Friday 15 March 2013

Synthomer plc

Preliminary Results for the year ended 31 December 2012

RESILIENT PERFORMANCE IN CHALLENGING ENVIRONMENT

FULL YEAR HIGHLIGHTS *	**2012**	**2011**	**change**
Underlying pro-forma basis	£'m	£'m	%
Sales	**1,111.8**	1,268.8	(12.4)
Operating Profit (EBIT)	**109.0**	109.7	(0.6)
Europe and North America	***98.0***	*85.5*	*14.6*
Asia and ROW	***19.1***	*33.0*	*(42.1)*
Unallocated	***(8.1)***	*(8.8)*	*8.0*
Profit before Tax	**98.1**	96.0	2.2
Underlying basis			
EPS (p)	**22.0**	18.8	17.0
DPS (p)	**5.5**	3.5	57.1

- Resilient performance resulting in a successive year of record Group profit before tax despite challenging conditions in Europe and currency headwinds combined with additional capacity and competitive behaviour in the Asian nitrile market;
- Non-nitrile businesses in Asia and ROW delivered strong growth, up 20%;
- Volumes in Europe and North America impacted by weak demand, but offset by higher unit margins and PolymerLatex synergies;
- £19 million of synergy benefits from PolymerLatex achieved in 2012; full £25 million of annualised synergies anticipated in 2013;
- 57% increase in full year dividend reflects the Board's previously stated commitment to a progressive dividend policy and to move the dividend cover to three times by 2015; and
- Net debt reduced to £155.8 million (2011 £164.3 million); prudent net debt to EBITDA ratio of 1.2.

*** All numbers on an underlying basis. 2011 comparatives, where noted, are adjusted to a pro-forma basis. IFRS numbers are shown on page 2 of this statement.**

Commenting on the results, Adrian Whitfield, Group Chief Executive, said:

"Synthomer delivered a resilient performance in 2012, against challenging market conditions. In Europe, we continued to manage our margins and deliver the synergies arising from the PolymerLatex acquisition. In Asia, our non-nitrile business performed well this year, while the difficult conditions seen in our nitrile business have stabilised and our long term prospects in this area remain strong.

"We have made a solid start to the year. Nevertheless, we expect the macro-economic environment in Europe to continue to result in challenging trading conditions through 2013. Our expectations for the Asian Nitrile market remain unchanged, with improvements expected from the end of this year. With our non-nitrile capacity in Asia fully utilised, we will continue to invest in capacity in emerging markets to build our platform for future growth beyond 2013. We expect demand growth in our emerging markets to remain strong and overall the board remains confident in the Group's long-term prospects and strategy."

ENQUIRIES:

Adrian Whitfield, Chief Executive Officer
David Blackwood, Chief Financial Officer
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Adrian Whitfield, Chief Executive Officer, and David Blackwood, Chief Financial Officer will be presenting the Company's results at a meeting for analysts and investors at 09.00 at the offices of Canaccord Genuity (88 Wood Street, London, EC2V 7QR). The presentation will be audiocast on the company's website www.synthomer.com.

Calculation of pro-forma numbers and IFRS information:

	Underlying				IFRS	
	Year ended 31 December 2012	Year ended 31 December 2011			Year ended 31 December 2012	Year ended 31 December 2011
		As reported	PolymerLatex Q1 2011	Pro-forma		
	£'m	£'m	£'m	£'m	£'m	£'m
Total sales (including share of JV's)	1,111.8	1,116.8	152.0	1,268.8	1,111.8	1,116.8
Europe and North America	98.0	73.1	12.4	85.5	70.4	36.3
Asia and ROW	19.1	32.1	0.9	33.0	12.6	28.3
Unallocated	(8.1)	(8.8)	-	(8.8)	(8.1)	(10.2)
Operating profit (including share of JV's)	109.0	96.4	13.3	109.7	74.9	54.4
Finance costs	(10.9)	(11.6)	(2.1)	(13.7)	(12.6)	(14.9)
Profit before taxation	98.1	84.8	11.2	96.0	62.3	39.5

The pro-forma adjustment in this report reflects the inclusion of the unaudited results of PolymerLatex for the first quarter of 2011 (pre acquisition period) restated to Synthomer's accounting policies. An estimate of the impact on finance costs if the business had been owned for that period has been made at the rate of £2.1 million per quarter.

Synthomer plc (SYNT) may also be referred to in this report as "Synthomer", the "Company" or the "Group"

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.

Underlying performance

The Group's management uses underlying performance to plan for, control and assess the performance of the Group. Underlying performance differs from the statutory IFRS performance as it excludes the effect of special items, which are defined in note 1. The Board's view is that underlying performance provides more meaningful information for the Group's investors and so it is the primary focus of the Group's narrative reporting. Where appropriate, statutory performance inclusive of special items is also described.

CHAIRMAN'S STATEMENT

Overview

In a challenging environment, Synthomer delivered a resilient set of results in 2012, achieving a second successive year of record profit before tax. This was achieved despite poor economic conditions in Europe, weakening of the Euro against Sterling and challenging trading conditions for our Asian nitrile latex business, where additional capacity and competitive behaviour impacted our performance.

2012 was the first full year of trading since the transformational acquisition of PolymerLatex in March 2011 and the completion of our divestiture programme. The Group benefited from increased scale, an enhanced product portfolio, stronger market positions and greater efficiencies delivered from the PolymerLatex integration. To reflect the Group's subsequent transformation into a focused specialty chemical company, we changed the Group's name to Synthomer plc towards the end of the year. We trade under the Synthomer brand around the world and the name is widely recognised and respected by our customers.

Full Year Performance

During the year, Group sales declined by 12% to £1,111.8 million (2011 pro-forma £1,268.8 million). Volumes were 5% lower than the previous year, as a result of weaker European demand.

Operating profits were broadly flat at £109.0 million (2011 pro-forma £109.7 million). The benefit of synergies and margin management offset the adverse impact of the poor economic conditions in Europe, the weakness in the Euro and the challenging trading conditions in our nitrile latex business.

