

MACDERMID, INCORPORATED
CONSOLIDATED STATEMENTS OF EARNINGS

(Amounts in thousands of dollars except per share data)
(Unaudited)

	Three months ended March 31,	
	2007	2006
Net sales	\$ 204,804	\$ 200,358
Cost of sales	120,435	111,887
Gross profit	84,369	88,471
Operating expenses:		
Selling, technical and administrative	55,391	53,017
Research and development	8,679	7,304
Loss on asset sales and business dispositions	-	2,224
Restructuring	432	1,482
	64,502	64,027
Operating profit	19,867	24,444
Other income (expense):		
Interest income	1,063	850
Interest expense	(7,339)	(6,688)
Other, net	216	(367)
	(6,060)	(6,205)
Earnings from operations before income taxes	13,807	18,239
Minority interest	(27)	-
Income taxes	(3,617)	(4,961)
Earnings from operations after tax	10,163	13,278
Extraordinary gain, net of income taxes of \$489 and \$0	910	-
Net earnings	\$ 11,073	\$ 13,278
Earnings per common share:		
Basic	\$ 0.36	\$ 0.43
Diluted	\$ 0.35	\$ 0.43
Weighted average common shares outstanding:		
Basic	30,888	30,658
Diluted	31,522	31,065
Dividends declared per common share	\$ 0.06	\$ 0.06

See accompanying notes to consolidated financial statements.

MACDERMID, INCORPORATED
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands of dollars except share data)

	<u>March 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
	(Unaudited)	
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 146,239	\$ 125,461
Accounts receivable, net of allowance for doubtful receivables of \$10,274 and \$10,798, respectively	171,725	170,807
Inventories, net	123,642	118,070
Prepaid expenses	11,537	12,277
Deferred income taxes	20,796	19,574
Total current assets	<u>473,939</u>	<u>446,189</u>
Property, plant and equipment, net of accumulated depreciation of \$208,441 and \$202,594, respectively	117,268	120,802
Goodwill	256,753	256,062
Intangibles, net of accumulated amortization of \$22,393 and \$21,096, respectively	40,889	41,982
Deferred income taxes	42,429	43,282
Other assets, net	16,372	16,364
Total assets	<u>\$ 947,650</u>	<u>\$ 924,681</u>
<u>Liabilities and shareholders' equity</u>		
Current liabilities:		
Accounts payable	\$ 69,270	\$ 64,197
Dividends payable	1,858	1,848
Accrued compensation	15,611	19,684
Accrued interest	5,890	12,831
Accrued income taxes payable	3,646	9,517
Short-term notes payable	126	1,330
Current installments of long-term obligations	2,738	28
Other current liabilities	33,407	33,037
Total current liabilities	<u>132,546</u>	<u>142,472</u>
Long-term debt and capital lease obligations	313,453	300,823
Retirement benefits, less current portion	45,845	45,700
Deferred income taxes	15,471	11,624
Other long-term liabilities	10,259	9,391
Total liabilities	<u>517,574</u>	<u>510,010</u>
<u>Minority interest</u>	105	-
<u>Shareholders' equity</u>		
Common stock, authorized 75,000,000 shares, issued 47,804,498 at March 31, 2007, and 47,686,761 shares at December 31, 2006, at stated value of \$1.00 per share	47,805	47,687
Additional paid-in capital	61,462	57,584
Retained earnings	421,297	411,261
Accumulated other comprehensive income	24,192	22,924
Less – cost of common shares held in treasury, 16,845,198 at March 31, 2007 and December 31, 2006	(124,785)	(124,785)
Total shareholders' equity	<u>429,971</u>	<u>414,671</u>
Total liabilities and shareholders' equity	<u>\$ 947,650</u>	<u>\$ 924,681</u>

See accompanying notes to consolidated financial statements.

MACDERMID, INCORPORATED
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of dollars)

(Unaudited)

	Three months ended March 31,	
	2007	2006
Net cash flows from operating activities:		
Net earnings	\$ 11,073	\$ 13,278
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	5,095	4,897
Amortization	1,461	1,452
Provision for bad debts	167	463
Deferred income taxes	908	3,072
Stock compensation expense	930	752
Extraordinary gain on purchase of business, net of income taxes	(910)	-
Restructuring	432	1,482
Changes in assets and liabilities		
Decrease (increase) in receivables	1,198	(6,792)
Increase in inventories	(3,847)	(12,337)
Increase in prepaid expenses	743	3,276
Increase in accounts payable	5,860	3,642
Decrease in accrued expenses	(13,417)	(11,707)
Decrease in income tax liabilities	(2,099)	(1,001)
Other	(521)	24
Net cash flows provided by operating activities	7,073	501
Cash flows from investing activities:		
Capital expenditures	(1,460)	(1,562)
Proceeds from disposition of fixed assets	8	79
Acquisition of business, net of cash acquired	211	-
Other	-	37
Net cash flows used in investing activities	(1,241)	(1,446)
Cash flows from financing activities:		
Net short-term borrowings	1,236	1,668
Repayments of long-term borrowings	(8)	(97)
Proceeds from long-term borrowings	12,438	-
Issuance from treasury shares	-	26
Proceeds from exercise of stock options	2,812	2,439
Tax benefit from exercise of stock options	254	62
Dividends paid	(1,848)	(1,836)
Net cash flows provided by financing activities	14,884	2,262
Effect of exchange rate changes on cash and cash equivalents	62	788
Net increase in cash and cash equivalents	20,778	2,105
Cash and cash equivalents at beginning of period	125,461	80,932
Cash and cash equivalents at end of period	\$ 146,239	\$ 83,037
Supplemental Disclosure Information:		
Cash paid for interest	\$ 13,948	\$ 13,936
Cash paid for income taxes	\$ 3,774	\$ 4,655

See accompanying notes to consolidated financial statements.

