

Yule Catto & Co plc

Preliminary Results for the year ended 31 December 2007

A good year, in which further broad progress has been made in the development of the Group.

HIGHLIGHTS

- Underlying total sales up 4.2% to £580.6m (2006 £557.4m)
- Profit before taxation* up 9.5% to £34.5m, (2006 £31.5m)
- Earnings per share* up 17.7% at 17.3p, (2006 14.7p)
- Dividend increased by 3.2% to 9.6p per share (2006 9.3p)
- Profit attributable to equity shareholders of the parent £13.8m (2006 £3.4m)
- Good volume growth in polymers
- Improved profitability within Impact Chemicals

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

Anthony Richmond-Watson, Chairman, comments:

“Underlying profit before taxation increased to £34.5 million driven by improvement in our Polymer business, and the benefits of restructuring the Impact business. As we look to 2008, we are optimistic that our Polymer business will deliver further improvement. Our Pharma Division will continue to commercialise its strong product pipeline. The restructuring of Impact Division should show further benefits.”

12 March 2008

ENQUIRIES:

YULE CATTO

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RESULTS SUMMARY

	Underlying performance ^(a)		IFRS	
	2007 £'000 audited	2006 £'000 audited	2007 £'000 audited	2006 £'000 audited
Year to 31 December				
Total sales	580,641	557,357	580,641	565,786
EBITDA (b)	62,027	61,272	62,027	61,272
Operating profit	46,014	42,959	28,574	21,451
Profit before taxation	34,517	31,516	21,524	13,626
Profit attributable to equity holders of the parent	25,192	21,352	13,785	3,427
Earnings per share	17.3p	14.7p	9.5p	2.4p
Dividend per share (c)	9.6p	9.3p	9.6p	9.3p
Net borrowings (d)	170,831	166,271	150,341	150,656
Cash generated from operations	49,447	46,376	49,447	46,376
Free cash flow before dividends (e)	14,012	8,479	14,012	8,479

Notes:

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

(a) Underlying performance is before special items. (See notes 1 and 9).

(b) Earnings before interest, tax, non-recurring items, depreciation and amortisation. (See note 6).

(c) Final dividend from 2007 of 5.7p per share will be paid on 4 July 2008 to members on the register at close of business on 6 June 2008. Under IFRS this liability is not accrued in the financial statements.

(d) As reconciled at the bottom of the balance sheet.

(e) As shown within the cash flow statement.

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BUSINESS REVIEW

CHAIRMAN'S STATEMENT

2007 was a good year for the Group. We made steady progress across all of our divisions in both our operational performance and strategic plans to develop the Group for the future. This showed through in the financial results.

The Polymers business had another good year, of growth in volumes and profit. Our strategy in Polymers remains focused on geographical expansion around our existing business hubs and developing market sectors where our product technology and manufacturing capabilities give us real competitive advantage.

We are investing heavily in additional Nitrile capacity in Malaysia to take full advantage of the continued growth in this product and the Asian region.

Our Pharma business continued to grow the range of generic and ethical products that it plans to manufacture by registering further drug master files in the year. As we had previously indicated Pharma earnings declined, in part due to the phasing of orders in the second half of the year. We announced plans to exit our Italian site to improve the operational cost base and the productivity of the business. This exit is proceeding to plan.

Impact Chemicals has had a challenging year, but has delivered significant improvement. We are clearly seeing the benefits of our strategy to raise the performance of these businesses through restructuring and focussing on market segments offering better margins and growth.

Overall, underlying Group profit before taxation increased some 10% to £34.5 million, and earnings per share by 18% to 17.3 pence per share.

The directors recommend a final dividend of 5.7 pence a share, which would make the full payment for the year 9.6 pence (2006 9.3 pence a share), an increase of 3.2%. Subject to shareholders' approval, the dividend will be paid on 4 July to members on the register at close of business on 6 June.

The working conditions and safety of our employees everywhere remains paramount in the operation of our business. We set targets annually to reduce levels of Lost Time Accidents, and against this measure we have been improving our safety performance for many years. I am pleased we have made further progress in 2007 and have had our best ever year in terms of both "all accident" and "Lost Time Accident" rates. We remain fully committed to the principles of sustainable development and have made significant progress against all of the 10-year targets in our sustainable development programme.

This has been a year in which much has been achieved. On behalf of the directors and shareholders, I would like to thank all our employees everywhere for their commitment and contribution towards the company's success.