Group profit before tax was £98.1 million (2011 pro-forma £96.0 million). Despite the economic difficulties of recent years, this is the 6th consecutive year that we have increased underlying Group profit before tax.

Earnings per share were 22.0p (2011 underlying 18.8p), an increase of 17%, with the benefit of the first whole year's trading since the PolymerLatex acquisition in March 2011.

Strategy

We continue to focus on being a leading producer of aqueous polymers. Our strategy is to deliver growth through geographic expansion in emerging markets, where mega trends including population growth, urbanisation and increasing wealth are driving demand for our products across the region. In these high-growth regions, we are able to benefit from the leading technologies, R&D and manufacturing capabilities which we have developed in European markets to give us a strong competitive advantage in new geographies.

Our European business remains highly cash generative, allowing us to invest in emerging market opportunities. Our new 70,000 tonne nitrile latex capacity expansion in Pasir Gudang, Malaysia, which was completed at the end of the year and was commissioned during January 2013 represents one such opportunity. We anticipate having SBR latex manufacturing capability in Malaysia from the middle of this year, something we have been targeting for several years. We continue to look for further investment opportunities to expand our footprint in Asia.

Integration process and Synergies

The integration of PolymerLatex is now essentially complete. Synergies delivered in the year were £19 million, a year-on-year improvement of £16 million over the £3 million delivered in 2011. At the beginning of 2012 we committed to a higher synergy target of £25 million, and we remain confident of delivering the balance of the synergies in 2013.

Balance sheet

Net debt was slightly lower than the start of the year at £156 million. This represents a net borrowing to EBITDA ratio of 1.2, which the Board considers to be a prudent leverage position.

Dividend

The Board has recommended a final dividend of 3.3p per share, making a total dividend for the year of 5.5p. The Board committed to this level of dividend in our interim results announcement on 28 August 2012, together with an undertaking to move the dividend cover to three times by 2015. The full year dividend of 5.5p represents an increase of 57% over the previous year.

Safety, health and environment

The Group is absolutely committed to the continuous improvement of its performance in respect of safety, health and the environment. I am pleased that almost all of the metrics that we measure in this area showed good improvement over the prior year.

People

The Group has achieved a great deal in recent years with its transformation to a focused speciality polymers business. None of this could have been achieved without the hard work and dedication of the Group's employees and I thank all of them for their support and hard work during this period.

Board composition

We have strengthened the Board this year with a number of appointments. Just Jansz and Jinya Chen respectively bring extensive knowledge of the Chemical Sector and Asian markets and operations. Ishbel MacPherson who joined the Board in May 2012 has indicated that, in order to focus in other areas, she does not intend to stand for re-election, and I should like to thank Ishbel for her contribution during her time with us.

Current trading and outlook

We have made a solid start to the year. Nevertheless, we expect the macro-economic environment in Europe to continue to result in challenging trading conditions through 2013. Our expectations for the Asian Nitrile market remain unchanged, with improvements expected from the end of this year. With our non-nitrile capacity in Asia fully utilised, we will continue to invest in capacity in emerging markets to build our platform for future growth beyond 2013. We expect demand growth in our emerging markets to remain strong and overall the board remains confident in the Group's long-term prospects and strategy.

Neil Johnson
Chairman
14 March 2013

CHIEF EXECUTIVE OFFICER'S REPORT

Overview

2012 was the first full year of trading since the PolymerLatex acquisition in 2011. The Group is now a larger, more focused specialty chemical company, with the scale and capability to grow in chosen markets. We are now focused on being one of the world's leading aqueous polymer producers, with our market leading positions in Europe and expanding business in Asia enabling us to add value to our customers and generate returns for our stakeholders.

During the year we largely completed the integration work associated with the acquisition of PolymerLatex. Synergies from that integration reached approximately £19 million in the year, a £16 million year on year increase. A further £6 million of annualised synergies are anticipated in 2013 to reach a total of £25 million.

Two years into the integration, the broader business benefits are very clear. We now have a stronger management team and enhanced capability in the areas of product development and process know-how, combined with a more modern and cost effective asset base and state of the art R&D facilities.

Business Performance

2012 was a very challenging year from a trading perspective. Demand in Europe was weak on the back of the Eurozone crisis, and we saw volume reductions of 8% in our Europe & North America (ENA) segment. However, we compensated for the volume declines through higher unit margins, which we continue to manage actively to optimise profitability. The weaker euro also affected the translation of European results into sterling with an adverse effect of £5.5 million on operating profit. Synergy delivery was predominantly in Europe, and overall therefore, operating profit in our ENA segment was strongly ahead of 2011.

In Asia and Rest of World (ARW), our non-nitrile businesses delivered very good growth with EBIT up 20%. In nitrile, excess capacity and consequent aggressive pricing behaviour by regional competitors served to substantially lower results. In our interim results we stated our expectations that we do not expect any substantive improvement in these conditions for 12-18 months. Since then the market has stabilised, and is performing broadly in line with our expectations at the interim results, and we continue to expect improvements towards the end of 2013.

Looking further ahead, we, and our customers, continue to expect to see demand growth of 10-15% over the coming years for nitrile latex. With our leading share of approximately one third of the market, and our position as the only current local supplier, we continue to anticipate substantial future profits from this business as the environment improves.

We continued to invest in our business during the year, with net capital expenditure in the year of £38.1 million, up from £21.9 million in 2011. Alongside the capital invested to facilitate site closures as part of the synergy delivery, we have been investing heavily to support the future organic growth of the business. We completed a substantial expansion of our nitrile facility in Pasir Gudang, Malaysia and on-going investment in the same facility will enable us to produce SBR to sell into the region – an objective we have been pursuing for several years and which will provide us with enhanced operational flexibility. In Europe we have invested in our Lithene business to improve our product offering and to launch our new Lithene Ultra range of products. We also recently commenced an investment to support growth in our specialty Alcotex business – a business where we are global No. 1, and product manufactured in the UK is shipped to PVC manufacturers around the world.

We have had a number of successful product launches during the year, and we remain very focused on tailoring and deploying our existing western technology to support growth in emerging markets – particularly in the areas of Construction & Coatings and Functional Polymers.