MACDERMID, INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)
(In thousands of dollars, except share and per share amounts)

Note 1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim financial information has been prepared in accordance with the interim reporting rules and regulations of the U.S. Securities and Exchange Commission and therefore does not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States ("GAAP"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted. The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingencies at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Estimates have been prepared on the basis of the most current and best available information and actual results could differ from those estimates. Certain amounts in the prior period have been restated to conform to current period presentation.

In the opinion of MacDermid, Incorporated and its subsidiaries (collectively "MacDermid" or the "Company") management, the accompanying unaudited consolidated financial statements of the interim periods presented contain all adjustments necessary to present fairly the financial position of MacDermid as of March 31, 2007 and the results of operations and cash flows for the periods presented. All such adjustments are of a normal recurring nature. The results of operations for the three months ended March 31, 2007 are not necessarily indicative of the results that may be achieved for a full year and cannot be used to indicate financial performance for the entire year. These financial statements should be read in conjunction with the notes to the consolidated financial statements contained in MacDermid's Annual Report for the year ended December 31, 2006.

Note 2. New Accounting Standards

In February 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") 159, The Fair Value Option for Financial Assets and Financial Liabilities ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently in the process of evaluating the expected effect of SFAS 159 on its consolidated financial statements and is not yet in a position to determine such effects.

In September 2006, the FASB issued SFAS 158, Employers Accounting for Defined Benefit Pension and Other Post-Retirement Plans – An Amendment of FASB Statements No. 87, 88, 106, and 132R ("SFAS 158"). This statement requires recognition of the funded status of postretirement benefit plans in the statement of financial position. An employer must recognize an asset or liability in its statement of financial position for the difference between the fair value of the plan assets and the projected benefit obligation (pension plans) or the accumulated postretirement benefit obligation (other postretirement plans). Changes in the plans' funded status must be recognized, in the year of change, in comprehensive income. SFAS 158 will also require entities to measure the funded status of the plans as of the date of the year-end statement of financial position, with a few exceptions. The Company adopted the recognition provision of SFAS 158 in the fourth quarter of 2006. The unfunded status of the pension and postretirement benefit plans resulted in an additional long term liability of \$15,877 as of December 31, 2006, with a corresponding offset to deferred income taxes and other comprehensive income in the stockholders' equity section at December 31, 2006. The plan measurement date provision of SFAS 158 is effective beginning the first quarter of 2008. The Company is currently in the process of evaluating the expected effect of the measurement provision of SFAS 158 on its consolidated financial statements and is not yet in a position to determine such effects.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements ("SFAS 157") that will become effective beginning first quarter of 2008. This statement defines fair value, establishes a framework for measuring fair value in GAAP, and expands disclosures about fair value measurements. This statement does not require any new fair value measurements. However, for some entities, the application of this statement will change current practice. The Company is currently in the process of evaluating the expected effect of SFAS 157 on its consolidated financial statements and is not yet in a position to determine such effects.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements* (“SAB 108”) to address diversity in practice in quantifying financial statement misstatements and the potential under current practice for the build up of improper amounts on the balance sheet. The Company adopted the provisions of SAB 108 in the fourth quarter of 2006. The adoption of SAB 108 did not have a material impact on the Company’s financial position, results of operations or cash flows.

In July 2006, the FASB released FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109” (“FIN 48”). FIN 48 clarifies the accounting and reporting for uncertainties in income taxes recognized in an entities financial statements in accordance with FASB Statement No. 109. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return as well as guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted FIN 48 in the first quarter of 2007. As a result of the adoption of FIN 48 the Company reduced its deferred income taxes by \$821, which was accounted for as an increase to the January 1, 2007 balance of retained earnings.

In April 2006, the FASB issued FASB Staff Position (FSP) FIN 46(R)-6, “Determining the Variability to Be Considered in Applying FASB Interpretation No. 46(R)” (“FSP FIN 46(R)-6”), that became effective beginning third quarter of 2006. FSP FIN No. 46(R)-6 clarifies that the variability to be considered in applying FASB Interpretation 46(R) shall be based on an analysis of the design of the variable interest entity. The Company adopted the provisions of FSP FIN 46(R)-6 in the third quarter of 2006. The adoption of FSP FIN 46(R)-6 did not have a material impact on the Company’s financial position, results of operations or cash flows.

In May 2005, FASB issued SFAS No. 154, *Accounting Changes and Error Corrections — a replacement of APB Opinion No. 20 and FASB Statement No. 3* (“SFAS 154”). This statement applies to all voluntary changes in accounting principle and changes required by an accounting pronouncement where no specific transition provisions are included. SFAS 154 requires retrospective application to prior periods’ financial statements of changes in accounting principle, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. Retrospective application is limited to the direct effects of the change; the indirect effects should be recognized in the period of the change. The Company adopted the provisions of SFAS 154 in the first quarter of 2006. The adoption of SFAS 154 did not have a material impact on the Company’s financial position, results of operations or cash flows.

