Yule Catto & Co plc

Full Year results presentation

March 2011

Introduction

Adrian Whitfield, Chief Executive

Structure

- Key Themes
- Highlights
- Financials
- Operational Review
  - Group
  - Polymers
  - Pharma
  - Impact
- Summary
- Acquisition of PolymerLatex / “New” Yule Catto
- Outlook

Key Themes

- Continued strong progression in Group profitability
- Following the transformational acquisition of PolymerLatex business now clearly focused around core Polymers business
- Significant and increasing exposure to high growth emerging markets
- Geographic balance and market leadership positions create good growth dynamics
- The acquisition of PolymerLatex brings additional opportunities to enhance the future profitability of the Group
- Strong balance sheet

2010 Highlights

- A very good year
  - Underlying PBT £47m up 19%
  - Underlying EPS up 22%
  - Builds on 27% increase in PBT delivered in 2009
- Strong increase in Polymers profitability year-on-year
- Continued good progress in passing on increased raw material prices
- Satisfactory performances from Pharma and Impact
- Significant reduction in net debt
  - £63.4m at period end
  - net debt / EBITDA ratio 0.9x
- Recommended final dividend of 1.3p per share in line with communication at the time of the PolymerLatex acquisition

Full Year Results

David Blackwood, Finance Director

P&L - Underlying

	2010 (£'m) Underlying	2009 (£'m) Underlying	Variance
Total Sales	645.8	532.2	+21.3%
Operating Profit/(Loss)	54.9	49.4	+11.1%
Finance Cost	(7.9)	(9.9)	
Profit/(Loss) Before Tax	47.0	39.5	+19.2%
Tax	(9.1)	(8.0)	Circa 20% rate
Minorities	(1.3)	(1.5)	
Attributable to equity holders of parent	36.6	30.0	
EPS *	16.2p	13.3p	+21.8%

*adjusted for the rights issue

Consolidated Income Statement

	2010 £'m			2009 £'m		
	Und'lying	Special items	IFRS	Und'lying	Special items	IFRS
Total Sales	645.8	5.7	651.5	532.2	11.2	543.4
Operating Profit	54.9	8.1	63.0	49.4	(28.0)	21.4
Finance Cost	(7.9)	2.7	(5.2)	(9.9)	(4.4)	(14.3)
Profit/(Loss) before tax	47.0	10.8	57.8	39.5	(32.4)	7.1
Discontinued Operations	-	-	-	-	3.7	3.7
Tax	(9.1)	6.6	(2.5)	(8.0)	9.1	1.1
Minorities	(1.3)	(4.2)	(5.5)	(1.5)	(0.7)	(2.2)
Attributable to equity holders of parent	36.6	13.2	49.8	30.0	(20.3)	9.7
EPS*	16.2p	5.8p	22.0p	13.3p	(9.1)p	4.2p

*adjusted for the rights issue

Special / Exceptional Items

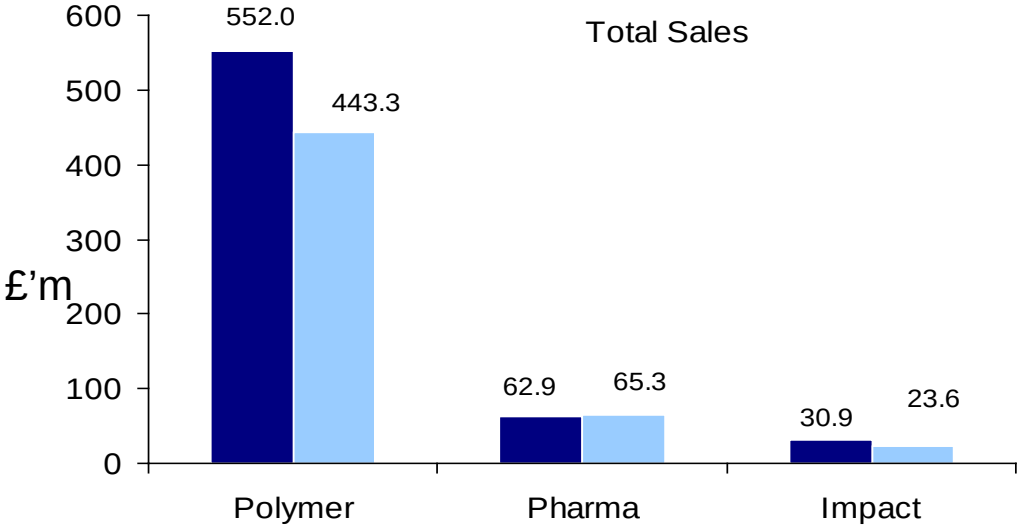
- Gain of £12.7m on disposal of interest in Revertex Finewaters (of which £4.2m attributable to minorities), plus associated trading, Italian decommissioning costs and acquisition costs of £4.2m (PolymerLatex)

- Finance £2.6m positive
  - Mark to market on US$ cross currency swaps
  - Does not qualify for “technical” hedge accounting

