

# Preliminary Announcement 2007



## Being part of all our lives



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# Adrian Whitfield

## Chief Executive



# Opening Remarks

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- 2007 was a good year for the Group in terms of both sales and profitability
- Significant number of changes in the way the businesses are run
- Made strong progress against both our operational strategic objectives **AND** Group performance targets
- Actively managing raw material volatility
- Enter 2008 with positive momentum



# Highlights

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- Underlying group sales up 4.2% to £580.6m
- Profit before taxation up 9.5% to £34.5m
- Earnings per share up 2.6p to 17.3p
- Dividend up 0.3p to 9.6p
- Good volume and profit growth in Polymers
- Reduced profitability in Pharma as indicated
- Continued forward profit momentum in Impact Chemicals. Sale of James Robinson



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# David Blackwood

## Finance Director



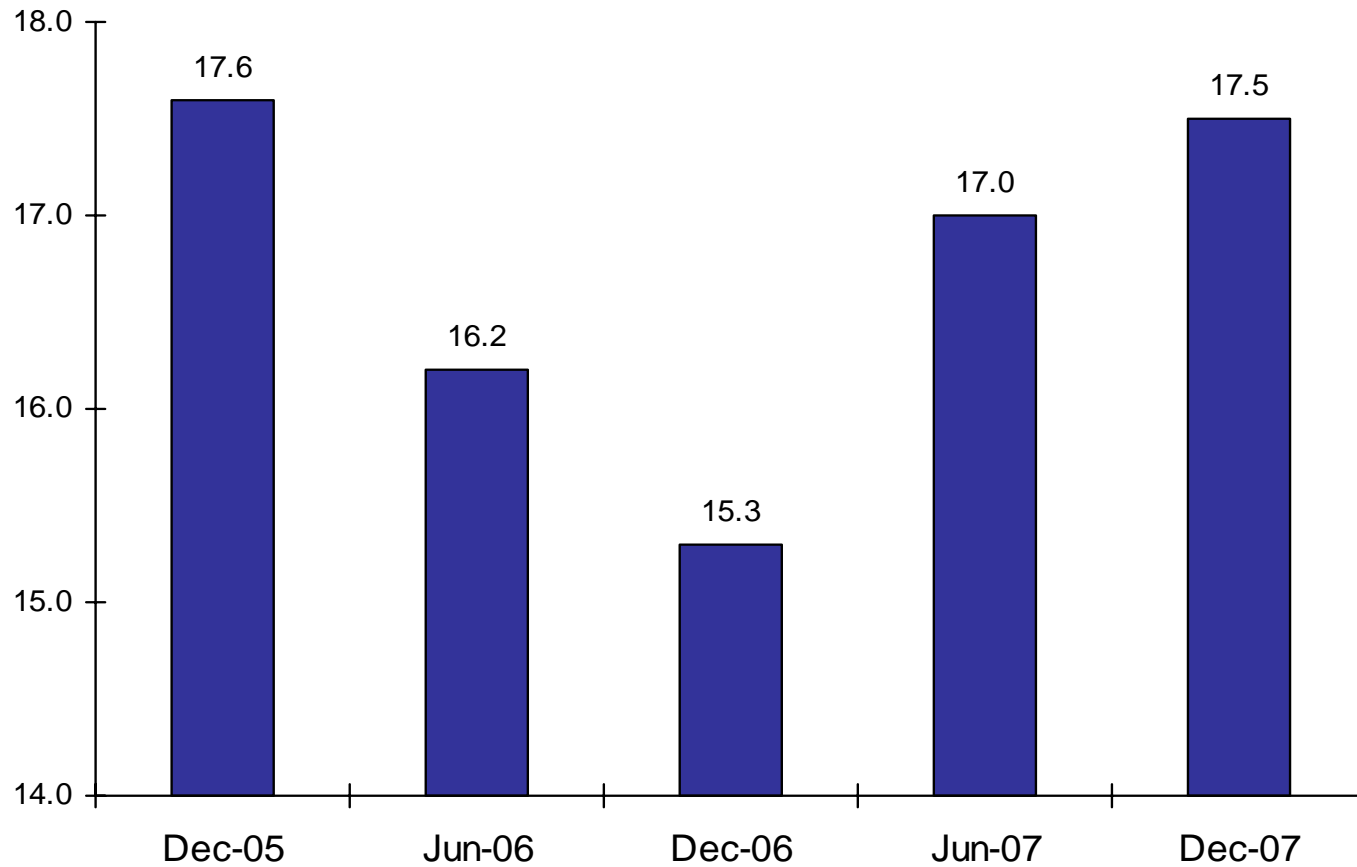
# Consolidated Income Statement

	2007			2006		
	Und'lying	Special items	IFRS	Und'lying	Special items	IFRS
Total Sales	580,641	-	580,641	557,357	8,429	565,786
Operating Profit	46,014	(17,440)	28,574	42,959	(21,508)	21,451
Finance Cost	(11,497)	4,447	(7,050)	(11,443)	3,618	(7,825)
Profit before tax	34,517	(12,993)	21,524	31,516	(17,890)	13,626
Tax	(7,646)	1,586	(6,060)	(8,820)	(35)	(8,855)
Minorities	(1,679)	-	(1,679)	(1,344)	-	(1,344)
Attributable to equity holders of parent	25,192	(11,407)	13,785	21,352	(17,925)	3,427
EPS	17.3p	(7.8)p	9.5p	14.7p	(12.3)p	2.4p



