2014 Interim Results

11th August 2014

Highlights

- Solid performance in the context of a challenging environment
- Encouraging performance in Europe and North America:
  - Construction related segments (C+C, FP, PP) ahead 5.9% y-o-y
  - Operating profit slightly ahead on a constant currency basis
- Asia and ROW:
  - Good volume progress
  - Nitrile margins impacted by ongoing competition among glove manufactures
- PBT down 7.4%
- Strong cash generation helped reduce net debt to £114.6m (FY 2013: £133.6m)
- Updated dividend policy
  - 2.5x dividend cover by FY 2014
  - Interim dividend increased by 25% to 3.0 pence

FINANCIAL REVIEW

David Blackwood - Finance Director

Interim Results - summary

	2014	2013	% Change	% Constant FX
Revenue (£m)	510.1	558.3	(8.6)	(2.4)
EBIT (£m)	51.1	56.0	(8.8)	(4.3)
PBT (£m)	45.0	48.5	(7.4)	
EPS	10.1p	10.9p	(7.3)	
DPS	3.0p	2.4p	25	

All data is underlying, comparisons restated for IAS 19 changes

- Group volumes up 1.8%: Europe up 0.4%, Asia 4.9%
- Adverse currency translation of £2.5 million
- Final dividend up 25% to 3.0p

Europe & North America (71% Sales, 87% EBIT – by origination)

	2014	2013	% Change	% Constant FX
Sales (£m)	362.7	396.1	(8.4)	(5.1)
EBIT (£m)	47.8	48.5	(1.4)	1.9
Volumes (Ktes)	413.4	411.8	0.4	

- EBIT up 1.9% on a constant currency basis (down 1.4% as reported)
  - Currency impact of £1.6 million
- Volumes up 0.4%
  - Construction related sectors (C+C, FP, PP) up 5.9%
  - Paper volumes slightly down
  - CCF down due to exit of 9ktes of low volume compound (Carpet and Foam up)
- Unit cash margins firmed from 2013 exit rate

Asia & RoW (29% Sales, 13% EBIT – by origination)

	2014	2013	% Change	% Constant FX
Sales (£m)	147.4	162.2	(9.1)	4.2
EBIT (£m)	7.3	11.5	(36.5)	(28.7)
Volumes (Ktes)	195.1	186.0	4.9	

- EBIT down 36.5% due to weakness in nitrile business and currency
- Volumes up 4.9%
  - Q1 Nitrile demand subdued but pick up in Q2
  - Non-Nitrile volumes up over 5%

Free Cash Flow

	2014		2013
Underlying Operating profit* (£m)	48.0		53.1
Depreciation (£m)	9.7		9.7
Movement in working capital (£m)	(19.1)		(11.9)
Capital expenditure (net) (£m)	(11.6)		(21.8)
Tax, interest, pensions** (£m)	(10.7)		(10.4)
Business cash flow (£m)	16.3		18.7

* Excluding JV's
** Also includes minority interest dividends, and JV dividends

- EBITDA, including share of JV's, £60.8m
- Working capital outflow of £19.1m reflecting normal seasonality
- Capex reduced in line with guidance

Net Cash Flow

	2014		2013
Business cash flow (£m)	16.3		18.7
Synergy spend / restructuring(£m)	(1.8)		(1.5)
Acquisition costs(£m)	-		-
Exchange / other(£m) *	4.5		(13.1)
Movement in borrowings (£m)	19.0		4.1
Closing net debt (£m)	114.6		151.7

* Includes £6.9m currency revaluation of group debt. £5.9m paid for share based compensation in 2013

- Strong cash flow – net debt significantly lower, £37.1m below H1 2013
- Approximately £27m from plantation land sale still expected mid-late 2015

Capital Structure / Net Debt

	2014		2013
Net Cash (£m) (1)	78.1		49.7
Term Debt (£m)	(192.7)		(201.4)
Net Debt (£m)	(114.6)		(151.7)
Undrawn Revolver (£m)	60.0		60.0
Net Debt: EBITDA (LTM)	<1.0		1.2

(1) Includes £5.8m (2013 £6.2m) illiquid financial asset

- Conservative balance sheet – net debt: EBITDA <1.0
- Substantial available liquidity
- Existing bank debt facilities replaced at end July with a committed 5 year £210m revolving loan facility

