Thursday 26 February 2015

Synthomer plc

Preliminary Results for the year ended 31 December 2014

ROBUST PERFORMANCE IN A CHALLENGING ECONOMIC ENVIRONMENT

FULL YEAR HIGHLIGHTS *Underlying performance**	**2014**	**2013**	**Change Reported**	**Change Constant Currency**
	£'m	£'m	%	%
Total Sales	990.5	1,054.9	(6.1)	(2.0)
(including share of JV's)				
Operating Profit (EBIT)	96.5	104.8	(7.9)	(3.4)
Europe and North America (ENA)	*85.7*	*89.8*	(4.6)	(0.7)
Asia and ROW (ARW)	*17.8*	*23.1*	(22.9)	(17.5)
Unallocated	*(7.0)*	*(8.1)*	-	
Profit before Tax	86.0	90.1	(4.6)	(0.2)
EPS (p)	19.5	20.7	(5.8)	
DPS (p) - ordinary	7.8	6.0	30.0	
DPS (p) - special	7.8	-		
Profit before Tax - IFRS	53.8	59.1	(9.0)	

* Underlying performance which excludes special items, unless otherwise stated

- Positive H1 in Europe offset by weaker H2 demand; year-on-year improvement in unit margins.
- Asia weaker but encouraging H2 trends with nitrile volumes up towards the year end and margins continuing to strengthen.
- Strong focus on cost control.
- Good progress on product innovation with 7 patent filings in the year; 16% of 2014 sales from products launched in the last five years.
- Net debt reduced to £112.1 million:
  - Net debt/ EBITDA ratio below 1 times;
  - Special dividend of 7.8p per share; equivalent to £26.5 million, in line with capital management policy.
- Full year regular dividend increased by 30% to 7.8p (interim 3.0p; final 4.8p) consistent with dividend policy.
- New CEO in place.

Commenting on the results, Neil Johnson, Chairman, said:

"*After a positive start to the year, the economy in Europe faltered, causing demand to weaken during the second half. In Asia, we saw the opposite, with a more intense competitive environment putting pressure on nitrile margins during the first half of the year, but an improving position during the second half. In the context of this challenging environment Synthomer has maintained its focus on cost control, product innovation, investment in R&D and capacity expansions in developing markets.*

We remain cautious on the European economy and its impact on demand, but some benefit from lower raw material prices may help offset any volume weakness. However, the weakness of the euro, will affect the translation of our European business results. In Asia, we expect to see an improved performance from nitrile given the continuing tightening in the supply demand position and improving margins. Overall, the Board is confident the Group is well positioned for future growth.

I am delighted to welcome our new CEO Calum MacLean to the Board. His extensive expertise in our industry and track record of growing businesses will be invaluable and I look forward to working with him and taking Synthomer forward."

ENQUIRIES:
Calum MacLean, Chief Executive Officer
David Blackwood, Chief Financial Officer
Tel: 01279 436211

Charles Armitstead
Pendomer Communications
Tel: 020 3603 5220

The Company will host a meeting for analysts at 9.00am today at the Andaz Hotel (40 Liverpool Street EC2M 7QN). The presentation will be audiocast on the Company's website www.synthomer.com.

Underlying and IFRS information, years ended 31 December:

	2014			2013		
	Underlying*	**Special items**	**IFRS**	**Underlying***	**Special items**	**IFRS**
	£'m	£'m	£'m	£'m	£'m	£'m
Total sales (including share of JV's)	990.5	-	990.5	1,054.9	-	1,054.9
Europe and North America	85.7	(25.7)	60.0	89.8	(23.6)	66.2
Asia and ROW	17.8	(5.7)	12.1	23.1	(6.2)	16.9
Unallocated	(7.0)	-	(7.0)	(8.1)	-	(8.1)
Operating profit (including share of JV's)	96.5	(31.4)	65.1	104.8	(29.8)	75.0
Finance costs	(10.5)	(0.8)	(11.3)	(14.7)	(1.2)	(15.9)
Profit/loss before taxation	86.0	(32.2)	53.8	90.1	(31.0)	59.1

* Underlying basis excludes special items. This is primarily amortisation of acquired intangibles of £27.0 million (2013: £28.4 million). A detailed analysis of the special items is provided in the Financial Review.

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 detailed 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. References to 'unit margin' and 'margin' are used in the commentary on underlying performance. Unit margin (or margin) is calculated on selling price less variable raw material and logistics costs.

CHAIRMAN'S STATEMENT

Overview

After a positive start to the year, the European economy faltered causing demand to weaken during the second half. In Asia, we saw the opposite, with a more intense competitive environment putting pressure on nitrile margins during the first half of the year, but an improving position during the second half. In the final two months, we saw a substantial decline in our raw material costs as the price of oil fell and these movements are expected to have some benefit on the performance of the Group in 2015.

In the context of this challenging macro-economic environment, the Group's underlying volumes in 2014 remained in line with 2013. As I wrote last year, Synthomer has continued to demonstrate its resilience, and focus on cost control, product innovation, research and development and capacity expansions in emerging markets.

Full year performance

Underlying Group total sales declined 6.1% to £990.5 million (2013: £1,054.9 million), although, on a constant currency basis, sales reduced by 2.0%, on underlying volume in line with the prior year.

