8 August 2017

Synthomer plc
Interim Results for the six months ended 30 June 2017

Solid progress in H1 2017 - Underlying PBT up 17.4%; full year expectations unchanged

H1 HIGHLIGHTS *Underlying performance [1]*	**2017**	**2016**	**Increase / (decrease) Reported**	**Constant Currency[2]**
	£m	£m	%	%
Revenue	770.3	446.2	72.6	64.8
Volumes (ktes)	730.2	621.7	17.5	
Europe and North America (ENA)	*64.3*	*46.8*	37.4	30.8
Asia and ROW (ARW)	*18.1*	*24.2*	(25.2)	(28.5)
Unallocated	*(5.9)*	*(6.1)*	3.3	3.3
Operating Profit	76.5	64.9	17.9	11.9
Profit before Tax	71.6	61.0	17.4	10.8
EPS (p)	16.8	13.8	21.7	
DPS (p) – ordinary	3.7	3.5	5.7	
IFRS Profit before Tax	53.4	57.4	(7.0)	
IFRS EPS (p)	12.5	14.0	(10.7)	

1 - Underlying performance excludes Special Items. Comments on Underlying performance and a detailed analysis of the Special Items are set out in note 3.

2 - Constant currency sales and profit: these reflect current year results for Heritage business translated at the prior year's average exchange rates, and include the impact of acquisitions.

H1 highlights:

- Underlying profit before tax up 17.4% to £71.6m (constant currency up 10.8%):
  - Two 'bolt-on' acquisitions completed in last 12 months successfully integrated
  - Europe & North America continue to grow in line with GDP
  - Asia & Rest of World in line with guidance with H1 Nitrile Latex margins stable vs Q4 2016
  - Positive FX impact
- IFRS profit before tax £53.4m
- R&D delivering sustainable growth: new products represent circa 20% total sales* (2016: 18%)
- Underlying earnings per share up 21.7% at 16.8p per share
- Interim dividend of 3.7p (2016: 3.5p); increase of 5.7% in line with dividend policy
- Strong and flexible balance sheet maintained - leverage 1.3x EBITDA

*Heritage business only. Metric to be rebased for Full Year 2017

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

"We have made solid progress during the first half of this year. The positive impact of the 'bolt-on' acquisitions, Europe and North America continuing to grow in line with GDP and positive currency translation more than offset the anticipated margin pressure in the Nitrile Latex market in Asia and Rest of the World, leading to a 17.4% increase in Underlying profit before tax.

Looking ahead, we continue to focus on driving sustainable growth, through capital investment projects, R&D and business efficiency programmes. We also continue to evaluate acquisition opportunities and will remain highly disciplined in our selection criteria. Accepting the H2 seasonality inherent in our markets, and in the absence of any currency benefit in the second half, the Board's expectations for the full year remain unchanged."

IFRS Information	**H1 2017**			H1 2016		
	Underlying performance	**Special Items**	**IFRS**	Underlying performance	Special Items	IFRS
	£m	£m	£m	£m	£m	£m
Revenue	770.3	-	770.3	446.2	-	446.2
Europe and North America (ENA)	64.3	(16.2)	48.1	46.8	(1.6)	45.2
Asia and ROW (ARW)	18.1	(1.9)	16.2	24.2	(2.1)	22.1
Unallocated	(5.9)	(0.1)	(6.0)	(6.1)	-	(6.1)
Operating profit (including share of JV's)	76.5	(18.2)	58.3	64.9	(3.7)	61.2
Finance costs	(4.9)	-	(4.9)	(3.9)	0.1	(3.8)
Profit/(loss) before taxation	71.6	(18.2)	53.4	61.0	(3.6)	57.4
EPS (p)	16.8	(4.3)	12.5	13.8	0.2	14.0
DPS (p)			3.7			3.5

Underlying performance

As more fully described in note 3, 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 also detailed in note 3. The Board's view is that Underlying performance provides additional clarity for the Group's investors and so it is the primary focus of the Group's narrative reporting. Where appropriate, IFRS 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.

The Heritage business is the Synthomer Group at 1 January 2016 as adjusted for disposals and the Existing business is the Synthomer Group at 1 January 2017.

The table below bridges the H1 2016 operating profit to that for the current period, showing the change in the Existing business, the impact of acquisitions, the impact of the weakness of sterling on translation and the effect of the Special Items.

	Europe & North America £m		**Asia & Rest of World £m**		**Unallocated corporate expenses £m**		**Total £m**	
2016 – IFRS	45.2		22.1		(6.1)		61.2	
Add back: 2016 – Special Items	1.6		2.1		-		3.7	
2016 – Underlying performance	46.8		24.2		(6.1)		64.9	
2017 – Underlying Existing business change at 2016 exchange rates	12.6		(6.0)		0.2		6.8	
2017 – Impact of acquisition of Oxo Belgium	1.8		-		-		1.8	
2017 – Impact of disposal of South Africa	-		(0.9)		-		(0.9)	
2017 – Underlying business change at 2016 exchange rates	14.4	30.8%	(6.9)	(28.5)%	0.2	3.3%	7.7	11.9%
2017 – Impact of 2017 exchange rates	3.1		0.8		-		3.9	
2017 – Underlying performance	64.3	37.4%	18.1	(25.2)%	(5.9)	3.3%	76.5	17.9%
Deduct: 2017 – Special Items	(16.2)		(1.9)		(0.1)		(18.2)	
2017 – IFRS	48.1	6.4%	16.2	(26.7)%	(6.0)	1.6%	58.3	(4.7)%

Cautionary statement

The purpose of this report is to provide information to the members of the Company. It contains certain forward-looking statements with respect to the operations, performance and financial condition of the Group. By their nature, these statements involve uncertainty since future events and circumstances can cause results and developments to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this report and the Company undertakes no obligation to update these forward-looking statements. Nothing in this report should be construed as a profit forecast.

ENQUIRIES:

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

Chief Executive Officer's Review

Solid progress in H1 2017

A continued focus on organic growth combined with the benefits of two recent 'bolt-on' acquisitions enabled us to deliver a solid performance in H1 2017. These factors together with a favourable currency tailwind increased Group Underlying profit before tax by 17.4% to £71.6m.

