Tuesday 28 March 2023

Synthomer plc
Preliminary Results for the year ended 31 December 2022
Solid performance with strong strategic delivery in a challenging year

Full year ended 31 December	2022	2021	Change	Constant currency[1]
	£m	£m	%	%
Continuing operations*				
Revenue	2,383.9	2,144.2	+11.2	+9.7
Functional Solutions (FS)	127.8	139.2	(8.2)	(9.4)
Industrial Specialities (IS)	31.8	23.4	35.9	36.8
*Adhesive Technologies (AT)***	39.5	-	-	-
Performance Elastomers (PE)	49.1	320.7	(84.7)	(84.2)
Acrylate Monomers (AM)	21.7	35.3	(38.5)	(39.1)
Corporate	(20.7)	(20.6)		
EBITDA[2]	**249.2**	**498.0**	**(50.0)**	**(50.0)**
EBITDA % of revenue	10.5%	23.2%		
Underlying[3] operating profit (EBIT)	162.5	432.8	(62.5)	(62.1)
Statutory operating (loss)/profit (EBIT)	(20.5)	296.5	(106.9)	
Results from continuing and discontinued operations*				
Underlying[3] profit before tax	125.0	420.1	(70.2)	(69.8)
Statutory (loss)/profit before tax	(47.6)	283.9	(116.8)	
Underlying[3] EPS (p)	20.6	75.2	(72.6)	
Basic EPS (p)	(7.0)	48.3	(114.5)	
Free Cash Flow[4]	69.2	217.6	(68.2)	
Net debt[5]	1,024.9	114.2		

* The Laminates, Films and Coated Fabrics business sold on 28 February 2023, which generated revenue of £201.2m and EBITDA of £15.9m in 2022, is classed as a discontinued operation throughout this announcement.

** Comprises the nine month contribution from the adhesive resins acquisition which completed in April 2022.

Solid financial performance (Total Group revenue £2,585.1m, Total Group EBITDA £265.1m including discontinued operations) following exceptional 2021 results, amidst year-long nitrile latex destocking and deteriorating macroeconomic conditions during H2

- H1 growth in all divisions excluding Performance Elastomers; demand in construction, coatings and adhesives end-markets progressively weakened over Q3 and Q4
- Performance Elastomers saw significantly reduced demand for nitrile butadiene rubber (NBR) due to extreme medical gloves inventories built up in the COVID-19 pandemic
- Adhesive Technologies synergies on track; Q4 trading impacted by raw material supply and asset reliability issues which are being resolved. These issues, together with lower-than-expected capacity, result in £133.7m non-cash goodwill impairment

Actions taken to reinforce financial resilience given current trading conditions and to support strategy

- £131.2m Free Cash Flow in H2 (compared with £(62.0)m outflow in H1), supported by rigorous focus on costs, capital expenditure and working capital actions to preserve cash
- On track to deliver £150-200m cash savings target by end 2023
- New $480m revolving credit facility signed in March 2023, with longer duration and prudent covenant headroom reflecting current market uncertainties
- £1,024.9m net debt at end December 2022; reduced substantially after year end with cash proceeds of Laminates, Films and Coated Fabrics sale completed in February 2023
- Committed pro forma liquidity of c.£500m as at end February 2023, including new revolving credit facility as well as the £450m UK Export Finance facility and €200m receivables financing put in place during H2 2022

New strategy implemented to increase speciality weighting and focus on higher growth end-markets

- Divisions reorganised into Coatings & Construction Solutions (CCS), Adhesive Solutions (AS) and Health & Protection and Performance Materials (HPPM); effective 1 January 2023

- Targeting stronger organic growth through increased innovation, sustainability and end-market focus, with margin enhancement from end-to-end business excellence and streamlining manufacturing footprint
- More focused capital and resource allocation – differentiated steering for base and speciality businesses reflected in capital expenditure, cost and portfolio plans
- Take full advantage of Synthomer's enhanced global reach, product and customer footprint following adhesive resins acquisition completed in April 2022 and other acquisitions in recent years
- Portfolio rationalisation underway, with c.£565m 2022 revenue in non-core businesses remaining, following sale of Laminates, Films and Coated Fabrics for net $267m proceeds

Good progress on innovation, sustainability and other non-financial targets:

- 36% reduction of scope 1 & 2 carbon footprint vs 2019; more ambitious absolute decarbonisation targets set, aligned with 2015 Paris agreement
- Internal carbon price set for all sustainability-related projects and any significant capital projects; 80% of electricity from renewable sources
- Sustained focus on innovation – 20% of sales volume from new and patented products; proportion of new products with enhanced sustainability benefits increased to 50%
- Growing momentum in diversity, equality and inclusion – improving gender balance at senior management and graduate intake levels

Current trading and outlook

Our year to date trading performance reflects the continuation of the challenging macroeconomic conditions in the final quarter of 2022, with subdued levels of demand across most of our end markets and geographies. We expect to make progress in the second half of 2023 reflecting the benefits of our operational and cost actions, supplemented by the anticipated start of an improvement in market conditions, although visibility of this is currently limited. As previously indicated, while underlying end-market demand for medical gloves remains robust, we do not expect the unprecedented period of destocking, and hence low NBR production levels, to abate before the end of 2023.

We have taken decisive actions to strengthen our business in the current difficult environment and position ourselves for profitable growth as demand recovers. We remain confident in our ability to execute Synthomer's refreshed strategy and deliver the medium term targets we set out in October 2022, 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:

"Following an exceptional prior year and a robust first half, our overall performance in 2022 was significantly affected by deteriorating macroeconomic conditions during the second half and the prolonged destocking in nitrile latex. The Group has been swift to respond. We are on track to save £150-200m of cash by the end of this year, have rapidly executed the first successful divestment from our non-core business portfolio and completed a refinancing with our banks, strengthening the Group's financial platform. We are implementing operational changes to strengthen delivery in our adhesives business whilst executing our new strategy which will increase our focus on the more speciality, higher growth end markets in our portfolio. This strategy, together with the Group's larger global footprint and the depth and breadth of our innovation and sustainability capabilities, means that we are well-positioned to make progress toward our medium term profitable growth targets."

Further information:
Investors: Faisal Tabbah, Vice President Investor Relations Tel: +44 (0) 1279 775 306
Media: Charles Armitstead, Teneo Tel: +44 (0) 7703 330 269

The Company will host a meeting for analysts and investors at 9:00 British Summer Time today at JP Morgan, 45 Victoria Embankment London. 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: 1.1.

Synthomer plc is a leading supplier of high-performance, specialty polymers and ingredients for coatings, construction, adhesives, and healthcare end markets. Headquartered in London, UK and listed there since 1971, we employ around 5,000 employees across nearly 40 locations across Europe, USA and Asia. With more than 6,000 customers and £2.4bn in 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 polymer 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 chemical formulations 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 have been recognized for our leadership in sustainability by a number of authorities. 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

Focusing our business for future opportunities

In more challenging times it is more important than ever to be close to our customers, to focus on the things we do best and to follow a clear strategy.

2022 has certainly seen its share of challenges for Synthomer, for our people and our wider stakeholders. Following the unprecedented demand for nitrile latex in 2020 and 2021, we have experienced a prolonged destocking of medical gloves, which our customers manufacture from our nitrile butadiene latex (NBR), resulting in far weaker levels of demand. The war in Ukraine, ongoing COVID-19 disruption and broader recessionary pressures have all contributed to economic volatility, including supply chain disruptions, sustained higher raw material costs and energy price hikes. The cost-of-living crisis has affected a number of our markets, with demand deteriorating over the course of the second half of the year. And during the fourth quarter, the macroeconomic environment also began to affect demand in our Adhesive Technology business, alongside the additional impact of supply chain issues constraining access to raw materials and site reliability challenges, which we are working to resolve, as well as the impact of lower-than-expected capacity.

We are grateful to our people, who have continued to demonstrate real commitment to deliver for our customers around the world throughout this volatile period. The Total Group revenue of £2.6 billion and EBITDA of £265.1 million delivered in 2022 was a solid performance given the challenges we have faced. At the same time, and crucially for the future of Synthomer, we have launched a refreshed strategy and reorganised our business – work that is centred on becoming a truly global specialised chemical company, concentrated on three attractive growth markets: coatings and construction, adhesives, and health and protection. It gives us a clear pathway to emerge stronger and more focused from these volatile times – and a platform from which to create sustainable value for all our stakeholders.

Towards specialised, high-performance, high-growth markets

Our refreshed strategy and new structure make our business simpler, more efficient and more sharply focused on areas where we add most value. It will move us towards the more specialised, higher-performance, higher-growth markets where we know we can win. We are becoming more end-market focused, with sustainability and innovation at the centre of what we do. We are also driving a Group-wide emphasis on making our execution bolder and faster through business excellence.

Just as importantly, the new strategy renews our focus on organic growth and portfolio management. Our business has expanded significantly through acquisitions in recent years, giving us greater reach globally and particularly in North America, opening up opportunities in attractive markets, reinforcing our innovation capabilities and strengthening our leadership positions. However, that expansion has also made our business more complex and taken us into some non-core areas – perfectly strong and sound businesses in themselves, but either more cyclical in nature or too small for us to generate strong, consistent growth.

