11 August 2014

Synthomer plc

Interim Results for the six months ended 30 June 2014

Continued progress in Europe with strong cash generation; interim dividend up 25%

H1 HIGHLIGHTS	**H1 2014**	**H1 2013**	**Increase/(decrease)**	
			As reported	Constant currency basis
Underlying performance[(a)]	£m	£m	%	%
Total sales[(b)]	510.1	558.3	(8.6)	(2.4)
Volumes (ktes)	608.5	597.8	1.8	
Operating Profit (EBIT)	51.1	56.0	(8.8)	(4.3)
Europe and North America	*47.8*	*48.5*	(1.4)	1.9
Asia and ROW	*7.3*	*11.5*	(36.5)	(28.7)
Unallocated	*(4.0)*	*(4.0)*	-	-
Profit before Tax	45.0	48.6	(7.4)	
EPS (p)	10.1	10.9	(7.3)	
DPS (p)	3.0	2.4	25.0	

- Europe and North America: Reported operating profit slightly down but 1.9% up on a constant currency basis, with higher volumes and cash margins firming from H2 2013 levels.

- Asia and ROW: Despite good progress on volumes, performance continued to be impacted by the competitive environment among glove manufacturers which depressed margins in the nitrile business.

- Strong cash generation reduced net debt to £114.6 million (FY 2013: £133.6 million).

- Updated dividend policy: 2.5 times dividend cover effective 2014; interim dividend increased by 25% to 3.0 pence.

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

"Against challenging market conditions, particularly in our Asian nitrile business, Synthomer has delivered a solid performance in the first half of 2014, with Group volumes up 1.8%.

In Europe and North America, we saw improvements in demand across most business segments, and encouragingly, cash margins have firmed from the levels seen towards the end of 2013. In Asia and ROW, whilst we saw good progress with volumes increasing by 4.9% during the half, margins in our nitrile business continued to be impacted by the strong competition between glove manufacturers as previously reported. However, we expect nitrile unit margins to firm in the second half.

Given the strong cash generative nature of our business, the Board has today updated the Group's dividend policy, increasing the level of cash returns for shareholders.

We expect the improved demand in Europe to continue through the remainder of the year. In Asia, we expect continued growth in nitrile demand, and some firming in nitrile cash margins. Together with the impact of currency, we expect full year underlying profit before tax to be broadly in line with the level achieved in 2013."

ENQUIRIES:

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

Charles Armitstead / Rebecca Hall
Pendomer Communications
Tel: 020 3603 5220

The Company will host a meeting for analysts and investors at 09.00 at Canaccord Genuity (88 Wood Street, London EC2V 7QR). The presentation will be webcast on the Company's website www.synthomer.com

	Six months ended 30 June 2014			Six months ended 30 June 2013		
	Underlying performance[a]	Special items	IFRS	Underlying performance[a]	Special items	IFRS
	£m	£m	£m	£m	£m	£m
Total sales[b]	510.1	-	510.1	558.3	-	558.3
Europe and North America	47.8	(11.8)	36.0	48.5	(12.1)	36.4
Asia and ROW	7.3	(2.8)	4.5	11.5	(3.2)	8.3
Unallocated	(4.0)	-	(4.0)	(4.0)	-	(4.0)
Operating profit	51.1	(14.6)	36.5	56.0	(15.3)	40.7
Finance costs	(6.1)	(0.5)	(6.6)	(7.4)	(0.4)	(7.8)
Profit before taxation	45.0	(15.1)	29.9	48.6	(15.7)	32.9
Taxation	(9.9)	4.2	(5.7)	(10.6)	4.4	(6.2)
Profit for the period	35.1	(10.9)	24.2	38.0	(11.3)	26.7
Profit attributable to minority interests	0.7	(0.2)	0.5	1.0	(0.3)	0.7
Profit attributable to equity holders of parent	34.4	(10.7)	23.7	37.0	(11.0)	26.0
	35.1	(10.9)	24.2	38.0	(11.3)	26.7

[a]Underlying performance excludes special items. This is primarily amortisation of acquired intangibles, see note 3.
[b] Total sales includes Group revenue and share of joint venture revenue.

