2013 Interim Results

13th August 2013

Highlights

- Solid performance in challenging market conditions: PBT £48.6m (-10.3%), EPS 10.9p (-7.6%)
- Macro economic environment impacted European results
- Encouraging Asian performance
- Net debt reduced by £22.5m from H1 ’12 to £151.7m
- Strong cash flow enabling ongoing strategic investment
- Interim Dividend of 2.4p up 9.1%

FINANCIAL REVIEW

David Blackwood - Finance Director

FY Results - summary

	2013	2012	% Change
Revenue (£m)	558.3	603.3	(7.5)
EBIT (£m)	56.0	63.2	(11.4)
PBT (£m)	48.6	54.2	(10.3)
EPS	10.9p	11.8p	(7.6)
DPS	2.4p	2.2p	9.1

All data is underlying, comparisons restated for IAS 19 changes

- Global volumes down 1.3%: Europe down 5.1%, Asia up 8.1%
- PBT down 10.3% on lower European profitability
- Currency translation – favourable £1.3m
- Underlying EPS down 7.6%
- Final dividend 2.4p, up 9.1%

Europe & North America (71% Sales, 81% EBIT – by origination)

	2013	2012	% Change
Sales (£m)	396.1	438.2	(9.7)
EBIT (£m)	48.5	56.8	(14.6)
Volumes (Ktes)	411.8	433.8	(5.1)

- EBIT down 14.6%
- Volumes down 5.1% on soft demand – particularly in construction related areas
- Modest softening in unit cash margins
- Currency favourable effect £1.2m

Asia & RoW (29% Sales, 19% EBIT – by origination)

	2013	2012	% Change
Sales (£m)	162.2	165.1	(1.8)
EBIT (£m)	11.5	11.0	4.5
Volumes (Ktes)	186.0	172.0	8.1

- EBIT up +4.5%
- Volumes + 8.1%
- Nitrile volumes up 20% - unit cash margins firmed from H2 2012 levels

Cash Flow

	2013		2012
Underlying Operating profit* (£m)	53.1		60.2
Depreciation (£m)	9.7		9.5
Movement in working capital (£m)	(11.9)		(33.3)
Capital expenditure (net) (£m)	(21.8)		(16.5)
Tax, interest, pensions** (£m)	(10.4)		(18.3)
Business cash flow (£m)	18.7		1.6

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

- Ongoing underlying reduction of net debt
- EBITDA, including share of JV's , £65.7m
- Working capital outflow of £11.9m reflecting normal seasonality and raw material pricing
- Capex in line with circa £40m full year guidance

Cash Flow

	2013		2012
Business cash flow (£m)	18.7		1.6
Synergy spend / restructuring(£m)	(1.5)		(9.6)
Acquisition costs(£m)	-		(0.4)
Exchange / other(£m) *	(13.1)		(1.5)
Movement in borrowings (£m)	4.1		(9.9)
Closing net debt (£m)	151.7		174.2

* Includes £7.4m currency revaluation of group debt, and £5.9m paid for share based compensation

- Strong cash flow – net debt £22.5m below mid 2012
- Currency revaluation of net debt (euro) since year end 2012 – adverse £7.4m

Capital Structure / Net Debt

	2013		2012
Net Cash (£m) [1]	49.7		13.8
Term Debt (£m)	(201.4)		(188.0)
Net Debt (£m)	(151.7)		(174.2)
Undrawn Revolver (£m)	60.0		60.0
Net Debt: EBITDA (LTM)	1.2		1.2

[1] Includes £6.2m (2012 £5.4m) illiquid financial asset

- Conservative balance sheet
- Substantial available liquidity

BUSINESS REVIEW

Adrian Whitfield - Chief Executive Officer

Solid Performance alongside Strategy Delivery for continued growth

- Economic environment in Europe impacted H1 volumes and profits. Cash generation remained strong
- Encouraging Asian performance
- Cash flow and strong balance sheet enabling continued investment in:
  - Intellectual Property to drive innovation and future growth across the group
  - Emerging Market capacity
- Prospects for Asian business remain extremely compelling:
  - Strong demand for our products
  - NBR market continues 10% - 15% underlying growth
- Strategy continues to build a platform for strong future growth

Strategy in Europe & North America

- Targeting through cycle growth that is at least in line with European GDP
- On-going investment in R&D
  - Established global centre of excellence in Marl, Germany
  - Product and process development
  - Partnerships with leading universities
- Developing pipeline of new products to maintain leading market positions
- Continuing to drive efficiencies across the European business
  - Closed 3 sites over the last 3 years
  - No increase in total production costs for 5 years
  - Increased product and operating flexibility to cater for demand patterns

Strategy in Asia & RoW

- Exploiting high regional and market growth rates
  - Group South East Asia Polymer sales volume growth of 42% last 4 years
  - Group Middle East Polymer sales volume growth of over 61% last 4 years

- Developing strong market positions:
  - Nitrile Latex Global No.1
  - Malaysia + Singapore No.1 Dispersion producer
  - Saudi Arabia No.1 Dispersion producer

- Continuing investment in capacity to meet rising demand in nitrile and non-nitrile markets

- On-going roll out of new products from European business

Operating Review – Europe & North America

- Overall plant utilisation remains healthy at ~85%
- Installing additional capacity on some speciality grades
  - Speciality dispersion capacity in Germany Q4 ‘13/ Q1 ‘14
  - Overall dispersion capacity in UK + Germany Q4 ‘13/ Q1 ‘14
  - PVOH de-bottlenecking; targeting 20% capacity uplift in H2 ‘13 / H1 ‘14
- On-going pipeline of new product launches:
  - Green latex: Starch/XSBR hybrid (Patent pending)
  - High performance Lithene
  - Bitumen modification
- Continued emphasis to control costs and drive efficiencies

Operating Review – Asia & RoW

- Performance ahead of expectations
  - Strong Nitrile volume growth (20%) and margins firmed ‘v’ H2 2012
  - Strong Dispersions demand but restricted capacity

- Continued investment in new capacity
  - NBR capacity enhanced by 30%
  - Middle East capacity raised by 6% in Q2
  - Further dispersions enhancement by 30% across Middle East, Malaysia and Vietnam by H2 2014

- New products to enhance future growth in good demand environment
  - Roll out of additional Construction and Functional Polymer products
  - XSBR available Q4

- Re-structuring distribution network in China to enhance future sales
  - Centered around our Commercial and Technical centre in Shanghai

Summary & Outlook

- Solid performance in a challenging European environment
- Good cash generation in Europe fuelling strategic investment in additional capacity, new products and Emerging Markets
- Absent any recovery in demand we expect European profitability will be somewhat lower than the first half, largely reflecting the impact of normal seasonal factors
- Anticipate Asia and ROW to operate at a similar level to H1
- The Board remains very confident in the Group’s long term prospects and strategy

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