Outlook

The closing months of 2007 and the start of 2008 were characterised by concerns of lower economic growth in the USA and parts of Western Europe. We have, however made a satisfactory start to 2008 with continuing momentum in our Polymers business.

We will continue to expand the geography and customer base of our principal Polymers business. New product development remains an important element of how we will achieve this. In addition we continue to look for additional ways to improve our productivity and reduce our cost base.

We have already committed ourselves to further investment in Asia for significant additional Latex capacity and should benefit from the rapid growth there. Consequently we expect another year of good results from our Polymer business. In our Pharma business we will continue to develop new generic products for future filing whilst our previously announced re-structuring will be complete by the end of 2008. The remedial measures taken in the Impact Chemicals business should lead to further improvement in its results.

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BUSINESS REVIEW (cont'd) - CHAIRMAN'S STATEMENT

As we enter the year, the raw material situation for monomers looks set to remain volatile. We coped well with this situation in Polymers in 2007 through selling price increases and reformulation, and will continue to manage our response in a similar manner as 2008 progresses.

ANTHONY RICHMOND-WATSON
Chairman

12 March 2008

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BUSINESS REVIEW (cont'd)

CHIEF EXECUTIVE'S REPORT

Overview

2007 has been a year in which the Group has moved forward on a number of fronts to develop the business. The result of this process is clearly demonstrated by the 10% increase in underlying Group profit before taxation. It has also been another year in which the recent history of rising raw material prices has persisted and we have had to work hard to mitigate the impact of this. Against this background, we have made good progress across the portfolio, and, although the global economy looks challenging, we are cautiously optimistic about the Group's performance in 2008.

Polymers (73% of total sales) grew sales volumes by 4.3% and underlying operating profit by 6.2%. This was achieved in an environment of volatile and generally increasing monomer pricing, and ongoing supply constraints. We sustained our operating margins year on year at 9.7%.

The previously announced expansion of Nitrile capacity in Kluang, Malaysia was brought on line in November, and immediately sold out. The Group has committed itself to significant further expansion during 2008. This site is well located to provide reliable supply to major glove manufacturers. Market growth for synthetic gloves remains strong and this investment confirms our intent to remain as a leading supplier.

We also completed the expansion of our Mouscron, Belgium dispersion facility, where capacity increased by 30%.

Pharmaceuticals (11% of total sales) saw sales little changed at £63.8 million. However second half year sales were substantially lower than the first half due to order phasing which in part resulted in reduced underlying profitability of £7.4 million. The generic drug market continues to grow strongly but, as always, is characterised by price erosion following patent expiry. Our strategy to address this is to maximise operating efficiencies whilst expanding our product portfolio. During the year, we announced the closure of our main Italian site and the transfer of production to Mexico and Spain to improve the cost base and productivity of the business. Looking forward, our programme of increasing our generic drugs pipeline made good progress with a further six drug master files registered.

Impact Chemicals (16% of total sales) has suffered over several years from aggressive competition and sub-optimal assets. During 2007 we announced the closure of two facilities within this business; the Hull plant of Holliday Pigments and the German plant of James Robinson. Both plant closures are running to schedule. In early 2008 we announced a restructuring of the William Blythe plant in Church. We have already seen some of the benefit of these actions with an increase in underlying profits in 2007 to £3.0 million from £1.0 million in 2006.

Good cash management remains a key priority for the Group. Borrowings increased modestly, but this was attributable to the impact of the strengthening euro on our euro denominated debt. During the year we have focused hard on the effective management of working capital with average working capital reducing by £6.6 million compared with prior year, whilst capital expenditure was at similar levels to 2006. We invested around £9.0 million in restructuring, the majority of which we will recover, when we sell the sites and assets we are exiting.

Polymer Division

We operate 13 factories within four geographical regions: Europe, Pacific Rim, Middle East and South Africa. Core products are water-based Polymers, both dispersions and lattices, polyvinyl alcohol/acetate and a number of more specialised products.

2007 was another good year for our Polymer businesses. Sales volumes were at record levels, up 4.3%, with sales turnover up 6.5%. Operating profits were up 6.2% compared to 2006 and operating margins were sustained at 9.7%. These good results were achieved against a background of restricted monomer availability, volatile prices and restructuring within some of our core markets.

