11 August 2015

Synthomer plc

Interim Results for the six months ended 30 June 2015

Strong profit growth; underlying earnings per share up 14.9%

*Underlying performance**	H1 2015	H1 2014	Increase / (decrease)	
			As reported	Constant currency basis
	£m	£m	%	%
Total Sales (including share of JVs)	468.7	510.1	(8.1)	(1.9)
Volumes (ktes)	649.6	608.5	6.8	
Operating Profit (EBIT)	55.4	51.1	8.4	16.4
Europe and North America	*42.1*	*47.8*	(11.9)	(3.8)
Asia and RoW	*18.9*	*7.3*	158.9	161.6
Unallocated	*(5.6)*	*(4.0)*	40.0	40.0
Profit before Tax	51.3	45.0	14.0	23.1
EPS (p)	11.6	10.1	14.9	
DPS (p)	3.2	3.0	6.7	
*Underlying performance excludes special items, unless otherwise stated				

H1 Highlights

- **Robust operating performance in Europe and North America ('ENA'):**
    - Operating profit stable in constant currency when excluding prudent accrual of employee performance bonuses.
    - Good progress in Construction & Coatings, Functional Polymers and Foam markets compensating for challenging Paper and Carpet markets.

- **Strong operating performance in Asia and Rest of the World ('ARW'):**
    - Reflecting improved market conditions and successful innovation initiatives.
    - Volumes and margins rose significantly across all regions and markets relative to a weaker H1 2014.

- **R&D:** Continued focus on innovation with products launched in last 5 years representing 16% of sales.

- **Good operational progress:** Reorganised executive team to increase focus and accountability; this new executive team will relocate to an operational London HQ from September. The review to optimise the assets across the Group is underway and progressing well.

- **Debt:** Strong cash generation helped drive net debt lower to £77.2 million (31 December 2014: £112.1 million), before £42.8 million dividend payments on 3 July 2015.

- **Earnings per share:** Up 14.9% at 11.6p per share.

- **Dividend:** Interim dividend is increased by 6.7% from 3.0 to 3.2 pence per share.

Commenting on the results, Neil Johnson, Chairman, said:
"It is three years since the Group reported an improvement in the underlying profitability at the half year, and I am pleased to report a promising start to 2015.

In the Europe and North America segment, our strategy is focused on innovation, margin improvement and tight cost control to drive performance. Whilst we continue to face the challenges of operating in the European Paper and Carpet markets, we have been successful in developing and growing our other businesses operating in higher margin markets including the Construction & Coatings, Functional Polymers and Foam markets.

In the Asia and RoW segment, our strategy of investing in innovation and capacity, coupled with strengthening demand, has resulted in an exceptional six months trading performance, significantly higher than the weaker comparative period. All regions and businesses have been trading well, with higher volumes and margins, with our Nitrile Latex business in Asia being the primary driver.

Looking forward, we expect Europe and North America overall to continue at similar volumes and margins excepting the normally slower periods of August and December. In Asia and Rest of the World, we expect to continue to trade well ahead of the prior year, and broadly in line with the strong first half. Notwithstanding increased currency headwinds, overall the Board's expectations for the full year remain unchanged".

ENQUIRIES:

Calum MacLean, Chief Executive Officer
Stephen Bennett, Chief Financial Officer
Tel: 01279 436211

