13 August 2013

Synthomer plc

Interim Results for the six months ended 30 June 2013

SOLID PERFORMANCE IN CHALLENGING MARKET CONDITIONS

H1 HIGHLIGHTS	**H1 2013**	**H1 2012 Restated***	**change**
Underlying basis	£m	£m	%
Sales	558.3	603.3	(7.5)
Operating Profit (EBIT)	56.0	63.2	(11.4)
Europe and North America	*48.5*	*56.8*	(14.6)
Asia and ROW	*11.5*	*11.0*	4.5
Unallocated	*(4.0)*	*(4.6)*	13.0
Profit before Tax	48.6	54.2	(10.3)
Underlying basis			
EPS (p)	10.9	11.8	(7.6)
DPS (p)	2.4	2.2	9.1

- Performance in Europe impacted by on-going weak demand, particularly in construction related areas, reflecting the current macro environment.
- Growth in Asia and ROW driven by continuing strong nitrile demand growth and modest recovery in unit margins from H2 2012 levels.
- Strong cash flow enabling strategic investment in additional capacity and Emerging Markets.
- Net debt reduced to £151.7 million (H1 2012: £174.2 million).
- Interim dividend declared of 2.4p per share (H1 2012: 2.2p) in line with policy.

*** Restated due to the adoption of IAS19 revised, see note 11**

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

"Synthomer has delivered a solid performance in the first half of 2013, in line with expectations. Business in Europe has remained challenging, with a continuation of the weak demand trends seen in the second half of 2012 reflecting the current economic environment.

In Asia, the performance of our nitrile business has been encouraging, with the pace of recovery being faster than originally anticipated. We have seen good demand growth and a modest improvement in margins from the low levels we saw over most of last year.

For the balance of the year, absent any recovery in demand in Europe, the Board expects that our European business profitability will be somewhat lower than the first half, largely reflecting the impact of normal seasonal factors. The Asia and ROW business is expected to operate at a similar level to the first half."

ENQUIRIES:

Adrian Whitfield, Chief Executive Officer
David Blackwood, Chief Financial Officer
Tel: 01279 442791

Charles Armitstead / Rosie Oddy
Pendomer Communications
Tel: 020 3603 5220

The Company will host a meeting for analysts and investors at 09.30 at the Andaz Hotel (40 Liverpool St, London EC2M 7QN). The presentation will be webcast on the company's website www.synthomer.com

	Underlying		IFRS	
	Six months ended 30 June 2013	Six months ended 30 June 2012 Restated	Six months ended 30 June 2013	Six months ended 30 June 2012 Restated
	£m	£m	£m	£m
Total sales (including share of JV's)	558.3	603.3	558.3	603.3
Europe and North America	48.5	56.8	36.4	43.0
Asia and ROW	11.5	11.0	8.3	7.8
Unallocated	(4.0)	(4.6)	(4.0)	(4.6)
Operating profit (including share of JV's)	56.0	63.2	40.7	46.2
Finance costs	(7.4)	(9.0)	(7.8)	(9.8)
Profit before taxation	48.6	54.2	32.9	36.4
Taxation	(10.6)	(13.4)	(6.2)	(10.0)
Profit for the period	38.0	40.8	26.7	26.4
Profit attributable to minority interests	1.0	0.9	0.7	0.6
Profit attributable to equity holders of parent	37.0	39.9	26.0	25.8
	38.0	40.8	26.7	26.4

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

Cautionary statement

This Interim Management Report (IMR) has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

The IMR contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This IMR and the condensed set of financial statements for the six months ended 30 June 2013 and for the six months ended 30 June 2012 have been reviewed but not audited. All reference to sales and operating profit in the Chairman's statement and business review, which follows, reflect underlying performance including share of joint ventures, as per note 4, unless otherwise stated.

CHAIRMAN'S STATEMENT

Overview

The Group delivered a solid set of results for the first half of 2013 given the on-going challenging economic conditions in Europe, and the reduced demand we have seen as a result in the region. Demand in Asia and ROW remains strong, with volumes ahead by over 8%.

Whilst it is always disappointing to see lower results, the PolymerLatex acquisition has provided a strong platform in terms of cash generation within the Group and created a much more robust European business. This has allowed us to remain focused on our long-term growth strategy of using strong European cash flows to invest in new products and accelerate our growth in emerging markets.

H1 Results*

Group revenues declined by 7.5% to £558.3 million (2012: £603.3 million). Group EBIT decreased by 11.4% to £56.0 million (2012 restated: £63.2 million) due to the weaker results in our European business. Volumes were 1.3% lower.

Underlying profit before tax decreased to £48.6 million, 10.3% behind prior year.

Earnings per share for the half year, on an underlying basis, were 10.9 pence per share, 7.6% behind prior year.

*The 2012 result has been restated on adoption of IAS19 (revised).

Divisional Performance

Europe & North America (on an underlying basis)

	H1 2013	H1 2012 (restated)
Sales (£m)	396.1	438.2
Operating Profit (£m)	48.5	56.8
Volume (ktes)	411.8	433.8

Operating profits in our European and North American business segment were down 14.6% on the first half of 2012 mainly as a result of weaker demand in Europe.