Note 3. Earnings Per Common Share and Other Common Share Information

Earnings per share (“EPS”) is calculated based upon net earnings available for common shareholders. The computation of basic earnings per share is based upon the weighted average number of outstanding common shares. The computation of diluted earnings per share is based upon the weighted average number of outstanding common shares plus the effect of all dilutive contingently issuable common shares from stock options, stock awards and warrants that were outstanding during the period, under the treasury stock method. For the three months ended March 31, 2007 and 2006, 1,575,060 and 2,657,671, respectively, of options to purchase shares of common stock were outstanding but not included in the computation of diluted earnings per share because the effect would have been anti-dilutive.

The following table reconciles basic weighted-average common shares outstanding to diluted weighted-average common shares outstanding:

	Three Months Ended March 31,	
	2007	2006
Basic common shares	30,888,062	30,658,391
Dilutive effect of stock options	633,645	406,800
Diluted common shares	31,521,707	31,065,191

Note 4. Goodwill and Other Intangible Assets

Acquired intangible assets as of March 31, 2007 and December 31, 2006, are as follows:

As of March 31, 2007			
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Patents	\$ 19,414	\$ 12,361	\$ 7,053
Trademarks	22,980	4,624	18,356
Others	20,888	5,408	15,480
Total	<u>\$ 63,282</u>	<u>\$ 22,393</u>	<u>\$ 40,889</u>

As of December 31, 2006			
	Gross Carrying Amount	Accumulated Amortization	Net Amount
Patents	\$ 19,354	\$ 12,022	\$ 7,332
Trademarks	22,881	3,628	19,253
Others	20,843	5,446	15,397
Total	<u>\$ 63,078</u>	<u>\$ 21,096</u>	<u>\$ 41,982</u>

Amortization expense related to amortization of intangible assets for the three months ended March 31, 2007 and 2006 was \$1,223 and \$1,257, respectively. Amortization expense for intangible assets is expected to range from \$3,913 to \$4,985 over the next five years.

Useful lives for amortizable patents are approximately fifteen years. Other intangible assets have useful lives of five to fifteen years.

The following table presents the changes in goodwill allocated to the reportable segments for the three months March 31, 2007:

Reportable Segment	Three months ended March 31, 2007		
	Balance at December 31, 2006	Currency Translation Adjustments	Balance at March 31, 2006
Advanced Surface Finishing	\$ 162,797	\$ 495	\$ 163,292
Printing Solutions	93,265	196	93,461
Total	<u>\$ 256,062</u>	<u>\$ 691</u>	<u>\$ 256,753</u>

Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("SFAS 142"), stipulates that MacDermid is required to perform goodwill and other intangible asset impairment tests on at least an annual basis and more frequently in certain circumstances. MacDermid will perform the annual impairment testing for 2007 during the fourth fiscal quarter. Currently, MacDermid is not aware of any event that occurred since the last impairment testing date that would have caused the Company's goodwill or intangible assets to become impaired.

Note 5. Other Comprehensive Income

The components of comprehensive income for the three months ended March 31, 2007 and 2006, are as follows:

	Three Months Ended March 31,	
	2007	2006
Net earnings	\$ 11,073	\$ 13,278
Other comprehensive income:		
Other	(230)	(69)
Foreign currency translation adjustment	1,498	4,958
Comprehensive income	<u>\$ 12,341</u>	<u>\$ 18,167</u>

Note 6. Segment Reporting

MacDermid operates on a worldwide basis, supplying proprietary chemicals for two distinct segments, Advanced Surface Finishing and Printing Solutions. These segments are managed separately as each segment has differences in technology and marketing strategies. Chemicals supplied by the Advanced Surface Finishing segment are used for cleaning, activating, polishing, mechanical plating and galvanizing, electro-plating, phosphatising, stripping and coating, filtering, anti-tarnishing and rust retarding for metal and plastic surfaces associated with automotive and industrial applications. The Advanced Surface Finishing segment also supplies chemicals for etching copper and imprinting electrical patterns for various electronics applications and lubricants and cleaning agents associated with offshore oil and gas operations. The products supplied by the Printing Solutions segment include offset printing blankets and photo-polymer plates used in packaging and newspaper printing, offset printing applications, and digital printers and related supplies. Net sales for all the Company's products fall into one of these two business segments.

The results of operations for each business segment include certain corporate operating costs which are allocated based on the relative burden each segment bears on those costs. Identifiable assets for each business segment are reconciled to total consolidated assets including unallocated corporate assets. Unallocated corporate assets consist primarily of deferred tax assets, deferred bond financing fees and certain other long term assets not directly associated with the support of the individual segments. Intersegment loans and accounts receivable are included in the calculation of identifiable assets and are eliminated separately.

	Three Months Ended March 31,	
	2007	2006
Results of operations by segment:		
Net sales:		
Advanced Surface Finishing		
Total segment net sales	\$ 129,394	\$ 119,048
Intersegment sales	(1,945)	(1,888)
Net external sales for the segment	<u>127,449</u>	<u>117,160</u>
Printing Solutions	<u>77,355</u>	<u>83,198</u>
Consolidated net sales	<u>\$ 204,804</u>	<u>\$ 200,358</u>
Operating profit:		
Advanced Surface Finishing	\$ 16,014	\$ 17,344
Printing Solutions	3,853	7,100
Consolidated operating profit	<u>\$ 19,867</u>	<u>\$ 24,444</u>

	As of	
	March 31, 2007	December 31, 2006
Identifiable assets by segment:		
Advanced Surface Finishing	\$ 559,131	\$ 569,352
Printing Solutions	363,516	353,007
Unallocated corporate assets	172,034	142,593
Intercompany eliminations	<u>(147,031)</u>	<u>(140,271)</u>
Consolidated assets	<u>\$ 947,650</u>	<u>\$ 924,681</u>

