Thursday 1 March 2018

Synthomer plc
Preliminary Results for the year ended 31 December 2017

Solid and sustainable profits growth

FULL YEAR HIGHLIGHTS *Underlying performance* [1]	2017	2016	Increase / (decrease) Reported	Constant Currency[2]
	£m	£m	%	%
Revenue	1,480.2	1,045.7	41.6	38.2
Volumes (ktes)	1,443.8	1,324.9	9.0	
Europe and North America (ENA)	*117.1*	*93.3*	25.5	21.1
Asia and ROW (ARW)	*35.1*	*48.7*	(27.9)	(28.1)
Unallocated	*(13.2)*	*(11.8)*	11.9	11.9
Operating Profit	139.0	130.2	6.8	3.5
Profit before Tax	130.0	122.2	6.4	3.0
EPS (p)	30.7	28.3	8.5	
DPS (p) - ordinary	12.2	11.3	8.0	
IFRS performance				
Profit before Tax	86.4	136.7	(36.8)	
EPS (p)	21.8	32.5	(32.9)	

1 - Underlying performance excludes Special Items. Comments on Underlying performance and a detailed analysis of the Special Items are set out in note 1.
2 - Constant currency sales and profit: these reflect current year results translated at the prior year's average exchange rates, and include the impact of acquisitions.

Full year highlights:

- Solid Underlying profit growth with Underlying profit before tax up 6.4% to £130.0m (constant currency up 3.0%)
  - Further organic progress in Europe & North America with increased volumes and margins; growth in line with GDP
  - Asia & Rest of World Nitrile latex margins robust and broadly in line with Q4 2016
  - Oxo Belgium contributed £3.7m which combined with prior year acquisitions helped underpin the rise in profits
- IFRS profit before tax £86.4m
- PAC synergies on track to deliver $12m run rate savings by 2018, and incremental $2m in 2019
- Continued focus on organic growth with products launched in the last five years representing 20% of total sales (2016: 20%) and a record capital investment of £60.3m.
- Underlying earnings per share up 8.5% at 30.7p per share
- Final dividend of 8.5p (2016: 7.8p) resulting in a total dividend for the year of 12.2p (2016: 11.3p), in line with dividend policy
- Balance sheet remains strong and flexible to deliver our growth strategy – leverage 1.0x EBITDA

Commenting on the results, Neil Johnson, Chairman, said:
"The Group's solid performance in 2017 reflects both the benefits of recent bolt-on acquisitions made in 2016 and 2017 and continued organic growth in our Europe and North America segment.

This progress has more than offset the expected impact of lower Nitrile latex margins in our Asia and Rest of World segment.

Looking forward, whilst acknowledging the ongoing challenges in our Nitrile latex and constructions and coatings Dispersions markets, we are confident of making further solid progress in 2018, underpinned by underlying growth in both segments, and from integrating our recent acquisitions.

With our significant organic investment in new capacity being commissioned in late 2018, we remain confident in continuing to deliver growth in profitability and driving further value for shareholders in future years."

IFRS Information	**2017**			**2016**		
	Underlying performance	**Special Items**	**IFRS**	**Underlying performance**	**Special Items**	**IFRS**
	£m	£m	£m	£m	£m	£m
Revenue	1,480.2	-	1,480.2	1,045.7	-	1,045.7
Europe and North America (ENA)	117.1	(39.6)	77.5	93.3	(17.9)	75.4
Asia and ROW (ARW)	35.1	(3.9)	31.2	48.7	32.6	81.3
Unallocated	(13.2)	(0.1)	(13.3)	(11.8)	(0.2)	(12.0)
Operating profit (including share of JV's)	139.0	(43.6)	95.4	130.2	14.5	144.7
Finance costs	(9.0)	-	(9.0)	(8.0)	-	(8.0)
Profit/loss before taxation	130.0	(43.6)	86.4	122.2	14.5	136.7
EPS (p)	30.7	(8.9)	21.8	28.3	4.2	32.5
DPS (p)			12.2			11.3

Underlying performance

As more fully described in note 1, 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 1. 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.

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:

Calum MacLean, Chief Executive Officer — Tel: 01279 436211
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Charles Armitstead, Teneo Blue Rubicon — Tel: 020 3603 5220

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.

Chairman's statement

RESULTS

Following consecutive years of strong profits growth in 2015 and 2016, I am pleased to report that Synthomer has made further progress in 2017. Consistent with our expectations, the improved Underlying profitability of the Group has been delivered, with incremental profits from our focused M&A activity in 2016 and 2017 and continued organic growth from our investment in our Europe and North America (ENA) segment more than compensating for the reduced, but stable, Nitrile latex margins in our Asia and Rest of the World (ROW) segment. Volumes were higher by 9% to 1,443.8ktes (2016: 1,324.9ktes) with the increase reflecting a combination of underlying growth and additional volumes from Oxo Belgium (Speciality Additives), which was fully integrated during 2017. Acquisitions helped Group revenue to increase by 42% to a record £1,480.2m (2016: £1,045.7m), further supported by higher average raw material prices and favourable currency translation.

Underlying profit before tax increased from £122.2m to £130.0m, an increase of 6.4% and 3.0% on a constant currency basis. The rise in Underlying profit before tax reflects underlying volume and margin growth, the contribution made by Speciality Additives and the depreciation in Sterling. IFRS profit before tax decreased from £136.7m to £86.4m mainly as a result of one-off items of income in 2016 including the profits on the Malaysian land sales (£33.2m).

Our balance sheet is strong with net debt at 1.0 times EBITDA which allows us significant flexibility to pursue our growth strategy through capital investment and strategic acquisitions.

ONGOING CAPITAL INVESTMENT PROGRAMME

We continue to focus on organic growth and see significant opportunities to drive growth from our existing businesses. To strengthen our platform for future growth, we initiated a step change in our capital investment programme in 2016 with significant plant expansions at our ENA Worms (Germany) Dispersions plant, and our ARW Pasir Gudang (Malaysia) Nitrile latex plant. The Board is pleased to see that these investment programmes are progressing safely, in line with plans, and will be commissioned and brought up to normal operating levels later in 2018 and early 2019 respectively. We have made further capital commitments to expand our capabilities in Sant Albano (Italy), Marl (Germany) and Oulu (Finland) and these investments will also come online in late 2018 and early 2019. As well as growth capital investment, the Group has invested in sustenance and SHE related capital expenditure to ensure we are both operating our plants safely and in accordance with evolving legislation.

M&A AND INTEGRATION ACTIVITY

Acquisitions also remain a key component of our growth strategy. During the year, we announced two further bolt-ons: Speciality Additives, which became part of the Group in March 2017, and BASF Pischelsdorf which was agreed in September 2017 and completed in January 2018. These bolt-on acquisitions significantly complement our existing business. Speciality Additives has strong market positions which we will leverage into our existing coatings customer base. The Pischelsdorf site expands our SBR asset and customer base, and will provide further options for our network optimisation in an SBR market characterised by over-capacity. Speciality Additives was successfully integrated into the Group during the year and we are executing the well planned integration of BASF Pischelsdorf. Following the acquisition of the Pischelsdorf site, Synthomer has secured its position as market leader in European aqueous polymers, another milestone for our business.

Our active search continues for a transformational speciality chemical company acquisition and we considered a number of options in 2017. However, we have stringent criteria and we will continue to be disciplined in our approach in terms of quality, strategic fit, opportunity and price.

Following our acquisition of the PAC (Dispersions) business in 2016, integration is substantially complete. The actions that we have taken during 2017 mean that we will not only deliver the $12m run rate of synergies at the end of 2018 but are looking to deliver a further $2m in 2019. As part of this integration, we disposed of one plant in Leuna (Germany) and are engaged in restructuring our Ribecourt site (France).

GOVERNANCE AND BOARD

We were once again in full compliance with the UK Corporate Governance Code throughout 2017. Our 2017 AGM resolutions received overwhelming support and we were particularly pleased to achieve greater than 99% of votes in favour of our new remuneration policy.

The Board composition remained unchanged until the end of the year when Jinya Chen retired after five years' service. I would like to thank Jinya for his commitment and contribution over that period. The Nomination Committee has initiated a search for a replacement independent non-executive director in order to bring the Board composition back into balance.

