

ELEMENTIS

*A global specialty chemicals company*

# Elementis plc

## **Preliminary Results**

Year ended 31 December 2011



## Preliminary Results

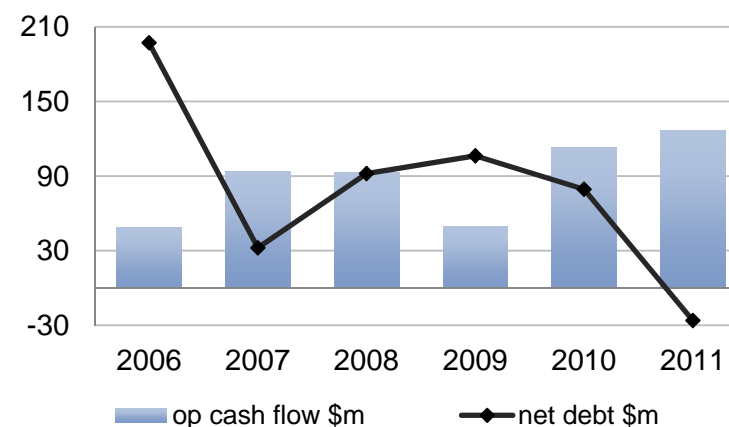
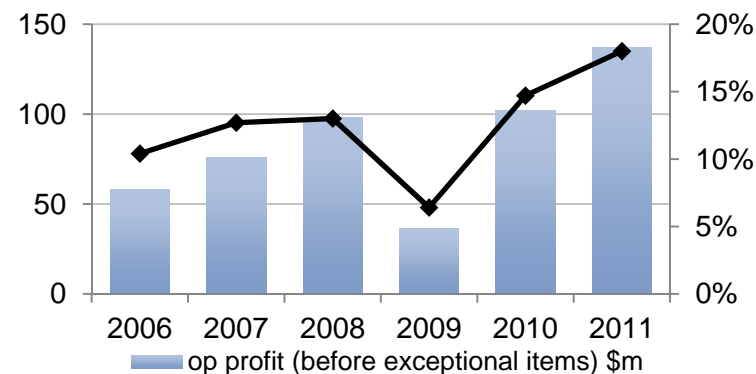
\$ millions	2011	2010	% change
Revenue	760.5	697.4	+9%
<b>Before exceptional items:</b>			
Operating profit	137.1	102.3	+34%
Operating margin	18.0%	14.7%	
Profit before tax	134.5	96.0	+40%
EPS	20.8c	15.2c	+37%
Operating cash flow	126.3	112.9	+12%
<b>As reported:</b>			
Full year dividend	7.0c	4.9c	+42%
Basic EPS	27.8c	16.7c	

## Highlights

### Significant improvement in all key performance indicators

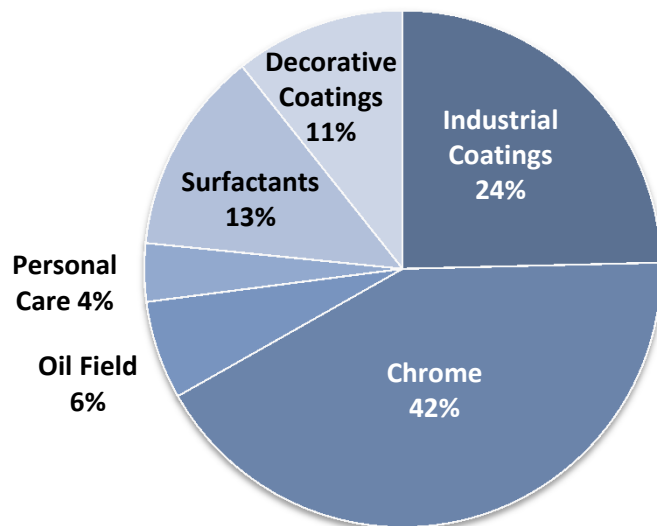
(revenue, profit, margins, EPS, cash flow)

- Elementis Specialty Products
  - Record year of financial performance
  - Capacity investment in North America and Europe
- Elementis Chromium
  - Strong earnings and cash flow – reduced volatility
  - Natural gas conversion delivered \$5 million savings
- Full year dividend increased by 42 per cent
- Strong cash flow performance – net cash position

