6 August 2018

Synthomer plc
Interim Results for the six months ended 30 June 2018

Geographic & product diversity underpins sustainable growth
Underlying profit before tax up 6.4% and full year expectations unchanged

H1 HIGHLIGHTS *Underlying performance* [1]	2018	2017	Increase / (decrease) Reported	Constant Currency[2]
	£m	£m	%	%
Revenue	833.8	770.3	8.2	6.4
Volumes (ktes)	796.6	730.2	9.1	9.1
Europe and North America (ENA)	*64.4*	*64.3*	0.2	(1.4)
Asia and ROW (ARW)	*22.5*	*18.1*	24.3	21.5
Unallocated	*(7.5)*	*(5.9)*	(27.1)	(27.1)
Operating Profit	79.4	76.5	3.8	1.8
Profit before Tax	76.2	71.6	6.4	4.3
EPS (p)	18.4	16.8	9.5	
DPS (p)	4.0	3.7	8.1	
IFRS Profit before Tax	86.2	53.4	61.4	
IFRS EPS (p)	20.6	12.5	64.8	

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 the Existing business translated at the prior year's average exchange rates, and include the impact of acquisitions.

H1 highlights:

- Underlying profit before tax (PBT) up 6.4% to £76.2m (constant currency up 4.3%):
  - Good volume growth in Europe & North America (ENA); unit margins slightly softer due to US$ transaction headwind (c.£5m)
  - Strong volume growth in Asia & Rest of World (ARW); unit margin growth in Nitriles
  - Successful integration of BASF Pischelsdorf following completion in January
- IFRS profit before tax £86.2m
- Investment programme to increase capacity across the network on track
- R&D delivering sustainable growth: new products represent circa 20% of total sales in Existing business (2017: 20%)
- Effective tax rate reduced to 18.0% (H1 2017: 20.0%)
- Underlying earnings per share up 9.5% at 18.4p per share
- Interim dividend of 4.0p (2017: 3.7p); increase of 8.1% in line with dividend policy
- Strong and flexible balance sheet maintained - leverage 1.1x EBITDA

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

"Synthomer has had a good first six months of the year, reporting a further increase in Underlying profit, underpinned by our geographic and product diversity alongside the Group's strategy of driving organic growth and investing in bolt-on acquisitions.

We have made strong operational progress, with continued progress on Safety, Health & Environment policies as well as the Manufacturing Excellence initiatives delivering improved efficiency and output. Our investment programme to increase production capacity has continued. We have also invested to strengthen our supply chain resilience and procurement flexibility in a relatively volatile raw material market. Inorganic growth has come through our acquisition of the Pischelsdorf site from BASF during January.

Notwithstanding ongoing political and economic uncertainty, the Group's diversified business means we are well placed to make continued progress and the Board's expectations for the full year remain unchanged.

Looking to 2019, we remain cautiously optimistic about the future prospects of the Group. The growth capex is expected to yield returns in both ENA and ARW and we will continue to explore both bolt-on and transformational acquisitions in a disciplined manner."

IFRS Information	**H1 2018**			H1 2017		
	Underlying performance	**Special Items**	**IFRS**	Underlying performance	Special Items	IFRS
	£m	£m	£m	£m	£m	£m
Revenue	833.8	-	833.8	770.3	-	770.3
Europe and North America (ENA)	64.4	(7.1)	57.3	64.3	(16.2)	48.1
Asia and ROW (ARW)	22.5	17.1	39.6	18.1	(1.9)	16.2
Unallocated	(7.5)	-	(7.5)	(5.9)	(0.1)	(6.0)
Operating profit/(loss) (including share of JV's)	79.4	10.0	89.4	76.5	(18.2)	58.3
Finance costs	(3.2)	-	(3.2)	(4.9)	-	(4.9)
Profit/(loss) before taxation	76.2	10.0	86.2	71.6	(18.2)	53.4
EPS (p)	18.4	2.2	20.6	16.8	(4.3)	12.5
DPS (p)			4.0			3.7

Underlying performance

As more fully described in note 3, the Group's management uses Underlying business performance to plan, control and assess the Group performance. Underlying performance differs from the statutory IFRS performance as Underlying performance 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 Existing business is defined as the Synthomer Group at 31 December 2017.

The table below bridges the H1 2017 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	
2017 – IFRS	48.1		16.2		(6.0)		58.3	
Add: 2017 – Special Items	16.2		1.9		0.1		18.2	
2017 – Underlying performance	64.3		18.1		(5.9)		76.5	
2018 – Underlying Existing business change at 2017 exchange rates	(2.2)		3.9		(1.6)		0.1	
2018 – Impact of acquisition of Pischelsdorf	1.3		-		-		1.3	
2018 – Underlying performance at 2017 exchange rates	63.4	(1.4%)	22.0	21.5%	(7.5)	27.1%	77.9	1.8%
2018 – Impact of 2018 exchange rates	1.0		0.5		-		1.5	
2018 – Underlying performance at 2018 exchange rates	64.4	0.2%	22.5	24.3%	(7.5)	27.1%	79.4	3.8%
(Deduct)/Add: 2018 – Special Items	(7.1)		17.1		-		10.0	
2018 – IFRS	57.3	19.1%	39.6	144.4%	(7.5)	(25.0)%	89.4	53.3%

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

Geographic and product diversity underpins sustainable growth

The Group's strategy of driving sustainable earnings growth through both organic (investment in our assets, people and systems) and inorganic activities (via acquisitions) has resulted in a 6.4% increase in H1 Underlying profit before tax to £76.2m.

We have continued to invest in organic initiatives to transform and improve the underlying performance of the Group. This has included plant-by-plant gap analysis to identify areas of cost and volume improvement, and all plants now have this blue-print to work through over the short and medium term. Similarly, our Safety, Health and Environmental processes and systems have been upgraded and have delivered substantial improvement, with Group wide key performance indicators much closer to best-in-class targets. In this same time period, we have successfully ensured that all existing raw materials from outside the EU have been REACH registered ahead of the May 2018 deadline. We have invested further in tankage at key European locations to both improve the resilience in our raw material supply chain and also to provide opportunities to minimise procurement costs.

