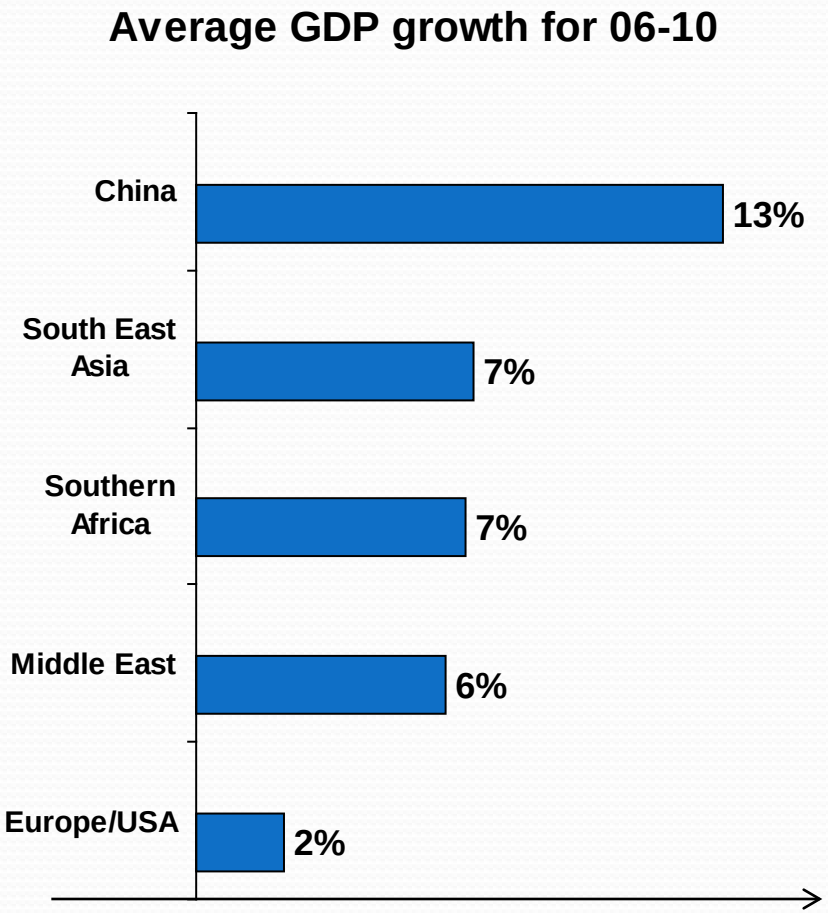
New Synthomer - Spend on Major Monomers



Developing World Sales



41% of Polymer Sales



Source: Economist Intelligence Unit (EIU)
Note: Average GDP growth is calculated as 2006 - 10 CAGR

Polymers - Market Positions

LATEX:

Carpets & Foam

SBR Latex and compounds for carpets, pillows and mattresses

No 1 in Europe in SBR
No 1 in Europe in Compounds
No 1 Worldwide in HS-SBR

Construction & Textiles

SBR Latex for cement additives, textiles and glassfibre insulation

No 1 Worldwide

Dipped Goods

Nitrile Latex for thin wall protective gloves and industrial gloves

No 1 Worldwide

Paper

SBR Latex for coated paper & board

No 3 in Europe

Polymers - Market Positions

DISPERSIONS:

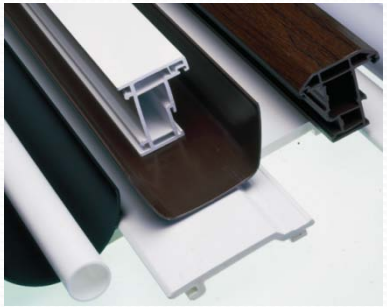
Paint	**Decorative, speciality and industrial**	**No 1 in UK, Middle East, S Africa and Malaysia No 4 in Europe**

Adhesives	**Pressure sensitive labels and tapes, packaging and wood glues**	**No 1 in UK, Middle East, and Malaysia No 3 in Europe**

Construction	**Building adhesives and sealants, cement additives**	**No 1 in UK, Middle East, No 3 in Europe**

Polymers - Market Positions

SPECIALITIES:



Alcotex	**Speciality Polyvinyl Alcohol for use as a suspension agent in PVC polymerisation**	**No 1 Worldwide**

Lithene	**Liquid Polybutadiene for automotive sealants, electronic encapsulants, printing plates and specialist coatings**	**No 2 in Europe and USA**

Lipren/ Pyratex	**Speciality water-based polymers for protective gloves, contact adhesives, tyre cord adhesive**	**Focused niche player**