Raw materials, as in recent years, remained volatile. Prices strengthened through the first few months of the year, before easing back and were relatively stable over the last quarter. This pattern was similar to what we saw in 2011. We continue to manage these price movements effectively through our general approach to margin management.

Divisional Performance

We manage the business in two segments. 'Europe & North America' (ENA) and 'Asia & Rest of World' (ARW). The reported results are on an 'origination basis', meaning the segmental sales and operating profits are reported based on where the product is manufactured. We export many specialty products from Europe to Asia. Looking at sales on a destination basis, Europe & North America comprises 63% of Group turnover with Asia & Rest of World accounting for 37%.

Europe & North America (ENA)

Underlying - as reported*	**2012**	2011		**Underlying - Pro-forma****	**2012**	2011
Sales (£'m)	**796.9**	777.7		Sales (£'m)	**796.9**	913.0
Operating Profit (£'m)	**98.0**	73.1		Operating Profit (£'m)	**98.0**	85.5
				Volumes (ktes)	**825.9**	900.8

∗ Underlying performance excludes special items as shown on the consolidated income statement.
** Reconciliation of underlying performance to pro-forma results is provided in the financial review

Operating profit in our ENA business was ahead by 15%, despite volumes for the year being down 8%. Demand generally softened in the second half of the year, as the Eurozone crisis continued to affect the region. Demand was weakest for sales into the construction market. This particularly impacted our Constructions & Coatings and Functional Polymers business units.

ENA benefited from synergies, with the £16 million year-on-year improvement attributable principally to Europe but this was somewhat offset by the translation effect of the weaker euro against sterling which adversely impacted operating profit in ENA by £5.5 million. As part of the synergy delivery we announced the closure of three plants in ENA. Two were closed during the course of 2011. The third plant, in Batley, UK, is expected to close in the second quarter of 2013, when capital investment to facilitate this is concluded at our Stallingborough dispersions facility. This will bring to a close the rationalisation of the European manufacturing network.

There were multiple product launches in ENA during the year. These included several new pressure sensitive adhesive grades, new grades for textile print adhesives and a new thermo-mouldable carpet latex product. We also developed a new range of Lithene products, marketed under the brand of Lithene Ultra, which we expect to see good growth from during 2013.

Asia & Rest of World (ARW)

Underlying - as reported*	**2012**	2011		**Underlying - Pro-forma****	**2012**	2011
Sales (£'m)	**314.9**	339.1		Sales (£'m)	**314.9**	355.8
Operating Profit (£'m)	**19.1**	32.1		Operating Profit (£'m)	**19.1**	33.0
				Volumes (ktes)	**347.7**	333.7

∗ Underlying performance excludes special items as shown on the consolidated income statement.
** Reconciliation of underlying performance to pro-forma results is provided in the financial review

Operating profit in our ARW segment was lower by 42%. Non-nitrile businesses in ARW, which are predominantly in our Construction & Coatings business unit, were strongly ahead in 2012, with operating profit up by 20%. As previously highlighted, our nitrile business was affected by aggressive pricing in the market, driven largely by excess manufacturing capacity. Overall volumes in ARW were ahead by 4%.

Since we reported on the turbulence in the nitrile market at the half year, the business has generally stabilised and developed as we expected, although we are not anticipating any substantive improvement until the end of 2013. We continue to invest in this high growth sector, and at the end of 2012 we completed our 70,000 tonne expansion of our nitrile facility in Pasir Gudang. We also commenced work on converting one of our NBR lines to facilitate SBR production, which we will use to supply up to 70,000 tonnes of SBR into Asia.

A key part of the Group's strategy is to add value through our technology and know-how by deploying it into Asia and other emerging markets. We had several new product launches in the region in 2013. These included additives for polyester resin moulding, a high water resistant wood adhesive product and an improved self cross linking nitrile latex grade. We also have two major product launches in the nitrile latex sector scheduled for 2013.

Adrian Whitfield
Chief Executive Officer
14 March 2013

FINANCIAL REVIEW

Income Statement

The acquisition of PolymerLatex in March 2011 substantially changed the size of the Group. To allow a meaningful comparison of the results for 2012 with 2011, the table below shows pro-forma results by adjusting the underlying performance of the Group in 2011 to include results of PolymerLatex for Q1 2011, and to allow for an estimated interest cost of £2.1 million for that quarter. The underlying pro-forma results provided the most meaningful comparison of year-on-year performance.

Pro-forma results	**2012**	2011		
	Underlying	Underlying	PolymerLatex Q1 2011	Pro-forma
	£'m	£'m	£'m	£'m
Group				
Sales	**1,111.8**	1,116.8	152.0	1,268.8
Operating profit	**109.0**	96.4	13.3	109.7
Profit before tax	**98.1**	84.8	11.2	96.0
Europe & North America				
Sales	**796.9**	777.7	135.3	913.0
Operating profit	**98.0**	73.1	12.4	85.5
Asia & ROW				
Sales	**314.9**	339.1	16.7	355.8
Operating profit	**19.1**	32.1	0.9	33.0
Unallocated				
Operating profit	**(8.1)**	(8.8)	-	(8.8)

Sales, operating profit and profit before tax – underlying non pro-forma

Total sales decreased by 0.4% to £1,111.8 million, with underlying volume declines and currency translation effects, broadly offset by the benefit of one extra full quarter of turnover from the PolymerLatex acquisition in the year. Group operating profit increased by 13%, mainly due to the extra quarters profit from the PolymerLatex acquisition, whilst profit before tax increased by 16% to £98.1 million on an underlying (non pro-forma) basis.

Tax and EPS – underlying non pro-forma

The Group's underlying tax rate of 22% (2011 23%), remains low, reflecting the benefits of pioneer status (extended tax holiday) on our nitrile business in Malaysia, and a zero rate in the UK. The Group does not expect to pay tax in the UK for the foreseeable future due to brought forward losses and deficit contributions to the UK pension scheme, which are tax deductible.