Charles Armitstead
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

UNDERLYING AND IFRS INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE

	Six months ended 30 June 2015			Six months ended 30 June 2014		
	Underlying performance*	Special items	IFRS	Underlying performance[(a)]	Special items	IFRS
	£m	£m	£m	£m	£m	£m
Total sales (including share of JVs)	468.7	-	468.7	510.1	-	510.1
Europe and North America	42.1	(11.7)	30.4	47.8	(11.8)	36.0
Asia and RoW	18.9	(2.8)	16.1	7.3	(2.8)	4.5
Unallocated	(5.6)	-	(5.6)	(4.0)	-	(4.0)
Operating profit	55.4	(14.5)	40.9	51.1	(14.6)	36.5
Finance costs	(4.1)	-	(4.1)	(6.1)	(0.5)	(6.6)
Profit before taxation	51.3	(14.5)	36.8	45.0	(15.1)	29.9
Taxation	(11.3)	4.1	(7.2)	(9.9)	4.2	(5.7)
Profit for the period	40.0	(10.4)	29.6	35.1	(10.9)	24.2
Profit attributable to minority interests	0.6	(0.2)	0.4	0.7	(0.2)	0.5
Profit attributable to equity holders of parent	39.4	(10.2)	29.2	34.4	(10.7)	23.7
	40.0	(10.4)	29.6	35.1	(10.9)	24.2

*Underlying performance excludes special items. This is primarily amortisation of acquired intangibles, see note 3.

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.

Underlying Statement

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 3. 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.

CHIEF EXECUTIVE'S BUSINESS REVIEW

Overview

Underlying profit before tax of £51.3 million represents a 14% rise over H1 2014, a strong performance given the significant exchange rate headwind. Synthomer is seeing the benefits of increased capital expenditure, targeted innovation and fixed cost reduction initiatives of recent years, supported by an improved supply/demand position particularly in Asia.

Europe and North America operating profit was stable in constant currency when excluding the prudent accrual of employee performance bonuses. Construction & Coatings, Functional Polymers and Foam businesses are moving in a positive direction whilst the challenges in our Paper and Carpets businesses continue. Europe and North America continued to deliver strong cash generation.

Asia and RoW has had an exceptional six months with all businesses in all regions outperforming the prior period. Value associated with improved supply/demand balance, new product innovation and market growth in our Nitrile Latex business was captured thanks to historic investment in the Malaysian assets. Likewise improved performance in Construction & Coatings and Functional Polymers was delivered throughout Asia, Middle East and South Africa.

H1 Results (underlying)

Group sales declined by 8.1% to £468.7 million (2014: £510.1 million) principally as a result of the weakening Euro exchange rate relative to Sterling, and lower raw material unit costs associated with the crude oil impact. Sales volumes were up 6.8% (excluding the 50% of Synthomer Finland Oy acquired in October 2014, volumes were up 2.5%).

Sales volumes relating to products launched through R&D and innovation based initiatives in the last 5 years represented 16% of sales in the period and we continue to push towards the 20% target.

Group operating profit increased by 8.4% to £55.4 million (2014: £51.1 million) and was up 16.4% on a constant currency basis. This was driven by a significant rise in Asia and RoW operating profit, up £11.6 million to £18.9 million (2014: £7.3 million). This strong performance more than offset a decline in the Europe and North America operating profit, down £5.7 million to £42.1 million (2014: £47.8 million), largely a result of the weakening Euro. Unallocated costs were up £1.6 million at £5.6 million in part reflecting the costs associated with the recruitment and transition of the executive management team.

Profit before tax increased by 14.0% to £51.3 million (2014: £45.0 million) and earnings per share were up 14.9% at 11.6 pence per share (2014: 10.1 pence per share).

Operational Progress

A new reorganised executive team has been established, to increase focus and accountability. In addition to the CEO and CFO, the seven person team includes the 3 respective divisional heads, a Head of Operations and the Group Counsel. From the beginning of September the new team, with their various support functions, will be based in a new operational head office in Central London.

Over the first half of the year, management have been focused on reviewing the Group's assets to ensure they are fully optimised and fit for purpose. This process is ongoing and progressing well. As part of this review, further expansion of the Group's nitrile capacity is being progressed along with additional dispersion capacity.

The Group continues to evaluate opportunities for growth by acquisition.

Special items

The Group had a number of special items in the period, which are not part of the underlying results. As previously reported, a cost reduction programme for the European business is in progress and at the half year a further £1.8 million of costs relating to this had been incurred. In addition, £10.5 million relates to intangible amortisation from the PolymerLatex acquisition. The majority of the taxation amount of £4.1 million is the notional tax credit on the intangible amortisation expense.

