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Synthomer plc

Interim results for the six months ended 30 June 2023

Resilient performance given subdued demand environment

Six months ended 30 June	H1 2023	H1 2022	Change	Constant currency[1]
	£m	£m	%	%
Continuing operations*				
Revenue	**1,075.3**	1,228.3	(12.5)	(14.7)
Coatings & Construction Solutions (CCS)	**55.1**	80.3	(31.4)	(33.4)
*Adhesive Solutions (AS)***	**15.6**	34.5	(54.8)	(55.7)
Health & Protection and Performance Materials (HPPM)	**11.3**	59.2	(80.9)	(78.4)
Corporate	**(10.0)**	(11.2)	(10.7)	(11.6)
EBITDA[2]	**72.0**	**162.8**	**(55.8)**	**(56.0)**
EBITDA % of revenue	**6.7%**	13.3%		
Underlying[3] operating profit (EBIT)	**23.4**	125.3	(81.3)	(80.6)
Statutory operating (loss)/profit (EBIT)	**(8.8)**	113.8		
Results from continuing and discontinued operations*				
Underlying[3] (loss)/profit before tax	**(6.7)**	114.7		
Statutory profit before tax	**16.7**	115.5		
Underlying[3] EPS (p)	**(1.1)**	19.0		
Basic EPS (p)	**(2.6)**	18.3		
Free Cash Flow[4]	**18.8**	(62.0)		
Net debt[5]	**795.8**	992.8		

* The Laminates, Films and Coated Fabrics business sold on 28 February 2023, which contributed revenue of £28.0m and EBITDA of £2.5m in H1 2023 (FY 2022: £201.2m and £15.9m respectively), is classed as a discontinued operation throughout this announcement.

** H1 2022 included a three month contribution from the adhesive resins acquisition which completed in April 2022.

Speciality businesses drive a resilient trading performance, given the subdued macro demand environment

- Robust pricing and strong focus on margins mitigate impact of substantially lower volumes vs H1 2022, driven by destocking, subdued end-market demand and increased competition in some base chemical products
- Volume improvement relative to Q4 2022 in all divisions, led by Coatings & Construction Solutions
- Q2 2023 continuing EBITDA stronger than Q1 2023

Further decisive actions to preserve cash and manage debt, foundations to be strengthened with proposed £276m rights issue announced separately today and revolving credit facility extension to July 2027

- $268.5m of cash proceeds from divestment of Laminates, Films and Coated Fabrics businesses
- £150-200m cash management programme underway across the Group
- Operational reliability improvement programme in Adhesive Solutions ongoing, with further savings identified in addition to acquisition synergies; together with other cost savings, Group on track for c.£20m in self-help initiatives in H2 2023
- Net debt £795.8m (FY 2022: £1,024.9m) as at 30 June 2023, with net debt:EBITDA on a leverage covenant basis of 5.5 times and committed liquidity of more than £400m
- Proposed £276m fully underwritten rights issue announced separately to support reduction in leverage and allow greater focus on delivering speciality solutions strategy
- $400m revolving credit facility (RCF) extension to July 2027 inter-conditional with rights issue

Progress on strategic evolution to become a more focused, resilient, higher quality speciality chemicals business

- All divisions making good progress against key priorities
- Improved speciality portfolio weighting, better balanced geographical footprint and more streamlined with 7 sites divested or to close (half of target) in less than 12 months

Continued progress on innovation and sustainability objectives

- Near-term greenhouse gas (GHG) emissions reduction targets approved by the Science Based Targets initiative (SBTi)
- Innovation, sustainability prioritisation approach updated and supply chain management projects underway to assist transition to a low carbon future

Current trading and outlook

Trading in July and August was similar to H1 2023, with limited visibility and subdued volumes given challenging macro conditions. The Group's outlook for the remainder of 2023 provided in July is reiterated: the Board does not anticipate a material recovery in customer demand before the end of the current year. However, we anticipate c.£20m in self-help measures to be delivered mainly in H2. Overall the Group remains confident of making sequential progress in the second half relative to the first.

The Group continues to take decisive action to strengthen our business so that it is positioned for profitable growth when demand does begin to recover. Through our near-term actions, end market volume recovery (which alone has the potential to improve Group EBITDA by more than £100m over time) and execution of our strategy, we believe the Group's medium term earnings power is more than double the £158m of continuing EBITDA generated over the year to the end June 2023. Reducing leverage further towards 1-2x target range by end of 2024 remains a key priority. Overall we remain confident in the Group's ability to deliver the medium-term targets set out last October, which were mid-single-digit growth in constant currency over the cycle, EBITDA margins above 15% and mid-teens return on invested capital.

Commenting, Synthomer CEO Michael Willome said:

"Whilst these results reflect the difficult demand environment across most of our end markets and geographies, we are encouraged by areas of significant progress. In particular, our Coatings & Construction Solutions division saw promising EBITDA growth versus the second half of 2022, and many of our speciality businesses grew, testament to our strategy to increase our focus and investment on these parts of the portfolio. All divisions have made progress against their strategic priorities as we continue to reposition Synthomer to deliver on its medium term ambitions, supported by anticipated volume recovery in the coming years.

The proposed rights issue will allow us to reduce our leverage towards our medium term target and increase our focus on strategic execution to drive long term value. We are confident that Synthomer's medium-term earnings power is more than double our EBITDA performance over the last twelve months, driven by improved market conditions, operational and commercial excellence and our ongoing strategic evolution to become a true speciality chemicals business."

Further information:

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The Company will host a meeting for analysts and investors at 9:00am BST today at the Royal Society of Chemistry, Burlington House, Piccadilly, London W1J 0BA. The meeting will also be webcast at www.synthomer.com, please follow links to the financial calendar on the investor relations page to register.

Notes

1. Constant currency revenue and profit measures retranslate current year results using the prior year's average exchange rates.
2. Operating profit before depreciation, amortisation and Special Items.
3. Underlying performance excludes Special Items unless otherwise stated.
4. Free Cash Flow is defined as the movement in net debt before financing activities, foreign exchange and the cash impact of Special Items, asset disposals and business combinations.
5. Cash and cash equivalents together with short and long-term borrowings.

Legal Entity Identifier (LEI): 213800EHT3TI1KPQQJ56. Classification as per DTR 6 Annex 1R: 1.2.

Synthomer plc is a leading supplier of high-performance, speciality polymers and ingredients for coatings, construction, adhesives, and healthcare end markets. Headquartered in London, UK and listed there since 1971, we employ around 4,400 employees across nearly 40 locations across Europe, USA and Asia. With more than 6,000 customers and £2.4bn in continuing revenue in 2022, our three divisions are aligned to our end markets which play an important role in global megatrends including urbanisation, climate change, and economic and demographic shifts. In Coatings & Construction Solutions, our tailored solutions enhance the sustainability and performance of a range of products such as architectural and masonry coatings, mortar modification, fibre bonding, waterproofing and flooring, while our energy solutions promote drilling stability in the challenging operating environments of the oil and gas industry. Adhesive Solutions is a leading supplier of products that bond, modify and compatibilise surfaces and components for a range of end markets including tapes and labels, packaging, hygiene, tyres and plastics. In Health & Protection and Performance Materials we are a world-leading supplier of water-based polymers for medical gloves and a major European manufacturer of high-performance binders, foams and other products for a range of niche applications. Our purpose is creating innovative and sustainable solutions for the benefit of customers and society. Around 20% of our sales volumes are from new and patent protected products. At our innovation hubs in the UK, Germany, Malaysia and Ohio, USA we collaborate closely with our customers to develop new products tailored to their needs while also minimising environmental impact. We are working to embed sustainability in everything we do; we have reduced our scope 1 and 2 carbon footprint by one third since 2019, and our 2030 decarbonisation targets have been approved by the Science Based Targets initiative as being in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement. Since 2021 we have held the London Stock Exchange Green Economy Mark, which recognises green technology businesses making a significant contribution to a more sustainable, low-carbon economy. Find us at www.synthomer.com, @Synthomer_Group on Twitter or search for Synthomer on LinkedIn.

CHIEF EXECUTIVE OFFICER'S REVIEW

Resilient trading performance given the macro environment

As disclosed in our July update, Synthomer's performance during the first half was broadly consistent with our expectations at the time of the Group's Full Year results in March. Challenging macroeconomic conditions continued to affect demand across most of our end-markets and geographies throughout the period, exacerbated by prolonged customer destocking and increased competition in some of our base chemical product ranges. Whilst this unprecedented environment meant Group volumes were substantially lower than the first half of 2022, they have stabilised overall relative to the second half of the year, and robust pricing as raw material prices moderate and our strong focus on margins helped to mitigate the impact. This was especially evident in Coatings & Construction Solutions as well as the other speciality, higher growth areas of our business, which are proving to be the most resilient and benefiting from our differentiated focus and investment. Continuing Group revenues were £1,075.3m (H1 2022: £1,228.3m, H2 2022: £1,155.6m) with Continuing Group EBITDA at £72.0m (H1 2022: £162.8m, H2 2022: £86.4m) whilst total Group earnings per share was (1.1p) (H1 2022: 19.0p, H2 2022: 1.6p).

Stronger foundations for sustainable future growth

We have continued to take decisive actions to successfully manage debt and preserve cash, with reductions in capital expenditure, working capital and costs across the Group. The divestment of our Laminates, Films and Coated Fabrics businesses which forms part of our strategy to increase the speciality weighting of our portfolio to c.70% of Group revenues in due course, was completed in February. The transaction realised $268.5m of cash proceeds after transaction expenses (including $3.2m received in July 2023 and a further $5m receivable in 2024) which have been used to reduce leverage. As at 30 June 2023, net debt was £795.8m (December 2022: £1,024.9m), with net debt: EBITDA on a covenant basis of 5.5 times and committed liquidity of more than £400m.

After careful evaluation, we have separately announced today a fully underwritten rights issue to raise gross proceeds of approximately £276 million. It will support reduction in our leverage and provide stronger foundations to focus on delivering our strategy and long term value creation in addition to short term cash preservation, as well as reducing the downside risks from near-term macroeconomic uncertainty for all stakeholders. By providing stronger foundations, the rights issue will ensure that Synthomer is well-positioned to deliver on its medium term ambitions in the coming years. The Board believes that the earnings power of the Group is more than double our last twelve month EBITDA, which will be driven by a combination of end-market recovery, operational and commercial execution and strategic delivery, further supporting our medium term growth, margin and returns targets. We have also signed an RCF amendment inter-conditional with the rights issue, which adjusts its amount to $400m and its maturity to July 2027. The rights issue will increase covenant headroom and strategic and financial flexibility, resulting in a pro forma reduction in the covenant net debt based on EBITDA ratio from 5.5x to 3.8x as at 30 June 2023. Reducing leverage further towards our 1-2x target range by the end of 2024 remains a key priority. This will be supported by further divestment proceeds and earnings power more than doubling over the medium-term through continued cost control, volume recovery and strategic delivery.