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BUSINESS REVIEW (cont'd) - CHIEF EXECUTIVE'S REPORT

Whilst the product portfolio and the geographic coverage of our operations remained unchanged, the main growth of our activities occurred in Asia. In Kluang, Malaysia, in order to meet the growing sales demand, we were able to bring forward our latex expansion plans in two phases with a 33% increase in capacity in April and a further expansion in November, effectively increasing the installed capacity by circa 60% compared to 2006. Concurrently, the Mouscron, Belgium dispersion plant was subject to a major de-bottlenecking project which was completed in late 2007 increasing the dispersion capacity of the site by 30%. In addition, minor de-bottlenecking took place on the latex plant in Langelshiem, Germany. In the USA we initiated dispersion manufacture under a toll manufacturing arrangement with a local polymeriser.

These enhancements in capacity are already being effectively used and further production capacity expansion is planned for 2008. Nevertheless, maintaining the excellent growth seen over the past few years was a difficult challenge in 2007. Polymer producers generally had to endure repeated interruptions in raw material supplies and increases in all major monomer costs. The industry was characterised by feedstock shortages, which in turn affected the supply lines of all our top ten raw materials. Many of our suppliers called force majeure as they either were unable to get the necessary feedstock volumes or they experienced significant plant outages. This situation was not helped by the cost of oil, the backbone of the feedstock supply, which increased 69% during the year. As a result we worked hard to reflect these costs in the market place. However, we hope that the additional global capacity for a number of monomers planned for commissioning in the fourth quarter of 2008 and throughout 2009 will alleviate the tight raw material supply and allow input prices to ease in due course.

For Polymer Division this restricted monomer supply and volatile raw material pricing together with continued restructuring of some of our core markets encouraged us to advance our product development programmes to stimulate demand. In 2007 we widened our nitrile latex, dispersions and polybutadiene product portfolios, whilst at the same time developing complementary products to sell alongside our core latex, dispersion and polyvinyl alcohol activities.

Synthetic Latex

Throughout 2007 the European latex market was subject to further customer rationalisation, particularly in the large commodity markets such as paper. Our business, whilst experiencing some disturbance from this restructuring, remains speciality orientated. We were able to increase sales despite a number of our main markets not growing as customers sought to manufacture in other parts of the world. The market for our synthetic nitrile latex grew significantly as a result of the greater use of synthetic rubber gloves in the health and semi-medical markets, and we were able to benefit from this through the newly commissioned capacity at our Kluang factory in Malaysia.

Expanding our operations in Asia remains a key part of Polymer Division's strategy and in 2008 we expect the momentum to continue with increases in both latex and dispersion capacity planned.

Dispersions

The dispersion market unfortunately experienced the worst of the raw material volatility. However, with the advantage of dispersion production in all our regional activities, combined with good technical support and continued product development, we were able to maintain supply and service to all our customers. As a result, we gained market share and are able to report record dispersion volumes whilst retaining our market leadership in the UK, South Africa, the Middle East and Malaysia.

Specialities

The Group manufactures a variety of speciality polymer chemicals, including:

Polyvinyl Alcohol

To maintain our status as the world's leading supplier of low hydrolysis polyvinyl alcohol to the PVC industry, we have changed the profile of our technical package to meet the ongoing demand of the PVC resins industry. In so doing we have added new products to the range specifically designed for the technological and geographic changes which have occurred in the manner and location in which PVC is produced. As a result, the Polymer Division is now not only able to supply its well established primary and secondary PVC

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BUSINESS REVIEW (cont'd) - CHIEF EXECUTIVE'S REPORT

stabilisers, but has added newly developed grades alongside supplementary polymers used in the polymerisation of PVC.

Liquid Polybutadiene

In 2007 sales of liquid polybutadiene were at a record level and 10.1% higher in tonnes compared to 2006. The expansion of the production facilities in 2006 provided the capacity to develop sales and in 2007 the geographic portfolio now includes Asia and the USA. A further expansion of production is planned for 2008.

Alkyds and Polyester

Our resin business operates from the Kluang, Malaysia site with sales predominantly in South East Asia. Sales this year have been at record levels (8.6% and 16.2% higher than 2006 for alkyds and polyester respectively). This is a notable achievement considering the significant increase in raw material prices which always gives rise to fluctuations in demand. Our excellent service and product quality have enabled this significant growth.

Pharma Chemicals

2007 sales were at a similar level to those in 2006. However sales in the second half were reduced as a consequence of order phasing. We continued to make progress on our filings of Drug Master Files (DMF's) and six DMF's were filed in 2007. Following a thorough review a decision was made at the mid year to close our Italian plant and transfer a number of products to Spain and Mexico to underpin our future competitiveness and profitability.