Underlying Group operating profit for the year was £96.5 million, down 7.9% (2013: £104.8 million). This was partly due to the weakening of the Euro that impacted operating profits in our European & North American (ENA) business by £3.4 million. On a constant currency basis, profit was down by 3.4%, mainly due to the lower margin issues we had in nitrile in our Asia and ROW business (ARW) in the first half.

Underlying Group profit before tax was £86.0 million (2013: £90.1 million), a decline of 4.6%, whilst earnings per share at 19.5p (2013: 20.7p) were down by 5.8%. After deducting special items, IFRS profit before tax was £53.8 million (2013: £59.1 million).

Strategy

Our strategy remains unchanged and we continue to focus on delivering growth through geographic expansion in emerging markets, where mega-trends, such as population growth, urbanisation and increasing wealth, are driving demand for our products. In these high-growth regions, we are able to leverage our European "Centres of Excellence" in leading technology, R&D and manufacturing capability to give us a strong competitive advantage. We have started to see the results of the operational efficiency programme we began during 2014 in Europe, and we anticipate this will be rolled out into key facilities in Asia later in 2015.

Additionally, as part of this strategy, we continue to look for further investment opportunities to expand our footprint in Asia.

Investment

Synthomer continues to be a highly cash generative business, giving us the means to invest in future growth. During the year, we commissioned a new 28,000 tonne dispersion line in our Saudi Arabian plant, and we completed the upgrade of one of our German plants to allow us to produce our bio-latex products for the paper industry. Our investment in R&D continues to benefit the business, with 16% of 2014 sales coming from products developed in the last five years, and a further seven patent application filings during the year.

Balance sheet

Net debt, at £112.1 million, was £21.5 million lower than the start of the year. This represents a net borrowing to EBITDA ratio of less than one times, which the Board considers to be at the lower end of our target leverage position.

Dividend

The Board has recommended an increased final ordinary dividend of 4.8p per share, making a total ordinary dividend for the year of 7.8p. The full year ordinary dividend represents an increase of 30% over the previous year, and a dividend cover of 2.5 times, in line with the policy we announced with our interim results.

In the interim results, we also set out our new framework for balance sheet management, and consistent with that, I am also pleased to announce that the Board recommends a special dividend of 7.8p per share, bringing the total dividend for the year to 15.6p.

Safety, health and environment

The Group is committed to the continuous improvement of its performance in respect of safety, health and the environment. I am pleased that we have been able to improve our safety record yet again and reduce our greenhouse gas emissions. Continuous improvement of our safety, health and environmental performance remains a key priority for the Group going forward.

Our people

One of the keys to our continuing success is our people. This year the Group introduced a “Core Values” programme that defines the qualities and characteristics that we would like to see in ourselves, our colleagues and our business. These core values have at their foundation safety, health and environment and will be an important element in defining the Group and its ongoing success. I would like to thank our people for the positive way they have embraced this programme and for their support and hard work during 2014.

Board composition

I am delighted that Calum MacLean has joined as CEO just after the year end. He was previously at INEOS where he held a number of senior roles since 1998, most recently as Board Director INEOS Group and Chairman Styrolution & Petroineos. He has succeeded Adrian Whitfield who has, over the last 8 years transformed the Group from a diverse chemical conglomerate into the focused aqueous polymer business that you see today. I would like to thank Adrian for his enormous contribution to the Group, and, on behalf of the Board and the Group, wish him every success for the future.

As previously announced, David Blackwood, Chief Financial Officer for the past seven years, advised the Board in December of his intention to retire from the Company during 2015. Similarly, after eight years as a non-executive Director, Chairing the Audit Committee and more recently fulfilling the role of Senior Independent Director, Jez Maiden has indicated that he will not be standing for re-election at the 2015 AGM. Searches for suitable successors for both positions are well advanced. There will be other opportunities to thank both David and Jez for their outstanding contributions to Synthomer but I would like to record my personal thanks to all three departing Board colleagues, Adrian, David and Jez, for their support and hard work over many years.

Outlook

We remain cautious on the European economy and its impact on demand, but some benefit from lower raw material prices may help offset any volume weakness. However, the weakness of the euro, will affect the translation of our European business results. In Asia, we expect to see an improved performance from nitrile given the continuing tightening in the supply demand position and improving margins. Overall, the Board is confident the Group is well positioned for future growth.

Neil Johnson
Chairman
25 February 2014

CHIEF EXECUTIVE OFFICER'S REPORT

Having joined Synthomer as your Chief Executive Officer in January 2015, I have not led the business through the year under review. However, whilst the broader trading environment in both Europe and Asia has undoubtedly made it a difficult year, I believe that the Group's robust performance in the current environment demonstrates its ongoing potential for future growth.

In my first few weeks, I have enjoyed exploring the business and listening to the views of my colleagues. I look forward to working closely with my new colleagues in the year ahead and taking Synthomer forward.

Overview

2014 was another challenging year for the Group, with the absence of a sustained recovery in Europe and a tough competitive environment impacting margins in nitrile during the first half of the year. Underlying Group operating profit of £96.5 million was down 7.9% (3.4% on a constant currency basis) on prior year.

In the first half of 2014 we saw some encouraging signs in Europe with good underlying growth in our construction related markets, only to see the position reverse later in the year as the prospect of a European economic recovery fell away. In Asia, we had a disappointing start to the year as competitive pressure and overcapacity amongst our customers, the glove manufacturers, combined to put downward pressure on nitrile margins after we had seen improvements over the course of 2013. Encouragingly we saw nitrile margins improve again over the course of the second half of 2014 as the supply demand position for nitrile latex tightened.