The Europe and North America ('ENA') segment increased Underlying operating profit by 37.4% to £64.3m largely reflecting our successful integration of the dispersions PAC acquisition (from Hexion) and polymer additives Oxo Belgium acquisition (from Perstorp), the two transactions that we completed in the last 12 months. We remain on track to deliver the forecasted synergies by the end of 2018. In addition, the Heritage business continued to perform as expected, growing in-line with GDP.

Our Asia and Rest of World ('ARW') segment traded in line with expectations and consistent with the guidance given at the full year results. H1 Underlying operating profit was £18.1m (H1 2016: £24.2m), reflecting the disposal of our South Africa business in H2 2016, the weaker trading environment in the Middle East, and lower Nitrile Latex margins relative to a strong comparative period although they remain in line with Q4 2016.

We continue to see the benefits of our investment in R&D, with sales of new products increasing to circa 20% of sales (2016: 18%) in our Heritage business. We have continued to make good progress with our Business Development, Manufacturing Excellence and Procurement initiatives. Our capital investment projects are on track and which will result in the significant expansion of our facilities in Pasir Gudang, Worms and Roebuck with new capacity coming online in 2018.

H1 Results – Underlying

Group revenue increased 72.6% to £770.3m (2016: £446.2m) principally reflecting higher volumes from the acquisitions, the impact of higher raw materials prices and the favourable translation effect of a stronger Euro and US dollar relative to the comparative period.

H1 2017 Underlying profit before tax increased to £71.6m (2016: £61.0m), a rise of 17.4%, or 10.8% at constant currency. The Underlying results benefitted from the movement in sterling relative to the Euro (H1 2017 £1:€1.16, H1 2016 £1:€1.27) and relative to Malaysian Ringgit (H1 2017 £1:MYR 5.55, H1 2016 £1:MYR 5.74), resulting in an overall favourable FX translation impact of £3.9m.

Underlying earnings per share was up 21.7% at 16.8 pence per share (2016: 13.8 pence per share).

H1 Results – IFRS

IFRS profit before tax was £53.4m in H1 2017 relative to £57.4m in H1 2016. The IFRS profit before tax reflects the Underlying profit before tax as adjusted for the Special Items set out in note 3.

Special Items net charges have increased from £3.7m in H1 2016 to £18.2m in H1 2017, with the increase principally attributable to a one-off gain of £13.1m related to the FX contract put in place to hedge the purchase price of the PAC acquisition recorded in H1 2016 and which has not repeated in H1 2017.

Segmental review

Europe and North America (ENA)

	H1 2017	H1 2016	Increase / (decrease) Reported	Constant Currency
			%	%
Volumes (ktes)	550.7	427.7	28.8	
Revenue (£m)	593.2	305.5	94.2	85.3
EBITDA	75.2	53.6	40.3	33.6
Operating profit – Underlying performance (£m)	64.3	46.8	37.4	30.8
Operating profit – IFRS (£m)	48.1	45.2	6.4	

Underlying operating profit in the ENA segment was £17.5m higher at £64.3m (2016: £46.8m), an increase of 37.4% or 30.8% at constant currency.

This improved performance largely reflects the benefits of the recent acquisitions, both of which are now fully integrated into our results for the first time. The dispersions PAC business was acquired from Hexion on 30 June 2016 and the polymer additives Oxo Belgium business was acquired from Perstorp on 5 March 2017.

Total volumes were up 28.8%. We continued to see volume growth in Construction & Coatings, Textiles and Adhesives, and Foam with marginally reduced volumes in Carpets and Paper.

Group unit margins have strengthened relative to prior year notwithstanding the significant raw materials price volatility in the period. Overall unit margins remained robust, benefitting from new product introductions, business development, manufacturing excellence and procurement initiatives.

Asia and Rest of World (ARW)

	H1 2017	H1 2016	Increase / (decrease) Reported	Constant Currency
			%	%
Volumes (ktes)	179.5	194.0	(7.5)	
Revenue (£m)	177.1	140.7	25.9	19.6
EBITDA	24.6	29.4	(16.3)	(19.3)
Operating profit – Underlying performance (£m)	18.1	24.2	(25.2)	(28.5)
Operating profit – IFRS (£m)	16.2	22.1	(26.7)	

The trading performance of the ARW segment is consistent with the guidance given at the time of the 2016 full year results. Underlying operating profit was £18.1m relative to £24.2m in H1 2016, in part reflecting the sale of our South African business in August 2016 which contributed £0.9m of profit in H1 2016, the weaker trading environment in the Middle East (£0.6m), the ongoing integration of Chonburi (£0.9m) and the more challenging market economics in our Nitrile Latex business, relative to a strong comparative.

ARW volumes were stable relative to the prior year and the reduction in volumes of 14.5kt is attributable to the sale of our South African business.

Positively, the volumes in our Nitrile Latex business remained robust during a period of unprecedented raw material price volatility in Asia, where Butadiene prices rose and fell three fold in Q1 and Q2 respectively, and with the incremental production capacity introduced to the market in H2 2016.

Unit margin performance of our Nitrile Latex business is in line with expectations and, although down year on year against a stronger market driven comparative, is consistent with unit margins delivered by the business in Q4 2016.

Unallocated central costs

Unallocated central costs of £5.9m (2016: £6.1m) remain well controlled and are broadly in line with the prior year.

Special Items

	H1 2017 £m	H1 2016 £m
Restructuring and site closure	(3.3)	(1.2)
Sale of land	1.4	-
Acquisition costs	(1.2)	(3.5)
Gain on foreign exchange contracts relating to PAC acquisition	-	13.1
Amortisation of acquired intangibles	(15.1)	(12.1)
Impact on operating profit	(18.2)	(3.7)
Tax on Special Items	3.5	4.0

The following items of income and expense have been reported as Special Items, which are excluded to show Underlying performance:

- Restructuring costs relate to the post acquisition integration of the PAC and Oxo Belgium businesses. The 2016 spend related to the PAC acquisition.
- Profit on sale of land in 2017 related to a disposal of land in Hapton, UK.
- Acquisition costs relate to costs incurred in relation to Oxo Belgium (H1 2016: PAC) and other acquisitions which have not occurred.
- In 2016 we recognised a gain of £13.1m on the foreign exchange contracts taken out as a hedge against the US dollar PAC purchase consideration.
- Amortisation of intangibles increased during the period, partly due to foreign currency movements and partly due to the intangibles acquired as part of the PAC and Oxo Belgium acquisitions.