In our Spanish plants, sales were solid with volumes at their highest level for a number of years. This was supported by strong sales of enteric coated Omeprazole pellets following the approval of our in-house manufacturing capacity late in 2006. Pantoperazole was launched in Spain at the back end of the year and over the next few years our partner will be rolling sales out in Europe as the patent expires in various European countries. Our other antiulcer franchises did particularly well, including Ranitidine. Our antibacterial, Ciprofloxacin, sold well in Europe with a number of customers improving their market share. A number of new products were introduced at the pilot plant level to support approvals in a number of European markets and the USA. We continue to move products out of the pilot plant into mainstream production, allowing us to develop further new products. Our Spanish pilot plant is fully loaded until the second half of 2008 for both development and customer specific products. Pricing pressure was heightened by the dollar/euro exchange rate and increased raw material costs for all producers, including the Chinese and Indian competition. A marketing strategy was implemented in the last quarter of the year to increase prices and restore margins going forward.

Our Mexican plant had its best year in sales and operating profit for the last ten years. The results were achieved by a combination of much improved volumes of intermediates and Active Pharmaceutical Intermediates (API's), as well as the launch of Zolpidem in the USA, following patent expiry. A number of generic franchises in the antiparasitic, antifungal and arthritic field saw good growth in sales to both Europe and the USA with several key generic customers launching products. It was pleasing to note that this growth came from products that Uquifa launched in 2003/4 and have been awaiting regulatory approvals in various markets. Our investment in obtaining regulatory approvals is key to our success and goes on apace. The pilot plant was partially upgraded to help in the number of filed DMF's. The relationship between the Mexican peso and the dollar meant margins were not unduly undermined. However, as in Spain, the increased cost of raw materials was of concern and in the last quarter the same marketing strategy on selling prices was rolled out in Mexico.

The combination of lower pricing and euro/dollar exchange meant margins in Italy were significantly lower than in previous years. After a thorough review, we announced the closure of the main manufacturing plant in Italy. A number of products are being transferred to Spain and Mexico and regulatory approval is currently being sought. This transfer will be complete in 2008. At the same time, following the

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BUSINESS REVIEW (cont'd) - CHIEF EXECUTIVE'S REPORT

announcement of the closure of the James Robinson, Dieburg site in Germany, a number of additional pharmaceutical products are currently being transferred to Spain. Approval of the level 5 high containment facility was obtained and production of a cytotoxic product for a large pharmaceutical company has already commenced.

We also announced our intention of constructing a greenfield site in China to underpin our raw material and intermediate position. We continue to make progress on this and the final selection of the site is nearing completion.

Impact Chemicals

Impact Chemicals Division comprises:

- James Robinson manufacturing hair, photochromic and other dyes,
- William Blythe manufacturing iodine and metal salts
- Holliday Pigments manufacturing ultramarine pigments
- Oxford Chemicals manufacturing high impact flavour chemicals
- PFW manufacturing aroma chemicals.

2007 was a year of improving financial performance, but one which again presented the Division with a number of significant commercial and operational challenges.

Sales for the year were below prior year as we focused on producing and selling higher margin products.

In the first half of 2007, it became clear that the market and operational challenges in some of our businesses continued to inhibit the speed of turn-round of the Impact Division. After extensive review, this led to the announcement and implementation of selective restructuring to deliver the required financial improvements. Consequently, the Division announced that it would concentrate the manufacture of all Ultramarine at its Comines site in France, with the closure of operations at Holliday Pigments in Hull. This closure was completed in the fourth quarter on schedule. The transfer to Comines has gone smoothly with the business showing greatly improved financial performance in the fourth quarter. In the third quarter, an announcement was made on the closure of James Robinson's Dieburg site in Germany. This reflected the decline of the James Robinson photographic business and continued pricing pressure from Chinese competition. The site is scheduled to close at the end of 2008 and is a key step for James Robinson in the ongoing refocus of its portfolio to higher value applications.

Whilst these changes were being progressed, the Division continued to focus on supporting its leading position in many markets. Of note is the continued development of Oxford's "natural flavours" strategy which will result in a number of new materials coming to the market in 2008. This strategy is enhanced by the establishment of a new three year research project focussed on Sulphur chemistry, supported by the UK Government Technology Strategy Board (TSB). At PFW the fourth quarter saw the introduction of new "musk" materials to support the expansion of polycyclic musk usage in the fragrance industry. William Blythe successfully opened its new Iodine facility which will benefit the sales of higher value products such as SMP and Periodic Acid, key materials used in the silk screen printing and silicon wafer industry.

Overall 2007, can be seen as one of good progress for the Division. Whilst difficult decisions had to be taken, new opportunities have opened up in several businesses, and we have made strides in building greater sustainability into the Division's financial performance.

