

Yule Catto & Co plc

Preliminary Results for the year ended 31 December 2008

Profits modestly ahead and net debt substantially reduced.

HIGHLIGHTS

- Total sales up 17.4% to £602.2m (2007 £512.9m)
- Profit before taxation* up 4.8% to £32.7m (2007 £31.2m)
- Earnings per share* up 11.9% at 17.9p (2007 16.0p)
- Profit attributable to equity shareholders of the parent £54.9m (2007 £13.8m)
- Substantial reduction in net debt* to £135m (2007 £171m) and successful refinancing; deleveraging strategy ongoing
- Polymer operating profits up 3% in a difficult raw material and trading environment
- 4 out of the 5 Impact Chemicals businesses now divested, raising £63m in gross proceeds
- Further nitrile capacity expansion in Malaysia, and acquisition of dispersion business in Vietnam

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

Peter Wood, Chairman, comments:

"2008 was a satisfactory year for Yule Catto at an operating level, particularly in light of the marked deterioration in the global economy in the latter part of the year. Polymers finished the year slightly ahead after a strong first half, and Pharma continued to grow the range of generic and ethical products it plans to manufacture.

"The divestment of Impact Chemicals is all but complete and the proceeds helped us to lower our net debt substantially over the year. This, together with a successful refinancing around the year end, has proved to be well timed. Debt reduction, through further asset disposals and a rigorous focus on cash flow and working capital management, remains a high priority.

"The global economic situation creates a very high degree of uncertainty for the coming year. However, with the more resilient prospects in our Asian Polymers business, the relative lack of cyclicity in Pharma, and the benefits of recent restructuring coming through, there are a number of positive factors that should support the business during 2009."

11 March 2009

ENQUIRIES:

Yule Catto & Co plc

Adrian Whitfield, Chief Executive

David Blackwood, Finance Director

Tel: 01279 442791

Hogarth Partnership

John Olsen

Andrew Jacques

Ian Payne

Tel: 020 7357 9477

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.

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2008

RESULTS SUMMARY

	Underlying performance ^(a)		IFRS	
	2008 £'000 audited	2007 £'000 audited	2008 £'000 audited	2007 £'000 audited
Continuing Operations				
Total sales (b)	602,153	512,925	602,153	512,925
EBITDA (c)	58,630	56,242	58,630	56,242
Operating profit	43,192	42,696	40,786	41,032
Profit before taxation	32,690	31,199	38,899	33,982
Earnings per share	17.9p	16.0p	22.2p	17.9p
Dividend per share (d)	4.0p	9.6p	4.0p	9.6p
Net borrowings (e)	135,482	170,831	161,448	150,341
Cash generated from operations	44,299	49,447	44,299	49,447
Free cash flow before dividends (f)	7,781	14,012	7,781	14,012

Notes:

The above table represents the results of Yule Catto and 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) Dividends comprise an interim dividend paid during the year and a final dividend proposed at the year end. See note 7.

(e) As shown on the Consolidated Balance Sheet on page 12.

(f) As shown within the Consolidated Cash Flow Statement on page 13.

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2008

BUSINESS REVIEW

CHAIRMAN'S STATEMENT

2008 saw further steady progress in operational performance and the implementation of our strategic plans against the backdrop of an increasingly challenging economic environment.

2008 was another good year for the Group given the marked deterioration in the global economy over the year and what looks set to be the worst recession in several decades.

The Polymers business finished the year slightly ahead after a strong first half start to the year. Volumes contracted in the second half as the economic downturn took hold and, for the year as a whole volumes were slightly lower.

Our strategy in Polymers remains focussed on geographical expansion around existing business hubs and developing market sectors where our product technology and manufacturing capabilities give us real competitive advantage. We believe this strategy has served us well in the current environment. During the year we completed further substantial expansion of our nitrile capacity in Malaysia to take advantage of the continued rapid growth in the synthetic glove market. We also completed the acquisition of a small dispersions company in Vietnam to support our global customers.

Our Pharma business continued to grow the range of generic and ethical products it plans to manufacture with the registration of 6 further drug master files in line with its annual target. As we entered 2008 we anticipated that the Pharma business would improve on 2007, albeit heavily skewed towards the second half of the year. As it transpired, customer demand and destocking over the second half meant that 2008 results were lower than 2007. We have previously announced plans to exit our Italian site to improve our operational cost base and the productivity of the business, and we remain on track to do so by the middle of 2009, which should benefit the year.

Our strategy for Impact Chemicals has been to manage it for value, which has involved restructuring its component businesses and improving their performance short-term with a view to divestment at appropriate prices. I am pleased that we have now managed to sell four of the five Impact businesses with the last of these completed shortly after the year end. We believe we have delivered substantial value to our shareholders through this strategy. The remaining business in the portfolio was restructured early in 2008 and it too is now trading profitably.