# Trend in Half Yearly Profits

Underlying profit before taxation (£m)



# Currency Rates

	Average		Spot	
	2007	2006	2007	2006
US \$	2.01	1.85	2.00	1.96
Euro	1.46	1.47	1.36	1.49
Malaysian ringgit	6.88	6.78	6.62	6.92
South African rand	14.15	12.64	13.69	13.82



# Consolidated Balance Sheet

	2007 30 December £'000	2006 31 December £'000
Goodwill	172.4	172.4
Other non-current assets	113.0	115.1
Working capital	31.3	46.0
Provision for liability & tax	(55.4)	(58.4)
Derivatives at fair value	(24.2)	(22.3)
Post retirement benefits	(41.2)	(77.9)
Net borrowings	(150.3)	(150.7)
Net assets	45.6	24.2
<b>Underlying borrowings</b>	<b>170.8</b>	<b>166.2</b>



# Balance Sheet – borrowings

	<b>2007</b> <b>£'000</b>	<b>2006</b> <b>£'000</b>
Cash	108,352	65,917
Current borrowings (< 1yr)	(133,585)	(57,802)
Non current borrowings (> 1yr)	(125,108)	(158,771)
	(150,341)	(150,656)
Movement in \$ cross currency swaps	(20,490)	(15,615)
Underlying borrowings	(170,831)	(166,271)
<b>US \$/£</b>	<b>2.01</b>	<b>1.85</b>



# Cash Flow Statement – underlying performance

	2007 £'m	2006 £'m
Operating profit (before JV)	44.9	42.0
Movement in working capital	4.0	(3.9)
Depreciation	16.0	18.3
Capital expenditure (net)	(17.0)	(16.9)
Cash impact of closure of business	(6.6)	(6.1)
Interest	(11.1)	(11.5)
Tax paid	(10.5)	(9.2)
Pension funding in excess of IAS19 charge	(5.6)	(3.2)
Other	(0.1)	(1.0)
<b>Free cash flow</b>	<b>14.0</b>	<b>8.5</b>
Disposal proceeds/acquisitions (net)	-	3.7
Dividends paid	(13.7)	(13.3)
Exchange/other	(4.9)	(0.9)
Issue of shares	-	1.3
<b>Movement in borrowings</b>	<b>(4.6)</b>	<b>(0.7)</b>



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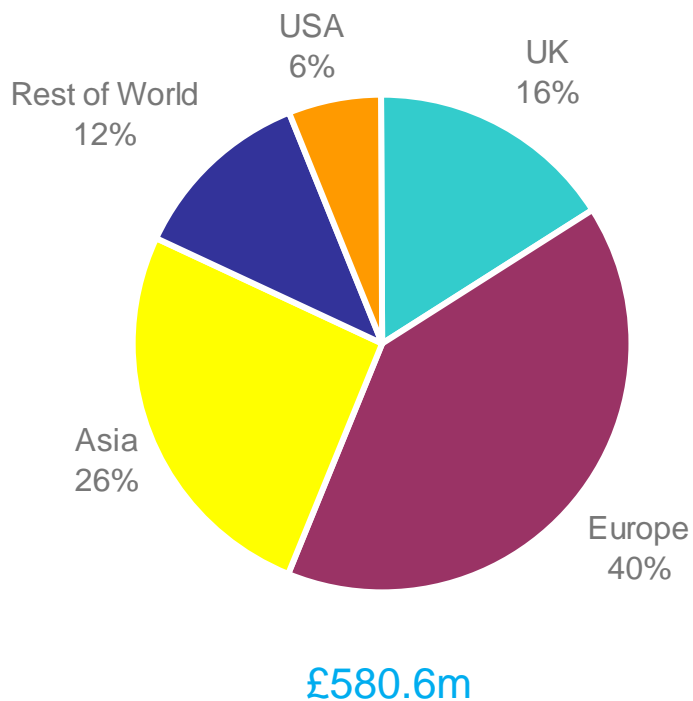
# Operating Review