We announced in 2016 that the Group would be embarking on the largest growth capex programme ever undertaken in Synthomer's history. The Group remains on track to see the larger investments relating to the 90kt expansion in Pasir Gudang and the 36kt expansion in Worms come on line during late Q3 2018 and Q1 2019 respectively.

In terms of inorganic growth during this six month period, the acquisition of the Latex business in Pischelsdorf from BASF underscores our long-term commitment to the paper industry, and improves our access to the growing European packaging end-market.

Finally, the Group is on track to deliver the integration synergies which exceeded the initial estimates for the PAC acquisition in 2016, delivering $12m of annualised savings by the end of 2018, with an extra $2m likely by the end of 2019.

H1 Results – Underlying

Group revenue increased 8.2% to £833.8m (2017: £770.3m), principally due to increased volumes in both segments, favourable exchange rate movements and raw material price movements year-on-year.

H1 2018 Underlying profit before tax increased to £76.2m (2017: £71.6m), a rise of 6.4%, or 4.3% at constant currency. This reflected a stable performance in ENA, strong performance in ARW, and a rise in unallocated corporate costs of £1.6m, in line with the rise in costs seen in H2 2017 and mainly relating to an increase in the cost of share-based payments. Interest costs were lower in H1 2018 and reflected reduced interest costs associated with the accounting for pension liabilities of £0.7m, and lower borrowing costs in overseas currencies.

The Group further benefitted from the movement in sterling relative to the Euro (H1 2018 £1:€1.14, H1 2017 £1:€1.16) and relative to Malaysian Ringgit (H1 2018 £1:MYR 5.40, H1 2017 £1:MYR 5.55), resulting in an overall favourable FX translation impact of £1.5m, in part offsetting the adverse US$ transaction impact of approximately £5m which was experienced in the local currency results of our European operations.

Underlying earnings per share was up 9.5% at 18.4 pence per share (2017: 16.8 pence per share).

H1 Results – IFRS

IFRS profit before tax was £86.2m in H1 2018 relative to £53.4m in H1 2017. The IFRS profit before tax reflects the Underlying profit before tax as adjusted for the Special Items set out in note 3.

Special Items in H1 2018 totalled a net income of £10.0m, compared to a net cost of £18.2m in H1 2017. The net change seen in 2018 Special Items relative to 2017 was principally due to the 2018 profit on disposal of our final tranche of land in Malaysia of £16.3m and a reduction in amortisation of intangibles of £4.7m. This reduction was mainly due to the intangible assets acquired with the 2011 Polymer Latex transaction reaching the end of their amortisation period (£5.9m), offset by new amortisation costs for the Pischelsdorf acquisition (£0.6m)

Segmental review

Europe and North America (ENA)

	H1 2018	H1 2017	Increase / (decrease) Reported	Constant Currency
			%	%
Volumes (ktes)	594.0	550.7	7.9	7.9
Revenue (£m)	646.0	593.2	8.9	7.0
EBITDA	76.1	75.2	1.2	(0.4)
Operating profit – Underlying performance (£m)	64.4	64.3	0.2	(1.4)
Operating profit – IFRS (£m)	57.3	48.1	19.1	

Underlying operating profit in the ENA segment was £0.1m higher at £64.4m (2017: 64.3m), an increase of 0.2%, or a decrease of 1.4% at constant currency.

Volumes increased by 2.6% excluding Pischelsdorf, and 7.9% overall. We saw improvements across most areas of the business, including carpets, foam, construction and coatings.

Overall unit margins softened slightly, and the segment has coped well in a market environment characterised by persistently rising raw material prices, which are typically passed on to customers with a one month lag. This was in addition to the impact on our European business margins associated with invoicing customers in US$, where weakness in US$ has reduced margins by an estimated £5m.

Supply chain resilience and the ability to buy raw materials efficiently are critical features of our business, and we have invested in securing additional tank storage during the period to strengthen our business in these areas. The incremental tank costs incurred in the period were £1.2m, with an annualised cost of £3.1m.

The acquisition of the Pischelsdorf site during January 2018 has contributed £1.3m of Underlying operating profit during the period. The site was fully integrated into our network and confirms our position as the number one SBR latex producer in Europe.

As we reported to the market in June 2018, European Commission officials carried out unannounced inspections in several Member States at the premises of a number of companies active in styrene monomer purchasing, including Synthomer's London premises. The Group takes competition laws very seriously and will continue to cooperate fully with the Commission throughout its investigation.

Asia and Rest of World (ARW)

	H1 2018	H1 2017	Increase / (decrease) Reported	Constant Currency
			%	%
Volumes (ktes)	202.6	179.5	12.9	12.9
Revenue (£m)	187.8	177.1	6.0	4.2
EBITDA	29.1	24.6	18.3	15.4
Operating profit – Underlying performance (£m)	22.5	18.1	24.3	21.5
Operating profit – IFRS (£m)	39.6	16.2	144.4	

Against a softer comparative period, Underlying operating profit in the ARW segment was £22.5m (2017: £18.1m), an increase of 24.3%, or 21.5% at constant currency. This increase was mainly driven by a strong volume and margin performance in Nitrile latex.

Volumes increased by 12.9% against a comparative period that was adversely impacted by customer buying behaviour in a volatile raw material price environment. The strong growth was supported in part by an improved Nitrile latex product mix, allowing faster throughput and production of the product at our site in Pasir Gudang.

Underlying unit margins strengthened in both Nitrile latex and dispersions businesses. The Nitrile latex demand continued to grow strongly in line with recent historical experience, and the growth has resulted in unit margins firming as we have progressed through the period. The improved supply/demand balance seen in the initial part of the year is expected to be tempered in the latter part of the year with the introduction of our 90kt of incremental capacity in late Q3 2018. This should ensure that the market supply/demand balance remains at similar levels as we look forward into 2019.

