2012 Preliminary Results

15th March 2013

Highlights

- Another record year: PBT £98.1m (+2.2%); EPS 22.0p (+17%)
- Challenging macro-economic environment, particularly in Europe
- Adverse currency impact of £5.5m
- PolymerLatex integration largely complete
- £19m of synergy benefits; on track to deliver £25m target
- Full year dividend of 5.5p up 57% in line with policy to reach 3.0 x cover in 2015

FINANCIAL REVIEW

David Blackwood - Finance Director

FY Results: Pro-forma PBT ahead 2.2%

	2012	2011	% Change
Revenue (1) (£m)	1,111.8	1,268.8	(12.4)
EBIT (1) (£m)	109.0	109.7	(0.6)
PBT (1) (£m)	98.1	96.0	2.2
EPS (2)	22.0p	18.8p	17.0
DPS	5.5p	3.5p	57.1

(1) Underlying pro-forma (2) Underlying (not pro-forma)

- Global volumes down 4.9%: Europe down 8.3%, Asia up 4.2%
- Underlying EPS up 17.0%
- Final dividend 3.3p – giving 5.5p for the year

Europe & North America (72% Sales, 84% EBIT)

	2012	2011	% Change
Sales (£m)	796.9	913.0	(12.7)
EBIT (£m)	98.0	85.5	14.6
Volumes (Ktes)	825.9	900.8	(8.3)

- EBIT strongly ahead +14.6%
- Volumes down 8.3% on soft demand – particularly in Construction
- Margin management compensated for volume declines
- Currency adverse effect of £5.5m
- £16m year-on-year benefit from synergies – predominantly Europe

Asia & RoW (28% Sales, 16% EBIT)

	2012	2011	% Change
Sales (£m)	314.9	355.8	(11.5)
EBIT (£m)	19.1	33.0	(42.1)
Volumes (Ktes)	347.7	333.7	4.2

- EBIT down 42% on nitrile weakness
- Non-nitrile polymers business EBIT strongly ahead – up 20%

Free Cash Flow

	2012	2011
Underlying operating profit (£m)	104.1	91.6
Depreciation (£m)	18.4	18.8
Movement in working capital (£m)	(1.3)	(5.0)
Capital expenditure (net) (£m)	(38.1)	(21.9)
Tax, interest, pensions* (£m)	(44.2)	(39.8)
Free cash flow (£m)	38.9	43.7

* Also includes minority interest dividends, and JV adjustment

- EBITDA, including share of JV’s , £127.4m
- Prepayment to pension fund £10m in December
- Capex above normal levels due to nitrile expansion and synergy capex
- 2013 capex levels expected to be similar to 2012
- Revert to normal levels (£25m-£30m) in 2014

Net Cash Flow

	2012		2011
Free cash flow (£m)	38.9		43.7
Synergy spend / restructuring(£m)	(11.4)		(6.2)
Acquisitions and disposals net / 2011 rights(£m)**			(136.9)
Acquisition costs(£m)	(0.4)		(4.4)
Dividends paid(£m)	(15.3)		(8.4)
Exchange / other(£m)	(3.3)		11.3
Movement in borrowings (£m)	8.5		(100.9)
Closing net debt (£m)	(155.8)		(164.3)

* *Also includes £8.1M of EBITDA from the divested Pharma business in 2011

- Synergy spend £11.4M
- Expect £6M cash spend in 2013 to bring the synergy programme to a close

Capital Structure / Net Debt

	2012		2011
Net Cash (£m) [1]	38.5		38.8
Term Debt (£m)	(194.3)		(203.1)
Net Debt (£m)	(155.8)		(164.3)
Undrawn Revolver (£m)	60.0		60.0
Net Debt: EBITDA (LTM)	1.2		1.2
Interest Cover (LTM)	11.7		8.3