The rights issue (and a related capital reorganisation) is conditional on, among other things, the passing of a number of resolutions by shareholders at a general meeting, which is scheduled to take place at 12:30 p.m. on 25 September 2023. Our largest shareholder, Kuala Lumpur Kepong Bhd, with 26.9% of the issued share capital, has irrevocably committed to take up their full rights and to vote in favour of all of the resolutions at the meeting.

All divisions making good progress against key priorities

In the period we have continued to make good progress against the strategy we announced in October 2022. Our ambition is to become a more focused, more resilient, higher quality speciality chemicals platform in the medium term, with growth driven by our strong market positions in speciality areas that are aligned to long term growth megatrends and where we believe we can win. To achieve this, the business was reorganised at the start of 2023, to focus on three attractive end markets: coatings and construction, adhesives, and health and protection. Encouragingly, all divisions have continued to make good progress against their key strategic priorities during the first half.

In Construction & Coatings Solutions, H1 EBITDA was £55.1m (H1 2022: £80.3m), significantly ahead of the £40.5m we delivered in H2 2022, with Q2 improving over Q1 including some seasonal benefit, largely driven by the speciality portfolio with a progressive improvement in Coatings and Energy Solutions in particular. Pricing retention was good given the reduction in raw material costs. Strong cost control helped to offset higher energy costs and lower capacity utilisation and we have initiatives underway to further enhance our efficiency and simplify production, such as the closure of a small Texas production site in the second half. We are strengthening our organic growth capability by aligning the division to our end-markets and improving the geographical balance whilst continuing to invest in innovation and our customer proposition.

In Adhesive Solutions, H1 EBITDA declined to £15.6m (H1 2022: £34.5m, H2 2022: £32.7m) because of the weak demand amplified by destocking as well as reliability issues. We saw more resilient pricing and volumes from our speciality products in the division relative to base products, which are experiencing greater competition. Whilst most raw material costs began to moderate this was offset by supply chain disruption and low reliability at some sites, as well as higher energy costs. We have expanded several of the original acquisition synergy workstreams with a dedicated 'self-help' programme under the new management team targeting improved operational reliability and cost efficiency. Within these programmes, we are also continuing to capture revenue synergies following our acquisition of this business last year as well as leveraging our range of leading positions in speciality adhesives in US and Europe. We have also reprioritised capital expenditure to broaden raw material supply as well as to expand capacity in certain high growth areas, notably in amorphous polyolefins (APOs).

In Heath & Protection and Performance Materials, EBITDA was significantly lower at £11.3m (H1 2022: £59.2m, H2 2022: £22.7m), largely reflecting the prolonged oversupply situation that has followed the exceptional period of demand for medical gloves during the COVID-19 pandemic. Whilst the underlying demand for medical gloves continues to be robust, with stock levels remaining high and additional capacity added to the market during the pandemic we do not expect current low production levels of Nitrile Butadiene Latex (NBR) to abate before the end of 2023. As a result, we have announced plans to close our Kluang facility in Malaysia and transfer its production to other plants. Our Performance Materials businesses are also experiencing lower volumes due to the end market environment and have seen some pressure on pricing as raw material prices started to moderate. We have increased our focus on cost efficiency and process optimisation to mitigate this.

Our non-core portfolio rationalisation programme continued to progress during the period. Two divestment processes are currently underway, and our project to separate SBR for coatings and construction from our paper and carpet operations is progressing well.

Innovation and sustainability underpinnings

In July, Synthomer's near-term greenhouse gas (GHG) emissions reduction targets were approved by the Science Based Targets initiative (SBTi). The targets covering GHG emissions from Synthomer's operations (Scopes 1 and 2) are consistent with levels required to meet the goals of the Paris Agreement to keep warming to 1.5°C, according to the SBTi. Synthomer's target for GHG emissions from its value chain (Scope 3) also meet the SBTi's criteria for ambitious value chain goals, meaning they are in line with current best practice. (Synthomer has committed to the reduction of absolute Scope 1 and 2 GHG emissions by 46.2%, and absolute scope 3 GHG emissions by 27.5%, by 2030 from a 2019 base year). In the period we have also reviewed and updated our innovation, sustainability and prioritisation scoring criteria to align with our deepening understanding of the sustainability risks and opportunities across our business, and begun a number of projects focused on our supply chain to assist our transition to a low carbon future. I am pleased to report that our new and protected products metric increased in the period to 21.5% and remains above our long-term target of at least 20% of sales.

Strengthening our executive team

On 1 May 2023, Stephan Lynen joined Synthomer as President of our Adhesive Solutions division and a member of the Executive Leadership. Stephan has more than 25 years of leadership experience in the chemical industry, principally at Clariant, the global speciality chemicals company, where he became Chief Financial Officer in April 2020 having previously led several of its businesses, including its Additives unit for almost four years.

Outlook

Trading in July and August was similar to H1 2023, with limited visibility and subdued volumes given challenging macro conditions. The Group's outlook for the remainder of 2023 provided in July is reiterated: the Board does not anticipate a material recovery in customer demand before the end of the current year. However, we anticipate c.£20m in self-help measures to be delivered mainly in H2. Overall the Group remains confident of making sequential progress in the second half relative to the first.

The Group continues to take decisive action to strengthen our business so that it is positioned for profitable growth when demand does begin to recover. Through our near-term actions, end market volume recovery (which alone has the potential to improve Group EBITDA by more than £100m over time) and execution of our strategy, we believe the Group's medium-term earnings power is more than double the £158m of continuing EBITDA generated over the year to the end June 2023. Reducing leverage further towards 1-2x target range by end of 2024 remains a key priority. Overall we remain confident in the Group's ability to deliver the medium-term targets set out last October, which were mid-single-digit growth in constant currency over the cycle, EBITDA margins above 15% and mid-teens return on invested capital.

Michael Willome
Chief Executive Officer

DIVISIONAL REVIEW – CONTINUING OPERATIONS

Coatings & Construction Solutions (CCS)

CCS is achieving robust pricing and margins, with improved trading performance over the period compared with the second half of 2022 despite cautious customer buying behaviour, with Q2 improving over Q1 including some seasonal benefit, largely driven by the speciality portfolio. In line with our strategy, CCS recently implemented several actions to broaden geographic and customer penetration which will strengthen organic growth and increase market share over time, while enhancing margins.

Under our new divisional structure implemented from 1 January 2023, CCS comprises the majority of the former Functional Solutions division, the Speciality Additives and Powder Coatings businesses from the Industrial Specialities division as well as the consumer-focused Foams business from the Performance Elastomers division.

Six months ended 30 June	H1 2023	H1 2022	Change	Constant currency[1]
	£m	£m	%	%
Revenue	451.6	548.9	(17.7)	(20.9)
Volumes (ktes)	280.6	343.5	(18.3)	
EBITDA	**55.1**	**80.3**	**(31.4)**	**(33.4)**
EBITDA % of revenue	12.2%	14.6%		
Operating profit – underlying	41.5	66.8	(37.9)	(39.7)
Operating profit – statutory	27.4	51.7	(47.0)	

1 Underlying constant currency revenue and profit retranslate current year results using the prior year's average exchange rates.

Performance

Divisional revenue decreased by 20.9% in constant currency to £451.6m (H1 2022: £548.9m, H2 2022: £447.2m), principally driven by an 18.3% reduction in volume compared with the strong H1 2022 period. This reflects more cautious buying behaviour from our customers due to relatively subdued end-user demand. This has been particularly noticeable in our Construction and Consumer Materials markets in the period, with Coatings more robust and Energy Solutions continuing to enjoy strong end-user demand growth.

Compared with the second half of 2022, sequential volumes have improved modestly and margins improved as a result of good pricing retention given the period-on-period reductions in raw material input prices. Together with strong cost control, this significantly mitigated the impact of lower revenues and higher energy costs as hedges rolled off on the EBITDA performance of £55.1m (H1 2022: £80.3m, H2 2022: £40.5m) in the period.

Strategy

In line with the new corporate strategy, CCS is focusing on strengthening organic growth capacity through a number of steps which increase its alignment with strategic end market opportunities. For example, the commercial teams have been reorganised to ensure key account management of top global customers and a stronger emphasis on marketing to new regional players. These initiatives will enable penetration into North American, Middle Eastern and Asian markets, building on our strong market positions in European markets. In the period we also began a modest investment to enhance coatings capacity in the Middle East.

Greater alignment with customers is also driving efforts to enhance the differentiation and hence the resilience and margin opportunity of the CCS product portfolio, in particular by innovating to enhance the sustainability benefits or other pillars of the value proposition for our customers. For example, in Energy Solutions we are working towards deploying our leading wellhead management technologies for carbon capture and storage (CCS) applications.

We also progressing a number of asset optimisation projects, improving cost control and capacity management through our Synthomer excellence programmes. For example, a modification of one of our speciality additives processes at our site in Ghent dramatically reduced catalyst use through a modest increase in cycle time, resulting in substantial raw material and energy efficiencies as well as carbon emissions savings. Shortly after the period end, we announced plans to exit a small production site in Texas.

Adhesive Solutions (AS)

The performance of AS in the period continues to reflect the lower volume environment as well as the previously disclosed operational reliability and supply chain challenges in the adhesive resins business, acquired from Eastman on 1 April 2022. We expect our reliability and performance improvement measures to have a positive impact in the second half of the year, despite continued demand weakness.

Under our new divisional structure, the core of AS comprises the adhesive resins business acquired in 2022, together with adhesive dispersions and Lithene businesses which were previously part of Synthomer's portfolio in Functional Solutions and Industrial Solutions respectively.

Six months ended 30 June	H1 2023	H1 2022[1]	Change	Constant currency[2]
	£m	£m	%	%
Revenue	**310.0**	223.8	+38.5	+36.1
Volumes (ktes)	**125.6**	96.5	+30.2	
EBITDA	**15.6**	**34.5**	**(54.8)**	**(55.7)**
EBITDA % of revenue	**5.0%**	15.4%		
Operating profit – underlying	**1.4**	27.2	(94.9)	(94.5)
Operating (loss)/profit – statutory	**(12.3)**	17.3	n/m	

1 H1 2022 included a three month contribution from the adhesive resins acquisition.
2 Underlying constant currency revenue and profit retranslate current year results using the prior year's average exchange rates.

Performance

Divisional revenue was £310.0m (H1 2022: £223.8m, H2 2022: £349.1m) an increase of 36.1% in constant currency compared with the prior year period, reflecting the inclusion of the adhesive resins acquisition for the whole period compared with for one quarter in the 2022 comparative period. On a like-for-like basis, volumes were approximately 1.6% lower than in H2 2022, reflecting some stabilisation of the subdued demand environment amplified by customer destocking and challenges fulfilling customer orders due to the previously disclosed reliability issues. Within the division, speciality products including Lithene, amorphous polyolefins (APOs) and pure monomer resins (PMR) were more resilient in both volume and pricing terms, while more base chemical products particularly for the tapes, labels, packaging and plastics markets experienced increased global competition in the period, affecting volume and price.