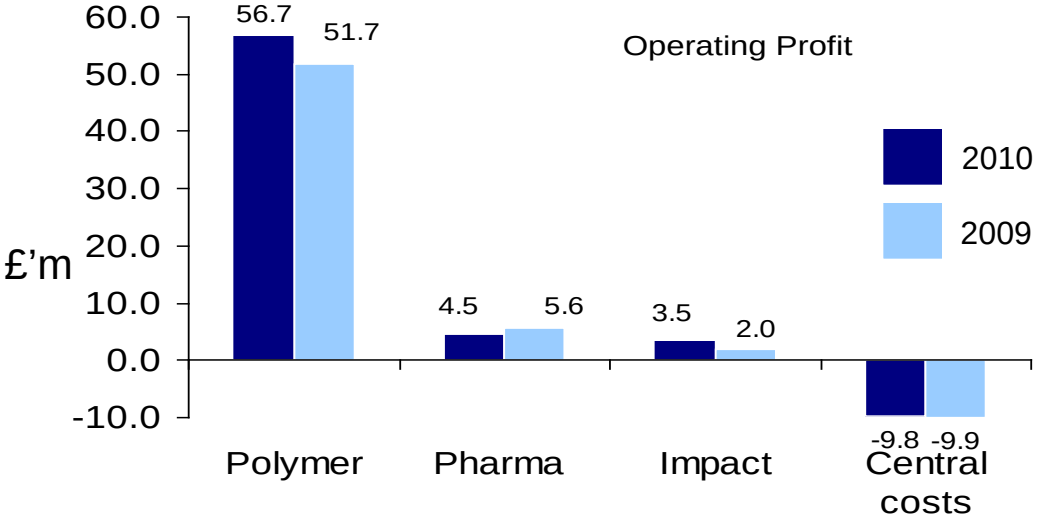
- Tax £6.6 million gain – release of prior year provisions

Segmental Analysis

- Underlying group sales up 21%
- Polymer sales up 25%
  - Volume +4%
  - Currency translation +2%



- Group operating profit up £5.5m
- Polymer operating profit up £5.0m
  - Volume improvement
  - Margin management
- Pharma, down £1.1m, slow start but strong order book at year end
- William Blythe (Impact) up £1.5m, volumes strongly ahead



Cash Flow Statement

	2010 £'m	2009 £'m
Operating profit (before JV)	52.8	50.2
Movement in working capital	(11.6)	13.9
Depreciation	14.6	14.8
Capital expenditure (net)	(10.5)	(8.6)
Interest	(9.2)	(10.5)
Tax paid	(8.7)	(6.8)
Pension funding in excess of IAS19 charge	(12.2)	(10.7)
Other (MI / JV Dividend)	(3.8)	(1.9)
Sub total	11.4	40.4
Cash impact of closure of business	(1.5)	(3.6)
Disposal proceeds/acquisitions (net)	16.1	10.9
Acquisition costs	(0.4)	-
Dividends paid	(2.9)	-
Exchange	1.9	(0.3)
Movement in borrowings	24.6	47.4
Closing debt	63.4	88.0

Asset Disposals

- Revertex Finewaters
  - Non-core downstream adhesives business
  - Consideration attributable to Yule Catto of £11m (8x EBITDA for 2009)
  - Long term contract to continue supplying raw material to Finewaters from existing Malaysian Polymers facility

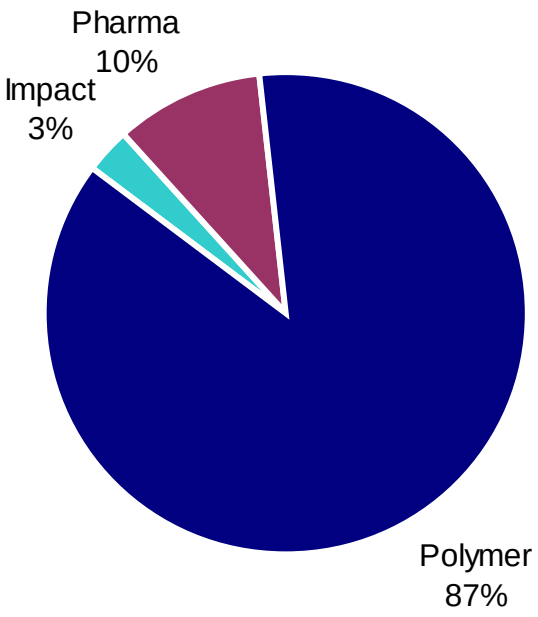
- Land disposals
  - Italian land – sale agreed in August for €4.6m – due Q2
  - Accrington – old Impact site – held for sale when property market improves
  - Malaysia - previously announced 50 acre plot sale – proceeds attributable to Yule Catto of £1.4m received in H2