Following a full evaluation of our portfolio we are now allocating capital more effectively, applying differentiated steering to invest in core areas where it will have the most impact. We are also rationalising our portfolio through the disposal of non-core businesses. We took an important step in this process when we announced the sale of the Laminates, Films and Coated Fabrics businesses in December 2022. This sale, which completed on 28 February 2023, increases the speciality weighting of our overall portfolio and is margin accretive in line with our strategy. The $267 million cash proceeds (including $5 million payable in 2024) will also help strengthen our balance sheet and support our drive to reduce our leverage to our medium-term target of between 1 and 2x net debt to EBITDA – another key strategic focus. Our CFO Lily Liu describes this further on pages 7-8, alongside the work we are doing to improve our working capital position and optimise our cost base.

Harnessing growth to sustainability

Our strategy aims to bring us closer to our customers, immersing us in their markets so we can identify the trends driving demand and develop the solutions to meet them.

Sustainability is one of the most important of these trends. Regulation is driving the requirement for cleaner, more environmentally friendly solutions and for renewable raw materials. As a market leader in water-based and emission-reducing polymers, that creates a huge opportunity for Synthomer.

We have a long track record of helping our customers towards their own sustainability goals. Our emission-reducing solutions and lower-carbon-intensity operations all make a positive contribution towards customers'

Scope 3 carbon footprints. Our capabilities and products can help our customers in multiple areas – whether that is replacing solvent-based coatings with water-based alternatives, developing water-based polymers and redispersible powders for construction customers, or innovating bio-based, low-carbon-footprint and circular solutions for adhesives.

We are also making progress with our own sustainability objectives. Our Vision 2030 ESG programme is a long-term, embedded part of our business strategy – a key part of ensuring we remain competitive, as well as the responsible approach to doing business. We are committed to science-based targets to navigate our decarbonisation, and are targeting 60% of our new products to have sustainability benefits by 2030. We have already delivered a 36% reduction in absolute Scope 1 and 2 emissions since 2019, and we are actively working on reducing Scope 3. In 2022 we made our decarbonisation objectives more ambitious and focused on absolute reductions rather than lower carbon intensity, in alignment with the 2015 Paris Agreement. We hold the London Stock Exchange Green Economy Mark, awarded to companies who earn more than 50% of their revenue from products that contribute to environmental objectives. This year we were upgraded from an 'A' to a 'AA' rating by MSCI, putting us in the top quartile of ESG performance for the Specialty Chemicals sector.

Diversity and inclusion: at the heart of our strategy

The dynamism and resilience of any business is created by the people who work there – and I strongly believe that diverse teams help create better ideas and drive innovation in what and how we deliver.

Diversity and inclusion forms a critical pillar of our refreshed business strategy, and has been a focus for me from my first day at Synthomer, because it is vital to delivering value for all our stakeholders. We have made strong progress this year, particularly in the leadership team, which has been transformed by several appointments that have broadened the range of backgrounds and experiences we can draw on, and which now contains more women than ever before. Of course there is more we can do, and to ensure we maintain our recent momentum in this area we have committed to achieving 40% gender diversity across senior management by 2030 as a stepping stone to true gender balance.

The evolution of our strategy does not mean a change in our values however – among which our highest priority remains safety, health and environment (SHE). We know that we have more to do on safety in particular. Our legacy businesses have benefited over many years from our SHE programme and continue to perform well. Our near-term objective is to ensure that newly acquired businesses are aligned to Synthomer standards within a three-year cycle. That process is on track at our former OMNOVA sites, which show good improvement since acquisition; we are applying the same rigour to the adhesive resins sites acquired in 2022.

Positioning Synthomer for profitable growth

The actions that we have taken will enable Synthomer to navigate the current difficult environment and ensure that the Group is in a strong position to make progress when macroeconomic conditions improve. Looking ahead, we will continue to enhance our efficiency through asset optimisation and by improving cost control and capacity management throughout the Group. In our new Coatings & Construction Solutions division, our focus is on driving organic growth. In Adhesive Solutions we will increase operational and supply chain reliability, reprioritising capital expenditure to support debottlenecking and broaden raw material supply while taking further steps to reduce working capital to typical Group levels. We will also benefit from recent organisational changes and the implementation of Synthomer's operational excellence standards. Within Health & Protection and Performance Materials, we will continue to strengthen our cost competitiveness and enhance customer intimacy while reviewing opportunities to divest other non-core businesses.

Synthomer is on a journey to become a global specialised chemical company focused on three core end markets, with excellence embedded throughout our business and a sharp focus on sustainable innovation. While we are experiencing such a challenging point in the trading cycle for our key markets, we will continue to focus on generating cash and strengthening our balance sheet. But cycles move on, and I am confident that our strategy is the right one – and that it will make us a trusted and responsible player in our customers' value chains, meeting the needs of the end consumer through sustainable innovation, so that we grow back stronger and continue to deliver on our purpose of creating innovative and sustainable polymer solutions for the benefit of customers and society.

Outlook

Our year to date trading performance reflects the continuation of the challenging macroeconomic conditions in the final quarter of 2022, with subdued levels of demand across most of our end markets and geographies. We expect to make progress in the second half of 2023 reflecting the benefits of our operational and cost actions, supplemented by the anticipated start of an improvement in market conditions, although visibility of this is currently limited. As previously indicated, while underlying end-market demand for medical gloves remains robust, we do not expect the unprecedented period of destocking, and hence low NBR production levels, to abate before the end of 2023.

We have taken decisive actions to strengthen our business in the current difficult environment and position ourselves for profitable growth as demand recovers. We remain confident in our ability to execute Synthomer's refreshed strategy and deliver the medium term targets we set out in October 2022, 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
28 March 2023

Financial review – Chief Financial Officer introduction

Strengthening the balance sheet as a platform for delivering our strategy

The challenges Synthomer has had to address in 2022 have already been described. What has been clear to me in my first few months at the Company is that despite those headwinds, Synthomer has a strong underlying business, and has the strategy, structure and people in place to emerge from the current operating environment well positioned for future success. It is also clear that in order to do that, we need a strong balance sheet – which continues to be my top priority as CFO. So before discussing the details of our performance this year I will start by outlining some of the actions we have taken to improve our balance sheet and create the platform for the delivery of our strategy.

Portfolio management to focus on core, speciality businesses

Our refreshed strategy is focused on attractive end markets where our expertise in sustainable innovation will give us competitive advantage; it has resulted in our reorganisation into three market-focused divisions and helped us to identify the core and non-core, speciality and base chemical elements of our portfolio.

While our portfolio management remains strategic rather than driven by cash considerations, making the right divestments naturally improves our balance sheet. In December 2022, we agreed the sale of our non-core Laminates, Films and Coated Fabrics businesses for net cash proceeds of $267 million. The sale, which completed in February 2023, increases the speciality weighting of our overall portfolio in line with our strategy, and the proceeds have been used to strengthen our financial position. We have identified other non-core businesses which we are reviewing for potential disposal. In the future we expect our portfolio management to include bolt-on acquisitions aligned to our speciality focus – but only when the balance sheet allows it.

Our new divisional structure also enables differentiated steering in our allocation of financial and operational resources, including capital allocation. We intend to allocate c.75% of capital to our Coatings & Construction Solutions and Adhesive Solutions divisions and c.25% to Health & Protection and Performance Materials.

Delivering on working capital, headroom and costs

Given the deteriorating macroeconomic environment during the second half, we decided to scale back capital expenditure in 2022 from c.£150 million to £91 million, and expect it to be modestly lower again in 2023. We are also simplifying our organisation and scrutinising cost across the business to drive further efficiencies. We also took the decision to suspend dividend payments for a time while we focus on reducing leverage towards our medium term target of between 1 and 2x net debt to EBITDA.

Our strong focus on cash flow in the second half resulted in the H1 free cash outflow of £62.0 million reversing to a £131.2 million inflow in H2, including a new receivables factoring programme. We will take a tactical approach to working capital, and in particular there are further benefits to be secured from improving the working capital position of the recently acquired adhesive resins business. Overall we are targeting £150 to £200 million of cash savings relative to our previous plans by the end of 2023.

Meanwhile, in October 2022 we secured additional headroom when we reached agreement with our banking syndicates to widen debt covenants and significantly improved our financing structure by signing a five-year, £450 million facility with UK Export Finance. The UK Export Finance facility, 80% guaranteed by the government, is designed to promote business success, innovation and sustainability in the UK.

After the year end, the Group agreed a new $480 million revolving credit facility which extends the duration of our financing and includes prudent levels of covenant headroom given the current challenging market conditions.

Solid performance in a challenging year

Although we reorganised into three new divisions in January 2023, we are reporting 2022 performance under the former divisional structure, which was in place up to the end of 2022. The increasing headwinds we faced particularly as the second half of the year went on are clearly reflected in these results, which also suffer by comparison to the exceptional 2021 performance. Nonetheless the solid performance of many of our operations supports my belief that Synthomer is a fundamentally strong business with considerable value creation opportunities ahead. This is a tribute to the work of teams throughout the Group to meet our customers' needs in very challenging times.

Revenue for the continuing Group increased by 9.7% in constant currency, with the contribution of the acquired adhesive resins business and an 8.4% benefit from robust price/mix offsetting a 17.0% reduction in volume.