Note 7. Inventory

The major components of inventory as of March 31, 2007 and December 31, 2006 were as follows:

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
Finished goods	\$ 73,129	\$ 70,472
Raw materials and supplies	42,598	39,475
Equipment	7,915	8,123
Inventories, net	<u>\$ 123,642</u>	<u>\$ 118,070</u>

Note 8. Pension and Postretirement Benefit Plans

The following table shows the components of the net periodic pension benefit costs the Company incurred in the three months ended March 31, 2007 and 2006:

	<u>Three Months Ended March 31,</u>			
	<u>2007</u>		<u>2006</u>	
	<u>Domestic</u>	<u>Foreign</u>	<u>Domestic</u>	<u>Foreign</u>
Net periodic benefit cost:				
Service cost	\$ 1,000	\$ -	\$ 1,123	\$ -
Interest cost	1,107	835	1,077	749
Expected return on plan assets	(1,006)	(955)	(958)	(859)
Amortization of prior service (credit)/cost	(10)	-	7	-
Recognized actuarial loss	322	278	100	249
Net periodic benefit cost	<u>\$ 1,413</u>	<u>\$ 158</u>	<u>\$ 1,349</u>	<u>\$ 139</u>

The estimated net periodic benefit cost for other postretirement benefits was \$112 and \$126, respectively, for the three months ended March 31, 2007 and 2006.

MacDermid previously disclosed in its financial statements for the year ended December 31, 2006, that the Company expects to contribute \$1,500 to MacDermid's pension plans in 2007. During the first quarter of 2007, the Company increased the 2007 expected contribution amount to \$4,500. As of March 31, 2007, \$984 of contributions have been made. The current portion of pension and postretirement benefit plans is included in other current liabilities in the Company's balance sheet at March 31, 2007 and December 31, 2006.

Note 9. Restructuring Activities

During the three months ended March 31, 2007 and 2006, MacDermid recognized restructuring charges in the amount of \$432 and \$1,482, respectively, related to employee severance and other charges.

During the first quarter of 2007, MacDermid initiated and completed a realignment of the US MPS business unit that resulted in the reduction of three sales positions and a restructuring charge of \$56. MacDermid also initiated and completed a realignment of the UK ASF business unit that resulted in a restructuring charge of \$376.

During the first quarter 2006, MacDermid's implemented restructuring plans related to the operations of the US MPS business unit. In the first quarter of 2006, MacDermid recorded restructuring charges of \$601 against earnings which consists entirely of employee severance costs related to the reduction of thirteen management, sales and administrative position reductions in the US MPS business unit. Of the initial restructuring amount of \$601, the Company paid \$349 as of September 30, 2006, and reversed \$252 of the initial \$601 in the third quarter of 2006. No more payments are expected related to this initiative.

During the first quarter ended March 31, 2006, the Company continued its efforts to maximize synergies related to the Autotype acquisition by announcing the relocation of the Autotype's Kvistgaard, Denmark facility to an existing facility in Wantage, England. The closure of the Autotype Denmark facility impacted twenty one employees in manufacturing, administrative, and managerial roles. Total severance benefits of \$369 were charged to goodwill during the first quarter 2006 under Emerging Issues Task Force No. 95-3, Recognition of Liabilities in Connection with a Purchase Business Combination ("EITF 95-3"). An additional \$583 in costs related to the Autotype acquisition not qualifying for purchase accounting treatment was charged to the income statement during the first quarter of 2006. During the second quarter of 2006, the Company completed the relocation of Autotype's Kvistgaard, Denmark facility. The plant in Kvistgaard, Denmark was closed and production was transferred to Autotype's existing facility in Wantage, England. During the three months ended June 30, 2006, \$890 was charged to goodwill, in accordance with EITF 95-3, in connection with the closure of Autotype's Denmark facility, these costs included lease restoration costs, severance payments and asset write-offs. During the three months ended June 30, 2006 \$401 charged to restructuring expense for stay bonus payments and moving costs for manufacturing equipment relocated to Autotype's Wantage, England facility.

During the first quarter of 2006 the Company proceeded with plans to merge Autotype's Singapore plant into an existing ASF facility in Singapore. The amalgamation of these facilities will not include employee severance, and as such most costs associated with the merger do not qualify as purchase accounting costs and were expensed. During the first quarter of 2006, a charge of \$195 was recorded to the income statement related to equipment relocation related to this consolidation initiative. During the second quarter of 2006, a charge of \$98 was recorded to the income statement related to equipment relocation related to this consolidation initiative.

The activity in the accrued restructuring balances related to all of the plans described above was as follows for the three months ended March 31, 2007, by segment:

	For the three months ended March 31, 2007				As of March 31, 2007	
	Balance, December 31, 2006	Restructuring Charges	Cash payments	Non-cash Adjustments	Total costs and adjustments three months ended March 31, 2007	Total expected costs and adjustments
Printing Solutions:						
Equipment relocation	\$ 112	\$ -	\$ -	\$ (112)	\$ (112)	\$ -
Asset disposals	741	-	-	(334)	(334)	407
Site clean-up costs	209	-	-	(153)	(153)	56
Severance and other benefits	1,390	56	(396)	(577)	(917)	473
Legal and other	56	-	-	(56)	(56)	-
Total Printing Solutions	\$ 2,508	\$ 56	\$ (396)	\$ (1,232)	\$ (1,572)	\$ 936
Advanced Surface Finishing:						
Equipment relocation	\$ (38)	\$ -	\$ -	\$ 38	\$ 38	\$ -
Asset disposals	12	-	-	(12)	(12)	-
Site clean-up costs	138	-	-	(30)	(30)	108
Severance and other benefits	15	376	(400)	97	73	88
Total Advanced Surface Finishing	127	376	(400)	93	69	196
Total restructuring charges	\$ 2,635	\$ 432	\$ (796)	\$ (1,139)	\$ (1,503)	\$ 1,132