Operational Review

Adrian Whitfield, Chief Executive

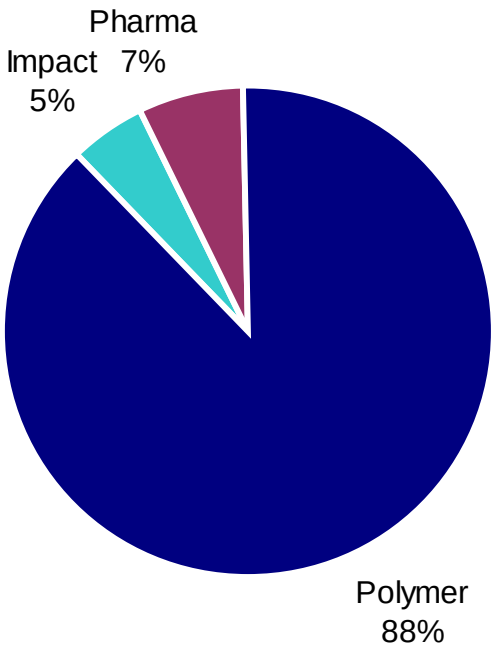
Yule Catto – Operating Profit Split

Operating Profit Split 2009



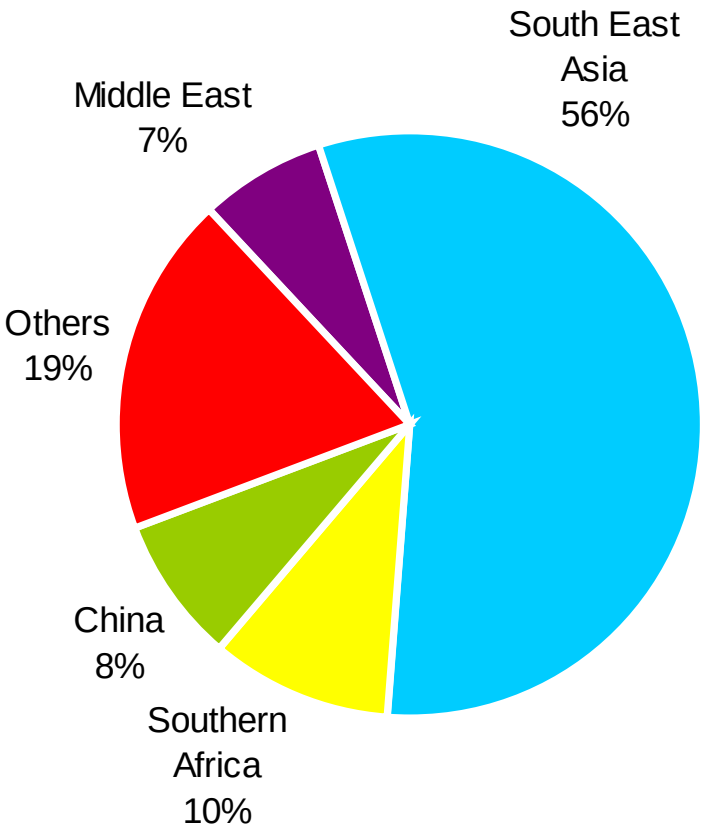
£49.4 million

Operating Profit Split 2010



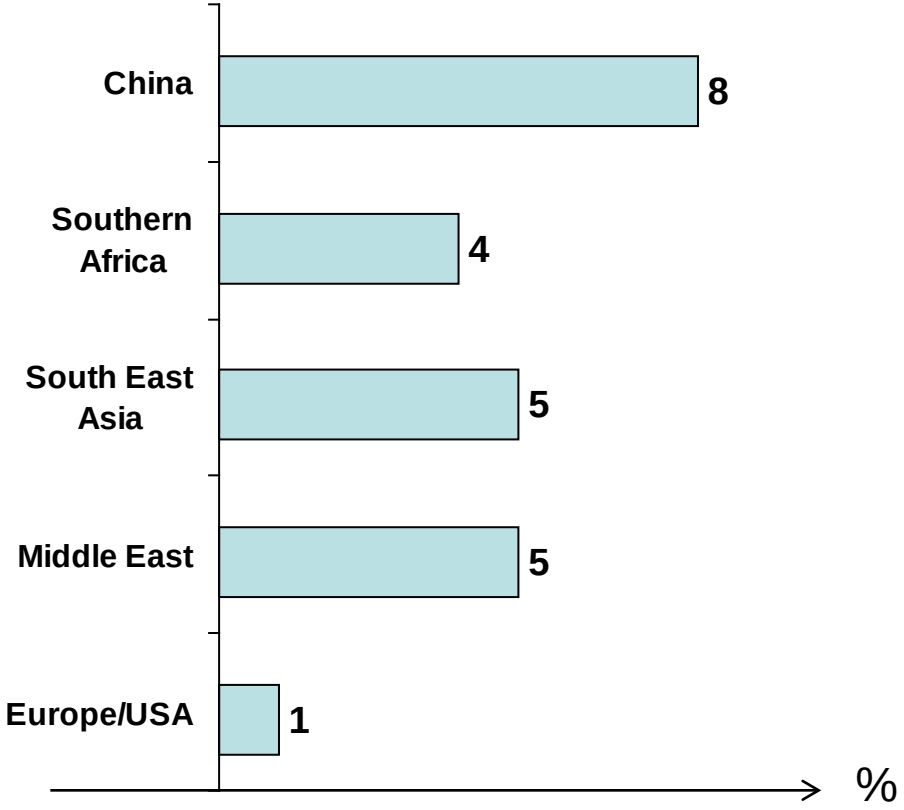
£54.9 million

Developing World Sales (2010)