EBITDA for the continuing Group in 2022 was £249.2 million (2021: £498.0 million). Functional Solutions EBITDA of £127.8 million (2021: £139.2 million) and Industrial Specialities EBITDA of £31.8 million (2021: £23.4 million, excluding the discontinued Laminates, Films and Coated Fabrics businesses) both reflected relatively robust performances in the first half followed by a progressively more challenging second half as the macroeconomic cycle turned and reduced end-user demand. In the fourth quarter, these headwinds also began to affect demand for Adhesive Technologies' products (EBITDA since 1 April 2022 acquisition: £39.5 million). The division also experienced a number of reliability and supply chain issues which we are in the process of addressing, as well as lower-than-expected capacity acquired. As a result we took a £133.7 million non-cash impairment charge to write-off substantially all of the adhesive resins acquisition goodwill. Performance Elastomers EBITDA was £49.1 million – a significant reduction from its unprecedented performance of £320.7 million in 2021, which was driven by pandemic-related medical glove demand. The magnitude of the equally unusual destocking cycle that followed is demonstrated by comparing the division's 2022 outturn with its pre-pandemic 2019 EBITDA of £96.3 million. Acrylate Monomers EBITDA of £21.7 million (2021: £35.3 million) continues to normalise from the very strong levels achieved in 2021 as a result of an extreme supply/demand imbalance in that year.

Setting out our medium-term targets

We described our medium-term targets for the business as part of the strategy refresh in October 2022. In line with the growth we anticipate in our markets, we expect mid-single-digit growth over the cycle on a constant currency basis. We aim to bring our EBITDA margin above 15%, driven by sustainable innovation and better product mix, and supported by streamlining and simplifying our manufacturing operations and supply chains. And over time we expect our business to deliver return on invested capital (ROIC) in the mid-teens, underpinned by our working capital and capital allocation discipline. While strengthening our balance sheet remains my top priority, we are also implementing the longer-term changes to our strategy and business which will deliver against these targets and sustainably create value for our shareholders and other stakeholders.

Lily Liu
Chief Financial Officer
28 March 2023

Financial review (continued)

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 net cash proceeds received at completion amounted to $262 million after transaction expenses and adjustments for working capital, debt and debt-like items, with a further $5 million 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.

Special Items – continuing operations

Full year ended 31 December	2022	2021
	£m	£m
Amortisation of acquired intangibles	(44.8)	(30.1)
Impairment charge	(133.7)	-
Restructuring and site closure costs	(19.2)	(29.7)
Acquisition costs and related gains	(6.5)	(11.9)
Sale of business	(0.3)	(7.4)
Regulatory fine	21.5	(57.2)
Total impact on operating loss	(183.0)	(136.3)
Fair value gain on unhedged interest derivatives	25.1	6.2
Total impact on loss before taxation	(157.9)	(130.1)
Taxation Special Items	3.6	8.8
Taxation on Special Items	39.3	11.5
Total impact on loss for the year – continuing operations	(115.0)	(109.8)

The following items of income and expense have been reported as Special Items – continuing operations:

Amortisation of acquired intangibles increased in 2022, reflecting the amortisation on the customer lists, patents, trademarks and trade secrets arising on the acquisition of Eastman's adhesive resins business. The fair value of the intangible assets arising on the acquisition, amounting to £273.2 million, are being amortised over a period of 8-20 years.

A £133.7 million non-cash impairment charge was taken in the year, relating to the Adhesives Technologies division. This reflected reliability and supply chain issues, which we are working to resolve, and lower-than-expected capacity acquired, reducing the forecast earnings from the adhesive resins acquisition used for impairment testing.

Restructuring and site closure costs in 2022 comprise a £9.3 million charge in relation to the ongoing integration of the acquired adhesive resins business into the Group, a £3.2 million charge in relation to closure of one of the smaller sites in Malaysia; and a further £6.7 million in relation to further demolition and site rationalisation costs, as well as costs in relation to the strategy refresh and alignment of the business into its new divisions effective in 2023.

Restructuring and site closure costs in 2021 comprised £13.2 million of OMNOVA integration costs following its acquisition in 2020, an £11.6 million charge to demolish and rationalise assets at a small number of sites to bring them into line with our sustainability strategy, and a further £4.9 million to complete the rationalisation of the Group's European Performance Materials network.

Acquisition costs and related gains are for the acquisition of the adhesive resins business and comprise £11.9 million of costs, mainly professional adviser fees, offset by a £5.4 million gain on a foreign exchange derivative entered into in October 2021 to hedge the acquisition price. Acquisition costs in 2021 also related to the acquisition of adhesive resins.

In 2021 sale of business comprised a £7.1 million loss on the onerous contract for the disposal of Synthomer's European Tyre Cord business in 2020.

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, Synthomer made a provision of £57.2 million. In 2022, the Commission concluded its investigation, resulting in a fine of £38.5 million, to be paid in Q3 2023, resulting in a credit to the P&L via Special Items in 2022.

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 borrowings in the year.

Taxation Special Items comprised a prior period adjustment in relation to a historical tax issue in Malaysia.

Taxation on Special Items is mainly deferred tax credits arising on the amortisation of acquired intangibles and restructuring costs.

£14.9 million of Special Items – discontinued operations (2021: £5.8 million) were also recognised, including £6.1 million (2021: £6.1 million) of amortisation of acquired intangibles, £0.3 million in restructuring and site closure costs, and £8.3 million related to the costs, primarily professional fees, incurred in conjunction with the sale of the Laminates, Films and Coated Fabrics businesses to Surteco.

Finance costs

Full year ended 31 December	2022	2021
	£m	£m
Net interest payable	43.2	26.9
Net interest expense on defined benefit obligation	1.2	2.0
Interest element of lease payments	1.4	1.5
Underlying finance costs	45.8	30.4
Fair value gain on unhedged interest derivatives	(25.1)	(6.2)
Total finance costs	20.7	24.2

Underlying finance costs increased to £45.8 million (2021: £30.4 million) 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, which completed in April 2022, as well as higher base rates.

The Group's borrowings under the committed unsecured €460 million revolving credit facility remained below the total of the related interest rate derivative contracts and as a result the unhedged portion of the interest rate derivatives resulted in a gain which was recognised in the income statement as a Special Item.

Taxation

The Group's effective tax rate is affected by the tax impact of Special Items. It is therefore helpful to consider the Underlying and Special Items tax position separately:

- Underlying tax charge was £28.1 million (2021: £94.5 million), representing an effective tax rate on Underlying profit before tax for the year of 22.5% (2021: 22.5%), reflecting the geographical mix of profits.
- Taxation for Special Items was £42.7 million (2021: £20.6 million), or an effective tax rate for Special Items of 24.7% (2021: 15.1%). The increase was driven by deferred tax credits on the amortisation of acquired intangibles and on the impairment of the goodwill relating to the adhesive resins acquisition.

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.

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 2022 increased to 467,311,000 (2021: 432,290,000).

Underlying earnings per share is 20.6 pence for the year, down from 75.2 pence in 2021, reflecting the lower earnings relative to the prior year and higher number of shares. The statutory earnings per share is (7.0) pence (2021: 48.3 pence).

Balance sheet

Net assets of the Group decreased by 0.2% to £1,031.0 million, mainly reflecting the £33.0 million loss for the year, dividend payments of £99.5 million offset by gain of £99.1 million on translation of foreign currency.

Provisions

As a result of the regulatory fine provision unwind and other movements, provisions have decreased to £54.0 million (2021: £103.2 million).

The closing balance includes £15.0 million in relation to the rationalisation of sites around the Group, most notably in Marl and Villejust, £6.8 million in relation to the onerous contract arising on the disposal of the European Tyre Cord business, and £9.6 million to demolish assets at a small number of sites.

In the year, two new provisions were recognised on acquisition of the adhesive resins business from Eastman. £9.9 million was recognised in relation to environmental remediation work required at the Jefferson and Middelburg sites, and a further £9.9 million was recognised for the demolition and disposal of unused equipment and vacant tanks at the Jefferson and Longview sites in order to bring them in line with our ESG strategy.

During 2022, the European Commission concluded its investigation into styrene monomer purchasing practices, and the final settlement amount of £38.5 million, to be paid in Q3 2023, was transferred to other payables.

Cash performance

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

Full year ended 31 December	2022	2021
	£m	£m
Underlying operating profit (excluding joint ventures)	169.5	448.3
Movement in working capital	19.1	(82.8)
Depreciation of property, plant and equipment	86.0	64.2
Amortisation of other intangible assets	7.9	7.1
Share-based payments charge	0.7	2.1
Capital expenditure	(90.8)	(82.2)
Business cash flow	192.4	356.7
Net interest paid	(38.2)	(27.6)
Tax paid	(65.6)	(86.4)
Pension funding	(21.3)	(27.0)
Dividends received from joint ventures	1.9	1.9
Free Cash Flow	69.2	217.6
Cash impact of restructuring and site closure costs	(25.9)	(17.8)
Cash impact of acquisition costs	1.7	(6.6)
Proceeds on sale of business	0.3	1.7
Purchase of business	(759.6)	-
Share issue proceeds	-	203.1
Repayment of principal portion of lease liabilities	(10.1)	(9.7)
Dividends paid	(99.5)	(73.5)
Dividends paid to non-controlling interests	-	(0.5)
Foreign exchange and other movements	(86.8)	33.7
Movement in net debt	(910.7)	348.0
Closing net debt	1,024.9	114.2

At 31 December 2022, net debt was £1,024.9 million (2021: £114.2 million), principally reflecting the additional borrowings drawn for the £759.6 million acquisition of the adhesive resins business in April 2022.