Balance sheet, Dividend and Capital Management policy

Balance sheet	Investment opportunities	Shareholder returns
▪ Not to move structurally below 1x EBITDA ▪ Not to exceed 2x EBITDA for a sustained period	▪ Remain alert to acquisitions – New Geographies – New Technology – Consolidation ▪ Capital Expenditure for growth projects – Capex hurdle rate is payback less than 5 years or 12% IRR	▪ Ordinary dividend moves to 2.5x cover effective 2014 ▪ Periodic assessment of balance sheet strength and investment opportunities ▪ Consider one off returns, as deemed appropriate, to maintain balance sheet policy position to not be structurally below 1 x EBITDA

Maintain efficient and flexible capital structure over longer term

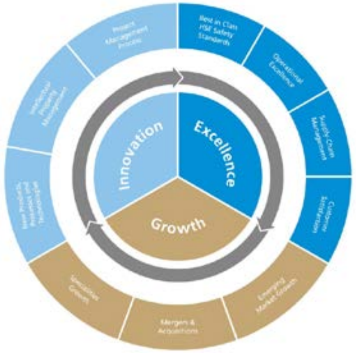
BUSINESS REVIEW

Adrian Whitfield - Chief Executive Officer

Regional Overview: Europe and North America

- Growth being driven by improvement in construction related areas
- Volume growth of 0.4%
  - Average volumes across construction related segments (C+C, FP, PP) up 5.9%
  - Paper and Carpet segments volume declining / competitive
- YTD average unit margins firmer than 2013 exit rate
- Y-O-Y underlying costs flat benefitting from ongoing focus on cost control
- Profitability 1.9% ahead on a constant currency basis

Strategic Actions: Europe and North America



- Synthomer's "Centre of Excellence"
- Plant upgrade completed in Marl allowing green hybrid latex to be produced at both Oulu and Marl
  - Particular focus for these products in the paper industry
- Ongoing ramp up of innovations pipeline
  - Remain on track to launch 14 new products in 2014
- Continued progress with Performance Improvement projects
  - On track to deliver annualised benefits of €10 million per annum from end 2015
  - Total cash costs of approximately €15 million

Regional Overview: Asia and RoW

- Overall volume growth of 4.9%
- Nitrile
  - Limited demand growth Q4 ‘13 + Q1 ’14. Gradual growth since
  - Demand pressure exacerbated by weak Butadiene pricing and a related period of customer de-stocking
  - Margin pressure as strong competition between glove manufacturers continues
- Anticipate firming of margins with increasing demand through H2
- Non-nitrile volumes up over 5%
- Y-O-Y costs down in local currency driven by Performance Improvement projects

Strategic Actions: Asia & RoW

- Continued investment in emerging market growth
  - Additional 28,000 tes (+40%) of Dispersion capacity in the Middle East will commission in Q3
  - Received uprated operating licence in Vietnam; detailed engineering work in hand
  - Improved Nitrile plant capability to be available Q1 2015
  - Planning to improve capability to manufacture speciality XSBR grades in Kluang

- Increased R+D resource to be based in Kluang

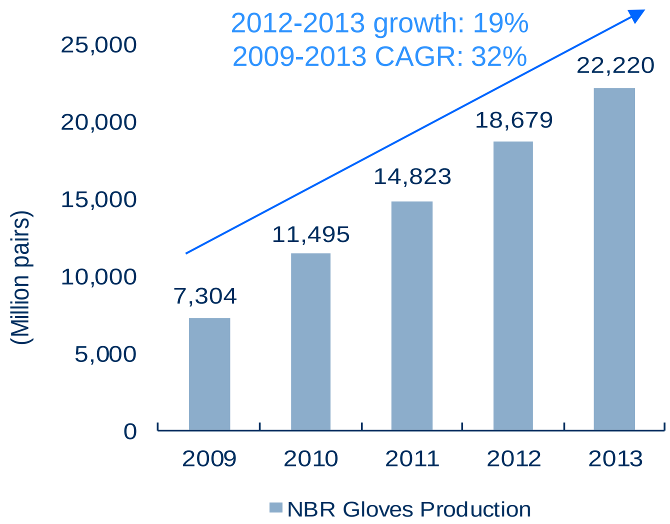
- Will launch 2 new Nitrile grades in H2 2014