Divisional EBITDA of £15.6m (H1 2022: £34.5m, H2 2022: £32.7m) principally reflects higher energy costs, the supply chain and reliability challenges in the acquired adhesive resins business, as well as the volume and pricing effects noted above, partially mitigated by moderating raw material prices.

Strategy

The core priority of the division is improving operational reliability and cost efficiency of the acquired adhesive resins operations. A performance improvement project team has been put in place under the leadership of the new divisional president who joined in May. The goal is to drive rapid progress in procurement, supply chain and logistics reliability, as well as to improve cost efficiency, net working capital and data management. Having executed most of the synergy actions identified with the acquisition, the team continues to work on further 'self-help' actions which are expected to be implemented over the next twelve months as part of the division's performance improvement programme.

The division is also implementing the new corporate strategy alongside the performance improvement programme. Relationship management, and hence opportunities to capture revenue synergies, have been reorganised over the combined legacy Synthomer and adhesive resins customer base. The division has also recently committed to expand our speciality amorphous polyolefins capacity in North America to support growth in this region.

Health & Protection and Performance Materials (HPPM)

In HPPM, the challenging medical glove market dynamics which followed the unprecedented activity during the pandemic continue. In line with previous indications, we do not expect low nitrile butadiene rubber (NBR) production levels to abate before the end of 2023. We continue to focus on capacity management and cost control.

Under our new divisional structure, HPPM consists of the majority of the former Performance Elastomers and Industrial Specialities divisions as well as the Acrylate Monomers business. This included our Laminates & Films and Coated Fabrics businesses, which were subsequently divested on 28 February 2023.

Six months ended 30 June (continuing)	H1 2023	H1 2022	Change	Constant currency[1]
	£m	£m	%	%
Revenue	**313.7**	455.6	(31.1)	(32.2)
Volumes (ktes)	**276.9**	385.1	(28.1)	
EBITDA	**11.3**	**59.2**	**(80.9)**	**(78.4)**
EBITDA % of revenue	**3.6%**	13.0%		
Operating (loss)/profit – underlying	**(5.8)**	45.1	n/m	n/m
Operating (loss)/profit – statutory	**(6.9)**	44.2	n/m	

1 Underlying constant currency revenue and profit retranslate current year results using the prior year's average exchange rates.

Performance

Divisional revenue was £313.7m (H1 2022: £455.6m, H2 2022: £359.3m), principally driven by a 28.1% reduction in volume compared with the exceptional H1 2022 period.

The exceptional global demand for NBR to manufacture gloves at the height of the COVID-19 pandemic has given way since mid-2022 to a substantial period of destocking and oversupply for our Health & Protection business. In addition, Chinese glove manufacturers also raised output in 2022, putting additional strain on glove prices and plant utilisation of glove producers in Malaysia and elsewhere. Combined these factors resulted in a 31.4% decline in NBR volumes compared with the prior period. While underlying end-customer demand for medical gloves remains similar to pre-COVID levels and we see favourable growth trends in the medium term, the current overhang between capacity and demand for NBR is not expected to abate before the end of 2023. Sequentially, volumes show indications of stabilising, with H1 2023 NBR volumes only 6.0% lower than H2 2022.

Volumes in our Performance Materials portfolio, including for paper, carpet, acrylic monomers, antioxidants and compounds were also down by 26.3% against H1 2023. This was driven in large part by lower demand exacerbated by destocking, with these businesses experiencing greater pricing pressure as raw material prices moderate than the more speciality parts of the Group portfolio. Again the trend has moderated sequentially with volumes in Performance Materials recording only a (1.7)% decline against H2 2022.

As a predominantly base chemicals division, the effect of lower volumes on HPPM earnings was significant, with divisional EBITDA reducing to £11.3m (H1 2022: £59.2m, H2 2022: £22.7m) in the period.

Strategy

In Health & Protection, our focus under the new strategy has been on improving cost efficiency across our value chain and enhancing our overall value proposition to customers. As part of this effort we have increased our investment in customer intimacy. This has assisted us in monitoring demand and market flows at a challenging point in the cycle, but more importantly in optimising our alignment with key customers' needs. This supports our goals to strengthen overall cost competitiveness for the Malaysia supply chain while also delivering process innovation to lower energy consumption and carbon footprint for our customers and ourselves. We have also increased our focus on building relationships with potential new customers, including in the USA and China. Our NBR plant utilisation rates have improved modestly compared with the last quarter of 2022, and we aim to improve this further through plans announced in August 2023 to decommission our Kluang, Malaysia facility, which will reduced our NBR capacity by approximately 20%. We are working closely with customers to smoothly transfer grades to our other plants.

Over the last year we have also revised our innovation and capital expenditure plans across the division, in accordance with our differentiated steering strategic pillar, to focus on our most differentiated products or opportunities, such as the thinner glove materials, bio-based acrylate monomers or to support opportunities in other niches, such as materials with novel properties for 3D printing.

Our non-core portfolio rationalisation programme continued to progress during the period. Two divestment processes are currently underway, and our project to separate SBR for coatings and construction from our paper and carpet operations is progressing well.

Safety

The Group delivered a strong safety performance in the period based on key industry lagging indicators, with both the Recordable Case Rate (RCR) and Process safety event rate (PSER) ahead of our targets and prior year levels. However the health and safety of our employees is a key priority and there is always more to do to improve our processes and preparedness. An important programme in the period has been further developing our use of leading indicators, including near-miss reporting, across the Group. Both lagging and leading data are used to track and analyse for trends and are a key feed into our SHE improvement plans.

Our work to align our new sites with our standards over a three-year cycle continues to make progress. For example, in the last twelve months all former OMNOVA and Eastman sites have completed their integration into our database tools for accident and incident reporting, as well as the electronic management of change system.

Six months ended 30 June (continuing)	H1 2023	H1 2022	Change
RCR per 100,000 hours for employees and contractors			Absolute
CCS	0.20	0.38	(0.18)
AS[1]	0.30	0.00	+0.30
HPPM	0.00	0.10	(0.10)
Continuing Group	0.13	0.22	(0.09)
PSER per 100,000 hours for employees and contractors			Absolute
CCS	0.10	0.14	(0.04)
AS[1]	0.14	0.27	(0.13)
HPPM	0.05	0.10	(0.05)
Continuing Group	0.09	0.13	(0.04)

1 H1 2022 data for AS reflects the April-June period which included the acquired Adhesive Solutions business.

FINANCIAL REVIEW

Group revenue, EBITDA and operating profit – continuing operations

Revenue for the continuing Group of £1,075.3m (H1 2022: £1,228.3m) decreased by 14.7% in constant currency compared with the prior year period, with the contribution of the acquired adhesive resins business and a small benefit from robust price/mix partially offsetting a 17.2% reduction in volume compared with the first half of 2022. This was driven by destocking, subdued levels of demand across most of our end markets and increased competition in some of our base chemical product ranges. Sequentially however, Group volumes modestly increased by 2.2% relative to the second half of the year. EBITDA for the continuing Group was £72.0m (H1 2022: £162.8m) in the period, with robust pricing and a strong focus on margins partially mitigating the challenging volume environment. Depreciation and amortisation in the period increased to £48.6m (H1 2022: £37.5m), reflecting the non-current assets acquired in the adhesive resins acquisition, resulting in underlying operating profit for the continuing Group of £23.4m (H1 2022: £125.3m).

Six months ended 30 June 2023, £m	**CCS**	**AS**	**HPPM**	**Corp.**	**Continuing operations**	**Dis-continued**	**Total Group**
Revenue	**451.6**	**310.0**	**313.7**	**-**	**1,075.3**	**28.0**	**1,103.3**
EBITDA	**55.1**	**15.6**	**11.3**	**(10.0)**	**72.0**	**2.5**	**74.5**
EBITDA % of revenue	**12.2%**	**5.0%**	**3.6%**		**6.7%**	**8.9%**	**6.8%**
Operating profit/(loss) – underlying	**41.5**	**1.4**	**(5.8)**	**(13.7)**	**23.4**	**2.5**	**25.9**
Operating profit/(loss) – statutory	**27.4**	**(12.3)**	**(6.9)**	**(17.0)**	**(8.8)**	**64.5**	**55.7**

Six months ended 30 June 2022, £m	CCS	AS	HPPM	Corp.	Continuing operations	Dis-continued	Total Group
Revenue	548.9	223.8	455.6	-	1,228.3	106.1	1,334.4
EBITDA	80.3	34.5	59.2	(11.2)	162.8	10.3	173.1
EBITDA % of revenue	14.6%	15.4%	13.0%		13.3%	9.7%	13.0%
Operating profit – underlying	66.8	27.2	45.1	(13.8)	125.3	6.7	132.0
Operating profit – statutory	51.7	17.3	44.2	0.6	113.8	3.2	117.0

Full year ended 31 December 2022, £m	CCS	AS	HPPM	Corp.	Continuing operations	Dis-continued	Total Group
Revenue	996.1	572.9	814.9	-	2,383.9	201.2	2,585.1
EBITDA	120.8	67.2	81.9	(20.7)	249.2	15.9	265.1
EBITDA % of revenue	12.1%	11.7%	10.1%		10.5%	7.9%	10.3%
Operating profit – underlying	94.1	44.5	50.6	(26.7)	162.5	8.7	171.2
Operating profit – statutory	62.8	(126.1)	47.2	(4.4)	(20.5)	(6.0)	(26.5)

Special Items – continuing operations

The following items of income and expense have been reported as Special Items – continuing operations and have been excluded from EBITDA and other underlying metrics:

Six months ended 30 June	H1 2023	H1 2022	FY 2022
	£m	£m	£m
Amortisation of acquired intangibles	**(24.3)**	(19.5)	(44.8)
Restructuring and site closure costs	**(6.6)**	(4.5)	(19.2)
Acquisition costs and related gains	**(1.3)**	(6.5)	(6.5)
Sale of business	**-**	0.3	(0.3)
Regulatory fine – release of provision	**-**	18.7	21.5
Impairment charge	**-**	-	(133.7)
Total impact on operating loss/profit	**(32.2)**	**(11.5)**	**(183.0)**
Fair value movement on unhedged interest rate derivatives	**(1.8)**	15.8	25.1
Loss on extinguishment of financing facilities	**(4.6)**	-	-
Total impact on loss/profit before taxation	**(38.6)**	**4.3**	**(157.9)**
Taxation Special Items	**-**	-	3.6
Taxation on Special Items	**(4.9)**	(4.6)	39.3
Total impact on loss/profit for the period – continuing operations	**(43.5)**	**(0.3)**	**(115.0)**

Amortisation of acquired intangibles increased in H1 2023, reflecting amortisation of the customer lists, patents, trademarks and trade secrets that arose on the acquisition of the adhesive resins business. The intangible assets arising on the acquisition are being amortised over a period of 8-20 years mainly dependent on the characteristics of the customer relationships.