Underlying operating profit reduced to £169.5 million reflecting the trading performance described above. The net working capital increase of £128.0 million in the first half of the year was followed in the second half by a release of £147.1 million. This was as a result of active inventory and account management, lower activity levels, moderating raw materials pricing and a factored receivables facility put in place in December 2022, described below. Over the full year, £19.1 million was released from working capital.

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 factored receivables facilities in December 2022 for a maximum aggregate amount of €200 million. Factored receivables assigned under the facilities amounted to £82.7 million net at 31 December 2022. Under the facilities, all the risks and rewards of ownership are transferred to the assignees.

Depreciation and amortisation of other intangibles increased due to the Adhesive Technologies non-current assets acquired. Capital expenditure was £90.8 million (2021: £82.2 million), lower than the c.£150 million plans outlined at the start of the financial year, reflecting the Group's actions to optimise cash flow. The Group continues to invest principally in its Pathway Programme systems transformation project, recurring SHE and sustenance expenditure.

Interest paid increased to £38.2 million reflecting the adhesive resins acquisition debt. Tax paid decreased to £65.6 million reflecting lower operating profit, higher payments on account as a result of the high profitability of the nitrile business in 2021 and settlement of a historical tax case in H1 2022.

The cash impact of Special Items including restructuring and site closure costs and acquisition costs and related gains was an outflow of £24.2 million.

Dividends paid increased, reflecting the 2021 final dividend paid in the second half of 2022.

Our debt is denominated in euros and dollars. Both the euro and the dollar strengthened significantly relative to sterling during 2022, leading to a foreign exchange loss in net debt.

Retirement benefit plans

The Group's principal funded defined benefit pension schemes are in the UK and the US and are both closed to new entrants and future accrual. The Group also operates an unfunded defined benefit scheme in Germany and various other defined contribution overseas retirement benefit arrangements.

The Group's net retirement obligation decreased by £49.0 million to £73.4 million at 31 December 2022 (31 December 2021: £122.4 million) and reflects the market value of assets and the valuation of liabilities in accordance with IAS 19, including an asset of £5.9 million for the UK scheme. This reduction largely comprised £21.3 million of cash contributions and actuarial gains of £34.1 million. This actuarial gain arose due to the £201.2 million impact of changes in discount rates which was offset by £167.1 million reduction in the expected return on plan assets.

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 2022 the Group experienced no overall currency translation impact effect on EBITDA, with average FX rates against our three principal currencies of €1.17, $1.24 and MYR 5.43 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.

Financing and liquidity

As at 31 December 2022, the Group had net debt of £1,024.9 million compared to net debt of £114.2 million at 31 December 2021. As at 31 December 2022 committed borrowing facilities comprised a $260 million term loan, a $300 million term loan, a €460 million revolving credit facility, five-year €520 million 3.875% senior loan notes and UK Export Finance (UKEF) facilities of €288 million and $230 million. The Group's net debt: EBITDA for the purposes of the leverage ratio covenant increased from 0.3x at 31 December 2021 to 3.7x at 31 December 2022 due primarily to the acquisition of the adhesive resins business in 2022.

After year end, the Group agreed a new $480 million revolving credit facility maturing 31 May 2025 and has repaid and cancelled the $260 million and $300 million term loans in part using the proceeds received from the sale of the Laminates, Films and Coated Fabrics businesses. The new revolving credit facility is 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 and 3.5x thereafter, and the UKEF covenant has been aligned to these levels. The Group expects net financing costs of approximately £65-70 million in 2023 as a result of the higher net debt and other changes to the Group's financing arrangements.

Post-balance sheet events

- New $480 million revolving credit facility agreement signed 20 March 2023.
- Sale of Laminates, Films and Coated Fabrics to Surteco North America, Inc. completed 28 February 2023.

Divisional review – continuing operations

On 1 January 2023, Synthomer reorganised into three new, market-focused divisions. The following pages report on the performance of the five divisions that were in place during the reporting year to 31 December 2022. See page 19 for a summary of the key segmental metrics for 2022 and 2021 under the new structure.

Functional Solutions (FS)

Functional Solutions achieved a robust commercial performance in 2022, although demand weakened and inflationary pressures increased over the course of the year. Under our new divisional structure, the majority of Functional Solutions moved to the new Coatings & Construction Solutions division, with the adhesive dispersions business moving to the new Adhesives Solutions division.

Full year ended 31 December	2022	2021	Change	Constant currency[1]
	£m	£m	%	%
Safety (RCR)	**0.44**	0.37	18.9	
Revenue	**1,001.3**	900.3	11.2	8.5
Volumes (ktes)	**592.7**	655.9	(9.6)	
EBITDA	**127.8**	**139.2**	**(8.2)**	**(9.4)**
EBITDA % of revenue	**12.8%**	15.5%		
Operating profit (underlying performance)	**101.1**	111.1	(9.0)	(10.0)
Operating profit – statutory	**69.8**	69.8	-	

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

Safety

Functional Solutions achieved a recordable case rate of 0.44 in 2022. This was higher than target, and we have specific programmes in place for those sites which require additional support throughout 2023. Our zero harm initiative, which is designed to strengthen our Safety, Health and Environment (SHE) culture, was piloted at seven of our European sites throughout 2022. The process safety event rate was 0.28, in line with 2021. Delivering a strong SHE performance at all our sites will continue to be our top priority within our new divisional structure.

Volumes

Functional Solutions achieved overall volumes of 592.7ktes in 2022, a reduction of 10% from 2021. While overall volumes were strong in the first half of the year, we saw some softening of demand and reduced volumes during the second half of the year as macroeconomic conditions started to deteriorate.

The reductions in coatings volumes were primarily due to softening demand in Europe and the USA, COVID-19 lockdowns in Asia and our strategic reduction in tolled volumes in the USA. The effects of COVID-19 in Asia also resulted in a slight reduction in adhesives volumes, offset by a strong performance in the USA.

Our Fibre Bonding business (previously Textiles), where volumes were flat year on year, experienced good growth in hygiene and in USA construction-facing applications. The Construction business was similarly strong in the USA, but volumes were down overall because of lower volumes in Europe.

The Energy Solutions business, which has a large exposure to the oil and gas industry, performed strongly throughout 2022 and delivered significant volume growth compared to 2021.

Revenues and EBITDA

Functional Solutions delivered a resilient commercial performance in 2022, with higher revenues, driven by increasing inflationary pressures and strong margin management. The division delivered revenues of £1,001.3 million in 2022, an 11% increase on 2021. The division was able to pass on significant increases in raw materials prices in most markets and regions, despite unit material costs reaching record levels in some cases. Our focus on more differentiated products and robust pricing management contributed to a solid performance in most of our major businesses, particularly in the USA.

The Coatings business was most affected by the softening of demand during the second half of the year, with the other businesses not experiencing as significant an impact. The Energy Solutions business performed very strongly throughout the year. This helped the division deliver an EBITDA of £127.8 million, an 8% decrease compared to the very strong performance of 2021.

Sustainability highlights

Sustainability is a critical value driver for Functional Solutions, with 45% of our new products introduced in the last year having at least one defined sustainability benefit. We have division-wide programmes aimed at delivering energy efficiencies and, ultimately, decarbonisation. This includes delivering decarbonisation plans at site level.

Progress against FY 2022 priorities

- Continued to pivot towards speciality products, moving away from low-value-add tolling activities.
- 45% of new products launched had a net positive sustainability impact.
- Reduced complexity through the closure of the Quality Polymer site in Malaysia, and continued rationalisation of our product portfolio.
- Stepped up efforts in commercial excellence to become a more end-market focused organisation.
- Responded to market conditions by focusing on margin preservation and working capital control in the face of substantial raw material cost fluctuations and rapidly escalating energy costs.

Industrial Specialities (IS)

Industrial Specialities delivered a strong performance in the face of inflationary pressures and weakening demand, growing EBITDA from the strong 2021 reporting period, and increasing revenues. Under our divisional restructure in January 2023, the majority of Industrial Specialities moved to our new Health & Protection and Performance Materials division. This includes our Laminates & Films and Coated Fabrics businesses, which have since been divested on 28 February 2023. The Speciality Additives and the Powder Coatings businesses moved to our Coatings & Construction Solutions division, and the Lithene business moved to Adhesives Solutions.

Continuing operations Full year ended 31 December	2022	2021	Change	Constant currency[1]
	£m	£m	%	%
Safety (RCR)[2]	0.31	0.40	(22.5)	
Revenue	233.9	197.2	18.6	18.7
Volumes (ktes)	65.9	75.7	(12.9)	
EBITDA	**31.8**	**23.4**	**35.9**	**36.8**
EBITDA % of revenue	13.6%	11.9%		
Operating profit (underlying performance)	25.5	15.8	61.4	62.0
Operating profit – statutory	22.7	7.8	191.0	

1 Underlying Constant currency revenue and profit retranslate current year results using the prior year's average exchange rates.
2 IS and AM are combined for operational reasons.

Safety

Industrial Specialities achieved a recordable case rate of 0.31 in 2022, demonstrating continued improvement in safety across the division. One site graduated from our SHE 'supported site' status in Q1 2022, meaning that the division had no remaining sites in the programme. Our chemicals sites continued to achieve top quartile performance by industry standards in 2022. Our process safety event rate was 0.16.