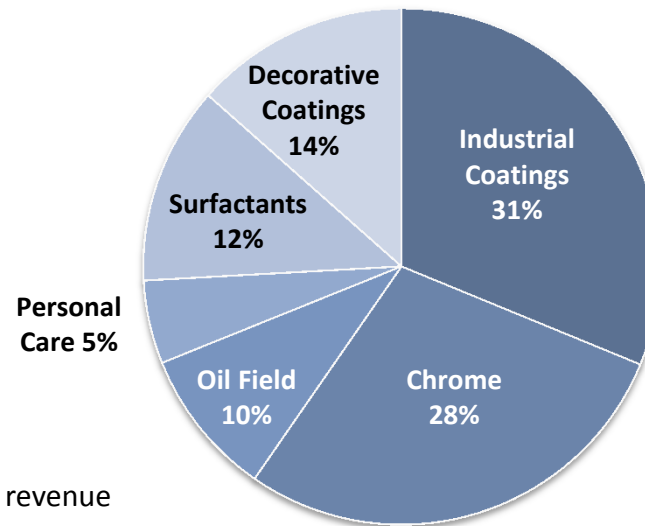


## Strategic Shift in Products and Markets

2008



2011



Based on sales revenue

More **diversified business**

**Larger Specialty Products** component

Growth in **Coatings, Oil Field** and **Personal Care**



## Transforming the Business

### **Chromium**

stable earnings and cashflow

- European restructuring
- Flexible energy platform

### **Specialty Products**

growth and resilience

- Stronger team
- Deuchem acquisition – strong position in Asia Pacific
- Innovation model – improved product pipeline
- Oil Field – rapid growth in shale drilling
- Fancor – expanding in personal care
- Investing in capacity to support new product technologies and growth

Sustainable competitive advantage



## Chromium

\$ millions	2011	2010	% Change
Sales	231.0	209.7	+10%
Operating profit	56.1	35.8	+57%
Operating margin	24%	17%	
ROCE*	67%	45%	

**Strong** financial performance

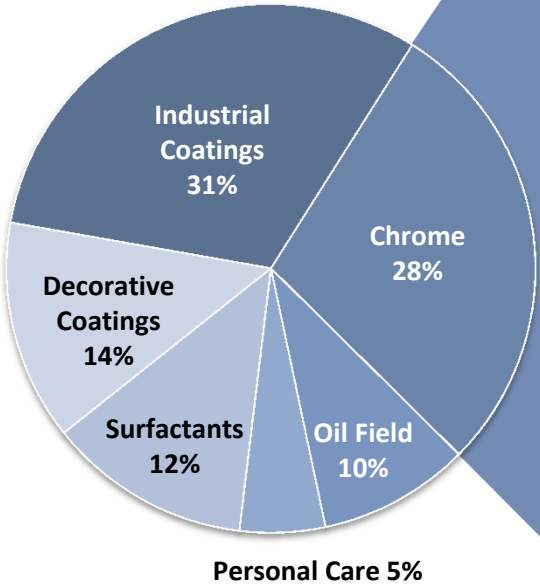
Business running at **high capacity utilisation**