Volumes were down by over 5.1% on the first half of 2012. In recent years the Group's focus on margin management and the associated "softer synergies" from the acquisition of PolymerLatex have allowed the group to more than offset the impact of volume declines. However, the current environment has restricted our ability to do this, and over the period, compared to prior year, there was some slight unit cash margin erosion.

Volume shortfall remains most pronounced in construction related areas, particularly across our CCF (Carpets, Compounds and Foam), C&C (Construction and Coatings) and FP (Functional Polymers) businesses, where activity levels remain depressed due to the persistent tough macro-economic environment in the region.

Over the longer term, we continue to target average through the cycle growth in line with GDP from our European business. We have a good pipeline of new products from our R&D centres of excellence, and have enhanced our links with a number of universities. We have now started full production of our new enhanced Lithene product range, and during the second half will be starting sales of a new starch modified paper latex grade, and an HSSBR grade for Bitumen modification, along with other product launches.

We have closed three plants in Europe as part of the PolymerLatex synergy process, which has allowed us to keep firm control over our total production costs. We are also investing in future growth areas in

Europe, with an expansion of our PVOH plant underway, and plans are in train for additional capacity for specialty dispersions in the UK and Germany.

Asia & Rest of World (on an underlying basis)

	H1 2013	H1 2012
Sales (£m)	162.2	165.1
Operating Profit (£m)	11.5	11.0
Volume	186.0	172.0

Profitability in nitrile improved on the run rates we saw through the second half of 2012. This improvement was earlier than anticipated, with good market demand growth. Margins remain below historic levels, albeit, improved on the lower rates we saw through the majority of last year. Whilst we do not anticipate any further improvement in the current run rate of nitrile profitability over the balance of the year, we would expect to see some further improvements in 2014, based on current growth rates in demand continuing, and we remain confident about the underlying long term attractiveness of the high growth Asian nitrile latex glove market.

The non-nitrile business performed well, though we remain capacity constrained in Asia. Our initial Middle East capacity expansion commenced manufacture in the second quarter and we have now commenced a further expansion of 35% to commission H2 2014. Plans are progressing well to expand capacity in both Malaysia and Vietnam which will also be available in H2 2014. As always we remain alert to bolt on acquisitions and continue to explore greenfield opportunities along with key customers.

Overall, volumes in Asia and Rest of World were up 8.1% on the prior year.

We continue to target growth in Asia and ROW ahead of GDP, supported by investment and new product introductions. We remain the clear global number one in supply to the high growth Nitrile Latex market, and the number one dispersion manufacturer in Saudi, Malaysia and Singapore.

Cash flow and balance sheet

The Group's financial position remains robust, with strong cash generation reducing net borrowings to £151.7 million down from £174.2 million at the midpoint of 2012. Net debt was slightly down on the year end position of £155.8 million, with the half year working capital outflow of £11.9 million in line with the normal seasonality from the year end and after £22.1 million of planned capital expenditure in the first half.

There was no significant change in the level of the Group's pension deficit from the start of the year.

At the end of June, the Group had net liquid resources available of £49.7 million (cash and equivalents and financial assets less current borrowings) and an undrawn £60.0 million revolving credit line maturing in March 2015 together with various uncommitted overdraft lines.

Dividend

The Board has a stated dividend policy of progressively moving to a dividend cover of three times by 2015.

Consistent with this we are declaring an interim dividend of 2.4p, an increase of 9.1%.

IFRS

The Group reported an IFRS profit before tax of £32.9 million (2012 restated – £36.4 million). This is £15.7 million below underlying profit before tax (2012 restated - £17.8 million) due to the special items detailed in the 'Special Items' paragraph below.

Special items

The Group had a number of special items in the half year, which are not part of underlying results. The operating expense amount of £15.3 million relates to the PolymerLatex acquisition, comprising £1.0 million of restructuring expenses associated with the final integration and synergy extraction and £14.3 million of intangible amortisation. The loss on fair value within finance costs of £0.4 million relates to the cross currency swaps that hedge the Group's US private placement debt into sterling, but do not qualify for hedge accounting under the narrow framework of IAS 39. The majority of the taxation amount of £4.4 million is the notional tax credit on the intangible amortisation expense.

Taxation

The Group benefits from pioneer status tax incentives in the nitrile business in Malaysia and relief on contributions to the closed defined benefit UK pension fund. Together with tax expense in the other countries that the Group operates in, particularly Germany, has resulted in an overall underlying taxation rate of 22%.

Outlook

For the balance of the year, absent any recovery in demand in Europe, the Board expects that our European business profitability will be somewhat lower than the first half, largely reflecting the impact of normal seasonal factors. The Asia and ROW business is expected to operate at a similar level to the first half.