Of the tax credit of £3.5m (2016: £4.0m), £3.2m (2016:£3.7m) related to the notional tax credit on the intangibles amortisation expense.

Taxation

The Group's Underlying tax rate at 20% (H1 2016: 22%, Full Year 2016: 20%) is lower due to changes in the geographical composition of profits.

Cash performance and balance sheet items

The Group generated operating cash flow of £13.0m (2016: £38.4m). 2017 was lower than 2016 because of the investment in working capital. This was due to the significant rise in key raw material prices during the period which resulted in higher inventory and trade receivable balances partly offset by higher trade payables balances.

Cash tax increased to £11.6m (2016:£6.7m) due to the acquisitions and the timing of settlement of tax liabilities.

The increase in capital expenditure to drive organic growth reflects the cash spend on the previously announced Nitrile Latex capacity increase in Pasir Gudang, Malaysia (£6m) and Dispersions capacity at Worms, Germany (£5m). Consistent with previous guidance, capital expenditure is expected to continue to rise to approximately £50-60m for the full year (2016: £45.6m) as work on these projects together with our ongoing sustenance and compliance capex continue.

On 5 March 2017, the Group paid £66.1m for the purchase of Oxo Belgium. The acquisition was funded through a drawdown under the Revolving Credit Facility. The allocation of the purchase price between goodwill, intangibles, tangible fixed assets and other net assets of £23.8m, £41.4m, £8.9m and £7.0m respectively, offset by a deferred tax liability of £15.0m remains provisional.

The Group paid the 2016 final ordinary dividend of 7.8 pence per share to shareholders on 6 July, resulting in a cash outflow of £26.5m after the period end.

After other operating, investing and financing flows, this led to an increase in cash, cash equivalents and bank overdrafts of £14.2m (2016: increase £40.8m).

The final tranche of Malaysian land for sale of approximately 400 acres is under offer on similar terms to the last tranche with completion expected end 2018/Q1 2019. The Group's 70% share of the proceeds at current foreign currency rates is expected to be approximately £10m.

The Group Pension liability has decreased to £184.5m from £186.7m at 31 December 2016 mainly reflecting a reduction in the UK pension liability of £9m and an increase in the overseas liability of £7m. The reduction in the UK pension liability reflects the reduction in the UK discount rate, more than offset by the growth in assets and contributions made under the deficit recovery programme. The rise in the overseas liability mainly reflects the incremental liability associated with the Oxo Belgium acquisition £3m and the fx translation impact of £3m.

Dividend and capital management

The Board has declared an interim dividend of 3.7 pence per share, an increase of 0.2 pence or 5.7%. This remains in line with our Group dividend and capital management policy.

Outlook

Looking ahead, we continue to focus on driving sustainable growth, through capital investment projects, R&D and business efficiency programmes. We also continue to evaluate acquisition opportunities and will remain highly disciplined in our selection criteria. Accepting the H2 seasonality inherent in our markets, and in the absence of any currency benefit in the second half, the Board's expectations for the full year remain unchanged.

Calum MacLean
Chief Executive Officer
7 August 2017

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June 2017			Six months ended 30 June 2016		
	Underlying performance	**Special Items**	**IFRS**	Underlying performance	Special Items	IFRS
	£m	**£m**	**£m**	£m	£m	£m
	Unaudited	**Unaudited**	**Unaudited**	Unaudited	Unaudited	Unaudited
Group revenue	**770.3**	**-**	**770.3**	446.2	-	446.2
Company and subsidiaries before Special Items	**75.8**	**-**	**75.8**	63.6	-	63.6
Restructuring and site closure	**-**	**(3.3)**	**(3.3)**	-	(1.2)	(1.2)
Gain on foreign exchange contracts relating to acquisition	**-**	**-**	**-**	-	13.1	13.1
Acquisition costs	**-**	**(1.2)**	**(1.2)**	-	(3.5)	(3.5)
Sale of land	**-**	**1.4**	**1.4**	-	-	-
Amortisation of acquired intangibles	**-**	**(15.1)**	**(15.1)**	-	(12.1)	(12.1)
Company and subsidiaries	**75.8**	**(18.2)**	**57.6**	63.6	(3.7)	59.9
Share of joint ventures	**0.7**	**-**	**0.7**	1.3	-	1.3
Operating profit / (loss)	**76.5**	**(18.2)**	**58.3**	64.9	(3.7)	61.2
Interest payable	**(3.1)**	**-**	**(3.1)**	(1.6)	-	(1.6)
Interest receivable	**0.6**	**-**	**0.6**	0.2	-	0.2
	(2.5)	**-**	**(2.5)**	(1.4)	-	(1.4)
IAS 19 interest charge	**(2.4)**	**-**	**(2.4)**	(2.5)	-	(2.5)
Fair value adjustment	**-**	**-**	**-**	-	0.1	0.1
Finance costs	**(4.9)**	**-**	**(4.9)**	(3.9)	0.1	(3.8)
Profit / (loss) before taxation	**71.6**	**(18.2)**	**53.4**	61.0	(3.6)	57.4
Taxation	**(14.3)**	**3.5**	**(10.8)**	(13.4)	4.0	(9.4)
Profit / (loss) for the period	**57.3**	**(14.7)**	**42.6**	47.6	0.4	48.0
Profit / (loss) attributable to non-controlling interests	**0.3**	**-**	**0.3**	0.6	(0.1)	0.5
Profit / (loss) attributable to equity holders of the Company	**57.0**	**(14.7)**	**42.3**	47.0	0.5	47.5
	57.3	**(14.7)**	**42.6**	47.6	0.4	48.0
Earnings per share						
Basic	**16.8p**	**(4.3)p**	**12.5p**	13.8p	0.2p	14.0p
Diluted	**16.7p**	**(4.3)p**	**12.4p**	13.7p	0.2p	13.9p

Special Items
The Special Items are shown in more detail in note 3.