Overall, underlying Group profit before taxation increased by some 5% to £32.7 million. The Group's reported taxation charge was substantially lower and consequently underlying earnings per share rose by 12% to 17.9 pence per share.

The strategic actions we have taken through the year have been heavily focussed on deleveraging the balance sheet and we have succeeded in lowering net debt substantially. With the decline in the economy and the scarcity of liquidity from financial institutions, this has proved to be well timed. Our aim is to reduce the Group's net debt to below £100 million. The Board has reluctantly taken the decision to suspend further dividends until we achieve this, which is expected to be within the next two years. This decision, together with our recent refinancing, should ensure that we have access to sufficient liquidity to see us through the current global financial crisis.

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 to report that we have made further progress in 2008 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 further progress against all of the 10-year targets in our sustainable development programme.

After some thirty years on our Board and the last eight years as Chairman Anthony Richmond-Watson retired at the end of January 2009 and I succeeded him as Chairman. I would like to express our gratitude to Tony for his many years of service as a non-executive director and his wise command and guidance of the Group as Chairman through a period of much change. On 5 March 2009 we were pleased to appoint Graham Menzies as an additional independent non-executive director.

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2008

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

Outlook

The deterioration in the global economy has been far more severe than generally anticipated at the beginning of 2008, and it has been exacerbated by the global financial crisis. Whilst Polymer volumes were down 3% in the year they declined by some 14% year-on-year during the fourth quarter, and demand has remained depressed in the early part of 2009, as a result both of lower demand and of continued de-stocking by customers.

This situation creates a very high degree of uncertainty as to how the coming year will develop, and the Board believes it is therefore too early to offer any firm guidance on the outturn for 2009.

The Group's Impact Chemicals and Pharma Chemicals businesses should benefit from recent restructuring. The Pharma sector generally is not particularly cyclical and should weather the downturn reasonably well.

Within our Polymer Chemicals business we anticipate the demand in our Asian businesses to be more robust than that of our European businesses, due to local market conditions and a more resilient demand profile from our targeted markets. However, overall we anticipate our volumes globally could well be lower in 2009.

The recent weakness of Sterling against the Dollar, Euro and Malaysian Ringgit, should it continue, will assist the reported Sterling earnings for a number of our businesses.

Overall therefore there are a number of positive factors that should support the business during 2009. We have substantially delivered on our strategic goals of two years ago, and are clearly focused both on continuing to improve the quality and performance of our business, and on further strengthening our balance sheet. This makes us well placed to weather the challenges that lie ahead.

PETER WOOD
Chairman

11 March 2009

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2008

CHIEF EXECUTIVE'S REPORT

We entered 2008 cautiously optimistic about the year, against what was seen at the time as a challenging environment, with rapidly rising raw material costs. As it has transpired, we now see a global financial crisis and an economic downturn far more severe than anyone had reasonably anticipated.

Against this background the Company has delivered a 5% improvement in underlying profit before tax and a substantial reduction in debt through four successful divestments. This must be seen as good progress given the circumstances.

Polymers (84% of sales) saw sales volumes decline by 3%, whilst increasing profit by 3% to £42.4 million. This was achieved in an environment of highly volatile raw material prices and a decline in global demand through the second half of the year.

We completed and successfully commissioned our third phase Nitrile capacity expansion in Malaysia to support our customers in the high growth global synthetic glove market. We remain the leading supplier to this market. We also completed the acquisition of a new dispersion business in Vietnam to support our global customers in the country and to gain a foothold in another high growth Asian economy.

Pharmaceuticals (11% of sales) saw a 28% decline in profit on revenues up 3%. Margins were adversely impacted by rising raw material prices and a weak dollar in the first half of the year and customer destocking during the second half. We continued to reconfigure our production capacity with the phased closure of our Italian site and the transfer of a proportion of its production to our other sites. The Italian plant closure has been structured to support our major customers and it will fully cease production in the middle of 2009 when product transfers are complete. A further 6 Drug Master Files (DMF's) were filed in the year as we continued the development of our generic pipeline.

We have now completed the sale of four of the five businesses that comprised the Impact Chemicals Division. We received £63 million of gross proceeds for these businesses, of which £10 million was received post the year end. The remaining business, William Blythe Limited, was restructured in the first quarter and subsequently returned to profit for the full year having been loss making in 2007.

Polymer Division

Polymers has manufacturing assets around the world and comprises Dispersion, Latex and various speciality Polymers. Dispersion are principally used in surface coatings such as paint and varnish, adhesives such as wood glues and construction applications such as sealants and fillers. SBR latex is used in the manufacture of carpet floor coverings and construction materials such as speciality cement whilst NBR latex is mainly sold into the fast growing nitrile glove market. Speciality polymers includes rubber, polymers to regulate PVC manufacture and sealants for the motor industry.