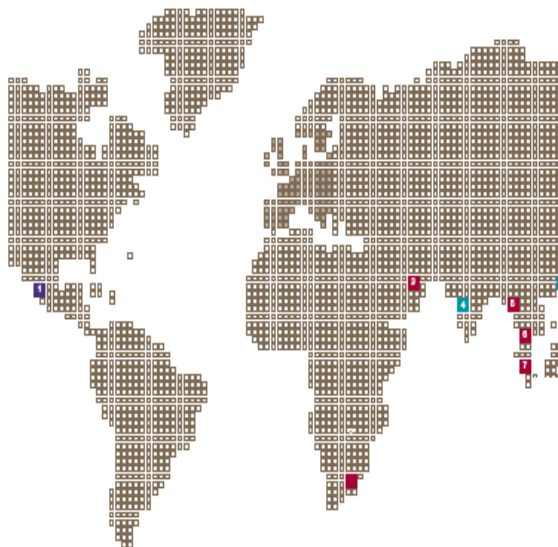
# Total Sales by Territory

2007

## Yule Catto around the world

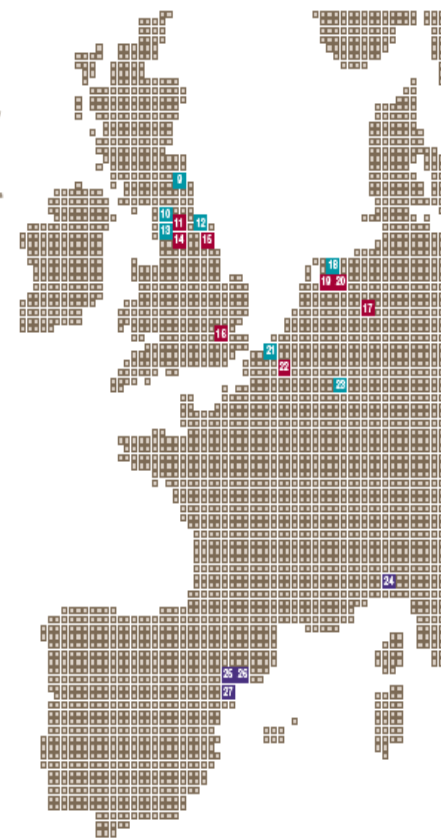


- Locations
1. Guatemala - Uquiba Mexico S. A.G.U.
  2. Dublin - Pharma Chemicals (UK) Ltd.
  3. Semarang - Synthomer Media Global Ltd.
  4. Vadod - Janssen Pharmaceutica India Pvt. Ltd.
  5. Klang - Synthomer Malaysia Sdn. Bhd.
  6. Wang - Synthomer (Singapore) Pte. Ltd.
  7. Bangkok - Synthomer (Thailand) Ltd.
  8. Guangzhou - Yule Catto Asia Ltd.



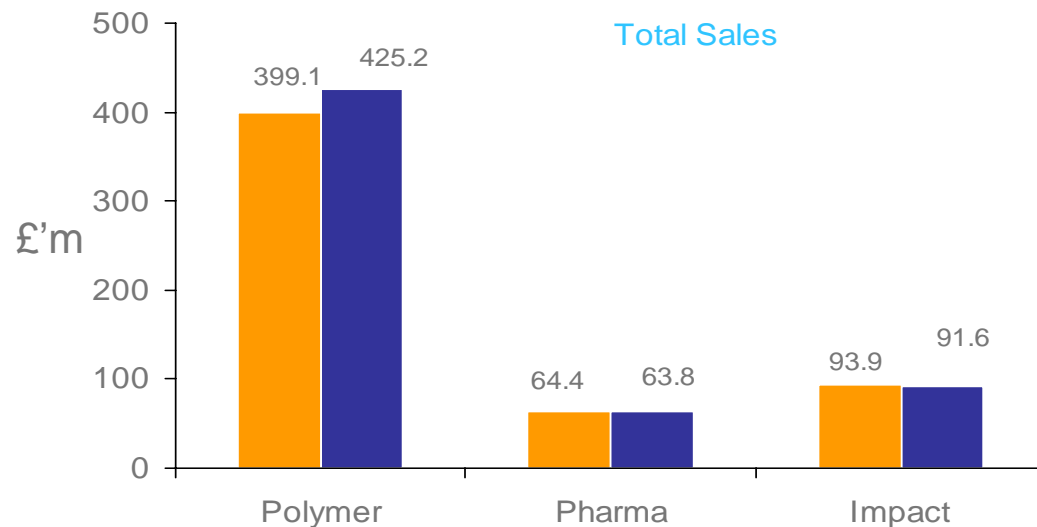
- Locations
9. Northport - Celtris Chemicals Ltd.
  10. Acapulco - Polimeros S.A. de C.V.
  11. Dallas - Synthomer Ltd.
  12. Houston - Synthomer Ltd.
  13. Houston - Synthomer Ltd.
  14. Oxnard - Synthomer Ltd.
  15. Dallas - Synthomer Ltd.
  16. Houston - Synthomer Ltd.
  17. Langkhalim - Synthomer GmbH.
  18. Semarang - PT Janssen Chemicals BV.
  19. Oita - Synthomer BV.
  20. Houston - Synthomer (USA) LLC.
  21. Houston - Synthomer (USA) LLC.
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- Polymer Chemicals
- Pharma Chemicals
- Insect Chemicals