Profit attributable to minority interests was £1.8 million (2011 £1.6 million).

As a result, overall, the underlying earnings per share for 2012 was 22.0p, compared to a 18.8p per share for 2011. This is an increase in underlying earnings per share of 17%.

Dividend

The Group committed to a full year dividend of 5.5p for 2012, at the time of the interim announcement with an interim dividend of 2.2p. A final dividend of 3.3p per share is therefore recommended, payable on 5 July 2013 to shareholders on the register on 7 June 2013. The total dividend of 5.5p represents an increase of 57% over 2011.

Special items and IFRS

The Group reports its financial results according to International Financial Reporting Standards (IFRS). However, to provide a clearer indication of the Group's underlying performance, a number of special items are split out and shown in a separate column of the consolidated income statement due to their one-off or non-economic nature, and are excluded from the comments on underlying performance above and throughout the Chief Executive's review of business performance. Special items comprise:

- Restructuring costs associated with delivering the synergy targets for the PolymerLatex acquisition of £6.7 million (£6.0 million cash costs and £0.7 million non-cash costs). At the time of the acquisition the Group announced an estimated total cash expenditure of approximately £20 million to deliver these synergies. Cash costs of £15.8 million were expensed in 2011 together with £4.4 million of non-cash costs.
- Various cross currency and interest rate swaps for hedging purposes, which involve maturities of up to five 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, a loss of £1.7 million (2011 loss £3.3 million) is segregated from the underlying performance.
- Amortisation of intangibles of £27.4 million (comprising £25.8 million in the Company and subsidiaries and £1.6 million in share of joint ventures). IFRS acquisition accounting requires an explicit number to be placed on certain intangibles and amortised through the consolidated income statement, with the balance of the excess of the purchase price over the physical assets being carried as goodwill, which is subject to annual impairment testing. The amortisation expense arising from this has been treated as a special item and will continue to be so as the associated intangible assets are fully amortised.
- Tax credits of £17.3 million, of which £8.6 million was in respect of the release of notional deferred tax associated with the amortisation of acquired intangibles and £1.6 million represented the tax relief from restructuring and site closure costs. Additionally, a deferred tax asset of £7.1 million was recognised for the UK and has been included in special items.

Balance sheet

Goodwill decreased to £240.9 million at the end of 2012 from £244.7 million at the end of 2011 due to translation.

Acquired intangible assets, which arose as a result of the PolymerLatex acquisition decreased to £135.6 million at 31 December 2012 from £165.4 million in the prior year. This movement reflects regular annual amortisation of £25.8 million reported in special items, and currency translation.

Property, plant and equipment (PPE) increased to £199.6 million at 31 December 2012 compared to £183.6 million at 31 December 2011. Additions during the year comprised £40.3 million of capital expenditure (net £38.1 million).

The net deferred tax liability has decreased to £40.7 million from £61.4 million during the year. The decrease is primarily due to the recognition of a deferred tax asset of £7.1 million in the UK, the benefit of which was reported in special items, and £8.6 million of notional deferred tax associated with acquired intangibles, reported in special items.

Pensions

In the main UK defined benefit pension scheme the majority of investments are in equities. All asset classes performed well over the course of 2012, with a total return on assets (excluding cash) of 14.1%. The yield on high-quality corporate bonds decreased slightly during the year, which increased liabilities. The Company made cash contributions to the fund in the year of £18.8 million, of which £10 million is a prepayment of 2013 contributions. The overall effect of these changes was that there was a small decrease in the deficit of the scheme, which stood at £69.5 million at the end of 2012 (2011 £73.9 million).

An actuarial valuation for 2012 will be finalised by mid 2013. Due to the prepayment, cash contributions in 2013 are expected to be of the order of £5 million.

The UK scheme was closed to future accrual during 2009 and there are no active members in the scheme.

Overseas net pension liabilities increased to £50.2 million (2011 £44.0 million) reflecting a lower discount rate in Germany. The non UK schemes are primarily traditional German unfunded 'on balance sheet' arrangements.

Borrowings, cash flow and liquidity

The following cash flow is in the format used by management and it provides a clearer presentation of the movements in underlying net borrowings than the IFRS statement:

	2012 audited £'m	2011 audited £'m
Underlying operating profit (before joint ventures)	**104.1**	91.6
Movement in working capital*	**(1.3)**	(5.0)
Depreciation and amortisation (underlying)	**18.4**	18.8
Capital expenditure (net)	**(38.1)**	(21.9)
Interest paid (net)	**(11.3)**	(15.2)
Tax paid	**(18.8)**	(19.9)
Pension funding in excess of IAS 19 charge	**(17.3)**	(11.0)
Minority interest and joint venture cash flows	**3.2**	6.3
Operating cash flow	**38.9**	43.7
Cash impact of restructuring	**(11.4)**	(6.2)
Acquisitions and disposals (net)**	**-**	(353.8)
Acquisition costs	**(0.4)**	(4.4)
Dividends paid	**(15.3)**	(8.4)
Net proceeds on issue of shares	**-**	216.9
Exchange/other	**(3.3)**	11.3
Movement in underlying borrowings	**8.5**	(100.9)
Closing underlying net borrowings	**155.8**	164.3
EBITDA – management:		
Operating profit (inc Joint Venture's)	109.0	96.4
Depreciation - continuing	18.4	18.8
Total Management EBITDA	127.4	115.2

* Includes the release of collateral held against a guarantee that was treated as a working capital outflow in 2011

** 2011 Includes £8.1 million EBITDA from the disposed Pharma business

Underlying net borrowings reduced during the year to £155.8 million.

Group management EBITDA increased to £127.4 million reflecting the effect of a full year ownership of PolymerLatex (2011 nine months from 1 April).

Net Capital expenditure increased substantially in 2012 to £38.1 million net (£40.3 million gross), due to organic expansion in Malaysia and spend to facilitate the delivery of the acquisition synergies.

Pension funding in excess of IAS 19 charge of £17.3 million includes a £10 million prepayment to the UK pension fund. This will result in lower cash contributions in 2013.

Underlying working capital outflow for the year was £1.3 million.