An externally facilitated evaluation of the Board and its Committees was carried out in 2017 with the feedback recognising good progress in the ongoing programme to improve Board effectiveness. As we enter 2018, I believe the Board is well positioned to adapt to the changes in the corporate governance landscape envisaged by the new Code proposals currently under consultation and likely to be effective in 2019.

OUR PEOPLE

We now have approximately 2,900 employees in the Group, spread across 29 manufacturing sites and offices, with 40 joining as part of the Speciality Additives acquisition. As a Board, we have visited recently acquired sites over the last year and are delighted to see how our new colleagues have adapted to our values and culture, as well as bringing new skills into the Group.

The Group has reported record Underlying profitability in a challenging and demanding market place and the Board and Executive team recognise the contribution made by all employees. Our drive for growth remains unchanged and on behalf of the Board, I would like to thank each and every employee for their commitment this year.

SAFETY, HEALTH AND ENVIRONMENT (SHE)

The nature of our industry involves significant hazards and as such our high safety, health and environmental standards are fundamental to what we do across the business. We are pleased to report that we have recorded our lowest ever level of recordable injuries (lower than 2016 by 56%).

We are committed to reducing our recordable injuries to zero and as part of our continuous improvement drive to achieve this we made the embedding of the SHE Principles and 10 Golden Rules, launched in 2016, a priority for 2017. There was a focus on systems linked to permit to work and management of change with the aim of eliminating work being carried out in a way or in an environment which could result in a safety incident. New indicators were developed to track and analyse progress, with specific focus on live monitoring of permit controlled work and control of high hazard activities.

Notwithstanding the considerable improvement delivered in 2017, we are not complacent, and remain absolutely resolute in our campaign for continuous and sustainable improvement.

DIVIDEND

The Board has proposed an increase to the final ordinary dividend per share to 8.5p (2016: 7.8p), resulting in a total dividend per share for the year of 12.2p (2016: 11.3p). This is in line with the Group's dividend policy of a dividend covered 2.5 times by Underlying earnings per share. The final dividend per share is subject to shareholder approval at the Annual General Meeting on 26 April 2018 and will be payable on 6 July 2018 to those shareholders registered at the close of business on 8 June 2018.

The Board is committed to generating attractive growth for shareholders through investing in the Group's significant organic and inorganic growth plans to secure its future progress and the Capital

Management Policy of the Group remains unchanged. The Board periodically assesses the balance sheet strength in light of these growth plans, and will consider returning excess capital to shareholders, if appropriate.

OUTLOOK

Looking forward, whilst acknowledging the ongoing challenges in our Nitrile latex and constructions and coatings Dispersions markets, we are confident of making further solid progress in 2018, underpinned by underlying growth in both segments, and from integrating our recent acquisitions.

With our significant organic investment in new capacity being commissioned in late 2018, we remain confident in continuing to deliver growth in profitability and driving further value for shareholders in future years.

Neil Johnson
Chairman
1 March 2018

Chief Executive Officer's Review

I am pleased to report that we have delivered solid growth in Underlying profitability in 2017, with the strong growth in ENA profits more than offsetting the softer but stable ARW profits.

The strong growth in ENA Underlying profitability was underpinned by further organic growth, particularly in our SBR business, the benefits of our focused M&A activity and the associated synergies in 2016 and 2017, and the depreciation in Sterling which favourably impacted our first half results. ARW Underlying profitability has been resilient, and performed in line with expectations, with Nitrile latex margins broadly stable throughout 2017 at similar levels to the last quarter of 2016. Positively, and as guided at the start of 2017, the overall Underlying profitability of the Group has moved forward in 2017 with the combination of underlying organic growth, M&A activity and favourable currency impact more than compensating for the expected softer Nitrile latex margins.

Underlying profit before tax increased by 6.4% from £122.2m to £130.0m. This reflected a 25.5% increase in ENA Underlying operating profits, up from £93.3m to £117.1m and a decrease in ARW Underlying operating profits, lower at £35.1m from £48.7m. The rise in ENA Underlying profits reflected strong organic growth (£16.0m), including a first full year contribution from PAC (Dispersions), the 2017 acquisition of Speciality Additives (£3.7m) and favourable foreign currency translation impact (£4.1m). The reduction in ARW Underlying profits principally related to the expected softening in Nitrile latex margins seen in the last quarter of 2016, albeit reassuringly the margins broadly held firm at this level throughout 2017.

IFRS profit before tax decreased by 36.8% from £136.7m in 2016 to £86.4m in 2017, reflecting the inclusion in 2016 of large gains on Malaysian land sales (£33.2m) and disposal of our South African business (£4.7m), and the foreign currency hedge gain associated with the PAC (Dispersions) acquisition purchase price (£13.1m).

Cash generated from operations increased to £162.6m (2016: £157.0m) and the cash flows were again strong with good conversion of EBITDA to cash. The cash performance of the business over the year meant that the Group's leverage at the year end was 1 times net debt:EBITDA. Capital spend increased to a record £60.3m in line with guidance and our stated strategy to invest in our principal sites. We also invested in our inorganic growth strategy with the acquisition of Speciality Additives, our second bolt-on acquisition, for £66.1m, and completion of our third bolt-on acquisition which took place after the year end on 31 January 2018 for a further £25.7m. Our strong balance sheet continues to give us options for both organic and inorganic investment opportunities to support future growth.

SAFETY, HEALTH AND ENVIRONMENT

In 2017 we had the best ever recordable injury rate, which was reduced by 56% relative to 2016, and we are reassured to see positive movement in our other SHE key performance measures. Whilst we are pleased with the marked improvement, this is a consequence of daily attention and vigilance in our working practices and processes, and we recognise that there is no place for complacency in this regard. The high standards set by the Group in relation to safety, health and environment are complemented by the significant investment we continue to make, and our Group SHE team monitor the Group's adherence to our standards and report on our performance against those standards at each Executive team and Board meeting.

The Group built on the strong platform of safety standards put in place in the prior year by embedding the SHE Principles and 10 Golden Rules in our operations as well as focussing on eliminating the opportunity for work to be carried out in an unsafe way or unsafe environment. A rolling programme of Process Hazard Assessment Revalidation has been completed on all our high risk sites and prioritised action plans are being implemented to address identified gaps. This programme will be expanded to all sites in 2018.

Strong progress has been made in our commitment to the environment with a 10% reduction in VOC emissions through making operational changes in our sites, particularly the UK. With the M&A activity adding new sites to our network, we are in the process of setting new targets for all our environmental key performance indicators.

INNOVATION

In 2017, sales of new products launched in the last five years was again 20%, in line with 2016 and meeting our stated target. We are excited at the launch of more new products in 2017 with the major launch being our new and patented Nitrile latex, SyNovus®. The new product launch of SyNovus® represented a further milestone for our innovation team in Malaysia, reducing the development time from inception to commercialisation, including patenting the proprietary technology, to just 18 months. The shortened innovation process, representing a reduction of almost 50% on previous new product developments, is a testament to the dedication, skill and expertise of our in-house R&D team.

This patented product delivers significant value to both our customers and the end user markets as the SyNovus® formulation significantly reduces the required operating temperature of glove manufacturing lines, reducing both energy costs and the associated environmental impact. It also eliminates maturation time thus enabling glove manufacturing lines to run at higher throughout providing manufacturers with increased capacity without capital expenditure, and additionally eliminates certain additives introduced to Nitrile latex formulations reducing the risk of potential allergic reactions with end users.

These benefits, coupled with superior tensile strength, improved colour and reduced odour resulted in a positive, well-received product launch in Kuala Lumpur with over 150 glove manufacturing leaders and guests in attendance.

M&A INTEGRATION

With three acquisitions, PAC (Dispersions), Speciality Additives and BASF Pischelsdorf, over the last two years, and ongoing discussions in relation to transformational and further bolt-on acquisitions, our ability to successfully integrate is crucial to capturing value. We are pleased with the progress made in the integration of PAC (Dispersions) and Speciality Additives and are already implementing a detailed plan for the BASF Pischelsdorf acquisition. The integration of PAC (Dispersions) is substantially complete with the final two major actions initiated in 2017, the sale of the Leuna (Germany) site and the announcement of the restructuring of Ribecourt (France) site. We are on target to deliver the run rate synergies of $12m by the end of 2018, with a further $2m run rates savings to be delivered in 2019.