Polymer Division operates 19 production units on 13 sites within four geographical regions: Europe, South East Asia, Middle East and South Africa and employs approximately 1,500 people. The core products of the Division are water-based polymers, based on vinyl acetate and acrylic co and terpolymer dispersions, Styrene and Nitrile Butadiene Rubber lattices, as well as polyvinyl alcohol/acetate, and a number of smaller specialist products serving a range of industries.

2008 was a year where all business units faced challenges on a number of fronts. The Division started the year very positively and made good progress through the first half. However, the growing turmoil in the global economy started to have its effect in a number of market segments in the third quarter and in all by the final quarter. Fluctuations in currency, availability and pricing of monomers, rising energy costs and slower customer demand all contributed to the creation of a very complex and difficult environment. However, against that background, the Division did continue to make progress in a number of areas.

The monomer supply position was, until the final quarter, extremely difficult. Rising oil prices and surging demand placed a strain on supply in a number of areas but, in particular, Butadiene, where strong demand and lack of availability meant additional costs were incurred to ensure continuity of supply to our customers. This situation began to improve in the final quarter as demand dropped and oil prices followed, however;

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2008

monomer prices fell very rapidly, leading customers to destock their supply chains in the hope of securing lower input prices and resulted in further lowering demand for our products.

The Division's turnover (in Sterling) was 19% ahead of prior year driven by higher selling prices and currency movements. Overall volumes for the business were 3% down on prior year, but this masks some good performances in a number of core markets. Operating profit ended 3% ahead, whilst 2008 operating margins were 8%.

Polymer Division's expansion strategy in Asia continued in 2008 with further investments in both Latex and Dispersions. Within our Nitrile Latex business, the successful commissioning of the Phase 3 expansion at the Kluang plant in Malaysia in August means that capacity has more than doubled over the last 18 months as Synthomer continues to keep pace with the growing demand for synthetic latex gloves. Our ability to increase capacity rapidly to meet growth in customer demand places the business in an excellent position to maintain its leadership in this dynamic market. The year also saw additional investment in Kluang with the installation of a new Nitrile pilot plant and development laboratory, both aimed at giving the business state of the art facilities that will allow faster product and process development, which are essential to meet the changing requirements of our customers.

Within Dispersions our geographic expansion strategy saw the acquisition of a controlling interest in Chemtech, in Vietnam. The business is located near Ho Chi Minh City and is a major supplier of dispersions to the coating and adhesives industries in one of Asia's fast developing economies.

During the latter part of the year, a number of restructuring activities were announced in the UK. These changes were required to combat the lower levels of activity the business has experienced in this market. This is an unfortunate situation but it is critical that the Polymer Division continues to balance its manufacturing assets to meet anticipated market demand.

Synthetic Latex

The Latex Market globally saw a number of changes during the year with the exit of a leading competitor (DRLC) from the Nitrile Dipping Market and the announcement of mothballing of three competitive latex plants in the UK. In SBR latex, although the market tightened during the year as the economy slowed, our speciality volumes ended slightly up on 2007, with the only reduction being seen in the carpet market.

In Nitrile Latex the exit of DRLC created a number of opportunities which lifted volumes by 12% in Malaysia setting a new record. At the same time, the business had to contend with rapidly rising Butadiene prices and, of more concern, a lack of the monomer's availability, particularly in Asia. However, the final quarter of the year saw an equally rapid decline in prices hitting short-term demand as customers emptied their supply chains to try and take advantage of lower monomer input costs.

Dispersions

The dispersion market produced a variable set of results in 2008 although overall volume was marginally up on 2007. Positive progress was made in a number of European Technical grades where volumes more than doubled in 2008, and in our Middle East business where volume grew by 8%. However, we also experienced a decline in the UK where volumes were 13% down as a result of much slower customer demand predominantly due to the sluggish housing market.

Specialities

Polyvinyl Alcohol

We continued to maintain our leadership position in the supply of low hydrolysis polyvinyl alcohol to the PVC industry. A very strong start to the year was followed by a much slower final quarter as PVC manufacturers' started to idle capacity. Overall, volume for the Primary and Secondary Alcotex stabilisers was marginally ahead of 2007, and margins were maintained in a difficult and competitive environment. The business continued to experience significant rises in operating costs as a result of higher energy tariffs and maintenance costs; however, these were offset by a better mix of products and some benefits from currency. During the year a number of investments were made to improve manufacturing performance and these should begin to deliver benefits in 2009.