Unallocated central costs

Unallocated central costs of £7.5m (2017: £5.9m) were in line with H2 2017. The variance to H1 2017 reflected the increase in the cost of share-based payments due to the rise in share price and the estimated achievement of strategic targets, and further strengthening of the management team in the London Head Office in 2017.

Special Items

	H1 2018 £m	H1 2017 £m
Restructuring and site closure costs	-	(3.3)
Sale of businesses	4.2	-
Sale of land	16.3	1.4
Acquisition costs	(0.1)	(1.2)
Amortisation of acquired intangibles	(10.4)	(15.1)
Impact on operating profit	10.0	(18.2)
Tax on Special Items	2.3	3.5

The following items of income and expense were reported as Special Items and accordingly excluded from Underlying performance:

- 2017 restructuring costs related to the PAC and Oxo Belgium acquisitions.
- Profits arising on the sale of businesses are more fully described in note 13.

- Profit on sale of land related to the disposal of our final tranche of land in Malaysia. The 2017 profit related to a disposal of land in Hapton, UK.
- Acquisition costs related to the Pischelsdorf acquisition. The 2017 costs mainly related to the Oxo Belgium and Pischelsdorf acquisitions.
- Amortisation of intangibles decreased during the period, principally due to customer-related intangibles from the 2011 Polymer latex acquisition nearing the end of their amortisation periods (£5.9m), offset by new amortisation costs for the Pischelsdorf acquisition (£0.6m).

Of the tax credit of £2.3m (2017: £3.5m), 2.5m (2017: £3.2m) related to the notional tax credit on the intangibles amortisation expense.

Taxation

The Group's Underlying tax rate at 18% (H1 2017: 20%, Full Year 2017: 19%) was lower than the prior year due to the geographical mix of profits and movement on deferred tax assets previously unrecognised.

Cash performance and balance sheet items

The Group generated operating cash flow of £22.7m (2017: £13.0m). 2018 was higher than 2017 due to increased EBITDA, lower cash restructuring costs and a smaller investment in working capital in the period.

Cash tax increased to £12.5m (2017: £11.6m) due to acquisitions and the timing of settlement of tax liabilities.

Capital expenditure in the period amounted to £28.5m (2017: £17.2m), the rise being principally due to increased payments on growth projects, in particular at Worms (£6.5m), Roebuck (£1.1m) and Oulu (£0.7m). Expenditure for the full year is expected to be approximately in line with 2017 levels, as our investment in capacity expansion continues across the Group.

On 31 January 2018 the Group acquired the Pischelsdorf SBR business from BASF for a total consideration of £25.8m, funded through a drawdown of the Revolving Credit Facility. The provisional allocation of the purchase price has resulted in goodwill (£1.2m), intangibles (£17.6m), tangible fixed assets (£5.4m) and other net assets (£1.6m) being recorded at the date of acquisition.

The Group paid the 2017 final ordinary dividend of 8.5 pence per share to shareholders on 6th July, resulting in a cash outflow of £28.9m after the period end.

The final tranche of excess Malaysian land was sold for cash proceeds of £16.6m, and accordingly the Group's 70% share of the proceeds post tax will be approximately £11.6m

After other operating, investing and financing flows, this led to an increase in cash, cash equivalents and bank overdrafts of £29.5m (2017: increase £14.2m).

The Group Pension liability has decreased to £124.9m from £157.2m in December 2017, reflecting a reduction in the UK liability of £27.0m and a reduction in overseas liabilities of £5.3m. The reduction in the UK pension liability reflected an increase in discount rates and contributions made under the deficit recovery programme. The decrease in overseas liabilities related to an increase in discount rates.

At 30 June 2018 the Group's net debt:EBITDA ratio was 1.1x, (31 December 2017: 1.0x). The conservative leverage of the Group provides significant flexibility and scope to pursue the Group's growth strategy.

Financing

Subsequent to the end of June, the Group completed a refinancing of its main borrowing facilities, comprising a new committed 4 year Revolving Credit Facility of €440m. Additionally the Group has renewed its short-term loan of €55m for a further 12 months from 27 July 2018, to maintain flexibility in funding arrangements for the future.

To take advantage of historically low interest rates, the Group has fixed €275m of its core borrowings.

Dividend and capital management

The Board has declared an interim dividend of 4.0 pence per share, an increase of 0.3 pence or 8.1%. This dividend is consistent with our Group dividend and capital management policy.

Outlook

Notwithstanding ongoing political and economic uncertainty, the Group's geographic and product diversity means we are well placed for continued progress, and the Board's expectations for the full year remain unchanged.

Looking to 2019, we remain cautiously optimistic about the future prospects of the Group. The growth capex is expected to yield returns in both ENA and ARW, and we will continue to explore both bolt-on and transformational acquisitions.