[1] Includes £5.6m (2011 £5.6m) illiquid financial asset

- Conservative balance sheet
- Substantial available liquidity

Synergy Delivery remains firmly on track

- Synergy delivery of £19m delivered in 2012 (£16m y-o-y)
- Balance of £6m to be delivered in 2013
  - Procurement / contract changes implemented late 2012
  - Batley closure
  - Other minor projects
- Remaining revenue cash spend to come in 2013 of £6m

Dividend increased by 57.1%

- Full year dividend of 5.5p, in line with announcement at interim results
- Dividend cover of 4 times (2011 5.3 times)
- Intention remains to move dividend cover to 3 times by 2015

BUSINESS REVIEW

Adrian Whitfield - Chief Executive Officer

Building On Our Strengths For Future Growth

Key Strengths

STRUCTURAL

- Exposed to global mega trends
- High water content excludes "out of region" competitors
- Sell a formulation not a chemical

GEOGRAPHIC

- Emerging markets exposure
  - 37% of sales by destination
- Proximity to customers
- European "engine room" enabling Asian growth

DIVERSITY

- 4,000 customers
  - Largest = 1.3% of sales
  - Top 20 = 16.8% of sales
- Broad product range
  - Largest product = 5.8% of sales

CRITICAL ENABLERS

Financial Capital and Human Capital

Strategy

STRONG MARKET POSITIONS

- No. 1 or 2 position in our markets
  - No.1 Global Nitrile Latex producer
  - No.2 Aqueous Polymer producer in Europe

LEVERAGE TO DRIVE "EM" GROWTH

- Re-invest strong European cash flow and state of the art "know how"
- Utilise our existing management strengths in Asia and MEA

INVESTING IN INNOVATION

- Our products are naturally "green"
- Intimate customer knowledge
- R+D and Technical Service to drive growth AND margins

Key Facets of Synthomer's Aqueous Polymers Business

- Our products typically provide one or both of two critical functions
  - Provide a barrier
  - Bind or stick 2 or more components together
- We don't sell a chemical – we sell a formulation
  - Intimate knowledge of customers' products/production process AND frequently their customers' products/production process
  - Significant technical service element to sales
  - Deep "know how" required to be successful
- 50% water
  - Logistics costs rapidly become a significant proportion of total cost
  - Need to manufacture close to customers
  - "In Built" defence mechanism to "Out of Region" competitors
- Range of polymers
  - We have the broadest range of aqueous polymers of all of our major competitors

Operating Review - Europe and North America

2012

- Performance Polymers performed robustly
- Construction was the market area most impacted
- Margin management again allowed us to optimise results

2013

- The final site closure (Batley) will complete in Q2
- Due to strong demand for specific ranges of Dispersion products we are looking at increasing output as appropriate
- Anticipate trading conditions in Europe continuing to be challenging

Operating Review - Asia and Rest Of World: Non-nitrile

2012

- Another year of strong EBIT growth (+20%)
- Middle East region particularly strong growth (30%+)
- Capacity for Dispersions is effectively full at all 3 SEA locations

2013

- Will have SBR paper latex capacity in H2
- Actions in hand in Middle East to raise 2014 capacity by 40%
- Anticipate committing to SEA Dispersions expansion in the course of 2013 with capacity on line during 2014