DELIVERING ORGANIC GROWTH

The largest capital investment programme in the Group's history is well underway. This will help to maintain and upgrade our current asset base and respond to market demand for our products. This programme commenced in 2016 and we spent £60.3m in 2017 across the Group. Our Project Excellence approach has been introduced Group-wide and aims to ensure that all of the projects are completed safely, on time and within budget.

Given the global mega-trends of urbanisation, aging demographics, evolving middle class, increasing mobility and the ever more stringent environmental legislation, there is increasing demand from the market for more of our speciality chemicals and for enhancements to our product portfolio, and we have invested accordingly with capacity as well as capability expansions in a number of our sites.

- Nitrile latex: 90ktes expansion of our Pasir Gudang (Malaysia) site due for completion in late 2018 with a further expansion in an advanced stage of planning to address a market which is growing at 8% to 10% per annum

- Dispersions: 36ktes capacity of made-to-order speciality acrylic lines in Worms (Germany) and a 9ktes increase in acrylic capacity in Roebuck (USA) scheduled to be complete in early 2019.

- SBR latex: Enhancement to our Marl (Germany) site to improve output levels to take advantage of opportunities in the Foam Market and an upgrading of our Oulu (Finland) site to move from supplying the declining graphic paper market to the growth markets of speciality paper and packaging.

We continue to invest in the organisational structure and, over the last 3 years, have established teams in Operational and Manufacturing Excellence, Business Development and Specialist Feedstock Procurement. In 2018 the programmes will be further enhanced by the introduction of our Commercial Excellence programme to our commercial organisation, designed to ensure we work more closely with our customers in generating value.

DELIVERING M&A GROWTH

Growth through acquisitions is a key part of our growth strategy. We are highly active in targeting and reviewing speciality chemical acquisition opportunities. These will include both bolt-on acquisitions, similar to the ones we have completed, and more transformational step-change strategic transactions in adjacent chemistries. Our experienced M&A and due diligence teams will be opportunistic but disciplined in their approach to acquisitions.

We have made three speciality chemical company acquisitions in the last two years, all bolt-on acquisitions complementing our existing businesses, and have reviewed many other opportunities that have not resulted in completed acquisitions. Whilst we remain highly active in M&A processes, we have a clear focus on what constitutes an attractive acquisition target, what price we are prepared to pay and a firm commitment to incisive due diligence. We will remain resolute and disciplined in pursuing only the right value-enhancing opportunities.

OUTLOOK

Looking forward, whilst acknowledging the ongoing challenges in our Nitrile latex and constructions and coatings Dispersions markets, we are confident of making further solid progress in 2018, underpinned by underlying growth in both segments, and from integrating our recent acquisitions.

With our significant organic investment in new capacity being commissioned in late 2018, we remain confident in continuing to deliver growth in profitability and driving further value for shareholders in future years.

Calum MacLean
Chief Executive Officer
1 March 2018

Segmental review

Europe and North America (ENA)

	2017	2016	Increase / (decrease) Reported	Constant Currency
			%	%
Volumes (ktes)	1,067.7	936.7	14.0	
Revenue (£m)	1,134.9	746.1	52.1	47.6
EBITDA	140.9	111.2	26.7	22.5
Operating profit – Underlying performance (£m)	117.1	93.3	25.5	21.1
Operating profit – IFRS (£m)	77.5	75.4	2.8	

ENA revenue increased from £746.1m to £1,134.9m, an increase of 52.1%. The rise in revenue mainly reflects incremental volumes associated with the PAC (Dispersions) and Speciality Additives acquisitions, the positive impact of weaker Sterling, and the higher average raw material prices year on year.

Underlying operating profit at £117.1m was 25.5% higher (2016: £93.3m), and IFRS operating profit at £77.5m was 2.8% higher (2016: £75.4m).

The significant improvement in ENA's Underlying operating profit was due to good underlying growth of the existing business (£16.0m) including the full year benefit of PAC (Dispersions), the acquisition of Speciality Additives (£3.7m) and the favourable currency translation associated with the depreciation in Sterling (£4.1m).

The segment achieved an improved overall margin, driven by higher unit margins in our SBR and Specialities businesses. Volumes were 1,067.7ktes (+14.0%) with volume increases in most markets compensating for a further reduction in paper volumes.

SBR volumes and unit margins in our Carpet and Foam markets increased in 2017. Paper volumes were slightly lower in line with the market but margins have been maintained, despite the volatility in raw material prices during the year. SBR benefited from capital investment to debottleneck our facility in Marl (Germany) which delivered additional capacity and allowed us to take advantage of growing opportunities in the attractive Asian Foam market.

Our Dispersions business increased volumes but, consistent with other market participants, saw a marginal unit margin decline as a result of rising raw material prices. Unlike the SBR business, the contracting model in this market is to negotiate prices mainly on a monthly basis. The integration of the PAC (Dispersions) business, including the consolidation and reallocation of production, allows this business better control over its cost base and improved flexibility to serve customers through our strategically located manufacturing network.

The integration of the PAC (Dispersions) business, acquired in 2016 has been substantially completed with a number of actions taken this year:

- Our small manufacturing site in Leuna (Germany) was disposed of on 1 January 2018. This small site lacked the operational scale required for our manufacturing network and, while the site will continue to manufacture products for Synthomer for a short period, its production will be moved to other facilities in our network in due course; and
- During December 2017, we commenced a restructuring programme at our manufacturing site in Ribecourt (France) to right size and simplify the site operations commensurate with

its core activities of dispersion and spray drying redispersible powders. The site simplification will enhance its operational efficiency by reducing the product portfolio as well as reducing the fixed cost base. This restructuring programme is expected to complete in 2019.

These actions will complete the integration of the PAC (Dispersions) acquisition and will allow us to deliver, as previously announced, the run rate synergies savings of $12m by the end of 2018, with a further incremental $2m of run rate savings to be delivered in 2019.

Our niche businesses in Specialities showed strong underlying volume and margin growth along with the contribution made by the acquisition of Speciality Additives. Speciality Additives, a niche performance speciality additives business serving the decorative and industrial coatings industries, has strong market leadership positions (#1 or #2) and serves a highly attractive, blue-chip customer base. The business operates from a well located, single site in Ghent, Belgium where there is potential for growth in capacity to meet future demand. The business is highly complementary to Synthomer's existing markets and customers and the Group is focused on expanding its market position through developing closer relationships with customers and driving operational performance.

On 31 January 2018 we completed the acquisition of the SBR business and assets of BASF Pischelsdorf (Austria) for an enterprise value of €30 million. The business produces SBR used in the paper industry, notably in packaging end-markets. The acquisition enhances Synthomer's SBR business and production network for paper and packaging applications as well as increasing the Group's access to attractive new opportunities across Europe, underscoring our long-term commitment to our valued customers in the paper industry.

The acquisition of the Pischelsdorf site firmly cements Synthomer as market leader in European aqueous polymers, a significant milestone in the development of our ENA business.

Our organic growth strategy is as important to our ENA business as our inorganic M&A growth strategy. We have committed significant capital resources this year to meet the growing demand for our products across Europe and America, through targeted growth capex at our principal sites. These investments included:

- £17m in Worms (Germany) to build made-to-order speciality acrylic lines which is on time for commissioning in early 2019;

- £12m investment in Roebuck (USA) on a new acrylic reactor line scheduled to be ready in early 2019;

- £3m to expand capacity at our powder coatings business in Sant Albano (Italy) which will come online in Q4 2018; and.

- £2m in our SBR facility in Oulu (Finland) scheduled to come online in Q3 2018 to expand our capabilities to supply the growing packaging and speciality paper markets.