- Upgraded SAP capability to be rolled out starting H2 2014

Nitrile Market Development

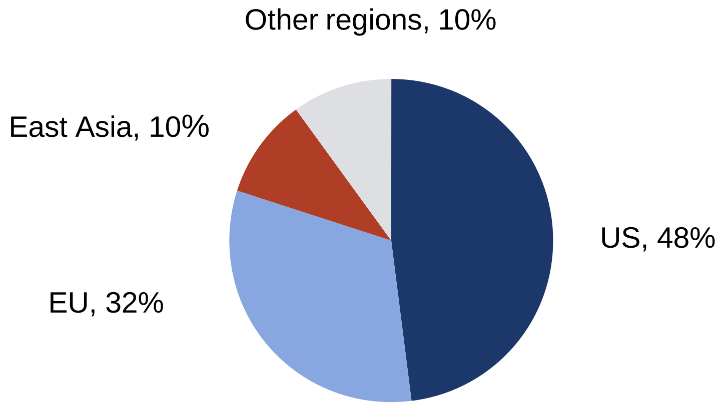
Malaysia Nitrile Glove Exports

Malaysia Glove Export (NBR) – to All Countries



- Strong NBR gloves demand in the last five years; 2012-2013 demand growth 19% globally; gloves demand grow by c.4 billion pairs each year
- Hartalega forecasts NBR gloves to continue to grow at 20% for the next two years (said in Aug 2013)
- Note: NBR gloves get thinner from c.4g to c.3.5g over the last five years. Estimated limit is 3g per glove

Malaysia Glove Export (NBR) – Regional View:

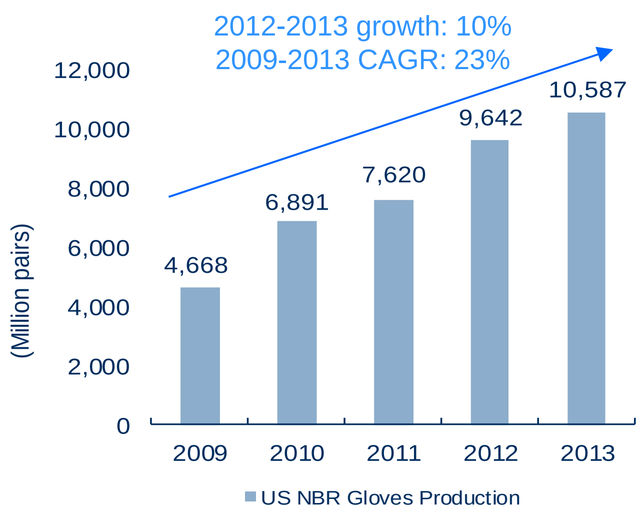


- As of year end 2013, US and EU are the two largest markets for NBR gloves

Source : Kenanga Research Analyst Report 02/07/2014, Malaysian Rubber Export Promotion Council (MREPC), Hartalega 2014 Corporate Presentation