Calum MacLean
Chief Executive Officer
6 August 2018

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	Underlying performance	**Special Items**	**IFRS**	Underlying performance	Special Items	IFRS
	£m Unaudited	**£m Unaudited**	**£m Unaudited**	£m Unaudited	£m Unaudited	£m Unaudited
Group revenue	**833.8**	**-**	**833.8**	770.3	-	770.3
Company and subsidiaries	**79.1**	**-**	**79.1**	75.8	-	75.8
Restructuring and site closure costs	**-**	**-**	**-**	-	(3.3)	(3.3)
Sale of businesses	**-**	**4.2**	**4.2**	-	-	-
Sale of land	**-**	**16.3**	**16.3**	-	1.4	1.4
Acquisition costs	**-**	**(0.1)**	**(0.1)**	-	(1.2)	(1.2)
Amortisation of acquired intangibles	**-**	**(10.4)**	**(10.4)**	-	(15.1)	(15.1)
Company and subsidiaries	**79.1**	**10.0**	**89.1**	75.8	(18.2)	57.6
Share of joint ventures	**0.3**	**-**	**0.3**	0.7	-	0.7
Operating profit / (loss)	**79.4**	**10.0**	**89.4**	76.5	(18.2)	58.3
Interest payable	**(2.1)**	**-**	**(2.1)**	(3.1)	-	(3.1)
Interest receivable	**0.6**	**-**	**0.6**	0.6	-	0.6
	(1.5)	**-**	**(1.5)**	(2.5)	-	(2.5)
IAS 19 interest charge	**(1.7)**	**-**	**(1.7)**	(2.4)	-	(2.4)
Finance costs	**(3.2)**	**-**	**(3.2)**	(4.9)	-	(4.9)
Profit / (loss) before taxation	**76.2**	**10.0**	**86.2**	71.6	(18.2)	53.4
Taxation	**(13.7)**	**2.3**	**(11.4)**	(14.3)	3.5	(10.8)
Profit / (loss) for the period	**62.5**	**12.3**	**74.8**	57.3	(14.7)	42.6
Profit attributable to non-controlling interests	**0.1**	**4.7**	**4.8**	0.3	-	0.3
Profit/(loss) attributable to equity holders of the parent	**62.4**	**7.6**	**70.0**	57.0	(14.7)	42.3
	62.5	**12.3**	**74.8**	57.3	(14.7)	42.6
Earnings per share						
Basic	**18.4p**	**2.2p**	**20.6p**	16.8p	(4.3)p	12.5p
Diluted	**18.3p**	**2.2p**	**20.5p**	16.7p	(4.3)p	12.4p

Special Items

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

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018 continued

	Year ended 31 December 2017		
	Underlying performance	Special Items	IFRS
	£m Audited	£m Audited	£m Audited
Continuing operations			
Revenue	1,480.2	-	1,480.2
Company and subsidiaries	138.0	-	138.0
Restructuring and site closure costs	-	(11.6)	(11.6)
Sale of land	-	1.3	1.3
Acquisition costs	-	(2.3)	(2.3)
Amortisation of acquired intangibles	-	(31.0)	(31.0)
Company and subsidiaries	138.0	(43.6)	94.4
Share of joint ventures	1.0	-	1.0
Operating profit / (loss)	139.0	(43.6)	95.4
Interest payable	(5.7)	-	(5.7)
Interest receivable	1.0	-	1.0
	(4.7)	-	(4.7)
IAS19 interest charge	(4.3)	-	(4.3)
Finance costs	(9.0)	-	(9.0)
Profit / (loss) before taxation	130.0	(43.6)	86.4
Taxation	(24.7)	13.1	(11.6)
Profit / (loss) for the year	105.3	(30.5)	74.8
Profit attributable to non-controlling interests	0.8	-	0.8
Profit/(loss) attributable to equity holders of the parent	104.5	(30.5)	74.0
	105.3	(30.5)	74.8
Earnings per share			
Basic	30.7p	(8.9)p	21.8p
Diluted	30.5p	(8.9)p	21.6p

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 2018

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	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	**70.0**	**4.8**	**74.8**	42.3	0.3	42.6
Actuarial gains on pension scheme	**25.5**	**-**	**25.5**	1.9	-	1.9
Tax relating to components of other comprehensive income	**1.6**	**-**	**1.6**	0.3	-	0.3
Total items that will not be reclassified to profit or loss	**27.1**	**-**	**27.1**	2.2	-	2.2
Exchange differences on translation of foreign operations	**6.0**	**0.6**	**6.6**	(6.2)	(0.2)	(6.4)
Gains on hedge of net investment taken to equity	**0.7**	**-**	**0.7**	5.0	-	5.0
Exchange differences recycled on sale of businesses	**(0.4)**	**-**	**(0.4)**	-	-	-
Total items that may be reclassified subsequently to profit or loss	**6.3**	**0.6**	**6.9**	(1.2)	(0.2)	(1.4)
Other comprehensive income / (expense) for the period	**33.4**	**0.6**	**34.0**	1.0	(0.2)	0.8
Total comprehensive income for the period	**103.4**	**5.4**	**108.8**	43.3	0.1	43.4

	Year ended 31 December 2017		
	Equity holders of the Company	Non-controlling interests	Total
	Audited £m	Audited £m	Audited £m
Profit for the year	74.0	0.8	74.8
Actuarial gains on pension scheme	23.6	-	23.6
Tax relating to components of other comprehensive income	2.3	-	2.3
Total items that will not be reclassified to profit or loss	25.9	-	25.9
Exchange differences on translation of foreign operations	9.2	-	9.2
Losses on hedge of net investment taken to equity	(7.8)	-	(7.8)
Total items that may be reclassified subsequently to profit or loss	1.4	-	1.4
Other comprehensive income for the year	27.3	-	27.3
Total comprehensive income for the year	101.3	0.8	102.1

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 2018	**34.0**	**230.5**	**0.9**	**(3.0)**	**125.5**	**387.9**	**18.3**	**406.2**
Profit for the period	**-**	**-**	**-**	**-**	**70.0**	**70.0**	**4.8**	**74.8**
Other comprehensive income for the period	**-**	**-**	**-**	**6.3**	**27.1**	**33.4**	**0.6**	**34.0**
Total comprehensive income for the period	**-**	**-**	**-**	**6.3**	**97.1**	**103.4**	**5.4**	**108.8**
Share based payments	**-**	**-**	**-**	**-**	**(4.3)**	**(4.3)**	**-**	**(4.3)**
Dividends payable	**-**	**-**	**-**	**-**	**(28.9)**	**(28.9)**	**-**	**(28.9)**
At 30 June 2018 (Unaudited)	**34.0**	**230.5**	**0.9**	**3.3**	**189.4**	**458.1**	**23.7**	**481.8**