Priorities for 2018

Looking ahead to 2018, ENA management is focused on driving growth and the future profitability of the business. In delivering this growth strategy the key priorities for 2018 are:

- Organic growth at least in line with GDP
- Continued delivery of acquisition synergies
- Integration of the BASF Pischelsdorf acquisition into our existing plant network
- Commissioning our capacity and capability expansions

Asia and Rest of World (ARW)

	2017	2016	Increase / (decrease) Reported	Constant Currency
			%	%
Volumes (ktes)	376.1	388.2	(3.1)	
Revenue (£m)	345.3	299.6	15.3	14.8
EBITDA	48.2	60.4	(20.2)	(20.4)
Operating profit – Underlying performance (£m)	35.1	48.7	(27.9)	(28.1)
Operating profit – IFRS (£m)	31.2	81.3	(61.6)	

The performance of our ARW business in 2017 was in line with expectations, with the lower profitability principally driven by the well trailed softer Nitrile latex margins, the disposal of our South African business in August 2016, and the ongoing investment at our PAC Chonburi (Thailand) site to integrate it into the Asia dispersion network system.

Underlying operating profit at £35.1m was 27.9% below the prior year (£48.7m), and the IFRS operating profit at £31.2m was 61.6% below the prior year (£81.3m). The 2016 IFRS operating profit included the profit on the Malaysian land sale of £33.2m and the profit on the sale of the South African business of £4.7m.

The Nitrile latex margins, whilst lower overall than 2016, have been reasonably resilient and appear to have settled at a lower level in 2017, broadly consistent with the margins seen in Q4 2016. Reassuringly, the Nitrile latex margins achieved have improved over earlier years when new capacity was brought on line and now reflect the level of substantial investment made in our customer focussed research and development, capacity expansion, service and quality. We are committed to this market and to our important customer relationships, and our investment in both increased capacity and the patented SyNovus® product are testaments to this.

Our 2017 Nitrile latex volumes were broadly flat relative to 2016 with our existing capacity sold out, except for modest volumes foregone in short shutdown periods to integrate the incremental capacity to be brought on line later in 2018.

Volumes in the Dispersions business were also broadly in line with the prior year despite the disposal in 2016 of our South African business but, like others, margins were impacted by the rise in raw material prices. The start-up production facility in Chonburi (Thailand), which joined the Group as part of the PAC acquisition in 2016, continued to require operational support to bring it into line with Synthomer standards and had a negative contribution of £2.3m in the year. A new management team has been now put in place to take the site forward.

Research and development is a critical part of our Nitrile latex and Dispersions businesses, and we are currently evaluating the opportunity to invest in a new state-of-the-art Innovation Centre in the region by 2020 and in continuing developmental research in our core markets.

University level sponsorship has been a core part of building Synthomer's technology and innovation capability. This year our PhD sponsored student at Manchester University successfully completed his studies and joined our R&D Team in Klaung, and in Asia the Group continued its collaboration with Universiti Teknologi Malaysia (UTM), where a Masters Level student has been sponsored to work on a Synthomer defined emulsion polymerisation project. On completion of her degree in Q1 2018, she will also join the R&D team in Kluang. For the second year running, Synthomer sponsored an award for Best PhD thesis in Polymer Science at the Institut Kimia Malaysia (IKM, Malaysian Chemistry Society).

The Nitrile latex market reached the milestone of one million tonnes per annum of demand during 2017 and continues to grow at between 8% to 10% per annum. In September 2017, Synthomer's Innovation Group responded to the demand of end users and glove manufacturers by launching SyNovus®, a ground breaking patented new product. SyNovus® is designed to have significantly reduced maturation time, superior tensile strength properties, higher levels of durability and improved chemical resistance with unprecedented colour and odour improvements. This new product was warmly received by industry leaders at a dedicated launch event in Kuala Lumpur. The Innovation Group also launched a new higher performing XSBR latex application for the Carpet market during the year.

Our 90ktes capacity expansion of our Nitrile latex facility in Pasir Gudang (Malaysia), the largest capital investment undertaken by the Group at £45m, is progressing safely, on time and on budget. We have now completed all the major construction work with commissioning later in 2018 when our installed capacity will increase by approximately 40%. As the current expansion moves into the commissioning phase we have started the evaluation process for the timing of the next stage of the Pasir Gudang expansion, the introduction of a further 60kt of capacity, recognising the infrastructure and civil engineering for this further expansion has been undertaken in the earlier stage of the project. The continued growth in demand for Nitrile latex remains significant and we are well placed to capitalise on this growth with our existing capacity, our incremental next stage 60kt capacity expansion, and our exciting new patented SyNovus® product.

Priorities for 2018

Turning to 2018 activities, the business is well placed to secure future growth in profitability and management is keenly focussed on the principal activities that will allow this potential to be unlocked. The priorities for 2018 are:

- Successful completion of capital investment programme in Pasir Gudang
- Continue to manage Nitrile latex margins in an evolving and competitive market
- Improve operational efficiency of Chonburi to Synthomer standards
- Market penetration of SyNovus®
- Finalise planning for the next phase of Nitrile latex capacity expansion

Chief Financial Officer’s Review

Overview

2017 has been another progressive year for the Group with solid growth and the successful integrations of PAC (Dispersions) acquired in 2016 and Speciality Additives acquired in 2017.

The key drivers behind the improvement in overall performance were:

- ENA saw good Underlying profit growth as volumes and unit margins increased.
- ARW performed in line with expectations, with stable Nitrile latex margins relative to the final quarter of 2016.
- Speciality Additives, a £66.1m bolt-on acquisition, completed and was integrated into the Group.
- The integration of PAC (Dispersions) was substantially completed and on target to deliver the \$12m run rate synergies by end of 2018 with a further incremental \$2m run rate synergies to be delivered by the end of 2019. The disposal of our Leuna (Germany) site and the announcement of the restructuring of our Ribecourt (France) site were the last significant steps in the integration.
- The continuing weakness of Sterling has resulted in a positive impact on the Group’s reported results, albeit this mainly related to H1.

Alternative performance measures

The Group has consistently used two significant Alternative Performance Measures (‘APMs’) since its adoption of International Financial Reporting Standards (‘IFRS’) in 2005:

- Underlying performance, which excludes Special Items from IFRS profit measures
- EBITDA, which excludes Special Items, amortisation and depreciation from IFRS operating profit.

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. Further information and the reconciliation to the IFRS measures are included in notes 1 and 5.

Income statement

Operating profit

The table below bridges the 2016 and 2017 IFRS operating profit, showing the improvement in the existing businesses, the impact of the 2017 acquisition of Speciality Additives , 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	75.4		81.3		(12.0)		144.7	
Add/(Deduct): 2016 – Special Items	17.9		(32.6)		0.2		(14.5)	
2016 – Underlying performance	93.3		48.7		(11.8)		130.2	
2017 – Underlying business changes	16.0	17.1%	(12.5)	(25.7)%	(1.4)	(11.9)%	2.1	1.6%
2017 – Underlying existing business at 2016 exchange rates	109.3		36.2		(13.2)		132.3	
2017 – Acquisition of Speciality Additives	3.7		-		-		3.7	
2017 – Disposal of South Africa	-		(1.2)		-		(1.2)	
2017 – Impact of 2017 exchange rates	4.1		0.1		-		4.2	
2017 – Underlying performance at 2017 exchange rates	117.1	25.5%	35.1	(27.9)%	(13.2)	(11.9)%	139.0	6.8%
Deduct: 2017 – Special Items	(39.6)		(3.9)		(0.1)		(43.6)	
2017 – IFRS	77.5	2.8%	31.2	(61.6)%	(13.3)	(10.8)%	95.4	(34.1)%

The following should be noted:

- The underlying improvement in the ENA existing business of £16.0m (17.1%) reflects the full year impact of the acquisition of PAC (Dispersions) as well as improvements in margins in most markets.
- ARW Nitrile latex volumes were in line with the prior year and margins were robust and broadly in line with Q4 2016. Further operational investment in the PAC Chonburi (Thailand) site has been made in 2017, impacting Underlying operating profit.
- Underlying unallocated corporate costs increased by £1.4m reflecting the increase in the cost of share-based payments due to the rise in share price during 2017 and the crystallisation of the outcome of strategic targets, and further strengthening of the management team in the London Head Office.
- The continuing weakness of Sterling during the year resulted in an increase in the Group's reported profit in Sterling. For the European businesses, the rate used for translating profit moved from £1:€1.2180 in 2016 to £1:€1.1430 in 2017, with a resulting uplift in the 2017 ENA profit of £4.1m.