Restructuring and site closure costs in H1 2023 comprise a £2.4m charge in relation to the ongoing integration of the acquired adhesive resins business, and a further £4.2m in relation to enacting the new strategy and realignment of the business into its new divisions effective 1 January 2023.

Acquisition costs and related gains of £1.3m in H1 2023 relate to the adhesive resins acquisition.

In July 2018 the Group entered into swap arrangements to fix euro interest rates on the full value of the then €440m committed unsecured revolving credit facility. The fair value movement of the unhedged interest rate derivatives relates to the movement in the mark-to-market of the swap in excess of the Group's current borrowings.

In March 2023 the Group successfully refinanced its existing bank loan facilities. All amounts outstanding on the existing $260million term loan, $300 million term loan and €460 million revolving credit facility were subsequently repaid and the facilities were cancelled. All capitalised debt issue costs relating to these term loans and facilities were written off leading to a loss on extinguishment of £4.6 million.

Taxation on Special Items mainly relates to the amortisation of acquired intangibles.

Discontinued operations

On 28 February 2023, the Group completed the sale of its Laminates, Films and Coated Fabrics businesses to Surteco North America, Inc. following satisfaction of the conditions to the transaction announced on 13 December 2022. The final cash proceeds received at completion amounted to $260.3m after transaction expenses, with $3.2m received in July 2023 and a further $5m receivable in cash on the 13-month anniversary of completion. The net cash proceeds have been used to reduce the Group's debt. The Laminates, Films and Coated Fabrics businesses are reported as discontinued operations in these results.

In the period £36.3m of Special Items – discontinued operations (H1 2022: £(3.5)m) were recognised, comprising a £62.0m gain on the sale of the Laminates Films and Coated Fabrics businesses, and £(25.7)m in charges, primarily relating to the utilisation of acquired US tax attributes and the current tax charge on the disposal of the Laminates, Films and Coated Fabrics businesses.

Finance costs

Six months ended 30 June	H1 2023	H1 2022	FY 2022
	£m	£m	£m
Net interest payable	**(30.8)**	(15.8)	(43.2)
Net interest expense on defined benefit obligation	**(1.1)**	(0.8)	(1.2)
Interest element of lease payments	**(0.7)**	(0.7)	(1.4)
Finance costs – underlying	**(32.6)**	**(17.3)**	**(45.8)**
Fair value movement on unhedged interest rate derivatives	**(1.8)**	15.8	25.1
Loss on extinguishment of financing facilities	**(4.6)**	-	-
Finance costs – statutory	**(39.0)**	**(1.5)**	**(20.7)**

Underlying finance costs increased to £(32.6)m (H1 2022: £(17.3)m) and comprise interest on the Group's financing facilities, interest rate swaps, amortisation of associated debt costs and IAS 19 pension interest costs in respect of our defined benefit pension schemes. The rise in the net interest payable mainly reflects the additional debt utilised to finance the adhesive resins acquisition as well as higher base rates. The Group recognised as Special Items a total of £6.4m in finance costs relating to interest rate derivative contracts and extinguishment of financing facilities, as described above.

Non-controlling interest

The Group continues to hold 70% of Revertex (Malaysia) Sdn Bhd and its subsidiaries. These entities form a relatively minor part of the Group, so the impact on underlying performance from non-controlling interests is not significant.

Taxation

The Group's underlying effective tax rate for H1 2023 was 22.0% (H1 2022: 22.5%; FY 2022: 22.5%), representing the best estimate of the annual effective corporate income tax rate expected for FY 2023. We estimate the rate by applying the expected corporate income tax rate for each tax jurisdiction in which we operate.

Earnings per share

Earnings per share is calculated based on the average number of shares in issue during the year. The weighted average number of shares for H1 2023 was 467,241,000 (H1 2022: 467,314,000).

Underlying earnings per share is (1.1) pence for the period, down from 19.0 pence in H1 2022, reflecting the lower earnings relative to the prior period. The statutory earnings per share is (2.6) pence (H1 2022: 18.3 pence).

Currency

The Group presents its consolidated financial statements in sterling and conducts business in many currencies. As a result, it is subject to foreign currency risk due to exchange rate movements, which affect the Group's translation of the results and Underlying net assets of its operations. To manage this risk, the Group uses foreign currency borrowings, forward contracts and currency swaps to hedge non-sterling net assets, which are predominantly denominated in euros, US dollars and Malaysian ringgits.

In H1 2023 the Group experienced a translation headwind of £1.4m on EBITDA, with average FX rates against our three principal currencies of €1.1414, $1.2336 and MYR 5.4969 to the pound.

Given the global nature of our customer and supplier base, the impact of transactional foreign exchange can be very different from translational foreign exchange. We are able to partially mitigate the transaction impact by matching supply and administrative cost currencies with sales currencies. To reduce volatility which might affect the Group's cash or income statement, the Group hedges net currency transaction exposures at the point of confirmed order, using forward foreign exchange contracts. The Group's policy is, where practicable, to hedge all exposures on monetary assets and liabilities.

Cash performance

The following table summarises the movement in net debt and is in the format used by management:

Six months ended 30 June	H1 2023	H1 2022	FY 2022
	£m	£m	£m
Opening net debt	**(1,024.9)**	**(114.2)**	**(114.2)**
Underlying operating profit (excluding joint ventures)	**25.2**	131.4	169.5
Movement in working capital	**11.9**	(128.0)	19.1
Depreciation of property, plant and equipment	**44.8**	37.5	86.0
Amortisation of other intangible assets	**3.8**	3.6	7.9
Share-based payments charge	**1.1**	1.1	0.7
Capital expenditure	**(33.9)**	(33.2)	(90.8)
Business cash flow	**52.9**	**12.4**	**192.4**
Net interest paid	**(24.7)**	(13.9)	(38.2)
Tax paid	**(4.5)**	(49.3)	(65.6)
Pension funding	**(5.7)**	(11.5)	(21.3)
Dividends received from joint ventures	**0.8**	0.3	1.9
Free Cash Flow	**18.8**	**(62.0)**	**69.2**
Cash impact of restructuring and site closure costs	**(10.8)**	(10.4)	(25.9)
Cash impact of acquisition costs	**(4.4)**	2.1	1.7
Cash impact of mark to market	**12.1**	-	-
Proceeds on sale of business	**206.1**	0.3	0.3
Purchase of business	**(8.3)**	(759.6)	(759.6)
Repayment of principal portion of lease liabilities	**(5.8)**	(4.7)	(10.1)
Dividends paid	**-**	-	(99.5)
Foreign exchange and other movements	**21.4**	(44.3)	(86.8)
Movement in net debt	**229.1**	**(878.6)**	**(910.7)**
Closing net debt	**(795.8)**	**(992.8)**	**(1,024.9)**

Underlying operating profit in the period reduced to £25.2m reflecting the trading performance described above. The net working capital inflow of £11.9m in the first half of the year was as a result of the receivables financing facility, active inventory and account management and moderating raw materials pricing, partially offset by seasonality and activity levels.

In order to manage the significant increase in working capital requirements over the last year and optimise cash generation, the Group put in place two-year, non-recourse receivables financing facilities in December 2022 for a maximum aggregate amount of €200m. Factored receivables assigned under the facilities amounted to £139.2m net at 30 June 2023 (31 December 2022: £82.7m net). Under the facilities, the risks and rewards of ownership are transferred to the assignees. The tenor of the facility was subsequently extended to 31 May 2025.

Depreciation and amortisation of other intangibles increased due to the adhesive resins non-current assets acquired. Capital expenditure was £33.9m (H1 2022: £33.2m), principally for the Pathway Programme systems transformation project, recurring SHE and sustenance expenditure. The Group continues to anticipate c.£75-85m in capital expenditure for FY 2023.

Interest paid increased to £24.7m reflecting the adhesive resins acquisition debt and higher base rates. Net tax paid decreased to £4.5m reflecting lower payments on account due to reduced operating profit and refunds of prior year overpaid taxes.

The cash impact of Special Items including restructuring and site closure costs and acquisition costs and related gains was an outflow of £(23.5)m.

Group debt is denominated in sterling, euros and dollars. Both the euro and the dollar weakened relative to sterling during H1 2023, leading to a foreign exchange gain in net debt.

Financing and liquidity

At 30 June 2023, net debt was £795.8m (FY 2022: £1,024.9m), with the reduction principally reflecting proceeds received from the divestment of the Laminates, Films and Coated Fabrics businesses. As at 30 June 2023 committed borrowing facilities principally comprised: a $480m RCF (maturing in May 2025), five-year €520m 3.875% senior loan notes (maturing July 2025) and UK Export Finance (UKEF) facilities of €288m and $230m (maturing in October 2027). At 30 June 2023, the UKEF facilities were fully drawn and £130.0m was drawn under the RCF. The Group's net debt: EBITDA for the purposes of the leverage ratio covenant increased from 3.7x at 31 December 2022 to 5.5x at 30 June 2023, due primarily to lower EBITDA over the preceding twelve month period, partially offset by lower net debt, as described elsewhere.

On 5 September 2023, the Group entered into an RCF amendment and extension agreement, which is subject to and conditional upon the successful outcome of the rights issue. If effective, the agreement will reduce the RCF commitment to $400m and extend the maturity date to 31 July 2027, amongst other matters.

The new RCF and the UKEF facilities are subject to one leverage ratio covenant. For prudence in light of current market conditions, this has been set at 6x in June 2023, 5x in December 2023, 4.25x in June 2024, 3.5x in December 2024, 3.5x in June 2025 and 3.25x thereafter. The Group expects net financing costs of approximately £60-65m in FY 2023 as a result of the higher net debt and other changes to the Group's financing arrangements, reducing to approximately £45-50m in 2024 assuming the rights issue is successfully completed.

The Group's pro forma committed liquidity at 30 June 2023, including the net impact of both the rights issue of £276m less fees and the reduction of the RCF to $400m, is in excess of £640m.

Balance sheet

Net assets of the Group decreased by 7% to £963.3m, mainly reflecting the £12.4m loss for the period and a loss of £54.3m on translation of foreign currency.

Provisions

The Group provisions balance decreased to £46.9m compared with a balance of £54.0m as at 31 December 2022, mainly reflecting cash utilisation of £5.6m in the period, most notably in relation to the Marl and Villejust site rationalisation.

During 2022, the European Commission concluded its investigation into styrene monomer purchasing practices, and the final settlement amount of £38.5m was transferred to other payables. Subsequently the Group has concluded an agreement with the EU to pay the settlement amount in January 2024.

Going Concern

As described in Note 1, the Group has undertaken a detailed going concern assessment of the Group. The downside scenario, outlining the impact of a severe but plausible adverse case, results in a breach of the Group's existing debt covenants within 12 months of approval of the interim financial statements. The key mitigating action represents the rights issue, and the Directors are confident that the proceeds from the rights issue alone are sufficient to avoid the forecast debt covenants breach in the downside scenario. This means that the outcome of the shareholder vote on 25 September 2023, and the successful completion of the Rights Issue, represents a material uncertainty within the Group's going concern basis of preparation. This material uncertainty is referenced in the external auditors' Independent Review Report on page 31. Notwithstanding the material uncertainty explained above, the Directors have formed the judgment that it is appropriate to prepare the interim financial statements on the going concern basis.