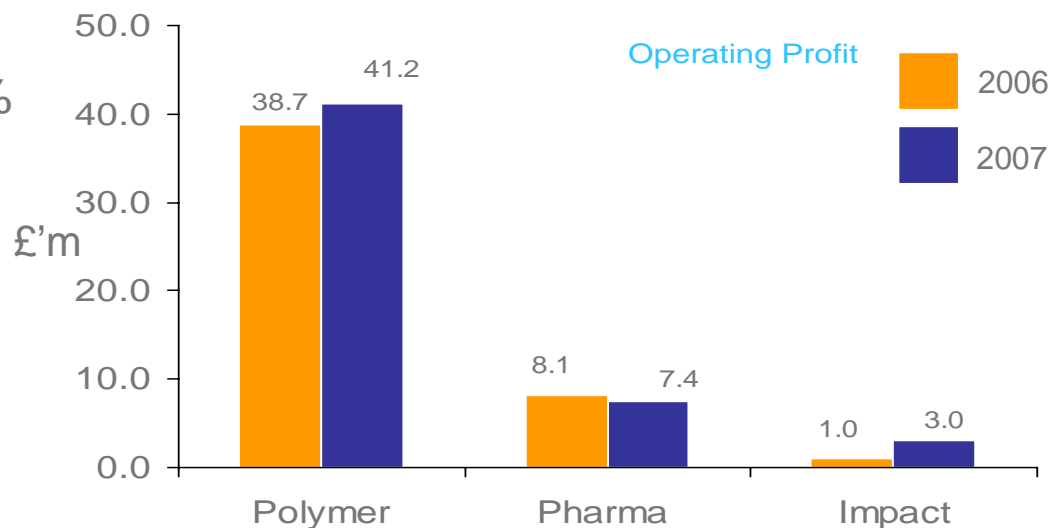


# Year on Year Divisional Performance

- Underlying group sales up 4.2%
- Good progress in Polymers
- Decline in Impact as we focus on more profitable niches



- Polymer operating profit up 6.2%
- Pharma decline due to reduced H2 sales
- Turnaround in Impact



# Polymer Chemicals – Detailed Discussion

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- Record profitability of £41.2m
  - 4.3% volume growth
  - 2 successive half years of improving margins 9.2 → 9.4 → 9.9%
  - y-o-y margins stable
  
- Market growth for nitrile latex remains strong (30%+ y-o-y)
  - Nitrile prices firm
  - Rapid increase in Bd prices (\$750-\$1700/te SEA)
  - Capacity increased by 66% in 2007 (→ 100kwtes)
  - Further 60% expansion scheduled in Q3 2008



# Polymer Chemicals – Detailed Discussion

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- Acquired 60% stake in Chemtech Holdings (Vietnam) Ltd for \$1.5M USD
  - \$4.4m USD turnover Dispersion producer based in Ho Chi Minh City
  - Signed 3 year contract to supply an existing YC major customer to their facility in Vietnam
  - Continues our stated strategy of expanding around existing hubs
- Record output and profitability from our Lithenes business
  - Plant upgrade in 2006 now close to capacity
  - Further expansion planned in 2008
- Overall volume demand remains firm



# Polymers – Raw Materials

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- Raw material prices and supply were volatile in 2007
- Early 2008 has continued in a similar manner
- We were able to improve operating margins through 2007
- Remains a key operational focus in 2008
- Additional capacity in a number of monomers due on stream late 2008 onwards



# Polymers Operating Strategy Update

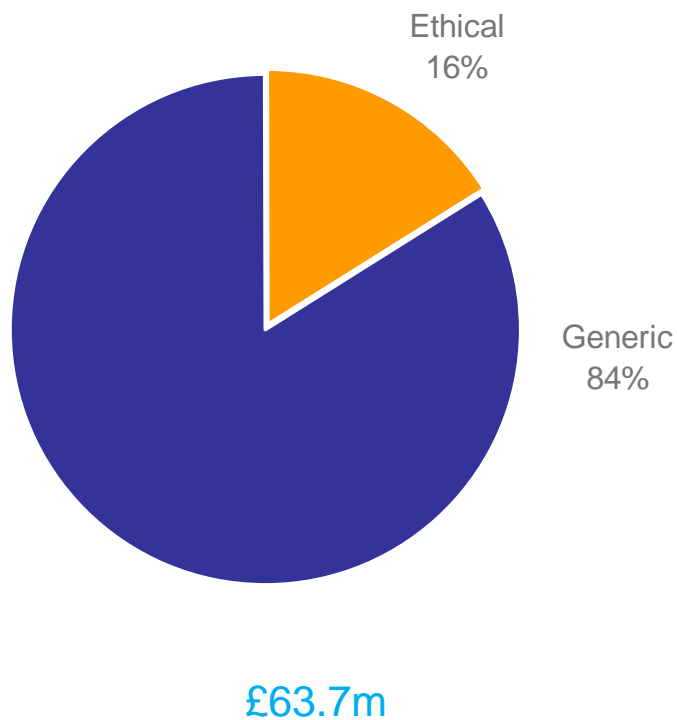
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- Enhance and extend our “key product” portfolio
  - “2<sup>nd</sup> generation” Nitrile sales making steady progress
  - Additional PSA (Pressure Sensitive Adhesive) grades to be added H1 2008
- Expand geographically around our existing “hubs”
  - Nitrile latex capacity in Malaysia to be grown a further 60% in 2008
  - Acquisition of Chemtech
  - Lithene capacity in the UK to be increased
- Maximise inter-regional synergies
  - Global approach to major monomer purchasing
  - Co-ordinated Performance Improvement Plans across all geographies