Note 10. Loss on Disposal

During the three months ended March 31, 2007 and 2006, MacDermid recorded a loss on disposal of \$0 and \$2,224, respectively, related to two separate dispositions. The first disposal related to MacDermid Equipment ("MEI"), a small equipment manufacturing unit that supported the Company's electronics sales. In 2001, the Company wrote off all the inventory on MEI's balance sheet. Inventory was the only significant asset on MEI's books, and the write off effectively impaired the Company's investment in the subsidiary. In February 2006, the Company sold the subsidiary for one dollar and recorded a loss on disposal of assets of \$1,664, which reduced the Company's first quarter 2006 tax rate. The second disposal related to a dormant international business unit that was disposed in the first quarter of 2006. A loss on disposal of assets of \$560 was recorded in the first quarter 2006 related to this dormant business unit.

Note 11. Extraordinary Gain

In January 2007, the Company acquired Anion Quinica Industrial Ltda. (“Anion”), a Brazilian company for \$1. In connection with this acquisition the Company recorded negative goodwill because the net book value of the assets acquired exceeded the purchase price. In accordance with the provisions of SFAS No. 141, Business Combinations, the purchase resulted in an extraordinary gain of \$910, net of income taxes of \$489. The total purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of January 1, 2007 as follows:

Assets Acquired:

Cash	\$	212
Accounts receivable		1,359
Inventory		1,118
Prepaid expenses		13
Total assets		<u>2,702</u>

Liabilities Assumed:

Current liabilities		1,151
Long-term debt		41
Other long-term liabilities		33
		<u>1,225</u>
Minority interest		78
Net assets acquired	\$	<u>1,399</u>

Note 12. Subsequent Event

On April 12, 2007 our Company’s shareholders approved the Company’s previously announced merger with the Matrix Acquisition Corp (the “Purchaser”), an acquisition vehicle formed by an investor group led by Court Square Capital Partners II, L.P., Weston Presidio V, L.P. and Daniel H. Leever for purposes of completing the Merger, as discussed in Note 21 in our 2006 Annual Report, Notes to the Consolidated Financial Statements. Pursuant to the terms of the Merger, each of our outstanding shares of common stock, without par value have been converted into the right to receive \$35.00 in cash per share. We have appointed The Bank of New York as the agent for payment of the merger consideration. Accordingly, our shares of common stock will no longer trade on the New York Stock Exchange. In connection with the closing of the Merger the Purchaser sold \$350,000 of 9 1/2% senior subordinated note due 2017(the “Notes”) in a private offering. Our new senior secured credit facilities are expected to consist of (i)a \$610,000 term credit facility with two tranches, term loan B in the amount of \$360,000, which will be denominated in U.S. Dollars, and term loan C in the amount of \$250,000, which will denominated in Euros, and (ii) a \$50,000 revolving credit facility. After the closing of the these transactions, we expect to have approximately \$44,000 available for borrowing under our new revolving credit facility, after giving effect to approximately \$6,000 of letters of credit expected to be outstanding.

Management's Discussion and Analysis of
Financial Condition and Results of Operations
(in thousand of dollars, except shares and per share data)

CONSOLIDATED OVERVIEW

Executive Overview

Our consolidated business consists of two business segments, Advanced Surface Finishing ("ASF") and Printing Solutions ("MPS"). The ASF segment supplies chemicals used for finishing metals and non-metallic surfaces for automotive and other industrial applications, electro-plating metal surfaces, etching, and imaging to create electrical patterns on circuit boards for the electronics industry, and offshore lubricants and cleaners for the offshore oil and gas markets. The MPS segment supplies an extensive line of offset printing blankets, photo-polymer plates and wide-format digital printers for use in the commercial printing and packaging industries for image transfer.

In both of our business segments, we continue to invest significant resources in research and development and intellectual properties such as patents, trademarks, copyrights and trade secrets, as our business depends on these activities for our financial stability and future growth.

We focus on growing revenues and the generation of cash from operations in order to build shareholder value. Specifically, we plan to improve top line sales growth over the longer term by focusing on:

- utilizing our technical service and outstanding products to penetrate global markets for all products,
- supporting working capital initiatives focused on maximizing cash flows,
- emphasizing efficiency improvements throughout the organization,
- adding new products through internal research and development, relying heavily on our internal knowledge base,
- strengthening the common identity of our products through a new branding initiative called "Yes We Can!", and
- strategic acquisitions of companies, products, or technologies.

Our products are sold in a competitive, global economy, which exposes us to certain currency, economic and regulatory risks and opportunities. Approximately 62% of our net sales and identifiable assets for the three month period ended and as of March 31, 2007, are denominated in currencies other than the United States dollar. These currencies include predominantly the Euro, British Pound Sterling, the Hong Kong dollar, the Chinese Yuan and the Japanese Yen. We do not manage our foreign currency exposure in a manner that would eliminate the effects of changes in foreign exchange rates on our earnings, cash flows and fair values of assets and liabilities; therefore, our financial performance could be positively or negatively impacted by changes in foreign exchange rates in any given reporting period. For most currencies, we are a net receiver of the foreign currency and therefore benefit from a weaker United States dollar and are adversely affected by a stronger United States dollar relative to the foreign currency. For the three months ended March 31, 2007, net sales and net earnings were positively impacted as the dollar weakened against both the Euro and Pound when compared to exchange rates at the beginning of the year. When compared with the same period last year, net sales and net earnings were positively impacted as the dollar weakened against both the Euro and the Pound. In both cases, the absolute impact on earnings was immaterial.