Energy project delivered \$5m in savings



# Strategic Diversity in Products and Markets

**2011**

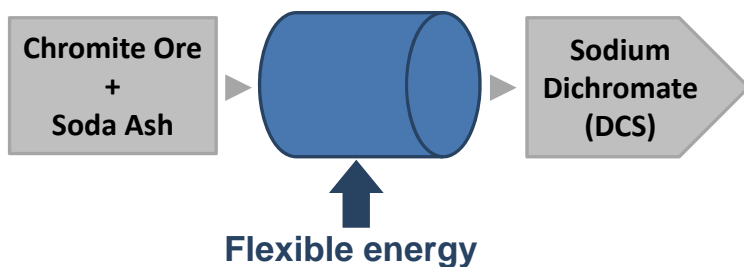


Major Markets	Major Uses	Market Drivers
<b>Pigments</b>	<ul style="list-style-type: none"> <li>• Roof tiles, asphalt shingles, floor tiles</li> </ul>	<ul style="list-style-type: none"> <li>• Construction</li> <li>• OEM and military coatings</li> </ul>
<b>Refractory</b>	<ul style="list-style-type: none"> <li>• Redbrick flat glass and fiberglass kilns</li> </ul>	<ul style="list-style-type: none"> <li>• Construction</li> </ul>
<b>Chrome metal</b>	<ul style="list-style-type: none"> <li>• Super alloys</li> </ul>	<ul style="list-style-type: none"> <li>• Aircraft engines, wind, gas turbines</li> </ul>
<b>Functional plating</b>	<ul style="list-style-type: none"> <li>• Shock absorbers, hydraulic cylinders</li> </ul>	<ul style="list-style-type: none"> <li>• Automotive</li> <li>• Heavy and light machinery</li> </ul>
<b>Decorative plating</b>	<ul style="list-style-type: none"> <li>• Sanitary fixtures, auto grills, door handles</li> </ul>	<ul style="list-style-type: none"> <li>• Automotive</li> <li>• Construction</li> </ul>
<b>Timber treatment</b>	<ul style="list-style-type: none"> <li>• Telephone poles, marine piling, RR ties</li> </ul>	<ul style="list-style-type: none"> <li>• Infrastructure</li> </ul>
<b>Leather tanning</b>	<ul style="list-style-type: none"> <li>• Soften and improve durability of hide</li> </ul>	<ul style="list-style-type: none"> <li>• Beef consumption</li> </ul>

Based on sales revenue

US facilities are globally cost competitive producing a full range of Chromium products serving diverse markets

## Flexing the Model



	Sales Mix		Markets
	Q1-3	Q4	
Chrome Oxide	23%	17%	colourants, coatings, alloys
Chromic Acid	37%	45%	wood preservation, plating
Chrome Sulphate	8%	6%	leather tanning
Dichromate	32%	32%	merchant market, catalyst

Plant operated at **high capacity utilisation** throughout the year

**Flexible production capability** allowed business to adapt to Q4 changes in demand while maintaining margins and profitability





## Surfactants

\$ millions	2011	2010
Sales	94.3	88.1
Operating profit*	5.4	6.1

Volumes reduced by 16% **in line with strategy**

**Profitability sustained** through pricing discipline

2010 benefited from a one-time legal settlement of \$2.7m

Facility preferentially supporting Specialty Products business

\* Before exceptional items



## Specialty Products

\$ millions	2011	2010	% Change
Sales	449.9	410.8	+10%
Operating profit*	89.7	71.8	+25%
Operating margin*	20%	17%	
ROCE**	43%	36%	