NEIL JOHNSON
Chairman
12 August 2013

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June 2013			Six months ended 30 June 2012 Restated		
	Underlying performance	**Special items**	**IFRS**	**Underlying performance**	**Special items**	**IFRS**
	£m	£m	£m	£m	£m	£m
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
Continuing operations						
Group revenue	524.3	-	524.3	570.6	-	570.6
Share of joint ventures' revenue	34.0	-	34.0	32.7	-	32.7
Total sales	558.3	-	558.3	603.3	-	603.3
Group revenue	524.3	-	524.3	570.6	-	570.6
Company and subsidiaries before special items	53.1	-	53.1	60.2	-	60.2
Restructuring and site closure	-	(1.0)	(1.0)	-	(3.1)	(3.1)
Amortisation of acquired intangibles	-	(13.5)	(13.5)	-	(13.1)	(13.1)
Company and subsidiaries	53.1	(14.5)	38.6	60.2	(16.2)	44.0
Share of joint ventures	2.9	(0.8)	2.1	3.0	(0.8)	2.2
Operating profit / (loss)	56.0	(15.3)	40.7	63.2	(17.0)	46.2
Interest payable	(5.3)	-	(5.3)	(6.9)	-	(6.9)
Interest receivable	0.3	-	0.3	0.8	-	0.8
	(5.0)	-	(5.0)	(6.1)	-	(6.1)
IAS 19 interest charge	(2.4)	-	(2.4)	(2.9)	-	(2.9)
Fair value adjustment	-	(0.4)	(0.4)	-	(0.8)	(0.8)
Finance costs	(7.4)	(0.4)	(7.8)	(9.0)	(0.8)	(9.8)
Profit / (loss) before taxation	48.6	(15.7)	32.9	54.2	(17.8)	36.4
Taxation	(10.6)	4.4	(6.2)	(13.4)	3.4	(10.0)
Profit / (loss) for the period	38.0	(11.3)	26.7	40.8	(14.4)	26.4
Profit / (loss) attributable to minority interests	1.0	(0.3)	0.7	0.9	(0.3)	0.6
Profit / (loss) attributable to equity holders of the parent	37.0	(11.0)	26.0	39.9	(14.1)	25.8
	38.0	(11.3)	26.7	40.8	(14.4)	26.4
Earnings per share						
From continuing operations						
Basic	10.9p	(3.2)p	7.7p	11.8p	(4.2)p	7.6p
Diluted	10.8p	(3.2)p	7.6p	11.6p	(4.1)p	7.5p

Special items
The special items are shown in more detail in note 3.

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 June 2013 continued

	Year ended 31 December 2012 Restated		
	Underlying performance	**Special items**	**IFRS**
	£m	£m	£m
	Audited	Audited	Audited
Continuing operations			
Group revenue	1,053.0	-	1,053.0
Share of joint ventures' revenue	58.8	-	58.8
Total sales	1,111.8	-	1,111.8
Group revenue	1,053.0	-	1,053.0
Company and subsidiaries before special items	106.3	-	106.3
Restructuring and site closure	-	(6.7)	(6.7)
Acquisition costs	-	-	-
Amortisation of acquired intangibles	-	(25.8)	(25.8)
Company and subsidiaries	106.3	(32.5)	73.8
Share of joint ventures	4.9	(1.6)	3.3
Operating profit / (loss)	111.2	(34.1)	77.1
Interest payable	(11.6)	-	(11.6)
Interest receivable	0.7	-	0.7
	(10.9)	-	(10.9)
IAS 19 interest charge	(5.7)	-	(5.7)
Fair value adjustment	-	(1.7)	(1.7)
Finance costs	(16.6)	(1.7)	(18.3)
Profit / (loss) before taxation	94.6	(35.8)	58.8
Taxation	(21.7)	17.3	(4.4)
Profit / (loss) for the year	72.9	(18.5)	54.4
Profit / (loss) attributable to minority interests	1.8	(0.5)	1.3
Profit / (loss) attributable to equity holders of the parent	71.1	(18.0)	53.1
	72.9	(18.5)	54.4
Earnings per share			
From continuing operations			
Basic	20.9p	(5.3)p	15.6p
Diluted	20.6p	(5.2)p	15.4p

Special items
The special items are shown in more detail in note 3.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June 2013			Six months ended 30 June 2012 Restated		
	Equity holders of the parent	**Minority interests**	**Total**	**Equity holders of the parent**	**Minority interests**	**Total**
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	£m	£m	£m	£m	£m	£m
Profit for the period	26.0	0.7	26.7	25.8	0.6	26.4
Actuarial gains / (losses)	5.3	-	5.3	(1.4)	-	(1.4)
Tax relating to components of other comprehensive income	-	-	-	-	-	-
Total items that will not be reclassified to profit or loss	5.3	-	5.3	(1.4)	-	(1.4)
Gains on cash flow hedges arising during the period	1.1	-	1.1	0.1	-	0.1
Exchange differences on translation of foreign operations	19.0	0.4	19.4	(8.3)	(0.2)	(8.5)
(Losses) / gains on a hedge of a net investment taken to equity	(7.9)	-	(7.9)	1.4	-	1.4
Total items that may be reclassified subsequently to profit or loss	12.2	0.4	12.6	(6.8)	(0.2)	(7.0)
Other comprehensive income / (expense) for the period	17.5	0.4	17.9	(8.2)	(0.2)	(8.4)
Total comprehensive income for the period	43.5	1.1	44.6	17.6	0.4	18.0