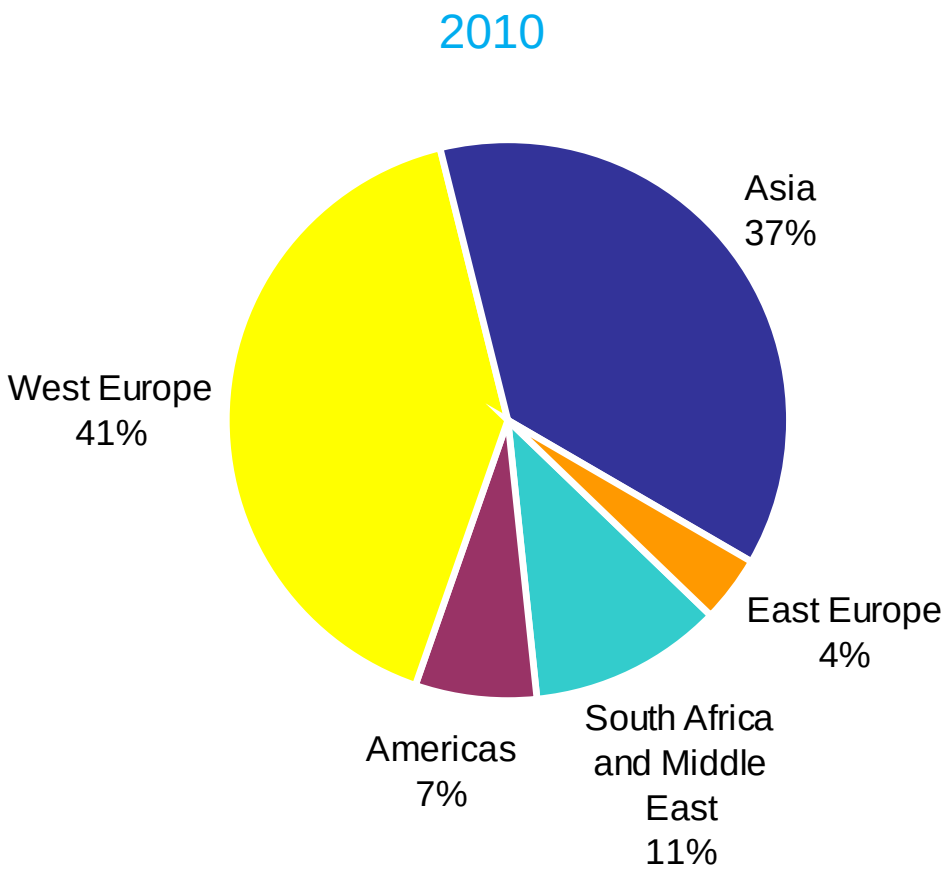
46% of Group Sales

Average GDP growth for 05-09



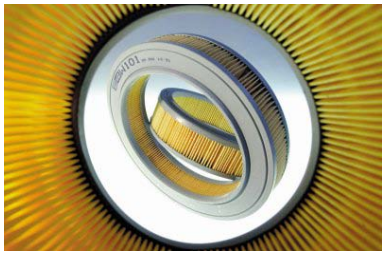
Polymer Chemicals
(88% of Group Profitability)

Polymers – Sales by Territory



Operational Review - Polymers

- Operating profit increased 10% to £56.7m

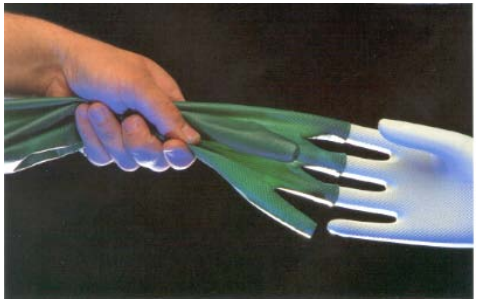


- 4% volume increase
  - Strong demand in Asia
  - Demand mixed in other areas of the world
  - We require additional Latex and Dispersion capacity in Asia
  - Nitrile expansion will commission in Q2

- Material costs have risen sharply through 2010
  - Good success in passing these increases through
  - Continued strong momentum as we enter 2011

Operational Review - Polymers

- Future profit drivers
  - Capacity increases particularly in Asia and the developing world in general.
  - Continued focus on Margin Management and being paid for the value we add.
  - Geographical spread particularly in Asia and the developing world.
  - Delivery of anticipated £20m of synergies from PolymerLatex acquisition.

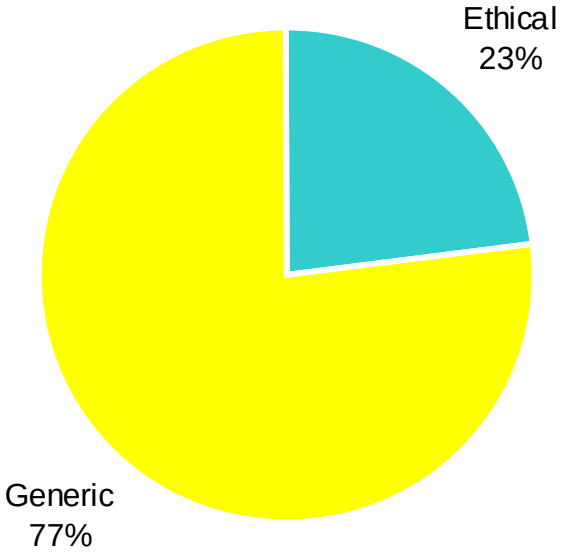


- Focus on growing the business
  - Yule Catto has excellent market positions
  - Established track record in growing volumes
  - Active NPD (New Product Development) pipeline to drive both volumes and margins