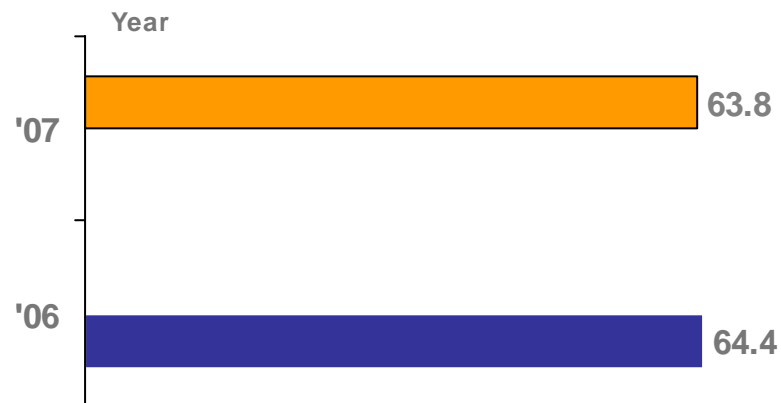


# Pharma Chemicals - Overview

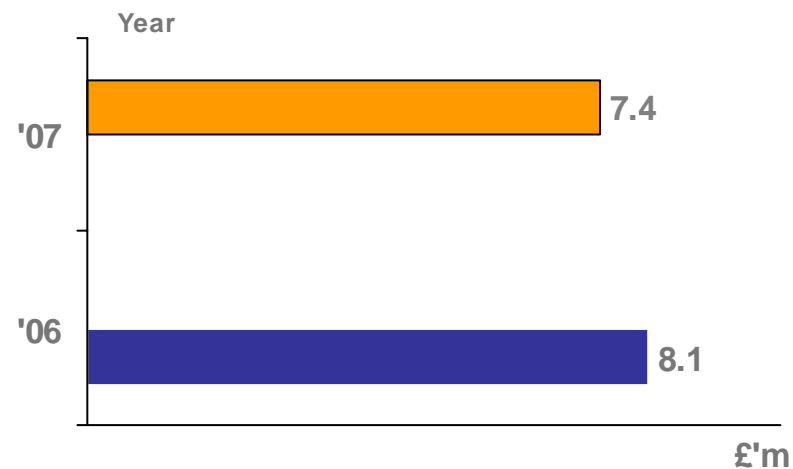
## Sales by Market



## Turnover £'m



## Operating Profit £'m



# Pharma Chemicals – Detailed Discussion

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- As indicated H2 sales and profitability reduced due to order phasing
  - Mexican order book very H1 loaded in 2007
  - Run down of security stock by major Omeprazole customer
  - Omeprazole now running at record sales volumes
- Anticipate significant benefit from previously announced restructuring
  - Italian plant will close end of 2008
  - Poor financial results for several years
  - Transfer products with a gross margin of approximately €8m
- Strong raw material price increases and €/ \$ exchange rate
  - Ongoing sales price rises



# Pharma Operating Strategy Update

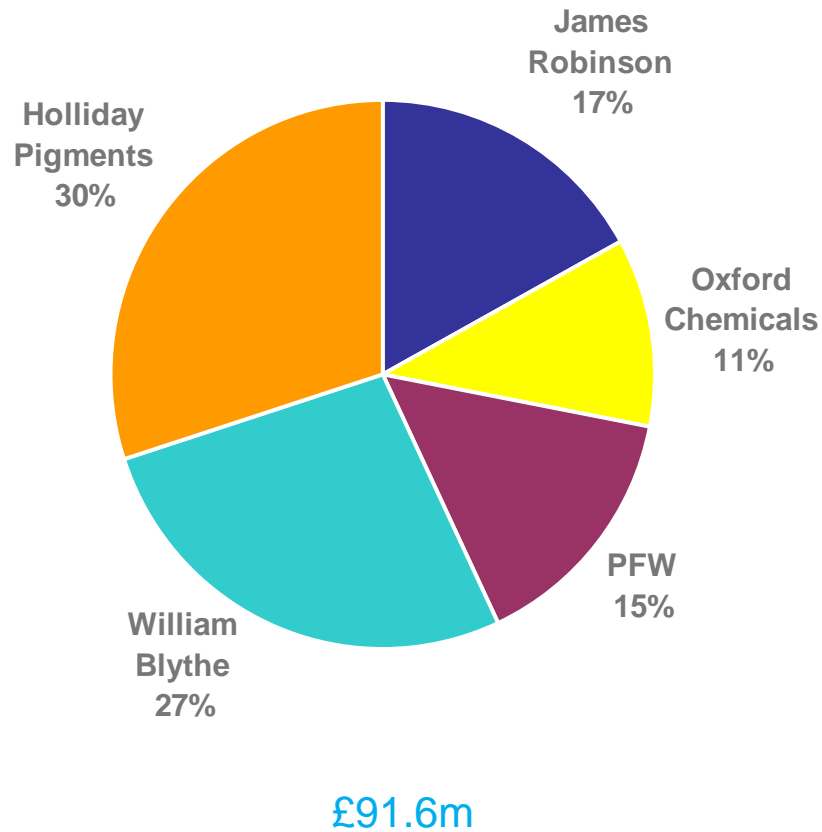
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- Expand the pipeline of Generic API's
  - 6 DMF's registered
- Broaden the range of products to be manufactured in each location
  - Transfer from Italy and JRG
  - Capex to broaden the capability of Mexican plant
- Drive down manufactured cost
  - Closure of main Italian plant
  - Final choice of site in China
  - Staff located in Guangzhou office to enhance Chinese procurement