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017 continued

	Year ended 31 December 2016		
	Underlying performance £m Audited	Special Items £m Audited	IFRS £m Audited
Group revenue	1,045.7	-	1,045.7
Company and subsidiaries before Special Items	128.2	-	128.2
Restructuring and site closure	-	(5.2)	(5.2)
Sale of business	-	4.7	4.7
Gain on foreign exchange contracts relating to acquisition	-	13.1	13.1
Acquisition Costs	-	(4.3)	(4.3)
Sale of land	-	33.2	33.2
Amortisation of acquired intangibles	-	(27.0)	(27.0)
Company and subsidiaries	128.2	14.5	142.7
Share of joint ventures	2.0	-	2.0
Operating profit	130.2	14.5	144.7
Interest payable	(4.2)	-	(4.2)
Interest receivable	0.7	-	0.7
	(3.5)	-	(3.5)
IAS 19 interest charge	(4.5)	-	(4.5)
Finance costs	(8.0)	-	(8.0)
Profit before taxation	122.2	14.5	136.7
Taxation	(24.5)	9.1	(15.4)
Profit for the year	97.7	23.6	121.3
Profit attributable to non-controlling interests	1.5	9.4	10.9
Profit attributable to equity holders of the Company	96.2	14.2	110.4
	97.7	23.6	121.3
Earnings per share			
Basic	28.3p	4.2p	32.5p
Diluted	28.1p	4.2p	32.3p

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 2017

	Six months ended 30 June 2017			Six months ended 30 June 2016		
	Equity holders of the Company	**Non-controlling interests**	**Total**	Equity holders of the Company	Non-controlling interests	Total
	Unaudited £m	**Unaudited £m**	**Unaudited £m**	Unaudited £m	Unaudited £m	Unaudited £m
Profit for the period	**42.3**	**0.3**	**42.6**	47.5	0.5	48.0
Actuarial gains / (losses) on pension scheme	**1.9**	**-**	**1.9**	(45.0)	-	(45.0)
Tax relating to components of other comprehensive income	**0.3**	**-**	**0.3**	3.2	-	3.2
Total items that will not be reclassified to profit or loss	**2.2**	**-**	**2.2**	(41.8)	-	(41.8)
Exchange differences on translation of foreign operations	**(6.2)**	**(0.2)**	**(6.4)**	43.5	1.6	45.1
Gains / (losses) on a hedge of a net investment taken to equity	**5.0**	**-**	**5.0**	(2.9)	-	(2.9)
Total items that may be reclassified subsequently to profit or loss	**(1.2)**	**(0.2)**	**(1.4)**	40.6	1.6	42.2
Other comprehensive income / (expense) for the period	**1.0**	**(0.2)**	**0.8**	(1.2)	1.6	0.4
Total comprehensive income for the period	**43.3**	**0.1**	**43.4**	46.3	2.1	48.4

	Year ended 31 December 2016		
	Equity holders of the Company	Non-controlling interests	Total
	Audited £m	Audited £m	Audited £m
Profit for the year	110.4	10.9	121.3
Actuarial losses	(49.1)	-	(49.1)
Tax relating to components of other comprehensive income	0.9	-	0.9
Total items that will not be reclassified to profit or loss	(48.2)	-	(48.2)
Exchange differences on translation of foreign operations	47.0	1.2	48.2
Exchange differences recycled on sale of business	3.3	-	3.3
Losses on a hedge of a net investment taken to equity	(6.4)	-	(6.4)
Total items that may be reclassified subsequently to profit or loss	43.9	1.2	45.1
Other comprehensive (expense) / income for the year	(4.3)	1.2	(3.1)
Total comprehensive income for the year	106.1	12.1	118.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	**Share premium**	**Capital redemption reserve**	**Hedging and translation reserve**	**Retained earnings**	**Total**	**Non-controlling interests**	**Total equity**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 January 2017	**34.0**	**230.5**	**0.9**	**(4.4)**	**65.2**	**326.2**	**18.0**	**344.2**
Profit for the period	**-**	**-**	**-**	**-**	**42.3**	**42.3**	**0.3**	**42.6**
Other comprehensive (expense) / income for the period	**-**	**-**	**-**	**(1.2)**	**2.2**	**1.0**	**(0.2)**	**0.8**
Total comprehensive (expense) / income for the period	**-**	**-**	**-**	**(1.2)**	**44.5**	**43.3**	**0.1**	**43.4**
Share based payments	**-**	**-**	**-**	**-**	**(2.3)**	**(2.3)**	**-**	**(2.3)**
Dividends payable	**-**	**-**	**-**	**-**	**(26.5)**	**(26.5)**	**-**	**(26.5)**
At 30 June 2017 (Unaudited)	**34.0**	**230.5**	**0.9**	**(5.6)**	**80.9**	**340.7**	**18.1**	**358.8**

	Share capital	Share premium	Capital redemption reserve	Hedging and translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2016	34.0	230.5	0.9	(48.3)	32.3	249.4	9.1	258.5
Profit for the period	-	-	-	-	47.5	47.5	0.5	48.0
Other comprehensive income / (expense) for the period	-	-	-	40.6	(41.8)	(1.2)	1.6	0.4
Total comprehensive income for the period	-	-	-	40.6	5.7	46.3	2.1	48.4
Share based payments	-	-	-	-	(0.2)	(0.2)	-	(0.2)
Dividends payable	-	-	-	-	(18.3)	(18.3)	-	(18.3)
At 30 June 2016 (Unaudited)	34.0	230.5	0.9	(7.7)	19.5	277.2	11.2	288.4

	Share capital	Share premium	Capital redemption reserve	Hedging and translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 January 2016	34.0	230.5	0.9	(48.3)	32.3	249.4	9.1	258.5
Profit for the period	-	-	-	-	110.4	110.4	10.9	121.3
Other comprehensive income / (expense) for the period	-	-	-	43.9	(48.2)	(4.3)	1.2	(3.1)
Total comprehensive income for the period	-	-	-	43.9	62.2	106.1	12.1	118.2
Share based payments	-	-	-	-	1.0	1.0	-	1.0
Dividends payable	-	-	-	-	(30.3)	(30.3)	(3.2)	(33.5)
At 31 December 2016 (Audited)	34.0	230.5	0.9	(4.4)	65.2	326.2	18.0	344.2