Consolidated income statement
for the six months ended 30 June 2023

	30 June 2023 (unaudited)			30 June 2022 (unaudited)		
	Underlying performance £m	Special items £m	IFRS £m	Underlying performance £m	Special items £m	IFRS £m
Continuing operations						
Revenue	1,075.3	-	1,075.3	1,228.3	-	1,228.3
Company and subsidiaries operating profit before Special Items	22.7	-	22.7	124.7	-	124.7
Amortisation of acquired intangibles	-	(24.3)	(24.3)	-	(19.5)	(19.5)
Restructuring and site closure costs	-	(6.6)	(6.6)	-	(4.5)	(4.5)
Acquisition costs and related gains	-	(1.3)	(1.3)	-	(6.5)	(6.5)
Sale of business	-	-	-	-	0.3	0.3
Regulatory Fine – release of provision	-	-	-	-	18.7	18.7
Company and subsidiaries operating profit	22.7	(32.2)	(9.5)	124.7	(11.5)	113.2
Share of joint ventures	0.7	-	0.7	0.6	-	0.6
Operating profit/(loss)	23.4	(32.2)	(8.8)	125.3	(11.5)	113.8
Interest payable	(35.8)	-	(35.8)	(16.1)	-	(16.1)
Interest receivable	5.0	-	5.0	0.3	-	0.3
Fair value (loss)/gain on unhedged interest rate derivatives	-	(1.8)	(1.8)	-	15.8	15.8
Loss on extinguishment of financing facilities	-	(4.6)	(4.6)	-	-	-
Net interest expense on defined benefit obligations	(1.1)	-	(1.1)	(0.8)	-	(0.8)
Interest element of lease payments	(0.7)	-	(0.7)	(0.7)	-	(0.7)
Finance costs	(32.6)	(6.4)	(39.0)	(17.3)	15.8	(1.5)
(Loss)/profit before taxation	(9.2)	(38.6)	(47.8)	108.0	4.3	112.3
Taxation	1.5	(4.9)	(3.4)	(25.7)	(4.6)	(30.3)
(Loss)/profit for the period from continuing operations	(7.7)	(43.5)	(51.2)	82.3	(0.3)	82.0
Profit/(loss) for the period from discontinued operations attributable to the equity holders of the parent	2.5	36.3	38.8	6.6	(3.5)	3.1
(Loss)/profit for the period	(5.2)	(7.2)	(12.4)	88.9	(3.8)	85.1
(Loss)/profit attributable to non-controlling interests	(0.1)	(0.2)	(0.3)	0.3	(0.6)	(0.3)
(Loss)/profit attributable to equity holders of the parent	(5.1)	(7.0)	(12.1)	88.6	(3.2)	85.4
	(5.2)	(7.2)	(12.4)	88.9	(3.8)	85.1
Earnings per share						
– Basic from continuing operations	(1.6)p	(9.3)p	(10.9)p	17.5p	0.1p	17.6p
– Diluted from continuing operations	(1.6)p	(9.3)p	(10.9)p	17.5p	-	17.5p
– Basic	(1.1)p	(1.5)p	(2.6)p	19.0p	(0.7)p	18.3p
– Diluted	(1.1)p	(1.5)p	(2.6)p	18.9p	(0.7)p	18.2p

Consolidated income statement
for the six months ended 30 June 2023 (continued)

	Year ended 31 December 2022 (audited)		
	Underlying performance £m	Special items £m	IFRS £m
Continuing operations			
Revenue	2,383.9	-	2,383.9
Company and subsidiaries operating profit before Special Items	160.8	-	160.8
Amortisation of acquired intangibles	-	(44.8)	(44.8)
Restructuring and site closure costs	-	(19.2)	(19.2)
Acquisition costs and related gains	-	(6.5)	(6.5)
Sale of business	-	(0.3)	(0.3)
Regulatory Fine – release of provision	-	21.5	21.5
Impairment charge	-	(133.7)	(133.7)
Company and subsidiaries operating profit	160.8	(183.0)	(22.2)
Share of joint ventures	1.7	-	1.7
Operating profit/(loss)	**162.5**	**(183.0)**	**(20.5)**
Interest payable	(44.8)	-	(44.8)
Interest receivable	1.6	-	1.6
Fair value gain on unhedged interest rate derivatives	-	25.1	25.1
Net interest expense on defined benefit obligations	(1.2)	-	(1.2)
Interest element of lease payments	(1.4)	-	(1.4)
Finance costs	**(45.8)**	**25.1**	**(20.7)**
Profit/(loss) before taxation	**116.7**	**(157.9)**	**(41.2)**
Taxation	(27.6)	42.9	15.3
Profit/(loss) for the year from continuing operations	**89.1**	**(115.0)**	**(25.9)**
Profit/(loss) for the year from discontinued operations attributable to the equity holders of the parent	7.8	(14.9)	(7.1)
Profit/(loss) for the year	**96.9**	**(129.9)**	**(33.0)**
Profit/(loss) attributable to non-controlling interests	0.5	(1.0)	(0.5)
Profit/(loss) attributable to equity holders of the parent	96.4	(128.9)	(32.5)
	96.9	**(129.9)**	**(33.0)**
Earnings per share			
– Basic from continuing operations	19.0p	(24.4)p	(5.4)p
– Diluted from continuing operations	18.9p	(24.3)p	(5.4)p
– Basic	20.6p	(27.6)p	(7.0)p
– Diluted	20.6p	(27.6)p	(7.0)p

Consolidated statement of comprehensive income

for the six months ended 30 June 2023

	30 June 2023 (unaudited)			30 June 2022 (unaudited)		
	Equity holders of the parent £m	Non-controlling interests £m	Total £m	Equity holders of the parent £m	Non-controlling interests £m	Total £m
(Loss)/profit for the period	(12.1)	(0.3)	(12.4)	85.4	(0.3)	85.1
Actuarial gains	3.3	-	3.3	46.8	-	46.8
Tax relating to components of other comprehensive income	(0.7)	-	(0.7)	(10.5)	-	(10.5)
Total items that will not be reclassified to profit or loss	2.6	-	2.6	36.3	-	36.3
Exchange differences on translation of foreign operations	(53.5)	(0.8)	(54.3)	68.0	0.8	68.8
Exchange differences recycled on sale of business	(0.5)	-	(0.5)	-	-	-
Fair value (loss) / gain on hedged interest derivatives	(0.1)	-	(0.1)	4.0	-	4.0
Gains on net investment hedges taken to equity	(2.2)	-	(2.2)	6.5	-	6.5
Total items that may be reclassified subsequently to profit or loss	(56.3)	(0.8)	(57.1)	78.5	0.8	79.3
Other comprehensive (expense) / income for the period	(53.7)	(0.8)	(54.5)	114.8	0.8	115.6
Total comprehensive (expense)/income for the period	(65.8)	(1.1)	(66.9)	200.2	0.5	200.7

	Year ended 31 December 2022 (audited)		
	Equity holders of the parent £m	Non-controlling interests £m	Total £m
Loss for the year	(32.5)	(0.5)	(33.0)
Actuarial gains	34.1	-	34.1
Tax relating to components of other comprehensive income	(11.6)	-	(11.6)
Total items that will not be reclassified to profit or loss	22.5	-	22.5
Exchange differences on translation of foreign operations	95.9	0.8	96.7
Fair value gain on hedged interest derivatives	9.7	-	9.7
Gains on net investment hedges taken to equity	2.4	-	2.4
Total items that may be reclassified subsequently to profit or loss	108.0	0.8	108.8
Other comprehensive income for the year	130.5	0.8	131.3
Total comprehensive income for the year	98.0	0.3	98.3

Consolidated statement of changes in equity

for the six months ended 30 June 2023

	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedging & translation reserve £m	Retained earnings £m	Total equity holdings of the parent £m	Non-controlling interests £m	Total Equity £m
At 1 January 2023	**46.7**	**620.0**	**0.9**	**75.9**	**273.5**	**1,017.0**	**14.0**	**1,031.0**
Loss for the period	-	-	-	-	(12.1)	(12.1)	(0.3)	(12.4)
Other comprehensive (expense)/ income for the period	-	-	-	(56.3)	2.6	(53.7)	(0.8)	(54.5)
Total comprehensive expense for the period	**-**	**-**	**-**	**(56.3)**	**(9.5)**	**(65.8)**	**(1.1)**	**(66.9)**
Share-based payments	-	-	-	-	(0.8)	(0.8)	-	(0.8)
At 30 June 2023 (unaudited)	**46.7**	**620.0**	**0.9**	**19.6**	**263.2**	**950.4**	**12.9**	**963.3**

	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedging & translation reserve £m	Retained earnings £m	Total equity holdings of the parent £m	Non-controlling interests £m	Total Equity £m
At 1 January 2022	46.7	620.0	0.9	(32.1)	383.8	1,019.3	13.7	1,033.0
Profit / (loss) for the period	-	-	-	-	85.4	85.4	(0.3)	85.1
Other comprehensive income for the period	-	-	-	78.5	36.3	114.8	0.8	115.6
Total comprehensive income for the period	-	-	-	78.5	121.7	200.2	0.5	200.7
Dividends	-	-	-	-	(99.5)	(99.5)	-	(99.5)
Share-based payments	-	-	-	-	0.1	0.1	-	0.1
At 30 June 2022 (unaudited)	46.7	620.0	0.9	46.4	406.1	1,120.1	14.2	1,134.3

	Share capital £m	Share premium £m	Capital redemption reserve £m	Hedging & translation reserve £m	Retained earnings £m	Total equity holdings of the parent £m	Non-controlling interests £m	Total Equity £m
At 1 January 2022	46.7	620.0	0.9	(32.1)	383.8	1,019.3	13.7	1,033.0
Loss for the year	-	-	-	-	(32.5)	(32.5)	(0.5)	(33.0)
Other comprehensive income for the year	-	-	-	108.0	22.5	130.5	0.8	131.3
Total comprehensive income / (expense) for the year	-	-	-	108.0	(10.0)	98.0	0.3	98.3
Dividends	-	-	-	-	(99.5)	(99.5)	-	(99.5)
Share-based payments	-	-	-	-	(0.8)	(0.8)	-	(0.8)
At 31 December 2022 (audited)	46.7	620.0	0.9	75.9	273.5	1,017.0	14.0	1,031.0