Net of lower interest costs and a slightly higher tax rate, underlying earnings per share were down 5.8% at 19.5p (2013 20.7p).

Our rate of innovation is accelerating, with a total of seven patent filings in 2014. These patents covered not only extensions of our existing technology, but also included new processes and a new polymer composition patent.

We have also had a record number of new product launches this year, with a total of 16 products coming to market. These include products designed to improve wood coatings and new nitrile latex grades for the thin walled glove market. We have a good pipeline of products in development for the coming years. New products launched in the last five years contributed over 16% of 2014 Group revenues, compared with 12% in 2013. We remain confident of being able to improve this percentage, and have a medium-term target for new products launched in the preceding 5 years to contribute 20% of annual group revenues.

We continue to invest in our business, with the commissioning of a new 28 kte production line in our Saudi plant, which has taken the name plate capacity of the plant to 100 ktes. We also completed the upgrade of one of our German SBR plants to allow us to produce our bio-latex for the paper industry, which we had previously introduced into our Oulu plant in Finland. This will allow us to move almost half of our paper latex sales to the new bio-latex grade – and we expect to be at this run rate by the end of 2015.

Our Oulu plant in Finland was a 50/50 joint venture. In October 2014, we acquired the remaining 50 per cent to make the business a wholly owned subsidiary.

We continue to invest in our people and, during 2014, we have engaged in a number of development programmes to support our staff and our business. These programmes include the introduction of Synthomer "Core Values". These core values have at their foundation safety, health and environment and will be an important element in defining the Group and its ongoing success.

After a reasonably benign year for raw materials in 2013, 2014 saw some substantial movements. Vinyl Acetate monomer spiked severely mid-year, and all monomers declined sharply towards the end of the year due to falling oil prices and deteriorating supply demand positions for the producers of our core monomers, such as Butadiene and Styrene. Overall, these movements, were actively managed in our selling prices to customers.

Divisional performance

We report the performance of the Group as 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. In 2014, ENA accounted for 69% of Group sales and ARW for 31% of Group sales. As we export many specialty products from Europe to Asia, looking at sales on a destination basis, ENA comprises 62% of Group sales with ARW accounting for 38%. Within the two segments, we split our sales and marketing activities into six areas which we refer to as strategic business units (SBU's). These comprise: "Paper"; "Carpet, Compounds and Foam" (CCF); "Construction and Coatings" (CC); "Functional Polymers" (FP); "Performance Polymers" (PP) and "Health and Protection" (HP) – which includes our Asian nitrile latex business.

Europe & North America (ENA)

Underlying performance	**2014**	2013
Sales (£'m)	**687.2**	744.8
Operating profit (£'m)	**85.7**	89.8
Volumes (ktes)	**794.3**	805.5

Underlying operating profit in our ENA segment was down by 4.6% year-on-year (0.7% down on a constant currency basis).

Aggregate volumes were 1.4% lower. This includes the full recognition of Synthomer Finland Oy (formerly Eka Synthomer Oy) from the acquisition date of our JV partner's 50% holding, and the effect of exiting 18 ktes of very low margin compound business during the year. Excluding these, volumes decreased by 0.8% in 2014 having been 2.6% ahead at the half year on the same basis.

The drop in demand in the second half reflected the general European economic climate and some destocking towards the end of the year, following a drop in the cost of raw materials and customers choosing to wait for prices to stabilise before rebuilding stocks. Overall, volumes in our main SBU's were broadly flat, other than Paper, where we are continuing to see a structural decline in this market.

We saw some margin erosion in 2013, reaching a low point as we exited that year. Margins recovered over the course of 2014, with average margins ahead of 2013, on a constant currency basis. Towards the end of 2014, margins were helped by declining raw material prices, though the benefit of this looking forward is likely to be modest. Margins were weaker in Paper, but improved in CCF, FP and CC.

There have been a number of product launches in ENA during the year. Our focus on high performance coatings applications has led to the introduction of binder systems for parquet flooring and exterior joinery applications. Also, the latest regulatory requirements have resulted in us launching new products into a number of markets, these include: a range of SBR latex for cement flexibilisation, a formaldehyde free non-woven binder and a flooring adhesive that meets the most stringent European regulations. We have also been able to use our proprietary acrylic technology in new cement membrane applications and introduce two new SBR products in the coated paper market, where we also saw further market uptake of our bio-polymer hybrid. The first half of the year saw the market introduction of our new Alcotex product for the PVC industry.

We have been progressing with our performance improvement programme for Europe, named 'Synthomer 2015', which we announced with our 2013 results. This programme has reviewed aspects of our processes, energy efficiency and productivity, and established ways to optimise these across all functions. All the European plants have been reviewed during 2014 and areas for improvement have been identified. Our internal team is now spending time with each of the plants and working with them in order to implement planned improvements. We continue to expect efficiencies and savings of at least €10 million per annum, with some of those savings expected to crystallise in 2015. The costs of the project are still in line with our expectations of €15 million of which €5 million will be capital. We have recognised costs of €5.6 million (£4.5 million) in the year and these can be seen in the special items note of the 2014 financial statements.

Asia & Rest of World (ARW)

Underlying performance	**2014**	2013
Sales (£'m)	**303.3**	310.1
Operating profit (£'m)	**17.8**	23.1
Volumes (ktes)	**396.5**	376.2

Operating profit in our ARW segment was £17.8 million, down £5.3 million (22.9%) compared with 2013 and down 17% on a constant currency basis. Volumes have increased by 20.3 ktes (5.4%).