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2017

	30 June 2017	30 June 2016	31 December 2016
	Unaudited	Unaudited	Audited
	£m	£m	£m
Non-current assets			
Goodwill	**328.0**	321.7	301.4
Acquired intangible assets	**81.7**	45.0	54.2
Other intangible assets	**0.2**	0.6	0.2
Property, plant and equipment	**304.1**	260.6	293.3
Deferred tax assets	**18.4**	14.2	19.4
Investment in joint ventures	**8.5**	8.0	9.0
Total non-current assets	**740.9**	650.1	677.5
Current assets			
Inventories	**139.6**	94.8	104.3
Trade and other receivables	**264.6**	206.9	195.7
Cash and cash equivalents	**147.9**	93.1	117.4
Derivatives at fair value	**-**	19.1	-
Total current assets	**552.1**	413.9	417.4
Asset classified as held for sale	**0.3**	6.5	0.7
Current liabilities			
Borrowings	**(80.7)**	(65.2)	(65.4)
Trade and other payables	**(254.5)**	(189.8)	(213.5)
Current tax liability	**(42.0)**	(37.9)	(39.0)
Dividends payable	**(26.5)**	(18.3)	-
Provisions for other liabilities and charges	**(2.9)**	(3.0)	(3.0)
Total current liabilities	**(406.6)**	(314.2)	(320.9)
Non-current liabilities			
Borrowings	**(291.5)**	(247.1)	(202.3)
Trade and other payables	**(1.3)**	-	(2.7)
Deferred tax liability	**(44.0)**	(23.4)	(33.1)
Post retirement benefit obligations	**(184.5)**	(190.1)	(186.7)
Provisions for other liabilities and charges	**(6.6)**	(7.3)	(5.7)
Total non-current liabilities	**(527.9)**	(467.9)	(430.5)
Net assets	**358.8**	288.4	344.2
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	**(5.6)**	(7.7)	(4.4)
Retained earnings	**80.9**	19.5	65.2
Equity attributable to equity holders of the parent	**340.7**	277.2	326.2
Non-controlling interests	**18.1**	11.2	18.0
Total equity	**358.8**	288.4	344.2

The interim financial statements were approved by the Board of Directors and authorised for issue on 7 August 2017.

ANALYSIS OF NET BORROWINGS

Cash and cash equivalents	**147.9**	93.1	117.4
Current borrowings	**(80.7)**	(65.2)	(65.4)
Non-current borrowings	**(291.5)**	(247.1)	(202.3)
Net borrowings	**(224.3)**	(219.2)	(150.3)
Special item: deduct fair value adjustment	**-**	4.2	-
Net borrowings (Underlying performance)	**(224.3)**	(215.0)	(150.3)

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June 2017		Six months ended 30 June 2016		Year ended 31 December 2016	
	Unaudited £m	**Unaudited £m**	Unaudited £m	Unaudited £m	Audited £m	Audited £m
Operating						
Cash generated from operations		**27.1**		46.5		157.0
Interest received	**0.6**		0.2		0.7	
Interest paid	**(3.1)**		(1.6)		(4.0)	
Net interest paid		**(2.5)**		(1.4)		(3.3)
UK corporation tax paid	**-**		-		-	
Overseas corporate tax paid	**(11.6)**		(6.7)		(17.1)	
Total tax paid		**(11.6)**		(6.7)		(17.1)
Net cash inflow from operating activities		**13.0**		38.4		136.6
Investing						
Dividends received from joint ventures		**1.0**		2.0		2.1
Purchase of property, plant and equipment	**(17.2)**		(8.9)		(45.6)	
Sale of property, plant and equipment	**2.2**		0.1		34.4	
Net capital expenditure		**(15.0)**		(8.8)		(11.2)
Purchase of business		**(64.1)**		(165.5)		(165.8)
Sale of business		**-**		-		12.8
Net cash outflow from investing activities		**(78.1)**		(172.3)		(162.1)
Financing						
Ordinary dividends paid		**-**		-		(30.3)
Dividends paid to non-controlling interests		**-**		-		(3.2)
Settlement of equity-settled share based payments		**(2.8)**		-		(0.4)
Proceeds of borrowings		**133.1**		184.7		186.0
Repayment of borrowings		**(51.0)**		(10.0)		(82.7)
Net cash inflow from financing activities		**79.3**		174.7		69.4
Increase in cash and bank overdrafts during the period		**14.2**		40.8		43.9
Comprised of:						
Cash, cash equivalents and bank overdrafts at 1 January		**52.0**		8.5		8.5
Cash inflows / (outflows)						
Cash and cash equivalents	**28.1**		49.7		63.8	
Bank overdrafts	**(13.9)**		(8.9)		(19.9)	
		14.2		40.8		43.9
Exchange and other movements		**1.0**		(3.7)		(0.4)
Cash, cash equivalents and bank overdrafts at period end		**67.2**		45.6		52.0

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017 (CONTINUED)

Reconciliation of net cash flow from operating activities to movement in net borrowings

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
	Unaudited	Unaudited	Audited
	£m	£m	£m
Net cash inflow from operating activities	**13.0**	38.4	136.6
Add back: dividends received from joint ventures	**1.0**	2.0	2.1
Less: net capital expenditure	**(15.0)**	(8.8)	(11.2)
Less: net purchase of business	**(64.1)**	(165.5)	(153.0)
	(65.1)	(133.9)	(25.5)
Ordinary dividends paid	**-**	-	(30.3)
Dividends paid to non-controlling interests	**-**	-	(3.2)
Settlement of equity-settled share based payments	**(2.8)**	-	(0.4)
Exchange movements	**(6.1)**	(3.7)	(13.5)
Increase in net borrowings (Underlying performance)	**(74.0)**	(137.6)	(72.9)

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The information for the year ended 31 December 2016 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 and basis of preparation

The annual financial statements of Synthomer plc are prepared in accordance with IFRSs as adopted by the European Union and applicable law. This condensed set of financial statements has been prepared in accordance with applicable law, 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 except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to the expected total annual profit or loss.

After making enquiries and taking account of reasonably possible changes in trading performance, the Directors are satisfied that, at the time of approving the interim financial statements for the Group, it is appropriate to adopt the going concern basis.