Financing and liquidity

As at the end of 2012, the Group had the following drawn term (over one year to maturity) funding in place:

	£'m
Euro denominated bank loan maturing March 2015	145.4
US private placements	56.9
Less: Associated currency hedges and costs	(8.0)
Total	194.3

This compares to a net borrowing position of £155.8 million. The Group had an undrawn £60 million revolving loan facility maturing March 2015, and a net cash position (cash and cash equivalents less short term overdrafts and factoring debt) of £32.9 million.

In arriving at the Group's net borrowings, £20.4 million of non-recourse off balance sheet factoring has been added back as a special item. Excluding this adjustment net borrowings would have been £135.4 million. This factoring facility expired at the end of December 2012 and settled over January and February 2013 – though, as this is adjusted back into net borrowings, its termination has no impact on the Group's stated net borrowings.

Underlying net borrowings to EBITDA, the Group's key leverage metric, was 1.2 at the end of 2012 (2011 1.2).

David Blackwood
Chief Financial Officer
14 March 2013

Synthomer plc
Preliminary Results for the year ended 31 December 2012

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 Underlying performance audited £'m	2012 Special items audited £'m	2012 IFRS audited £'m	2011 Underlying performance audited £'m	2011 Special items audited £'m	2011 IFRS audited £'m
Continuing operations							
Group revenue		1,053.0	-	1,053.0	1,059.4	-	1,059.4
Share of joint ventures' revenue		58.8	-	58.8	57.4	-	57.4
Total sales	2	1,111.8	-	1,111.8	1,116.8	-	1,116.8
Group revenue		1,053.0	-	1,053.0	1,059.4	-	1,059.4
Company and subsidiaries before special items		104.1	-	104.1	91.6	-	91.6
Restructuring and site closure		-	(6.7)	(6.7)	-	(20.2)	(20.2)
Acquisition costs		-	-	-	-	(1.4)	(1.4)
Amortisation of acquired intangibles		-	(25.8)	(25.8)	-	(19.1)	(19.1)
Company and subsidiaries		104.1	(32.5)	71.6	91.6	(40.7)	50.9
Share of joint ventures		4.9	(1.6)	3.3	4.8	(1.3)	3.5
Operating profit / (loss)	2	109.0	(34.1)	74.9	96.4	(42.0)	54.4
Interest payable		(11.6)	-	(11.6)	(12.3)	-	(12.3)
Interest receivable		0.7	-	0.7	0.7	-	0.7
		(10.9)	-	(10.9)	(11.6)	-	(11.6)
Fair value adjustment		-	(1.7)	(1.7)	-	(3.3)	(3.3)
Finance costs	3	(10.9)	(1.7)	(12.6)	(11.6)	(3.3)	(14.9)
Profit / (loss) before taxation		98.1	(35.8)	62.3	84.8	(45.3)	39.5
Taxation		(21.7)	17.3	(4.4)	(19.5)	14.9	(4.6)
Profit / (loss) for the year from continuing operations		76.4	(18.5)	57.9	65.3	(30.4)	34.9
Discontinued operations							
Loss for the year from discontinued operations		-	-	-	-	(40.2)	(40.2)
Profit / (loss) for the year		76.4	(18.5)	57.9	65.3	(70.6)	(5.3)
Profit attributable to minority interests		1.8	(0.5)	1.3	1.6	-	1.6
Profit / (loss) attributable to equity holders of the parent		74.6	(18.0)	56.6	63.7	(70.6)	(6.9)
		76.4	(18.5)	57.9	65.3	(70.6)	(5.3)
Earnings / (loss) per share							
From continuing operations							
Basic		22.0p	(5.3)p	16.7p	18.8p	(9.0)p	9.8p
Diluted		21.6p	(5.2)p	16.4p	18.4p	(8.8)p	9.6p
From continuing and discontinued operations							
Basic		22.0p	(5.3)p	16.7p	18.8p	(20.8)p	(2.0)p
Diluted		21.6p	(5.2)p	16.4p	18.4p	(20.4)p	(2.0)p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	2012			2011		
	Equity holders of the parent	**Minority interests**	**Total**	**Equity holders of the parent**	**Minority interests**	**Total**
	audited	audited	audited	audited	audited	audited
	£'m	£'m	£'m	£'m	£'m	£'m
Profit / (loss) for the period	56.6	1.3	57.9	(6.9)	1.6	(5.3)
Actuarial gains and losses	(20.0)	-	(20.0)	(34.0)	-	(34.0)
Gains / (losses) on cash flow hedges arising during the period	0.5	-	0.5	(7.3)	-	(7.3)
Exchange differences on translation of foreign operations	(7.9)	(0.2)	(8.1)	(4.4)	(0.2)	(4.6)
Gains on a hedge of a net investment taken to equity	0.1	-	0.1	0.5	-	0.5
Tax relating to components of other comprehensive income	1.9	-	1.9	1.3	-	1.3
Other comprehensive expense for the period	(25.4)	(0.2)	(25.6)	(43.9)	(0.2)	(44.1)
Total comprehensive income / (expense) for the period	31.2	1.1	32.3	(50.8)	1.4	(49.4)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	**Share premium**	**Capital redemption reserve**	**Own shares**	**Hedging and translation reserve**	**Cash flow hedging reserve**
	audited	audited	audited	audited	audited	audited
	£'m	£'m	£'m	£'m	£'m	£'m
At 1 January 2012	34.0	230.5	0.9	-	2.9	(2.8)
Profit for the period	-	-	-	-	-	-
Actuarial gains and losses	-	-	-	-	-	-
Gains on cash flow hedges arising during the period	-	-	-	-	-	0.5
Exchange difference on translation of foreign operations	-	-	-	-	(7.9)	-
Gains on a hedge of a net investment taken to equity	-	-	-	-	0.1	-
Tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive (expense) / income for the period	-	-	-	-	(7.8)	0.5
Dividends paid	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
At 31 December 2012	34.0	230.5	0.9	-	(4.9)	(2.3)