Taxation (underlying)

The Group's overall underlying tax rate at 22% (2014: 22%) remains low, and benefits from our pioneer status tax incentives (extended holiday) in the Nitrile Latex business in Malaysia.

Divisional Performance (underlying)

Europe and North America

	H1 2015	H1 2014	Increase/(decrease)	
	£m	£m	As reported %	Constant currency basis %
Volume (ktes)	432.9	413.4	4.7	4.7
Sales	307.0	362.7	(15.4)	(6.9)
Operating Profit	42.1	47.8	(11.9)	(3.8)

Operating profit in our Europe and North America business segment was £42.1 million, £5.7 million lower than the prior period, and £1.8 million lower at constant currency reflecting the prudent accrual of employee performance bonuses.

Total volumes increased by 4.7%, and excluding Synthomer Finland Oy volumes were down 1.6%. The underlying reduction in volumes was almost entirely related to our Paper business, with other businesses making steady volume gains. Average unit cash margins were broadly in line with the prior period, although Q1 margins were slightly ahead of Q2, reflecting the benefit of raw material price reductions in late 2014.

The Synthomer 2015 cost initiative is progressing and will deliver the run rate costs savings of approximately €10 million per annum by the end of 2015.

Asia and Rest of the World

	H1 2015	H1 2014	Increase/(decrease)	
	£m	£m	As reported %	Constant currency basis %
Volume (ktes)	216.7	195.1	11.1	11.1
Sales	161.7	147.4	9.7	10.4
Operating Profit	18.9	7.3	158.9	161.6

The Asia and RoW segment has delivered an exceptional performance in H1 reporting an operating profit of £18.9 million, £11.6 million ahead of the prior period. All businesses across the regions have performed well.

Volumes were 11.1% higher than the prior period. The growth in volumes was supported strongly by the increase in the Asian Nitrile Latex volumes which have increased by 12.6%. As previously reported, unit margins have also increased markedly relative to a weak comparative period, largely as a result of the higher utilisation of the NBR producing assets in the Asian region. Synthomer and a small number of competitors have made capacity expansion announcements. We believe that the increase in capacity is unlikely to have a significant impact on the current market dynamics until mid/late 2016.

Cash flow and balance sheet

The Group balance sheet benefitted from the strong cash generation in the six month period (£25.2 million), and the re-denomination of the previously Euro held debt into Sterling (£9.7 million). The strong cash flow and retranslation of the debt combined resulted in a £34.9 million reduction in our net debt to £77.2 million at 30 June 2015. The conversion of the Euro denominated debt into Sterling, benefitting from the relatively weak Euro in the period, results in the net assets of our European operations being unhedged.

The Group paid the 2014 Final Ordinary dividend and the Special dividend to shareholders on 3 July 2015, resulting in a cash out flow of £42.8 million.

With limited growth projects being funded in the period, capital expenditure has been relatively low at £7.8 million. Capital expenditure is expected to rise to approximately £20 million for the full year, partly as a result of the proposed expansion to our Asian Nitrile capacity.

The land sales in our 70% owned subsidiary in Malaysia are progressing with the Group share of the signed contracts being approximately £27 million. Completion is subject to regulatory approvals with the final proceeds now expected in 2016. With increasing volatility in the Malaysian Ringgit, we have now hedged approximately 90% of the expected proceeds.

Pensions

The Group's post retirement pension liabilities reduced by £9.8 million due to deficit payments to the UK scheme and exchange rates movement in Europe. The triennial valuation of the UK pension scheme is in progress and we expect to be able to report at the year-end on the outcome of the valuation and the changes, if any, to the deficit funding plan.

Dividend

The dividend policy set out by the Board in August 2014 Interim Announcement remains unchanged. Consistent with this policy, the Board has declared an interim dividend of 3.2 pence per share, an increase of 0.2 pence.