3. Segmental performance & Special Items

The Group's Executive Committee, chaired by the Chief Executive Officer, examines the Group's performance and has identified two reportable segments of its business:

Europe & North America
These markets are well developed and are typically growing at GDP.

Asia & Rest of World
These markets are characterised by growth rates generally above GDP coupled with an increased penetration of more sophisticated products into wider uses.

The Group's Executive Committee primarily uses Underlying operating profit, being operating profit before Special Items to assess the performance of the operating segments. No information is provided to the Committee at the segment level concerning interest income, interest expenses, income taxes or other material non-cash items.

No single customer accounts for more than 10% of the Group's revenues.

The chief operating decision maker is the Group's Executive Committee.

IFRS and Underlying Performance
The IFRS profit measures show the performance of the Group as a whole and as such includes all sources of income and expense, including both one-off items and those that do not relate to the Group's ongoing businesses. To provide additional clarity on the ongoing trading performance of

3. Segmental performance & Special Items (continued)

the Group's businesses, management uses "Underlying" performance as an alternative performance measure to plan for, control and assess the performance of the segments. Underlying performance differs from the IFRS measures as it excludes Special Items.

Special Items

The definition of Special Items is shown in note 18 and has been consistently applied. These Special Items are either irregular, and therefore including them in the assessment of a segment's performance would lead to a distortion of trends, or are technical adjustments which ensure the Group's financial statements are in compliance with IFRS but do not reflect the operating performance of the segment in the year, or both. An example of the latter is the amortisation of acquired intangibles, which principally relates to acquired customer relationships. The Group incurs costs, which are recognised as an expense in the income statement, in maintaining these customer relationships. The Group considers that the exclusion of the amortisation charge on acquired intangibles from Underlying performance avoids the potential double counting of such costs and therefore excludes it as a Special Item from Underlying performance.

A segmental analysis of Underlying performance and Special Items is shown below.

Reconciliation of Underlying performance to IFRS	**Six months ended June 2017**				Six months ended June 2016			
	Europe & North America	**Asia & Rest of World**	**Unallocated corporate expenses**	**Total**	Europe & North America	Asia & Rest of World	Unallocated corporate expenses	Total
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**	Unaudited	Unaudited	Unaudited	Unaudited
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Revenue - Underlying and IFRS	**593.2**	**177.1**		**770.3**	305.5	140.7		446.2
Operating profit/(loss) - including share of joint ventures								
Underlying operating profit/(loss)	**64.3**	**18.1**	**(5.9)**	**76.5**	46.8	24.2	(6.1)	64.9
Special Items								
Restructuring and site closure	**(3.2)**	**-**	**(0.1)**	**(3.3)**	(1.2)	-	-	(1.2)
Gain on foreign exchange contracts relating to acquisition	**-**	**-**	**-**	**-**	12.4	0.7	-	13.1
Acquisition costs	**(1.2)**	**-**	**-**	**(1.2)**	(3.3)	(0.2)	-	(3.5)
Sale of land	**1.4**	**-**	**-**	**1.4**	-	-	-	-
Amortisation of acquired intangibles	**(13.2)**	**(1.9)**	**-**	**(15.1)**	(9.5)	(2.6)	-	(12.1)
	(16.2)	**(1.9)**	**(0.1)**	**(18.2)**	(1.6)	(2.1)	-	(3.7)
IFRS operating profit/(loss)	**48.1**	**16.2**	**(6.0)**	**58.3**	45.2	22.1	(6.1)	61.2

3. Segmental performance & Special Items (continued)

	Year ended December 2016			
	Europe & North America	Asia & Rest of World	Unallocated corporate expenses	Total
	Audited	Audited	Audited	Audited
	£m	£m	£m	£m
Revenue - Underlying and IFRS	746.1	299.6		1,045.7
Operating profit/(loss) - including share of joint ventures				
Underlying operating profit/(loss)	93.3	48.7	(11.8)	130.2
Special Items				
Restructuring and site closure	(4.7)	(0.3)	(0.2)	(5.2)
Profit on sale of South African Business	-	4.7	-	4.7
Gain on foreign exchange contracts relating to acquisition	12.4	0.7	-	13.1
Acquisition costs	(4.1)	(0.2)	-	(4.3)
Sale of land	-	33.2	-	33.2
Amortisation of acquired intangibles	(21.5)	(5.5)	-	(27.0)
	(17.9)	32.6	(0.2)	14.5
IFRS operating profit/(loss)	75.4	81.3	(12.0)	144.7

The restructuring and site closure costs in H1 2017 relate to post-acquisition integration costs and an onerous lease provision. Further integration costs are expected in H2 2017.

Acquisition costs relate to costs incurred in relation to Oxo Belgium (2016: PAC) and other acquisitions which have not occurred.

The profit on sale of land in 2017 related to a disposal of land in Hapton, UK. The profit on sale of land in 2016 related to the disposal of tranches of Malaysian land.

The amortisation of acquired intangibles has increased during the year, partly due to exchange movements and partly due to the intangibles acquired as part of the acquisitions made in the last twelve months.

The tax credit on special items was £3.5m (2016: £4.0m).

Further details are provided in the Chief Executive's Business Review and the glossary of terms in note 18.

4. EBITDA

The Group uses EBITDA as an alternative performance measure as it provides an indication of the level of cash being generated by the business from its trading activities in the period by excluding the "non cash" depreciation and amortisation charges. This is also the principal profit measure used for the financial covenants in the Group's debt facilities. The definition of EBITDA is shown in note 18.