	Retained earnings	**Total**	**Minority interest**	**Total equity**
	audited	audited	audited	audited
	£'m	£'m	£'m	£'m
At 1 January 2012	(1.0)	264.5	10.6	275.1
Profit for the period	56.6	56.6	1.3	57.9
Actuarial gains and losses	(20.0)	(20.0)	-	(20.0)
Gains on cash flow hedges arising during the period	-	0.5	-	0.5
Exchange difference on translation of foreign operations	-	(7.9)	(0.2)	(8.1)
Gains on a hedge of a net investment taken to equity	-	0.1	-	0.1
Tax relating to components of other comprehensive income	1.9	1.9	-	1.9
Total comprehensive (expense) / income for the period	38.5	31.2	1.1	32.3
Dividends paid	(15.3)	(15.3)	-	(15.3)
Share-based payments	(5.5)	(5.5)	-	(5.5)
At 31 December 2012	16.7	274.9	11.7	286.6

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued

	Share capital	Share premium	Capital redemption reserve	Own shares	Hedging and translation reserve	Cash flow hedging reserve
	audited	audited	audited	audited	audited	audited
	£'m	£'m	£'m	£'m	£'m	£'m
At 1 January 2011	14.6	33.0	0.9	-	6.8	4.5
(Loss)/profit for the period	-	-	-	-	-	-
Actuarial gains and losses	-	-	-	-	-	-
Losses on cash flow hedges arising during the period	-	-	-	-	-	(7.3)
Exchange difference on translation of foreign operations	-	-	-	-	(4.4)	-
Gains on a hedge of a net investment taken to equity	-	-	-	-	0.5	-
Tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive (expense) / income for the period	-	-	-	-	(3.9)	(7.3)
Dividends paid	-	-	-	-	-	-
Investment by minority interest	-	-	-	-	-	-
Issue of share capital	19.4	205.9	-	-	-	-
Expenses on issue of shares	-	(8.4)	-	-	-	-
Shares purchased by ESOP trust	-	-	-	0.7	-	-
Share-based payments	-	-	-	(0.7)	-	-
At 31 December 2011	34.0	230.5	0.9	-	2.9	(2.8)

	Retained earnings	Total	Minority interest	Total equity
	audited	audited	audited	audited
	£'m	£'m	£'m	£'m
At 1 January 2011	46.5	106.3	6.3	112.6
(Loss)/profit for the period	(6.9)	(6.9)	1.6	(5.3)
Actuarial gains and losses	(34.0)	(34.0)	-	(34.0)
Losses on cash flow hedges arising during the period	-	(7.3)	-	(7.3)
Exchange difference on translation of foreign operations	-	(4.4)	(0.2)	(4.6)
Gains on a hedge of a net investment taken to equity	-	0.5	-	0.5
Tax relating to components of other comprehensive income	1.3	1.3	-	1.3
Total comprehensive (expense) / income for the period	(39.6)	(50.8)	1.4	(49.4)
Dividends paid	(8.5)	(8.5)	-	(8.5)
Investment by minority interest	-	-	2.9	2.9
Issue of share capital	-	225.3	-	225.3
Expenses on issue of shares	-	(8.4)	-	(8.4)
Shares purchased by ESOP trust	-	0.7	-	0.7
Share-based payments	0.6	(0.1)	-	(0.1)
At 31 December 2011	(1.0)	264.5	10.6	275.1

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2012

	2012	2011
	audited	audited
	£'m	£'m
Non-current assets		
Goodwill	240.9	244.7
Acquired intangible assets	135.6	165.4
Other intangible assets	0.6	0.9
Property, plant and equipment	199.6	183.6
Financial asset	5.6	5.6
Deferred tax assets	10.2	1.1
Investment in joint ventures	13.9	14.3
	606.4	615.6
Current assets		
Inventories	78.1	73.8
Trade and other receivables	139.0	146.7
Cash and cash equivalents	53.7	85.9
Derivatives at fair value	8.7	17.4
Total current assets	279.5	323.8
Current liabilities		
Borrowings	(0.4)	(31.7)
Trade and other payables	(184.8)	(193.7)
Current tax liability	(38.8)	(37.9)
Derivatives at fair value	(4.3)	(5.6)
Total current liabilities	(228.3)	(268.9)
Non-current liabilities		
Borrowings	(200.4)	(215.9)
Trade and other payables	-	(0.2)
Deferred tax liability	(50.9)	(61.4)
Post retirement benefit obligations	(119.7)	(117.9)
	(371.0)	(395.4)
Net assets	286.6	275.1
Equity		
Called up share capital	34.0	34.0
Share premium	230.5	230.5
Capital redemption reserve	0.9	0.9
Hedging and translation reserve	(4.9)	2.9
Cash flow hedging reserve	(2.3)	(2.8)
Retained earnings	16.7	(1.0)
Equity attributable to equity holders of the parent	274.9	264.5
Minority interests	11.7	10.6
Total equity	286.6	275.1

ANALYSIS OF NET BORROWINGS

	2012	2011
Cash and cash equivalents	53.7	85.9
Current borrowings	(0.4)	(31.7)
Financial asset	5.6	5.6
Non-current borrowings	(200.4)	(215.9)
Net borrowings	(141.5)	(156.1)
Special item: deduct fair value adjustment*	6.1	12.8
Special item: add non-recourse factoring	(20.4)	(21.0)
Net borrowings (underlying performance)	(155.8)	(164.3)

*currency element of derivatives associated with US dollar private placement debt

The financial statements were approved by the Board of Directors and authorised for issue on 14 March 2013.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