	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 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 income/(expense) for the period	-	-	-	(1.2)	2.2	1.0	(0.2)	0.8
Total comprehensive income/(expense) 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 2017	34.0	230.5	0.9	(4.4)	65.2	326.2	18.0	344.2
Profit for the year	-	-	-	-	74.0	74.0	0.8	74.8
Actuarial gains	-	-	-	-	23.6	23.6	-	23.6
Exchange difference on translation of foreign operations	-	-	-	9.2	-	9.2	-	9.2
Loss on hedge of net investment taken to equity	-	-	-	(7.8)	-	(7.8)	-	(7.8)
Tax relating to components of other comprehensive income	-	-	-	-	2.3	2.3	-	2.3
Total comprehensive income for the year	-	-	-	1.4	99.9	101.3	0.8	102.1
Dividends paid to shareholders	-	-	-	-	(39.1)	(39.1)	-	(39.1)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(0.5)	(0.5)
Share-based payments	-	-	-	-	(0.5)	(0.5)	-	(0.5)
At 31 December 2017 (Audited)	34.0	230.5	0.9	(3.0)	125.5	387.9	18.3	406.2

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2018

	30 June 2018	30 June 2017	31 December 2017
	Unaudited	Unaudited	Audited
	£m	£m	£m
Non-current assets			
Goodwill	**331.6**	328.0	329.1
Acquired intangible assets	**73.8**	81.7	66.2
Other intangible assets	**2.1**	0.2	1.9
Property, plant and equipment	**340.9**	304.1	322.1
Deferred tax assets	**25.7**	18.4	23.3
Investment in joint ventures	**9.0**	8.5	7.5
Total non-current assets	**783.1**	740.9	750.1
Current assets			
Inventories	**127.3**	139.6	125.1
Trade and other receivables	**289.0**	264.6	229.1
Cash and cash equivalents	**98.4**	147.9	89.6
Total current assets	**514.7**	552.1	443.8
Asset classified as held for sale	**-**	0.3	6.8
Current liabilities			
Borrowings	**(2.3)**	(80.7)	(73.1)
Trade and other payables	**(286.6)**	(254.5)	(279.3)
Current tax liability	**(41.8)**	(42.0)	(40.2)
Dividends payable	**(28.9)**	(26.5)	-
Provisions for other liabilities and charges	**(1.9)**	(2.9)	(2.4)
Total current liabilities	**(361.5)**	(406.6)	(395.0)
Non-current liabilities			
Borrowings	**(290.2)**	(291.5)	(197.0)
Trade and other payables	**(0.6)**	(1.3)	(2.3)
Deferred tax liability	**(33.8)**	(44.0)	(35.4)
Post retirement benefit obligations	**(124.9)**	(184.5)	(157.2)
Provisions for other liabilities and charges	**(5.0)**	(6.6)	(7.6)
Total non-current liabilities	**(454.5)**	(527.9)	(399.5)
Net assets	**481.8**	358.8	406.2
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	**3.3**	(5.6)	(3.0)
Retained earnings	**189.4**	80.9	125.5
Equity attributable to equity holders of the parent	**458.1**	340.7	387.9
Non-controlling interests	**23.7**	18.1	18.3
Total equity	**481.8**	358.8	406.2

ANALYSIS OF NET BORROWINGS

	30 June 2018	30 June 2017	31 December 2017
Cash and cash equivalents	**98.4**	147.9	89.6
Current borrowings	**(2.3)**	(80.7)	(73.1)
Non-current borrowings	**(290.2)**	(291.5)	(197.0)
Net borrowings	**(194.1)**	(224.3)	(180.5)

The interim financial statements were approved by the Board of Directors and authorised for issue on 6 August 2018.

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six months ended 30 June 2018		Six months ended 30 June 2017		Year ended 31 December 2017	
	Unaudited	**Unaudited**	Unaudited	Unaudited	Audited	Audited
	£m	**£m**	£m	£m	£m	£m
Operating						
Cash generated from operations		**37.1**		27.1		162.6
Interest received	**0.6**		0.6		1.0	
Interest paid	**(2.5)**		(3.1)		(5.8)	
Net interest paid		**(1.9)**		(2.5)		(4.8)
UK corporation tax paid	**-**		-		-	
Overseas corporate tax paid	**(12.5)**		(11.6)		(26.1)	
Total tax paid		**(12.5)**		(11.6)		(26.1)
Net cash inflow from operating activities		**22.7**		13.0		131.7
Investing						
Dividends received from joint ventures		**0.5**		1.0		2.0
Purchase of property, plant and equipment	**(28.5)**		(17.2)		(60.3)	
Sale of property, plant and equipment	**16.6**		2.2		2.2	
Net capital expenditure		**(11.9)**		(15.0)		(58.1)
Purchase of businesses		**(25.8)**		(64.1)		(64.1)
Sale of businesses		**4.3**		-		7.6
Net cash outflow from investing activities		**(32.9)**		(78.1)		(112.6)
Financing						
Ordinary dividends paid		**-**		-		(39.1)
Dividends paid to non-controlling interests		**-**		-		(0.5)
Settlement of equity-settled share based payments		**(5.1)**		(2.8)		(3.1)
Proceeds of borrowings		**96.8**		133.1		(102.0)
Repayment of borrowings		**(52.0)**		(51.0)		136.3
Net cash inflow/(outflow) from financing activities		**39.7**		79.3		(8.4)
Increase in cash, cash equivalents and bank overdrafts during the period		**29.5**		14.2		10.7
Comprised of:						
Cash, cash equivalents and bank overdrafts at 1 January		**65.4**		52.0		52.0
Cash inflows/(outflows)						
Cash and cash equivalents	**7.7**		28.1		(28.5)	
Bank overdrafts	**21.8**		(13.9)		39.2	
		29.5		14.2		10.7
Exchange and other movements		**1.2**		1.0		2.7
Cash, cash equivalents and bank overdrafts at period end		**96.1**		67.2		65.4

CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018 (CONTINUED)

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

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
	Unaudited	Unaudited	Audited
	£m	£m	£m
Net cash inflow from operating activities	**22.7**	13.0	131.7
Add back: dividends received from joint ventures	**0.5**	1.0	2.0
Less: net capital expenditure	**(11.9)**	(15.0)	(58.1)
Less: net purchase of businesses	**(21.5)**	(64.1)	(56.5)
	(10.2)	(65.1)	19.1
Ordinary dividends paid	**-**	-	(39.1)
Dividends paid to non-controlling interests	**-**	-	(0.5)
Settlement of equity-settled share based payments	**(5.1)**	(2.8)	(3.1)
Exchange movements	**1.7**	(6.1)	(6.6)
Increase in net borrowings	**(13.6)**	(74.0)	(30.2)

NOTES TO THE FINANCIAL STATEMENTS

1. General information

The information for the year ended 31 December 2017 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. These interim financial statements have been reviewed, not audited

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. These interim financial statements have 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.

The Group has changed its accounting policies as a result of adopting the following new standards:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*

The Group will also make a further change to its accounting policies when it adopts IFRS 16 *Leases*, on 1 January 2019.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 19 below.

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 Executive Committee at the segment level concerning interest income, interest expenses, income taxes or other material non-cash items.

3. Segmental performance & Special Items (continued)

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 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 22 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 2018**				Six months ended June 2017			
	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	**646.0**	**187.8**		**833.8**	593.2	177.1		770.3
Operating profit / (loss) - including share of joint ventures								
Underlying operating profit / (loss)	**64.4**	**22.5**	**(7.5)**	**79.4**	64.3	18.1	(5.9)	76.5
Special Items								
Restructuring and site closure costs	**-**	**-**	**-**	**-**	(3.2)	-	(0.1)	(3.3)
Sale of businesses	**1.4**	**2.8**	**-**	**4.2**	-	-	-	-
Sale of land	**-**	**16.3**	**-**	**16.3**	1.4	-	-	1.4
Acquisition costs	**(0.1)**	**-**	**-**	**(0.1)**	(1.2)	-	-	(1.2)
Amortisation of acquired intangibles	**(8.4)**	**(2.0)**	**-**	**(10.4)**	(13.2)	(1.9)	-	(15.1)
	(7.1)	**17.1**	**-**	**10.0**	(16.2)	(1.9)	(0.1)	(18.2)
IFRS operating profit / (loss)	**57.3**	**39.6**	**(7.5)**	**89.4**	48.1	16.2	(6.0)	58.3

3. Segmental performance & Special Items (continued)

	Year ended December 2017			
	Europe & North America	Asia & Rest of World	Unallocated corporate expenses	Total
	Audited	Audited	Audited	Audited
	£m	£m	£m	£m
Revenue - Underlying and IFRS	1,134.9	345.3		1,480.2
Operating profit / (loss) - including share of joint ventures				
Underlying operating profit / (loss)	117.1	35.1	(13.2)	139.0
Special Items				
Restructuring and site closure costs	(11.3)	(0.2)	(0.1)	(11.6)
Sale of land	1.3	-	-	1.3
Acquisition costs	(2.3)	-	-	(2.3)
Amortisation of acquired intangibles	(27.3)	(3.7)	-	(31.0)
	(39.6)	(3.9)	(0.1)	(43.6)
IFRS operating profit / (loss)	77.5	31.2	(13.3)	95.4

The following items of income and expense were reported as Special Items and accordingly were excluded from Underlying performance:

- 2017 restructuring costs related to the PAC and Oxo Belgium acquisitions.
- Profits arising on the sale of businesses are more fully described in note 13.
- Profit on sale of land related to the disposal of our final tranche of land in Malaysia. The 2017 profit related to a disposal of land in Hapton, UK.
- Acquisition costs related to the Pischelsdorf acquisition. The 2017 costs mainly related to the Oxo Belgium and Pischelsdorf acquisitions.
- Amortisation of intangibles decreased during the period, principally due to customer-related intangibles from the 2011 Polymer latex acquisition nearing the end of their amortisation periods (£5.9m), offset by new amortisation costs for the Pischelsdorf acquisition (£0.6m).

Further details are provided in the Chief Executive's Business Review and the glossary of terms in note 22.

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 22.

Reconciliation of Underlying performance to IFRS	**Six months ended June 2018**				Six months ended June 2017			
	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	**76.1**	**29.1**	**(7.3)**	**97.9**	75.2	24.6	(5.7)	94.1
Depreciation and amortisation	**(11.7)**	**(6.6)**	**(0.2)**	**(18.5)**	(10.9)	(6.5)	(0.2)	(17.6)
Operating profit - Underlying performance	**64.4**	**22.5**	**(7.5)**	**79.4**	64.3	18.1	(5.9)	76.5
Special Items	**(7.1)**	**17.1**	**-**	**10.0**	(16.2)	(1.9)	(0.1)	(18.2)
Operating profit - IFRS	**57.3**	**39.6**	**(7.5)**	**89.4**	48.1	16.2	(6.0)	58.3

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

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
	Unaudited	Unaudited	Audited
	£m	£m	£m
IFRS Operating profit – continuing operations	**89.4**	58.3	95.4
Less: share of profit of joint ventures	**(0.3)**	(0.7)	(1.0)
	89.1	57.6	94.4
Adjustments for:			
Depreciation	**18.1**	17.5	36.4
Amortisation (Underlying)	**0.4**	0.1	0.8
Amortisation (Special Items)	**10.4**	15.1	31.0
Restructuring and site closure (Special Items)	**-**	3.3	11.6
Acquisition costs (Special Items)	**0.1**	1.2	2.3
Share based payments	**0.8**	0.5	2.8
Profit on sale of land (Special Items)	**(16.3)**	(1.4)	(1.3)
Profit on sale of businesses (Special Items)	**(4.2)**	-	-
Cash impact of restructuring and site closure	**(0.5)**	(2.2)	(6.0)
Cash impact of acquisition costs	**(0.1)**	(1.1)	(2.1)
IAS 19 interest charge	**(1.7)**	(2.4)	(4.3)
Pension funding in excess of IAS 19 charge	**(6.6)**	(5.4)	(12.5)
Increase in inventories	**(0.6)**	(28.2)	(13.3)
Increase in trade and other receivables	**(62.4)**	(59.7)	(24.0)
Increase in trade and other payables	**10.6**	32.2	46.8
Cash generated from operations	**37.1**	27.1	162.6