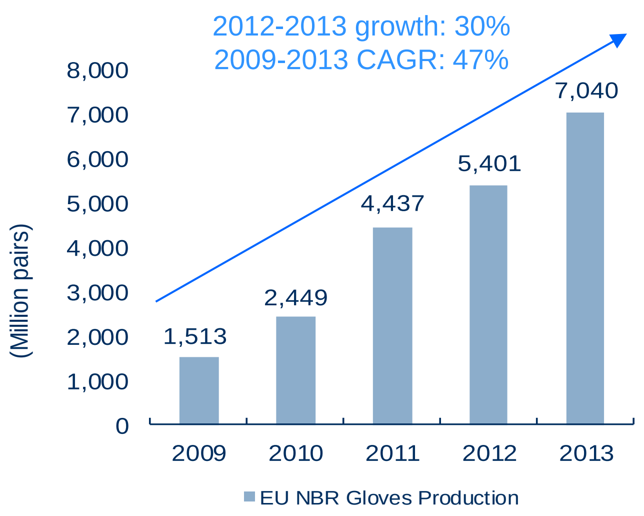
Malaysia Glove Exports

Malaysia Glove Export (NBR) – to US



- NBR gloves demand grew 10% over 2012-2013

Malaysia Glove Export (NBR) – to EU

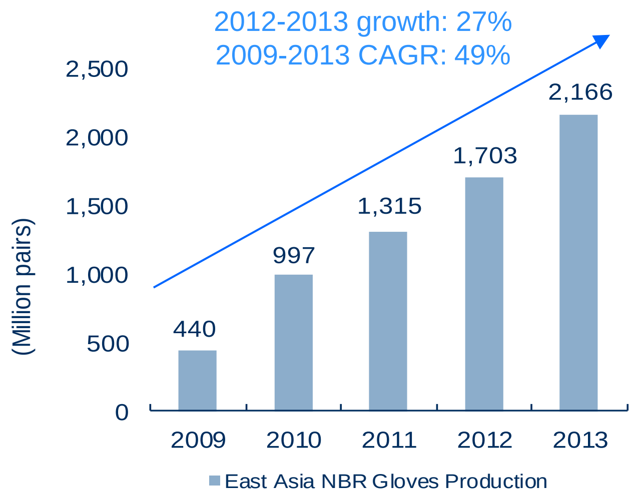


- NBR gloves demand grew 30% over 2012-2013

Source : Kenanga Research Analyst Report 02/07/2014, Malaysian Rubber Export Promotion Council (MREPC)

Malaysia Glove Exports

Malaysia Glove Export (NBR) – East Asia



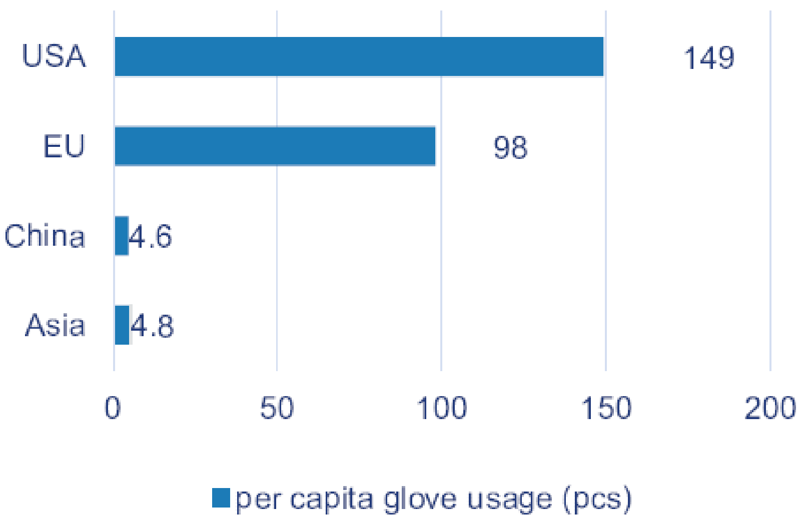
- NBR gloves demand grew 27% over 2012-2013

Note: East Asia = Japan + South Korea + China
Source : Kenanga Research Analyst Report 02/07/2014, Malaysian Rubber Export Promotion Council (MREPC)

Glove Demand: Huge Potential Remains

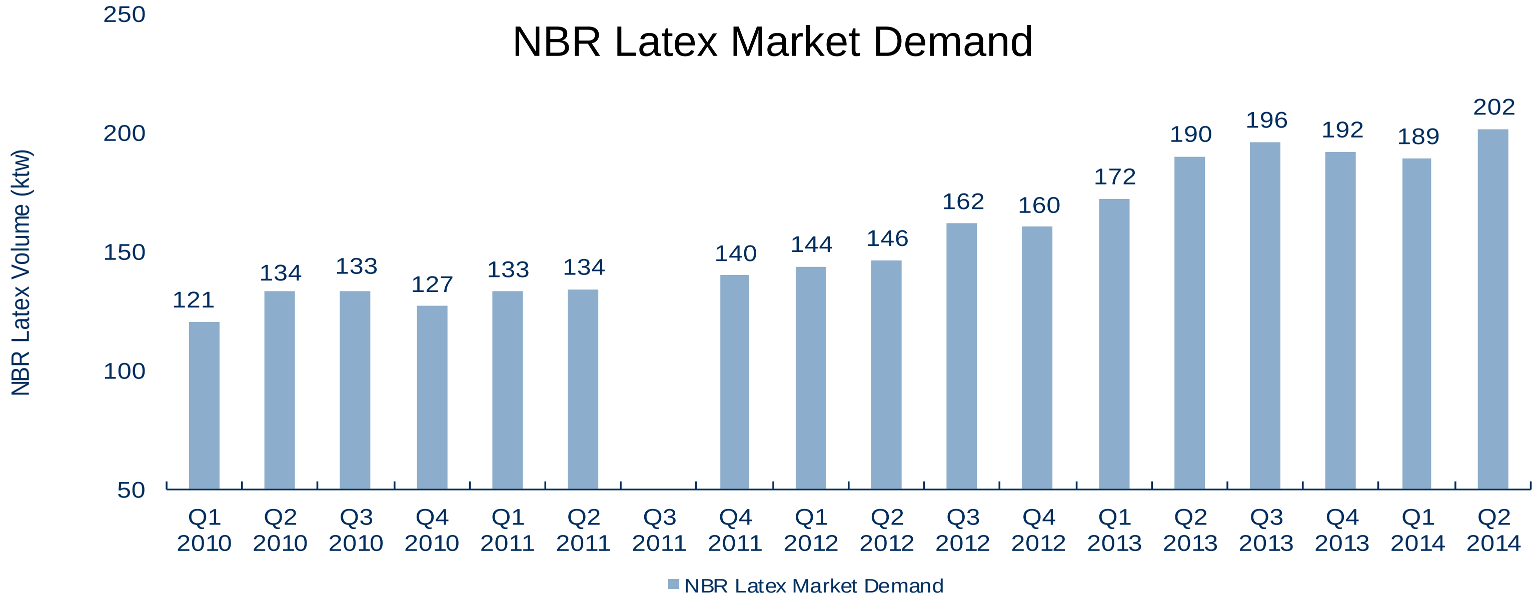
- Asia including China has the lowest per capita glove consumption in the world compared to USA and EU
- China's glove consumption growth will accelerate with the ongoing healthcare reform efforts
- Good opportunities in China market, a deduced potential market size of 132 billion pcs per annum if per capita glove usage equals that of EU nations
- Nitrile glove penetration in Asia is very low, representing good potential for nitrile gloves