	Year ended 31 December 2012 Restated		
	Equity holders of the parent	**Minority interests**	**Total**
	Audited	Audited	Audited
	£m	£m	£m
Profit for the year	53.1	1.3	54.4
Actuarial losses	(16.5)	-	(16.5)
Tax relating to components of other comprehensive income	1.9	-	1.9
Total items that will not be reclassified to profit or loss	(14.6)	-	(14.6)
Gains on a cash flow hedges arising during the period	0.5	-	0.5
Exchange differences on translation of foreign operations	(7.9)	(0.2)	(8.1)
Gains of a hedge of a net investment taken into equity	0.1	-	0.1
Total items that may be reclassified subsequently to profit or loss	(7.3)	(0.2)	(7.5)
Other comprehensive expense for the year	(21.9)	(0.2)	(22.1)
Total comprehensive income for the year	31.2	1.1	32.3

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Capital redemption reserve	Hedging and translation reserve	Cash flow hedging reserve	Retained earnings	Total	Minority interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2013	34.0	230.5	0.9	(4.9)	(2.3)	16.7	274.9	11.7	286.6
Profit for the period	-	-	-	-	-	26.0	26.0	0.7	26.7
Other comprehensive income for the period	-	-	-	11.1	1.1	5.3	17.5	0.4	17.9
Total comprehensive income for the period	-	-	-	11.1	1.1	31.3	43.5	1.1	44.6
Share based payments	-	-	-	-	-	(4.9)	(4.9)	-	(4.9)
At 30 June 2013 (Unaudited)	34.0	230.5	0.9	6.2	(1.2)	43.1	313.5	12.8	326.3

	Share capital	Share premium	Capital redemption reserve	Hedging and translation reserve	Cash flow hedging reserve	Retained earnings	Total	Minority interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2012	34.0	230.5	0.9	2.9	(2.8)	(1.0)	264.5	10.6	275.1
Profit for the period	-	-	-	-	-	25.8	25.8	0.6	26.4
Other comprehensive (expense) / income for the period	-	-	-	(6.9)	0.1	(1.4)	(8.2)	(0.2)	(8.4)
Total comprehensive (expense) / income for the period	-	-	-	(6.9)	0.1	24.4	17.6	0.4	18.0
Share based payments	-	-	-	-	-	(6.0)	(6.0)	-	(6.0)
At 30 June 2012 (Unaudited)	34.0	230.5	0.9	(4.0)	(2.7)	17.4	276.1	11.0	287.1

	Share capital	Share premium	Capital redemption reserve	Hedging and translation reserve	Cash flow hedging reserve	Retained earnings	Total	Minority interest	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2012	34.0	230.5	0.9	2.9	(2.8)	(1.0)	264.5	10.6	275.1
Profit for the year	-	-	-	-	-	53.1	53.1	1.3	54.4
Other comprehensive (expense) / income for the period	-	-	-	(7.8)	0.5	(14.6)	(21.9)	(0.2)	(22.1)
Total comprehensive (expense) / income for the period	-	-	-	(7.8)	0.5	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 (Audited)	34.0	230.5	0.9	(4.9)	(2.3)	16.7	274.9	11.7	286.6

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2013

	30 June 2013	30 June 2012	31 December 2012
	Unaudited	Unaudited	Audited
	£m	£m	£m
Non-current assets			
Goodwill	247.9	239.3	240.9
Acquired intangible assets	128.3	147.0	135.6
Other intangible assets	0.5	0.7	0.6
Property, plant and equipment	215.6	185.7	199.6
Financial asset	6.2	5.4	5.6
Deferred tax assets	10.3	1.1	10.2
Investment in joint ventures	14.1	13.2	13.9
Total non-current assets	622.9	592.4	606.4
Current assets			
Inventories	75.9	73.1	78.1
Trade and other receivables	179.7	183.9	139.0
Cash and cash equivalents	43.7	56.3	53.7
Derivatives at fair value	12.0	15.6	8.7
Total current assets	311.3	328.9	279.5
Current liabilities			
Borrowings	(0.2)	(27.8)	(0.4)
Trade and other payables	(183.9)	(187.8)	(184.8)
Current tax liability	(43.1)	(41.2)	(38.8)
Derivatives at fair value	(1.9)	(4.9)	(4.3)
Total current liabilities	(229.1)	(261.7)	(228.3)
Non-current liabilities			
Borrowings	(211.1)	(199.8)	(200.4)
Trade and other payables	-	(0.2)	-
Deferred tax liability	(48.7)	(56.1)	(50.9)
Post retirement benefit obligations	(119.0)	(116.4)	(119.7)
Total non-current liabilities	(378.8)	(372.5)	(371.0)
Net assets	326.3	287.1	286.6
Equity			
Called up share capital	34.0	34.0	34.0
Share premium	230.5	230.5	230.5
Capital redemption reserve	0.9	0.9	0.9
Hedging and translation reserve	6.2	(4.0)	(4.9)
Cash flow hedging reserve	(1.2)	(2.7)	(2.3)
Retained earnings	43.1	17.4	16.7
Equity attributable to equity holders of the parent	313.5	276.1	274.9
Minority interests	12.8	11.0	11.7
Total equity	326.3	287.1	286.6

The financial statements were approved by the Board of Directors and authorised for issue on 12 August 2013.