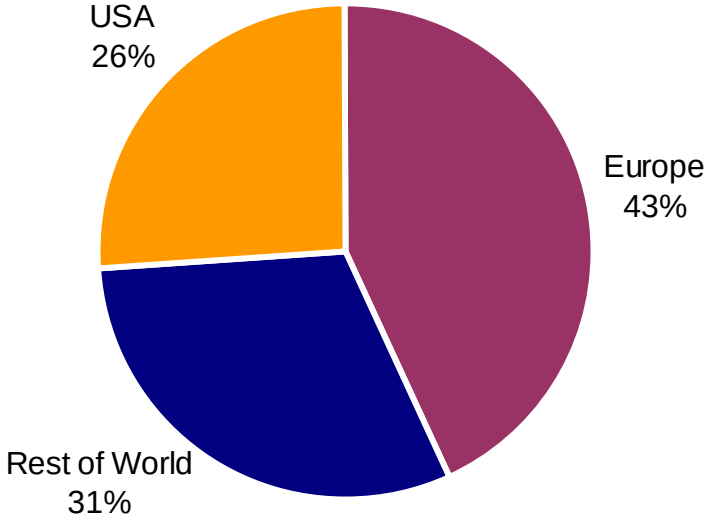
Pharma Chemicals
(7% of Group Profitability)

Pharma – 2010

Sales by Market



Sales by Territory



("Generic" - producers of off-patent drugs)

Operational Review – Pharma Chemicals

- Profitability decreased to £4.5m
  - Sales decreased 4%; weak start to the year
  - Manufacturing costs controlled
- Sales improved as the year progressed
  - Strong order book
  - Environment remains competitive
- API industry continues to rationalise to meet the challenges of Asian competition and reduced new drug development
  - Sale/closure of European API producers
  - Teva's acquisition of RatioPharm

Impact Chemicals
(5% of Group Profitability)

Impact – Operational Review

- William Blythe the only remaining business
- Underlying profit progressed 75% (£2.0m → £3.5m)
  - Demand strengthened throughout 2010
  - Several projects in the pipeline to further increase profitability
- Raw Material prices rising strongly
- 2011 looks solid

Summary

- Another very good year of profitable growth following on from an excellent 2009
- Company focused on growth driven by Polymers
- Strong financial position
- Final dividend will be 1.3p per share in line with guidance following the acquisition of PolymerLatex
- Acquisition of PolymerLatex transformational to the Group