Nitrile volumes were ahead some 3.0% on 2013, with a noticeable strengthening in demand towards the end of 2014. Nitrile was impacted significantly in the first half of the year by intense competition and customer pressure due to excess glove manufacturing capacity. We recovered our margins in the second half with margins progressively strengthening, exiting the year ahead of 2013 average levels.

The ARW non-nitrile business has seen good demand with volumes up, though margin was slightly lower due to the competitive effects of new manufacturing capacity coming on line in Malaysia.

There has been a big focus on product development for the Asian coatings market, with the launch of a new vinylic based binder that gives formulating flexibility to optimise the cost/performance balance. We have also extended our alkyd product line, with a product offering improved gloss retention to extend the lifetime of interior and exterior paints gloss finish coatings. Additionally, a number of other coatings products are in the initial commercialisation phase, for example, for use as concrete primer systems, premium interior paints and exterior coatings.

We launched two new nitrile grades towards the end of the year, which could create up to 50 ktes of new capacity compared to older grades due to their shorter manufacturing times.

In the Middle East, our new 28 kte line was commissioned, taking the site's capacity to 100 ktes. We still anticipate strong nitrile growth going forward and are considering carefully the timing of new nitrile capacity expansion over and above that created by our recent product launches.

Calum MacLean
Chief Executive Officer
25 February 2015

FINANCIAL REVIEW

Income statement

Sales, operating profit and profit before tax – underlying performance
Total sales decreased by 6.1% to £990.5 million (2013: £1,054.9 million) with Group operating profit 7.9% lower at £96.5 million (2013: £104.8 million). This was due to weakening exchange rates, the generally difficult economic environment in Europe and continued challenging market conditions in Asia, primarily in the first half of the year. On a constant currency basis, sales and EBIT were 2.0% and 3.4% down respectively.

With lower interest costs in 2014, the Group's profit before tax at £86.0 million was down by 4.6%, and similar to 2013 on a constant currency basis.

Tax and EPS – underlying performance
The Group's underlying tax rate of 21.4% (2013: 20%) remains low, reflecting the benefits of pioneer status (extended tax holiday) on one of our businesses 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 non-controlling interests was £1.4 million (2013: £1.8 million).

As a result, the underlying earnings per share for 2014 was 19.5p, compared to 20.7p per share for 2013, a decrease of 5.8%.

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:

- Net acquisition credit of £0.1 million.
- Restructuring costs associated with the 'Synthomer 2015' European programme of £4.5 million. There will be some additional costs associated with this programme during 2015 and 2016 with the total cost for the project expected to be £8 million (€10 million).
- Various cross-currency and interest rate swaps for hedging purposes, which involve maturities of up to three years. IFRS requires that where the strict requirements of IAS39 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 £0.8 million (2013: £1.2 million loss) is segregated from the underlying performance.
- Amortisation of intangibles of £27.0 million (comprising £25.8 million in the Company and subsidiaries and £1.2 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 until the associated intangible assets are fully amortised.

After deducting special items from underlying performance the IFRS profit before tax was £53.8 million (2013: £59.1 million) and earnings per share were 13.3p (2013: 14.2p).

Dividend

The Board proposes an increased final ordinary dividend of 4.8p which, with the interim ordinary dividend of 3.0p, brings the total ordinary dividend for the year to 7.8p per share. This is 2.5 times covered (2013: 3.5 times), and in line with the Group's new capital management policy issued with the half year results.

In addition a special dividend of 7.8p will be proposed in line with the Group's updated policy on balance sheet management - issued with the half year results. This will be paid at the same time as Group's final dividend payment.

Balance sheet

Goodwill decreased to £232.8 million at the end of 2014 from £241.1 million at the end of 2013 due to foreign currency translation.

Acquired intangible assets decreased to £80.7 million at 31 December 2014 from £109.5 million in the prior year. This movement reflects the intangible assets of £2.1 million acquired on the acquisition of Synthomer Finland Oy, regular annual amortisation of £25.8 million reported in special items, and currency translation.

Property, plant and equipment increased to £205.4 million at 31 December 2014 compared to £203.1 million at 31 December 2013. Additions during the year were £21.6 million.

Following on from the Malaysian land sales announced with the 2013 results, further progress has been made. In January 2015, contracts have been exchanged on a further plot of land. This has brought total sales proceeds for contracted land sales to MYR 232.8 million in the Group's 70% owned subsidiary, Revertex (Malaysia) Sdn Bhn, of which proceeds due to the Group will amount to MYR 154.8 million (net of land taxes), approximately £28 million at year end rates. Some 440 acres, approximately one quarter of the total land originally offered for sale, remains, for which we continue to seek a buyer.

The deferred tax liability has decreased to £35.5 million from £43.8 million during the year, due mainly to the amortisation of intangible assets.

This year we have disclosed separately provisions for other liabilities and charges to provide additional clarity to our financial statements, albeit that the amounts are not material. These have remained broadly unchanged year on year at £6.5 million (2013 £6.6 million). The largest element of this provision is £3.4 million relating to certain legal and customer claims against the Group.

