2014 Preliminary Results

26th February 2015

Introduction – Calum MacLean

- Calum MacLean, appointed Chief Executive Officer, January 2015
  - Senior Board executive and a founding member of INEOS
  - Executive Chairman of INEOS Olefins and Polymers Europe
  - Chairman of Styrolution, INEOS's joint venture with BASF, and Petroineos Refining, INEOS's joint venture with PetroChina
  - Chief Executive of a number of principal business units
  - Actively involved in mergers and acquisitions, strategy and implementation

- Synthomer offers exciting opportunities for future growth
  - Robust core business
  - Strong balance sheet
  - Well invested R&D capability delivering new products and strengthening innovation pipeline
  - Growing exposure to emerging markets

Highlights

- Robust performance in the context of a challenging macro-economic environment
- Positive H1 in Europe offset by impact of weaker H2 demand
  - Year-on-year improvement in unit margins
- Asia and ROW weak but encouraging H2 trends
  - Nitrile volumes up towards the year end
  - Margins continuing to strengthen
- Strong focus on product innovation with 7 patent filings in the year; 16% of 2014 sales from products launched in the last five years
- Full year ordinary dividend increased by 30% to 7.8p (interim 3.0p; final 4.8p)
- 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

FINANCIAL REVIEW

David Blackwood – Chief Financial Officer

FY Results: Financial Highlights

	2014 FY	2013 FY	% Change	
			As reported	Constant FX
Revenue [1] (£m)	990.5	1,054.9	(6.1)%	(2.0)%
EBIT [1] (£m)	96.5	104.8	(7.9)%	(3.4)%
PBT [1] (£m)	86.0	90.1	(4.6)%	(0.2)%
EPS	19.5p	20.7p	(5.8)%	
DPS (ordinary)	7.8p	6.0p	30.0%	
Net debt (£m)	112.1	133.6		

(1) Underlying basis

- Group tax rate remains low – 21.4%
- Continuing strong free cash flow – net debt down to £112.1 million
- At current spot rates, currency impact on 2015 EBIT would be circa £5 million

Europe & North America (69% Sales, 83% EBIT)

	2014 FY	2013 FY	% Change	
			As reported	Constant FX
Sales (£m)	687.2	744.8	(7.7)%	(5.7)%
EBIT (£m)	85.7	89.8	(4.6)%	(0.7)%
Volumes (Ktes)	794.3	805.5	(1.4)%	

- EBIT down – £4.1 million (of which £3.4 million translation)

- Volumes down 24.4 ktes
  - Exited low volume compounds – 18 ktes
  - Volumes weaker in H2 than prior year across all SBUs, after better H1
  - EKA fully included in Q4

- Average unit margins ahead of prior year (constant currency)
  - Margin management
  - Helped by falling input costs

Asia & ROW (31% Sales, 17% EBIT)

	2014 FY	2013 FY	% Change	
			As reported	Constant FX
Sales (£m)	303.3	310.1	(2.2)%	7.1%
EBIT (£m)	17.8	23.1	(22.9)%	(17.5)%
Volumes (Ktes)	396.5	376.2	5.4 %	

- EBIT down – £5.3 million (of which £1.3 million translation)
- Nitrile continued to improve after weak H1
  - Volumes firmed Q4
  - Unit margins continued to improve through H2
- Non-nitrile EBIT slightly lower on competitive pressure in Malaysia

Free Cash Flow

	2014		2013
Underlying operating profit (£m) – exc. JV	91.2		99.9
Depreciation (£m)	21.5		19.2
Movement in working capital (£m)	(9.1)		5.8
Capital expenditure (net) (£m) (1)	(21.5)		(35.0)
Tax, interest, pensions (£m) (2)	(30.9)		(31.6)
Free cash flow (£m)	51.2		58.3

(1) 2014 £22.0m gross; 2013 £39m gross. £4m received from sale of Pharma land. Net £35m
(2) Also includes non-controlling interest dividends, and JV cashflows