ADRIAN WHITFIELD
Chief Executive

12 March 2008

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BUSINESS REVIEW (cont'd)

FINANCIAL REVIEW

Income Statement - Underlying Performance

Total sales increased by 4.2% to £580.6 million, driven by good volume growth in Polymers. Turnover remains predominately within Europe with some 56% of sales (2006 58%). However we continue to make progress in other parts of the world, in particular Asia, assisted by ongoing investment in the Malaysian facility. Asian sales now account for 26% of the business (2006 23%) and will continue to increase with our commitment to further expansion in 2008.

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, 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 sell in domestic currency. The latter is mainly influenced by the euro, with the Malaysian ringgit and South African rand becoming more significant. In 2007, the average rate for the euro was comparable to 2006 so translation effects were not significant.

Average borrowings for the period were nearly 2% lower than 2006, though the net interest charge of £11.5 million was 1% higher than last year. World interest rates have drifted up during the year, but a large proportion of the Group's exposure is hedged, which has softened the adverse impact.

The underlying tax rate of 22% reflects the benefits of pioneer status on our investment in Malaysia and the settlement of some prior year tax positions. This is an improvement on the prior year rate of 28%.

Profit attributable to minority interests has increased to £1.7 million due to the success of the Revertex operations in the Far East, which has a 30% shareholding external to the Group.

The resultant underlying earnings per share of 17.3 pence is a year-on-year increase of 18%. A final dividend of 5.7 pence per share has been proposed by the Board, which would take the full year payout to 9.6 pence, an increase of 3.2%. Underlying dividend cover is 1.8 times.

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 Income Statement. Special Items includes;

- During the year we announced the closure of our Italian Pharma plant, Holliday Pigments Hull site and the James Robinson manufacturing plant in Dieburg, Germany. Site closure and run down costs for these activities are disclosed in special items. This includes the write down of fixed assets on these sites as appropriate.
- We utilise various cross currency and interest rate swaps for hedging purposes, which involve maturities of up to twelve 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 is segregated from the underlying performance.
- As a result of the actions taken in 2007 to reduce the cost of the Group's UK pension scheme, the Group recognised an exceptional profit of £10.8 million (2006 £nil), being the reduction of accrued benefits arising from these actions. This profit is shown in special items.

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BUSINESS REVIEW (cont'd) - FINANCIAL REVIEW

Pensions

In the main UK defined benefit pension scheme the majority of investments are in equities. Whilst equity markets delivered positive returns during the year, the actual return of 3.7% fell below the expected return. The yield on AA bonds increased significantly during the year, which has reduced liabilities, and action taken by the Group to manage employee benefits further reduced liabilities by £10.8 million. The overall effect of these changes was a significant reduction in the net balance sheet liability to £33.6 million for this scheme.

IFRS

On an unadjusted IFRS basis, Group revenue increased by £13.9 million to £565.6 million reflecting good growth in Polymer Chemicals partly offset by a reduction in Impact Division following the 2006 restructuring. Profit before taxation at £21.5 million was £7.9 million higher than the previous period, of which £3.0 million relates to a better trading performance with the remainder being a reduction in the special items.

Borrowings

Net underlying borrowings, adjusted for the mark-to-market effect of derivatives, are slightly up on to last year at £170.8 million, due to the impact of a stronger euro on the Group's euro denominated debt, which resulted in an increase of £5.6 million.

In 2006 we reported a year of increased capital expenditure, following a number of years of lower capital investment. This has continued in 2007 as we have invested in expanding the Malaysia nitrile facility. A similar level of investment in 2008 will be directed at further capacity expansion and various upgrades in process efficiency.

Overall, the programme of restructuring the Impact Chemicals and Pharma Divisions is expected to be broadly cash neutral. However the timing of closure events has initially resulted in a net cash outflow across 2006 and 2007, with a gross spend of £9.0 million in 2007. This was partially offset by sale proceeds of £2.4 million from associated assets, mainly the sale of James Robinsons' Huddersfield site. Further sales are expected in 2008 and beyond, including the Hapton site (William Blythe), the Dieburg site (James Robinson) and the Uquifa Italy site.

In a period of rising raw materials cost, combined with good volume growth in many of our businesses, upward pressure on working capital becomes more acute. However we have focussed very hard on this area during 2007 and despite increased input costs, we have reduced working capital during the year by £4.0 million.