Volumes

Industrial Specialities achieved overall volumes of 65.9ktes in 2022, 13% below 2021 volumes, a result of lower demand in our Speciality Additives and Powder Coatings businesses.

Revenues and EBITDA

Despite the lower volumes, Industrial Specialities delivered a strong commercial performance in 2022, with higher revenues than the prior year driven by increasing inflationary pressures and the highly-specialised nature of our products, which supported our focus on pricing and overall margin management. This was particularly reflected in our Vinyl Polymers, Lithene and William Blythe businesses, which all delivered very strong growth compared to 2021. Overall, the division achieved continuing revenues of £233.9 million in 2022, 19% up on 2021, and continuing EBITDA of £31.8 million in 2022, well above the 2021 EBITDA of £23.4 million.

The Laminates, Films and Coated Fabrics businesses were divested on 28 February 2023. Laminates and Films experienced deteriorating macroeconomic conditions during the second half of 2022, which led to reduced demand. The Coated Fabrics business, however, performed robustly throughout 2022 as the economy of Thailand recovered from the impact of COVID-19 and margins benefited from falling resin prices and normalising freight costs.

Sustainability highlights

We continue to explore opportunities for business excellence, whether in the areas of sustainability, logistics or operational efficiency. For example, at our Sant Albano site (Italy), we have reduced water extraction by 30% by reconfiguring our borehole management process. During H1 2022, our Polybutadiene Lithene business also successfully delivered a de-bottlenecking project at its Stallingborough plant (UK), which increased capacity.

Progress against FY 2022 priorities

- Further embedded SHE practices in our surfaces plants, and continued to drive improved performance through strengthening SHE processes and practices in the chemicals plants, evidenced by the improved safety performance of the division during the year.
- Delivered further production capacity through debottlenecking projects and operational efficiency, including the successful debottlenecking project at our Stallingborough site.
- Ensured a continuous supply of raw materials to sites despite supply chain challenges.
- Enhanced our customer services and logistics processes to ensure the challenging logistical environment was efficiently and effectively handled.

Adhesive Technologies (AT)

We created the Adhesive Technologies division on 1 April 2022, following the completion of Synthomer's acquisition of Eastman's adhesive resins business. It operated as a division until 31 December 2022, when it became the core of the new Adhesive Solutions division.

The integration proceeded to plan, with exit from almost all the Eastman transition service agreements (TSAs) and supported systems at the end of November 2022. Synergy delivery was also on target thanks to decisive early action and rapid organisational redesign, and trading in the first two quarters of ownership was in line with our expectations. However, in the fourth quarter volume and EBITDA deteriorated due to a number of macro- and company-specific factors, resulting in a non-cash impairment of the acquisition goodwill.

9 months ended 31 December	2022
	£m
Safety (RCR)	0.32
Revenue	391.3
Volumes (ktes)	138.5
EBITDA	39.5
EBITDA % of revenue	10.1%
Operating profit (underlying performance)	22.5
Operating profit – statutory	(146.8)

Safety

Safety performance overall was in line with recent years of operation under Eastman's ownership, with an improved recordable case rate of 0.32 (2021: 0.56) and a slightly reduced process safety event rate of 0.59; differences in calculation methods mean that these figures are for guidance, rather than a direct comparison.

Volumes

Adhesive Technologies delivered overall volumes of 138.5ktes in 2022. This is a solid performance, but below the historical run rate of the business, a result of some asset reliability and supply chain issues which we are addressing, the impact of European gas prices and other feedstock cost dynamics, and weaking end-market demand in the last quarter, as well as lower-than-expected production capacity.

Revenues and EBITDA

Adhesive Technologies delivered revenues of £391.3 million and EBITDA of £39.5 million during the period following acquisition in April 2022. Although partially offset by delivery of the expected cost synergies, this performance was lower than projected, principally in the fourth quarter of the year. A £133.7 million non-cash impairment charge to write-off substantially all of the adhesive resins acquisition goodwill was taken as a result.

Sustainability highlights
In the year we launched our high heat APO, Aerafin 230, which allows carmakers to formulate hot melt laminating adhesives for automotive interior applications, replacing reactive PUR adhesives. Aerafin-based adhesives eliminate the use of isocyanate crosslinkers that have to be used with the PUR, a substance that is increasingly regulated.

Also in the area of automotive sustainability, we developed a new modified silane resin which helps a tyre-making customer improve wet and dry grip for tyres while reducing rolling resistance, improving fuel efficiency.

We also launched a new platform technology enabling better recyclability and reducing raw material volume in packaging.

Priorities and progress
The clear priority for the division and our people during the majority of 2022 was executing the integration. The timely exit from TSAs covering dozens of business processes across all functions in November 2022 was an important milestone, as was the integration of new people into Synthomer and building relationships with our customers and suppliers. A critical priority going forward is the stabilisation and optimisation of end-to-end supply chain processes in the new Synthomer system environment and the broadening of feedstock options which will help to increase production output in readiness for returning market demand.

Performance Elastomers (PE)
Destocking of medical gloves and weakening demand in paper and carpet markets in 2022 meant that volumes and revenues for Performance Elastomers were substantially lower than the exceptional performance of 2021. The business focused on positioning itself for the return of long-term demand, with short-term actions concentrated on cost and margin improvement. Under our divisional reorganisation of January 2023, the majority of Performance Elastomers moved to the new Health & Protection and Performance Materials division, with consumer-focused foams moving to Coatings & Construction Solutions.

Full year ended 31 December	2022	2021	Change	Constant currency[1]
	£m	£m	%	%
Safety (RCR)	**0.19**	0.11	72.7	
Revenue	**659.7**	951.5	(30.7)	(31.4)
Volumes (ktes)	**645.3**	844.2	(23.6)	
EBITDA	**49.1**	**320.7**	**(84.7)**	**(84.2)**
EBITDA % of revenue	**7.4%**	33.7%		
Operating profit (underlying performance)	**19.5**	294.9	(93.4)	(92.6)
Operating profit – statutory	**17.6**	286.9	(93.9)	

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

Safety
Performance Elastomers achieved a recordable case rate of 0.19 in 2022, ahead of the target of 0.21 and the division's rolling three-year case rate of 0.20. The process safety event rate was 0.05 in 2022, an excellent achievement.

There were some notable SHE milestones delivered in 2022, including zero accidents for the recently-commissioned NBR reactor in Pasir Gudang (Malaysia) with more than 750,000 hours worked, 100% completion of all Safety Improvement Plan actions across all sites in the division, a 60% reduction in the number of losses of containment of flammable substances, and maintaining an internal safety audit rate of double the targets. A fire at our Filago, Italy site in September 2022 was swiftly contained and caused no injuries; we have studied the incident and applied the lessons learned to other similar operations, in accordance with our SHE framework.

Volumes
Performance Elastomers achieved overall volumes of 645.3ktes in 2022, a 24% reduction on 2021.

The exceptional global demand for NBR gloves during the COVID-19 pandemic resulted in a record performance for Performance Elastomers last year. We reported at the interim stage that destocking of nitrile gloves meant that demand had softened substantially, resulting in lower NBR volumes, revenues and EBITDA compared to the exceptional performance of 2021. During the second half of 2022 this destocking continued, with production volumes further reduced. 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 destocking impact is not expected to abate before the end of 2023. Chinese glove manufacturers also raised output in 2022, putting additional strain on glove prices and plant utilisation of glove producers in Malaysia and elsewhere.

Volumes in our Paper, Carpet, Compounds and Foam businesses were also down, by 21%, against a strong comparative period.

Revenues and EBITDA

The division delivered revenues of £659.7 million in 2022, compared to £951.5 million in 2021. It achieved EBITDA of £49.1 million in 2022, down from the exceptional £320.7 million achieved in 2021.

As well as the impact of glove destocking on NBR demand described above, the Performance Materials business also saw reduced demand from the middle of the year onwards following downstream destocking, although cost-saving initiatives helped to offset the revenue impact.

We believe that underlying demand for nitrile gloves will continue to grow with broader applications in catering, entertainment, security and health-related industries. The business is well-positioned to capture this long-term opportunity.

Sustainability highlights

A high proportion of our new products have sustainability benefits, and we are seeing good progress from our world-leading nitrile glove R&D centre in Malaysia. Industrial trials of our new SyNovus™ Plus product have continued, involving production runs on selected customer lines to demonstrate the product's potential energy and carbon savings for customers. Trial results demonstrate that with SyNovus™ Plus, glove-making customers can potentially reduce their operating temperature by 20°C, which is equivalent to 2kg of CO_2 emission per 1,000 pieces. The new product line also enables an accelerator-free and sulfur-free formulation, reducing skin sensitivity for users of the gloves and eliminating sulfur dioxide emissions when medical gloves are required to be incinerated.

Progress against FY 2022 priorities

- The Pasir Gudang 60ktes plant was commissioned on time in Q1 2022.
- Trials of SyNovus™ Plus have continued with multiple potential customers.
- Given the slowdown in the nitrile market, we have delayed investment in further capacity while continuing to develop expansion plans (including investment grant and tax support from national and local governments) to bring on additional capacity when appropriate, as well as process and product innovation initiatives.

Acrylate Monomers (AM)

Our Acrylate Monomers division achieved record revenues and strong volumes in the face of significant headwinds including unprecedented energy cost inflation and a weak economic environment in the second half of 2022. While profitability decreased compared to the exceptional performance of 2021, it compares favourably to prior years. Under our divisional restructure, Acrylate Monomers moved to our new Health & Protection and Performance Materials division in January 2023. Acrylate Monomers continues to operate from a single site at Sokolov, Czech Republic.