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2008

Liquid Polybutadiene

In 2008 we have increased the focus on the development of our Lithene business by establishing a cross functional team to develop and expand our presence in this market. After a very positive first half the business slowed progressively through the 3rd and 4th quarter as the recession started to impact on the automotive industry, the main market for Lithene products. Overall volume for the year was down by 27%, all coming in the second half; however, operating profit held up better than expected as a result of stronger margins and cost saving actions.

Alkyds and Polyester

Our resin business operates from the Kluang, Malaysia site with sales predominantly in South East Asia. Like other business units, sales were robust through the first half of the year with the first signs of slowdown arriving in September and remaining through the year-end. The Polyester resin business had a challenging year with the final quarter being the most difficult. The slowdown created a highly competitive environment with prices and volumes under severe pressure; however, operating profit was only slightly down on prior year. The Alkyd Resin business also had a difficult final quarter, and volumes ended the year slightly down on 2007; however, excellent margin and cost management ensured that 2008 delivered a record operating profit for this business.

Pharma Chemicals

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

2008 was a mixed year for the Pharma Chemicals business. Underlying volumes were reasonably robust, with a number of new products contributing to volumes and margins. We also made considerable progress in the site rationalisation programme, and filed an additional 6 Drug Master Files. The business was adversely affected throughout the majority of the year by the impact of the strength of the euro on dollar sales and the increasing raw material input prices.

In our Spanish business, despite a successful programme implemented in late 2007 to increase prices, 2008 saw increased competitive pressure. In our Generic Regulated Markets governments imposed reference prices applying pressure to customer pricing with the weakness of the dollar further impacting US sales on translation. Meanwhile the currency benefit on the raw material input side was outweighed by the surging price for oil based raw materials affecting all producers, including Asian competition. This negatively affected gross margin and outweighed the benefit of continued robust volume.

In Generics our Omeprazole franchise continues to be very important for us. Despite some volume pressure we remain competitive through process improvements and with the benefit of our outsourcing strategy are well placed at the beginning of 2009. Ranitidine volumes were strong in the first half to the USA as our "Over the Counter" franchise continues to do well.

Most of our other Generics held up well and we have begun to build our franchises in Pantoprazole and Quetiapine as the patents expire in Europe. We also saw Ketorolac, a niche analgesic, gain approvals in the USA and Europe. The dossier business, where we accelerate regulatory clearance for our formulation partners products based on our API's, continued to develop as we rolled out our Terbinafine and Zolpidem franchises in Europe. The competitive nature of our processes, supported by the regulatory package we can offer smaller companies, bodes well as Generic medicines continue to take a growing share of pharmaceutical spend in Europe and the USA.

In the latter part of the year a strengthening of the dollar helped the US selling position while volume, although relatively robust, was affected by customers desire to conserve cash and minimize stocks in the current economic circumstances. As these factors normalize and raw material price reductions pass through the chain they should provide a comparative benefit if maintained through 2009.

Subcontract development work to big pharmaceutical customers was quiet during the year, some of which was caused by phasing. However we will see a relatively strong start to 2009 as a number of sub contract product orders have already been taken and manufacture begun.

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2008

The transfer of products from Italy and Germany has been a key objective in 2008 and all our customers have been able to progress the registration process for these products. Volume demand from customers has been strong for transferring products and, as such, the transfer will complete in the first half of 2009. At the same time a business improvement process is well underway in Spain focussed on further improving efficiency on top of the increased utilisation that will come from the Italian and German product transfers.

In Research and Development our API pipeline grew with the filing of 6 new DMFs throughout the world. S-omeprazole (the API contained in "Nexium") development work has been successful and we have a number of key partners who are including us in their registrations. We have further strengthened our future growth with work on the "Sartan" therapeutic category and products in the cytostatic field.

Mexican sales dropped back from the record year in 2007. The key products the site produces for ethical customers are typically on a contract basis and were impacted by phasing issues in 2008. There was also similar competitive pressure on Generics pricing to that experienced in Spain. The site successfully passed an FDA audit and made substantial progress with expanding capacity in key products that it produces for a major ethical customer. This plant, to be completed in March 2009, will allow us to supply a significant volume increase as they roll out their WHO aid programme. Our Mexican operation will also benefit from some larger volume product transfers from the Italian facility as customer approvals are scheduled to be complete in the coming year. Together with the phasing benefits and strengthening franchises in Terbinafine, Ciprofloxacin and Ketoconazole we expect a substantial improvement in Mexican performance in 2009.

Pharma Chemicals tends to show resilient performance during a downturn and with the underlying progress that has been made in 2008 we enter 2009 with healthy order books and with optimism for substantial improved divisional financial performance in 2009.

Impact Chemicals

Impact Chemicals' remaining business, William Blythe, from its UK manufacturing facility, is a worldwide supplier of inorganic specialities based on copper, iodine and tin. Products are used in a range of applications such as semiconductor manufacture, pharmaceutical actives, non-toxic flame retardant, safety glass coatings and catalysts.