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 2014, with a total return on assets (excluding cash) of 10.1%. The yield on high-quality corporate bonds decreased by 0.9% in the year which increased liabilities. The Company made cash contributions to the fund in the year of £9.0 million, which included a £4.1 million prepayment of 2015 contributions. The overall effect of these changes was that there was an increase in the deficit of the scheme, to £83.8 million at the end of 2014 (2013: £60.3 million). Due to the prepayment, cash contributions in 2015 are expected to be of the order of £9 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 £66.9 million (2013: £52.6 million), due to the impact of lower yields on high quality euro bonds. 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:

	2014 audited £'m	2013 audited £'m
Underlying operating profit (before joint ventures)	**91.2**	99.9
Movement in working capital	**(9.1)**	5.8
Depreciation and amortisation (underlying)	**21.5**	19.2
Capital expenditure (net)	**(21.5)**	(35.0)
Interest paid (net)	**(6.8)**	(9.3)
Tax paid	**(18.1)**	(17.4)
Pension funding in excess of IAS 19 charge	**(10.7)**	(8.7)
Non-controlling interests and joint venture cash flows	**4.7**	3.8
Free cash flow	**51.2**	58.3
Cash impact of restructuring	**(3.8)**	(3.8)
Purchase of business	**(8.6)**	-
Dividends paid	**(22.4)**	(19.4)
Exchange/other*	**5.1**	(12.9)
Movement in underlying borrowings	**21.5**	22.2
Closing underlying net borrowings	**112.1**	133.6
EBITDA – management:		
Operating profit (inc. joint ventures)	**96.5**	104.8
Depreciation and amortisation (underlying)	**21.5**	19.2
Total Management EBITDA	**118.0**	124.0

* Exchange / other includes £2.6 million paid in settlement of long term incentive schemes (2013: £6.2 million).

Underlying net borrowings reduced during the year to £112.1 million.

Group management EBITDA decreased to £118.0 million, reflecting the lower operating profit.

Net capital expenditure decreased in 2014 to £21.5 million, and is net of proceeds received from the sale of a plot of land in the UK following the closure of the facility at Batley in 2013. Gross expenditure was £22.0 million.

Pension funding in excess of IAS19 charge of £10.7 million includes the £4.1 million pre-payment to the UK pension fund.

Financing and liquidity

As at the end of 2014, the Group had the following drawn term funding in place:

	£'m
Euro denominated bank loan maturing July 2019	124.7
US private placements	14.1
Factoring with recourse	1.9
Less: Associated currency hedges and costs	(3.7)
Total	137.0

This compares to a net borrowing position of £112.1 million.

The Group's £210 million committed loan facility maturing July 2019 had £85.3 million undrawn at the end of the year.

Net cash held at the year end (cash and cash equivalents less short term overdrafts) was £24.9 million.

The US private placements £14.1 million ($22.0 million) is repayable on 2 September 2016. Net of derivatives associated with this, and maturing at the same time, this is equivalent to a repayment of £12.1 million.

Underlying net borrowings to EBITDA, the Group's key leverage metric, was just below 1.0 times at the end of 2014 (2013: 1.1).

David Blackwood
Chief Financial Officer
25 February 2015

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 Underlying performance audited £'m	2014 Special items audited £'m	2014 IFRS audited £'m	2013 Underlying performance audited £'m	2013 Special items audited £'m	2013 IFRS audited £'m
Continuing operations							
Group revenue		936.4	-	936.4	992.7	-	992.7
Share of joint ventures' revenue		54.1	-	54.1	62.2	-	62.2
Total sales	2	990.5	-	990.5	1,054.9	-	1,054.9
Group revenue		936.4	-	936.4	992.7	-	992.7
Company and subsidiaries before special items		91.2	-	91.2	99.9	-	99.9
Restructuring and site closure		-	(4.5)	(4.5)	-	(1.4)	(1.4)
Acquisition		-	0.1	0.1	-	-	-
Amortisation of acquired intangibles		-	(25.8)	(25.8)	-	(26.7)	(26.7)
Company and subsidiaries		91.2	(30.2)	61.0	99.9	(28.1)	71.8
Share of joint ventures		5.3	(1.2)	4.1	4.9	(1.7)	3.2
Operating profit / (loss)	2	96.5	(31.4)	65.1	104.8	(29.8)	75.0
Interest payable		(6.7)	-	(6.7)	(10.5)	-	(10.5)
Interest receivable		0.8	-	0.8	0.9	-	0.9
		(5.9)	-	(5.9)	(9.6)	-	(9.6)
IAS19 interest charge		(4.6)	-	(4.6)	(5.1)	-	(5.1)
Fair value adjustment		-	(0.8)	(0.8)	-	(1.2)	(1.2)
Finance costs	3	(10.5)	(0.8)	(11.3)	(14.7)	(1.2)	(15.9)
Profit/(loss) before taxation		86.0	(32.2)	53.8	90.1	(31.0)	59.1
Taxation		(18.4)	10.9	(7.5)	(18.0)	8.5	(9.5)
Profit/(loss) for the year		67.6	(21.3)	46.3	72.1	(22.5)	49.6
Profit attributable to non-controlling interests		1.4	(0.4)	1.0	1.8	(0.5)	1.3
Profit / (loss) attributable to equity holders of the parent		66.2	(20.9)	45.3	70.3	(22.0)	48.3
		67.6	(21.3)	46.3	72.1	(22.5)	49.6
Earnings/(loss) per share							
Basic		19.5p	(6.2)p	13.3p	20.7p	(6.5)p	14.2p
Diluted		19.3p	(6.1)p	13.2p	20.5p	(6.4)p	14.1p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014