Outlook

Looking forward, we expect Europe and North America overall to continue at similar volumes and margins excepting the normally slower periods of August and December. In Asia and RoW, we expect to continue to trade well ahead of the prior year, and broadly in line with the strong first half. Notwithstanding increased currency headwinds, overall the Board's expectations for the full year remain unchanged.

CALUM MACLEAN
Chief Executive Officer
11 August 2015

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June 2015			Six months ended 30 June 2014		
	Underlying performance	**Special items**	**IFRS**	Underlying performance	Special items	IFRS
	£m	**£m**	**£m**	£m	£m	£m
	Unaudited	**Unaudited**	**Unaudited**	Unaudited	Unaudited	Unaudited
Group revenue	**454.5**	**-**	**454.5**	477.9	-	477.9
Share of joint ventures' revenue	**14.2**	**-**	**14.2**	32.2	-	32.2
Total sales	**468.7**	**-**	**468.7**	510.1	-	510.1
Group revenue	**454.5**	**-**	**454.5**	477.9	-	477.9
Company and subsidiaries before special items	**53.0**	**-**	**53.0**	48.0	-	48.0
Restructuring and site closure	**-**	**(1.8)**	**(1.8)**	-	(1.1)	(1.1)
Amortisation of acquired intangibles	**-**	**(12.7)**	**(12.7)**	-	(12.7)	(12.7)
Company and subsidiaries	**53.0**	**(14.5)**	**38.5**	48.0	(13.8)	34.2
Share of joint ventures	**2.4**	**-**	**2.4**	3.1	(0.8)	2.3
Operating profit / (loss)	**55.4**	**(14.5)**	**40.9**	51.1	(14.6)	36.5
Interest payable	**(1.9)**	**-**	**(1.9)**	(4.1)	-	(4.1)
Interest receivable	**0.2**	**-**	**0.2**	0.2	-	0.2
	(1.7)	**-**	**(1.7)**	(3.9)	-	(3.9)
IAS 19 interest charge	**(2.4)**	**-**	**(2.4)**	(2.2)	-	(2.2)
Fair value adjustment	**-**	**-**	**-**	-	(0.5)	(0.5)
Finance costs	**(4.1)**	**-**	**(4.1)**	(6.1)	(0.5)	(6.6)
Profit / (loss) before taxation	**51.3**	**(14.5)**	**36.8**	45.0	(15.1)	29.9
Taxation	**(11.3)**	**4.1**	**(7.2)**	(9.9)	4.2	(5.7)
Profit / (loss) for the period	**40.0**	**(10.4)**	**29.6**	35.1	(10.9)	24.2
Profit / (loss) attributable to minority interests	**0.6**	**(0.2)**	**0.4**	0.7	(0.2)	0.5
Profit / (loss) attributable to equity holders of the parent	**39.4**	**(10.2)**	**29.2**	34.4	(10.7)	23.7
	40.0	**(10.4)**	**29.6**	35.1	(10.9)	24.2
Earnings per share						
Basic	**11.6p**	**(3.0)p**	**8.6p**	10.1p	(3.1)p	7.0p
Diluted	**11.5p**	**(3.0)p**	**8.5p**	10.0p	(3.1)p	6.9p

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

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2015 continued

	Year ended 31 December 2014		
	Underlying performance	Special items	IFRS
	£m	£m	£m
	Audited	Audited	Audited
Group revenue	936.4	-	936.4
Share of joint ventures' revenue	54.1	-	54.1
Total sales	990.5	-	990.5
Group revenue	936.4	-	936.4
Company and subsidiaries before special items	91.2	-	91.2
Restructuring and site closure	-	(4.5)	(4.5)
Acquisition	-	0.1	0.1
Amortisation of acquired intangibles	-	(25.8)	(25.8)
Company and subsidiaries	91.2	(30.2)	61.0
Share of joint ventures	5.3	(1.2)	4.1
Operating profit / (loss)	96.5	(31.4)	65.1
Interest payable	(6.7)	-	(6.7)
Interest receivable	0.8	-	0.8
	(5.9)	-	(5.9)
IAS 19 interest charge	(4.6)	-	(4.6)
Fair value adjustment	-	(0.8)	(0.8)
Finance costs	(10.5)	(0.8)	(11.3)
Profit / (loss) before taxation	86.0	(32.2)	53.8
Taxation	(18.4)	10.9	(7.5)
Profit / (loss) for the year	67.6	(21.3)	46.3
Profit / (loss) attributable to non-controlling interests	1.4	(0.4)	1.0
Profit / (loss) attributable to equity holders of the parent	66.2	(20.9)	45.3
	67.6	(21.3)	46.3
Earnings per share			
Basic	19.5p	(6.2)p	13.3p
Diluted	19.3p	(6.1)p	13.2p