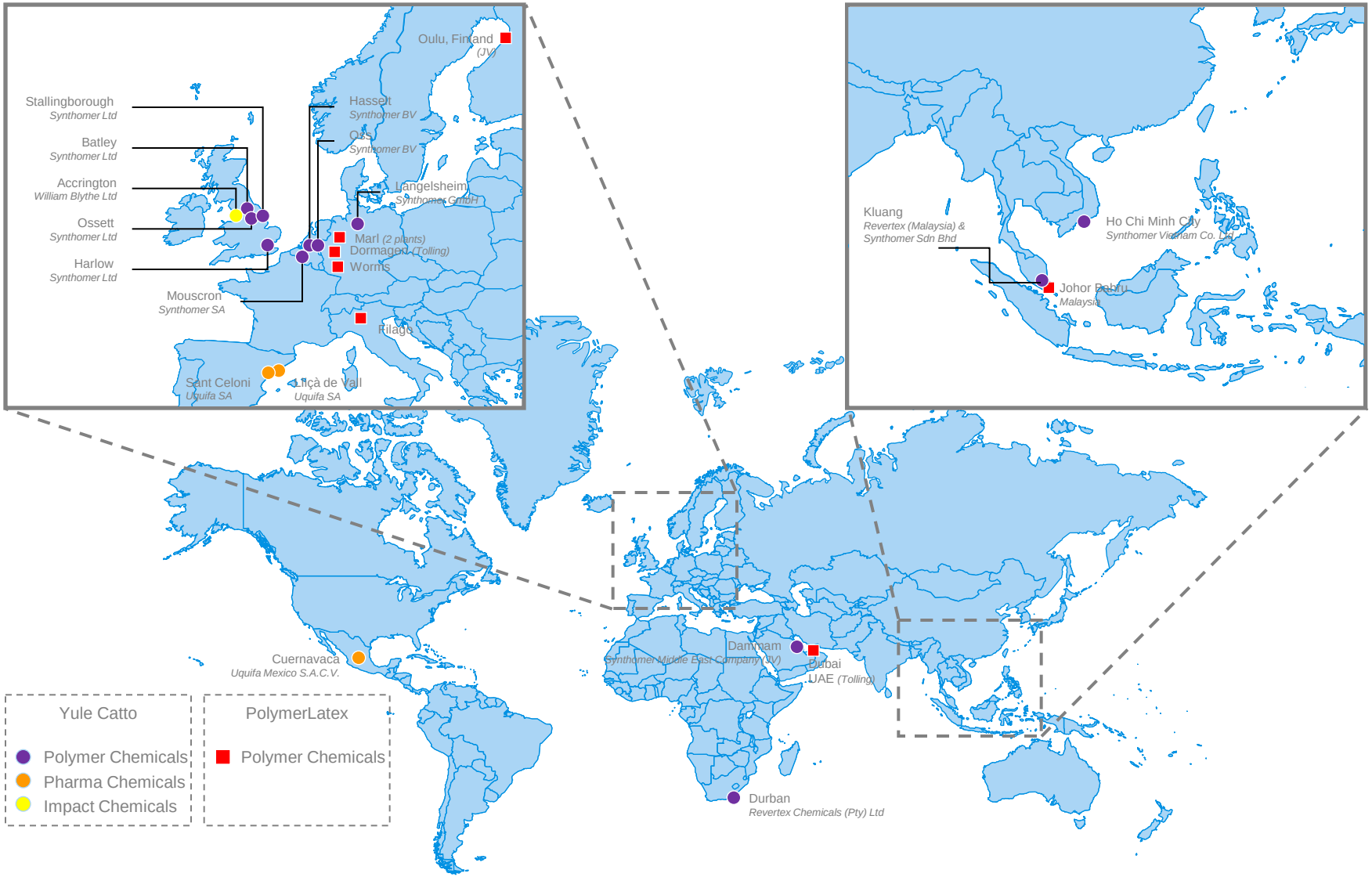
PolymerLatex / “New” Yule Catto

A compelling, transformational opportunity

PolymerLatex – a leading emulsion polymers producer	• A leading global player in latex products operating in Europe and Asia • Markets and products well understood by Yule Catto • Strong EBITDA margins • Well invested facilities in Europe and Asia
An excellent strategic fit	• Diversified portfolio – foam, paper, coatings and non-wovens • Enhances market position in protective gloves • Provides additional modern, purpose-built NBR capacity in Malaysia • Well located facilities with access to cost-effective raw materials
Attractive returns and growth opportunities	• Estimated annual cost synergies of at least £20m fully realised in 2012[1] • Earnings accretive in 2011 and significantly accretive thereafter[1] • Improved cash flow to invest in organic growth • Accelerates Asian expansion plans

(1) Management expectation based upon an assumed acquisition completion date of 1 January 2011 and before any exceptional restructuring costs. This statement should not be construed as a profit forecast or be interpreted to mean that the future earnings per share, profits, margins or cash flows of the Group, taking into account the effect of the Rights Issue, will necessarily be greater than the historic published earnings per share, profits, margins or cash flows of the Group.

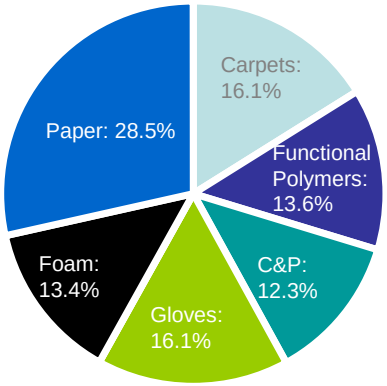
Combined manufacturing footprint



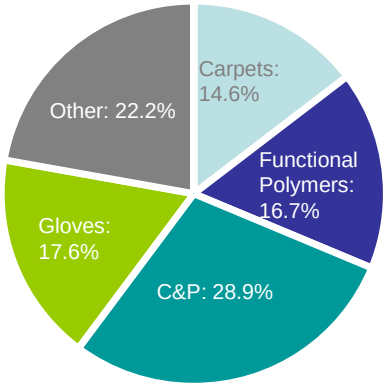
Complementary products and geography 2010*

Market Breakdown

PolymerLatex

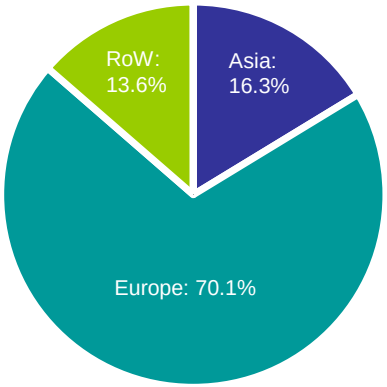


Yule Catto

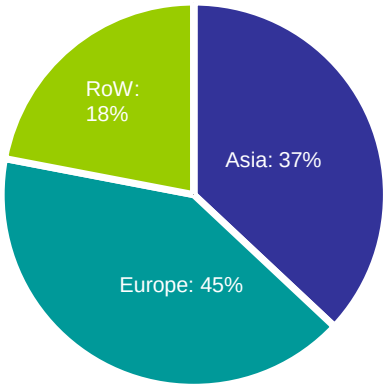


Regional Breakdown

PolymerLatex



Yule Catto



*Unaudited

PolymerLatex – current status

- German competition approval received February 14th without restriction
- Spanish competition approval received March 1st without restriction
- Completion will be 31st March 2011
- Good progress made on integration planning in the intervening period
- Trading continued in line with that anticipated
- Pleased with progress to date