The strategy for this division has been to run it for value. Over the last 2 years the Group has put considerable focus on initially halting the historical financial decline of these businesses and then in turn significantly improving their financial performance.

We have had considerable success in turning these businesses round and subsequently disposing of them for values significantly above those that would have been possible when we started this programme. At the start of 2008 the division comprised of:

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

The first four of these have now been sold for gross proceeds of £63 million and their results are reported in the special items column. The remaining business, William Blythe, was loss making in 2007. The business was restructured in the first quarter and was profitable for the full year.

ADRIAN WHITFIELD
Chief Executive

11 March 2009

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2008

FINANCIAL REVIEW

Income Statement – Underlying Performance

Total sales increased by 17.4% to £602.2 million. Translation accounted for 8.9% of this, with the balance of the change mainly from the impact of higher pricing needed to recover the higher monomer costs experienced during the year. Turnover remains predominately within Europe with some 50% of sales (2007 55%). 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 30% of the business (2007 27%).

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 latter is mainly influenced by the Euro, and the Malaysian Ringgit. In 2008, currency movements adversely affected the margins in our Pharma business from dollar denominated sales and our UK Polymer business where the majority of its raw materials are purchased in euros. We estimate the impact on the business to be some £3 million adverse from this. The weakness of sterling against the euro and the Malaysian Ringgit however, delivered some £4 million improvement to operating profit from translation.

The underlying tax rate of 15% reflects the benefits of pioneer status on our investment in Malaysia and the settlement of some large prior year tax positions. This is an improvement on the prior year rate of 20%.

Profit attributable to minority interests was £1.7 million similar to last year.

The resultant underlying earnings per share of 17.9 pence is a year-on-year increase of 12%. The Board declared an interim dividend of 4.0 pence per share. The Group announced in December that given the prevailing financial crisis, and to strengthen the Group's balance sheet, it would not be recommending the payment of dividends, until such time as underlying net debt is below £100 million. The cash cost to the Group of dividend payments in 2008 was £14.1 million. The Board expects to recommence the payment of a dividend within the next two years at which time the dividend will be rebased to a level consistent with its peers in the Chemical sector. Consequently no final dividend will be proposed for 2008.

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 include;

- During 2007 we announced the closure of Holliday Pigments Hull site and the James Robinson manufacturing plant in Dieburg, Germany. Residual site closure and run down costs for these activities are disclosed in special items. We also committed to further Impact restructuring of £650,000 for William Blythe Limited in the first quarter of 2008, which is also included.
- We utilise various cross currency and interest rate swaps for hedging purposes, which involve maturities of up to ten 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.
- The operating results of the four Impact businesses we have divested and the operating results of our Italian Pharma business, which will close in mid 2009.

Pensions

In the main UK defined benefit pension scheme the majority of investments are in equities. Equity markets declined substantially in 2008 and overall the fund delivered an actual negative return of 26%, and consequently asset values have substantially reduced. The yield on high quality corporate bonds increased significantly during the year, which has reduced liabilities. The overall effect of these changes was a substantial increase in the net balance sheet liability to £67.4 million for this scheme.

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2008

IFRS

On an unadjusted IFRS basis, Group revenue increased by £86.5 million to £584.4 million. Profit before taxation at £38.9 million was £4.9 million higher than the previous period, of which £1.5 million relates to a better trading performance with the remainder being an increase in the special items.

Borrowings

Underlying net debt reduced significantly during the year to £135 million (2007 £171 million), mainly as a result of the divestment of four of the Impact businesses.

In 2007 we reported a year of increased capital expenditure, following a number of years of lower capital investment. This has continued in 2008 as we have invested in further expansion of the Malaysia nitrile facility and in the relocation of some manufacturing from our Italian Pharma site. Capital expenditure should now slow substantially in 2009.

Investment in restructuring the Impact portfolio and the cash costs of running the Italian Pharma site came to some £2.4 million, whilst net proceeds from divestments totalled £50.7 million.

Working capital outflow for the year was £1.5 million. Control of working capital is a core focus of the business management, and the outflow reflects good control of working capital, offset by the impact of substantially higher raw material costs and selling prices in the Polymer business.

Through the year the Group carried up to €80 million of its net debt in euros as an economic hedge against its euro based businesses. The strengthening of the euro against sterling accounted for £9.8 million of the increase in the sterling net debt.

Post the year-end we received £8.25 million for the sale of Oxford Chemicals Limited (OCL). OCL is excluded from the underlying PBT of £32.7 million, and had the proceeds been received before the year end, net debt would have been £127 million.