Our competitors include many large multi-national chemical firms based in Europe, Asia, and the United States. New competitive products or pricing policies of our competitors can materially affect demand for and pricing of our products, which could have a significant impact on our financial results.

We are influenced predominantly by two general industries: the specialty chemical and printing industries. In the specialty chemical industry, profit is generated by creating proprietary products and process technologies, and delivering high levels of customer service. Currently, a number of key characteristics and trends are impacting the industry, including market fragmentation, globalization, the need for financial resources to support research and development, a renewed focus on core businesses and the increasing importance of size and scale. We experienced growth in our Offshore Fluids group in 2006, which continued in 2007, due largely to a worldwide increase in offshore oil field development activities. In the printing industry, we continue to see challenging growth opportunities in an increasingly competitive environment. The industry is marked by globalization, market fragmentation, pricing pressures, and the growing digital printing technologies. Our business groups that supply offset printing blankets and photo-polymer plates continue to be affected by an overall soft market and changes in our distribution system, as we are increasingly selling directly to our customers in the United States.

We seek to enhance our profitability by investing in technology, design capabilities and new product initiatives that respond to the needs of our customers and consumers. We will continue to seek ways to expand our business in Asia, Europe and the Americas. We intend to selectively pursue strategic acquisitions, where appropriate, to expand or complement our existing business. We expect that any such acquisitions will be consistent with our core businesses, and will strengthen our relationships with our customers, enhance our existing products, processes and technological capabilities or lower our costs. Our ability to increase sales in the future will depend, in part, on our success in penetrating Asian markets and leveraging our existing customer base across all product lines in Europe and in the Americas. We continually evaluate alternatives to lower the operating costs of our company. This includes the realignment of our existing manufacturing capacity, facility closures or similar actions.

During the first quarter of 2007 and 2006, as part of our effort to lower the operating costs of our company, we began to implement certain consolidation actions. These actions are intended to better align our manufacturing capacity with the changing needs of our customers, eliminate excess capacity, lower our operating costs, and streamline our organizational structure for improved long-term profitability. The restructuring actions consist primarily of facility consolidations and closures, including the movement of certain manufacturing operations, and employee terminations. In connection with the restructuring actions, we incurred charges of \$432 and \$1,482 during the three months ended March 31, 2007 and 2006.

For the three months ended March 31, 2007, our results reflected top line sales growth of \$4,446 as compared to the same period last year. Sales in our ASF segment increased a total of \$10,289, or 8.8% on strong sales in both the Americas and Europe as industrial production recovers in the United States and Europe, offset by a slight decrease in ASF Asia sales. Sales in our MPS segment decreased \$5,843, or 7.0% primarily due to the delay of a new production launch, and continued softening in our MPS segment.

From a cash flow standpoint, our liquidity position remained sufficient during the first quarter 2007, with working capital of \$341,393 at March 31, 2007. Cash increased \$20,778 during the first quarter 2007, primarily due an increase in proceeds from long-term borrowings and net cash generated from our operations.

Results of Operations

We intend the discussion of our financial condition and results of operations that follows to provide information that will assist you in understanding our Consolidated Financial Statements, the changes in certain key items in those financial statements from quarter to quarter, and the primary factors that accounted for those changes, as well as how certain accounting principles, policies and estimates affect our Consolidated Financial Statements. The discussion of results of operations includes both consolidated and segment-level information.

Summary of the consolidated results for the three months ended March 31, 2007 and 2006:

	Three months Ended		%Change Favorable (Unfavorable)
	March 31,		
	2007	2006	
Net sales	\$ 204,804	\$ 200,358	2.2
Cost of sales	<u>120,435</u>	<u>111,887</u>	(7.6)
Gross profit	84,369	88,471	(4.6)
Gross profit percentage	41.2%	44.2%	(6.8)
Operating expenses	<u>64,502</u>	<u>64,027</u>	(0.7)
Operating profit	19,867	24,444	(18.7)
Interest expense, net	(6,276)	(5,838)	(7.5)
Other income (expense) , net	<u>216</u>	<u>(367)</u>	158.9
	<u>(6,060)</u>	<u>(6,205)</u>	2.3
Earnings from operations before income taxes	13,807	18,239	(24.3)
Minority interest	(27)	-	**
Income taxes	<u>(3,617)</u>	<u>(4,961)</u>	27.1
Earnings form operations after income taxes	10,163	13,278	(23.5)
Extraordinary gain, net of income taxes of \$489 and \$0	<u>910</u>	<u>-</u>	**
Net earnings	<u><u>11,073</u></u>	<u><u>13,278</u></u>	(16.6)

** Not a meaningful statistic.

Summary of key segmented results for the three months ended March 31, 2007 and 2006:

	Three months Ended		%Change Favorable (Unfavorable)
	March 31,		
	2007	2006	
Advanced Surface Finishing			
Total net sales	\$ 127,449	\$ 117,160	8.8
Operating profit	\$ 16,014	\$ 17,344	(7.7)
Operating profit percentage	12.6%	14.8%	(14.9)
Printing Solutions			
Total net sales	\$ 77,355	\$ 83,198	(7.0)
Operating profit	\$ 3,853	\$ 7,100	(45.7)
Operating profit percentage	5.0%	8.5%	(41.2)
Consolidated Total			
Total net sales	\$ 204,804	\$ 200,358	2.2
Operating profit	\$ 19,867	\$ 24,444	(18.7)
Operating profit percentage	9.7%	12.2%	(20.5)

Net sales

During the three months ended March 31, 2007, our net sales grew by \$4,446, or 2.2%, compared to the same period in 2006. On a currency-adjusted basis, net sales declined by 1.2%. Our ASF segment benefited from volume growth in both our industrial products and offshore fluids groups. Our MPS segment sales volume was lower in the first quarter of 2007 compared to the same period in 2006 primarily due to the delay of a new product launch in our commercial printing business unit.