Special Items

	2017 £m	**2016** £m
Restructuring and site closure	(11.6)	(5.2)
Profit on sale of business	-	4.7
Profit on sale of land	1.3	33.2
Gain on foreign exchange contracts relating to acquisition	-	13.1
Acquisition costs	(2.3)	(4.3)
Amortisation of acquired intangibles	(31.0)	(27.0)
Income/(expense)	(43.6)	14.5

The following items of income and expense have been reported as Special Items, in line with the comments above:

- The restructuring and site closure costs included £9.0m in relation to the post-acquisition integration of the PAC (Dispersions) business with the majority being attributable to the rationalisation of the Ribecourt (France) site. A further £1.6m related to the cost of an onerous lease on a site closed during 2017, while £0.8m comprised costs for the post-acquisition integration of Speciality Additives.
- The profit on sale of business relates to the disposal of our South African business in 2016.
- 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 gain of £13.1m in 2016 resulted from foreign exchange contracts taken out as a hedge against the US dollar purchase consideration of the PAC (Dispersions) acquisition.
- Acquisition costs were incurred in relation to Speciality Additives (2016: PAC (Dispersions)) and for other potential acquisitions which will not occur or had not occurred before the balance sheet date.
- The amortisation of intangibles increased during 2017 due to a full year of amortisation for the 2016 PAC (Dispersions) acquisition, the intangibles acquired with Speciality Additives and due to foreign currency exchange rate movements.

Finance costs & profit before taxation

	2017			2016		
	Underlying performance	**Special Items**	**IFRS**	**Underlying performance**	**Special Items**	**IFRS**
	£m	£m	£m	£m	£m	£m
Operating profit (including share of JV's)	139.0	(43.6)	95.4	130.2	14.5	144.7
Finance costs	(9.0)	-	(9.0)	(8.0)	-	(8.0)
Profit/(loss) before taxation	130.0	(43.6)	86.4	122.2	14.5	136.7
Increase in profit/loss before tax %	6.4		(36.8)			

Finance costs are higher than 2016, principally reflecting the full year impact of the increase in borrowings to fund the PAC (Dispersions) acquisition, and the further increase in borrowings to fund the acquisition of Speciality Additives.

Taxation

	2017			2016		
	Underlying performance	**Special Items**	**IFRS**	**Underlying performance**	**Special Items**	**IFRS**
Taxation (charge) / credit £m	(24.7)	13.1	(11.6)	(24.5)	9.1	(15.4)
Effective tax rate %	19.0	30.4	13.4	20.0	(62.8)	11.3

The IFRS effective tax rate is impacted by the tax credit on the Special Items. It is therefore helpful to consider the underlying and Special Items separately:

- The effective tax rate on Underlying performance has reduced slightly in the year due to prior year adjustments.
- The effective tax rate for Special Items is principally driven by the deferred tax credit on the amortisation of acquired intangibles.

Non-controlling interests

	2017			2016		
	Underlying performance	**Special Items**	**IFRS**	**Underlying performance**	**Special Items**	**IFRS**
	£m	£m	£m	£m	£m	£m
Non-controlling interests	0.8	0.0	0.8	1.5	9.4	10.9

The Group continues to have a 70% holding in Revertex (Malaysia) Sdn Bhd and its subsidiaries. This company and its subsidiaries is now a relatively minor part of the Group and hence the non-controlling interests impact on the Underlying performance is not significant.

The Special Item in 2016 reflects the non-controlling interests share (30%) in the land sale referred to in the Special Items section above. The land was owned by Kind Action Sdn Bhd, a 100% subsidiary of Revertex (Malaysia) Sdn Bhd.

Earnings per share

	2017			2016		
	Underlying performance	Special Items	IFRS	Underlying performance	Special Items	IFRS
Earnings per share (p)	30.7	(8.9)	21.8	28.3	4.2	32.5
Growth %	8.5	-	(32.9)			

The Group's issued share capital has not changed for a number of years and therefore the average number of shares in issue remains similar to last year at 340 million. The changes in Underlying and IFRS earnings per share shown in the table is therefore driven predominantly by the same factors that influence the change in profit before taxation and taxation described above.

Cash performance

The consolidated cash flow statement shows a modest increase in cash generated from operations, from £157.0m in 2016 to £162.6m in 2017. After other operating, investing and financing cash flows, cash, cash equivalents and bank overdrafts increased by £10.7m (2016: £43.9m).

The Group's primary focus is on managing net borrowings rather than on cash. The following summarises the movement in net borrowings and is in the format used by management:

	2017 £m	2016 £m
Underlying operating profit (excluding joint ventures)	138.0	128.2
Movement in working capital	9.5	10.2
Depreciation and amortisation (Underlying)	37.2	29.9
Purchase of property, plant and equipment	(60.3)	(45.6)
Business cash flow	124.4	122.7
Interest paid (net)	(4.8)	(3.3)
Tax paid	(26.1)	(17.1)
IAS 19 interest charge	(4.3)	(4.5)
Pension funding in excess of IAS 19 charge	(12.5)	(12.4)
Share based payments variance to IFRS2 charge	(0.3)	1.6
Non-controlling interest and joint venture dividends	1.5	(1.1)
Underlying operating cash flow	77.9	85.9
Cash impact of restructuring	(6.0)	(5.5)
Sale of property, plant and equipment	2.2	34.4
Purchase of business and acquisition costs	(66.2)	(156.7)
Sale of business	7.6	12.8
Dividends paid	(39.1)	(30.3)
Exchange	(6.6)	(13.5)
Movement in net borrowings	(30.2)	(72.9)

Due to the continued strong cash performance of the Group, the Business cash flow at £124.4m (2016: £122.7m) has remained stable, despite a £14.7m increase in expenditure on property, plant and equipment. Further commentary on the other significant cash flows is provided below.

- Working capital control remained a key focus of Group management, demonstrated by achieving a cash inflow in a year of organic growth and rising raw material prices.
- The increase in capital expenditure, which is largely being invested in our plants, reflects the cash spend on the previously announced Nitrile latex capacity increase in Pasir Gudang (Malaysia) (£15m), and the made-to-order speciality acrylic lines in Worms (Germany) of £8m.
- The rise in cash tax payments of £9m primarily reflects payments in respect of acquisitions in 2016 and 2017 of £4m and higher payments on account, principally in Italy and Germany of £6m.
- The amount shown as pension funding in excess of IAS19 charge mainly reflects the UK defined benefit deficit recovery funding of £14.7m (2016: £14.5m).
- The outflow for purchase of business of £66.2m primarily relates to the acquisition of Speciality Additives. The prior year outflow of £156.7m mainly relates to the purchase of PAC (Dispersions).

- The business sale proceeds of £7.6m is the amount received ahead of the year end on the disposal of Synthomer Leuna GmbH, as disclosed in note 8. The prior year proceeds of £12.8m related to the net cash consideration received on the disposal of our South African business.
- Substantial amounts of the Group's borrowings have been maintained in Euros and US dollars as a natural hedge against the net asset base in these two currencies. With the devaluation of Sterling referred to above, the translation at the year end rates has resulted in an exchange loss and therefore a higher borrowings amount (offset by a corresponding increase in the net asset base in these currencies).

Financing and liquidity

The Group retains the use of a committed revolving credit facility of £370m, sourced from five banks. This facility provided the necessary funds to complete the acquisition of Speciality Additives, while maintaining substantial headroom. An additional committed short term bank loan facility of €55m (£48.9m) was entered into in November 2017, to provide extra liquidity in anticipation of the BASF Pischelsdorf SBR business acquisition on 31 January 2018, for an enterprise value of €30m.

	2017	**2016**
	£m	£m
Committed facilities	418.9	370.0
Drawn at 31 December	246.7	203.9
Headroom	172.2	166.1

In addition to the facility headroom identified above, the Group had cash and cash equivalents at 31 December 2017 of £89.6m (2016: £117.4m) offset by overdrafts of £24.2m (2016: £65.4m).