Operational Review - Asia and Rest Of World: Nitrile

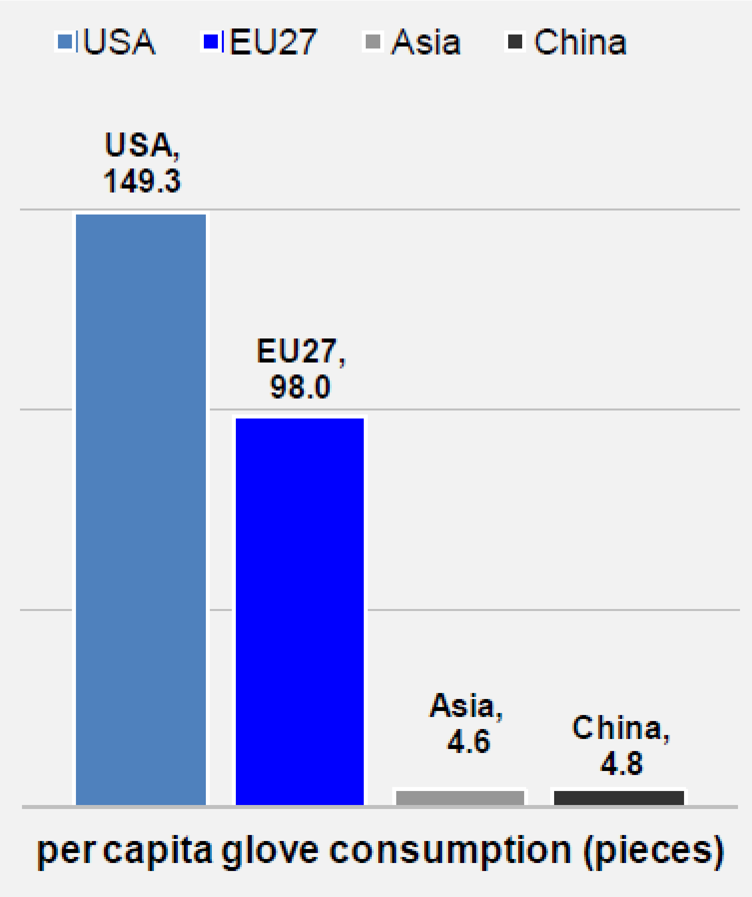
2012

- Market and competitive situation has evolved very much as anticipated at interims
- Synthomer volume grew 2 % y-o-y
- Margins have stabilised

2013

- Launching 2 new grades during 2013
- We believe overall industry effective utilisation rates will be circa 80% through 2013

Strong Potential for Future Glove Growth



- Emerging Markets per capita consumption dramatically less than Western markets
- As standard of living increases rapid rise in consumption is expected
- China national healthcare programme aims to provide everyone in China with affordable and quality medical care in 2020, now in full swing
- If China market reached EU27 consumption levels this would add circa 120 bn gloves to the current market of circa 160 bn gloves

Source: Hartalega Investment Presentation 2012

Progress against strategic objectives

- No. 1 / No. 2 positions in key markets
  - Advanced to No.2 in European paper latex market
  - Launch of “Lithene Ultra” will drive market share
  - Launch of SBR latex in Asia

- Emerging Market Growth
  - Enhanced latex capacity by 70,000 tes
  - Expanding Middle East capacity by 40% for 2014
  - 4 new Dispersion products launched into Asia

- Investing in innovation
  - Recovery of unreacted monomers in Kluang
  - New hybrid polymer
  - 2 new Nitrile latex grades

Investing for Future Growth

- 2012/13 is a period of dramatic change in Synthomer's manufacturing capability and capacity

- Europe and North America:
  - Re-structured network to operate with 3 fewer plants
  - Increased capability to produce a broader range of products in Marl, Worms, Harlow and Stallingborough for Lattices, Dispersions and Speciality Products

- Asia and ROW:

  Latex
  - SBR capability for the first time in our history
  - Monomer recovery will allow a broader range of products to be produced

  Dispersions
  - Middle East capacity to be increased by 40% for 2014
  - SEA capacity to be significantly increased during 2014

- Remain alert to bolt-on acquisitions

Summary & Outlook

- Robust performance in a challenging environment
- Another record year: PBT £98.1m (+2.2%); EPS 22.0p (+17%)
- Nitrile Latex has traded largely as predicted at H1 2012
- The macro-economic situation remains challenging in 2013 particularly in Europe
- In 2013 we will continue to increase capability in general and emerging market capacity to enable future growth
- The Board remains confident in the Group's long term prospects and strategy

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