	2014			2013		
	Equity holders of the parent audited £'m	**Non-controlling interests** audited £'m	**Total** audited £'m	**Equity holders of the parent** audited £'m	**Non-controlling interests** audited £'m	**Total** audited £'m
Profit for the year	45.3	1.0	46.3	48.3	1.3	49.6
Actuarial gains and losses	(47.8)	-	(47.8)	4.4	-	4.4
Tax relating to components of other comprehensive income	5.9	-	5.9	-	-	-
Total items that will not be reclassified to profit or loss	(41.9)	-	(41.9)	4.4	-	4.4
Gains on cash flow hedges arising during the year	-	-	-	2.3	-	2.3
Exchange differences on translation of foreign operations	(15.3)	-	(15.3)	(11.5)	(1.0)	(12.5)
Exchange differences recycled on deemed disposal of joint venture	1.0	-	1.0	-	-	-
Gains/(losses) on a hedge of a net investment taken to equity	11.1	-	11.1	(3.6)	-	(3.6)
Total items that may be reclassified subsequently to profit or loss	(3.2)	-	(3.2)	(12.8)	(1.0)	(13.8)
Other comprehensive expense for the year	(45.1)	-	(45.1)	(8.4)	(1.0)	(9.4)
Total comprehensive income for the year	0.2	1.0	1.2	39.9	0.3	40.2

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 2014	34.0	230.5	0.9	-	(20.0)	-
Profit for the year	-	-	-	-	-	-
Actuarial gains and losses	-	-	-	-	-	-
Gains on cash flow hedges arising during the year	-	-	-	-	-	-
Exchange difference on translation of foreign operations	-	-	-	-	(15.3)	-
Exchange differences recycled on deemed disposal of joint venture	-	-	-	-	1.0	-
Gains on a hedge of a net investment taken to equity	-	-	-	-	11.1	-
Tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive (expense) / income for the year	-	-	-	-	(3.2)	-
Dividends paid to shareholders	-	-	-	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
At 31 December 2014	34.0	230.5	0.9	-	(23.2)	-

	Retained earnings	Total	Non-controlling interests	Total equity
	audited	audited	audited	audited
	£'m	£'m	£'m	£'m
At 1 January 2014	45.1	290.5	12.0	302.5
Profit for the year	45.3	45.3	1.0	46.3
Actuarial gains and losses	(47.8)	(47.8)	-	(47.8)
Gains on cash flow hedges arising during the year	-	-	-	-
Exchange difference on translation of foreign operations	-	(15.3)	-	(15.3)
Exchange differences recycled on deemed disposal of joint venture	-	1.0	-	1.0
Gains on a hedge of a net investment taken to equity	-	11.1	-	11.1
Tax relating to components of other comprehensive income	5.9	5.9	-	5.9
Total comprehensive (expense) / income for the year	3.4	0.2	1.0	1.2
Dividends paid to shareholders	(22.4)	(22.4)	-	(22.4)
Dividends paid to non-controlling interests	-	-	(2.2)	(2.2)
Share-based payments	(2.0)	(2.0)	-	(2.0)
At 31 December 2014	24.1	266.3	10.8	277.1

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 2013	34.0	230.5	0.9	-	(4.9)	(2.3)
Profit for the year	-	-	-	-	-	-
Actuarial gains and losses	-	-	-	-	-	-
Gains on cash flow hedges arising during the year	-	-	-	-	-	2.3
Exchange difference on translation of foreign operations	-	-	-	-	(11.5)	-
Losses on a hedge of a net investment taken to equity	-	-	-	-	(3.6)	-
Tax relating to components of other comprehensive income	-	-	-	-	-	-
Total comprehensive (expense) / income for the year	-	-	-	-	(15.1)	2.3
Dividends paid	-	-	-	-	-	-
Share-based payments	-	-	-	-	-	-
At 31 December 2013	34.0	230.5	0.9	-	(20.0)	-

	Retained earnings	Total	Non controlling interest	Total equity
	audited	audited	audited	audited
	£'m	£'m	£'m	£'m
At 1 January 2013	16.7	274.9	11.7	286.6
Profit for the year	48.3	48.3	1.3	49.6
Actuarial gains and losses	4.4	4.4	-	4.4
Gains on cash flow hedges arising during the year	-	2.3	-	2.3
Exchange difference on translation of foreign operations	-	(11.5)	(1.0)	(12.5)
Losses on a hedge of a net investment taken to equity	-	(3.6)	-	(3.6)
Tax relating to components of other comprehensive income	-	-	-	-
Total comprehensive (expense) / income for the year	52.7	39.9	0.3	40.2
Dividends paid	(19.4)	(19.4)	-	(19.4)
Share-based payments	(4.9)	(4.9)	-	(4.9)
At 31 December 2013	45.1	290.5	12.0	302.5