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 2015

	Six months ended 30 June 2015			Six months ended 30 June 2014		
	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	**29.2**	**0.4**	**29.6**	23.7	0.5	24.2
Actuarial gains / (losses)	**2.7**	**-**	**2.7**	(11.6)	-	(11.6)
Tax relating to components of other comprehensive income	**(0.2)**	**-**	**(0.2)**	1.6	-	1.6
Total items that will not be reclassified to profit or loss	**2.5**	**-**	**2.5**	(10.0)	-	(10.0)
Exchange differences on translation of foreign operations	**(30.0)**	**(0.9)**	**(30.9)**	(11.8)	(0.1)	(11.9)
Gains on a hedge of a net investment taken to equity	**9.7**	**-**	**9.7**	7.0	-	7.0
Total items that may be reclassified subsequently to profit or loss	**(20.3)**	**(0.9)**	**(21.2)**	(4.8)	(0.1)	(4.9)
Other comprehensive expenses for the period	**(17.8)**	**(0.9)**	**(18.7)**	(14.8)	(0.1)	(14.9)
Total comprehensive income / (expenses) for the period	**11.4**	**(0.5)**	**10.9**	8.9	0.4	9.3

	Year ended 31 December 2014		
	Equity holders of the parent	Minority interests	Total
	Audited	Audited	Audited
	£m	£m	£m
Profit for the year	45.3	1.0	46.3
Actuarial losses	(47.8)	-	(47.8)
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)
Exchange differences 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
Total items that may be reclassified subsequently to profit or loss	(3.2)	-	(3.2)
Other comprehensive expense for the year	(45.1)	-	(45.1)
Total comprehensive income for the year	0.2	1.0	1.2

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 2015	**34.0**	**230.5**	**0.9**	**(23.2)**	**-**	**24.1**	**266.3**	**10.8**	**277.1**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**29.2**	**29.2**	**0.4**	**29.6**
Other comprehensive (expenses) / income for the period	**-**	**-**	**-**	**(20.3)**	**-**	**2.5**	**(17.8)**	**(0.9)**	**(18.7)**
Total comprehensive (expense) / income for the period	**-**	**-**	**-**	**(20.3)**	**-**	**31.7**	**11.4**	**(0.5)**	**10.9**
Share based payments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Dividends payable	**-**	**-**	**-**	**-**	**-**	**(42.8)**	**(42.8)**	**-**	**(42.8)**
At 30 June 2015 (Unaudited)	**34.0**	**230.5**	**0.9**	**(43.5)**	**-**	**13.0**	**234.9**	**10.3**	**245.2**

	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	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	-	-	-	-	-	45.3	45.3	1.0	46.3
Other comprehensive expenses for the period	-	-	-	(3.2)	-	(41.9)	(45.1)	-	(45.1)
Total comprehensive (expense) / income for the period	-	-	-	(3.2)	-	3.4	0.2	1.0	1.2
Share based payments	-	-	-	-	-	(2.0)	(2.0)	-	(2.0)
Dividends payable	-	-	-	-	-	(22.4)	(22.4)	(2.2)	(24.6)
At 31 December 2014 (Audited)	34.0	230.5	0.9	(23.2)	-	24.1	266.3	10.8	277.1