DAVID BLACKWOOD
Finance Director

12 March 2008

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CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2007

Note	2007 Continuing operations			2006 Continuing operations			
	Underlying performance	Special items	IFRS	Underlying performance	Special items	IFRS	
	£'000 audited	£'000 audited	£'000 audited	£'000 audited	£'000 audited	£'000 audited	
	Group revenue	565,595	-	565,595	543,226	8,429	551,655
	Share of joint ventures' revenue	15,046	-	15,046	14,131	-	14,131
	Total sales	580,641	-	580,641	557,357	8,429	565,786
	Group revenue	565,595	-	565,595	543,226	8,429	551,655
	Company and subsidiaries before special items	44,885	-	44,885	41,888	-	41,888
	Operations sold or closed during the year	-	(28,237)	(28,237)	-	(1,809)	(1,809)
	UK pension fund – past service credit	-	10,797	10,797	-	-	-
	Impairment of non-current assets	-	-	-	-	(19,699)	(19,699)
	Company and subsidiaries	44,885	(17,440)	27,445	41,888	(21,508)	20,380
	Share of joint ventures	1,129	-	1,129	1,071	-	1,071
	Operating profit/(loss)	46,014	(17,440)	28,574	42,959	(21,508)	21,451
	Interest payable	(16,046)	-	(16,046)	(13,564)	-	(13,564)
	Interest receivable	4,549	-	4,549	2,121	-	2,121
		(11,497)	-	(11,497)	(11,443)	-	(11,443)
	Fair value adjustment	-	4,447	4,447	-	3,618	3,618
	Finance costs	(11,497)	4,447	(7,050)	(11,443)	3,618	(7,825)
	Profit/(loss) before taxation	34,517	(12,993)	21,524	31,516	(17,890)	13,626
	Taxation	(7,646)	1,586	(6,060)	(8,820)	(35)	(8,855)
	Profit/(loss) for the year	26,871	(11,407)	15,464	22,696	(17,925)	4,771
	Profit attributable to minority interests	1,679	-	1,679	1,344	-	1,344
	Profit attributable to equity holders of the parent	25,192	(11,407)	13,785	21,352	(17,925)	3,427
		26,871	(11,407)	15,464	22,696	(17,925)	4,771
	Earnings per share						
	Basic	17.3p	(7.8)p	9.5p	14.7p	(12.3)p	2.4p
	Diluted	17.2p	(7.8)p	9.4p	14.6p	(12.3)p	2.3p

YULE CATTO & COMPANY PLC
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CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2007

	<u>2007</u>	<u>2006</u>
	£'000	£'000
	audited	audited
Non-current assets		
Goodwill	172,443	172,443
Other intangible assets	591	439
Property, plant and equipment	108,468	110,167
Deferred tax assets	762	1,179
Investment in joint ventures	3,177	3,300
	<u>285,441</u>	<u>287,528</u>
Current assets		
Inventories	65,001	66,080
Trade and other receivables	115,078	105,166
Cash and cash equivalents	108,352	65,917
Derivatives at fair value	1,813	-
	<u>290,244</u>	<u>237,163</u>
Current liabilities		
Borrowings	(133,585)	(57,802)
Trade and other payables	(148,300)	(124,892)
Current tax liability	(48,948)	(52,100)
Derivatives at fair value	(26,000)	(22,336)
	<u>(356,833)</u>	<u>(257,130)</u>
Non-current liabilities		
Borrowings	(125,108)	(158,771)
Trade and other payables	(460)	(372)
Deferred tax liability	(6,445)	(6,316)
Post retirement benefit obligations	(41,236)	(77,884)
	<u>(173,249)</u>	<u>(243,343)</u>
Net assets	<u>45,603</u>	<u>24,218</u>
Called up share capital	14,566	14,566
Share premium	33,034	33,034
Capital redemption reserve	949	949
Hedging and translation reserve	(9,087)	(7,371)
Retained earnings	416	(21,031)
Equity attributable to equity holders of the parent	<u>39,878</u>	<u>20,147</u>
Minority interests	5,725	4,071
Total equity	<u>45,603</u>	<u>24,218</u>
Analysis of net borrowing		
Cash and cash equivalents	108,352	65,917
Current borrowings	(133,585)	(57,802)
Non-current borrowings	(125,108)	(158,771)
Net borrowings	<u>(150,341)</u>	<u>(150,656)</u>
Add back: special items	(20,490)	(15,615)
Net borrowings (underlying performance)	<u>(170,831)</u>	<u>(166,271)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 12 March 2008.