- EBITDA, including share of JV's , £118.0 million
- Prepayment to pension fund £4.1 million – triennial due March 2015
- Capex in line with expectations £22.0 million gross
- Capex in 2015 – expected circa. £25 million
- Free cash flow £51.2 million

Net Cash Flow

	2014		2013
Free cash flow (£m)	51.2		58.3
Restructuring (£m)	(3.8)		(3.8)
Purchase of business (£m)	(8.6)		-
Dividends paid (£m)	(22.4)		(19.4)
Exchange / other (£m) [1]	5.1		(12.9)
Movement in borrowings (£m)	21.5		22.2
Closing net debt (£m)	112.1		133.6

[1] Includes settlement of LTIP incentives of £2.6m (2013 £6.2m)

- Purchase of business reflects acquisition of 50% EKA shares and 100% of acquired debt
- Significant improvement in net debt – down to £112.1 million

Further Progress on Malaysian Land Sales

- Additional land sales contract signed January 2015
- Current position on contracted sales – gross proceeds MYR 232.8 million
- Group share from 70% owned subsidiary – MYR 154.8 million – approx. £28 million
- Cash expected end 2015 – some risk this could slip to early 2016
- 440 acres still remains to be sold

Capital Structure / Net Debt

	2014		2013
Net Cash (£m)	24.9		64.8
Term Debt (£m)	(137.0)		(198.4)
Net Debt (£m)	(112.1)		(133.6)
Undrawn committed facilities (£m)	85.3		60.0
Net Debt: EBITDA (LTM)	<1.0		1.1

- Conservative balance sheet – net debt: EBITDA below 1 times
- Substantial available liquidity
- Main bank facility £210 million revolver renewed in 2014 – matures July 2019
- Next term debt repayment – US PP payment of £12.1 million due H3 2016

Full Year Dividend / Capital Management

- Full year ordinary dividend of 7.8p
  - In line with announcement at interim results on dividend policy
  - Cover of 2.5x

- Special dividend of 7.8p per share
  - First ever special dividend, in line with capital management policy
  - Represents a pay-out of £26.5 million
  - Together with final dividend, takes pro forma leverage end 2014 to approx. 1.4*
  - Payable with the final ordinary dividend

* Based on effect of combined full year ordinary and special dividend of 15.6p

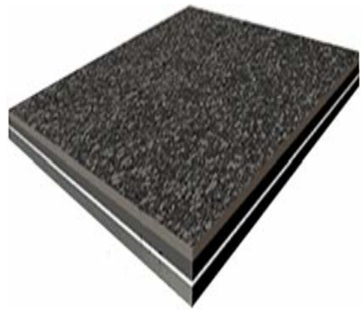
BUSINESS REVIEW

Calum MacLean – Chief Executive Officer

2014 Operating Review – Europe and North America

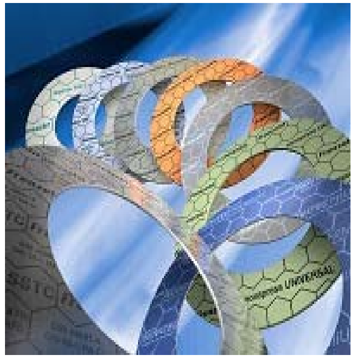
- EBIT down £4.1 million; £0.7 million (0.7%) lower on a constant currency basis
    - Impacted by H2 demand weakness, after a better H1

- Volume declines mainly due to exit of 18 ktes of low margin compounds
    - Underlying volume improvements in H1 offset by declines in H2
    - Weak end to year due to early shut-downs as expected

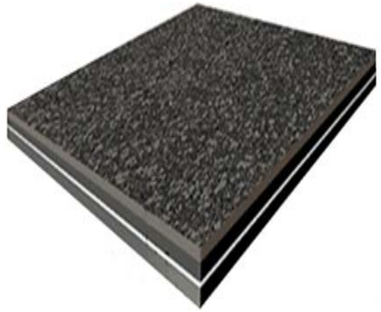


- FY average constant currency unit cash margins improved over 2013
    - Very modest declines in paper
    - Good improvement across CCF, CC, FP
    - Strong focus on margin management
    - Helped by raw material price declines