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2015

	30 June 2015	30 June 2014	31 December 2014
	Unaudited	Unaudited	Audited
	£m	£m	£m
Non-current assets			
Goodwill	**220.2**	235.7	232.8
Acquired intangible assets	**61.4**	93.4	80.7
Other intangible assets	**0.4**	0.3	0.5
Property, plant and equipment	**186.8**	201.0	205.4
Deferred tax assets	**13.5**	11.3	14.4
Investment in joint ventures	**8.2**	12.5	7.5
Total non-current assets	**490.5**	554.2	541.3
Current assets			
Inventories	**65.0**	74.2	75.4
Trade and other receivables	**157.3**	150.1	137.8
Financial asset	**-**	5.8	-
Cash and cash equivalents	**44.1**	72.3	24.9
Derivatives at fair value	**2.1**	4.1	2.3
Total current assets	**268.5**	306.5	240.4
Asset classified as held for sale	**1.1**	1.1	1.1
Current liabilities			
Borrowings	**(0.6)**	(182.9)	(1.9)
Trade and other payables	**(138.1)**	(151.1)	(141.3)
Current tax liability	**(35.2)**	(39.2)	(32.7)
Dividends payable	**(42.8)**	(12.2)	-
Provisions for other liabilities and charges	**(0.6)**	(0.5)	(1.2)
Total current liabilities	**(217.3)**	(385.9)	(177.1)
Non-current liabilities			
Borrowings	**(122.5)**	(12.9)	(137.1)
Deferred tax liability	**(29.0)**	(37.7)	(35.5)
Post retirement benefit obligations	**(140.9)**	(124.1)	(150.7)
Provisions for other liabilities and charges	**(5.2)**	(3.7)	(5.3)
Total non-current liabilities	**(297.6)**	(178.4)	(328.6)
Net assets	**245.2**	297.5	277.1
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	**(43.5)**	(24.8)	(23.2)
Retained earnings	**13.0**	44.5	24.1
Equity attributable to equity holders of the parent	**234.9**	285.1	266.3
Non-controlling interests	**10.3**	12.4	10.8
Total equity	**245.2**	297.5	277.1

The financial statements were approved by the Board of Directors and authorised for issue on 11 August 2015.

ANALYSIS OF NET BORROWING

Cash and cash equivalents	**44.1**	72.3	24.9
Current borrowings	**(0.6)**	(182.9)	(1.9)
Financial asset	**-**	5.8	-
Non-current borrowings	**(122.5)**	(12.9)	(137.1)
Net borrowings	**(79.0)**	(117.7)	(114.1)
Special item: deduct fair value adjustment	**1.8**	3.1	2.0
Net borrowings (underlying performance)	**(77.2)**	(114.6)	(112.1)

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 2015 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 2015

	Six months ended 30 June 2015		Six months ended 30 June 2014		Year ended 31 December 2014	
	Unaudited	**Unaudited**	Unaudited	Unaudited	Audited	Audited
	£m	**£m**	£m	£m	£m	£m
Operating						
Cash generated from operations		**39.6**		36.0		89.1
Interest received	**0.2**		0.2		0.8	
Interest paid	**(1.9)**		(4.1)		(7.6)	
Net interest paid		**(1.7)**		(3.9)		(6.8)
UK corporation tax paid	**-**		-		-	
Overseas corporate tax paid	**(6.8)**		(8.5)		(18.1)	
Total tax paid		**(6.8)**		(8.5)		(18.1)
Net cash inflow from operating activities		**31.1**		23.6		64.2
Investing						
Dividends received from joint ventures		**1.9**		2.6		4.7
Purchase of property, plant and equipment	**(7.8)**		(11.6)		(22.0)	
Sale of property, plant and equipment	**-**		-		0.5	
Net capital expenditure and financial investment		**(7.8)**		(11.6)		(21.5)
Purchase of business		**-**		-		(3.9)
Proceeds from financial asset		**-**		-		6.1
Net cash outflow from investing activities		**(5.9)**		(9.0)		(14.6)
Financing						
Ordinary dividends paid		**-**		-		(22.4)
Dividends paid to non-controlling interests		**-**		-		(2.2)
Settlement of equity-settled share-based payments		**-**		(2.5)		(2.6)
Repayment of borrowings		**-**		-		(59.9)
Net cash outflow from financing activities		**-**		(2.5)		(87.1)
Increase / (decrease) in cash and bank overdrafts during the period		**25.2**		12.1		(37.5)
Comprised of:						
Cash and cash equivalents		**25.2**		12.1		(37.5)
Bank overdrafts		**-**		-		-
		25.2		12.1		(37.5)

RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO MOVEMENT IN NET DEBT FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
	Unaudited	Unaudited	Audited
	£m	£m	£m
Net cash inflow from operating activities	**31.1**	23.6	64.2
Add back: dividends received from joint ventures	**1.9**	2.6	4.7
Less: net capital expenditure and financial investment	**(7.8)**	(11.6)	(21.5)
Less: purchase of business	**-**	-	(8.6)
	25.2	14.6	38.8
Ordinary dividends paid	**-**	-	(22.4)
Dividends paid to non-controlling interests	**-**	-	(2.2)
Settlement of equity-settled share-based payments	**-**	(2.5)	(2.6)
Exchange movements	**9.7**	6.9	9.9
Movement in net borrowings (underlying performance)	**34.9**	19.0	21.5

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The information for the year ended 31 December 2014 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 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.

To ensure consistency with the disclosure in the 2014 annual report, £4.2 million has been reclassified to Provisions from Trade and Other Payables in the 30 June 2014 comparative column of the balance sheet.

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 2015	Six months ended 30 June 2014	Year ended 31 December 2014
	£m	£m	£m
	Unaudited	Unaudited	Audited
Continuing operations			
Operating profit / (loss)			
Acquisition of controlling interest in Synthomer Finland Oy (formerly Eka Synthomer Oy)			
Excess of net assets acquired over consideration paid – 'Bargain Purchase'	-	-	1.2
Recycling of foreign exchange in deemed disposal of non-controlling interest	-	-	(1.0)
Acquisition costs	-	(1.1)	(0.1)
	-	(1.1)	0.1
Restructuring and site closure	(1.8)	-	(4.5)
Amortisation of acquired intangibles - subsidiaries	(12.7)	(12.7)	(25.8)
– share of joint ventures	-	(0.8)	(1.2)
	(14.5)	(14.6)	(31.4)
Finance costs			
Fair value adjustment	-	(0.5)	(0.8)
Loss before taxation from continuing operations	(14.5)	(15.1)	(32.2)
Taxation	4.1	4.2	10.9
Loss for the year from continuing operations	(10.4)	(10.9)	(21.3)

Further details are provided in the Chief Executive's Business Review.

4. Segmental analysis

	Group revenue	Share of joint ventures' revenue	Total Sales	Operating profit: Underlying performance	Operating profit: Special items	Operating profit: IFRS
	£m	£m	£m	£m	£m	£m
Six months ended 30 June 2015 Analysis by activity						
Europe & North America	307.0	-	307.0	42.1	(11.7)	30.4
Asia & Rest of World	147.5	14.2	161.7	18.9	(2.8)	16.1
Total sales	454.5	14.2	468.7			
Divisional operating profit / (loss)				61.0	(14.5)	46.5
Unallocated corporate expenses				(5.6)	-	(5.6)
Operating profit / (loss)				55.4	(14.5)	40.9

	Group revenue	Share of joint ventures' revenue	Total Sales	Operating profit: Underlying performance	Operating profit: Special items	Operating profit: IFRS
	£m	£m	£m	£m	£m	£m
Six months ended 30 June 2014 Analysis by activity						
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

	Group revenue	Share of joint ventures' revenue	Total Sales	Operating profit: Underlying performance	Operating profit: Special items	Operating profit: IFRS
	£m	£m	£m	£m	£m	£m
Year ended 31 December 2014 Analysis by activity						
Europe & North America	661.4	25.8	687.2	85.7	(25.7)	60.0
Asia & Rest of World	275.0	28.3	303.3	17.8	(5.7)	12.1
Total sales	936.4	54.1	990.5			
Divisional operating profit / (loss)				103.5	(31.4)	72.1
Unallocated corporate expenses				(7.0)	-	(7.0)
Operating profit / (loss)				96.5	(31.4)	65.1