Current Trading & Outlook

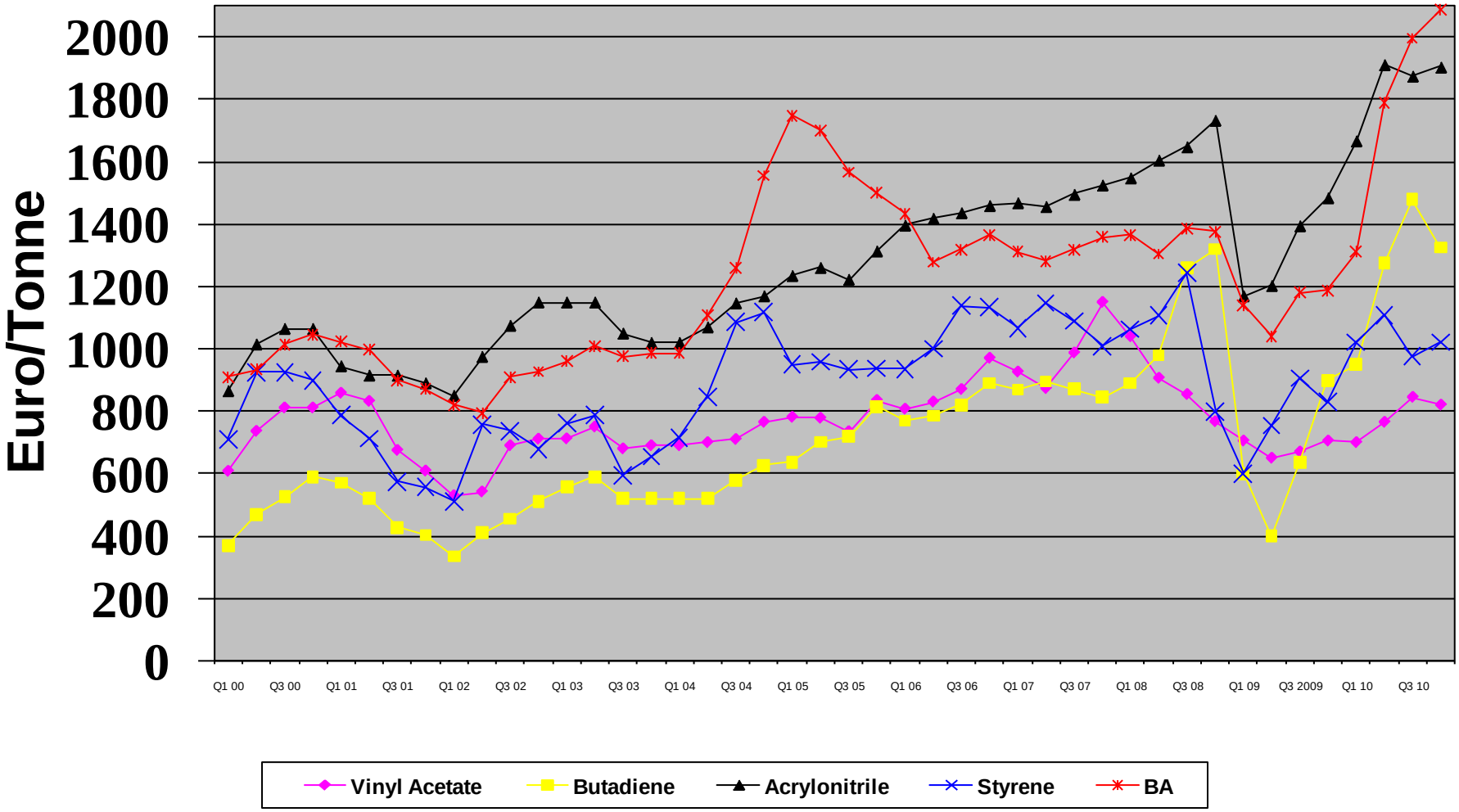
- Global growth patterns remain mixed:
  - Europe and North America stable
  - Robust growth in Asia

- January in line with expectations

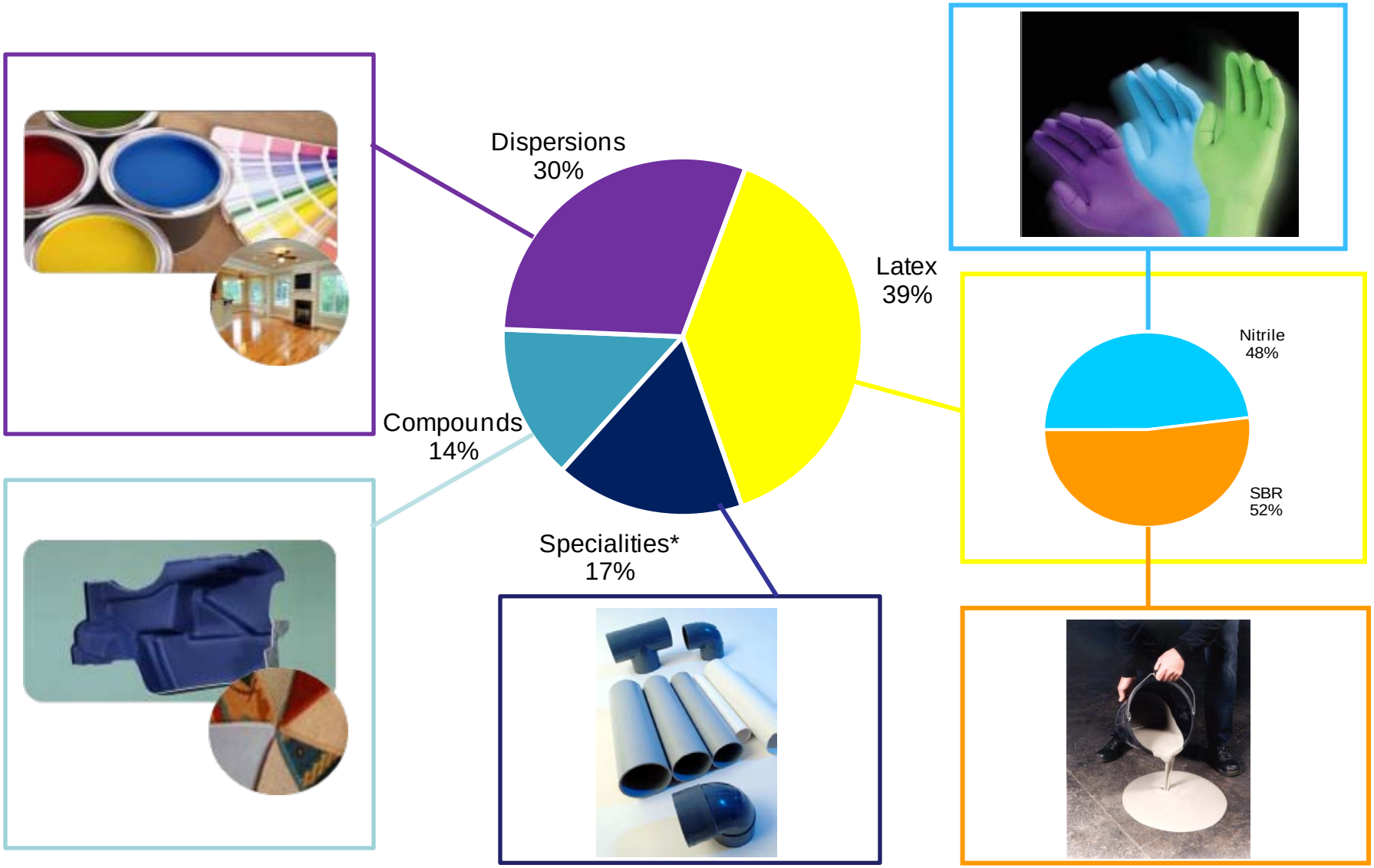
- Raw material prices increasing strongly driven by Middle East unrest and supply demand imbalance in a number of monomers. We will as always work diligently to pass these on in full.