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CONSOLIDATED CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2007

	Notes	2007		2006	
		£'000 audited	£'000 audited	£'000 audited	£'000 audited
Operating					
Cash generated from operations	5		49,447		46,376
Interest received		4,549		2,121	
Interest paid		(15,611)		(13,581)	
Net interest paid			(11,062)		(11,460)
UK corporation tax received		1,179		-	
Overseas corporate tax paid		(11,636)		(9,196)	
Total tax paid			(10,457)		(9,196)
Net cash inflow from operating activities			27,928		25,720
Investing					
Dividends received from joint ventures			1,202		1,385
Purchase of property, plant and equipment		(16,994)		(18,468)	
Sale of property, plant and equipment		2,413		1,539	
Net capital expenditure and financial investment			(14,581)		(16,929)
Sale of businesses		-		3,660	
Net cash impact of acquisitions and disposals			-		3,660
Net cash outflow from investing activities			(13,379)		(11,884)
Financing					
Equity dividends paid			(13,689)		(13,251)
Dividends paid to minority interests			(537)		(1,697)
Purchase of own shares			(25)		(246)
Issue of shares			-		1,291
Proceeds of non-current borrowings			174		154
Net cash outflow from financing activities			(14,077)		(13,749)
Increase in cash and bank overdrafts during the year			472		87
Comprised of:					
Cash and cash equivalents			51,896		23,160
Bank overdrafts			(51,424)		(23,073)
			472		87

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Reconciliation of net cash flow from operating activities to movement in net borrowings

	<u>2007</u>	<u>2006</u>
	£'000	£'000
	audited	audited
Net cash inflow from operating activities	27,928	25,720
Add back: dividends received from joint ventures	1,202	1,385
Less: net capital expenditure and financial investment	(14,581)	(16,929)
Less: dividends paid to minority interests	(537)	(1,697)
Free cash flow before dividends	<u>14,012</u>	<u>8,479</u>
Net cash impact of acquisitions and disposals	-	3,660
Purchase of own shares	(25)	(246)
Issue of shares	-	1,291
Equity dividends paid	(13,689)	(13,251)
Exchange movements	(4,858)	(613)
Movement in net borrowings (underlying performance)	<u>(4,560)</u>	<u>(680)</u>

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31 DECEMBER 2007

	<u>2007</u>			<u>2006</u>		
	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
Actuarial gains and losses	-	21,698	21,698	-	(13,551)	(13,551)
Tax on items recognised directly in equity	-	(519)	(519)	-	(1,409)	(1,409)
Exchange differences	512	(1,716)	(1,204)	(296)	(6,890)	(7,186)
Profit for the year	1,679	13,785	15,464	1,344	3,427	4,771
Total recognised income/(expenditure) for the period	<u>2,191</u>	<u>33,248</u>	<u>35,439</u>	<u>1,048</u>	<u>(18,423)</u>	<u>(17,375)</u>

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Preliminary Results for the year ended 31 December 2007

1 Special items

The special items disclosed are made up as follows:

	Note	2007 Special items £'000 audited	2006 Special items £'000 audited
Total sales			
Revenue of operations sold or closed during the year		-	8,429
Operating profit/(loss)			
Operating profit/(loss) of operations sold or closed during the year		-	117
Profit or loss arising from the sale or closure of operations	3	(28,237)	(1,926)
		(28,237)	(1,809)
UK pension fund – past service credit		10,797	-
Impairment of non-current assets		-	(19,699)
		(17,440)	(21,508)
Finance costs			
Fair value adjustment	4	4,447	3,618
Taxation			
Taxation on operating profit/(loss) of businesses sold or closed during the year		1,586	(35)
Taxation on profit or loss arising from the sale or closure of operations		-	-
		1,586	(35)

2 Segmental analysis

	2007			2006		
	Underlying performance £'000 audited	Special items £'000 audited	IFRS £'000 audited	Underlying performance £'000 audited	Special items £'000 audited	IFRS £'000 audited
Total sales by activity						
Polymer Chemicals	425,221	-	425,221	399,084	-	399,084
Pharma Chemicals	63,784	-	63,784	64,404	-	64,404
Impact Chemicals	91,636	-	91,636	93,869	8,429	102,298
	580,641	-	580,641	557,357	8,429	565,786
Operating profit by activity						
Polymer Chemicals	41,157	-	41,157	38,749	-	38,749
Pharma Chemicals	7,443	(12,461)	(5,018)	8,133	-	8,133
Impact Chemicals	3,005	(15,776)	(12,771)	964	(21,508)	(20,544)
Unallocated corporate expenses	(5,591)	10,797	5,206	(4,887)	-	(4,887)
	46,014	(17,440)	28,574	42,959	(21,508)	21,451