Reconciliation of Underlying performance to IFRS	**Six months ended June 2017**				Six months ended June 2016			
	Europe & North America	**Asia & Rest of World**	**Unallocated corporate expenses**	**Total**	Europe & North America	Asia & Rest of World	Unallocated corporate expenses	Total
	Unaudited	**Unaudited**	**Unaudited**	**Unaudited**	Unaudited	Unaudited	Unaudited	Unaudited
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
EBITDA	**75.2**	**24.6**	**(5.7)**	**94.1**	53.6	29.4	(5.9)	77.1
Depreciation and amortisation	**(10.9)**	**(6.5)**	**(0.2)**	**(17.6)**	(6.8)	(5.2)	(0.2)	(12.2)
Operating profit - Underlying performance	**64.3**	**18.1**	**(5.9)**	**76.5**	46.8	24.2	(6.1)	64.9
Special Items	**(16.2)**	**(1.9)**	**(0.1)**	**(18.2)**	(1.6)	(2.1)	-	(3.7)
Operating profit - IFRS	**48.1**	**16.2**	**(6.0)**	**58.3**	45.2	22.1	(6.1)	61.2

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

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
	Unaudited £m	Unaudited £m	Audited £m
IFRS Operating profit – continuing operations	**58.3**	61.2	144.7
Less: share of profit of joint ventures	**(0.7)**	(1.3)	(2.0)
	57.6	59.9	142.7
Adjustments for:			
Depreciation	**17.5**	12.2	29.7
Amortisation (Underlying)	**0.1**	-	0.2
Amortisation (Special Items)	**15.1**	12.1	27.0
Restructuring and site closure (Special Items)	**3.3**	1.2	5.2
Gain on foreign exchange contracts relating to acquisition (Special Items)	**-**	(13.1)	(13.1)
Acquisition costs (Special Items)	**1.2**	3.5	4.3
Share based payments	**0.5**	(0.2)	2.0
Profit on sale of land (Special Items)	**(1.4)**	-	(33.2)
Profit on sale of business (Special Items)	**-**	-	(4.7)
Cash impact of restructuring and site closure	**(2.2)**	(1.6)	(5.5)
Cash impact of foreign exchange contracts relating to acquisition	**-**	(1.4)	13.1
Cash impact of acquisition costs	**(1.1)**	(1.4)	(4.0)
IAS 19 interest charge	**(2.4)**	(2.5)	(4.5)
Pension funding in excess of IAS 19 charge	**(5.4)**	(4.5)	(12.4)
Increase in inventories	**(28.2)**	(6.0)	(13.3)
Increase in trade and other receivables	**(59.7)**	(22.8)	(13.5)
Increase in trade and other payables	**32.2**	11.1	37.0
Cash generated from operations	**27.1**	46.5	157.0

6. Tax

Tax on the Underlying profit before taxation for the six month period is charged at 20.0% (six months ended 30 June 2016: 22.0%; year ended 31 December 2016: 20.0%), 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 results in a tax rate of 20.2% (six months ended 30 June 2016: 16.4%; year ended 31 December 2016: 11.3%), on the IFRS profit before taxation. The difference in the effective tax rate on the Underlying profit before tax and the IFRS profit before tax reflects the tax associated with the Special Items, some of which are not taxable or subject to tax deductions.

7. Dividends

The interim dividend of 3.7 pence per ordinary share was approved by the Board on 7 August 2017 and will be paid on 6 November 2017 to members on the register at the close of business on 6 October 2017.

The final dividend in respect of 2016, which was approved by the AGM on 27 April 2017, was paid on 6 July 2017.

8. Earnings per share

	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
	Unaudited '000 shares	Unaudited '000 shares	Audited '000 shares
Weighted average number of shares in issue - basic	**339,881**	339,799	339,854
Weighted average number of shares in issue - diluted	**342,142**	342,232	342,189

	Six months ended 30 June 2017			Six months ended 30 June 2016		
	Underlying performance	**Special Items**	**IFRS**	Underlying performance	Special Items	IFRS
	Unaudited £m	**Unaudited £m**	**Unaudited £m**	Unaudited £m	Unaudited £m	Unaudited £m
Earnings Profit / (loss) attributable to equity holders of the Company	**57.0**	**(14.7)**	**42.3**	47.0	0.5	47.5
Basic earnings per share	**16.8p**	**(4.3)p**	**12.5p**	13.8p	0.2p	14.0p
Diluted earnings per share	**16.7p**	**(4.3)p**	**12.4p**	13.7p	0.2p	13.9p

	Year ended 31 December 2016		
	Underlying performance	Special Items	IFRS
	Audited £m	Audited £m	Audited £m
Earnings Profit attributable to equity holders of the Company	96.2	14.2	110.4
Basic earnings per share	28.3p	4.2p	32.5p
Diluted earnings per share	28.1p	4.2p	32.3p

9. Assets classified as held for sale

The assets classified as held for sale comprise £0.3m in respect of the decision to sell agricultural land owned by the Group in Malaysia (30 June 2016: £6.5m; 31 December 2016: £0.3m). In 31 December 2016 a further £0.4m was included in respect of land in Hapton, UK which was subsequently sold, as disclosed in note 3. No further disposals were made in the six month period to 30 June 2017.

10. Financial instruments

The risks associated with the Group's financial instruments and related polices are detailed in note 23 of the 2016 annual financial statements. There have been no changes in the risks and the management thereof since 31 December 2016.

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.

11. Defined benefit schemes

The defined benefit plan assets have been updated to reflect their market value as at 30 June 2017. 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.

12. Acquisition of subsidiary

Acquisition of Perstorp Oxo Belgium AB

The Group acquired 100% of the issued share capital of Perstorp Oxo Belgium AB, a specialities chemical company, on 5 March 2017, to complement the Group's existing markets and customers.

	Provisional fair value
	£m
Net assets acquired	
Intangible assets	41.4
Property, plant and equipment	8.9
Deferred tax liabilities	(15.0)
Inventories	5.6
Trade and other receivables	5.7
Cash and cash equivalents	2.0
Trade and other payables	(3.6)
Post retirement benefit obligations	(2.7)
Provisional fair value of net assets acquired	42.3
Goodwill arising on acquisition	23.8
Total consideration	66.1
Satisfied by	
Cash consideration	66.1
Cash flow	
Cash consideration	66.1
Cash acquired	(2.0)
Net movement on borrowings	64.1

Including provisional amounts, the total expected impact on borrowings is -

	£m
Net movement on borrowings per above	64.1
Cash impact of acquisition costs	0.5
Total movement on borrowings relating to acquisition, to 30 June 2017	**64.6**

12. Acquisition of subsidiary (continued)

International Financial Reporting Standard 3 "Business Combinations" (revised 2008) requires the assets acquired to be initially recorded at Fair Value at the date of acquisition. Any such Fair Value adjustments are provisional and will be finalised within twelve months of the acquisition date. Any resulting changes in the fair values may have an impact on the depreciation from the date of acquisition and would be recorded in the financial statements.