	2012		2011	
	audited	audited	audited	audited
	£'m	£'m	£'m	£'m
Operating				
Cash generated from operations		85.7		80.2
Interest received	0.7		0.7	
Interest paid	(12.0)		(15.9)	
Net interest paid		(11.3)		(15.2)
UK corporation tax paid	-		(0.1)	
Overseas corporate tax paid	(18.8)		(19.8)	
Total tax paid		(18.8)		(19.9)
Net cash inflow from operating activities		55.6		45.1
Investing				
Dividends received from joint ventures		3.2		3.4
Purchase of property, plant and equipment	(39.2)		(24.2)	
Sale of property, plant and equipment	1.1		2.3	
Net capital expenditure and financial investment		(38.1)		(21.9)
Purchase of businesses	-		(365.4)	
Sale of businesses	-		28.5	
Net cash impact of acquisitions and disposals		-		(336.9)
Net cash outflow from investing activities		(34.9)		(355.4)
Financing				
Equity dividends paid		(15.3)		(8.5)
Investment by minority shareholder		-		2.9
Proceeds on issue of shares		-		225.3
Expenses on issue of shares		-		(8.4)
Purchase of own shares		-		(0.7)
Repayment of borrowings		(36.9)		(4.3)
Proceeds of non-current borrowings		-		154.1
Net cash (outflow) / inflow from financing activities		(52.2)		360.4
(Decrease) / increase in cash and bank overdrafts during the year		(31.5)		50.1
Comprised of:				
Cash and cash equivalents		(31.1)		42.2
Bank overdrafts		(0.4)		7.9
		(31.5)		50.1

RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO MOVEMENT IN NET BORROWINGS FOR THE YEAR ENDED 31 DECEMBER 2012

	2012	2011
	audited	audited
	£'m	£'m
Net cash inflow from operating activities	55.6	45.1
Add back: reduction in factored invoices	0.6	9.8
Add back: dividends received from joint ventures	3.2	3.4
Less: net capital expenditure and financial investment	(38.1)	(21.9)
	21.3	36.4
Net cash impact of acquisitions (underlying)	-	(396.1)
Net cash impact of disposals (underlying)	-	34.2
Investment by minority shareholder	-	2.9
Proceeds on issue of shares	-	225.3
Expenses on issue of shares	-	(8.4)
Purchase of own shares	-	(0.7)
Equity dividends paid	(15.3)	(8.5)
Exchange movements	2.5	14.0
Movement in net borrowings (underlying performance)	8.5	(100.9)

1 Special items

The special items disclosed are made up as follows:

		Note	2012 audited £'m	2011 audited £'m
Continuing operations				
Operating profit / (loss)				
Restructuring and site closure	Cash costs		(6.0)	(15.8)
	Non-cash costs		(0.7)	(4.4)
Acquisition costs			-	(1.4)
Amortisation of acquired intangibles	Subsidiaries		(25.8)	(19.1)
	Share of Joint ventures		(1.6)	(1.3)
			(34.1)	(42.0)
Finance costs				
Fair value adjustment		3	(1.7)	(3.3)
Loss before taxation from continuing operations			(35.8)	(45.3)
Taxation			17.3	14.9
Loss for the year from continuing operations			(18.5)	(30.4)

The restructuring and site closure costs charged to the consolidated income statement above are in respect of post acquisition activities to integrate the former PolymerLatex business with that of the existing Group. 'Cash costs' represent those charges which have or will be defrayed in the form of cash settlements to third parties. At 31 December 2012 £11.4 million (2011 £5.8 million) of these costs have been physically paid to third parties. 'Non-cash costs' represent charges for the write off of specific fixed assets and stocks held on sites which are being closed as part of the integration exercise.

	2012 audited £'m	2011 audited £'m
Discontinued operations		
Total sales		
Revenue of operations sold or closed during the year	-	63.1
Operating (loss) / profit of discontinued operations		
Operating profit of operations sold or closed during the year		4.1
Impairment of goodwill	-	(36.9)
Impairment of fixed assets prior to sale of operation	-	(5.6)
Loss arising from the sale or closure of operations	-	(0.8)
	-	(39.2)
Taxation		
Taxation on operating loss of operations sold or closed during the year	-	(1.0)
Loss for the year from discontinued operations	-	(40.2)

The loss for the year from discontinued operations is attributable solely to equity holders of the parent.

2 Segmental analysis

Substantially all revenues earned by the Group are from the sale of Polymer products derived from petrochemical monomers. No single customer accounts for more than 10% of the Group's revenues. No information is provided at the divisional level to the Executive Committee concerning interest revenues, interest expense, depreciation or amortisation, income taxes or other material non-cash items.

	2012			2011		
	Underlying performance	**Special items**	**IFRS**	**Underlying performance**	**Special items**	**IFRS**
	audited	audited	audited	audited	audited	audited
	£'m	£'m	£'m	£'m	£'m	£'m
Total sales by activity						
Continuing activity						
Polymer Chemicals – Europe and North America						
Subsidiaries	763.8	-	763.8	743.5	-	743.5
Share of Joint ventures	33.1	-	33.1	34.2	-	34.2
	796.9	-	796.9	777.7	-	777.7
Polymer Chemicals – Asia and Rest of World						
Subsidiaries	289.2	-	289.2	315.9	-	315.9
Share of Joint ventures	25.7	-	25.7	23.2	-	23.2
	314.9	-	314.9	339.1	-	339.1
Total sales	1,111.8	-	1,111.8	1,116.8	-	1,116.8
Total share of joint ventures						
Polymer Chemicals – Europe and North America	33.1	-	33.1	34.2	-	34.2
Polymer Chemicals – Asia and Rest of World	25.7	-	25.7	23.2	-	23.2
	58.8	-	58.8	57.4	-	57.4
Operating profit by activity						
Polymer Chemicals – Europe and North America						
Subsidiaries	96.2	(26.0)	70.2	70.6	(35.3)	35.1
Share of Joint ventures	1.8	(1.6)	0.2	2.5	(1.3)	1.2
	98.0	(27.6)	70.4	73.1	(36.8)	36.3
Polymer Chemicals – Asia and Rest of World						
Subsidiaries	16.0	(6.5)	9.5	29.8	(3.8)	26.0
Share of Joint ventures	3.1	-	3.1	2.3	-	2.3
	19.1	(6.5)	12.6	32.1	(3.8)	28.3
Divisional operating profit	117.1	(34.1)	83.0	105.2	(40.6)	64.6
Unallocated corporate expenses	(8.1)	-	(8.1)	(8.8)	(1.4)	(10.2)
Operating profit/(loss)	109.0	(34.1)	74.9	96.4	(42.0)	54.4
Total share of joint ventures						
Polymer Chemicals – Europe and North America	1.8	(1.6)	0.2	2.5	(1.3)	1.2
Polymer Chemicals – Asia and Rest of World	3.1	-	3.1	2.3	-	2.3
	4.9	(1.6)	3.3	4.8	(1.3)	3.5