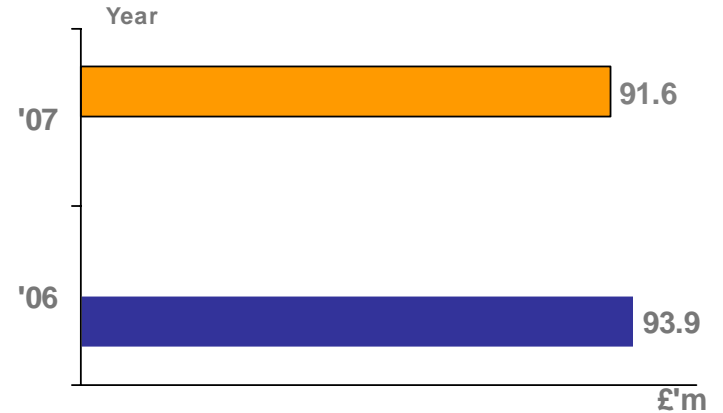


# Impact Chemicals - Overview

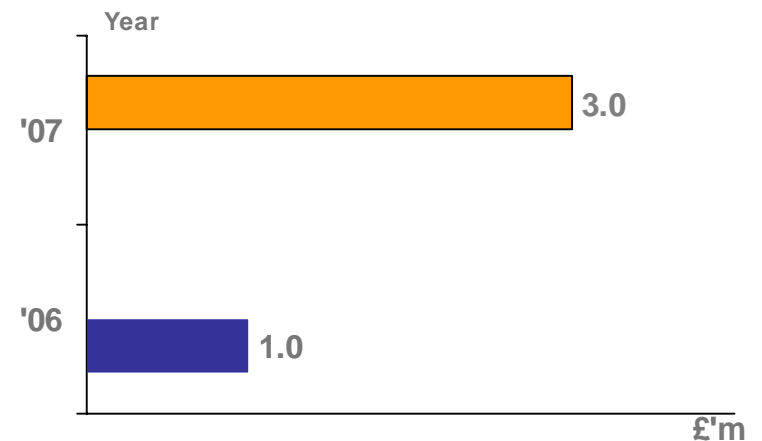
## % Sales by Business



## Turnover £'m



## Operating Profit £'m



# Impact Chemicals – Detailed Discussion

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- Ongoing profit growth
  - 2 successive half years of improving profitability
  - Anticipate further improvement in 2008
- Ultramarine business now performing well
  - Hull site closed Q3
  - Comines site at full capacity
  - Prices increased throughout 2007
- Workforce at William Blythe being reduced by 33%
  - Focus on profitable long term business
- Sale of James Robinson to Vivimed
  - Price reflected good intellectual property and market position
  - Anticipate final closure and sale of German site late 2008/mid 2009.



# Impact Chemicals Operating Strategy Update

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- Review each business on a stand alone basis
  - Ongoing
- Maximise short term profitability and cash flow
  - 2006 → 2007 turnaround from £1.0m to £3.0m underlying profit
  - Huddersfield site sold for £1.8m
  - Contracts exchanged for Hull site £1.5m
  - 3 pieces of land still to be sold
- Restructure, divest or close those businesses that cannot consistently deliver acceptable returns
  - Closure of Holliday Pigments (UK), James Robinson (Germany)
  - Reduction of William Blythe workforce
  - Sale of James Robinson to Vivimend



# Medium Term Group Performance Targets

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- Maintain average Group capex at or below depreciation
  - Short term investment in Asian expansion
- Return Polymer Division to its historic average EBIT margins (11-12%)
  - H2 9.9% / full year 9.7%
  - Current raw material pricing/supply issues are reducing potential margin
- Maintain Polymer Division growth at or above GDP
  - Full year volume growth 4.3%
- Pharma operating margin recovery to in excess of 15%
  - Current restructuring/product transfer
- Register 6 DMF's per year
  - 6 registered



# Concluding Remarks

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- 2007 was a year of significant progress:
  - Sales and Operating Profits
  - Strategic and Performance Targets
- Actively managing raw material volatility
- Stable European economic performance important for 2008 full year outlook
- Enter 2008 with positive momentum.



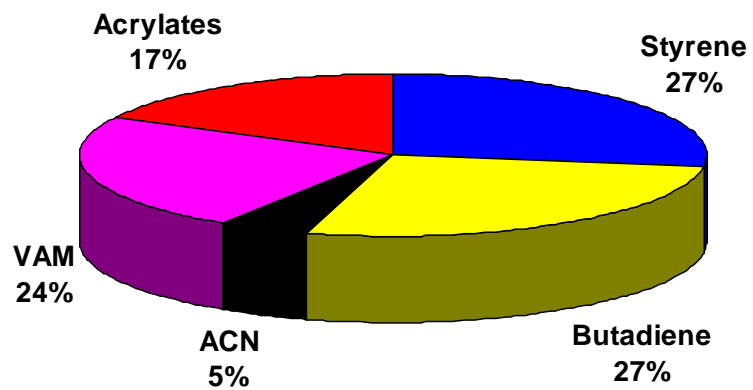
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# Appendix