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 2014 and for the six months ended 30 June 2013 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

Against challenging market conditions, particularly in Asia, the Group has delivered a solid performance in the first half of 2014. The performance in Europe was encouraging, as we saw improved demand over the prior year, and unit margins start to firm from the lows at the end of 2013. In Asia, volumes were 4.9% up, but difficulties in the nitrile market resulted in lower operating profit overall in our Asian and ROW business.

Strong cash generation reduced net borrowings further to £114.6 million. In light of the cash generative nature of the business, the Board is pleased to announce a new dividend policy and strategy to maintain an efficient balance sheet.

H1 Results

Total sales declined by 8.6% to £510.1 million (2013: £558.3 million). Group operating profit decreased by 8.8% to £51.1 million (2013: £56.0 million) due to the weaker results in our Asian business, and an adverse currency translation effect of £2.5 million. Overall Group volumes were 1.8% higher.

Underlying profit before tax decreased to £45.0 million (2013: £48.6 million), 7.4% behind prior year.

Earnings per share for the half year, on an underlying basis, were 10.1 pence per share (2013: 10.9 pence), 7.3% behind prior year.

Divisional Performance
Europe & North America (on an underlying basis)

	H1 2014	H1 2013	Increase/(decrease)	
	£m	£m	As reported %	Constant currency basis %
Sales	362.7	396.1	(8.4)	(5.1)
Operating Profit	47.8	48.5	(1.4)	1.9
Volume (ktes)	413.4	411.8	0.4	0.4

Operating profit in our European and North American business segment was £47.8 million slightly down on the first half of 2013 but 1.9% ahead on a constant currency basis, with £1.5 million of the Group's adverse translation effect attributable to the weaker euro.

Total volumes were ahead by 0.4%. Within the business, paper volumes were slightly lower and we exited approximately 9 ktes of very low margin compound business. Average volumes across the construction related segments (Construction & Coatings; Functional Polymers; Performance Polymers) were up 5.9%.

We reported with our full year results that our average cash margins had declined during 2013, given the very difficult environment in Europe, and we entered the year with unit cash margins below the average of 2013. Encouragingly we have seen some firming from these levels, and as always we remain very focused on the active management of cash margins.

We have a good pipeline of new products from our R&D centres of excellence, and a good number of completed and planned product launches this year in Europe, particularly in the Functional Polymers and Construction & Coatings business segments. Last year we launched our green hybrid latex for the paper business, from our Finnish plant, and during the half, we completed the necessary upgrade to our Marl facilities to provide a similar paper product into central Europe.

We announced with the full year 2013 results our improvement initiatives for the European business. These are progressing, and we can confirm our guidance that these will deliver annualised benefits of €10 million, with a cash cost of €15 million (of which €5 million is capital expenditure). The benefit to 2014 will be minimal, with full annual benefits in 2016, as per previous guidance.

Asia & Rest of World (on an underlying basis)

	H1 2014	H1 2013	Increase/(decrease)	
			As reported	Constant currency basis
	£m	£m	%	%
Sales	147.4	162.2	(9.1)	4.2
Operating Profit	7.3	11.5	(36.5)	(28.7)
Volume (ktes)	195.1	186.0	4.9	4.9

Operating profit in our ARW business segment was £7.3 million (2013: £11.5 million), 36.5% down on prior year.

The strong competition between glove manufacturers reported at the time of our IMS in May continued throughout the half. This has caused ongoing margin pressure in our Nitrile business, exacerbated by weak Butadiene pricing and a related period of customer de-stocking. However, as the second half progresses we expect demand for nitrile latex to continue to grow and unit margins to firm.

In our non-nitrile business, the business has continued to trade in line with our expectations.

We will be launching two new nitrile products in the second half of the year, which will support ongoing growth.