Refinancing and liquidity

During the year the Group repaid £33 million due under its US Private Placements. The Group also replaced its maturing £60 million revolving credit facility with a new £30 million three year loan which was completed at the year end, and in January 2009 secured an additional £19 million of borrowings in Malaysia under a six year amortising loan facility.

Net debt at the end of the year at £135 million was £6 million below the outstanding balance on its Private Placement Notes of £141 million which were themselves the Group's only long term drawn borrowing arrangements at the end of the year. The Group's only repayment commitment of the long term funding arrangements for 2009 is to repay the £33 million current element of these notes in September 2009. This will be done from the new borrowing facilities (total £49 million), the proceeds from OCL (£8 million) and free cash flow.

DAVID BLACKWOOD
Finance Director

11 March 2009

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2008

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008			2007		
		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		584,373	-	584,373	497,879	-	497,879
Share of joint ventures' revenue		17,780	-	17,780	15,046	-	15,046
Total sales	2	602,153	-	602,153	512,925	-	512,925
<hr/>							
Group revenue		584,373	-	584,373	497,879	-	497,879
<hr/>							
Company and subsidiaries before special items		41,577	-	41,577	41,567	-	41,567
Operations sold or closed during the year		-	(2,406)	(2,406)	-	(12,461)	(12,461)
UK pension fund – past service credit		-	-	-	-	10,797	10,797
<hr/>							
Company and subsidiaries		41,577	(2,406)	39,171	41,567	(1,664)	39,903
Share of joint ventures		1,615	-	1,615	1,129	-	1,129
Operating profit/(loss)	2	43,192	(2,406)	40,786	42,696	(1,664)	41,032
<hr/>							
Interest payable		(15,983)	-	(15,983)	(16,046)	-	(16,046)
Interest receivable		5,481	-	5,481	4,549	-	4,549
		(10,502)	-	(10,502)	(11,497)	-	(11,497)
Fair value adjustment		-	8,615	8,615	-	4,447	4,447
Finance costs	4	(10,502)	8,615	(1,887)	(11,497)	4,447	(7,050)
<hr/>							
Profit before taxation		32,690	6,209	38,899	31,199	2,783	33,982
Taxation		(4,904)	-	(4,904)	(6,289)	-	(6,289)
Profit for the year from continuing operations		27,786	6,209	33,995	24,910	2,783	27,693
<hr/>							
Discontinued operations							
Profit/(loss) for the year from discontinued operations		-	22,568	22,568	-	(12,229)	(12,229)
Profit/(loss) for the year		27,786	28,777	56,563	24,910	(9,446)	15,464
<hr/>							
Profit attributable to minority interests		1,718	-	1,718	1,679	-	1,679
Profit/(loss) attributable to equity holders of the parent		26,068	28,777	54,845	23,231	(9,446)	13,785
		27,786	28,777	56,563	24,910	(9,446)	15,464
<hr/>							
Earnings per share							
From continuing operations							
Basic		17.9p	4.3p	22.2p	16.0p	1.9p	17.9p
Diluted		17.8p	4.2p	22.0p	15.9p	1.9p	17.8p
<hr/>							
From continuing and discontinued operations							
Basic		17.9p	19.8p	37.7p	16.0p	(6.5)p	9.5p
Diluted		17.8p	19.6p	37.4p	15.9p	(6.5)p	9.4p

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2008

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2008

	2008	2007
	£'000	£'000
	audited	audited
Non-current assets		
Goodwill	154,027	172,443
Other intangible assets	869	591
Property, plant and equipment	118,106	108,468
Deferred tax assets	457	762
Investment in joint ventures	4,948	3,177
	278,407	285,441
Current assets		
Inventories	63,507	65,001
Trade and other receivables	126,136	115,078
Cash and cash equivalents	26,576	108,352
Derivatives at fair value	33,887	1,813
	250,106	290,244
Assets held for sale	7,377	-
Total current assets	257,483	290,244
Current liabilities		
Borrowings	(57,972)	(133,585)
Trade and other payables	(152,621)	(148,300)
Current tax liability	(44,528)	(48,948)
Derivatives at fair value	-	(26,000)
	(255,121)	(356,833)
Liabilities directly associated with assets classified as held for sale	(1,400)	-
Total current liabilities	(256,521)	(356,833)
Non-current liabilities		
Borrowings	(130,052)	(125,108)
Trade and other payables	(167)	(460)
Deferred tax liability	(6,899)	(6,445)
Post retirement benefit obligations	(75,559)	(41,236)
	(212,677)	(173,249)
Net assets	66,692	45,603
Equity		
Called up share capital	14,566	14,566
Share premium	33,034	33,034
Capital redemption reserve	949	949
Hedging and translation reserve	6,252	(9,087)
Cash flow hedging reserve	678	-
Retained earnings	2,056	416
	57,535	39,878
Equity attributable to equity holders of the parent	57,535	39,878
Minority interests	9,157	5,725
Total equity	66,692	45,603
Analysis of net borrowing		
Cash and cash equivalents	26,576	108,352
Current borrowings	(57,972)	(133,585)
Non-current borrowings	(130,052)	(125,108)
Net borrowings	(161,448)	(150,341)
Deduct/(add) back: special items	25,966	(20,490)
Net borrowings (underlying performance)	(135,482)	(170,831)

The financial statements were approved by the Board of Directors and authorised for issue on 11 March 2009.