6. Tax

Tax on the Underlying profit before taxation for the six month period was charged at 18.0% (six months ended 30 June 2017: 20.0%; year ended 31 December 2017: 19.0%), representing the best estimate of the 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 13.2% (six months ended 30 June 2017: 20.2%; year ended 31 December 2017: 13.4%), 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 4.0 pence per ordinary share was approved by the Board on 6 August 2018 and will be paid on 6 November 2018 to members on the register at the close of business on 5 October 2018.

The final dividend in respect of 2017, which was approved by the AGM on 26 April 2018, was paid on 6 July 2018.

8. Earnings per share

	Six months ended 30 June 2018	Six months ended 30 June 2017	Year ended 31 December 2017
	Unaudited ’000 shares	Unaudited ’000 shares	Audited ’000 shares
Weighted average number of shares in issue - basic	**339,770**	339,881	339,881
Weighted average number of shares in issue - diluted	**341,882**	342,142	342,139

	Six months ended 30 June 2018			Six months ended 30 June 2017		
	Underlying performance Unaudited £m	**Special Items Unaudited £m**	**IFRS Unaudited £m**	Underlying performance Unaudited £m	Special Items Unaudited £m	IFRS Unaudited £m
Earnings Profit/(loss) attributable to equity holders of the parent	**62.4**	**7.6**	**70.0**	57.0	(14.7)	42.3
Basic earnings per share	**18.4p**	**2.2p**	**20.6p**	16.8p	(4.3)p	12.5p
Diluted earnings per share	**18.3p**	**2.2p**	**20.5p**	16.7p	(4.3)p	12.4p

	Year ended 31 December 2017		
	Underlying performance Audited £m	Special Items Audited £m	IFRS Audited £m
Earnings Profit attributable to equity holders of the parent	104.5	(30.5)	74.0
Basic earnings per share	30.7p	(8.9)p	21.8p
Diluted earnings per share	30.5p	(8.9)p	21.6p

9. Assets classified as held for sale

The assets classified as held for sale at 31 December 2017 comprised £0.3m in respect of the decision to sell agricultural land owned by the Group in Malaysia (30 June 2017: £0.3m) and £6.5m in respect of the fixed assets and working capital of Synthomer Leuna GmbH. As disclosed in notes 3 and 13, both assets were sold in the six month period to 30 June 2018. As at 30 June 2018 there were no remaining assets classified as held for sale.

10. Financial instruments

The risks associated with the Group's financial instruments and related polices are detailed in note 23 of the 2017 annual financial statements. There have been no changes in the risks and the management thereof since 31 December 2017.

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 value of the defined benefit plan assets have been updated to reflect their market value as at 30 June 2018. 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 business

On 31 January 2018 the Group acquired the BASF Pischelsdorf Styrene Butadiene Rubber (SBR) business for a total consideration of £25.8m, to complement the Group's existing SBR markets and customers.

	Provisional fair value
	£m
Net assets acquired	
Intangible assets	17.6
Property, plant and equipment	5.4
Inventories	2.2
Post retirement benefit obligations	(0.6)
Provisional fair value of net assets acquired	24.6
Goodwill arising on acquisition	1.2
Total consideration	25.8
Satisfied by	
Cash consideration and movement in net borrowings	25.8

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

	£m
Net movement on borrowings per above	25.8
Cash impact of acquisition costs	1.0
Total movement on borrowings relating to acquisition, to 30 June 2018	**26.8**

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 a business which complements the existing business and create significant opportunities for cross-selling and other synergies.

Transaction costs expensed relating to acquisition of business	£m
In 12 months to 31 December 2017	0.9
In 6 months to 30 June 2018	0.1
	1.0

The acquired business contributed revenue of £19.0m and an operating profit of £1.3m to the results of the Group in the six month period to 30 June 2018. If the acquisition had been made on 1 January 2018, then the business would have contributed revenue of £22.6m and an operating profit of £1.5m to the results of the Group.

13. Disposal of subsidiaries

On 1 January 2018, the Group disposed of 100% of the share capital of Synthomer Leuna GmbH for £7.6m, generating a profit on disposal of £1.3m.

On 28 June 2018, the Group disposed of 51% of its shareholding in Synthomer FZE Limited for £2.9m, generating a profit on disposal of £2.4m

During the year, the Group transferred certain assets and liabilities to Synthomer Functional Solutions FZCO Limited. On 28 June 2018, Group disposed of 51% of its shareholding in Synthomer Functional Solutions FZCO Limited for £1.4m, generating a profit on disposal of £0.5m.

14. Capital commitments

The capital expenditure authorised but not provided for in the interim financial statements as at 30 June 2018 was £20.4m (30 June 2017: £22.3m, 31 December 2017: £23.7m).

15. Contingent liability

In June 2018, European Commission officials carried out unannounced inspections in several Member States at the premises of a number of companies active in styrene monomer purchasing, including Synthomer's London premises. Whilst the Group takes competition laws very seriously and will continue to fully cooperate with the Commission, it is possible that a fine may result from the findings of this investigation. It is not possible to quantify the value of a fine, if any, at this time.

16. 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.