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 2015	Six months ended 30 June 2014	Year ended 31 December 2014
	Unaudited	Unaudited	Audited
	£m	£m	£m
Operating profit – continuing operations	40.9	36.5	65.1
Less: share of profit of joint ventures	(2.4)	(2.3)	(4.1)
	38.5	34.2	61.0
Adjustments for:			
Depreciation	11.1	9.7	21.2
Amortisation: underlying	0.1	-	0.3
Amortisation: special items	12.7	12.7	25.8
Restructuring and site closure costs	1.8	1.1	4.5
Share based payments	-	0.1	0.3
Profit on sale of fixed assets	-	-	(0.4)
Cash impact of restructuring and site closure	(1.5)	(1.8)	(3.8)
IAS 19 interest charge	(2.4)	(2.2)	(4.6)
Pension funding (in excess of) / less than IAS 19 charge	(1.8)	1.3	(6.1)
Decrease / (increase) in inventories	6.7	3.7	6.0
(Increase) / decrease in trade and other receivables	(29.6)	(20.5)	2.5
Increase / (decrease) in trade and other payables	4.0	(2.3)	(17.6)
Cash generated from operations	39.6	36.0	89.1

6. Tax

Tax on the underlying profit before taxation for the six month period is charged at 22.0% (six months ended 30 June 2014: 22.0%; year ended 31 December 2014: 21.5%), 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 19.5% (six months ended 30 June 2014: 19.0%; year ended 31 December 2014: 14.0%), on the IFRS profit before taxation.

7. Dividends

The interim dividend of 3.2 pence per ordinary share was approved by the Board on 11 August 2015 and will be paid on 5 November 2015 to members on the register at the close of business on 9 October 2015.

8. Earnings per share

	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
	Unaudited	Unaudited	Audited
	’000 shares	’000 shares	’000 shares
Weighted average number of shares in issue - basic	339,798	339,730	339,764
Weighted average number of shares in issue - diluted	342,894	342,552	342,488

	Six months ended 30 June 2015			Six months ended 30 June 2014		
	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)	39.4	(10.2)	29.2	34.4	(10.7)	23.7
Basic earnings per share	11.6p	(3.0)p	8.6p	10.1p	(3.1)p	7.0p
Diluted earnings per share	11.5p	(3.0)p	8.5p	10.0p	(3.1)p	6.9p

	Year ended 31 December 2014		
	Underlying performance	Special items	IFRS
	£m	£m	£m
Earnings (Profit / (loss) attributable to equity holders of the parent)	66.2	(20.9)	45.3
Basic earnings per share	19.5p	(6.2)p	13.3p
Diluted earnings per share	19.3p	(6.1)p	13.2p

9. Financial instruments

The risks associated with the Group’s financial instruments and related polices are detailed in note 22 of the 2014 annual financial statements. Subject to the following, there have been no changes in the risks and the management thereof since 31 December 2014. On 26 March, the use of Euro denominated borrowings and forward contracts to hedge a proportion (€200 million) of the Euro asset base ceased. On 24 June, forward contracts and other instruments were taken out to hedge MYR120 million of the Malaysian Ringgit asset base.

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 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 2015. 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. 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.

12. 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.

13. 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 2014. 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.

14. Further information

The financial statements were approved by the Board of Directors on 11 August 2015.

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.

15. 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.
Operating profit	Operating profit represents profit before finance costs and taxation.
EBITDA	EBITDA is calculated as operating profit before depreciation, amortisation and special items.
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

C G MacLean Chief Executive Officer 11 August 2015	S G Bennett 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 2015. 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 2015;
- 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.

PricewaterhouseCoopers LLP
Chartered Accountants
11 August 2015
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.