Cost of sales and gross profit

Cost of sales for the three months ended March 31, 2007, increased \$8,548 or 7.6% when compared to the same period last year. The increase in cost of sales is primarily attributable to higher raw material costs and inefficiencies in certain MPS production facilities. These increased costs caused a decrease in our gross profit percentages, which decreased to 41.2% from 44.2% compared with last year.

Operating expenses

Operating expenses were up slightly during the first quarter of 2007 compared to the same quarter in 2006 and increased 2.5% on a currency adjusted basis. Selling, technical and administrative expenses were higher by \$2,374 in the first quarter of 2007 when compared to the first quarter of 2006 due to higher selling expenses and higher administrative expenses associated with the management buy out transaction incurred in the first quarter of 2007. Research and development expenses were \$1,375 higher in the first quarter of 2007 when compared to the same period in 2006 due to more research and development activities at several of our business units. Restructuring expense of \$432 was recorded in the first quarter of 2007.

During the first quarter of 2006, we recognized a loss on disposal of assets of \$2,224 related to two separate disposals. The first disposal related to MacDermid Equipment ("MEI"), a small equipment manufacturing unit that supported our electronics sales. In 2001, we wrote off all the inventory on MEI's balance sheet. Inventory was the only significant asset on MEI's books, and the write off effectively impaired our investment in the subsidiary. In February of 2006, we sold the subsidiary for one dollar and recorded a loss on disposal of assets of \$1,664. By selling the subsidiary for one dollar, we saved the cost that would have been associated with shutting the business, including severance, asset disposal, and site clean up costs. This loss is offset in our current quarter income taxes in the income statement as we recorded a larger loss on the tax basis of MEI. This loss effectively reduced our tax rate to 27.2% from 33.3%. The second disposal related to a dormant international business unit that was disposed in the first quarter of 2006. A loss on disposal of assets of \$560 was recorded in the first quarter 2006.

Operating profit

Operating profit decreased \$4,577 for the first quarter of 2007 when compared to the same period last year. As a percent of sales, operating profit was 9.7% for the first quarter of 2007, as compared to 12.2% for the same quarter in 2006. Our operating profit decrease was primarily the result of decreased gross profit percentages.

Interest income (expense)

Interest income increased \$213 in the first quarter of 2007 compared with the same quarter last year due to higher cash balances and higher interest rates earned during the first quarter of 2007 when compared to the same quarter last year. Interest expense increased \$651 in the first quarter of 2007 compared with the same quarter last year due to an interest expense adjustment recorded in the first quarter of 2006 of \$714 and higher debt balances in 2007.

Other income (expense)

For the three months ended March 31, 2007, other income totaled \$216 compared to other expense of \$(367) for the same period in 2006. The increase in other income is primarily due to higher foreign currency gains during the first quarter of 2007 when compared to the same period in 2006

Income tax expense

Our effective tax rate for the three months ended March 31, 2007, was 26.2%, down from 27.2% in the same period in 2006.

Extraordinary gain

During the first quarter of 2007 we recorded an extraordinary gain of \$910, net of income taxes of \$489 resulting from the negative goodwill associated with the January 2007 purchase of Anion as discussed in Note 11 above.

Net earnings

Net earnings during the quarter ended March 31, 2007 decreased \$2,205 or 16.6% compared to the same period in 2006. . As discussed above, there are several factors that both positively and negatively impacted our net earnings for the first quarter of 2007.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Our primary source of liquidity during the three months ended March 31, 2007 was cash generated from financing activities. We expect that our future working capital, capital expenditures and dividend requirements will be satisfied primarily from existing cash balances, cash generated from operations and available credit facilities.

The table below summarizes our cash flows for the three months ended March 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>	<u>Variance</u>
Cash provided by (used in):			
Operating Activities	\$ 7,073	\$ 501	\$ 6,572
Investing Activities	(1,241)	(1,446)	205
Financing Activities	14,884	2,262	12,622
Effect of exchange rate changes on cash	<u>62</u>	<u>788</u>	<u>(726)</u>
Net change in cash	<u>\$ 20,778</u>	<u>\$ 2,105</u>	<u>\$ 18,673</u>

Cash flow from operating activities increased during the three months ended March 31, 2007, compared to the same period in 2006 primarily as a result of changes in our inventory and accounts receivable balances. Decreases in accounts receivable and a smaller increase in inventories are a result of our current focus on driving growth in sales.

Net cash used in investing activities decreased during the three months ended March 31, 2007, compared to the same period in 2006. Driving this change was a decrease in capital spending during the first quarter of 2007 .

Net cash used in financing activities increased by \$12,622 in the quarter ended March 31, 2007, when compared to the same quarter last year. This increase was primarily the result of higher proceeds from long-term borrowings during the first quarter of 2007.