Consolidated balance sheet

as at 30 June 2023

	30 June 2023 (unaudited)	30 June 2022 (unaudited)	31 December 2022 (audited)
	£m	£m	£m
Non-current assets			
Goodwill	464.5	662.1	480.8
Acquired intangible assets	476.6	560.1	523.6
Other intangible assets	66.7	54.1	60.9
Property, plant and equipment	722.0	763.9	753.6
Deferred tax assets	25.0	21.2	50.3
Defined benefit asset	11.5	14.2	5.9
Investment in joint ventures	7.6	7.9	8.1
Total non-current assets	1,773.9	2,083.5	1,883.2
Current assets			
Inventories	374.5	508.2	407.9
Trade and other receivables	262.7	548.0	271.6
Current tax assets	26.4	-	34.3
Cash and cash equivalents	232.9	262.5	227.7
Derivative financial instruments	11.4	13.4	26.7
Assets classified as held for sale	-	-	196.2
Total current assets	907.9	1,332.1	1,164.4
Total assets	2,681.8	3,415.6	3,047.6
Current liabilities			
Borrowings	(33.9)	(22.3)	(18.5)
Trade and other payables	(442.9)	(618.2)	(460.8)
Lease liabilities	(11.1)	(9.6)	(10.6)
Current tax liabilities	(24.7)	(24.0)	(33.6)
Dividends payable	-	(99.5)	-
Provisions for other liabilities and charges	(15.2)	(59.6)	(13.7)
Liabilities classified as held for sale	-	-	(45.5)
Total current liabilities	(527.8)	(833.2)	(582.7)
Non-current liabilities			
Borrowings	(994.8)	(1,233.0)	(1,234.1)
Trade and other payables	(0.4)	(1.0)	(0.4)
Lease liabilities	(47.0)	(38.2)	(34.9)
Deferred tax liabilities	(42.7)	(74.3)	(44.9)
Retirement benefit obligations	(74.1)	(83.4)	(79.3)
Provisions for other liabilities and charges	(31.7)	(18.2)	(40.3)
Total non-current liabilities	(1,190.7)	(1,448.1)	(1,433.9)
Total liabilities	(1,718.5)	(2,281.3)	(2,016.6)
Net assets	963.3	1,134.3	1,031.0
Equity			
Share capital	46.7	46.7	46.7
Share premium	620.0	620.0	620.0
Capital redemption reserve	0.9	0.9	0.9
Hedging and translation reserve	19.6	46.4	75.9
Retained earnings	263.2	406.1	273.5
Equity attributable to equity holders of the parent	950.4	1,120.1	1,017.0
Non-controlling interests	12.9	14.2	14.0
Total equity	963.3	1,134.3	1,031.0

Consolidated cash flow statement

for the six months ended 30 June 2023

	Six months ended 30 June 2023 (unaudited)		Six months ended 30 June 2022 (unaudited)		Year ended 31 December 2022 (audited)	
	£m	£m	£m	£m	£m	£m
Operating						
Cash generated from operations (Note 5)		78.0		25.8		237.7
– Interest received	5.0		0.3		1.6	
– Interest paid	(29.0)		(13.5)		(38.4)	
– Interest element of lease payments	(0.7)		(0.7)		(1.4)	
Net interest paid		(24.7)		(13.9)		(38.2)
– UK corporation tax paid	(3.0)		-		-	
– Overseas corporate tax paid	(1.5)		(49.3)		(65.6)	
Total tax paid		(4.5)		(49.3)		(65.6)
Net cash inflow/(outflow) from operating activities		48.8		(37.4)		133.9
Investing						
Dividends received from joint ventures		0.8		0.3		1.9
Purchase of property, plant and equipment and other intangible assets		(33.9)		(33.2)		(90.8)
Purchase of business		(8.3)		(759.6)		(759.6)
Net proceeds from sale of business (Note 11)		206.1		0.3		0.3
Net cash inflow/(outflow) from investing activities		164.7		(792.2)		(848.2)
Financing						
Dividends paid		-		-		(99.5)
Settlement of equity-settled share-based payments		(0.3)		(1.0)		(1.5)
Repayment of principal portion of lease liabilities		(5.8)		(4.7)		(10.1)
Repayment of borrowings		(556.3)		(13.2)		(207.6)
Proceeds of borrowings		345.4		564.9		733.2
Net cash (outflow)/inflow from financing activities		(217.0)		546.0		414.5
Decrease in cash, cash equivalents and bank overdrafts during the period		(3.5)		(283.6)		(299.8)
Cash and cash equivalents and bank overdrafts at 1 January		209.2		505.3		505.3
Foreign exchange		(6.7)		18.5		3.7
Cash and cash equivalents and bank overdrafts at period end		199.0		240.2		209.2

See note 11 for further details of cash flows from discontinued operations

Notes to the consolidated financial statements
for the six months ended 30 June 2023

1 Basis of preparation

Synthomer plc is a public company limited by shares incorporated in the United Kingdom and registered in England under the Companies Act. The Company is listed on the London Stock Exchange and the address of the registered office is Temple Fields, Harlow, Essex CM20 2BH. These interim financial statements for the six month period ended 30 June 2023 have been prepared on the basis of the policies set out in the 2022 annual financial statements and in accordance with UK-adopted International Accounting Standard 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority. These interim financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006 and do not include all the notes normally included in annual financial statements. Statutory accounts for the year ended 31 December 2022 were approved by the Board of Directors on 28 March 2023 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

These interim financial statements have been reviewed, not audited.

Going concern

During the period, the Group has undertaken a detailed going concern assessment, reviewing the current and projected financial position of the Group, including current assets and liabilities, debt maturity profile, future commitments and forecast cash flows. The downside scenario, outlining the impact of a severe but plausible adverse case, results in a breach of the Group's existing debt covenants within 12 months of approval of the interim financial statements. In such a scenario, the lenders under the Revolving Credit Facility and the UKEF Facilities would have the right to demand immediate repayment of all amounts due under such debt instruments (together approximately £558 million as at 30 June 2023), and any such demand would trigger the right of bondholders under the Notes to similarly demand immediate repayment (the amount borrowed under the Notes being approximately £447 million as at 30 June 2023, and total borrowings under the Revolving Credit Facility, the UKEF Facilities and the Notes as at 30 June 2023 therefore being approximately £1,005 million). The Group would be unlikely to obtain the funds necessary to repay such amounts if they became immediately due and payable upon the demand of the lenders following a covenant breach.

The key mitigating action relates to the proposed equity raise, by way of a rights issue, to raise proceeds of £276 million (the "Rights Issue"). The Directors are of the view that the equity raise is fully committed and underwritten, taking into account irrevocable undertakings entered into with, among others, Kuala Lumpur Kepong Berhad, and the underwriting agreement entered into with J.P. Morgan Cazenove, Morgan Stanley & Co. International plc, Goldman Sachs International and Citigroup Global Markets Limited. The Rights Issue is subject to shareholder approval on 25 September 2023 and, if successfully completed, the Rights Issue will significantly strengthen the Group's financial position.

The Directors are confident that, for going concern purposes, the proceeds from the Rights Issue alone are sufficient to avoid the forecast debt covenants breach in the severe but plausible adverse case for 12 months from the date of approval of these financial statements, after inclusion of mitigating actions within the Directors' control. This means that it is the outcome of the shareholder vote, and the successful completion of the Rights Issue that represents the material uncertainty within the Group's going concern basis of preparation.

The Directors do not expect the assumptions in the severe but plausible adverse case to materialise. Nonetheless, there is a material uncertainty in respect of the outcome of the shareholder vote on the Rights Issue. If the shareholders do not vote in favour of the Rights Issue or the Rights Issue does not successfully complete, the trading conditions envisaged in the severe but plausible adverse case eventuate and the Group is unable to successfully undertake alternative mitigating actions, the Group would breach its debt covenants within 12 months of approval of these financial statements. These conditions indicate a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. This material uncertainty is referenced in the external auditors' Independent Review Report on page 31.

Notwithstanding the material uncertainty explained above, taking account of all the factors explained in this statement, the Directors have formed the judgement that it is appropriate to prepare the interim financial statements on the going concern basis. The interim financial statements therefore do not include the adjustments that would result if the Group were unable to continue as a going concern.

Goodwill and acquired intangible assets

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. In the six months to 30 June 2023 no such indications were identified.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out in the 2022 Annual Report. Estimates and underlying assumptions are reviewed on an ongoing basis and at 30 June 2023 there were no material changes to existing estimates and assumptions and no new sources of estimation uncertainty were identified.

2. Accounting policies

The annual financial statements of Synthomer plc are prepared in accordance with UK-adopted International Accounting Standards and the requirements of the Companies Act 2006. The same accounting policies and methods of computations are followed in these financial statements as in the most recent audited annual financial statements. Effective from 1 January 2023, no updates to IFRSs have been made that would affect the Group.

3 Special items

IFRS and Underlying performance

The IFRS profit measures show the performance of the Group as a whole and as such include 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

Special Items are disclosed separately in order to provide a clearer indication of the Group's Underlying performance.

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 a 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.

The following are consistently disclosed separately as Special Items in order to provide a clearer indication of the Group's Underlying performance:

- Restructuring and site closure costs;
- Sale of business or significant asset;
- Acquisition costs and related gains;
- Amortisation of acquired intangible assets;
- Impairment of non-current assets;
- Fair value adjustments in respect of derivative financial instruments where 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.

Special Items comprise:

	Six months ended June 2023 (unaudited) £m	Six months ended June 2022 (unaudited) £m	Year ended 31 December 2022 (audited) £m
Continuing Operations			
Amortisation of acquired intangibles	(24.3)	(19.5)	(44.8)
Restructuring and site closure costs	(6.6)	(4.5)	(19.2)
Acquisition costs and related gains	(1.3)	(6.5)	(6.5)
Sale of business	-	0.3	(0.3)
Regulatory Fine – release of provision	-	18.7	21.5
Impairment charge	-	-	(133.7)
Total impact on operating loss	(32.2)	(11.5)	(183.0)
Finance costs			
Fair value gain on unhedged interest derivatives	(1.8)	15.8	25.1
Loss on extinguishment of financing facilities	(4.6)	-	-
Total impact on profit before taxation	(38.6)	4.3	(157.9)
Taxation Special Items	-	-	3.6
Taxation on Special Items	(4.9)	(4.6)	39.3
Total impact on profit for the period – continuing operations	(43.5)	(0.3)	(115.0)

3 Special items (continued)

	Six months ended June 2023 (unaudited) £m	Six months ended June 2022 (unaudited) £m	Year ended 31 December 2022 (audited) £m
Discontinued Operations			
Amortisation of acquired intangibles	-	(3.2)	(6.1)
Restructuring and site closure costs	-	(0.3)	(0.3)
Sale of business	62.0	-	(8.3)
Taxation on Special Items	(25.7)	-	(0.2)
Total impact on profit for the period – discontinued operations	36.3	(3.5)	(14.9)
Total impact on profit for the period	(7.2)	(3.8)	(129.9)

Amortisation of acquired intangibles increased in 2023, reflecting the full year effect of the amortisation on the customer lists, patents, trademarks and trade secrets that arose on the acquisition of Eastman's Adhesive Resins business. The intangible assets arising on the acquisition are being amortised over a period of 8-20 years mainly dependent on the characteristics of the customer relationships.