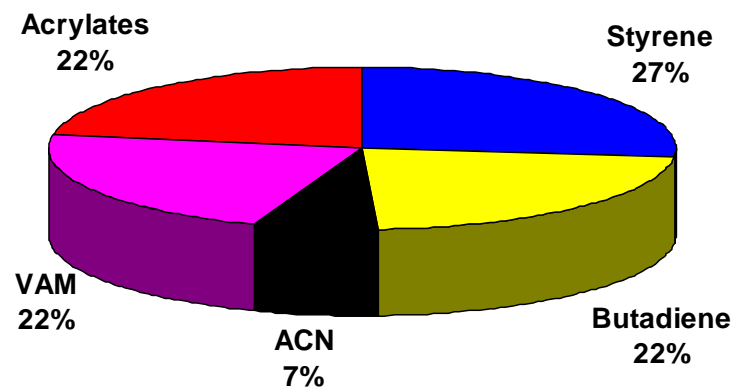


# Raw Material Usage

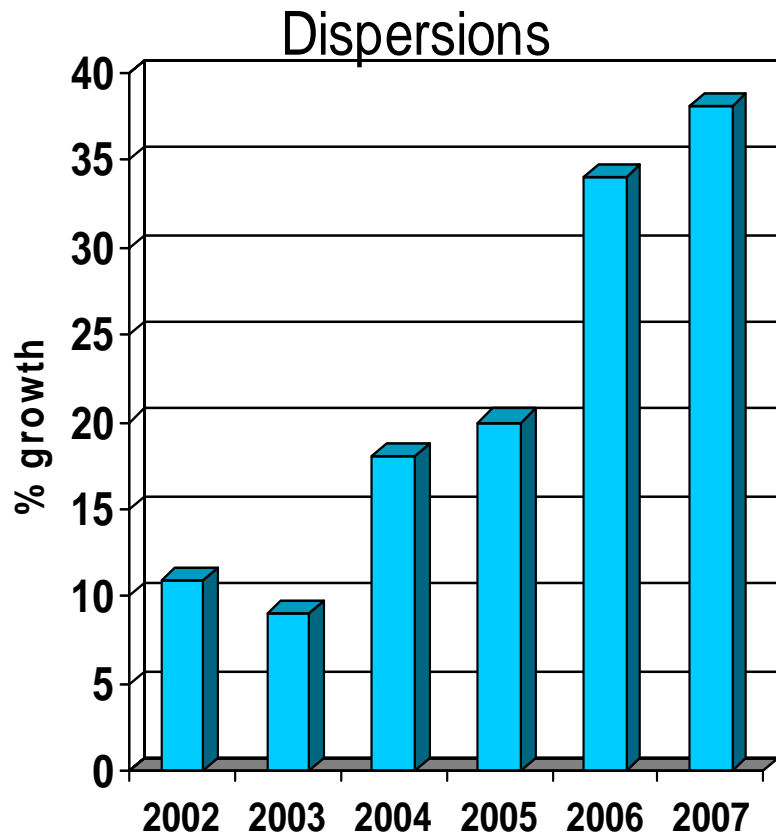
Volume (Tonnes)



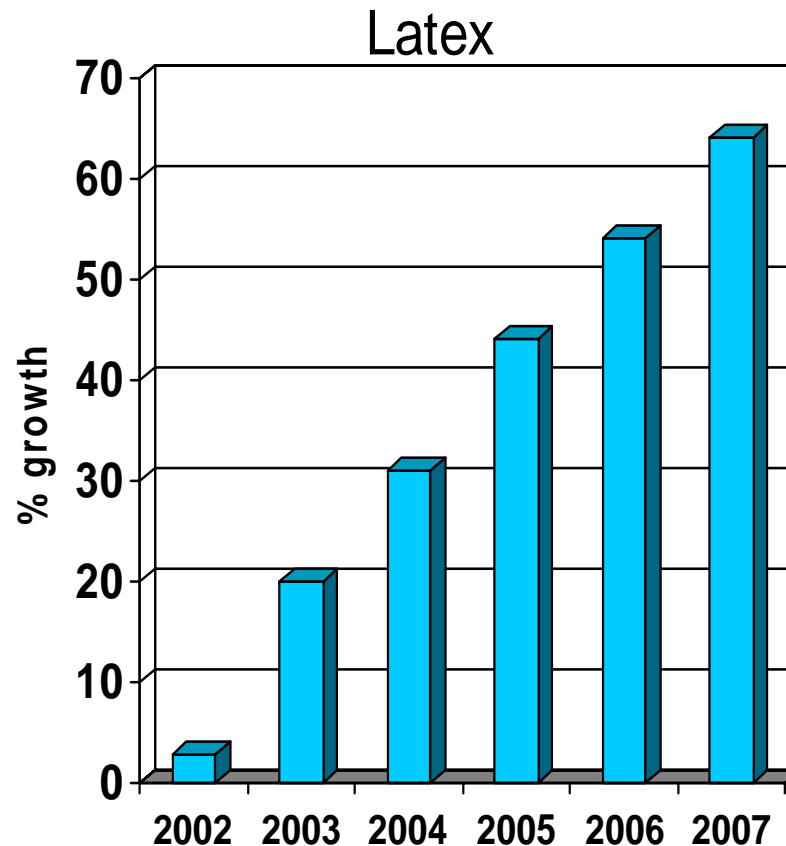
Value (%)