Cash flow and balance sheet

The Group's financial position remains robust, with strong cash generation reducing net borrowings to £114.6 million, significantly down from £151.7 million at the midpoint of 2013, and below the year end position of £133.6 million. Capital expenditure, as expected, was substantially lower, after the higher spending over 2012 and 2013 associated with the PolymerLatex integration.

The Group's pension deficit increased to £124.1 million, mainly due to lower discount rates, caused by the reduction in high grade bond yields since the year end.

At the end of June, the Group had net liquid resources available of £78.1 million (cash and equivalents and financial assets less current borrowings, excluding borrowings classified as current on the Group's main debt facility, and private placements) and an undrawn £60 million revolving credit line maturing in March 2015 together with various uncommitted overdraft lines. The Group's main debt facility at the end of June comprised a €178 million term loan combined with the undrawn £60 million revolving credit line maturing March 2015. This facility was cancelled at the end of July and replaced with a new 5 year, £210 million committed revolving credit facility. There is $70 million of private placements to repay in September 2014 classified as short term debt, which will be settled from available net liquid resources.

We commented on excess land sales in our 70% owned subsidiary in Malaysia with our 2013 results. We still expect the sale to complete by the end of 2015, with gross proceeds, at current exchange rates of some £27 million.

Dividend and capital management policy

Since 2012 the Board's dividend policy has been to move progressively to a dividend cover of three times by 2015. In addition, the Company's balance sheet objectives are to maintain an efficient capital structure over the long term, with net debt / EBITDA ratio not to exceed 2x for a sustained period and not to move structurally below 1x.

Given the progress on deleveraging, and the strong annual cash generation of the business, the Board has considered how best to return funds to shareholders. Key to this is a sustainable long term dividend policy.

As a result, the Board intends to move its regular dividend policy to 2.5 times earnings cover effective 2014. In addition, if excess capital has not been deployed for either bolt on acquisitions or capital expenditure, the Board will consider periodically, one-off capital returns to shareholders to maintain an efficient balance sheet in line with our previously stated objectives.

Consistent with this revised approach, the Board has declared an interim dividend of 3.0p per share, an increase of 25%.

IFRS

The Group reported an IFRS profit before tax of £29.9 million (2013: £32.9 million). This is £15.1 million below underlying profit before tax (2013: £15.7 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, which are not part of underlying results. As previously announced a cost reduction programme for the European business is underway and at half year £1.1 million of costs relating to this had been incurred. In addition the amount of £13.5 million relates to intangible amortisation from the PolymerLatex acquisition. The loss on fair value within finance costs of £0.5 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 £4.2 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. Together with tax expense in the other countries that the Group operates in, particularly Germany, this has resulted in an overall underlying taxation rate of 22%.

Outlook

We expect the improved demand in Europe to continue through the remainder of the year. In Asia, we expect continued growth in nitrile demand, and some firming in nitrile cash margins. Together with the impact of currency, we expect full year underlying profit before tax to be broadly in line with the level achieved in 2013.