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014

	2014	2013
	audited	audited
	£'m	£'m
Non-current assets		
Goodwill	232.8	241.1
Acquired intangible assets	80.7	109.5
Other intangible assets	0.5	0.5
Property, plant and equipment	205.4	203.1
Deferred tax assets	14.4	9.9
Investment in joint ventures	7.5	13.0
Total non-current assets	541.3	577.1
Current assets		
Inventories	75.4	79.4
Trade and other receivables	137.8	133.3
Financial asset	-	5.8
Cash and cash equivalents	24.9	59.0
Derivatives at fair value	2.3	6.4
Total current assets	240.4	283.9
Asset classified as held for sale	1.1	1.1
Current liabilities		
Borrowings	(1.9)	(42.4)
Trade and other payables	(141.3)	(154.4)
Current tax liability	(32.7)	(38.6)
Provisions for other liabilities and charges	(1.2)	(0.9)
Total current liabilities	(177.1)	(236.3)
Non-current liabilities		
Borrowings	(137.1)	(160.9)
Deferred tax liability	(35.5)	(43.8)
Post retirement benefit obligations	(150.7)	(112.9)
Provisions for other liabilities and charges	(5.3)	(5.7)
Total non-current liabilities	(328.6)	(323.3)
Net assets	277.0	302.5
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	(23.2)	(20.0)
Cash flow hedging reserve	-	-
Retained earnings	24.1	45.1
Equity attributable to equity holders of the parent	266.3	290.5
Non-controlling interests	10.8	12.0
Total equity	277.1	302.5

The financial statements were approved by the Board of Directors and authorised for issue on 25 February 2015.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2014 continued

	2014	2013
	audited	audited
	£'m	£'m
ANALYSIS OF NET BORROWINGS		
Cash and cash equivalents	24.9	59.0
Current borrowings	(1.9)	(42.4)
Financial asset	-	5.8
Non-current borrowings	(137.1)	(160.9)
Net borrowings	(114.1)	(138.5)
Special item: deduct fair value adjustment*	2.0	4.9
Net borrowings (underlying performance)	(112.1)	(133.6)

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

	2014		2013	
	audited £'m	audited £'m	audited £'m	audited £'m
Operating				
Cash generated from operations		89.1		92.5
Interest received	0.8		0.9	
Interest paid	(7.6)		(10.2)	
Net interest paid		(6.8)		(9.3)
UK corporation tax paid	-		-	
Overseas corporate tax paid	(18.1)		(17.4)	
Total tax paid		(18.1)		(17.4)
Net cash inflow from operating activities		64.2		65.8
Investing				
Dividends received from joint ventures		4.7		3.8
Purchase of property, plant and equipment	(22.0)		(39.1)	
Sale of property, plant and equipment	0.5		4.1	
Net capital expenditure and financial investment		(21.5)		(35.0)
Purchase of business		(3.9)		-
Proceeds from financial asset		6.1		-
Net cash outflow from investing activities		(14.6)		(31.2)
Financing				
Equity dividends paid		(22.4)		(19.4)
Dividends paid to non-controlling interests		(2.2)		-
Settlement of equity-settled share based payments		(2.6)		(6.2)
Repayment of borrowings		(59.9)		-
Net cash outflow from financing activities		(87.1)		(25.6)
(Decrease) / increase in cash, cash equivalents and bank overdrafts during the year		(37.5)		9.0
Cash, cash equivalents and bank overdrafts at 1 January 2014		59.0		53.3
Cash (outflows) / inflows				
Cash and cash equivalents	(37.5)		8.6	
Bank overdrafts	-		0.4	
		(37.5)		9.0
Exchange and other movements		3.4		(3.3)
Cash, cash equivalents and bank overdrafts at 31 December 2014		24.9		59.0

RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO MOVEMENT IN NET BORROWINGS FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	audited £'m	audited £'m
Net cash inflow from operating activities	64.2	65.8
Add back: reduction in factored invoices	-	20.4
Add back: dividends received from joint ventures	4.7	3.8
Less: net capital expenditure	(21.5)	(35.0)
Less: purchase of business	(8.6)	-
	38.8	55.0
Equity dividends paid	(22.4)	(19.4)
Dividends paid to non-controlling interests	(2.2)	-
Settlement of equity-settled share based payments	(2.6)	(6.2)
Exchange movements	9.9	(7.2)
Movement in net borrowings (underlying performance)	21.5	22.2

1 Special items

The special items disclosed are made up as follows:

		Note	2014 audited £'m	2013 audited £'m
Continuing operations				
Operating profit / (loss)				
Acquisition of controlling interests in EKA Synthomer Oy				
Excess of net assets acquired over consideration paid – "Bargain Purchase"			1.2	-
Recycling of foreign exchange on deemed disposal of non-controlling interest			(1.0)	-
Acquisition costs			(0.1)	-
			0.1	-
Restructuring and site closure			(4.5)	(1.4)
Amortisation of acquired intangibles	Subsidiaries		(25.8)	(26.7)
	Share of joint ventures		(1.2)	(1.7)
			(31.4)	(29.8)
Finance costs				
Fair value adjustment		3	(0.8)	(1.2)
(Loss) before taxation from continuing operations			(32.2)	(31.0)
Taxation			10.9	8.5
(Loss) for the year from continuing operations			(21.3)	(22.5)

The restructuring and site closure costs charged to the consolidated income statement above are in respect of the European cost reduction programme.

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, the chief operating decision maker, concerning interest revenues, interest expense, depreciation or amortisation, income taxes or other material non-cash items.