	2012	**2011**
	audited	audited
	£'m	£'m
Total sales by destination		
Western Europe	607.1	609.2
Eastern Europe	48.0	35.9
North America	45.5	38.8
Asia	309.6	317.5
Africa and Middle East	96.0	95.8
Rest of World	5.6	19.6
	1,111.8	1,116.8

3 Finance costs

	2012 audited £'m	2011 audited £'m
Interest payable on bank loans and overdrafts	8.8	9.2
Interest payable on other loans	2.8	3.1
	11.6	12.3
Less: interest receivable	(0.7)	(0.7)
Net interest payable	10.9	11.6
Fair value adjustment	1.7	3.3
Total finance costs	12.6	14.9

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.

4 Reconciliation of operating profit to cash generated from operations

		2012 audited £'m	2011 audited £'m
Operating profit – continuing operations		74.9	54.4
Operating profit - discontinued operations		-	4.1
Less: share of profits of joint ventures		(3.3)	(3.5)
		71.6	55.0
Adjustments for:			
Depreciation (underlying)		18.1	22.4
Amortisation (underlying)		0.3	0.4
Amortisation: special items		25.8	19.1
Restructuring and site closure	Cash costs	6.0	15.8
	Non-cash costs	0.7	4.4
Share-based payments		1.1	1.3
Acquisition costs expensed in the period		-	1.4
Profit on sale of fixed assets		(0.1)	(0.2)
Acquisition costs cash spent in the period		(0.4)	(4.4)
Termination of interest swap acquired		-	(3.0)
Share based payments	Cash costs	(6.8)	-
Cash impact of restructuring and site closure		(11.4)	(5.8)
Cash impact of termination of discontinued operations		-	(0.4)
Pension funding in excess of IAS 19 charge		(17.3)	(11.0)
(Increase) / decrease in inventories		(5.9)	7.3
Decrease / (increase) in trade and other receivables		4.8	(8.5)
Decrease in trade and other payables		(0.8)	(13.6)
Cash generated from operations		85.7	80.2
Reconciliation of movement in working capital			
(Increase) / decrease in inventories		(5.9)	7.3
Decrease / (increase) in trade and other receivables		4.8	(8.5)
Decrease in trade and other payables		(0.8)	(13.6)
Movement in working capital		(1.9)	(14.8)
Add back: reduction in factored invoices		0.6	9.8
Movement in working capital (underlying)		(1.3)	(5.0)

5 Reconciliation of EBITDA

		2012		2011	
		Underlying performance audited £'m	**IFRS** audited £'m	**Underlying performance** audited £'m	**IFRS** audited £'m
Operating profit		109.0	74.9	96.4	54.4
Add: Acquisition costs		-	-	-	1.4
Add: Restructuring and site closure	Cash costs	-	6.0	-	15.8
	Non-cash costs	-	0.7	-	4.4
Add back: amortisation (underlying)		0.3	0.3	0.4	0.4
Add back: amortisation (special items)		-	27.4	-	20.4
Add back: depreciation (underlying)		18.1	18.1	18.4	18.4
EBITDA		127.4	127.4	115.2	115.2

6 Dividends

	2012		2011	
	Pence per share audited	£'m	Pence per share audited	£'m
Interim dividend	2.2	7.5	1.2	4.1
Proposed final dividend	3.3	11.2	2.3	7.8

7 Further information

The financial information set out above does not constitute the Company's financial statements for the years ended 31 December 2012 or 2011, but is derived from those statements. Financial statements for 2011 have been delivered to the Registrar of Companies and those for 2012 will be delivered following the Company's annual general meeting. The auditor has reported on those statements: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) Companies Act 2006 or equivalent preceding legislation. While the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting 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 16 April 2013.

The financial statements were approved by the Board of Directors on 14 March 2013.

The accounting policies used to prepare these preliminary results are the same as those used in the preparation of the Group's audited accounts for the year ended 31 December 2011, 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.synthomer.com.

The interim dividend of 2.2p per share was paid on 8 November 2012. The directors recommend a final dividend of 3.3p per share payable on 5 July 2013 to those shareholders registered at the close of business on 7 June 2013.

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 – 339.6 million (2011 339.6 million).

Going concern

The directors have acknowledged the latest guidance on going concern and in reaching their conclusions have taken into account factors including:

- the Group's Euro denominated £150 million term loan facility and £60 million multicurrency revolving credit facility the termination dates of which were extended from 13 December 2013 to 31 March 2015 on 22 December 2011.
- the second repayment under the 2004 series private placement notes of US$70 million due in September 2014.

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 reasonably 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 these preliminary results.

8 Glossary of terms

Total sales	Total sales represent the total of revenue from the Company, its subsidiaries, and its share of the revenue of joint ventures.
EBITDA	EBITDA is calculated as operating profit before depreciation, amortisation and special items.
Operating profit	Operating profit represents profit from continuing activities before finance costs and taxation.
Special items	The following are disclosed separately as special items in order to provide a clearer indication of the Group's underlying performance:

- *Amortisation of acquired intangible assets;*
- *Impairment of non-current assets;*
- *Costs of business combinations as defined by IFRS 3 and related debt issue costs;*
- *Re-structuring and site closure costs;*
- *Fair value adjustment – 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;*
- *Amounts advanced in respect of invoices sold under non-recourse factoring arrangements;*
- *Other non-recurring and non-operating items;*
- *Tax impact of above items; and*
- *Settlement of prior period tax issues.*

Underlying performance	Underlying performance represents the statutory performance of the Group under IFRS, excluding special items.
Net borrowings	Net borrowings represent 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, non-recourse factoring arrangements, and the inclusion of financial assets.