Full year ended 31 December	2022	2021	Change	Constant currency[1]
	£m	£m	%	%
Safety (RCR)	0.31	0.40	(22.5)	
Revenue	97.7	95.2	2.6	2.5
Volumes (ktes)	50.8	55.9	(9.1)	
EBITDA	21.7	**35.3**	**(38.5)**	**(39.1)**
EBITDA % of revenue	22.2%	37.1%		
Operating profit (underlying performance)	20.6	34.5	(40.3)	(40.9)
Operating profit – statutory	20.6	29.3	(29.7)	

1 Underlying Constant currency revenue and profit retranslate current year results using the prior year's average exchange rates.
2 IS and AM are combined for operational reasons.

Safety

Acrylate Monomers achieved a recordable case rate of 0.31 in 2022 compared to 0.40 in 2021, thanks to continued progress on our injury rate reduction plan.

Disappointingly, there were three process safety events recorded in 2022. This is a setback after the previous four years, which had seen steadily improving process safety, with no process safety events in 2021. We remain committed to our process safety improvement plan.

Volumes

Overall volumes were 50.8ktes in 2022, a slight reduction in volumes compared to 2021 due to a change in product mix and planned maintenance outages on our lines.

Revenues and EBITDA

Acrylate Monomers delivered a robust performance on revenues, slightly ahead of the previous record in 2021. It achieved revenues of £97.7 million in 2022, a 2.6% increase on 2021, reflecting our consistent focus on product portfolio. EBITDA of £21.7 million in 2022 compares to our 2021 EBITDA of £35.3 million, reflecting the process of normalisation of unit margins in 2022 from the exceptional levels in 2021, which were driven by a number of supply constraints affecting the market. Significant inflationary pressures related to the war in Ukraine, particularly energy prices, were also a factor in 2022, while additional supply from regions outside Europe reduced our ability to maintain the strong unit margins of the prior year.

Sustainability highlights

A key element of our transformation programme at Sokolov was the closure of the site's coal-fired power station in April 2022. This marked the end of direct coal use in Synthomer, reinforcing our strong commitment to reducing our carbon footprint. Sharply-escalating gas prices triggered by Russia's invasion of Ukraine meant we needed to make a short-term switch to importing steam from a local coal-powered station at times in 2022, but our long-term commitment remains to a permanent move away from coal.

Our investment at the site will also reduce our site water requirements and CO_2 emissions by approximately a quarter.

Progress against FY 2022 priorities

- Continued to strengthen SHE practices and processes to drive improved performance at the plant.
- Continued to review potential options for new products, including successful testing of more sustainable products produced at lab-scale with several customers.
- We are also exploring collaboration with potential partners on developing new bio-based products which would support our customers in achieving their net zero aspirations.

Segmental analysis under new divisional structure in place from 1 January 2023 (unaudited)

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 performance)	**94.1**	**44.5**	**50.6**	**(26.7)**	**162.5**	**8.7**	**171.2**

Full year ended 31 December 2021, £m	CCS	AS	HPPM	Corp.	Continuing operations	Dis-continued	Total Group
Revenue	920.2	155.5	1,068.5	-	2,144.2	185.3	2,329.5
EBITDA	141.1	22.5	355.0	(20.6)	498.0	24.2	522.2
EBITDA % of revenue	15.3%	14.5%	33.2%		23.2%	13.1%	22.4%
Operating profit (underlying performance)	111.7	18.2	326.4	(23.5)	432.8	18.1	450.9

Consolidated income statement
for the year ended 31 December 2022

	2022			2021		
	Underlying performance £m	Special items £m	IFRS £m	Underlying performance £m	Special items £m	IFRS £m
Continuing operations						
Revenue	2,383.9	–	2,383.9	2,144.2	—	2,144.2
Company and subsidiaries operating profit before Special Items	160.8	–	160.8	430.2	—	430.2
Amortisation of acquired intangibles	–	(44.8)	(44.8)	—	(30.1)	(30.1)
Restructuring and site closure costs	–	(19.2)	(19.2)	—	(29.7)	(29.7)
Acquisition costs and related gains	–	(6.5)	(6.5)	—	(11.9)	(11.9)
Sale of business	–	(0.3)	(0.3)	—	(7.4)	(7.4)
Regulatory Fine	–	21.5	21.5	—	(57.2)	(57.2)
Impairment charge	–	(133.7)	(133.7)	—	—	—
Company and subsidiaries operating profit	160.8	(183.0)	(22.2)	430.2	(136.3)	293.9
Share of joint ventures	1.7	–	1.7	2.6	—	2.6
Operating profit/(loss)	162.5	(183.0)	(20.5)	432.8	(136.3)	296.5
Interest payable	(44.8)	–	(44.8)	(27.9)	—	(27.9)
Interest receivable	1.6	–	1.6	1.0	—	1.0
Fair value gain on unhedged interest derivatives	–	25.1	25.1	—	6.2	6.2
Net interest expense on defined benefit obligations	(1.2)	–	(1.2)	(2.0)	—	(2.0)
Interest element of lease payments	(1.4)	–	(1.4)	(1.5)	—	(1.5)
Finance costs	(45.8)	25.1	(20.7)	(30.4)	6.2	(24.2)
Profit/(loss) before taxation	116.7	(157.9)	(41.2)	402.4	(130.1)	272.3
Taxation	(27.6)	42.9	15.3	(93.6)	20.3	(73.3)
Profit/(loss) for the year from continuing operations	89.1	(115.0)	(25.9)	308.8	(109.8)	199.0
Profit/(loss) for the year from discontinuing operations attributable to equity holders of the parent	7.8	(14.9)	(7.1)	16.8	(5.8)	11.0
Profit/(loss) for the year	96.9	(129.9)	(33.0)	325.6	(115.6)	210.0
Profit attributable to non-controlling interests	0.5	(1.0)	(0.5)	0.4	0.9	1.3
Profit/(loss) attributable to equity holders of the parent	96.4	(128.9)	(32.5)	325.2	(116.5)	208.7
	96.9	(129.9)	(33.0)	325.6	(115.6)	210.0
Earnings per share						
– Basic from continuing operations	19.0p	(24.4)p	(5.4)p	71.3p	(25.6)p	45.7p
– Diluted from continuing operations	18.9p	(24.3)p	(5.4)p	71.1p	(25.5)p	45.6p
– Basic	20.6p	(27.6)p	(7.0)p	75.2p	(26.9)p	48.3p
– Diluted	20.6p	(27.6)p	(7.0)p	74.9p	(26.8)p	48.1p

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	2022			2021		
	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 year	(32.5)	(0.5)	(33.0)	208.7	1.3	210.0
Actuarial gains	34.1	–	34.1	66.8	—	66.8
Tax relating to components of other comprehensive income	(11.6)	–	(11.6)	(11.8)	—	(11.8)
Total items that will not be reclassified to profit or loss	22.5	–	22.5	55.0	—	55.0
Exchange differences on translation of foreign operations	95.9	0.8	96.7	2.8	(0.2)	2.6
Exchange differences recycled on sale of business	–	–	–	0.3	—	0.3
Fair value gain on hedged interest derivatives	9.7	–	9.7	3.4	—	3.4
Gains on net investment hedges taken to equity	2.4	–	2.4	3.3	—	3.3
Total items that may be reclassified subsequently to profit or loss	108.0	0.8	108.8	9.8	(0.2)	9.6
Other comprehensive income/(expense) for the year	130.5	0.8	131.3	64.8	(0.2)	64.6
Total comprehensive income for the year	98.0	0.3	98.3	273.5	1.1	274.6

Consolidated statement of changes in equity

for the year ended 31 December 2022

	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 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	46.7	620.0	0.9	75.9	273.5	1,017.0	14.0	1,031.0

	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 2021	42.5	421.1	0.9	(41.9)	192.4	615.0	13.1	628.1
Profit for the year	—	—	—	—	208.7	208.7	1.3	210.0
Other comprehensive income for the year	—	—	—	9.8	55.0	64.8	(0.2)	64.6
Total comprehensive income for the year	—	—	—	9.8	263.7	273.5	1.1	274.6
Dividends	—	—	—	—	(73.5)	(73.5)	(0.5)	(74.0)
Issue of shares	4.2	198.9	—	—	—	203.1	—	203.1
Share-based payments	—	—	—	—	1.2	1.2	—	1.2
At 31 December 2021	46.7	620.0	0.9	(32.1)	383.8	1,019.3	13.7	1,033.0