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2008

CONSOLIDATED CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008		2007	
		£'000 audited	£'000 audited	£'000 audited	£'000 audited
Operating					
Cash generated from operations	5		44,299		49,447
Interest received		5,481		4,549	
Interest paid		(16,835)		(15,611)	
Net interest paid			(11,354)		(11,062)
UK corporation tax received		207		1,179	
Overseas corporate tax paid		(10,421)		(11,636)	
Total tax paid			(10,214)		(10,457)
Net cash inflow from operating activities			<u>22,731</u>		<u>27,928</u>
Investing					
Dividends received from joint ventures			816		1,202
Purchase of property, plant and equipment		(17,707)		(16,994)	
Sale of property, plant and equipment		2,282		2,413	
Net capital expenditure and financial investment			(15,425)		(14,581)
Purchase of businesses		(468)		-	
Sale of businesses		50,676		-	
Net cash impact of acquisitions and disposals			50,208		-
Net cash inflow/(outflow) from investing activities			<u>35,599</u>		<u>(13,379)</u>
Financing					
Equity dividends paid			(14,129)		(13,689)
Dividends paid to minority interests			(341)		(537)
Purchase of own shares			-		(25)
Repayment of borrowings			(33,512)		-
Proceeds of non-current borrowings			166		174
Net cash outflow from financing activities			<u>(47,816)</u>		<u>(14,077)</u>
Increase in cash and bank overdrafts during the year			<u>10,514</u>		<u>472</u>
Comprised of:					
Cash and cash equivalents			(64,475)		51,896
Bank overdrafts			74,989		(51,424)
			<u>10,514</u>		<u>472</u>
Reconciliation of net cash flow from operating activities to movement in net borrowings					
Net cash inflow from operating activities			22,731		27,928
Add back: dividends received from joint ventures			816		1,202
Less: net capital expenditure and financial investment			(15,425)		(14,581)
Less: dividends paid to minority interests			(341)		(537)
Free cash flow before dividends			<u>7,781</u>		<u>14,012</u>
Net cash impact of acquisitions and disposals			50,208		-
Purchase of own shares			-		(25)
Equity dividends paid			(14,129)		(13,689)
Exchange movements			(8,511)		(4,858)
Movement in net borrowings (underlying performance)			<u>35,349</u>		<u>(4,560)</u>

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2008

**CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 31
DECEMBER 2008**

	2008			2007		
	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	-	(39,111)	(39,111)	-	21,698	21,698
Tax on items recognised directly in equity	-	(48)	(48)	-	(519)	(519)
Exchange differences	2,055	16,017	18,072	512	(1,716)	(1,204)
Profit for the year	1,718	54,845	56,563	1,679	13,785	15,464
Total recognised income for the year	3,773	31,703	35,476	2,191	33,248	35,439

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2008

1 Special items

The special items disclosed are made up as follows:

	<u>2008</u>	<u>2007</u>
Note	Special items	Special items
	£'000	£'000
	audited	audited
Continuing operations		
Operating Loss		
Loss arising from the sale or closure of operations	(2,406)	(12,461)
UK pension fund – past service credit	-	10,797
	<u>(2,406)</u>	<u>(1,664)</u>
Finance costs		
Fair value adjustment	4 8,615	4,447
	<u>6,209</u>	<u>2,783</u>
Profit for the year from continuing operations		
Discontinued operations		
Total sales		
Revenue of operations sold or closed during the year	<u>52,900</u>	<u>66,167</u>
Operating profit/(loss) of discontinued operations		
Operating profit of operations sold or closed during the year	4,113	3,318
Profit/(loss) arising from the sale or closure of operations	<u>20,067</u>	<u>(15,776)</u>
	24,180	(12,458)
Taxation		
Taxation on operating profit/(loss) of operations sold or closed during the year	(884)	229
Taxation on profit/(loss) arising from the sale or closure of operations	<u>(728)</u>	-
Profit/(loss) for the year from discontinued operations	<u>22,568</u>	<u>(12,229)</u>