**Record earnings**

**High quality** customer offering

**Investing in capacity** to support growth

Continuing to **benefit** from geographic and market diversity

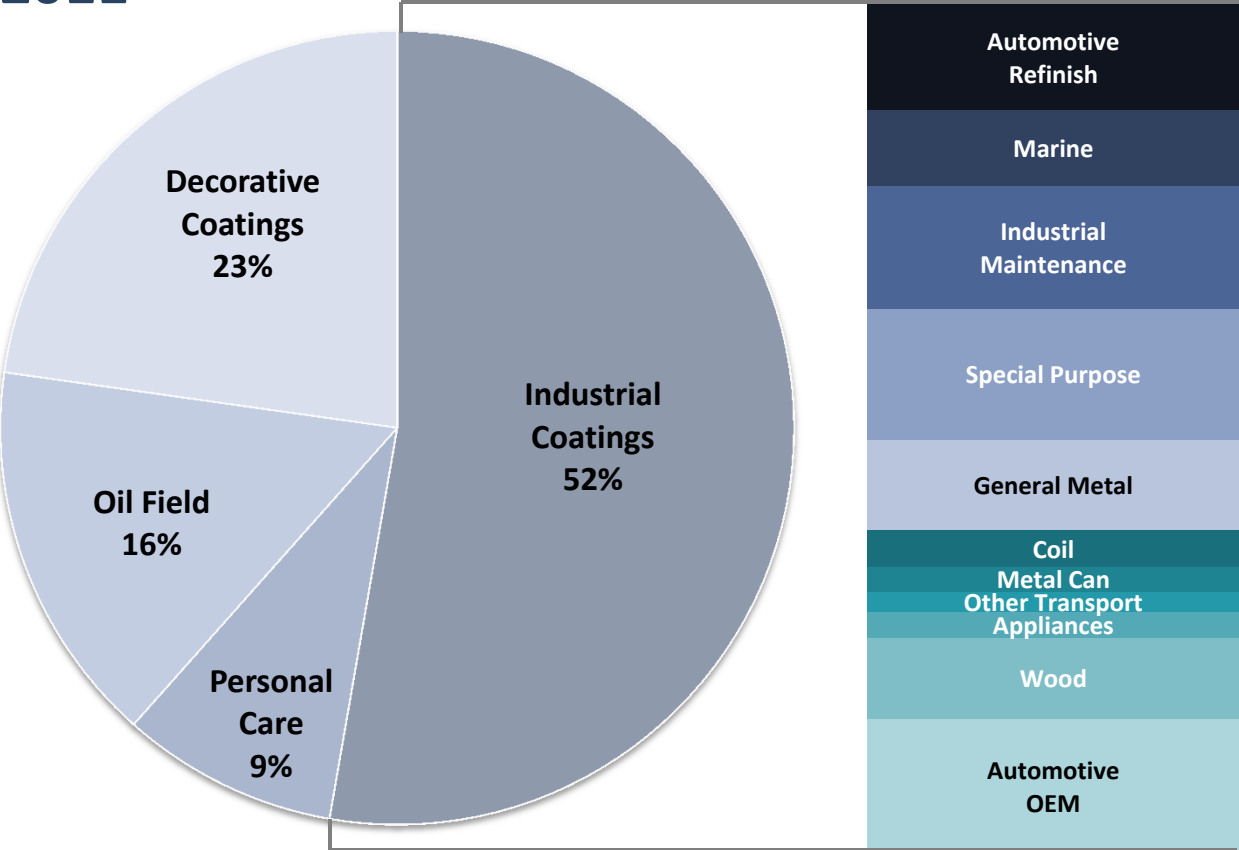
\* Before exceptional items

\*\* Before tax and excluding goodwill



**Strategic Diversity in Products and Markets**

**2011**



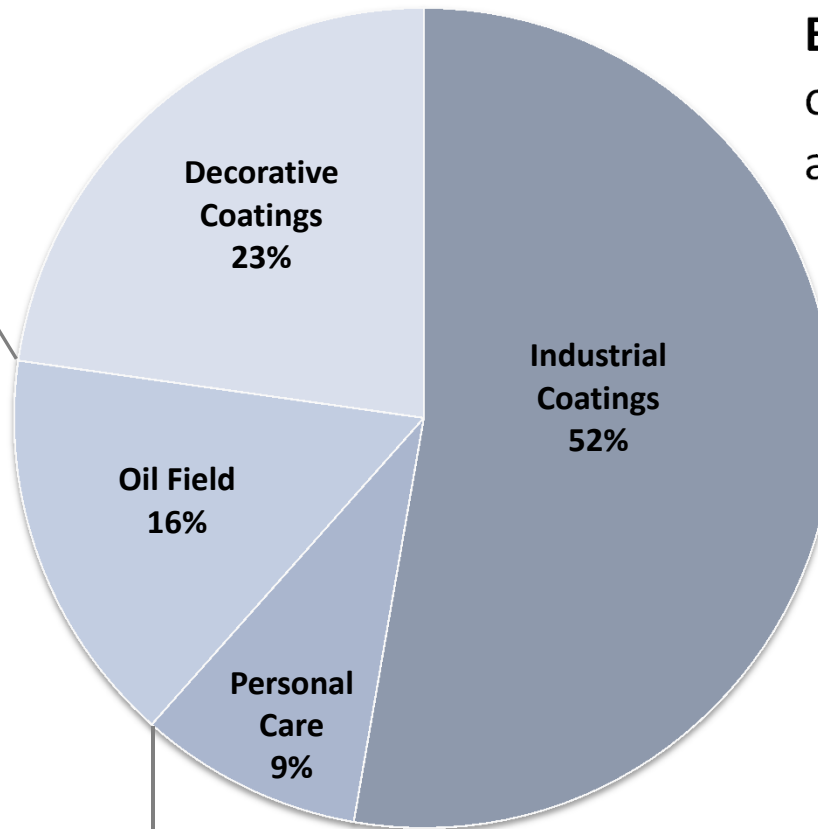
**High value additives**  
for a broad range of  
high value markets