# Sales Volume by Product



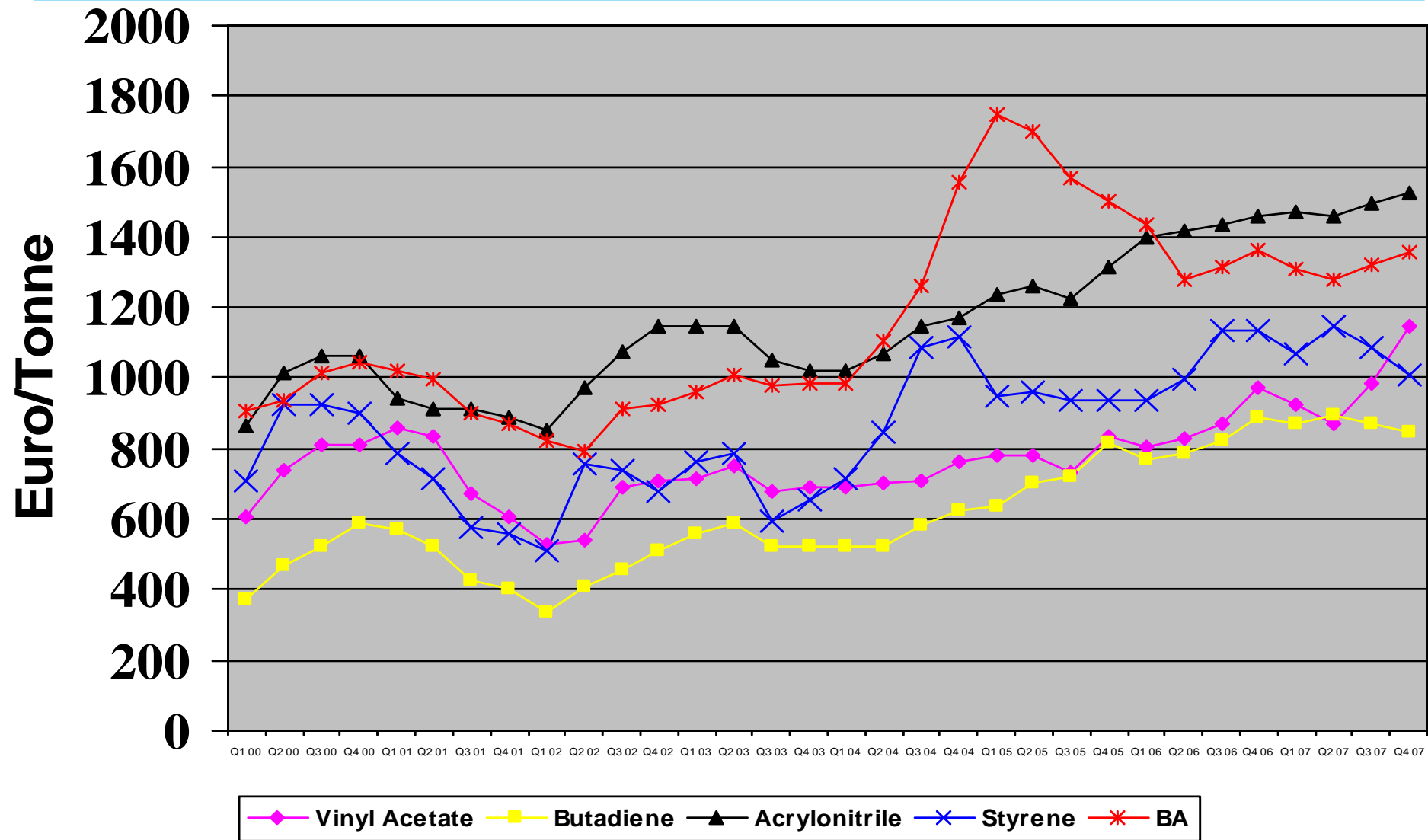
• 38% growth over 6 years



• 64% growth over 6 years



# Raw Material Prices



# UQUIFA Short Term Development Pipeline

<b>Product</b>	<b>Brand Name</b>	<b>US Patent Expiry</b>	<b>2006 US Sales \$M</b>
Zolpidem	Ambien	2007	2,700
Gatifloxacin	Tequin	2007	130
Terbinafine	Lamisil	2007	690
Venlafaxine	Effexor	2008	2,700
Lamotrigine	Lamictal	2008	1,650
Bicalutamide	Casodex	2008	290
Lansoprazole	Prevacid	2009	3,900
Pantoprazole (NI)	Protonix	2010	2,400
Quetiapine (NI)	Seroquel	2011	2,900
Valsartan (NI)	Diovan	2012	2,200
Fluvastatin	Lescol	2012	290
Sodium Risedronate	Actonel	2013	1,000