ANALYSIS OF NET BORROWING

Cash and cash equivalents	43.7	56.3	53.7
Current borrowings	(0.2)	(27.8)	(0.4)
Financial asset	6.2	5.4	5.6
Non-current borrowings	(211.1)	(199.8)	(200.4)
Net borrowings	(161.4)	(165.9)	(141.5)
Special item: deduct fair value adjustment	9.7	11.8	6.1
Special item: add non-recourse factoring	-	(20.1)	(20.4)
Net borrowings (underlying performance)	(151.7)	(174.2)	(155.8)

The Group's US private placement US dollar term debt was economically hedged from dollars into sterling using long dated cross currency swaps at the date it was borrowed. The US dollar term debt is shown at the 30 June 2013 spot rate in net borrowings. The mark to market of the currency element of these swaps which hedges this US dollar term debt is shown as a reconciling item in the above analysis.

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June 2013		Six months ended 30 June 2012		Year ended 31 December 2012	
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited
	£m	£m	£m	£m	£m	£m
Operating						
Cash generated from operations		23.0		16.4		85.7
Interest received	0.3		0.8		0.7	
Interest paid	(5.3)		(6.9)		(12.0)	
Net interest paid		(5.0)		(6.1)		(11.3)
UK corporation tax paid	-		-		-	
Overseas corporate tax paid	(7.8)		(8.6)		(18.8)	
Total tax paid		(7.8)		(8.6)		(18.8)
Net cash inflow from operating activities		10.2		1.7		55.6
Investing						
Dividends received from joint ventures		2.7		0.4		3.2
Purchase of property, plant and equipment	(22.1)		(16.6)		(39.2)	
Sale of property, plant and equipment	0.3		0.1		1.1	
Net capital expenditure and financial investment		(21.8)		(16.5)		(38.1)
Net cash outflow from investing activities		(19.1)		(16.1)		(34.9)
Financing						
Equity dividends paid		-		-		(15.3)
Repayment of borrowings		-		(3.9)		(36.9)
Repayment of non-current borrowings		-		(9.7)		-
Net cash outflow from financing activities		-		(13.6)		(52.2)
Decrease in cash and bank overdrafts during the period		(8.9)		(28.0)		(31.5)
Comprised of:						
Cash and cash equivalents		(9.1)		(27.7)		(31.1)
Bank overdrafts		0.2		(0.3)		(0.4)
		(8.9)		(28.0)		(31.5)

RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO MOVEMENT IN NET DEBT FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
	Unaudited	Unaudited	Audited
	£m	£m	£m
Net cash inflow from operating activities	10.2	1.7	55.6
Add back: reduction in factored invoices	20.4	-	0.6
Add back: dividends received from joint ventures	2.7	0.4	3.2
Less: net capital expenditure and financial investment	(21.8)	(16.5)	(38.1)
	11.5	(14.4)	21.3
Equity dividends paid	-	-	(15.3)
Exchange movements	(7.4)	4.5	2.5
Movement in net borrowings (underlying performance)	4.1	(9.9)	8.5

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The information for the year ended 31 December 2012 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified, did not contain a reference to any matters which the auditor drew attention by way of emphasis without qualifying the report, and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

2. Accounting policies

The annual financial statements of Synthomer plc are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in the half-yearly financial report has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with International Accounting Standards 34 'Interim Financial Reporting', as adopted by the European Union. The same accounting policies and methods of computations are followed in these financial statements as in the most recent audited annual financial statements with the exception of the application of IAS19 (revised). This is discussed in more detail in note 11.

Having regard to the financial position and future prospects of the Group, the directors have concluded that the Group is a going concern and have prepared these financial statements on that basis.

3. Special items

The special items disclosed are made up as follows:

	Six months ended 30 June 2013	Six months ended 30 June 2012	Year ended 31 December 2012
	£m	£m	£m
	Unaudited	Unaudited	Audited
Continuing operations			
Operating loss			
Restructuring and site closure - cash costs	(1.0)	(2.5)	(6.0)
- non-cash costs	-	(0.6)	(0.7)
	(1.0)	(3.1)	(6.7)
Amortisation of acquired intangibles - subsidiaries	(13.5)	(13.1)	(25.8)
– share of joint ventures	(0.8)	(0.8)	(1.6)
	(15.3)	(17.0)	(34.1)
Finance costs			
Fair value adjustment	(0.4)	(0.8)	(1.7)
Loss before taxation from continuing operations	(15.7)	(17.8)	(35.8)
Taxation	4.4	3.4	17.3
Loss for the year from continuing operations	(11.3)	(14.4)	(18.5)

Further details are provided in the Chairman's statement.