NEIL JOHNSON
Chairman
11 August 2014

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June 2014			Six months ended 30 June 2013		
	Underlying performance	**Special items**	**IFRS**	Underlying performance	Special items	IFRS
	£m Unaudited	**£m Unaudited**	**£m Unaudited**	£m Unaudited	£m Unaudited	£m Unaudited
Group revenue	**477.9**	**-**	**477.9**	524.3	-	524.3
Share of joint ventures' revenue	**32.2**	**-**	**32.2**	34.0	-	34.0
Total sales	**510.1**	**-**	**510.1**	558.3	-	558.3
Group revenue	**477.9**	**-**	**477.9**	524.3	-	524.3
Company and subsidiaries before special items	**48.0**	**-**	**48.0**	53.1	-	53.1
Restructuring and site closure	**-**	**(1.1)**	**(1.1)**	-	(1.0)	(1.0)
Amortisation of acquired intangibles	**-**	**(12.7)**	**(12.7)**	-	(13.5)	(13.5)
Company and subsidiaries	**48.0**	**(13.8)**	**34.2**	53.1	(14.5)	38.6
Share of joint ventures	**3.1**	**(0.8)**	**2.3**	2.9	(0.8)	2.1
Operating profit / (loss)	**51.1**	**(14.6)**	**36.5**	56.0	(15.3)	40.7
Interest payable	**(4.1)**	**-**	**(4.1)**	(5.3)	-	(5.3)
Interest receivable	**0.2**	**-**	**0.2**	0.3	-	0.3
	(3.9)	**-**	**(3.9)**	(5.0)	-	(5.0)
IAS 19 interest charge	**(2.2)**	**-**	**(2.2)**	(2.4)	-	(2.4)
Fair value adjustment	**-**	**(0.5)**	**(0.5)**	-	(0.4)	(0.4)
Finance costs	**(6.1)**	**(0.5)**	**(6.6)**	(7.4)	(0.4)	(7.8)
Profit/(loss) before taxation	**45.0**	**(15.1)**	**29.9**	48.6	(15.7)	32.9
Taxation	**(9.9)**	**4.2**	**(5.7)**	(10.6)	4.4	(6.2)
Profit/(loss) for the period	**35.1**	**(10.9)**	**24.2**	38.0	(11.3)	26.7
Profit / (loss) attributable to minority interests	**0.7**	**(0.2)**	**0.5**	1.0	(0.3)	0.7
Profit / (loss) attributable to equity holders of the parent	**34.4**	**(10.7)**	**23.7**	37.0	(11.0)	26.0
	35.1	**(10.9)**	**24.2**	38.0	(11.3)	26.7
Earnings per share						
Basic	**10.1p**	**(3.1)p**	**7.0p**	10.9p	(3.2)p	7.7p
Diluted	**10.0p**	**(3.1)p**	**6.9p**	10.8p	(3.2)p	7.6p

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

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2014 continued

	Year ended 31 December 2013		
	Underlying performance	Special items	IFRS
	£m	£m	£m
	Audited	Audited	Audited
Group revenue	992.7	-	992.7
Share of joint ventures' revenue	62.2	-	62.2
Total sales	1,054.9	-	1,054.9
Group revenue	992.7	-	992.7
Company and subsidiaries before special items	99.9	-	99.9
Restructuring and site closure	-	(1.4)	(1.4)
Amortisation of acquired intangibles	-	(26.7)	(26.7)
Company and subsidiaries	99.9	(28.1)	71.8
Share of joint ventures	4.9	(1.7)	3.2
Operating profit /(loss)	104.8	(29.8)	75.0
Interest payable	(10.5)	-	(10.5)
Interest receivable	0.9	-	0.9
	(9.6)	-	(9.6)
IAS 19 interest charge	(5.1)	-	(5.1)
Fair value adjustment	-	(1.2)	(1.2)
Finance costs	(14.7)	(1.2)	(15.9)
Profit/(loss) before taxation	90.1	(31.0)	59.1
Taxation	(18.0)	8.5	(9.5)
Profit/ (loss) for the year	72.1	(22.5)	49.6
Profit / (loss) attributable to minority interests	1.8	(0.5)	1.3
Profit / (loss) attributable to equity holders of the parent	70.3	(22.0)	48.3
	72.1	(22.5)	49.6
Earnings per share			
Basic	20.7p	(6.5)p	14.2p
Diluted	20.5p	(6.4)p	14.1p

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 2014

	Six months ended 30 June 2014			Six months ended 30 June 2013		
	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	**23.7**	**0.5**	**24.2**	26.0	0.7	26.7
Actuarial (losses)/gains	**(11.6)**	**-**	**(11.6)**	5.3	-	5.3
Tax relating to components of other comprehensive income	**1.6**	**-**	**1.6**	-	-	-
Total items that will not be reclassified to profit or loss	**(10.0)**	**-**	**(10.0)**	5.3	-	5.3
Gains on cash flow hedges arising during the period	**-**	**-**	**-**	1.1	-	1.1
Exchange differences on translation of foreign operations	**(11.8)**	**(0.1)**	**(11.9)**	19.0	0.4	19.4
Gains/(losses) on a hedge of a net investment taken to equity	**7.0**	**-**	**7.0**	(7.9)	-	(7.9)
Total items that may be reclassified subsequently to profit or loss	**(4.8)**	**(0.1)**	**(4.9)**	12.2	0.4	12.6
Other comprehensive (expenses)/income for the period	**(14.8)**	**(0.1)**	**(14.9)**	17.5	0.4	17.9
Total comprehensive income for the period	**8.9**	**0.4**	**9.3**	43.5	1.1	44.6