Restructuring and site closure costs in 2023 comprise:

- A £2.4 million charge in relation to the ongoing integration of the Adhesive Resins business acquired from Eastman in 2022;
- A further £4.2 million, in relation to enacting the new the strategy and the alignment of the business into its new divisions effective in 2023.

Restructuring and site closure costs in 2022 comprised £1.3 million integration costs for the Adhesive Resins business, £2.2 million in relation to a site closure in Malaysia and further £1.3 million in relation to the planning and implementation of the Group-wide strategic review.

Acquisition costs and related gains of £1.3 million are for the acquisition of Eastman's Adhesive Resins business. Acquisition costs in 2022 also related to the acquisition of Eastman's Adhesive Resins business and included £7.0 million of costs, mainly professional advisor fees contingent on completion and the £4.9 million impact of unwinding the fair value adjustment on acquisition of inventory, offset by a £5.4 million gain on the foreign exchange derivative entered into in October 2021 to hedge the acquisition price.

Sale of business represents the gain recognised on the sale of the Laminates Films and Coated Fabrics business to Surteco, which completed on 28 February 2023. In the prior year the sale of business principally comprised to professional fees incurred in relation to the sale.

During 2018, the European Commission initiated an investigation into styrene monomer purchasing practices of a number of companies, including Synthomer, operating in the European Economic Area. The Company has fully cooperated with the Commission throughout the investigation. In 2021, based on the information available and the resulting assessment of the expected outcome of the investigation, a provision of £57.2 million was made. In 2022, the Commission concluded its investigation, resulting in a fine of £38.5 million.

In July 2018 the Group entered into swap arrangements to fix euro interest rates on the full value of the then €440 million committed unsecured revolving credit facility. The fair value movement of the unhedged interest rate derivatives relates to the movement in the mark-to-market of the swap in excess of the Group's current borrowings.

In March 2023 the Group successfully refinanced its existing bank loan facilities. All amounts outstanding on the existing $260million term loan, $300 million term loan and €460 million revolving credit facility were subsequently repaid and the facilities were cancelled. All capitalised debt issue costs relating to these term loans and facilities were written off leading to a loss on extinguishment of £4.6 million.

A £133.7 million impairment charge was taken in 2022, relating to the former Adhesives Technologies division. This was caused by reliability and supply chain issues, demand weakness in key adhesives markets and lower than expected delivered capacity.

The £4.9 million tax charge for continuing operations mainly relates to deferred tax debits in relation to the amortisation of acquired intangibles. The £25.7 million tax charge for discontinuing operations primarily relates to the utilisation of acquired US tax attributes and the current tax charge on the disposal of the Laminates, Films and Coated Fabrics business.

4 Segmental analysis

The Group's Executive Committee, chaired by the Chief Executive Officer, examines the Group's performance.

As part of the strategy refresh announced in October 2022, we have changed the way we do business so we are closer to consumers, more embedded in our customers' markets, and better able to deliver the sustainable innovations that will drive our success. As of 1 January 2023 we have three new, market-focused divisions with strong commercial positions and global reach:

Coatings & Construction Solutions (CCS)

Our specialist polymers enhance the sustainable performance of a wide range of coatings and construction products. We work across architectural and masonry coatings, mortar modification, waterproofing and flooring, fibre bonding, and energy solutions.

Adhesive Solutions (AS)

Our adhesive solutions bond, modify and compatibilise surfaces and components for products including tapes and labels, packaging, hygiene, tyres and plastic modification, helping improve permeability, strength, elasticity, damping, dispersion and grip.

Health & Protection and Performance Materials (HPPM)

We help enhance protection and performance in a wide range of industries including medical glove manufacture, speciality paper, food packaging, carpet and artificial turf, gel foam elastomers, and vinyl-coated seating fabrics.

The Group's Executive Committee is the chief operating decision maker and primarily uses a measure of earnings before interest, tax, depreciation and amortisation (EBITDA) to assess the performance of the operating segments. No information is provided to the Group's Executive Committee at the segment level concerning interest income, interest expense, income tax or other material non-cash items.

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

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

	Six months ended 30 June 2023 (unaudited)						
	Continuing Operations					Discontinued Operations	Total
2023	Coatings & Construction Solutions £m	Adhesive Solutions £m	Health & Protection and Performance Materials £m	Corporate £m	Total £m	£m	Total £m
Revenue							
Total revenue	451.6	310.0	319.9	-	1,081.5	28.0	1,109.5
Inter-segmental revenue	-	-	(6.2)	-	(6.2)	-	(6.2)
	451.6	310.0	313.7	-	1,075.3	28.0	1,103.3
EBITDA	55.1	15.6	11.3	(10.0)	72.0	2.5	74.5
Depreciation and amortisation	(13.6)	(14.2)	(17.1)	(3.7)	(48.6)	-	(48.6)
Operating profit/(loss) before Special Items	41.5	1.4	(5.8)	(13.7)	23.4	2.5	25.9
Special Items	(14.1)	(13.7)	(1.1)	(3.3)	(32.2)	62.0	29.8
Operating profit/(loss)	27.4	(12.3)	(6.9)	(17.0)	(8.8)	64.5	55.7
Finance costs							(39.0)
Profit before taxation							16.7

4 Segmental analysis (continued)

	Six months ended 30 June 2022 (unaudited)						
	Continuing Operations					Discontinued Operations	Total
2022	Coatings & Construction Solutions £m	Adhesive Solutions £m	Health & Protection and Performance Materials £m	Corporate £m	Total £m	£m	Total £m
Revenue							
Total revenue	548.9	223.8	465.2	-	1,237.9	106.1	1,344.0
Inter-segmental revenue	-	-	(9.6)	-	(9.6)	-	(9.6)
	548.9	223.8	455.6	-	1,228.3	106.1	1,334.4
EBITDA	80.3	34.5	59.2	(11.2)	162.8	10.3	173.1
Depreciation and amortisation	(13.5)	(7.3)	(14.1)	(2.6)	(37.5)	(3.6)	(41.1)
Operating profit/(loss) before Special Items	66.8	27.2	45.1	(13.8)	125.3	6.7	132.0
Special Items	(15.1)	(9.9)	(0.9)	14.4	(11.5)	(3.5)	(15.0)
Operating profit	51.7	17.3	44.2	0.6	113.8	3.2	117.0
Finance costs							(1.5)
Profit before taxation							115.5

	Year ended 31 December 2022 (unaudited)						
	Continuing Operations					Discontinued Operations	Total
2022	Coatings & Construction Solutions £m	Adhesive Solutions £m	Health & Protection and Performance Materials £m	Corporate £m	Total £m	£m	Total £m
Revenue							
Total revenue	996.1	572.9	831.3	-	2,400.3	201.2	2,601.5
Inter-segmental revenue	-	-	(16.4)	-	(16.4)	-	(16.4)
	996.1	572.9	814.9	-	2,383.9	201.2	2,585.1
EBITDA	120.8	67.2	81.9	(20.7)	249.2	15.9	265.1
Depreciation and amortisation	(26.7)	(22.7)	(31.3)	(6.0)	(86.7)	(7.2)	(93.9)
Operating profit/(loss) before Special Items	94.1	44.5	50.6	(26.7)	162.5	8.7	171.2
Special Items	(31.3)	(170.6)	(3.4)	22.3	(183.0)	(14.7)	(197.7)
Operating profit/(loss)	62.8	(126.1)	47.2	(4.4)	(20.5)	(6.0)	(26.5)
Finance costs							(21.1)
Loss before taxation							(47.6)

5 Reconciliation of operating profit/(loss) to cash generated from operations

Continuing and discontinued operations:	Six months ended 30 June 2023 (unaudited) £m	Six months ended 30 June 2022 (unaudited) £m	Year ended 31 December 2022 (audited) £m
Operating profit/(loss)	55.7	117.0	(26.5)
Less: share of profits of joint ventures	(0.7)	(0.6)	(1.7)
	55.0	116.4	(28.2)
Adjustments for:			
– Depreciation of property, plant and equipment	39.2	33.1	76.4
– Depreciation of right of use assets	5.6	4.4	9.6
– Amortisation of other intangibles	3.8	3.6	7.9
– Share-based payments	1.1	1.1	0.7
– Special Items	(29.8)	15.0	197.7
Cash impact of restructuring and site closure costs	(10.8)	(10.4)	(25.9)
Cash impact of acquisition costs and related gains	(4.4)	2.1	1.7
Cash impact of settlement of interest rate derivative contracts	12.1	-	-
Pension funding in excess of service cost	(5.7)	(11.5)	(21.3)
(Increase)/decrease in inventories	13.7	(71.0)	(12.3)
Decrease/(increase) in trade and other receivables	1.6	(151.1)	147.0
(Decrease)/increase in trade and other payables	(3.4)	94.1	(115.6)
Cash generated from operations	78.0	25.8	237.7

6 Taxation

The Group's Underlying effective tax rate for H1 2023 was 22.0% (H1 2022: 22.5%; FY 2022: 22.5%), representing the best estimate of the annual effective corporate income tax rate we expect for the full year. We estimate the rate by applying the expected corporate income tax rate for each tax jurisdiction in which we operate.

The effective tax rate is stable, although there is a substantially different geographical profit mix compared to the prior year. The total tax charge in Special Items was £30.6 million (H1 2022: £4.6 million tax credit; FY 2022: £42.7 million tax credit). The £4.9 million tax charge for continuing operations mainly relates to deferred tax debits in relation to the amortisation of acquired intangibles. The £25.7 million tax charge for discontinuing operations primarily relates to the utilisation of acquired US tax attributes and the current tax charge on the disposal of the Laminates, Films and Coated Fabrics business.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15%. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. The Group is reviewing this new legislation to understand any potential impact. The Group has applied the exception under the IAS 12 amendment regarding recognising and disclosing information about deferred tax assets and liabilities related to top-up income taxes.

7 Dividends

As part of a covenant amendment process in October 2022, the Group suspended dividend payments.