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2008

2 Segmental analysis

	2008			2007		
	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	507,130	-	507,130	425,221	-	425,221
Pharma Chemicals	63,891	-	63,891	62,235	-	62,235
Impact Chemicals	31,132	-	31,132	25,469	-	25,469
	602,153	-	602,153	512,925	-	512,925
Operating profit by activity						
Polymer Chemicals	42,444	-	42,444	41,157	-	41,157
Pharma Chemicals	5,265	(1,756)	3,509	7,351	(12,461)	(5,110)
Impact Chemicals	1,634	(650)	984	(221)	-	(221)
Unallocated corporate expenses	(6,151)	-	(6,151)	(5,591)	10,797	5,206
	43,192	(2,406)	40,786	42,696	(1,664)	41,032

	2008	2007
	£'000 audited	£'000 audited
Total sales by destination		
United Kingdom	84,132	83,001
Other Europe	217,680	200,312
Asia	181,451	138,388
Africa and Middle East	68,898	53,200
Rest of World	49,992	38,024
	602,153	512,925

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

	2008			2007
	Cash Costs £'000 audited	Fixed asset write back £'000 audited	Total £'000 audited	Total £'000 audited
Continuing operations				
Closure of Uquifa's Italian manufacturing site	(1,756)	-	(1,756)	(12,461)
Restructuring of William Blythe Limited	(650)	-	(650)	-
	(2,406)	-	(2,406)	(12,461)
Discontinued operations				
Closure of Holliday Pigments UK manufacturing site	450	-	450	(7,616)
Closure of James Robinson's German manufacturing site	2,354	2,169	4,523	(9,919)
Sale of Huddersfield site	-	-	-	1,759
Sale of James Robinson Limited and James Robinson GmbH	5,637	-	5,637	-
Sale of James Robinson India Pvt Ltd	(362)	-	(362)	-
Sale of Holliday Pigments SA and Holliday France SA	8,265	-	8,265	-
Sale of Holliday Chemical Espana SA	409	-	409	-
Sale of PFW Aroma Chemicals BV	(774)	-	(774)	-
Sale of Hull site	1,351	-	1,351	-
Sale of Dieburg site	568	-	568	-
	17,898	2,169	20,067	(15,776)
	15,492	2,169	17,661	(28,237)

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2008

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

	2008	2007
	£'000 audited	£'000 audited
Operating profit – continuing operations	40,786	41,032
Operating profit/(loss) for the year from discontinued operations	24,180	(12,458)
Less: share of profits of joint ventures	(1,615)	(1,129)
	<u>63,351</u>	<u>27,445</u>
Depreciation and amortisation	16,890	16,013
(Profit)/loss arising from the sale or closure of operations	(17,661)	28,237
UK pension fund – past service credit	-	(10,797)
Loss/(profit) on sale of fixed assets	79	(196)
Share based payments	470	298
Cash impact of termination of businesses	(10,283)	(8,985)
Pension funding in excess of IAS 19 charge	(6,301)	(5,550)
Decrease in inventories	1,070	3,925
Decrease/(increase) in trade and other receivables	3,399	(6,398)
(Decrease)/increase in trade and other payables	(5,931)	6,434
Unrealised exchange gains	(784)	(979)
Cash generated from operations	<u>44,299</u>	<u>49,447</u>

6 Reconciliation of EBITDA

	2008		2007	
	Underlying	IFRS	Underlying	IFRS
	£'000 audited	£'000 audited	£'000 audited	£'000 audited
Operating profit	43,192	40,786	42,696	41,032
Add: Operating loss of businesses sold or closed during the year	-	2,406	-	12,461
Less: UK Pension Fund – Past service credit	-	-	-	(10,797)
Add back: amortisation	102	102	247	247
Add back: depreciation	15,336	15,336	13,299	13,299
EBITDA	<u>58,630</u>	<u>58,630</u>	<u>56,242</u>	<u>56,242</u>

YULE CATTO & COMPANY PLC
Preliminary Results for the year ended 31 December 2008

7 Dividends

	<u>2008</u>	<u>2007</u>
	Pence per share audited	Pence per share audited
Interim	4.0	3.9
Final	<u>0.0</u>	<u>5.7</u>
Total	<u>4.0</u>	<u>9.6</u>

8 Further information

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2008 or 2007, but is derived from those accounts. Statutory accounts for 2007 have been delivered to the Registrar of Companies and those for 2008 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 s237 (2) or (3) 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 6 April 2009.

The financial statements were approved by the Board of Directors on 11 March 2009.

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 2007, 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.

The interim dividend of 4.0p (2007 5.7p) per share was paid on 11 November 2008. On 29 December 2008 the company announced the suspension of the payment of dividends and accordingly no final dividend is 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 (2007 145.6m).

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 £33m on the US loan notes in September 2009; and
- The availability of an additional £49m of undrawn facilities negotiated in the UK and Malaysia.

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 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 2008

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.