The principal financial covenant in the revolving credit facility remains that net borrowings must be less than 3.0 times EBITDA at 31 December 2017.

	2017	**2016**
	£m	£m
Net borrowings	180.5	150.3
EBITDA	176.2	160.1
Net borrowings / EBITDA	1.0	0.9

The significant facility and covenant headroom demonstrates the continued financial strength of the Group, which is well positioned to fund future organic growth and take advantage of further bolt-on acquisitions.

Pensions

	Charge to income statement		**Post retirement benefit obligations**	
	2017	**2016**	**2017**	**2016**
	£m	£m	£m	£m
UK	5.1	4.6	78.3	112.5
Overseas	7.2	6.9	78.9	74.2
	12.3	11.5	157.2	186.7

The table sets out the total pension charge included in the income statement and the total defined benefit obligation included in the balance sheet.

The following should be noted:

- The overseas pension cost has increased due to the PAC (Dispersions) and Speciality Additives acquisitions. The UK pension cost has increased, mainly due to an increase in net interest expense in the defined benefit scheme.

- The reduction in UK defined benefit pensions liabilities of £34.2m primarily relates to an improvement in mortality actuarial assumptions (£18.5m), pension scheme deficit recovery payment of £14.7m, offset by a reduction in the discount rate from 2.7% to 2.5% (£11.4m).

Acquisition and disposal accounting
The accounting for the acquisition of Speciality Additives and the disposal of Synthomer Leuna GmbH are shown in the notes 7 and 8 respectively.

For the acquisition, the assets and liabilities have been included at fair value with the balance of consideration shown as goodwill. KPMG LLP were engaged to advise on the fair value of the Property, Plant and Equipment (PPE). Overall their conclusion was that the total fair value of the PPE should be increased by £4.8m. KPMG LLP also performed a valuation of the intangibles, which mainly comprised customer relationships. Accordingly, on acquisition the Group recognised goodwill and acquired intangibles of £24.1m and £41.4m respectively and the valuation is now final. These intangibles are being amortised over periods of 5 to 14 years.

Post balance sheet events
On 1 January 2018, the Group sold Synthomer Leuna GmbH, comprising the assets of a plant in Germany for a profit of £1.5m.

On 31 January 2018, the Group completed the purchase of the BASF Pischelsdorf SBR business and assets, for €29.3m. The purchase consideration was funded from the Group's existing financial resources.

Stephen Bennett
Chief Financial Officer
1 March 2018

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017			2016		
		Underlying performance	**Special Items**	**IFRS**	**Underlying performance**	**Special Items**	**IFRS**
		audited	audited	audited	audited	audited	audited
		£m	£m	£m	£m	£m	£m
Continuing operations							
Revenue	2	1,480.2	-	1,480.2	1,045.7	-	1,045.7
Company and subsidiaries before Special Items		138.0	-	138.0	128.2	-	128.2
Restructuring and site closure		-	(11.6)	(11.6)	-	(5.2)	(5.2)
Sale of business		-	-	-	-	4.7	4.7
Sale of land		-	1.3	1.3	-	33.2	33.2
Gains on foreign exchange contracts relating to acquisition		-	-	-	-	13.1	13.1
Acquisition costs		-	(2.3)	(2.3)	-	(4.3)	(4.3)
Amortisation of acquired intangibles		-	(31.0)	(31.0)	-	(27.0)	(27.0)
Company and subsidiaries		138.0	(43.6)	94.4	128.2	14.5	142.7
Share of joint ventures		1.0	-	1.0	2.0	-	2.0
Operating profit / (loss)		139.0	(43.6)	95.4	130.2	14.5	144.7
Interest payable		(5.7)	-	(5.7)	(4.2)	-	(4.2)
Interest receivable		1.0	-	1.0	0.7	-	0.7
		(4.7)	-	(4.7)	(3.5)	-	(3.5)
IAS19 interest charge		(4.3)	-	(4.3)	(4.5)	-	(4.5)
Finance costs	3	(9.0)	-	(9.0)	(8.0)	-	(8.0)
Profit / (loss) before taxation		130.0	(43.6)	86.4	122.2	14.5	136.7
Taxation		(24.7)	13.1	(11.6)	(24.5)	9.1	(15.4)
Profit / (loss) for the year		105.3	(30.5)	74.8	97.7	23.6	121.3
Profit attributable to non-controlling interests		0.8	-	0.8	1.5	9.4	10.9
Profit/(loss) attributable to equity holders of the parent		104.5	(30.5)	74.0	96.2	14.2	110.4
		105.3	(30.5)	74.8	97.7	23.6	121.3
Earnings / (loss) per share							
Basic		30.7p	(8.9)p	21.8p	28.3p	4.2p	32.5p
Diluted		30.5p	(8.9)p	21.6p	28.1p	4.2p	32.3p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	2017			2016		
	Equity holders of the parent audited £m	**Non-controlling interests** audited £m	**Total** audited £m	**Equity holders of the parent** audited £m	**Non-controlling interests** audited £m	**Total** audited £m
Profit for the year	74.0	0.8	74.8	110.4	10.9	121.3
Actuarial gains and losses	23.6	-	23.6	(49.1)	-	(49.1)
Tax relating to components of other comprehensive income	2.3	-	2.3	0.9	-	0.9
Total items that will not be reclassified to profit or loss	25.9	-	25.9	(48.2)	-	(48.2)
Exchange differences on translation of foreign operations	9.2	-	9.2	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	(7.8)	-	(7.8)	(6.4)	-	(6.4)
Total items that may be reclassified subsequently to profit or loss	1.4	-	1.4	43.9	1.2	45.1
Other comprehensive income / (expense) for the year	27.3	-	27.3	(4.3)	1.2	(3.1)
Total comprehensive income for the year	101.3	0.8	102.1	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
	audited	audited	audited	audited	audited	audited
	£m	£m	£m	£m	£m	£m
At 1 January 2017	34.0	230.5	0.9	(4.4)	65.2	326.2
Profit for the year	-	-	-	-	74.0	74.0
Actuarial gains	-	-	-	-	23.6	23.6
Exchange difference on translation of foreign operations	-	-	-	9.2	-	9.2
Loss on a hedge of a net investment taken to equity	-	-	-	(7.8)	-	(7.8)
Tax relating to components of other comprehensive income	-	-	-	-	2.3	2.3
Total comprehensive income for the year	-	-	-	1.4	99.9	101.3
Dividends paid to shareholders	-	-	-	-	(39.1)	(39.1)
Dividends paid to non-controlling interests	-	-	-	-	-	-
Share-based payments	-	-	-	-	(0.5)	(0.5)
At 31 December 2017	34.0	230.5	0.9	(3.0)	125.5	387.9

	Non-controlling interests	Total equity
	audited	audited
	£m	£m
At 1 January 2017	18.0	344.2
Profit for the year	0.8	74.8
Actuarial gains	-	23.6
Exchange difference on translation of foreign operations	-	9.2
Loss on a hedge of a net investment taken to equity	-	(7.8)
Tax relating to components of other comprehensive income	-	2.3
Total comprehensive income for the year	0.8	102.1
Dividends paid to shareholders	-	(39.1)
Dividends paid to non-controlling interests	(0.5)	(0.5)
Share-based payments	-	(0.5)
At 31 December 2017	18.3	406.2

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued

	Share capital	Share premium	Capital redemption reserve	Hedging and translation reserve	Retained earnings	Total
	audited	audited	audited	audited	audited	audited
	£m	£m	£m	£m	£m	£m
At 1 January 2016	34.0	230.5	0.9	(48.3)	32.3	249.4
Profit for the year	-	-	-	-	110.4	110.4
Actuarial losses	-	-	-	-	(49.1)	(49.1)
Exchange difference on translation of foreign operations	-	-	-	47.0	-	47.0
Exchange differences recycled on sale of business	-	-	-	3.3	-	3.3
Loss on a hedge of a net investment taken to equity	-	-	-	(6.4)	-	(6.4)
Tax relating to components of other comprehensive income	-	-	-	-	0.9	0.9
Total comprehensive (expense)/ income for the year	-	-	-	43.9	62.2	106.1
Dividends paid to shareholders	-	-	-	-	(30.3)	(30.3)
Dividends paid to non-controlling interests	-	-	-	-	-	-
Share-based payments	-	-	-	-	1.0	1.0
At 31 December 2016	34.0	230.5	0.9	(4.4)	65.2	326.2