	2014			2013		
	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						
Europe and North America						
Subsidiaries	661.4	-	661.4	710.3	-	710.3
Share of Joint ventures	25.8	-	25.8	34.5	-	34.5
	687.2	-	687.2	744.8	-	744.8
Asia and Rest of World						
Subsidiaries	275.0	-	275.0	282.4	-	282.4
Share of Joint ventures	28.3	-	28.3	27.7	-	27.7
	303.3	-	303.3	310.1	-	310.1
Total sales	990.5	-	990.5	1,054.9	-	1,054.9
Total share of joint ventures						
Europe and North America	25.8	-	25.8	34.5	-	34.5
Asia and Rest of World	28.3	-	28.3	27.7	-	27.7
	54.1	-	54.1	62.2	-	62.2
Operating profit by activity						
Europe and North America						
Subsidiaries	84.0	(24.5)	59.5	88.2	(21.9)	66.3
Share of Joint ventures	1.7	(1.2)	0.5	1.6	(1.7)	(0.1)
	85.7	(25.7)	60.0	89.8	(23.6)	66.2
Asia and Rest of World						
Subsidiaries	14.2	(5.7)	8.5	19.8	(6.2)	13.6
Share of Joint ventures	3.6	-	3.6	3.3	-	3.3
	17.8	(5.7)	12.1	23.1	(6.2)	16.9
Divisional operating profit	103.5	(31.4)	72.1	112.9	(29.8)	83.1
Unallocated corporate expenses	(7.0)	-	(7.0)	(8.1)	-	(8.1)
Operating profit / (loss)	96.5	(31.4)	65.1	104.8	(29.8)	75.0
Total share of joint ventures						
Europe and North America	1.7	(1.2)	0.5	1.6	(1.7)	(0.1)
Asia and Rest of World	3.6	-	3.6	3.3	-	3.3
	5.3	(1.2)	4.1	4.9	(1.7)	3.2

	2014	2013
	audited	audited
	£'m	£'m
Total sales by destination		
Western Europe	527.4	574.6
Eastern Europe	56.0	50.0
North America	39.0	38.2
Asia	273.9	290.7
Africa and Middle East	91.9	96.0
Rest of World	2.3	5.4
	990.5	1,054.9

3 Finance costs

	2014 audited £'m	2013 audited £'m
Interest payable on bank loans and overdrafts	5.1	8.4
Interest payable on other loans	1.6	2.1
	6.7	10.5
Less: interest receivable	(0.8)	(0.9)
	5.9	9.6
IAS 19 interest charge	4.6	5.1
Net interest payable	10.5	14.7
Fair value adjustment	0.8	1.2
Total finance costs	11.3	15.9

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

		2014 audited £'m	2013 audited £'m
Operating profit – continuing operations		65.1	75.0
Less: share of profits of joint ventures		(4.1)	(3.2)
		61.0	71.8
Adjustments for:			
Depreciation (underlying)		21.2	19.0
Amortisation (underlying)		0.3	0.2
Amortisation: special items		25.8	26.7
Restructuring and site closure	- Cash costs	4.5	1.4
	- Non-cash costs	-	-
Share-based payments		0.3	0.8
Profit on sale of fixed assets		(0.4)	(0.3)
Cash impact of restructuring and site closure		(3.8)	(3.8)
IAS 19 interest charge		(4.6)	(5.1)
Pension funding in excess of IAS 19 charge		(6.1)	(3.6)
Decrease /(increase) in inventories		6.0	(3.3)
Decrease in trade and other receivables		2.5	3.4
Decrease in trade and other payables		(17.6)	(14.7)
Cash generated from operations		89.1	92.5
Reconciliation of movement in working capital			
Decrease /(increase) in inventories		6.0	(3.3)
Decrease in trade and other receivables		2.5	3.4
Decrease in trade and other payables		(17.6)	(14.7)
Movement in working capital		(9.1)	(14.6)
Add back: reduction in factored invoices		-	20.4
Movement in working capital (underlying)		(9.1)	5.8

5 Reconciliation of EBITDA

		2014		2013	
		Underlying performance	**IFRS**	**Underlying performance**	**IFRS**
		audited	audited	audited	audited
		£'m	£'m	£'m	£'m
Operating profit		96.5	65.1	104.8	75.0
Add: Restructuring and site closure	- Cash costs	-	4.5	-	1.4
	- Non-cash costs	-	-	-	-
Less: Acquisition credit		-	(0.1)	-	-
Add back: amortisation (underlying)		0.3	0.3	0.2	0.2
Add back: amortisation (special items)		-	27.0	-	28.4
Add back: depreciation (underlying)		21.2	21.2	19.0	19.0
EBITDA		118.0	118.0	124.0	124.0

6 Dividends

	2014		2013	
	Pence per share audited	£'m	Pence per share audited	£'m
Interim dividend	3.0	10.2	2.4	8.1
Proposed final dividend	4.8	16.3	3.6	12.2

In addition to the final dividend of 4.8p mentioned above, the directors are proposing a special dividend of 7.8p.

7 Further information

The financial information set out above does not constitute the Company's financial statements for the years ended 31 December 2014 or 2013, but is derived from those statements. Financial statements for 2013 have been delivered to the Registrar of Companies and those for 2014 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 30 March 2015.

The financial statements were approved by the Board of Directors on 25 February 2015.

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 2014, 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 3.0p per share was paid on 6 November 2014. The directors recommend a final ordinary dividend of 4.8p per share and a special dividend of 7.8p per share payable on 3 July 2015 to those shareholders registered at the close of business on 5 June 2015.

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 – 339.8 million (2013: 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 refinancing and extending of the Group's committed credit facilities through a £210 million five year multicurrency revolving credit facility with a termination date of 30 July 2019.
- the repayment of private placement notes of US$22 million due in September 2016.

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.
Kte	Kilotonne or 1,000 tonnes (metric)