Consolidated balance sheet
as at 31 December 2022

	2022	2021
	£m	£m
Non-current assets		
Goodwill	480.8	487.0
Acquired intangible assets	523.6	297.6
Other intangible assets	60.9	46.4
Property, plant and equipment	753.6	508.3
Deferred tax assets	50.3	29.2
Defined benefit asset	5.9	—
Investment in joint ventures	8.1	7.4
Total non-current assets	1,883.2	1,375.9
Current assets		
Inventories	407.9	253.7
Trade and other receivables	271.6	312.8
Current tax assets	34.3	—
Cash and cash equivalents	227.7	505.3
Derivative financial instruments	26.7	3.2
Assets classified as held for sale	196.2	—
Total current assets	1,164.4	1,075.0
Total assets	3,047.6	2,450.9
Current liabilities		
Borrowings	(18.5)	—
Trade and other payables	(460.8)	(414.2)
Lease liabilities	(10.6)	(8.8)
Current tax liabilities	(33.6)	(45.2)
Provisions for other liabilities and charges	(13.7)	(85.2)
Derivative financial instruments	–	(10.1)
Liabilities classified as held for sale	(45.5)	—
Total current liabilities	(582.7)	(563.5)
Non-current liabilities		
Borrowings	(1,234.1)	(619.5)
Trade and other payables	(0.4)	(2.3)
Lease liabilities	(34.9)	(34.7)
Deferred tax liabilities	(44.9)	(57.5)
Retirement benefit obligations	(79.3)	(122.4)
Provisions for other liabilities and charges	(40.3)	(18.0)
Total non-current liabilities	(1,433.9)	(854.4)
Total liabilities	(2,016.6)	(1,417.9)
Net assets	1,031.0	1,033.0
Equity		
Share capital	46.7	46.7
Share premium	620.0	620.0
Capital redemption reserve	0.9	0.9
Hedging and translation reserve	75.9	(32.1)
Retained earnings	273.5	383.8
Equity attributable to equity holders of the parent	1,017.0	1,019.3
Non-controlling interests	14.0	13.7
Total equity	1,031.0	1,033.0

Consolidated cash flow statement
for the year ended 31 December 2022

		2022		2021
	£m	£m	£m	£m
Operating				
Cash generated from operations		237.7		387.5
– Interest received	1.6		1.0	
– Interest paid	(38.4)		(27.1)	
– Interest element of lease payments	(1.4)		(1.5)	
Net interest paid		(38.2)		(27.6)
– UK corporation tax paid	–		—	
– Overseas corporate tax paid	(65.6)		(86.4)	
Total tax paid		(65.6)		(86.4)
Net cash inflow from operating activities		133.9		273.5
Investing				
Dividends received from joint ventures		1.9		1.9
Purchase of property, plant and equipment and other intangible assets		(90.8)		(82.2)
Purchase of business		(759.6)		—
Proceeds from sale of business		0.3		1.7
Net cash outflow from investing activities		(848.2)		(78.6)
Financing				
Dividends paid		(99.5)		(73.5)
Dividends paid to non-controlling interests		–		(0.5)
Proceeds on issue of shares		–		203.1
Settlement of equity-settled share-based payments		(1.5)		(0.9)
Repayment of principal portion of lease liabilities		(10.1)		(9.7)
Repayment of borrowings		(207.6)		—
Proceeds of borrowings		733.2		—
Net cash inflow from financing activities		414.5		118.5
(Decrease)/increase in cash, cash equivalents and bank overdrafts during the year		(299.8)		313.4
Cash and cash equivalents and bank overdrafts at 1 January		505.3		191.3
Foreign exchange		3.7		0.6
Cash and cash equivalents and bank overdrafts at 31 December		209.2		505.3

See note 9 for further details of cash flows from discontinued operations

Notes to the consolidated financial statements

for the year ended 31 December 2022

1 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;
- 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:

	2022 £m	2021 £m
Amortisation of acquired intangibles	(44.8)	(30.1)
Restructuring and site closure costs	(19.2)	(29.7)
Acquisition costs and related gains	(6.5)	(11.9)
Sale of business	(0.3)	(7.4)
Regulatory Fine	21.5	(57.2)
Impairment charge	(133.7)	—
Total impact on operating loss	(183.0)	(136.3)
Finance costs		
Fair value gain on unhedged interest derivatives	25.1	6.2
Total impact on profit before taxation	(157.9)	(130.1)
Taxation Special items	3.6	8.8
Taxation on Special items	39.3	11.5
Total impact on profit for the year – continuing operations	(115.0)	(109.8)
Discontinued Operations		
Amortisation of acquired intangibles	(6.1)	(6.1)
Restructuring and site closure costs	(0.3)	—
Sale of business	(8.3)	—
Taxation on Special items	(0.2)	0.3
Total impact on profit for the year – discontinued operations	(14.9)	(5.8)
Total impact on profit for the year	(129.9)	(115.6)

1 Special items (continued)

Amortisation of acquired intangibles increased in 2022, reflecting the amortisation on the customer lists, patents, trademarks and trade secrets arising on the acquisition of Eastman's Adhesive Resins business. The fair value of the intangible assets arising on the acquisition, amounting to £273.2 million, 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 2022 comprise:

- A £9.6 million charge in relation to the ongoing integration of the acquired business into the newly formed Adhesive Technologies division;
- A £3.2 million charge in relation to site closure of one of the smaller sites in Malaysia;
- A further £6.7 million, in relation to further demolition and site rationalisation costs, as well as costs in relation to the strategy change and alignment of the business into its new divisions effective in 2023.

Restructuring and site closure costs in 2021 comprised £13.2 million of OMNOVA integration costs following its acquisition in 2020, an £11.6 million charge to demolish and rationalise assets at a small number of sites to bring them into line with our ESG strategy, and a further £4.9 million to complete the rationalisation of the Group's European Performance Materials network.

Acquisition costs and related gains are for the acquisition of Eastman's Adhesive Resins business and comprise £11.9 million of costs, mainly professional adviser fees, offset by a £5.4 million gain on a foreign exchange derivative entered into in October 2021 to hedge the acquisition price. Acquisition costs in 2021 also related to the acquisition of Eastman's Adhesive Resins business.

Sale of business mainly related to the costs, primarily professional fees, incurred in conjunction with the sale of the Laminates, Films and Coated Fabrics business to Surteco. In the prior year the sale of business principally comprised a further £7.1 million loss on the onerous contract for the disposal of Synthomer's European Tyre Cord business in 2020.

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.

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

Taxation Special Items related to historical tax issues in Malaysia.

Taxation on Special Items is mainly deferred tax credits arising on the amortisation of acquired intangibles and restructuring and site closure costs.

2 Segmental analysis

The Group's Executive Committee, chaired by the Chief Executive Officer, examines the Group's performance.
The Group's reportable segments are as follows:

Performance Elastomers

Performance Elastomers is focused on healthcare, carpet, paper and foam markets through our Nitrile Butadiene Rubber latex (Nitrile latex) and Styrene Butadiene Rubber latex and Elastomeric Modifiers businesses (Performance Materials).

Functional Solutions

Functional Solutions is focused on coatings, construction, adhesives and technical textiles markets through our acrylic and vinylic based dispersions products.

Industrial Specialities

Industrial Specialities is focused on speciality chemical additives and non-aqueous based chemistry for a broad range of applications from polymer additives to emerging materials and technologies.

Acrylate Monomers

Acrylate Monomers is focused on the production of acrylate monomers which are sold to external customers in European markets as well as our European Functional Solutions dispersions business.

2 Segmental analysis (continued)

Adhesive Technologies
Adhesive Technologies is focused on tackifying resins and additives for adhesive products, for uses in end markets such as packaging, hygiene and high-performance tyre additives. The division was formed from the newly acquired Adhesive Resins business purchased from Eastman.

With effect from 1 January 2023, the Group has implemented a new organisation structure, comprising three operating segments.

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.

	Continuing Operations							Discontinued Operations	
2022	Performance Elastomers £m	Functional Solutions £m	Industrial Specialities £m	Acrylate Monomers £m	Adhesive Technologies £m	Corporate £m	Total £m	Industrial Specialities	Total £m
Revenue									
Total revenue	659.7	1,001.3	233.9	116.0	391.3	–	2,402.2	201.2	2,603.4
Inter-segmental revenue	–	–	–	(18.3)	–	–	(18.3)	–	(18.3)
	659.7	1,001.3	233.9	97.7	391.3	–	2,383.9	201.2	2,585.1
EBITDA	49.1	127.8	31.8	21.7	39.5	(20.7)	249.2	15.9	265.1
Depreciation and amortisation	(29.6)	(26.7)	(6.3)	(1.1)	(17.0)	(6.0)	(86.7)	(7.2)	(93.9)
Operating profit/(loss) before Special Items	19.5	101.1	25.5	20.6	22.5	(26.7)	162.5	8.7	171.2
Special Items	(1.9)	(31.3)	(2.8)	–	(169.3)	22.3	(183.0)	(14.7)	(197.7)
Operating profit/(loss)	17.6	69.8	22.7	20.6	(146.8)	(4.4)	(20.5)	(6.0)	(26.5)
Finance costs									(21.1)
Loss before taxation									(47.6)

	Continuing Operations							Discontinued Operations	
2021	Performance Elastomers £m	Functional Solutions £m	Industrial Specialities £m	Acrylate Monomers £m	Adhesive Technologies £m	Corporate £m	Total £m	Industrial Specialities	Total £m
Revenue									
Total revenue	951.5	900.3	197.2	110.3	–	–	2,159.3	185.3	2,344.6
Inter-segmental revenue	–	–	–	(15.1)	–	–	(15.1)	–	(15.1)
	951.5	900.3	197.2	95.2	–	–	2,144.2	185.3	2,329.5
EBITDA	320.7	139.2	23.4	35.3	–	(20.6)	498.0	24.2	522.2
Depreciation and amortisation	(25.8)	(28.1)	(7.6)	(0.8)	–	(2.9)	(65.2)	(6.1)	(71.3)
Operating profit/(loss) before Special Items	294.9	111.1	15.8	34.5	–	(23.5)	432.8	18.1	450.9
Special Items	(8.0)	(41.3)	(8.0)	(5.2)	–	(73.8)	(136.3)	(6.1)	(142.4)
Operating profit/(loss)	286.9	69.8	7.8	29.3	–	(97.3)	296.5	12.0	308.5
Finance costs									(24.6)
Profit before taxation									283.9