4. Segmental analysis

	Group revenue	Share of joint ventures' revenue	Total Sales	Operating profit		
				Underlying performance	Special items	IFRS
	£m	£m	£m	£m	£m	£m
Six months ended 30 June 2013						
Analysis by activity						
Continuing activity						
Polymer Chemicals – Europe & North America	377.8	18.3	396.1	48.5	(12.1)	36.4
Polymer Chemicals – Asia & Rest of World	146.5	15.7	162.2	11.5	(3.2)	8.3
Total sales	524.3	34.0	558.3			
Divisional operating profit / (loss)				60.0	(15.3)	44.7
Unallocated corporate expenses				(4.0)	-	(4.0)
Operating profit / (loss)				56.0	(15.3)	40.7

	Group revenue	Share of joint ventures' revenue	Total Sales	Operating profit Restated		
				Underlying performance	Special items	IFRS
	£m	£m	£m	£m	£m	£m
Six months ended 30 June 2012						
Analysis by activity						
Continuing activity						
Polymer Chemicals – Europe & North America	419.4	18.8	438.2	56.8	(13.8)	43.0
Polymer Chemicals – Asia & Rest of World	151.2	13.9	165.1	11.0	(3.2)	7.8
Total sales	570.6	32.7	603.3			
Divisional operating profit / (loss)				67.8	(17.0)	50.8
Unallocated corporate expenses				(4.6)	-	(4.6)
Operating profit / (loss)				63.2	(17.0)	46.2

	Group revenue	Share of joint ventures' revenue	Total Sales	Operating profit Restated		
				Underlying performance	Special items	IFRS
	£m	£m	£m	£m	£m	£m
Year ended 31 December 2012						
Analysis by activity						
Continuing activity						
Polymer Chemicals – Europe & North America	763.8	33.1	796.9	100.2	(27.6)	72.6
Polymer Chemicals – Asia & Rest of World	289.2	25.7	314.9	19.1	(6.5)	12.6
Total sales	1,053.0	58.8	1,111.8			
Divisional operating profit / (loss)				119.3	(34.1)	85.2
Unallocated corporate expenses				(8.1)	-	(8.1)
Operating profit / (loss)				111.2	(34.1)	77.1

5. Reconciliation of profit from operations to cash generated from operations

	Six months ended 30 June 2013	Six months ended 30 June 2012 Restated	Year ended 31 December 2012 Restated
	Unaudited	Unaudited	Audited
	£m	£m	£m
Operating profit – continuing operations	40.7	46.2	77.1
Less: share of profit of joint ventures	(2.1)	(2.2)	(3.3)
	38.6	44.0	73.8
Adjustments for:			
Depreciation and amortisation	9.7	9.5	18.4
Amortisation: special items	13.5	13.1	25.8
Restructuring and site closure – cash costs	1.0	2.5	6.0
– non-cash costs	-	0.6	0.7
Share based payments	0.2	0.4	1.1
(Profit) / loss on sale of fixed assets	(0.2)	0.2	(0.1)
Acquisition costs cash spent in period	-	(0.4)	(0.4)
Share based payments – cash settled	(5.9)	(6.4)	(6.8)
Cash impact of restructuring and site closure	(1.5)	(9.6)	(11.4)
IAS 19 interest charge	(2.4)	(2.9)	(5.7)
Pension funding less than / (in excess of) IAS 19 charge	2.3	(1.3)	(13.8)
Decrease / (increase) in inventories	4.3	(0.8)	(5.9)
(Increase) / decrease in trade and other receivables	(36.1)	(39.0)	4.8
(Decrease) / increase in trade and other payables	(0.5)	6.5	(0.8)
Cash generated from operations	23.0	16.4	85.7

6. Tax – continuing operations

Tax on the underlying profit before taxation for the six month period is charged at 22% (six months ended 30 June 2012 (restated): 25%; year ended 31 December 2012 (restated): 23%), representing the best estimate of the average annual effective income tax rate expected for the full year. Inclusion of the best estimate for the tax charge on the special items profit before taxation results in a tax rate of 19% (six months ended 30 June 2012 (restated): 27%; year ended 31 December 2012 (restated): 7%), on the IFRS profit before taxation for continuing operations.

7. Dividends

The interim dividend of 2.4p per ordinary share was approved by the Board on 12 August 2013 and will be paid on 7 November 2013 to members on the register at the close of business on 11 October 2013.

8. Earnings per share – continuing operations

	Six months ended 30 June 2013	Six months ended 30 June 2012 Restated	Year ended 31 December 2012 Restated
	Unaudited	Unaudited	Audited
	'000 shares	'000 shares	'000 shares
Weighted average number of shares in issue - basic	339,549	339,549	339,549
Weighted average number of shares in issue - diluted	343,592	345,016	345,076

	Six months ended 30 June 2013			Six months ended 30 June 2012 Restated		
	Underlying performance	Special items	IFRS	Underlying performance	Special items	IFRS
	£m	£m	£m	£m	£m	£m
Earnings (Profit / (loss) attributable to equity holders of the parent)	37.0	(11.0)	26.0	39.9	(14.1)	25.8
Basic earnings per share	10.9p	(3.2)p	7.7p	11.8p	(4.2)p	7.6p
Diluted earnings per share	10.8p	(3.2)p	7.6p	11.6p	(4.1)p	7.5p

	Year ended 31 December 2012 Restated		
	Underlying performance	Special items	IFRS
	£m	£m	£m
Earnings (Profit / (loss) attributable to equity holders of the parent)	71.1	(18.0)	53.1
Basic earnings per share	20.9p	(5.3)p	15.6p
Diluted earnings per share	20.6p	(5.2)p	15.4p

9. Financial instruments

The risks associated with the Group's financial instruments and related polices are detailed in note 22 of the 2012 annual financial statements. There have been no changes in the risks and the management thereof since 31 December 2012.