	Year ended 31 December 2013		
	Equity holders of the parent	Minority interests	Total
	Audited	Audited	Audited
	£m	£m	£m
Profit for the year	48.3	1.3	49.6
Actuarial gains	4.4	-	4.4
Tax relating to components of other comprehensive income	-	-	-
Total items that will not be reclassified to profit or loss	4.4	-	4.4
Gains on a cash flow hedges arising during the period	2.3	-	2.3
Exchange differences 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)
Total items that may be reclassified subsequently to profit or loss	(12.8)	(1.0)	(13.8)
Other comprehensive expense for the year	(8.4)	(1.0)	(9.4)
Total comprehensive income for the year	39.9	0.3	40.2

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 2014	**34.0**	**230.5**	**0.9**	**(20.0)**	**-**	**45.1**	**290.5**	**12.0**	**302.5**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**23.7**	**23.7**	**0.5**	**24.2**
Other comprehensive expenses for the period	**-**	**-**	**-**	**(4.8)**	**-**	**(10.0)**	**(14.8)**	**(0.1)**	**(14.9)**
Total comprehensive (expense)/income for the period	**-**	**-**	**-**	**(4.8)**	**-**	**13.7**	**8.9**	**0.4**	**9.3**
Share based payments	**-**	**-**	**-**	**-**	**-**	**(2.1)**	**(2.1)**	**-**	**(2.1)**
Dividends payable	**-**	**-**	**-**	**-**	**-**	**(12.2)**	**(12.2)**	**-**	**(12.2)**
At 30 June 2014 (Unaudited)	**34.0**	**230.5**	**0.9**	**(24.8)**	**-**	**44.5**	**285.1**	**12.4**	**297.5**

	Share capital	Share premium	Capital redemption reserve	Hedging and translation reserve	Cash flow hedging reserve	Retained earnings (restated)	Total (restated)	Minority interest	Total equity (restated)
	£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)
Dividends payable	-	-	-	-	-	(11.2)	(11.2)	-	(11.2)
At 30 June 2013 (Unaudited)	34.0	230.5	0.9	6.2	(1.2)	31.9	302.3	12.8	315.1

	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 2013	34.0	230.5	0.9	(4.9)	(2.3)	16.7	274.9	11.7	286.6
Profit for the period	-	-	-	-	-	48.3	48.3	1.3	49.6
Other comprehensive (expense) / income for the period	-	-	-	(15.1)	2.3	4.4	(8.4)	(1.0)	(9.4)
Total comprehensive (expense) / income for the period	-	-	-	(15.1)	2.3	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 (Audited)	34.0	230.5	0.9	(20.0)	-	45.1	290.5	12.0	302.5