17. Post balance sheet events

Subsequent to the end of June, the Group completed a refinancing of its main borrowing facilities, comprising a new committed 4 year Revolving Credit Facility of €440m. Additionally the Group has renewed its short-term loan of €55m for a further 12 months from 27 July 2018, to maintain flexibility in funding arrangements for the future.

To take advantage of historically low interest rates, the Group has fixed €275m of its core borrowings.

18. 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.

19. Changes in accounting policies

New Standards Applied

The Group has adopted IFRS 9 *Financial Instruments* from 1 January 2018, and has amended its accounting policies accordingly. IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

In accordance with the transition provisions in IFRS 9, the Group has adopted the new rules retrospectively. After a detailed assessment, the Group has identified no material amendments to the results for 2017 or 2018 which are required on adoption of the Standard.

The Group has applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The Group has elected to exercise the option under IFRS 9 to continue to apply the hedge accounting requirements of IAS 39, rather than adopt the new requirements of IFRS 9.

The Group has also adopted IFRS 15 *Revenue from Contracts with Customers* from 1 January 2018, and has amended its accounting policies accordingly. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively. After a detailed assessment, the Group has identified no material amendments to the results for 2017 or 2018 which are required on adoption of the Standard

Under IFRS 15, Revenue is defined as income arising in the course of the Group's ordinary activities. Revenue is recognised when control of a good or service transfers to the customer. Revenue is also required to be apportioned to individual performance obligations. The Group manufactures and sells aqueous polymers to customers. No other material separate performance obligations have been identified.

For contracts with customers where the revenue earned is variable, management estimates the amount of consideration to which it expects to be entitled, and reassesses the estimate at each reporting date. Where cash received from customers is in excess of the expected final consideration, the difference is deferred on the balance sheet as a contract liability.

Standards Issued but not yet applied

IFRS 16 *Leases* is effective from, and will be applied for, the financial year beginning on 1 January 2019. The interim results for 2019 will be IFRS 16 compliant, with the first annual report published in accordance with IFRS 16 being the 31 December 2019 report.

Under IFRS 16, for almost all leases, an asset (the right-to-use the leased item) and a financial liability to pay rentals will be recognised. The right-to-use asset will be initially measured at the value of the lease liability plus any initial direct costs, and will be depreciated on a straight-line basis over the life of the lease. The lease liability will be initially measured based on the present value of lease payments to be made over the lease term, and interest will be measured on the lease liability as the discount unwinds.

The total expense recognised in the Income statement over the life of the lease will be unaffected by this new standard. However, IFRS 16 will result in the timing of the lease expense recognition being accelerated for leases currently accounted for as operating leases.

The Group has a portfolio of leases mainly comprising vehicles, chemical tanks and land and buildings, the minimum lease commitments for which have been disclosed in the annual report. The Group has made good progress in identifying all the leases and quantifying the new impact of this standard, working through a transition exercise across the Group. This will be completed before the year-end, at which point the impact on the Group's income statement, balance sheet and classification of cash flows will be quantified.

19. Changes in accounting policies (continued)

The Group currently plans to adopt a modified retrospective transition approach and so comparative information will not be adjusted. Rather, the cumulative effect of initially applying the standard is recognised as an adjustment to the opening balance sheet.

20. 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 2017. These risks include:

- The global chemicals and polymers markets are inherently volatile affecting volumes and margins and may adversely affect the results of the Group.
- Our markets are highly competitive and the Group could lose market share to other producers of speciality chemicals or to other products that can be substituted for the products of the Group.
- The value of the Group is dependent on our ability to identify and secure our own intellectual property and ensure we do not breach third parties intellectual property rights which could lead to reputational damage.
- Enhancements to our plants to increase manufacturing capacity to take advantage of growth markets are dependent on project management. Poor execution of our various projects could impact on our ability to deliver the capacity enhancements.
- The Group's strategic plan involves significant M&A activity to grow our business. There is a risk that we identify the wrong targets, pay too high a price, fail to integrate acquired assets and drive planned synergies, or encounter performance, funding and cashflow issues and potentially unknown liabilities.
- The chemical industry is inherently dangerous involving the safe transport, storage and manufacture of hazardous chemicals. Failure to manage the impact on our staff, manufacturing sites and the environment of these risks could lead to regulatory fines, reputational damage and lost production.
- Volatility in the prices of our key raw materials can affect the profitability of the Group and its working capital position.
- A site might be unable to operate, whether temporarily or longer term, due to a risk event, including natural disaster, safety incident, failure of a key supplier or the supply chain, sabotage and cyber-attack, and would have an adverse impact on operations and business unit profitability.
- We are reliant on various systems to run our business. As the frequency, sophistication and effect of cyber-attacks continues to grow across the world, all of our systems, including our industrial control systems, Enterprise Resource Planning (ERP), and communications could be targeted. We could lose intellectual property and customer data which might undermine our competitive position or a cyber attack could leave one of our plants out of action or used for sabotage.
- Product quality and reliability is a key element of our competitive position. The Group may lose customers and potentially be liable for damages for any quality issues.
- Failure to comply with extensive and constantly evolving environmental, health and safety laws and regulations could lead to significant fines, reputational damage and loss of operating licences.

20. Risks and uncertainties (continued)

- The Group could suffer substantial penalties, damage to reputation and other sanctions for any failure to control, for example, anti-competitive behaviour, bribery and corruption, or breaches of trade sanctions. New enhanced rules for data privacy in the European Union with greater potential penalties could impact the Group.
- 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.
- 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 scheme obligations, the value of which are highly dependent on volatile financial markets.

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

21. Further information

The interim financial statements were approved by the Board of Directors on 6 August 2018.

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.

22. 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	Special Items are irregular items, whose inclusion could lead to a distortion of trends, or 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. These include the following, inter alia, which 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 or accelerated 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.

22. Glossary of terms (continued)

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 2017.

On behalf of the Board

C G MacLean
Chief Executive Officer
6 August 2018

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 2018. 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 2018;
- 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
6 August 2018
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.