	Non-controlling interests	Total equity
	audited	audited
	£m	£m
At 1 January 2016	9.1	258.5
Profit for the year	10.9	121.3
Actuarial losses	-	(49.1)
Exchange difference on translation of foreign operations	1.2	48.2
Exchange differences recycled on sale of business	-	3.3
Loss on a hedge of a net investment taken to equity	-	(6.4)
Tax relating to components of other comprehensive income	-	0.9
Total comprehensive (expense)/ income for the year	12.1	118.2
Dividends paid to shareholders	-	(30.3)
Dividends paid to non-controlling interests	(3.2)	(3.2)
Share-based payments	-	1.0
At 31 December 2016	18.0	344.2

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017

	2017	2016
	audited	audited
	£m	£m
Non-current assets		
Goodwill	329.1	301.4
Acquired intangible assets	66.2	54.2
Other intangible assets	1.9	0.2
Property, plant and equipment	322.1	293.3
Deferred tax assets	23.3	19.4
Investment in joint ventures	7.5	9.0
Total non-current assets	750.1	677.5
Current assets		
Inventories	125.1	104.3
Trade and other receivables	229.1	195.7
Cash and cash equivalents	89.6	117.4
Total current assets	443.8	417.4
Assets classified as held for sale	6.8	0.7
Total assets	1,200.7	1,095.6
Current liabilities		
Borrowings	(73.1)	(65.4)
Trade and other payables	(279.3)	(213.5)
Current tax liability	(40.2)	(39.0)
Provisions for other liabilities and charges	(2.4)	(3.0)
Total current liabilities	(395.0)	(320.9)
Non-current liabilities		
Borrowings	(197.0)	(202.3)
Trade and other payables	(2.3)	(2.7)
Deferred tax liability	(35.4)	(33.1)
Post retirement benefit obligations	(157.2)	(186.7)
Provisions for other liabilities and charges	(7.6)	(5.7)
Total non-current liabilities	(399.5)	(430.5)
Net assets	406.2	344.2
Equity		
Called up share capital	34.0	34.0
Share premium	230.5	230.5
Capital redemption reserve	0.9	0.9
Hedging and translation reserve	(3.0)	(4.4)
Retained earnings	125.5	65.2
Equity attributable to equity holders of the parent	387.9	326.2
Non-controlling interests	18.3	18.0
Total equity	406.2	344.2

The financial statements were approved by the Board of Directors and authorised for issue on 1 March 2018.

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2017 continued

	2017	2016
	audited	audited
	£m	£m
ANALYSIS OF NET BORROWINGS		
Cash and cash equivalents	89.6	117.4
Current borrowings	(73.1)	(65.4)
Non-current borrowings	(197.0)	(202.3)
Net borrowings	(180.5)	(150.3)

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

	2017		2016	
	audited £m	audited £m	audited £m	audited £m
Operating				
Cash generated from operations		162.6		157.0
Interest received	1.0		0.7	
Interest paid	(5.8)		(4.0)	
Net interest paid		(4.8)		(3.3)
UK corporation tax paid	-		-	
Overseas corporate tax paid	(26.1)		(17.1)	
Total tax paid		(26.1)		(17.1)
Net cash inflow from operating activities		131.7		136.6
Investing				
Dividends received from joint ventures		2.0		2.1
Purchase of property, plant and equipment	(60.3)		(45.6)	
Sale of property, plant and equipment	2.2		34.4	
Net capital expenditure		(58.1)		(11.2)
Purchase of business		(64.1)		(165.8)
Proceeds from sale of business		7.6		12.8
Net cash outflow from investing activities		(112.6)		(162.1)
Financing				
Ordinary dividends paid		(39.1)		(30.3)
Dividends paid to non-controlling interests		(0.5)		(3.2)
Settlement of equity-settled share-based payments		(3.1)		(0.4)
Repayment of borrowings		(102.0)		(82.7)
Proceeds of borrowings		136.3		186.0
Net cash (outflow)/inflow from financing activities		(8.4)		69.4
Increase in cash, cash equivalents and bank overdrafts during the year		10.7		43.9
Cash, cash equivalents and bank overdrafts at 1 January		52.0		8.5
Cash (outflows)/inflows				
Cash and cash equivalents	(28.5)		63.8	
Bank overdrafts	39.2		(19.9)	
		10.7		43.9
Exchange and other movements		2.7		(0.4)
Cash, cash equivalents and bank overdrafts at 31 December		65.4		52.0

RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES TO MOVEMENT IN NET BORROWINGS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017	2016
	audited	audited
	£m	£m
Net cash inflow from operating activities	131.7	136.6
Add back: dividends received from joint ventures	2.0	2.1
Less: net capital expenditure	(58.1)	(11.2)
Less: net purchase of business	(56.5)	(153.0)
	19.1	(25.5)
Ordinary dividends paid	(39.1)	(30.3)
Dividends paid to non-controlling interests	(0.5)	(3.2)
Settlement of equity-settled share-based payments	(3.1)	(0.4)
Exchange movements	(6.6)	(13.5)
Increase in net borrowings	(30.2)	(72.9)

1 Underlying segmental performance and 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 in line with GDP.

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

The 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 Executive 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 revenue.

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 expenses, including both irregular items and those that do not relate to the Group's ongoing businesses. To provide additional clarity on the ongoing trading performance of the Group's businesses, the 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 10 and has been consistently applied. 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	2017				2016			
	Europe & North America	Asia & Rest of World	Unallocated corporate expenses	Total	Europe & North America	Asia & Rest of World	Unallocated corporate expenses	Total
	audited	audited	audited	audited	audited	audited	audited	audited
Revenue (£m)								
Underlying performance and IFRS	1,134.9	345.3		1,480.2	746.1	299.6		1,045.7
Operating profit / (loss) (£m) - including share of joint ventures								
Underlying performance	117.1	35.1	(13.2)	139.0	93.3	48.7	(11.8)	130.2
Special Items								
Restructuring & site closure - cash costs	(11.3)	(0.2)	(0.1)	(11.6)	(4.7)	(0.3)	(0.2)	(5.2)
Profit on sale of business	-	-	-	-	-	4.7	-	4.7
Sale of land	1.3	-	-	1.3	-	33.2	-	33.2
Gain on foreign exchange contracts relating to acquisition	-	-	-	-	12.4	0.7	-	13.1
Acquisition costs	(2.3)	-	-	(2.3)	(4.1)	(0.2)	-	(4.3)
Amortisation of acquired intangibles	(27.3)	(3.7)	-	(31.0)	(21.5)	(5.5)	-	(27.0)
	(39.6)	(3.9)	(0.1)	(43.6)	(17.9)	32.6	(0.2)	14.5
IFRS	77.5	31.2	(13.3)	95.4	75.4	81.3	(12.0)	144.7

Of the Asia and Rest of World IFRS operating profit of £31.2m (2016: £81.3m), £1.0m (2016: £2.0m) is the Group's share of joint ventures.

The restructuring and site closure costs included £9.0m in relation to the post-acquisition integration of the PAC (Dispersions) business with the majority being attributable to the rationalisation of the Ribecourt (France) site. A further £1.6m related to the cost of an onerous lease on a site closed during 2017, while £0.8m comprised costs for the post-acquisition integration of Speciality Additives.

The profit on sale of business relates to the disposal of our South African business in 2016.

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 gain of £13.1m in 2016 resulted from foreign exchange contracts taken out as a hedge against the US dollar purchase consideration of the PAC (Dispersions) acquisition.

Acquisition costs were incurred in relation to Speciality Additives (2016: PAC (Dispersions)) and for other potential acquisitions which will not occur or had not occurred before the balance sheet date.