Fair values have been obtained from the relevant institutions where appropriate. Where market values are not available, fair values of financial assets and financial liabilities have been calculated by discounting expected future cash flow at prevailing interest rates and by applying period end exchange rates. The carrying amount of short-term borrowings approximates to book value.

The fair value of the Group's financial instruments are measured using inputs other than quoted prices that are directly or indirectly observable.

There are no significant differences between the carrying value and fair value of either financial assets or financial liabilities.

10. Defined benefit schemes

The defined benefit plan assets have been updated to reflect their market value as at the 30 June 2013. Actuarial gains or losses are recognised in the Statement of Comprehensive Income in accordance with the Group's accounting policy.

11. Restatement on adoption of IAS19 revised

IAS19 (revised) "Employee benefits" was amended in June 2011 and is effective for financial years beginning on or after 1 January 2013. The Company has implemented IAS19 (revised) in the six months to June 2013. The specific impact of this on the income statement is a change in the calculation of the interest income on plan assets. This was previously based on the expected returns on the various asset types held within the investment portfolio. It is now calculated at the same rate used to calculate the interest expense on the pension liability, being a discount rate derived from corporate bonds. The difference between this calculated return and the actual return is reported as an actuarial gain/loss through reserves.

In addition, as part of the implementation of IAS19 (revised) the Group has chosen to classify the interest expense on the net pension liability within finance costs. The expected return on plan assets and interest expense on the pension liability were previously reported as part of operating expenses.

The change in accounting policy has been applied retrospectively to the comparator periods.

There is no significant change to the net pension liability or to net assets as a result of the adoption of IAS19 (revised). As a result no restatement of the balance sheet is required.

(i) Restatement of six months ended 30 June 2012:

The effect of adopting IAS19 (revised) on the Group's profit is to reduce both underlying and total reported profit after tax by £1.8m for the comparable six-month period ended 30 June 2012. In addition, £1.1m of expenses relating to the expected return on plan assets and interest expense on the pension liability, previously reported within operating expenses have been reclassified to finance costs.

The full impact on the income statement is set out in the following table:

CONSOLIDATED INCOME STATEMENT

	Six months ended 30 June 2012		
	As originally reported	Change in accounting policy	Restated
	£m	£m	£m
Underlying basis			
Polymer Chemicals – Europe & North America	55.7	1.1	56.8
Polymer Chemicals – Asia & Rest of World	11.0	-	11.0
Unallocated corporate costs	(4.6)	-	(4.6)
Operating profit	62.1	1.1	63.2
Finance costs	(6.1)	(2.9)	(9.0)
Profit / (loss) before taxation	56.0	(1.8)	54.2
Taxation	(13.4)	-	(13.4)
Profit / (loss) for the period	42.6	(1.8)	40.8
Earnings per share – basic	12.3p	(0.5)p	11.8p
Earnings per share – diluted	12.1p	(0.5)p	11.6p

	Six months ended 30 June 2012		
	As originally reported	Change in accounting policy	Restated
	£m	£m	£m
IFRS			
Polymer Chemicals – Europe & North America	41.9	1.1	43.0
Polymer Chemicals – Asia & Rest of World	7.8	-	7.8
Unallocated corporate costs	(4.6)	-	(4.6)
Operating profit	45.1	1.1	46.2
Finance costs	(6.9)	(2.9)	(9.8)
Profit / (loss) before taxation	38.2	(1.8)	36.4
Taxation	(10.0)	-	(10.0)
Profit / (loss) for the period	28.2	(1.8)	26.4
Earnings per share – basic	8.1p	(0.5)p	7.6p
Earnings per share – diluted	8.0p	(0.5)p	7.5p

The impact on the statement of comprehensive income is as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June 2012		
	As originally reported	Change in accounting policy	Restated
	£m	£m	£m
Profit / (loss) for the period	28.2	(1.8)	26.4
Actuarial (losses) / gains	(3.2)	1.8	(1.4)
Gains on cash flow hedges arising during the period	0.1	-	0.1
Exchange differences on translation of foreign operations	(8.5)	-	(8.5)
Gains on a hedge of a net investment taken to equity	1.4	-	1.4
Other comprehensive (expense) / income for the period	(10.2)	1.8	(8.4)
Total comprehensive income for the period	18.0	-	18.0

(ii) Restatement of prior full year period to 31 December 2012:

The effect of adopting IAS19 (revised) on the Group's profit is to reduce both underlying and total reported profit after tax by £3.5m for the prior full-year ended 31 December 2012. In addition, £2.2m of expenses relating to the expected return on plan assets and interest expense on the pension liability, previously reported within operating expenses have been reclassified to finance costs.