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

Continuing and discontinued operations:	2022 £m	2021 £m
Operating (loss)/profit	(26.5)	308.5
Less: share of profits of joint ventures	(1.7)	(2.6)
	(28.2)	305.9
Adjustments for:		
– Depreciation of property, plant and equipment	76.4	54.4
– Depreciation of right of use assets	9.6	9.8
– Amortisation of other intangibles	7.9	7.1
– Share-based payments	0.7	2.1
– Special Items	197.7	142.4
Cash impact of restructuring and site closure costs	(25.9)	(17.8)
Cash impact of acquisition costs and related gains	1.7	(6.6)
Pension funding in excess of service cost	(21.3)	(27.0)
Movement in working capital	19.1	(82.8)
Cash generated from operations	237.7	387.5
Reconciliation of movement in working capital		
Increase in inventories	(12.3)	(87.7)
Decrease/(increase) in trade and other receivables	147.0	(64.8)
(Decrease)/increase in trade and other payables	(115.6)	69.7
Movement in working capital	19.1	(82.8)

4 Dividends

	2022		2021	
	Pence per share	£m	Pence per share	£m
Interim dividend	–	–	8.7	36.9
Proposed final dividend	–	–	21.3	99.5
	–	–	30.0	136.4

As part of a covenant amendment process in October 2022, the Group suspended dividend payments until the end of 2023.

This included the suspension of the interim dividend of 4.0p announced in 2022 that was due to be paid in November 2022.

Dividends paid	2022 £m	2021 £m
Interim dividend	–	36.9
Prior year final dividend	99.5	36.6
	99.5	73.5

5 Earnings per share

		2022			2021		
		Underlying performance	Special Items	IFRS	Underlying performance	Special Items	IFRS
Profit / (loss) attributable to equity holders of the parent – continuing operations	£m	88.6	(114.0)	(25.4)	308.4	(110.7)	197.7
Profit / (loss) attributable to equity holders of the parent	£m	96.4	(128.9)	(32.5)	325.2	(116.5)	208.7
Number of shares							
Weighted average number of ordinary shares – basic	'000			467,311			432,290
Effect of dilutive potential ordinary shares	'000			1,019			1,654
Weighted average number of ordinary shares – diluted	'000			468,330			433,944
Earnings per share for profit from continuing operations							
Basic earnings per share	pence	19.0	(24.4)	(5.4)	71.3	(25.6)	45.7
Diluted earnings per share	pence	18.9	(24.3)	(5.4)	71.1	(25.5)	45.6
Earnings per share for profit from discontinued operations							
Basic earnings per share	pence	1.6	(3.2)	(1.6)	3.9	(1.3)	2.6
Diluted earnings per share	pence	1.7	(3.3)	(1.6)	3.8	(1.3)	2.5
Earnings per share for profit attributable to equity holders of the parent							
Basic earnings per share	pence	20.6	(27.6)	(7.0)	75.2	(26.9)	48.3
Diluted earnings per share	pence	20.6	(27.6)	(7.0)	74.9	(26.8)	48.1

6 Finance costs

	2022 £m	2021 £m
Interest payable on bank loans and overdrafts	44.8	27.9
Less: interest receivable	(1.6)	(1.0)
Net interest expense on defined benefit obligations	1.2	2.0
Interest element of lease payments	1.4	1.5
Underlying finance costs	45.8	30.4
Fair value gain on unhedged interest derivatives	(25.1)	(6.2)
Total finance costs from continuing operations	20.7	24.2
Finance costs from discontinued operations	0.4	0.4
Total finance costs	21.1	24.6

7 Analysis of net debt

	1 January 2022 £m	Cash flows £m	Exchange and other movements £m	31 December 2022 £m
Bank overdrafts	–	(17.6)	(0.9)	(18.5)
Current liabilities	–	(17.6)	(0.9)	(18.5)
Bank loans	(187.9)	(525.6)	(64.2)	(777.7)
€520m 3.875% senior unsecured loan notes due 2025	(431.6)	–	(24.8)	(456.4)
Non–current liabilities	(619.5)	(525.6)	(89.0)	(1,234.1)
Total borrowings	(619.5)	(543.2)	(89.9)	(1,252.6)
Cash and cash equivalents	505.3	(282.2)	4.6	227.7
Net debt	(114.2)	(825.4)	(85.3)	(1,024.9)

Capitalised debt costs which have been recognised as a reduction in borrowings in the financial statements, amounted to £14.2 million at 31 December 2022 (31 December 2021: £9.9 million).

8 Acquisition

On 1 April 2022, the Group completed the acquisition of Eastman's Adhesive Resins business for a total consideration of £779.1 million. The asset identification and fair value allocation processes remain under review and will be finalised by 31 March 2023. The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are set out in the table below:

Provisional	£m
Identifiable intangible assets	273.2
Property, plant and equipment	264.5
Other non-current assets	6.2
Inventory	143.4
Trade and other receivables	94.0
Trade and other payables	(88.6)
Lease liabilities	(7.5)
Other non-current liabilities	(31.0)
Provisional fair value of net assets acquired	654.2
Goodwill[1]	124.9
Total consideration	779.1
Satisfied by:	
Cash	759.6
Deferred consideration	19.5
Total consideration transferred	779.1
Net cash outflow arising on acquisition:	
Cash consideration	759.6

The goodwill arising on acquisition represented the premium the Group paid to acquire the Adhesive Resins business from Eastman, to complement the existing businesses and to strengthen Synthomer's presence in North America and Europe.

In the period from acquisition to 31 December 2022 the business contributed £391.3 million to the Group's revenue, £39.5 million to the Group's EBITDA, £22.5 million to the Group's Underlying operating profit and a loss of £146.8 million to the Group's IFRS operating profit. If the acquisition had been completed on the first day of the financial year the business would have contributed £510.9 million to the Group's revenue, £60.0 million of the Group's EBITDA, £38.8 million to the Group's Underlying operating profit and a loss of £135.0 million to the Group's IFRS operating loss.

9 Discontinued operations

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 with net cash proceeds of $262 million.

The associated assets and liabilities were consequently presented for sale in the 2022 financial statements.

The Laminates, Films and Coated Fabrics businesses all form part of the Industrial Specialities division.

Financial information in respect of the discontinued operation is set out below:

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

9 Discontinued operations (continued)

Financial performance and cash flow information

	2022 £m	2021 £m
Revenue	201.2	185.3
EBITDA	15.9	24.2
Depreciation and amortisation – Underlying performance	(7.2)	(6.1)
Operating profit – Underlying performance	8.7	18.1
Special items	(14.7)	(6.1)
Operating (loss)/profit – IFRS	(6.0)	12.0
Finance costs	(0.4)	(0.4)
(Loss)/profit before taxation	(6.4)	11.6
Taxation	(0.7)	(0.6)
(Loss)/profit for the year	(7.1)	11.0

Cash flows from discontinued operations

	2022 £m	2021 £m
Net cash inflow from operating activities	5.6	5.2
Net cash outflow from investing activities	(4.0)	(3.1)

Assets and liabilities classified as held-for-sale

As of 31 December 2022, the disposal group was recognised at the lower of its carrying amount and fair value less costs to sell, and comprised the following main categories of assets and liabilities:

	2022 £m
Non-current assets	
Goodwill	43.5
Acquired intangible assets	44.4
Other intangible assets	2.8
Property, plant and equipment	54.7
Deferred tax assets	1.1
Total non-current assets	146.5
Current assets	
Inventories	31.1
Trade and other receivables	18.6
Total current assets	49.7
Total assets	196.2
Current liabilities	
Trade and other payables	(22.8)
Lease liabilities	(0.5)
Current tax liabilities	(0.3)
Total current liabilities	(23.6)
Non-current liabilities	
Lease liabilities	(2.2)
Deferred tax liabilities	(18.1)
Retirement benefit obligations	(1.6)
Total non-current liabilities	(21.9)
Total liabilities	(45.5)
Net assets held for sale	150.7

10 Post-balance sheet events

Sale of business

On 28 February 2023, the Group completed the sale of its laminates, films and coated fabrics businesses to Surteco North America, Inc. The net cash proceeds received at completion amounted to $262m after transaction expenses and adjustments for working capital, debt and debt-like items as described in the circular issued to shareholders on 16 December 2022. A further $5m is payable in cash on the thirteen month anniversary of completion.

Sufficient information is not currently available to disclose the profit on the sale of the businesses.

Refinancing

On 21 March 2023 the Group refinanced its existing bank loan facilities, signing a new $480m committed revolving credit facility which matures on 31 May 2025. All amounts outstanding on its existing $260 million term loan, $300 million term loan and €460 million revolving credit facility were subsequently repaid and the facilities were cancelled. The financial covenant for the new facility is that the net debt must be less than 6.0 times EBITDA at 30 June 2023, less than 5 times EBITDA at December 2023, less than 4.25 times EBITDA at June 2024 and less than 3.5 times EBITDA at December 2024. The financial covenants in the UK Export Finance facility have been aligned to these levels.

11 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).