Specialty Products sales revenue



## Strategic Diversity in Products and Markets

2011



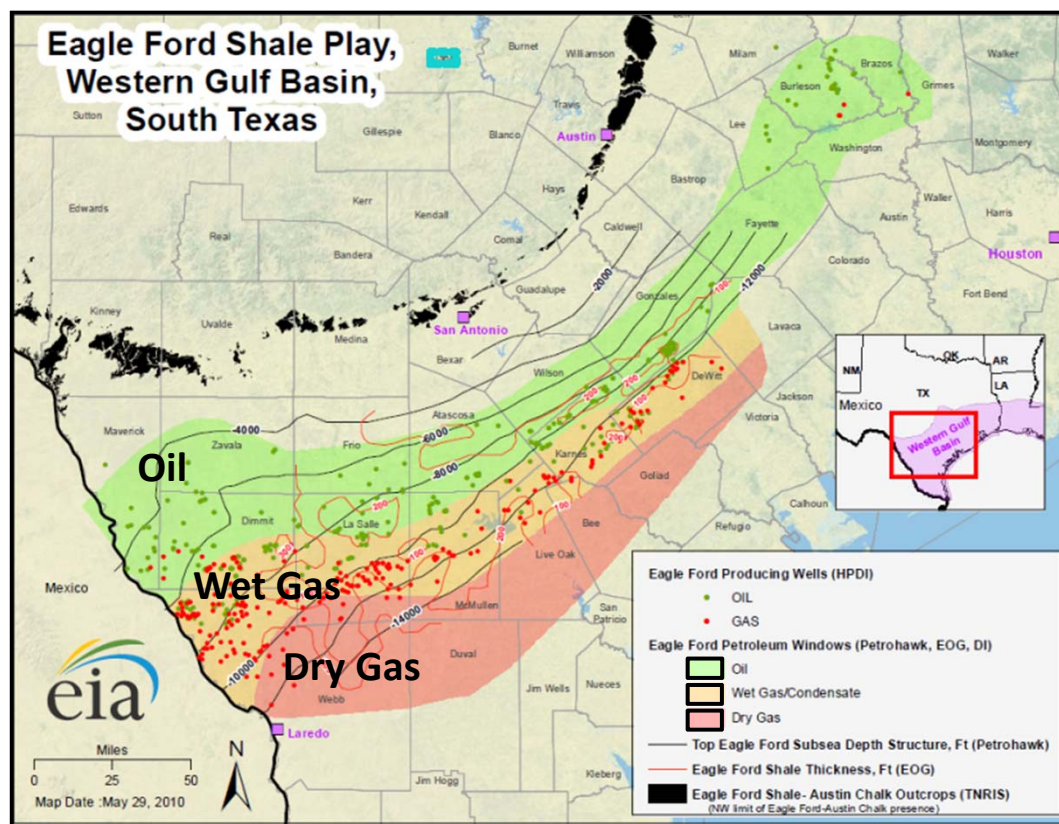
Balanced range of oil field drilling applications

Based on sales revenue



## Eagle Ford Shale / South Texas

Market dynamics drive allocation of drilling rigs to different fuel sources – all using Elementis products





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## Innovation and Investment



Traction and momentum from innovation and new product development model

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\$15 million initial investment to support growth of aqueous based **Rheology** for decorative coatings

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Geographic expansion will continue to be a priority

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New technology centre will be commissioned in April

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## Capital Spending – Investing in Growth