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2014

	30 June 2014	30 June 2013	31 December 2013
	Unaudited	Unaudited (restated)	Audited
	£m	£m	£m
Non-current assets			
Goodwill	**235.7**	247.9	241.1
Acquired intangible assets	**93.4**	128.3	109.5
Other intangible assets	**0.3**	0.5	0.5
Property, plant and equipment	**201.0**	215.6	203.1
Financial asset	**-**	6.2	-
Deferred tax assets	**11.3**	10.3	9.9
Investment in joint ventures	**12.5**	14.1	13.0
Total non-current assets	**554.2**	622.9	577.1
Current assets			
Inventories	**74.2**	75.9	79.4
Trade and other receivables	**150.1**	179.7	133.3
Financial asset	**5.8**	-	5.8
Cash and cash equivalents	**72.3**	43.7	59.0
Derivatives at fair value	**4.1**	12.0	6.4
Total current assets	**306.5**	311.3	283.9
Asset classified as held for sale	**1.1**	-	1.1
Current liabilities			
Borrowings	**(182.9)**	(0.2)	(42.4)
Trade and other payables	**(155.3)**	(183.9)	(161.0)
Current tax liability	**(39.2)**	(43.1)	(38.6)
Dividends payable	**(12.2)**	(11.2)	-
Derivatives at fair value	**-**	(1.9)	-
Total current liabilities	**(389.6)**	(240.3)	(242.0)
Non-current liabilities			
Borrowings	**(12.9)**	(211.1)	(160.9)
Deferred tax liability	**(37.7)**	(48.7)	(43.8)
Post retirement benefit obligations	**(124.1)**	(119.0)	(112.9)
Total non-current liabilities	**(174.7)**	(378.8)	(317.6)
Net assets	**297.5**	315.1	302.5
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	**(24.8)**	6.2	(20.0)
Cash flow hedging reserve	**-**	(1.2)	-
Retained earnings	**44.5**	31.9	45.1
Equity attributable to equity holders of the parent	**285.1**	302.3	290.5
Minority interests	**12.4**	12.8	12.0
Total equity	**297.5**	315.1	302.5

The financial statements were approved by the Board of Directors and authorised for issue on 11 August 2014.

ANALYSIS OF NET BORROWING

Cash and cash equivalents	**72.3**	43.7	59.0
Current borrowings	**(182.9)**	(0.2)	(42.4)
Financial asset	**5.8**	6.2	5.8
Non-current borrowings	**(12.9)**	(211.1)	(160.9)
Net borrowings	**(117.7)**	(161.4)	(138.5)
Special item: deduct fair value adjustment	**3.1**	9.7	4.9
Net borrowings (underlying performance)	**(114.6)**	(151.7)	(133.6)

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 2014 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 2014

	Six months ended 30 June 2014		Six months ended 30 June 2013		Year ended 31 December 2013	
	Unaudited	**Unaudited**	Unaudited	Unaudited	Audited	Audited
	£m	**£m**	£m	£m	£m	£m
Operating						
Cash generated from operations		**36.0**		28.9		92.5
Interest received	**0.2**		0.3		0.9	
Interest paid	**(4.1)**		(5.3)		(10.2)	
Net interest paid		**(3.9)**		(5.0)		(9.3)
UK corporation tax paid	**-**		-		-	
Overseas corporate tax paid	**(8.5)**		(7.8)		(17.4)	
Total tax paid		**(8.5)**		(7.8)		(17.4)
Net cash inflow from operating activities		**23.6**		16.1		65.8
Investing						
Dividends received from joint ventures		**2.6**		2.7		3.8
Purchase of property, plant and equipment	**(11.6)**		(22.1)		(39.1)	
Sale of property, plant and equipment	**-**		0.3		4.1	
Net capital expenditure and financial investment		**(11.6)**		(21.8)		(35.0)
Net cash outflow from investing activities		**(9.0)**		(19.1)		(31.2)
Financing						
Equity dividends paid		**-**		-		(19.4)
Settlement of equity-settled share-based payments		**(2.5)**		(5.9)		(6.2)
Net cash outflow from financing activities		**(2.5)**		(5.9)		(25.6)
Increase/(decrease) in cash and bank overdrafts during the period		**12.1**		(8.9)		9.0
Comprised of:						
Cash and cash equivalents		**12.1**		(9.1)		8.6
Bank overdrafts		**-**		0.2		0.4
		12.1		(8.9)		9.0

RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO MOVEMENT IN NET DEBT FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended 30 June 2014	Six months ended 30 June 2013	Year ended 31 December 2013
	Unaudited	Unaudited	Audited
	£m	£m	£m
Net cash inflow from operating activities	**23.6**	16.1	65.8
Add back: reduction in factored invoices	**-**	20.4	20.4
Add back: dividends received from joint ventures	**2.6**	2.7	3.8
Less: net capital expenditure and financial investment	**(11.6)**	(21.8)	(35.0)
	14.6	17.4	55.0
Equity dividends paid	**-**	-	(19.4)
Settlement of equity-settled share-based payments	**(2.5)**	(5.9)	(6.2)
Exchange movements	**6.9**	(7.4)	(7.2)
Movement in net borrowings (underlying performance)	**19.0**	4.1	22.2

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The information for the year ended 31 December 2013 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 following standards have been adopted by the Group for the first time for the period beginning on 1 January 2014; IFRS 10, 11, 12 and IAS 28 (amended) and IAS 39 (amended). None of these has had any material effect on the interim financial statements. 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.

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 2014	Six months ended 30 June 2013	Year ended 31 December 2013
	£m Unaudited	£m Unaudited	£m Audited
Operating loss			
Restructuring and site closure	(1.1)	(1.0)	(1.4)
	(1.1)	(1.0)	(1.4)
Amortisation of acquired intangibles - subsidiaries	(12.7)	(13.5)	(26.7)
– share of joint ventures	(0.8)	(0.8)	(1.7)
	(14.6)	(15.3)	(29.8)
Finance costs			
Fair value adjustment	(0.5)	(0.4)	(1.2)
Loss before taxation	(15.1)	(15.7)	(31.0)
Taxation	4.2	4.4	8.5
Loss for the year	(10.9)	(11.3)	(22.5)

Further details are provided in the Chairman's statement.

4. Segmental analysis

Six months ended 30 June 2014 Analysis by activity	Group revenue £m	Share of joint ventures' revenue £m	Total Sales £m	Operating profit: Underlying performance £m	Operating profit: Special items £m	Operating profit: IFRS £m
Europe & North America	345.8	16.9	362.7	47.8	(11.8)	36.0
Asia & Rest of World	132.1	15.3	147.4	7.3	(2.8)	4.5
Total sales	477.9	32.2	510.1			
Divisional operating profit / (loss)				55.1	(14.6)	40.5
Unallocated corporate expenses				(4.0)	-	(4.0)
Operating profit / (loss)				51.1	(14.6)	36.5

Six months ended 30 June 2013 Analysis by activity	Group revenue £m	Share of joint ventures' revenue £m	Total Sales £m	Operating profit: Underlying performance £m	Operating profit: Special items £m	Operating profit: IFRS £m
Europe & North America	377.8	18.3	396.1	48.5	(12.1)	36.4
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

Year ended 31 December 2013 Analysis by activity	Group revenue £m	Share of joint ventures' revenue £m	Total Sales £m	Operating profit: Underlying performance £m	Operating profit: Special items £m	Operating profit: IFRS £m
Europe & North America	710.3	34.5	744.8	89.8	(23.6)	66.2
Asia & Rest of World	282.4	27.7	310.1	23.1	(6.2)	16.9
Total sales	992.7	62.2	1,054.9			
Divisional operating profit / (loss)				112.9	(29.8)	83.1
Unallocated corporate expenses				(8.1)	-	(8.1)
Operating profit / (loss)				104.8	(29.8)	75.0

The chief operating decision maker is the Executive Committee.

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

	Six months ended 30 June 2014	Six months ended 30 June 2013	Year ended 31 December 2013
	Unaudited	Unaudited	Audited
	£m	£m	£m
Operating profit	36.5	40.7	75.0
Less: share of profit of joint ventures	(2.3)	(2.1)	(3.2)
	34.2	38.6	71.8
Adjustments for:			
Depreciation and amortisation	9.7	9.7	19.2
Amortisation: special items	12.7	13.5	26.7
Restructuring and site closure costs	1.1	1.0	1.4
Share based payments	0.1	0.2	0.8
Profit on sale of fixed assets	-	(0.2)	(0.3)
Cash impact of restructuring and site closure	(1.8)	(1.5)	(3.8)
IAS 19 interest charge	(2.2)	(2.4)	(5.1)
Pension funding less than / (in excess of) IAS 19 charge	1.3	2.3	(3.6)
Decrease / (increase) in inventories	3.7	4.3	(3.3)
(Increase) / decrease in trade and other receivables	(20.5)	(36.1)	3.4
Decrease in trade and other payables	(2.3)	(0.5)	(14.7)
Cash generated from operations	36.0	28.9	92.5