We believe that we have the financial flexibility to deliver shareholder value described above while meeting our contractual obligations. As of March 31, 2007, we currently have \$146,239 in cash and cash equivalents and working capital of \$341,393.

Excluding our non-monetary items, inventories, prepaid expenses and deferred taxes, our working capital is \$185,418. As of March 31, 2007, we also have a long-term credit arrangement, which consists of a combined revolving loan facility that permits borrowings, denominated in United States dollars and certain foreign currencies, of up to \$75,000. There has been no balance outstanding, or activity on this revolving loan facility for any of the periods presented. We have other uncommitted

credit facilities which presently total approximately \$50,860. After the closing of these transactions we will have a new revolving facility of \$50,000, of which we expect to have approximately \$44,000 available for borrowing under this facility, after giving effect to approximately \$6,000 of letters of credit expected to be outstanding.

We have a 9 1/8% Senior Subordinated Notes ("Bond Offering" or "Bonds"), due 2011, for the face amount of \$301,500. Interest on this Bond Offering is due semi-annually on January 15th and July 15th. Pursuant to the Bond Offering, we are subject to covenants requiring certain qualitative and quantitative thresholds, including a requirement to maintain a defined fixed charge ratio greater than or equal to 2.25 to 1.0. The incurrence of additional debt (excluding the Bond Offering) is also limited, as are certain defined restricted payments. We were in compliance with all of these covenants as of March 31, 2007. If these covenants are violated, and we are unable to negotiate a waiver or amendment thereof, the Bonds may be called for payment.

The revolving credit facility above includes the following financial covenants:

- a ratio of bank-defined earnings before income taxes ("EBIT") to interest expense greater than 3.0 to 1.0 for any fiscal quarter ending on or after March 31, 2007.
- a ratio of bank-defined total outstanding debt to earnings before tax, depreciation and amortization ("EBITDA") to be less than 3.25 to 1.0 for any fiscal quarter ending on or after March 31, 2007.
- A ratio of bank-defined total outstanding senior debt to earnings before tax, depreciation and amortization ("EBITDA") to be greater than 2.0 to 1.0.

We were in compliance with all of these covenants as of March 31, 2007. If these covenants are violated, and we are unable to negotiate a waiver or amendment thereof, the lender would have the right to declare an event of default, terminate the remaining commitment and accelerate all principal and interest outstanding. There has been no balance outstanding or activity on this committed revolving loan facility for any of the periods presented.

Forward looking statement:

The following table contains forward looking statements and estimates that may not represent actual results for us subsequent to the management buy-out transaction. The table below does not include any future estimated cash flows generated from operations.

The following table reflects our expected ability to fund both our required obligations, anticipated pension funding and our shareholder growth initiatives for next twelve months:

Cash and cash equivalents as of March 31, 2007	\$	146,239
Other net current monetary assets and liabilities as of March 31, 2007		<u>39,179</u>
		185,418
Funds to be received from new equity investors		366,000
Funds to be received from new senior subordinated notes		350,000
Funds to be received from new senior credit facility		610,000
Available borrowings under revolving loan facility		50,000
Availability under other uncommitted credit facilities		<u>50,860</u>
Total cash available and potentially available		1,612,278
Contractual cash commitments due in next twelve months		
Expected purchase of common stock		1,083,576
Expected redemption of old senior notes and associated fees		315,159
Expected management buy-out fees		50,300
Expected cash-out of outstanding stock options		27,300
Pension funding expenditures		4,500
Expected capital expenditures		15,000
Expected dividend payments		1,858
Expected long-term debt payments		9,969
Expected long-term debt interest payments		52,634
Semi-annual bond interest payments		33,250
Capital leases		40
Operating leases		10,057
Purchase obligations and other commitments		<u>5,567</u>
Excess of cash available and potentially available over requirements	\$	<u>3,068</u>

Our liquidity position remained sufficient as of March 31, 2007. Our increase in liquidity is reflected in our higher levels of cash on hand. Our cash levels at March 31, 2007 was \$146,239. Our ability to obtain additional financing, if necessary, will depend upon a number of factors, including our future performance and financial results, and capital market conditions. We cannot assure you that we will be able to raise additional capital on reasonable terms or at all.

On April 12, 2007 our Company's shareholders approved the Company's previously announced merger with the Matrix Acquisition Corp (the "Purchaser"), an acquisition vehicle formed by an investor group led by Court Square Capital Partners II, L.P., Weston Presidio V, L.P. and Daniel H. Leever for purposes of completing the Merger, as discussed in Note 21 in our 2006 Annual Report, Notes to the Consolidated Financial Statements. Pursuant to the terms of the Merger, each of our outstanding shares of common stock, without par value have been converted into the right to receive \$35.00 in cash per share. We have appointed The Bank of New York as the agent for payment of the merger consideration. Accordingly, our shares of common stock will no longer trade on the New York Stock Exchange. In connection with the closing of the Merger the Purchaser sold \$350,000 of 9 1/2% senior subordinated note due 2017(the "Notes") in a private offering. Our new senior secured credit facilities are expected to consist of (i)a \$610,000 term credit facility with two tranches, term loan B in the amount of \$360,000, which will be denominated in U.S. Dollars, and term loan C in the amount of \$250,000, which will be denominated in Euros, and (ii) a \$50,000 revolving credit facility. After the closing of the these transactions, we expect to have approximately \$44,000 available for borrowing under our new revolving credit facility, after giving effect to approximately \$6,000 of letters of credit expected to be outstanding.