Glove Usage Per Capita:



Source : Hartalega 2014 Corporate Presentation

Malaysia NBR Latex Market: Quarterly Developments



- Chart shows quarterly NBR latex demand for the whole market (this is proprietary information from Synthomer's Malaysian team)

- There is no clear sign of NBR latex growth coming to an end, judging from both the quarterly NBR latex demand and global NBR gloves demand

Note: Compiled using Synthomer sales team customers knowledge, and compared against nitrile latex exports statistics
Source : Synthomer HP proprietary information

Nitrile Summary

- Synthomer is the world's largest producer of Nitrile latex
- The fundamentals of the Nitrile glove market continue to be strong
- Major glove manufacturers have invested heavily in new Nitrile glove capacity resulting in increased competition and some consolidation
- Total demand for Nitrile latex improved Q2 2014 after a period of relatively soft demand
- Margins were compressed H1 2014 but we continue to anticipate some firming as demand grows through H2

Synthomer Strategy

1

STRONG MARKET POSITIONS

- Demonstrates technical and commercial strength
- Aligns Synthomer and market needs

2

LEVERAGE EUROPE TO DRIVE EMERGING MARKET GROWTH

- "Centre of Excellence" provides strong base to drive the rest of the business
- Re-invest European "Know How", market profile and Cash Flow to drive overall growth rates

3

INVESTING IN INNOVATION

- Drive growth and efficiency through new products and processes
- Develop "environmentally sustainable" products and processes

Building On Our Strengths For Future Growth

Strong Market Positions

- Global No.1 producer of HS-SBR further reinforced by Versalis' closure of Hythe
- Innovative new products have raised Synthomer's position in European Paper market from No.3 to No.2
- Global leader in Nitrile Latex, European leader in Carpet latices, European No.3 C+C and FP (only behind BASF and Dow)

Leverage Europe to drive EM growth

- Continue to relocate European product range to Asia – plans in place to produce Speciality XSBR grades in Kluang
- Continue to invest in Human Capital in Asia

Investing in Innovation

Innovation

- Committed to product and process innovation being a key driver of future growth
- Appointed new head of Asian R+D based in Kluang
- Upgraded R+D facilities to be created in the UK
- 2 new Nitrile grades to be launched H2
- H1 14% of current sales from products launched in the last 5 years
- 6 patent applications to be filed in 2014. (3 patents applied for in the last 3 years)

Summary & Outlook

- Solid results in a challenging environment
- Encouraged by improved demand in Europe, but still too early to suggest a sustained recovery
- Anticipate demand for nitrile latex to grow and unit margins to firm in H2
- Currency translation expected to impact full year operating profit by approximately £5m
- Assuming no further adverse currency effects, PBT for the full year will be broadly in line with the level achieved in 2013
- Continuing strong cash generation: interim dividend up 25%; reducing dividend cover to 2.5x by FY 2014
- The Board remains confident in the Group's long term strategy

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