The full impact on the income statement is set out in the table below:

CONSOLIDATED INCOME STATEMENT

	Year ended 31 December 2012		
	As originally reported	Change in accounting policy	Restated
	£m	£m	£m
Underlying basis			
Polymer Chemicals – Europe & North America	98.0	2.2	100.2
Polymer Chemicals – Asia & Rest of World	19.1	-	19.1
Unallocated corporate costs	(8.1)	-	(8.1)
Operating profit	109.0	2.2	111.2
Finance costs	(10.9)	(5.7)	(16.6)
Profit / (loss) before taxation	98.1	(3.5)	94.6
Taxation	(21.7)	-	(21.7)
Profit / (loss) for the year	76.4	(3.5)	72.9
Earnings per share – basic	22.0p	(1.1)p	20.9p
Earnings per share – diluted	21.6p	(1.0)p	20.6p

	Year ended 31 December 2012		
	As originally reported	Change in accounting policy	Restated
	£m	£m	£m
IFRS			
Polymer Chemicals – Europe & North America	70.4	2.2	72.6
Polymer Chemicals – Asia & Rest of World	12.6	-	12.6
Unallocated corporate costs	(8.1)	-	(8.1)
Operating profit	74.9	2.2	77.1
Finance costs	(12.6)	(5.7)	(18.3)
Profit / (loss) before taxation	62.3	(3.5)	58.8
Taxation	(4.4)	-	(4.4)
Profit / (loss) for the year	57.9	(3.5)	54.4
Earnings per share – basic	16.7p	(1.1)p	15.6p
Earnings per share – diluted	16.4p	(1.0)p	15.4p

The impact on the statement of comprehensive income is as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2012		
	As originally reported	Change in accounting policy	Restated
	£m	£m	£m
Profit / (loss) for the year	57.9	(3.5)	54.4
Actuarial (losses) / gains	(20.0)	3.5	(16.5)
Gains on cash flow hedges arising during the year	0.5	-	0.5
Exchange differences on translation of foreign operations	(8.1)	-	(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
Other comprehensive (expense) / income for the year	(25.6)	3.5	(22.1)
Total comprehensive income for the year	32.3	-	32.3

12. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not included in this note.

13. Seasonality

Historically, there has been no visible fixed pattern to seasonality in H1 compared to H2 performance in the Group, but, everything else being equal, because of the summer and Christmas break periods in Europe, management would normally expect the second half profits to be slightly weaker than the first half year.

14. Risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected and historical results. The directors do not consider that the principal risks and uncertainties have changed since the publication of the annual report for the year ended 31 December 2012. These risks include:

- Conditions in the global economy, economic fluctuations in customer industries and volatility and cyclicality of the global chemicals and polymers markets may adversely affect the results of operations, financial condition and cash flows of the Group;
- Volatility in raw material prices and energy prices may adversely affect the profitability of the Group and its working capital position;
- The failure of the Group to procure key raw materials may lead to production interruptions that may adversely affect the profitability of the Group and its working capital position;
- The markets in which the Group operates are highly competitive and the Group may lose market share to other producers or sellers of water based polymers or to other products that can be substituted for the products of the Group;
- The Group operates in a number of different geographies which may present different legal and regulatory risks. In addition, the Group operates in a number of different tax regimes, which may increase the volatility of the effective tax rate and cash tax rate of the Group;
- The ability of the Group to compete is highly dependent on its ability to develop technological innovations, to introduce new products and to protect its intellectual property, trade secrets and know-how. Failure to do so could have an adverse affect on the Group;
- The Group may be liable for damages based on product liability claims brought against its customers in end-use markets. In addition, compliance with extensive environmental, health and safety laws and regulations could require material expenditure, changes in the operations of the Group or site remediation;
- The manufacture, storage and transportation of chemicals is inherently dangerous and any incidents relating to the hazards which the Group faces may adversely affect its financial condition, results of operations and reputation;
- Fluctuations in currency exchange rates may significantly impact the results of the operations of the Group and may significantly affect the comparability of financial results between financial periods;
- Credit market conditions and credit ratings may restrict the ability of the Group to obtain credit facilities or to refinance its existing debt facilities in the longer term. In addition, interest rate fluctuations and increases in bank lending margins may increase the Group’s costs of borrowing in the longer term;
- The carrying value of goodwill and non-current assets is sensitive to changes in estimates of future growth rates and discount rates; and

- The Group has funding risks relating to defined benefit pension schemes and any deterioration in the value of assets in which the pension scheme has invested as against the financial obligations to make payments to members of the schemes could have an adverse effect on the Group. Changes in interest rates will also affect the Group's pension liabilities.

The Group continues to manage these risks as set out in the annual report.

15. Further information

The financial statements were approved by the Board of Directors on 12 August 2013.

This statement can be obtained by the public from the Company's registered office at Temple Fields, Harlow, Essex, CM20 2BH, or on the company website www.synthomer.com.

16. Glossary of terms

Total sales	Total sales represent the total of revenue from Synthomer plc, 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: • Profit or loss impact arising from the sale or closure of an operation; • 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 the 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 represents cash and cash equivalents together with short and long term borrowings, as adjusted for the effect of related derivative instruments, irrespective of whether they qualify for hedge accounting, and non-recourse factoring arrangements and the inclusion of Financial Assets.

Responsibility statement

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union;
- The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

A M Whitfield	D C Blackwood
Chief Executive Officer	Chief Financial Officer
12 August 2013	

INDEPENDENT REVIEW REPORT TO Synthomer PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 6 months ended 30 June 2013, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 of the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 6 months ended 30 June 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

12 August 2013
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory auditors
St Albans