2014 Operating Review – Europe and North America



- Cost saving programme on track – "Synthomer 2015"
    - Annual benefits over €10 million run rate by end 2015
    - Cost €10 million revenue; €5 million capex

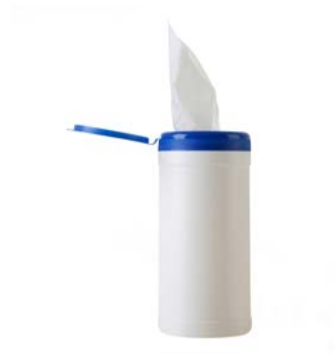


- New product pipeline continues to contribute

- Completed investment in bio-polymer hybrid latex plant in Germany
    - Expect close to 50% bio-latex sales in paper by end 2015

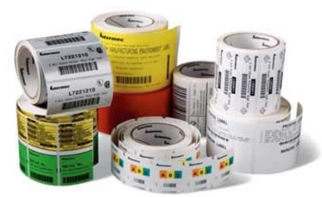
- Bought out the other 50% of EKA Synthomer (Finland) in October 2014

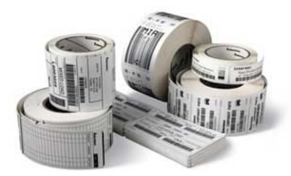
2014 Operating Review – Asia and ROW



- EBIT down £5.3 million; £4.0 million (17%) lower on a constant currency basis

- Nitrile improved in H2
  - Demand improved towards end 2014
  - Margins improved through H2
  - Major new product launches – which will deliver up to 50 ktes extra capacity

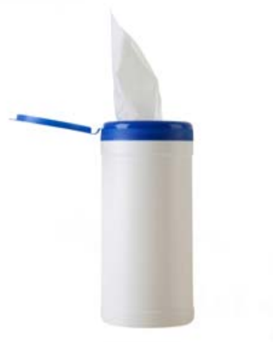




- Non-nitrile EBIT lower on competitive pressure in Malaysia
  - Competitor plant now on line

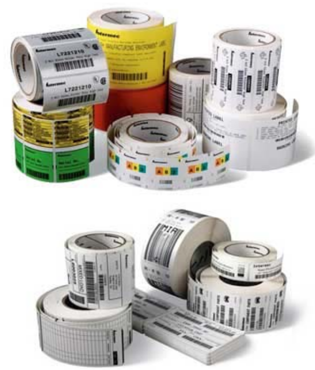
2014 Operating Review – Asia and Rest Of World

- Middle East 28 ktes capacity commissioned
  - Saudi plant now a 100 kte plant

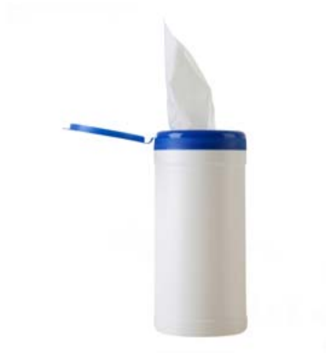


- Two major new nitrile products launches in H2
  - Will create up to 50 ktes of extra nitrile capacity

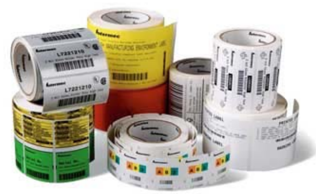
- Land sales to date now worth approx. £28 million to Group
  - Proceeds expected end 2015 / early 2016
  - 440 acres still to sell

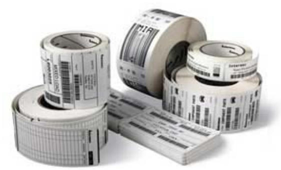


Crude and Downstream Raw Materials

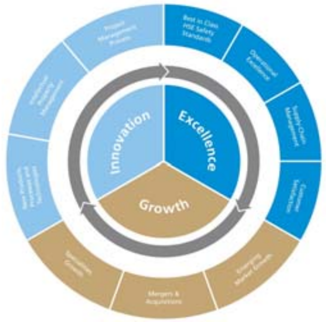


- Monomer prices have fallen across the board
- Combination of lower oil and supply demand for these monomers
- Generally passed through to customers with a circa one month lag
- Some cash margin improvement possible in low volume specialty products – but modest
- Some modest benefit expected to utility costs