The amortisation of intangibles increased during 2017 due to a full year of amortisation for the 2016 PAC (Dispersions) acquisition, the intangibles acquired with Speciality Additives and due to foreign currency exchange rate movements.

2 Revenue by destination

	2017 audited £m	2016 audited £m
Western Europe	778.3	533.6
Eastern Europe	102.8	63.8
North America	94.9	57.4
Malaysia	195.3	168.8
Other Asia	228.8	155.6
Africa and Middle East	58.2	51.9
Rest of World	21.9	14.6
Total revenue	1,480.2	1,045.7

3 Finance costs

	2017 audited £m	2016 audited £m
Interest payable on bank loans and overdrafts	5.7	4.2
Less: interest receivable	(1.0)	(0.7)
	4.7	3.5
Pensions - IAS 19 interest charge	4.3	4.5
Total finance costs	9.0	8.0

4 Reconciliation of operating profit to cash generated from operations

	2017	2016
	audited	audited
	£m	£m
Operating profit – continuing operations	95.4	144.7
Less: share of profits of joint ventures	(1.0)	(2.0)
	94.4	142.7
Adjustments for:		
Depreciation	36.4	29.7
Amortisation	0.8	0.2
Amortisation - Special Items	31.0	27.0
Restructuring and site closure - Special Items	11.6	5.2
Share-based payments	2.8	2.0
Profit on sale of land - Special Items	(1.3)	(33.2)
Gain on foreign exchange contracts relating to acquisition	-	(13.1)
Acquisition costs – Special Items	2.3	4.3
Profit on sale of business – Special Items	-	(4.7)
Cash impact of restructuring and site closure	(6.0)	(5.5)
Cash impact of FX relating to purchase of business	-	13.1
Cash impact of acquisition costs	(2.1)	(4.0)
IAS 19 interest charge	(4.3)	(4.5)
Pension funding in excess of IAS 19 interest charge	(12.5)	(12.4)
Movement in working capital	9.5	10.2
Cash generated from operations	162.6	157.0
Reconciliation of movement in working capital		
Increase in inventories	(13.3)	(13.3)
Increase in trade and other receivables	(24.0)	(13.5)
Increase in trade and other payables	46.8	37.0
Movement in working capital	9.5	10.2

5 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 and Special Items. This is also the principal profit measure used for the financial covenants in the Group's debt facilities.

Reconciliation of EBITDA to IFRS	2017				2016			
	Europe & North America	**Asia & Rest of World**	**Unallocated corporate expenses**	**Total**	**Europe & North America**	**Asia & Rest of World**	**Unallocated corporate expenses**	**Total**
	audited	audited	audited	audited	audited	audited	audited	audited
	£m	£m	£m	£m	£m	£m	£m	£m
EBITDA	140.9	48.2	(12.9)	176.2	111.2	60.4	(11.5)	160.1
Depreciation and amortisation	(23.8)	(13.1)	(0.3)	(37.2)	(17.9)	(11.7)	(0.3)	(29.9)
Operating profit - Underlying	117.1	35.1	(13.2)	139.0	93.3	48.7	(11.8)	130.2
Special Items	(39.6)	(3.9)	(0.1)	(43.6)	(17.9)	32.6	(0.2)	14.5
Operating profit - IFRS	77.5	31.2	(13.3)	95.4	75.4	81.3	(12.0)	144.7

6 Dividends

	2017		2016	
	Pence per share audited	£m	Pence per share audited	£m
Interim dividend	3.7	12.6	3.5	11.9
Proposed final dividend	8.5	28.9	7.8	26.5
	12.2	41.5	11.3	38.4

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

7 Purchase of business

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

The Consideration paid in respect of this acquisition and the fair value of net assets acquired is summarised as follows:

Net assets acquired

	audited £m
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	(3.9)
Post retirement benefit obligations	(2.7)
Fair value of net assets acquired	42.0
Goodwill arising on acquisition	24.1
Total consideration	66.1
Satisfied by	
Cash consideration	66.1
Cash flow	
Cash consideration	66.1
Net (cash) / overdraft acquired	(2.0)
Net cash outflow arising on acquisition	64.1

The ‘Fair Value Adjustments’ to the value of assets acquired including Intangible assets, Property, plant and equipment, and Provisions are made in accordance with International Financial Reporting Standard 3 ‘Business Combinations’ (revised 2008).

The goodwill arising on the acquisition on Perstorp Oxo Belgium represents the premium the Group paid to acquire a company which complements the existing business and create significant opportunities for cross-selling and other synergies.

Acquisition costs expensed in 12 months to 31 December 2017	**Total**
	audited
	£m
Other costs	0.5
	0.5

In the period from acquisition to 31 December 2017 Perstorp Oxo Belgium contributed the following to the Group's results:

	Total
	audited
	£m
Revenue of:	26.7
Operating profit of:	3.7

If the acquisition of Perstorp Oxo Belgium had been completed on the first day of the financial year, the following would have been included in the Group's result:

	Total
	audited
	£m
Revenue of:	31.9
Operating profit of:	4.6

8 Post balance sheet events

Purchase of business

On 31 January 2018 the Group acquired the of BASF Pischelsdorf SBR business for a total consideration of £25.7m.

	Book and Provisional Fair Value
	£m
Net assets acquired	
Property, plant and equipment	4.8
Inventories	2.2
Trade and other payables	(0.6)
Post retirement benefit obligations	(0.7)
Provisional fair value of net assets acquired	5.7
Goodwill arising on acquisition	20.0
Total consideration	25.7
Satisfied by	
Cash consideration	25.7

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.

Neither a preliminary assessment of intangible assets nor the Property Plant and Equipment (PPE) valuation had been completed at the date of these financial statements. When the final valuation work is concluded, a substantial increase in PPE and intangible assets values, and a corresponding substantial reduction in goodwill, is anticipated.

The acquisition of the BASF Pischelsdorf SBR business was completed on 31 January 2018. The acquired business has therefore not contributed to the results of the Group for the year ended 31 December 2017. Sufficient information is not currently available to disclose the contribution to the Group if the acquisition has been made on 1 January 2017.

Sale of business
On 1 January 2018, the Group disposed of 100% of the share capital of Synthomer Leuna GmbH for £7.6m. The net assets of Synthomer Leuna GmbH of £6.5m were transferred to assets held for sale prior to disposal.

9 Further information

The financial information set out above does not constitute the Company's financial statements for the years ended 31 December 2017 or 2016, but is derived from those statements. Financial statements for 2016 have been delivered to the Registrar of Companies and those for 2017 will be delivered following the Company's annual general meeting. The auditor has reported on those statements; their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) Companies Act 2006 or equivalent preceding legislation. While the financial information included in this preliminary announcement has been prepared in accordance with International Financial Reporting Standards (IFRS), this announcement itself does not contain sufficient information to comply with IFRS. The company expects to publish full financial statements that comply with IFRS, a copy of which will be posted to shareholders, on 26 March 2018.

The financial statements were approved by the Board of Directors on 1 March 2018.

The accounting policies used to prepare these preliminary results are the same as those used in the preparation of the Group's audited accounts for the year ended 31 December 2016 which have been delivered to the Registrar of Companies. Copies can be obtained by the public from the Company's registered office Temple Fields, Harlow, Essex, CM20 2BH, or on the Company website www.synthomer.com.

The interim dividend of 3.7p per share was paid on 6 November 2017. The Directors recommend a final ordinary dividend of 8.5p per share payable on 6 July 2018 to those shareholders registered at the close of business on 8 June 2018.

Earnings per ordinary share are based on the attributable profit for the period and the weighted average number of shares in issue during the period – 339.9 million (2016: 339.9 million).

Going concern

The Directors have acknowledged the latest guidance on going concern and in reaching their conclusions have taken into account factors which include the amendment and restatement in March 2016 of the Group's main credit facility put in place in July 2014 and which involved the putting in place of an extended commitment of £370 million under the multicurrency revolving facilities agreement until July 2019. After making enquiries and taking account of reasonably possible changes in trading performance, the Directors are satisfied that, at the time of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements of both the Group and the parent Company.

10 Glossary of terms

EBITDA	EBITDA is calculated as operating profit 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; • Acquisition 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; and • Tax impact of above items.
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)