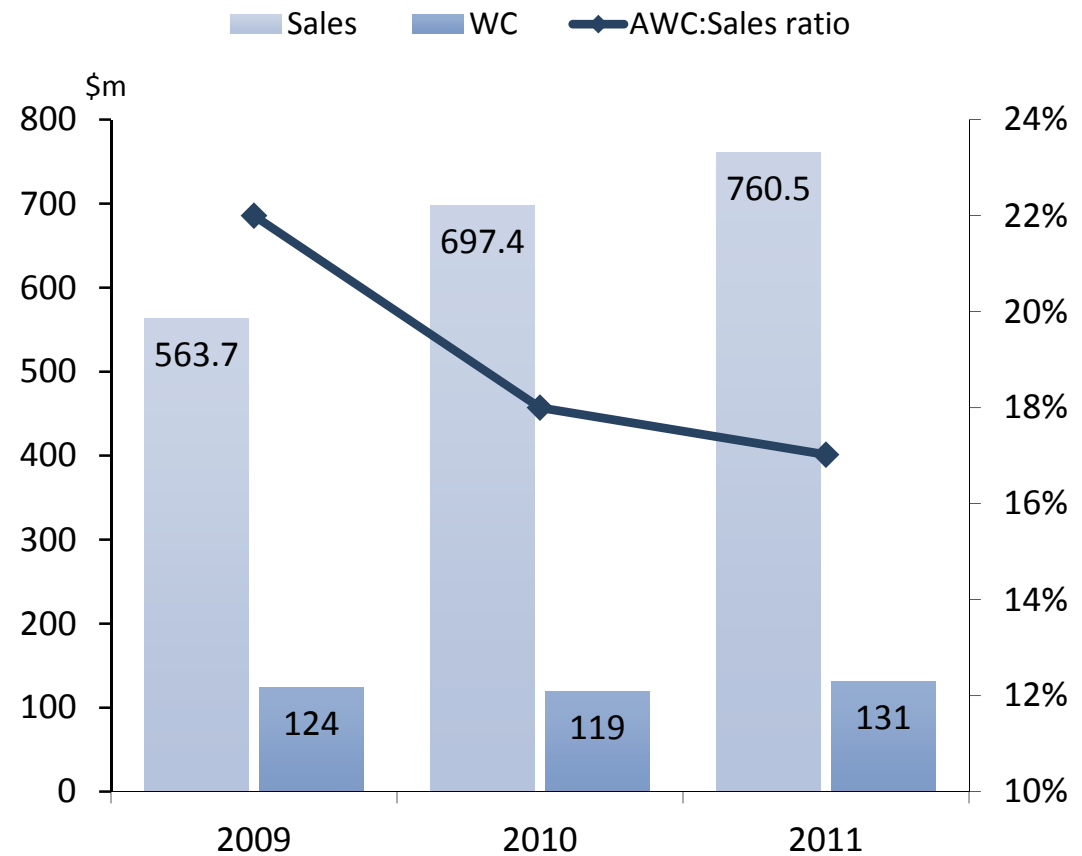
\$ millions	2011	2010
Plant expansions	5.7	1.6
Maintenance & productivity	5.0	5.7
<b>Total Specialty Products</b>	<b>10.7</b>	<b>7.3</b>
Energy project	2.0	1.7
Maintenance & productivity	5.8	4.3
<b>Total Chromium</b>	<b>7.8</b>	<b>6.0</b>
Other	2.3	0.7
<b>Group total</b>	<b>20.8</b>	<b>14.0</b>
<b>Depreciation</b>	<b>19.9</b>	<b>21.4</b>

## Working Capital

### Sustainable improvements in working capital

Average working capital to sales ratio reduced to **17.2%** (2010: 18.0%)

Some increase likely in 2012 due to strategic inventory levels



## Retirement Plans

\$ millions	2011	2010
Net deficit on all schemes	94.8	67.4
Contributions		
UK	15.6	10.2
US	5.7	7.7
Other	0.7	0.5
<b>Total</b>	<b>22.0</b>	<b>18.4</b>

Increase in net deficit is mainly a result of falling bond yields

### UK Plan

- Under current funding plan, deficit contributions can only increase further if returns to shareholders increase as well
- Triennial valuation and review of funding arrangements to be completed by end of 2012





## Cash Flow

\$ millions	2011	2010
EBITDA	157.0	123.7
Working capital	(9.3)	1.9
Capital expenditure	(20.8)	(14.0)
Pensions	(22.0)	(18.4)
Dividend	(21.9)	(20.0)
Interest, tax, other	(10.2)	(7.4)
Currency translation	0.9	1.9
Exceptional items	31.8	(40.7)
<b>Change in net debt</b>	<b>105.5</b>	<b>27.0</b>
Net cash/(debt)	26.2	(79.3)



## Tax Charge

\$ millions	2011	2010
Net tax charge	(39.7)	(27.7)
<b>Tax rate</b>	<b>30%</b>	<b>29%</b>
Exceptional tax credit	1.8	5.8
Reported tax charge	(37.9)	(21.9)

Rate is **sensitive** to geographic mix of profits

Exceptional tax credit **\$1.8m in 2011 linked to change in pension deficit**

Cash tax rate still low at 6%, but will increase over next two years to around 20%

Estimated tax rate for 2012 remains at **30%**



## Dividend

	2011	2010	2009
Per share	7.0c	4.9c	4.5c

Full year dividend increased by 42%, consistent with strong earnings and cash flow

Covered 3 times, excluding exceptional items

Capital structure under review



## Summary

### Reporting record results

- Revenue up 9% | EPS up 37% | Dividend up 42%
- Businesses are benefiting from greater diversity in end markets and geography
- Financial flexibility due to strong balance sheet with net cash position
- Investor day on 15 May 2012

### Outlook

- Solid start to 2012 trading
- Confident in our ability to maintain margins and make further progress

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**Thank you**