Appendices

Raw Material Prices 2000-2010

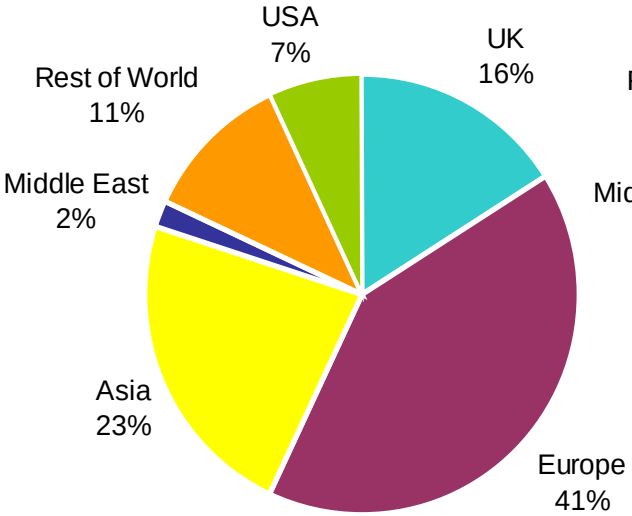


Polymers – 2010 Sales by Product



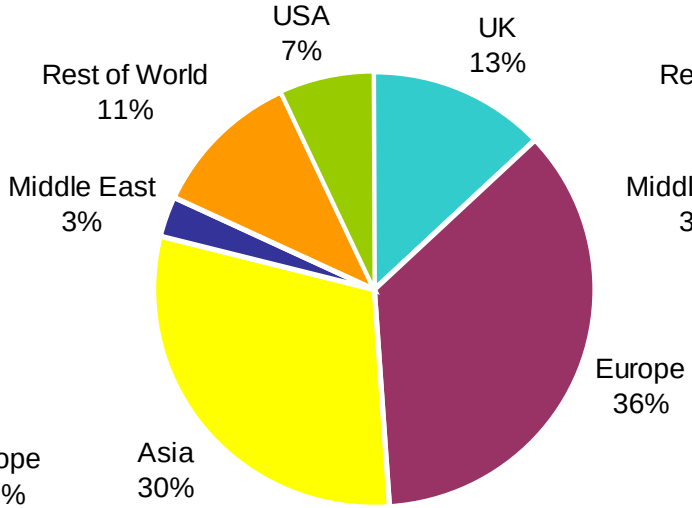
Yule Catto – Sales Development 2006-2010

Sales by Territory 2006



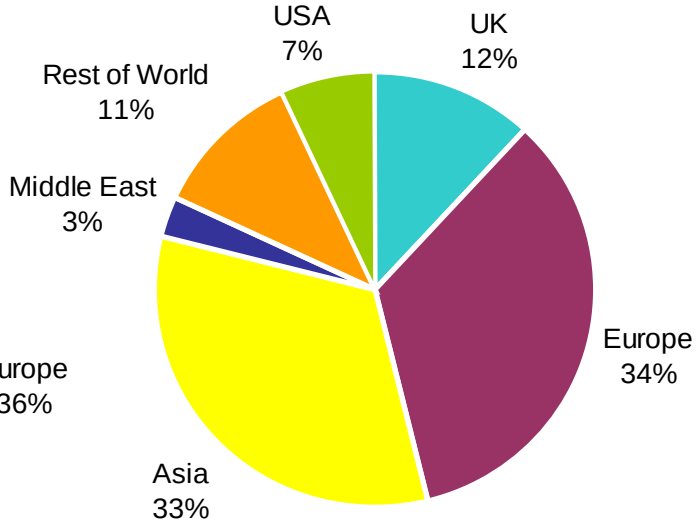
£557.4 million*

Sales by Territory 2009



£532.2 million (underlying)

Sales by Territory 2010



£645.8 million (underlying)

* Include companies disposed of since 2006