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2007

	<u>2007</u>	<u>2006</u>
	£'000	£'000
	audited	audited
Total sales by destination		
United Kingdom	91,349	98,203
Other Europe	231,560	227,158
Asia	150,332	128,003
Africa and Middle East	55,428	54,005
Rest of World	51,972	58,417
	<u>580,641</u>	<u>565,786</u>

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

	<u>2007</u>			<u>2006</u>
	Cash	Fixed asset	Total	Total
	Costs	write off		Total
	£'000	£'000	£'000	£'000
	audited			audited
Closure of Uquifa's Italian manufacturing site	(6,151)	(6,310)	(12,461)	-
Closure of Holliday Pigments UK manufacturing site	(7,616)	-	(7,616)	-
Closure of James Robinson's German manufacturing site	(6,050)	(3,869)	(9,919)	-
Sale of Huddersfield site	1,759	-	1,759	-
Sale of Brencliffe Limited	-	-	-	198
Sale of Holliday Dispersions Ltd and SA	-	-	-	485
Sale of Autoclenz Limited	-	-	-	699
Restructuring of James Robinson Limited	-	-	-	235
Restructuring of William Blythe Limited	-	-	-	336
Sale of Reabrook Limited	-	-	-	(3,994)
Releases from provisions created prior to 2006	-	-	-	115
	<u>(18,058)</u>	<u>(10,179)</u>	<u>(28,237)</u>	<u>(1,926)</u>

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.

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5 Reconciliation of operating profit to cash generated from operations

	<u>2007</u>	<u>2006</u>
	£'000	£'000
	audited	audited
Reconciliation of operating profit to cash generated from operations		
Operating profit	28,574	21,451
Less: share of profits of joint ventures	<u>(1,129)</u>	<u>(1,071)</u>
	27,445	20,380
Impairment of non-current assets	-	19,699
Depreciation and amortisation	16,013	18,313
Profit or loss arising from the sale or closure of operations	28,237	1,926
UK pension fund – past service credit	(10,797)	-
Profit on sale of fixed assets	(196)	(794)
Share based payments	298	299
Cash impact of termination of businesses	(8,985)	(6,096)
Pension funding in excess of IAS 19 charge	(5,550)	(3,181)
Decrease/(increase) in inventories	3,925	(3,947)
Increase in trade and other receivables	(6,398)	(10,496)
Increase in trade and other payables	6,434	10,547
Unrealised exchange gains	(979)	(274)
Cash generated from operations	<u>49,447</u>	<u>46,376</u>

6 Reconciliation of EBITDA

	<u>2007</u>		<u>2006</u>	
	Underlying	IFRS	Underlying	IFRS
	£'000	£'000	£'000	£'000
	audited	audited	audited	audited
Operating profit	46,014	28,574	42,959	21,451
Less: Profit or loss arising from the sale or closure of operations	-	-	-	(117)
Less: Operating profit or loss of businesses sold or closed during the year	-	28,237	-	1,926
Add back: impairment of non-current assets	-	-	-	19,699
Less: UK Pension Fund – Past service credit	-	(10,797)	-	-
Add back: amortisation	247	247	227	227
Add back: depreciation	15,766	15,766	18,086	18,086
EBITDA	<u>62,027</u>	<u>62,027</u>	<u>61,272</u>	<u>61,272</u>

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7 Dividends

	<u>2007</u>	<u>2006</u>
	Pence per share audited	Pence per share audited
Interim	3.9	3.8
Final	<u>5.7</u>	<u>5.5</u>
Total	<u>9.6</u>	<u>9.3</u>

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

8 Further information

The financial information set out above does not comprise the company's statutory accounts. It has been derived from the Group's audited accounts for the year ended 31 December 2007, which will be delivered to the Registrar of Companies following the Annual General Meeting. The auditors' report was unqualified and did not contain any statement under section 237 (2) or (3) of the Companies Act 1985. 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 14 April 2008.

The financial statements were approved by the Board of Directors on 12 March 2008.

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 2006, 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.

A final dividend of 5.7p (2006 5.5p) per share, totalling £8.3m, (2006 £8.0m) has been recommended by the directors.

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 – 145.6m (2006 145.5m).

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Preliminary Results for the year ended 31 December 2007

9 Glossary of terms

Total sales	Total sales represent the total of revenue from Yule Catto and 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 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 USD 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 represents 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.