8 Earnings per share

		Six months ended 30 June 2023 (unaudited)			Six months ended 30 June 2022 (unaudited)		
		Underlying performance	Special Items	IFRS	Underlying performance	Special Items	IFRS
Profit/(loss) attributable to equity holders of the parent							
- continuing	£m	(7.6)	(43.3)	(50.9)	82.0	0.3	82.3
- total	£m	(5.1)	(7.0)	(12.1)	88.6	(3.2)	85.4
Number of shares							
Weighted average number of ordinary shares – basic	'000			467,241			467,314
Effect of dilutive potential ordinary shares	'000			1,613			1,744
Weighted average number of ordinary shares – diluted	'000			468,854			469,058
Earnings per share for profit from continuing operations							
Basic earnings per share	pence	(1.6)	(9.3)	(10.9)	17.5	0.1	17.6
Diluted earnings per share	pence	(1.6)	(9.3)	(10.9)	17.5	-	17.5
Earnings per share for profit from discontinued operations							
Basic earnings per share	pence	0.5	7.8	8.3	1.5	(0.8)	0.7
Diluted earnings per share	pence	0.5	7.8	8.3	1.4	(0.7)	0.7
Earnings per share for profit attributable to equity holders of the parent							
Basic earnings per share	pence	(1.1)	(1.5)	(2.6)	19.0	(0.7)	18.3
Diluted earnings per share	pence	(1.1)	(1.5)	(2.6)	18.9	(0.7)	18.2

		Year ended 31 December 2022 (audited)		
		Underlying performance	Special Items	IFRS
Profit/(loss) attributable to equity holders of the parent				
- continuing	£m	88.6	(114.0)	(25.4)
- total	£m	96.4	(128.9)	(32.5)
Number of shares				
Weighted average number of ordinary shares – basic	'000			467,311
Effect of dilutive potential ordinary shares	'000			1,019
Weighted average number of ordinary shares – diluted	'000			468,330
Earnings per share for profit from continuing operations				
Basic earnings per share	pence	19.0	(24.4)	(5.4)
Diluted earnings per share	pence	18.9	(24.3)	(5.4)
Earnings per share for profit from discontinued operations				
Basic earnings per share	pence	1.6	(3.2)	(1.6)
Diluted earnings per share	pence	1.7	(3.3)	(1.6)
Earnings per share for profit attributable to equity holders of the parent				
Basic earnings per share	pence	20.6	(27.6)	(7.0)
Diluted earnings per share	pence	20.6	(27.6)	(7.0)

9 Analysis of net debt

	30 June 2023 (unaudited) £m	30 June 2022 (unaudited) £m	31 December 2022 (audited) £m
Bank overdrafts	(33.9)	(22.3)	(18.5)
Current liabilities	(33.9)	(22.3)	(18.5)
Bank loans	(551.1)	(790.2)	(777.7)
€520m 3.875% senior unsecured loan notes due 2025	(443.7)	(442.8)	(456.4)
Non–current liabilities	(994.8)	(1,233.0)	(1,234.1)
Total borrowings	(1,028.7)	(1,255.3)	(1,252.6)
Cash and cash equivalents	232.9	262.5	227.7
Net Debt	(795.8)	(992.8)	(1,024.9)

Net debt is defined in the glossary of terms. Capitalised debt costs which have been recognised as a reduction in borrowings in the financial statements, amounted to £10.2 million at 30 June 2023 (30 June 2022: £10.4 million 31 December 2022: £14.2 million).

10 Defined Benefit Schemes

We have updated the value of the defined benefit plan assets to reflect their market value as at 30 June 2023. Actuarial gains or losses are recognised in the Consolidated Statement of Comprehensive Income in accordance with the Group's accounting policy. We have updated the liabilities to reflect the change in the discount rate and other assumptions. The Group's net pension liability decreased by £10.8 million to £62.6 million, which includes an asset of £11.5 million for the UK scheme. This £10.8 million reduction largely comprised £6.0 million of cash contributions and actuarial gains of £3.3 million.

11 Sale of Business

On 13 December 2022, the Group announced that it had entered into an agreement to sell its Laminates, Films and Coated Fabrics businesses to Surteco North America, Inc. The UK Financial Conduct Authority approved the transaction on 16 December 2022. Shareholder approval was subsequently obtained on 11 January 2023 and the transaction completed on 28 February 2023.

A summary of the proceeds and disposed assets during the period is set out below:

	Total £m
Consideration	
Cash consideration	226.1
Deferred consideration	6.6
Total	**232.7**
Net assets sold:	
Goodwill	43.8
Intangible assets	43.0
Property Plant and equipment	57.6
Inventory	31.4
Cash and cash equivalents	12.4
Trade and other receivables	25.5
Trade and other payables	(43.0)
Total	**170.7**
Transaction costs expensed in the period	(0.5)
Reclassification of foreign currency translation reserve	0.5
Tax expense on sale	(25.7)
Gain on sale after tax	**36.3**

	Total £m
Net cash inflow in the period from sale of business	
Cash consideration in the period	226.1
Transaction costs paid in the period	(7.6)
Cash consideration after transaction costs	218.5
Cash outflow with business	(12.4)
Net proceeds from disposal of business	**206.1**

Including prior period transaction costs and deferred consideration, the total proceeds are £232.7m ($280.0m) and the total transaction costs are £9.0m ($11.5m), giving a total proceeds after transaction costs of £223.8m ($268.5m).

11 Sale of business (continued)

Financial performance and cash flow information

Financial information in respect of the discontinued operation during the period and the impact of the transaction is set out below.

The prior-year figures in the consolidated income statement have been restated in accordance with IFRS 5 to report the discontinued operations separately from continuing operations.

The Laminates, Films and Coated Fabrics businesses all formed part of the Health & Protection and Performance Materials division.

	Six months ended 30 June 2023 (unaudited) £m	Six months ended 30 June 2022 (unaudited) £m	Year ended 31 December 2022 (audited) £m
Revenue	**28.0**	106.1	201.2
EBITDA	**2.5**	10.3	15.9
Depreciation and amortisation – Underlying performance	**-**	(3.6)	(7.2)
Operating profit – Underlying performance	**2.5**	6.7	8.7
Special Items	**62.0**	(3.5)	(14.7)
Operating profit / (loss) – IFRS	**64.5**	3.2	(6.0)
Finance costs	**-**	-	(0.4)
Profit / (loss) before taxation	**64.5**	3.2	(6.4)
Taxation	**(25.7)**	(0.1)	(0.7)
Profit/(loss) for the period	**38.8**	3.1	(7.1)

Cash flows from discontinued operations

	Six months ended 30 June 2023 (unaudited) £m	Six months ended 30 June 2022 (unaudited) £m	Year ended 31 December 2022 (unaudited) £m
Net cash (outflow) / inflow from operating activities	**(2.8)**	3.3	5.6
Net cash inflow / (outflow) from investing activities	**206.1**	(1.5)	(4.0)

12 Capital commitments

The capital expenditure authorised but not provided for in the interim financial statements as at 30 June 2023 was £25.4 million (30 June 2022: £19.0 million; 31 December 2022: £32.6 million).

13 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated. Other than the relationships with defined benefit pension schemes as disclosed in note 29 of the 2022 Annual Report, there were no other related party transactions requiring disclosure.

Kuala Lumpur Kepong Berhad Group holds 26.87% of the Company's shares and is considered to be a related party.

14 Seasonality

Historically, there has been no visible fixed pattern to seasonality in H1 compared to H2 performance in the Group, but the seasonality of the business is more significantly impacted by macroeconomic conditions, which remain uncertain.

15 Risks and uncertainties

The Group faces a number of risks which, if they arise, could affect our ability to achieve our strategic objectives. As with any business, risk assessment and the implementation of mitigating actions and controls are vital to successfully achieving the strategy. The Directors are responsible for determining the nature of these risks and ensuring appropriate mitigating actions are in place to manage them.

15 Risks and uncertainties (continued)

These principal risks are categorised into the following types:
- Strategic
- Operational
- Compliance
- Financial

These risks are detailed on pages 78 to 83 of the 2022 Annual Report which is available on our website at www.synthomer.com/investor-relations.

The Directors continuously monitor the Group's risk environment and have not identified any significant new or emerging risks or uncertainties which would have a material impact on the Group's performance in the remaining part of the year.

We continue to mitigate these risks by following, at a minimum, any government mandated health and safety requirements at our sites, by ensuring that we have multiple sources of raw materials, and by maintaining a diverse customer base.

16 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: • Restructure and site closure costs; • Sale of a business or significant asset; • Acquisition costs; • Amortisation of acquired intangible assets; • Impairment of non-current assets; • Fair value adjustments in respect of derivative financial instruments where hedge accounting is not applied; • Items of income and expense that are considered material, either by their size and/or nature; • Tax impact of above items; and • Settlement of prior period tax issues.
Underlying performance	This represents the statutory performance of the Group under IFRS, excluding Special Items.
Free Cash Flow	The movement in net debt before financing activities, foreign exchange and the cash impact of Special Items, asset disposals and business combinations.
Net debt	Net debt represents cash and cash equivalents less short- and long-term borrowings.
Leverage	Net debt divided by EBITDA. The Group's financial covenants are calculated using the accounting standards adopted by the Group at 31 December 2018 and accordingly, leverage excludes the impact of IFRS 16 Leases.
Ktes	Kilotonnes or 1,000 tonnes (metric).

Statement of Directors' responsibilities

The Directors confirm that these condensed interim financial statements have been prepared in accordance with UK adopted IAS 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by the DTR 4.2.7 R and DTR 4.2.8 R, 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 2022 Annual Report.

The Directors of Synthomer plc are listed in the Synthomer plc annual report for 31 December 2022 with the exception of the following changes:

- Brendan Connolly retired from the Board at the end of the AGM on 16 May 2023
- Martina Flöel was appointed as Independent Non-Executive Director on 1 September 2023

A list of current directors is maintained on the Synthomer plc website: www.synthomer.com.

The Directors are responsible for the maintenance and integrity of, amongst other things, the financial and corporate governance information as provided on the Synthomer website. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

On behalf of the Board of Directors

M Willome
Chief Executive Officer
7 September 2023

L Liu
Chief Financial Officer

Independent review report to Synthomer plc
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Synthomer plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim results for the six months ended 30 June 2023 of Synthomer plc for the six month period ended 30 June 2023 (the "period").

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 UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the consolidated balance sheet as at 30 June 2023;
- the consolidated income statement and the 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 for the six months ended 30 June 2023 of Synthomer plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council 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 for the six months ended 30 June 2023 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Material uncertainty related to going concern

In forming our conclusion on the interim financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the interim financial statements concerning the group's ability to continue as a going concern. The group's going concern severe but plausible adverse scenario, results in a breach of the group's existing debt covenants within 12 months of approval of the interim financial statements. In such a scenario, the lenders would be able to demand immediate repayment of the senior loan notes in full, and the group would be unable to satisfy this obligation based on its forecasted liquidity. The key mitigating action relates to the proposed equity raise, by way of a rights issue and capital reorganisation. The right issue is subject to shareholders approval subsequent to the publication of the interim results. Therefore there is an uncertainty in respect of the outcome of the shareholder vote on the rights issue and capital reorganisation. If unsuccessful, the trading conditions envisaged in the severe but plausible adverse scenario, would result in the group breaching its debt covenants within 12 months of approval of the interim financial statements. These conditions, along with the other matters explained in note 1 to the interim financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The interim financial statements do not include the adjustments that would result if the group were unable to continue as a going concern.

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately applied the going concern basis of accounting in the preparation of the interim financial statements.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim results for the six months ended 30 June 2023, 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 for the six months ended 30 June 2023 in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the interim results for the six months ended 30 June 2023, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the interim results for the six months ended 30 June 2023 based on our review. Our conclusion is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. 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.

PricewaterhouseCoopers LLP
Chartered Accountants
Watford
7 September 2023