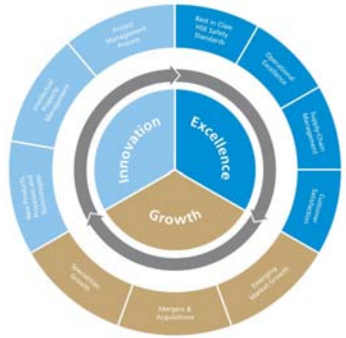


Innovation



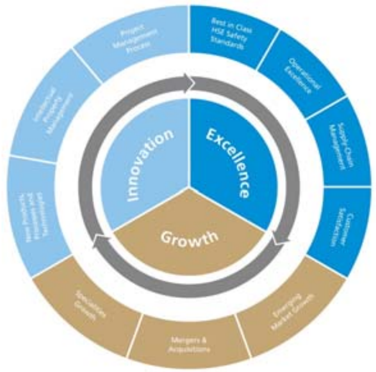
- New product contribution continues to improve
    - 16% of current sales from products launched in last 5 years
        - Was 12% in 2013
    - On track for mid-term target of 20% of revenues
- Recent launches have had a material impact on business performance
    - 2 new nitrile grades for glove dipping in 2014
    - Bio-polymer hybrid latex in launched 2013
    - New HS-SBR grades for foam and asphalt applications
- New market introductions have continued strongly in 2014 with a projected business impact
    - Extension of bio-polymer hybrid latex in Northern and Central Europe
    - Improved acrylic for flooring applications meeting latest regulatory demands
    - Introduction of 2 new acrylic wood coatings products
- 7 patent filings
    - 2 new process patents – reduce cost / improve competitiveness
    - 4 extending technology platforms to give improved performance / competitiveness
    - New polymer composition patent

Europe and North America Focus



- Synthomer's "Centre of Excellence"
  - Continuous improvement in SHE performance
- Continue to take actions to address European low growth environment AND drive global business model
  - Low cost de-bottleneck opportunities
  - Close control of fixed costs and capital expenditure
  - Strategic raw material purchasing
- Targeting €10 million / annum of performance improvement benefits end 2015 to mitigate inflation and low growth
  - Cash costs of circa €15 million of which €5 million capex
- Good progress on innovation
  - Focus on high growth markets and value added applications

Asia and ROW Focus



- Synthomer's "Growth Engine"
  - CC strong in all territories, FP growing and HP very strong in APAC
- Very dynamic environment with ongoing need for extra capacity technology pull
  - Expansion opportunities in both NBR and dispersions
- Build on European business model
  - Ongoing introduction of products into Asian market
- New Operations and HR Director for Asia
- Capacity increases in Saudi Arabia done, and Vietnam under development
  - Continue to look at opportunities in China

Outlook

- Challenging environment in Europe likely to continue but lower input prices should be modest positive to offset demand concerns
- Weakening of the Euro around year end will create a year-on-year translation impact
- Confident of improved performance from nitrile on tighter supply demand position and better margins
- Board remains confident that Synthomer is well positioned for future growth

Conclusion and Priorities

- Safety, health and environmental (SHE) performance review
- Full and detailed understanding of the existing business, assets and cost base
- Optimise organisational structure
- Clearly defined 5 year plan all business entities
- Focus on growth opportunities
  - Low cost debottleneck opportunities and full utilisation of existing plants
  - Attention to fixed costs, capital expenditure and working capital
  - Acquisition opportunities to be reviewed

2014 Preliminary Results

26th February 2015

Balance sheet, Dividend and Capital Management policy

Balance sheet

- Not to move structurally below 1x EBITDA
- Not to exceed 2x EBITDA for a sustained period

Investment opportunities

- 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

Shareholder returns

- 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