The goodwill arising on the acquisition of the business represents the premium the Group paid to acquire companies which complement the business and create significant opportunities for cross-selling and other synergies.

Transaction costs expensed relating to acquisition of subsidiary	£m
In 12 months to 31 December 2016	-
In 6 months to 30 June 2017	0.5
	0.5

The acquired company contributed revenue of £12.6m and an operating profit of £1.8m to the results of the Group in the six month period to 30 June 2017. If the acquisition had been made on 1 January 2017, then the company would have contributed revenue of £18.0m and an operating profit of £2.8m to the results of the Group.

Acquisition of Performance and Adhesive Coatings business of Hexion Inc ("PAC")

Upon the acquisition of PAC on 30 June 2016, in accordance with International Financial Reporting Standard 3 "Business Combinations" (revised 2008), an extensive review was initiated of the PAC assets, liabilities and accounting policies. This review was completed by the 30 June 2017, and as a result a further £0.8m of adjustments to assets and liabilities has been made, in addition to adjustments made in the prior year. This resulted in an increase of £0.8m of goodwill, principally related to the accrual of additional liabilities.

13. Capital Commitments

The capital expenditure authorised but not provided for in the interim financial statements as at 30 June 2017 was £22.3m (2016: £16.7m).

14. 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. There were no other related party transactions requiring disclosure.

15. 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 first half profits to be slightly stronger than the second half year.

16. 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 2016. These risks include:

- Volatility and cyclicality of the global chemicals and polymers markets may adversely affect the results of the Group. The political risk of Brexit and other events on the worldwide economy together with economic slowdowns in growth markets could impact the business.
- The markets in which the Group operates are highly competitive and the Group may lose market share to other producers of speciality chemicals or to other products that can be substituted for the products of the Group.
- The ability of the Group to compete is highly dependent on its ability to protect its intellectual property and trade secrets as well as defend manufacturing sites from potential cyber-attack.
- The Group could suffer significant losses of intellectual property or other assets through theft. The Group is exposed to continually evolving cyber and other security risks which could lead to regulatory fines, reputational damage and loss of opportunity.
- Capacity enhancements designed to take advantage of growth and new markets, or other projects, are dependent on Synthomer managing projects well to correctly anticipate and deliver the benefits associated with the enhancement.
- The Group's strategic plan involves significant M&A activity to enhance market positions including expanding the target search to adjacent speciality chemical businesses to provide new technologies. There is a risk that we fail to identify enough suitable opportunities, pay too high a price, fail to integrate acquired assets and drive planned synergies across the business, or encounter performance, funding and cash flow issues and potentially unknown liabilities.
- Volatility in the prices of raw materials and energy prices may adversely affect the profitability of the Group and its working capital position.
- The manufacture, storage and transportation of chemicals is inherently dangerous and any incidents relating to the hazards which the Group faces may adversely impact its financial condition, results of operations and reputation.
- The failure or loss of a manufacturing plant, process, information or communication system, whether temporarily or permanently could occur, directly or otherwise, through natural disaster, failure of supplier, sabotage or cyber-attack, and would have an adverse impact on operations.
- The Group may be liable for damages based on product liability claims brought against its customers in end-use markets.
- Compliance with extensive environmental, health and safety laws and regulations could require material expenditure, changes in the operations of the Group or site remediation. Failure to comply could result in fines or the loss of a licence to operate.
- The Group could suffer substantial penalties, damage to reputation and other sanctions for any failure to control anti-competitive behaviour, such as bribery and corruption, or otherwise not be in compliance with laws and regulations in the jurisdictions where we operate.
- A significant proportion of the Group's turnover and assets are in currencies other than UK sterling and fluctuations in currency exchange rates may significantly impact the results of the Group.

16. Risks and uncertainties (continued)

- The Group's balance sheet and cash flow, and also 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.
- The Group has funding risks relating to defined benefit pension schemes, the value of which are highly dependent on volatile stock markets.

The Group continues to manage these risks as set out in the Annual Report.

17. Further information

The interim financial statements were approved by the Board of Directors on 7 August 2017.

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.

18. Glossary of terms

EBITDA	EBITDA is calculated as operating profit from continuing operations before depreciation, amortisation and Special Items.
Operating profit	Operating profit represents profit from continuing activities before finance costs and taxation.
Special Items	The following are disclosed separately as Special Items in order to provide a clearer indication of the Group's Underlying performance: • Amortisation of acquired intangible assets; • Impairment of non-current assets; • Costs of business combinations as defined by IFRS 3 and related debt issue costs; • Re-structuring and site closure costs; • Fair value adjustment – mark to market adjustments in respect of cross currency and interest rate derivatives used for hedging purposes where IAS 39 hedge accounting is not applied; • Items of income and expense that are considered material, either by their size and/or nature; • Tax impact of above items; and • Settlement of prior period tax issues.
Underlying performance	Underlying performance represents the statutory performance of the Group under IFRS, excluding Special Items.
Net cash /(borrowings)	Net cash /(borrowings) represent cash and cash equivalents less short and long term borrowings, as adjusted for the effect of related derivative instruments irrespective of whether they qualify for hedge accounting, non-recourse factoring arrangements, and the inclusion of financial assets.
Ktes	Kilotonne or 1,000 tonnes (metric).

Responsibility statement

The directors' confirm that these interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last Annual Report

The directors of Synthomer plc are listed in the Synthomer plc Annual Report for 31 December 2016.

On behalf of the Board

C G MacLean
Chief Executive Officer
7 August 2017

S G Bennett
Chief Financial Officer

INDEPENDENT REVIEW REPORT TO SYNTHOMER PLC

Report on the interim financial statements

Our conclusion

We have reviewed Synthomer plc's interim financial statements (the "interim financial statements") in the interim results of Synthomer plc for the 6 month period ended 30 June 2017. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the consolidated balance sheet as at 30 June 2017;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated cash flow statement for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

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

As disclosed in note 2 to the interim financial statements, 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.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim results 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 Guidance and Transparency Rules sourcebook of the United Kingdom's 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.

What a review of interim 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, 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 results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
7 August 2017
London

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 interim 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.