6. Tax

Tax on the underlying profit before taxation for the six month period is charged at 22% (six months ended 30 June 2013: 22%; year ended 31 December 2013: 20%), 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 2013: 19%; year ended 31 December 2013: 16%), on the IFRS profit before taxation.

7. Dividends

The interim dividend of 3.0p per ordinary share was approved by the Board on 11 August 2014 and will be paid on 6 November 2014 to members on the register at the close of business on 10 October 2014.

8. Earnings per share

	Six months ended 30 June 2014	Six months ended 30 June 2013	Year ended 31 December 2013
	Unaudited	Unaudited	Audited
	'000 shares	'000 shares	'000 shares
Weighted average number of shares in issue - basic	339,730	339,549	339,549
Weighted average number of shares in issue - diluted	342,552	343,592	343,559

	Six months ended 30 June 2014			Six months ended 30 June 2013		
	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)	34.4	(10.7)	23.7	37.0	(11.0)	26.0
Basic earnings per share	10.1p	(3.1)p	7.0p	10.9p	(3.2)p	7.7p
Diluted earnings per share	10.0p	(3.1)p	6.9p	10.8p	(3.2)p	7.6p

	Year ended 31 December 2013		
	Underlying performance	**Special items**	**IFRS**
	£m	£m	£m
Earnings (Profit / (loss) attributable to equity holders of the parent)	70.3	(22.0)	48.3
Basic earnings per share	20.7p	(6.5)p	14.2p
Diluted earnings per share	20.5p	(6.4)p	14.1p

9. Financial instruments

The risks associated with the Group's financial instruments and related polices are detailed in note 22 of the 2013 annual financial statements. There have been no changes in the risks and the management thereof since 31 December 2013.

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. (Level 2 as defined in IFRS 13.)

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 2014. Actuarial gains or losses are recognised in the Statement of Comprehensive Income in accordance with the Group's accounting policy. The liabilities have been updated to reflect the change in the discount rate assumption.

11. Restatement

The final dividend in respect of the year ended 31 December 2012 of £11.2m was approved by the AGM on 16 May 2013 for payment on 5 July 2013. As such this should have been shown as a liability in the 2013 Interim Financial Statements. This error has been corrected by restating the consolidated balance sheet at 30 June 2013 by the inclusion of a dividend payable of £11.2m and by including a dividend payable of £11.2m in the consolidated statement of changes in equity for the six months ended 30 June 2013.

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 2013. 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 11 August 2014.

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 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).

On behalf of the Board

A M Whitfield
Chief Executive Officer
11 August 2014

D C Blackwood
Chief Financial Officer

INDEPENDENT REVIEW REPORT TO Synthomer PLC

Report on the condensed set of financial statements

Our conclusion

We have reviewed the condensed set of financial statements, defined below, in the Interim Management Report of Synthomer plc for the six months ended 30 June 2014. Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements are 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.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed set of financial statements, which are prepared by Synthomer plc, comprise:

- the consolidated balance sheet and analysis of net borrowings as at 30 June 2014;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated cash flow statement and reconciliation of net cash flow from operating activities to movement in net debt for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the condensed set of financial statements.

As disclosed in note 2, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed set of financial statements included in the Interim Management Report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of a condensed set of financial statements involves

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.

We have read the other information contained in the Interim Management Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Responsibilities for the condensed set of financial statements and the review

Our responsibilities and those of the directors

The Interim Management Report, including the condensed set of financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Management Report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the Interim Management Report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

11 August 2014
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory auditors
St Albans

Notes:

(a) The maintenance and integrity of the Synthomer plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.